



Ubico Limited

Formal Decision Report

Board of Directors - 28 September 2023

**Recommendations from the Governance and
Nominations Committee 27 July 2023**

Confidentiality	<p>Is the subject of this paper confidential and if yes what are the reasons for the confidentiality?</p> <p>1. No</p>
Sub-committee recommendation	<p>Has a sub-committee of the board agreed the approach and recommendations outlined in this paper?</p> <p>1. Yes 2. Governance and Nominations Committee - 27 July 2023</p>
Executive summary	<p>At its meeting of 27 July 2023, the Governance and Nominations Committee resolved to make recommendations to the board in the matters of:</p> <ul style="list-style-type: none">• Governance and Nominations Committee Terms of Reference• Director appraisals process• Annual review of the composition of the board including director remuneration and appointment• Standing board agenda items and list of policies to be routinely reviewed and approved by the board <p>The matters of remuneration must be considered confidential, with members of the board potentially affected by any decisions taken excluded from discussion on those items. There are therefore two separate, confidential appendices to this report relating to INED remuneration and executive remuneration which will be circulated to, and considered in the meeting by, only those directors who are not personally affected by related decisions.</p> <p>This paper summarises the recommendations of the committee in each of these areas and seeks approvals as outlined below.</p>

Recommendations	<p>It is recommended that the board:</p> <ol style="list-style-type: none"> 1. APPROVE the revised Governance and Nominations Committee Terms of Reference 2. APPROVE a review of the directors' annual appraisal and development plan documentation and timetable; final proposal to be presented to the board at its November 2023 meeting. 3. APPROVE a recommendation to the shareholders to approve the remuneration levels for the INED and executive director roles as detailed in Appendix 4, 5 & 6. 4. APPROVE the standing board agenda items proposed by the committee and the list of policies to be routinely reviewed and approved by the board.
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Links to key risks:	This report links to maintaining good company governance.
Link to business Plan Objective(s)	Maintaining good corporate governance and appropriate competency standards of the board.

Details of known implications (e.g. H&S, HR, Finance, Legal, Environmental)	
Legal implications	There are no immediate legal implications arising from the content of this report.
HR implications	There are no immediate HR implications arising from the content of this report.

1. Governance and Nominations Committee Terms of Reference

- 1.1. The initial terms of reference (ToR) for this committee were agreed in 2020 with a three year review period. The committee therefore undertook a routine review of the ToRs.
- 1.2. The committee took into consideration recommendations made by the recent board effectiveness review around the terms of reference for both board sub-committees (as well as the main board) which are as follows:
- Develop written terms of reference for the main board which clarifies which decisions can be taken at committee versus board level.
 - Update committee ToR to reflect formal delegated responsibilities arising from the new board ToR.
 - Review Governance and Nominations Committee terms of reference to align with the shareholder agreement.
- 1.3. The committee concluded that as work on production of ToR for the main board has not yet commenced, updating this committee's ToR to reflect the responsibilities outlined in that cannot yet take place. The action that the committee therefore sought to consider as part of this review was point three around aligning the ToR with the shareholder agreement.
- 1.4. The committee RECOMMENDS the following amendments to the ToR, these can be seen as tracked changes in the draft updated ToR document attached at Appendix 1:
- Amend point one under 'key responsibilities' to better reflect the requirements stated in the shareholder agreement.
 - Add to the key responsibilities an annual review of the list of policies routinely presented for board approval.
 - Increase the minimum frequency of meetings to two per year.

2. Board appraisals

- 2.1. As part of its responsibilities under its terms of reference, the Governance and Nominations Committee must undertake formal performance reviews for all directors annually.

- 2.2. In November 2021 the board approved an annual appraisal process for directors which consisted of three elements: a self-assessment; a peer assessment and a personal objective/development plan review of the prior year.
- 2.3. This process has been used successfully for the last two years, however the chair and managing director have had requests from directors since the latest process was concluded (January 2023) to streamline the process and reduce the number of documents requiring to be completed and returned. There is also a fairly significant amount of work required (currently undertaken by the company's administration manager) in collating all of the returns, ensuring anonymity of responses is maintained and re-presenting the fully collated reports ahead of the individual appraisal meetings.
- 2.4. There was also a request to undertake the process at a different time of year, away from the business Christmas and New Year period, possibly in February March.
- 2.5. Two of the recommendations of the recent board effectiveness review also related to board appraisals processes:
- Lighter touch appraisal process introduced with a focus on individuals' development.
 - Hybrid appraisal process developed for executive directors incorporating specific role related objectives.
- 2.6. The committee RECOMMENDS that the board APPROVE a review of the documentation and process for the annual director appraisals, to be presented to the board for final approval at the board meeting in November 2023. The review to include:
- Comments section after each question be removed; general comments section to be available at the end of the form.
 - Appraisals to be completed during February or March each year.
 - Peer assessments to be carried out on a rotational basis with a mix of directors (LA/NED/Executive); for example two of each.
 - The board chair and committee chairs to have peer assessments carried out by all directors.

3. Annual review of the composition of the board

Local authority NEDs

- 3.1 LA NED Paul Jones will reach six years' service (the maximum allowed in the shareholder agreement unless by exceptional agreement) in April 2024. Informal discussions have commenced with the chair and the managing director and have indicated that Cheltenham Borough Council (Ubico shareholder council and Paul's substantive employer) will wish to continue to exercise their right under the shareholder agreement to nominate their own LA NED to sit on the Ubico board.
- 3.2 The recent board effectiveness review highlighted some opportunities for Ubico to strengthen the process around NED recruitment, and in particular highlighted the benefit of drawing up both a job description and a skills requirement (specific for that point in time) for potential new shareholder nominated (LA) NEDs.
- 3.3 The committee asked the managing director to draw up a role specification for the LA NED role, based on the skills audit, to include a job description, timescales for replacements and succession planning. The committee agreed that the following skills were necessary:
- Finance skills (after February 2025).
 - Legal skills (after February 2026).
 - People skills
 - IT/digital skills
- 3.4 The proposed LA NED role description is attached at appendix 2, and a proposed timetable for recruiting a replacement and succession arrangements, including details of skills sought, is attached at appendix 3.

Finance director and operations director

- 3.5 This item is presented in a confidential appendix – appendix 4; finance and operations directors will be asked to leave for this part of the meeting.

Independent NEDs

- 3.6 This item is presented in a confidential appendix – appendix 5; INEDs will be asked to leave for this part of the meeting.

Managing director

3.7 This item is presented in a confidential appendix – appendix 6; the managing director will be asked to leave for this part of the meeting.

4. Standing board agenda items and policies routinely approved by the board

4.1 The Governance and Nomination Committee is required to undertake an annual review of the list of standing board agenda items, as set out in the committee’s terms of reference.

4.2 The committee considered the current standing items and proposed no changes. The standing agenda items for each meeting would therefore remain as follows:

- SHEQ (Safety, Health Environment and Quality)
- Risk register
- Reports from the managing director, finance director and operations director
- Business development/opportunities
- Key communications from the board

4.3 And the following agenda items would continue to be presented to the board annually:

Month	Annual agenda item
June	Internal Audit Annual Opinion Annual H&S Performance and Management System Review
September	Draft Business Plan Themes
November	Annual Accounts and Directors’ report External Audit report Annual Environmental Management System report
February	Internal Audit Plan for following year Draft Business Plan

4.4 The committee also considered company policies which might be routinely reviewed and approved by the board of directors. The committee proposes the following changes to the policies that are routinely reviewed by the board.

- 4.5 The committee proposes a financial forecast to be included in the finance director's report twice yearly for a deep dive, and quarterly as an appendix for information.
- 4.6 The committee also proposes that an internal review of the financial rules takes place on an annual basis by the executive, and an update is included in the finance director's report annually to note that that review had been completed and report any findings.

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CONFIDENTIAL Appendices	<p>Appendix 1 - Proposed revised Governance and Nominations Committee Terms of Reference</p> <p>Appendix 2 - Draft LA NED Job description</p> <p>Appendix 3 - Proposed timetable for recruiting a replacement LA NED and succession arrangements</p> <p>Appendix 4 - Finance and Operations Directors Remuneration <i>(FD and OD to be asked to leave for this part of the meeting)</i></p> <p>Appendix 5 - Independent NED Remuneration <i>(INEDs to be asked to leave for this part of the meeting)</i></p> <p>Appendix 6 – Managing Director Remuneration <i>(MD to be asked to leave for this part of the meeting)</i></p>