

## TERMS OF REFERENCE – THE SEARCH COMMITTEE

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The Code<sup>1</sup> states that “The board should establish a search committee,” unless “the board is of the view that, owing to the size, complexity and risk profile of the co-operative, a search committee is not necessary.”<sup>2</sup>

This guidance note explains the role and the authority delegated to the search committee (the “committee”) by the board. It should be made available to the members of the Society by placing them on the Society’s website – [www.lincolnshire.coop](http://www.lincolnshire.coop)

Although a democratic system exists in the co-operative sector to determine membership of the board, the Society recognises the value of establishing a search committee, to enable the board to identify skills gaps on the board and manage the search programme for directors and co-opted professional external directors. The committee should also have responsibility for establishing a succession plan for the key executive positions of chief executive and secretary.

The committee should evaluate the balance of skills, knowledge and experience on the board. After undertaking this evaluation, it should prepare a recommendation to the board on the profile of individuals that would be required to fill any significant skills shortages. It may also be appropriate to inform members of such identified skills gaps and encourage those with the necessary skills to come forward for election.

Within the execution of the democratic process, the Society should go through a formal process of reviewing the balance and evaluating the effectiveness of its board, identifying the skills lacking, and the individuals that may need to be approached who would best provide them.

### **Membership**

The Board shall appoint the search committee and shall be made up of at least 3 members and not exceed 50% of the total number of directors.

Only members of the committee, and the secretary (or the person nominated to service the committee) have the right to attend committee meetings. However, other individuals such as the chief executive, members of the Senior Leadership Team and external advisers may be invited to attend meetings, as and when appropriate.

Appointments to the committee shall be for a period of up to three years, which may be extended for two further three-year periods provided that the director still meets the criteria for membership of the committee.

Individuals should be selected to serve on the committee having regard to their experience and qualifications.

The board shall appoint the chair of the committee. In the absence of the committee chair at a meeting or if they are unable to act, then the remaining members present shall elect one of their number to chair the meeting.

If the chair of the committee is also the chair of the board, then he/she shall not chair the committee when it is formulating plans to deal with the succession of the chair of the board.

## **Secretary**

The secretary, or their nominee, shall act as the secretary of the committee.

## **Quorum**

The quorum necessary for the transaction of business shall be 2. 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.

## **Frequency of Meetings**

The committee shall meet at least twice a year or at such regular intervals as decided by the chair of the committee.<sup>3</sup>

## **Notice of Meetings**

Meetings of the committee shall be convened by the secretary of the committee at the request of the chair of the committee.

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, any other person required to attend and all other directors, 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.

## **Minutes of Meetings**

The secretary, or their nominee, shall minute the proceedings and resolutions of all committee meetings including the names of those present and in attendance.

Draft minutes of committee meetings shall be circulated promptly to all members of the committee and the chair of the board.

Once approved, minutes should be circulated to all other members of the board, unless, in the opinion of the committee chair, it would be inappropriate to do so.

## **Annual General Meeting**

The chair of the committee, or a nominated deputy, shall attend the Annual General Meeting<sup>4</sup> and be prepared to respond to any member questions on the committee's activities.

## **Duties**

The committee shall carry out the duties below, for the Society and its subsidiaries:

- a. Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the board compared to its current position and make recommendations to the board with regard the profile of individuals that would be required to fill any significant skills shortages;

- b. Inform the secretary of any skills deficiencies on the board and ensure that the necessary training is provided to existing directors;
- c. From time to time inform the membership of any identified skills gaps, and advertise for those members with the requisite qualities to come forward for election;
- d. Give full consideration to succession planning for co-opted professional external directors in the course of its work, taking into account the challenges and opportunities facing the Society and the skills and expertise that may be needed on the board in the future;
- e. Be responsible for identifying and nominating for the approval of the board, candidates to fill vacancies for co-opted professional external directors, as and when they arise;
- f. Before any appointment of a co-opted professional external director, evaluate the balance of skills, knowledge, experience on the board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the committee shall:
  - use open advertising or the services of external advisers to facilitate the search;
  - consider candidates from a wide range of backgrounds; and
  - consider candidates on merit, against objective criteria and with due regard for the benefits of diversity on the board, taking care that appointees have enough time available to devote to the position;
- g. Keep under review the leadership needs of the Society, with a view to ensuring the continued ability of the Society to compete effectively in the marketplace;
- h. Keep up to date and fully informed about strategic issues and commercial changes affecting the Society and the market in which it operates;
- i. Review annually the time required from all directors. Performance evaluation should be used to assess whether all directors are spending enough time appropriately discharging their duties;
- j. For the appointment of a chair, the committee should prepare a role description, including the time commitment expected.<sup>5</sup> Any other significant commitments of a proposed should be disclosed to the board before appointment and any changes to the chair's commitments should be reported to the board as they arise;
- k. Prior to the appointment of a director or member of the senior leadership team, the proposed appointee should be required to disclose any other business interests – including any external directorships – that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest;<sup>6</sup>
- l. Review the results of the board performance evaluation process that relate to the composition of the board; and
- m. Work and liaise as necessary with all other board committees;
- n. Ensure that on appointment to the board, all 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.

2. The committee shall also make recommendations to the board concerning:
  - a. Formulating plans for succession for the board and senior leadership team in particular for the key role of chief executive;
  - b. Membership of the audit and remuneration and any other board committees, in consultation with the chairs of those committees;
  - c. The re-appointment of any co-opted professional external director at the conclusion of their specified term of office for ratification by the members. 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;
  - d. The re-election by members of the board under the re-election provisions of the Code or the Society's rules, having due regard to their performance and ability to continue to contribute to the board in the light of knowledge, skills and experience required and the need for progressive refreshing of the board

### **Reporting Responsibilities**

The committee chair shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.

The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

The committee shall make a statement in the annual report about its activities, the process used to make appointments to the senior leadership team and co-opted professional external directors, and explain if external advice or open advertising has been used. The committee may also choose to include a statement of the board's policy on diversity, any measurable objectives that it has set for implementing the policy and progress on achieving the objectives.

### **Other**

1. The committee shall:
  - a. Have access to sufficient resources in order to carry out its duties, including access to the secretary for assistance as required;
  - b. Be provided with appropriate and timely induction, training and ongoing professional development to ensure it is able to carry out its role effectively;
  - c. Give due consideration to the Code; and
  - d. Arrange for periodic reviews of its own performance and regularly review its 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.

**Authority**

1. The committee is authorised to:
  - a. seek any information it requires from any employee of the Society via the secretary, in order to perform its duties;
  - b. To obtain, at the Society's expense, outside legal or other professional advice on any matter within its terms of reference; and
  - c. To call any employee to be questioned at a meeting of the committee as and when required.
2. The committee operates under the delegated power of the board. In the case of disputes, decisions made by the board must override those of any committee.