
LANCASHIRE HOLDINGS LIMITED

**TERMS OF REFERENCE OF THE
NOMINATION, CORPORATE GOVERNANCE
AND SUSTAINABILITY COMMITTEE**

**Adopted on 28 July 2020
(replacing the versions of 23 July 2014)**

Lancashire Holdings Limited
(the “Company”)

Nomination, Corporate Governance and Sustainability Committee

Terms of Reference

On 9 December 2005 the board of directors of the Company (the “**Board**”) resolved to establish a Nomination, Corporate Governance and Sustainability Committee of the Board (the “**Committee**”). These terms of reference were amended, restated and adopted by the Board on 28 July 2020 replacing those previously approved on 23 July 2014.

1. Membership

- 1.1 The Committee shall comprise at least three directors. A majority of the members of the Committee shall be independent non-executive directors.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the chief executive, the head of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.
- 1.3 Appointments to the Committee are made by the Board on the recommendation of the Committee and shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.
- 1.4 The Board shall appoint the Committee chairman who should be either the chair of the Board or an independent non-executive director. In the absence of the Committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board. The chairman of the Board shall not chair the Committee when it is dealing with the matter of succession of the chair of the Board.

2. Secretary

- 2.1 The company secretary or their nominee shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be two members, both of whom shall be independent non-executive directors. No meeting of the Committee shall be quorate if the majority of the members present consist of persons who are not independent non-executive directors. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. Frequency of meetings

- 4.1 The Committee shall meet at least twice a year and otherwise as required.

5. Notice of meetings

- 5.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chair or any of its members.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

6. Minutes of meetings

- 6.1 The secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.
- 6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board, unless, exceptionally, it would be inappropriate to do so.

7. Engagement with Shareholders

- 7.1 The Committee chair should attend the annual general meeting to answer any shareholder questions on the Committee's activities. In addition, the Committee chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

8. Duties

The Committee should carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

The Committee shall

- 8.1 Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.
- 8.2 Ensure plans are in place for orderly succession to the Board and senior management positions, and oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future.
- 8.3 Keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

- 8.4 Keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.
- 8.5 Be responsible for identifying, and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- 8.6 Before any appointment is made by the Board (including an appointment to the role of chair of the Board), evaluate the balance of skills, knowledge, independence and experience and diversity on the Board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment and the time commitment expected. In identifying suitable candidates the Committee shall
 - 8.6.1 use open advertising or the services of external advisers to facilitate the search;
 - 8.6.2 consider candidates from a wide range of backgrounds; and
 - 8.6.3 consider candidates on merit and against objective criteria having due regard to the benefits of diversity on the Board and taking care that appointees have enough time available to devote to the position.
- 8.7 Prior to the appointment of a director (and on the appointment of a chair of the Board), other significant time commitments should be disclosed and any additional future commitments should not be undertaken without prior approval of the Board (or the chair of the Board acting on the Board's behalf, except in relation to the chair's own commitments which should be discussed in the first instance with the senior independent director). The proposed appointee should be required to disclose other business interests that may result in a conflict of interest. These must be authorised by the Board prior to appointment and any future business interests that could result in a conflict of interest must not be undertaken without prior authorisation of the Board (or the chair of the Board acting on the Board's behalf, or the senior independent director, as appropriate).
- 8.8 Ensure that, on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.
- 8.9 Review the results of the Board performance evaluation process that relate to the composition of the Board and succession planning.
- 8.10 Review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties.
- 8.11 Work and liaise as necessary with all other Board committees, ensuring the interaction between committees and with the Board is reviewed regularly.

The Committee shall also make recommendations to the Board concerning

- 8.12 Any changes needed to the succession planning process if its periodic assessment indicates the desired outcomes have not been achieved.

- 8.13 Suitable candidates as new directors and succession for existing directors, for both executive and non-executive directors and in particular for the key roles of chair of the Board and chief executive.
- 8.14 Suitable candidates for the role of senior independent director.
- 8.15 Membership of the audit and remuneration committees, and any other Board committees as appropriate, in consultation with the chairs of those committees.
- 8.16 The reappointment of any non-executive director at the conclusion of their specified term of office and/or their nomination for re-election by shareholders having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.
- 8.17 The re-election by shareholders of directors under the annual re-election provisions of the UK Corporate Governance Code (the “**Code**”) or the retirement by rotation provisions in the Company’s Bye-laws, having due regard to their performance and ability and why their contribution is important to the Company’s long-term sustainable success in the light of the skills, experience and knowledge required and the need for progressive refreshing of the Board, taking into account the length of service of individual directors, the chair of the Board and the Board as a whole.
- 8.18 Any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and their service contract.
- 8.19 The appointment of any director to executive or other office.
- 8.20 Generally, keep under review the Company’s corporate governance, especially compliance with the UK Corporate Governance Code, including review of the terms of reference of the committees of the Board and the Board Schedule of Reserved Matters.
- 8.21 Generally, keep under review material legal and regulatory developments pertinent to the Company’s social responsibilities and related opportunities and risk management, including the Company’s policy statements pertinent to such issues including, but not limited to, diversity, anti-slavery and other developments in the area of corporate social responsibility. Liaising, as appropriate, with other committees and the Board.
- 8.22 Receive a report at least annually on the charitable and related corporate social responsibility activities of the Company and donations to the Lancashire Foundation and the appointment of trustees to and removal from the Lancashire Foundation.
- 8.23 Generally, keep under review material legal and regulatory developments pertinent to the Company’s environmental responsibilities and environmental risk management, including requirements relevant to the monitoring, reporting and management of the Company’s carbon emissions. Liaising, as appropriate, with other committees and the Board.

9. Reporting responsibilities

- 9.1 The Committee chair shall report to the Board after each meeting on the nature and content of its discussion, recommendations and action to be taken.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be made available for Board discussion when necessary.
- 9.3 The Committee shall produce a report to be included in the Company's annual report describing the work of the Committee, including
 - 9.3.1 the process used in relation to appointments, its approach to succession planning and how both support the development of a diverse pipeline;
 - 9.3.2 how the Board evaluation has been conducted, the nature and extent of an external evaluator's contact with the Board and individual directors, the outcomes and actions taken, and how it has influenced or will influence Board composition;
 - 9.3.3 the policy on diversity and inclusion, its objectives and linkage to Company strategy, how it has been implemented and progress on achieving the objectives;
 - 9.3.4 the gender balance of those in the senior management team and their direct reports; and
 - 9.3.5 the work of the Lancashire Foundation and other material developments relevant to the sustainability of the Company and its operations, including its corporate, social and environmental responsibilities.
- 9.4 If an external search consultancy has been engaged, it should be identified in the annual report alongside a statement about any other connection it has with the Company or individual director.

10. Other matters

The Committee shall

- 10.1 Have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required.
- 10.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 10.3 Give due consideration to all relevant laws and regulations, the provisions of the Code and associated guidance, and the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.
- 10.4 Ensure that a periodic evaluation of the Committee's own performance is carried out.
- 10.5 At least annually review the Committee's constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

11. Authority

- 11.1 The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

Adopted on 28 July 2020