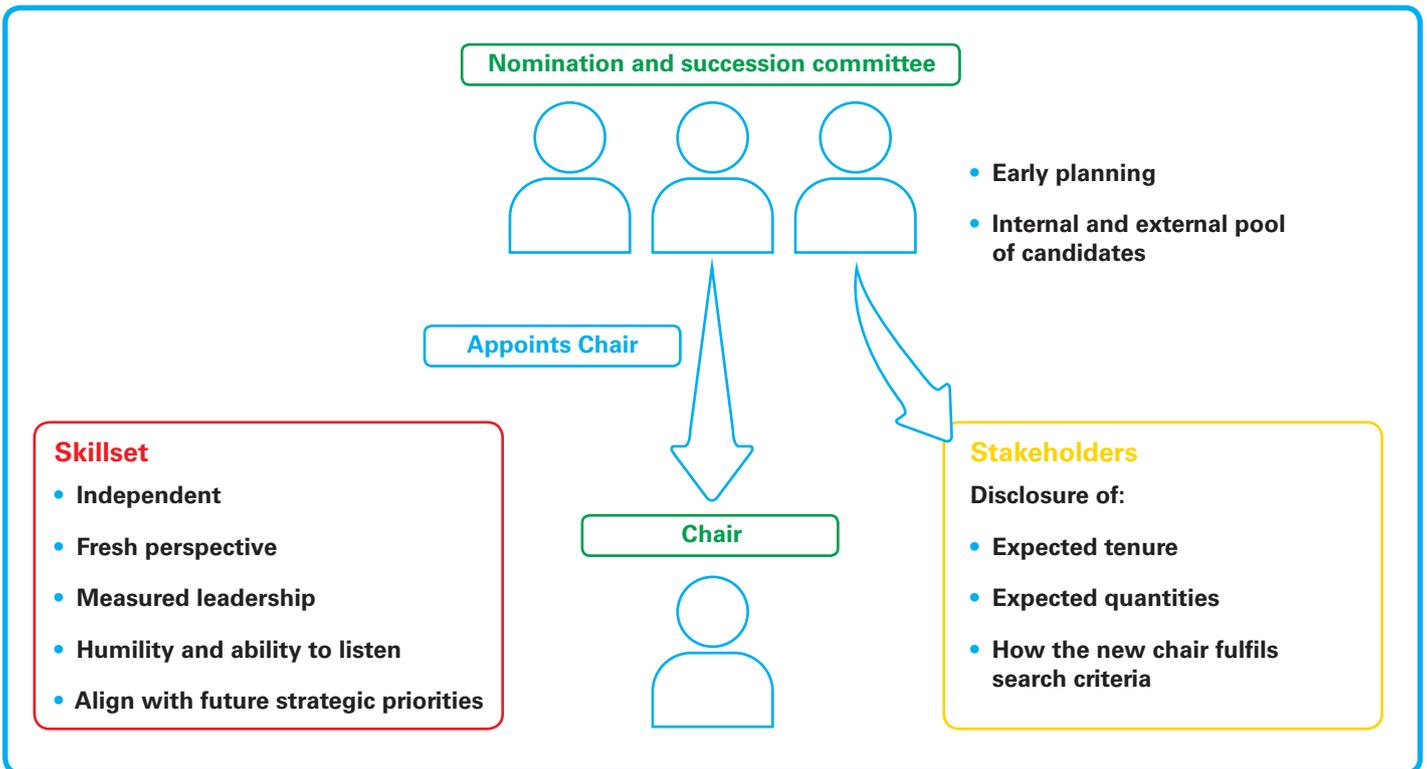


A guide to the nomination of board chairs

The chair occupies a central position on the board, and expectations of the role are evolving at the company, board and stakeholder level.



PUTTING IN PLACE AN EFFICIENT SUCCESSION PLANNING PROCESS

ADVANCE PLANNING

The nomination and succession committee is responsible for the smooth succession planning process at board level. It should put in place two types of succession plans:

- **Short-term succession plan**

This ensures board continuity in the case of a sudden and unexpected departure of the chair. Normally a standing director will step up to the chair role on a temporary basis.

- **Long-term succession plan**

Advance planning will likely help improve the quality of the pool of candidates and may also allow non-executive directors (NEDs) of the board to express their interest.

We encourage chairs to regularly discuss their intended tenure to assist the committee in its planning.

NOMINATION PROCESS

LGIM expects the Lead Independent Director (LID) to lead the process of appointing a new chairperson and ensure they remain independent. In addition, it is essential that the board, including the current CEO and chair, are kept informed, but are not actively involved in the process. The creation of a nomination and succession committee subgroup may help facilitate the process.

The LID should ensure the individual appointed as chair is who the CEO needs, not who the CEO wants.

Both internal and external candidates should be considered in the process. The use of a recruitment agency will help broaden the pool of external candidates.

Where the chair and the CEO are due to step down within a small timeframe, LGIM recommends that a **new chair is appointed before the succession plan for the CEO is finalised** to ensure board stability, especially in the case of long-tenured CEO and chair or where the two positions are combined.

TRANSPARENCY TO THE MARKET

We encourage companies to disclose publicly the expected tenure of their board members when they are appointed to the board as this assists stakeholders in monitoring succession matters.

The new chair must be the right fit for the board and company, but also for all other stakeholders, including investors. Companies may involve, in confidence, long-term investors such as LGIM in the process. We find this helps boards align with investor expectations and get an insight into market reaction before any decision is made.

Once a new chair is appointed, LGIM expects companies to explain in their annual disclosures the qualities expected and how the newly appointed chair fulfils these criteria.

INDEPENDENCE OF THE CHAIR

LGIM expects the chair to be independent when they are appointed, and throughout their tenure. This is essential to ensure they perform their board functions effectively and free from any conflicts.

LGIM would therefore not expect the retiring CEO to take on the role of chair. Although this can be beneficial for the board in times of transition, we encourage companies to allow the CEO to be consulted by the

board for one year, but not to be a formal board member. This is important as the skillset expected from a chair is different from that expected of a CEO.

For more details on LGIM's views on the issue of independence, please refer to our [Global Corporate Governance & Responsible Investment Principles](#).

QUALITIES EXPECTED BY LGIM FROM THE CHAIR

Putting in place an efficient succession plan involves defining the role of the chair.

MEASURED LEADERSHIP

The chair is expected to regularly challenge the actions of management. However, they are **also expected to lead the NEDs** and must therefore possess the skills to engage, challenge and advise them.

LGIM believes humility and the ability to listen are key skills that the nomination and succession committee should look for to ensure the new chair adopts a measured approach to leadership.

SKILLSET

The nomination and succession committee should ensure that the future new chair brings the skillset and experience **to help the board remain relevant, align with strategic priorities and also pre-empt market shifts.** A fresh perspective will help foster diversity of thought at board level.

Other key governance considerations include:

- **Diversity** - including gender, age, nationality and ethnic origin
- **Outside board roles** - the chair should have available time to perform their duties
- **Board tenure** - LGIM expects an individual director term limit of a maximum of 12 years

To learn more about how LGIM approaches key environmental, social and governance issues, please visit our website: www.lgim.com/uk/en/capabilities/corporate-governance/

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Legal & General Investment Management Ltd, One Coleman Street, London, EC2R 5AA

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