

# **WH SMITH PLC**

## **TERMS OF REFERENCE – NOMINATIONS COMMITTEE**

### **1. COMPOSITION**

- 1.1 The Nominations Committee shall be a Committee of the Board and its members appointed by the Board.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Group HR Director and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 1.3 The Committee shall comprise not less than three independent non-executive directors of the Company. The Board shall appoint the Chair of the Committee. A majority of the members of the Committee shall be independent non-executive directors.
- 1.4 The Chair of the Committee shall be either the Chair of the Board or an independent non-executive director but the Chair of the Board should not chair the Committee when it is dealing with the appointment of a successor to the Chair.
- 1.5 The Company Secretary or his nominee shall be the Secretary to the Committee.
- 1.6 Each member shall hold office as a Committee member for a period of up to three years, which may be extended, so long as the member, if appropriate, continues to be an independent non-executive director.
- 1.7 The Chair and members shall be listed each year in the Company's Annual Report.

### **2. MEETINGS**

- 2.1 The quorum for any meeting shall be two of the Committee members present at all times or by telephone one of whom must be an independent non-executive director.
- 2.2 The Committee shall normally meet at least two times a year and additionally as and when required. The Chair of the Committee may convene meetings at his discretion. A meeting of the Committee may be called by any member of the Committee or by the Secretary.
- 2.3 Unless otherwise agreed, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers where appropriate shall be forwarded to each member of the Committee and to each other person invited to attend, not less than three working days prior to the date of the meeting. All reasonable efforts shall be made to give notice of meetings of the Committee to all members of it and to arrange such meetings so that members are able to attend them.
- 2.4 A member of the Committee may participate in a Committee meeting by telephone.
- 2.5 In the event of equality of votes, the Chair of the Committee shall have a casting vote.
- 2.6 If any member of the Committee is unable to act for any reason, the Chair of the Committee may appoint another non-executive director of the Company agreed by other members of the Committee to act as that member's alternate.

2.7 The members of the Committee shall serve on the Committee at the discretion of the Board and may be removed by the Board.

### 3. RESPONSIBILITIES

In carrying out their responsibilities, Committee members must act in accordance with the Statement of Directors' Duties set out in Sections 171-177 of the Companies Act 2006 and the UK Corporate Governance Code.

3.1 The responsibilities of the Committee are:

- (a) to regularly review the structure, size and composition (including the skills, knowledge, independence, experience and diversity) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- (b) to give full consideration to succession planning for directors in the course of its work, taking into account the challenges and opportunities, strategic and commercial issues facing the Company and the markets in which it operates, and the skills and expertise needed on the Board in the future;
- (c) consider at least annually, management's succession plans for senior executives below the level of director to ensure there is a sufficient pipeline of talent available to achieve the Company's current and future strategy;
- (d) to be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;
- (e) to ensure the Chair does not remain in the post beyond nine years from the date of their first appointment to the Board. This period can be extended for a limited time to facilitate effective succession planning and the development of a diverse board, particularly where the Chair was an existing non-executive director on appointment;
- (f) before appointment is made by the Board, to evaluate the balance of skills, knowledge, independence, 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. In identifying suitable candidates the Committee shall:
  - (i) use open advertising or the services of external advisers to facilitate the search;
  - (ii) consider candidates from a wide range of backgrounds; and
  - (iii) consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, social and ethnic backgrounds, cognitive and personal strengths, taking care that appointees have enough time available to devote to the position;
- (g) to 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;
- (h) to annually review the Board Diversity Policy and report any findings to the Board;

- (i) to 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;
- (j) when making new appointments, the Board should take into account other demands on directors' time. Prior to appointment, significant commitments should be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior approval of the Board, with the reasons for permitting significant appointments explained in the Annual Report;
- (k) to 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;
- (l) prior to the appointment of a director, the proposed appointee should be required to disclose any other business interests 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;
- (m) prior to the appointment of a new Remuneration Committee Chair, the Committee is to ensure that the recommended candidate has served as a member on a Remuneration Committee of a UK listed company for a period of at least 12 months;
- (n) for the appointment of the Chair of the Board, the Committee should prepare a job specification, including the time commitment expected recognising the need for availability in the event of crises. A proposed Chair's other significant commitments should be disclosed to the Board before appointment and included in the Annual Report, and any changes to the Chair's commitments and their impact should be reported to the Board as they arise and disclosed in the next Annual Report;
- (o) prepare a report for inclusion in the Annual Report about its activities, the process used to make appointments and explain if external advice or open advertising has not been used. Where an external search agency has been used, it shall be identified in the annual report and a statement made as to whether it has any connection with the Company;
- (p) the report referred to in (o) above should include a statement of the Board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, progress on achieving the objectives and linkage to the Company's strategy;
- (q) review the results of the board performance evaluation process that relate to the composition of the Board; and
- (r) make available these terms of reference, explaining the role and the authority delegated to it by the Board.

3.2 The Committee shall also make recommendations to the Board concerning:

- (a) formulating plans for succession for both executive and non-executive directors and in particular for the key roles of Chair of the Board and Chief Executive;
- (b) suitable candidates for the role of Senior Independent Director;
- (c) appointment of the Company Secretary;

- (d) composition and membership of the Audit and Remuneration Committees, in consultation with the Chairs of those Committees. For the composition of the Audit Committee, ensure that, as a whole, it has competence to the sector in which the Company operates, having regards to relevant legal and best practice requirements;
- (e) the re-appointment of any non-executive director at the conclusion of their specified term of office 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;
- (f) the continuation (or not) in service of any director;
- (g) the re-election by shareholders of any director under the annual re-election provisions of the Code or the retirement by rotation provisions in the company's articles of association, having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required, why their contribution is, and continues to be important to the Company's long-term sustainable success and the need for progressive refreshing of the Board (particularly in relation to directors being re-elected for a term beyond six years);
- (h) 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; and
- (i) the appointment of any director to executive or other office other than to the positions of Chair of the Board and Chief Executive, the recommendation for which would be considered at a meeting of the full Board.

#### **4. ANNUAL GENERAL MEETING**

- 4.1 The Chair of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

#### **5. REPORTING PROCEDURE**

- 5.1 The Chair of the Committee shall make a verbal report to the next meeting of the Board of matters considered by the Committee.
- 5.2 The Chair of the Committee shall make whatever recommendations to the Board the Chair deems appropriate on any area within the Committee's remit where action or improvement is needed.
- 5.3 The Secretary shall circulate to all members of the Board and invited attendees the minutes of the meetings of the Committee after the approval and signature by the Chair.

#### **6. TERMS OF REFERENCE - REVIEW**

The Committee shall, at least once a year, review its own performance, 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.

#### **7. AUTHORITY**

- 7.1 The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties.

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

## **8. OTHER MATTERS**

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- (b) 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; and
- (c) give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate.