

DATED 29 April 2015

CAIRN HOMES P.L.C.

**NOMINATION COMMITTEE
TERMS OF REFERENCE**

Cairn Homes p.l.c. (the "Company")

1. INTERPRETATION

1.1 In these terms of reference:

"Board" means the board of directors of the Company

"Committee" means the nomination committee of the Board

2. MEMBERSHIP

2.1 By a resolution dated 29 April 2015, the Board resolved, pursuant to the authority and power conferred upon the Board by Regulation 105 of Part I of Table A of the First Schedule to the Companies Act 1963 incorporated in the articles of association of the Company, to establish the Committee. The Committee shall consist of at least three members.

2.2 Members of the Committee shall be appointed by the Board. In appointing members of the Committee the Board shall have regard to the UK Corporate Governance Code (the "**Code**").

2.3 The majority of the members of the Committee shall be independent non-executive directors of the Company.

2.4 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 majority of the Committee members remain independent and that the member still meets the criteria for membership of the Committee.

2.5 The Board shall appoint the chairman of the Committee who shall be the chairman of the Board or an independent non-executive director of the Company. The chairman of the Board shall not chair the Committee when it is dealing with the matter of succession to the chairmanship. In the absence of the chairman and/or an appointed deputy, members of the Committee present at a duly convened meeting may elect one of their number to chair the meeting from those who would qualify under these terms of reference to be appointed to the position by the Board. The Board shall determine the period for which the chairman of the Committee holds office.

2.6 The Board may from time to time remove members from the Committee.

2.7 The membership of the Committee shall be set out in the annual report of the Company.

3. PROCEEDINGS OF THE COMMITTEE

3.1 The Committee shall meet at least once a year and at such other times as the chairman of the Committee shall require.

3.2 Meetings of the Committee shall be called by the secretary of the Committee at the request of any member of the Committee.

3.3 Unless otherwise agreed, at least five working days notice shall be given of each meeting of the Committee.

3.4 Unless agreed otherwise, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed together with any supporting documentation shall be forwarded to each member of the Committee, all other non-executive directors and any other person required to attend, no later than five days before the date of the meeting.

- 3.5 The quorum necessary for the transaction of business by the Committee shall be two members of the Committee, both of whom must be independent non-executive directors, and 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.
- 3.6 Only members of the Committee have the right to attend meetings of the Committee. However, others (such as the chairman of the Board, the chief executive of the Company, the group HR director and external advisers) may be invited to attend and speak at (but not vote at) all or part of meetings of the Committee as and when appropriate.
- 3.7 A member will not attend when his or her own nomination is being discussed.
- 3.8 Meetings of the Committee may be held by conference telephone, video-conference or using similar communications equipment whereby all members participating in the meeting can hear each other.
- 3.9 Matters for decision by the Committee shall be decided by a majority decision of all the members.

4. **MINUTES**

- 4.1 The secretary of the Committee shall minute the proceedings and resolutions of Committee meetings and record the names of those present and in attendance.
- 4.2 The secretary of the Committee shall ascertain, at the start of each Committee meeting, the existence of any conflicts of interest and minute them accordingly.
- 4.3 Following each meeting of the Committee, the secretary shall promptly circulate, for comment, draft minutes to each member who was present at the meeting.
- 4.4 After approval and signing of the minutes by the chairman of the meeting, the secretary shall circulate copies of the minutes to all members of Committee and, to all members of the Board, unless a conflict of interest exists or it would be inappropriate to do so.

5. **SECRETARY**

The company secretary (or his or her nominee) shall be the secretary of the Committee.

6. **ANNUAL GENERAL MEETING**

The chairman of the Committee should attend the AGM to answer any shareholder questions on the Committee's activities.

7. **SPECIFIC DUTIES**

- 7.1 The Committee shall:
- 7.1.1 regularly review the structure, size and composition (including the skills knowledge, experience and diversity) required of the Board and make recommendations to the Board with regard to any changes;
 - 7.1.2 assess the effectiveness and performance of the Board and each of its committees including consideration of the balance of skills, experience, independence and knowledge of the Company on the Board, its diversity, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness;

- 7.1.3 give full consideration to succession planning for the Board, taking into account the challenges and opportunities facing the Company and the skills and expertise that will be needed in the future to address these;
- 7.1.4 keep under review the leadership needs of the Company both executive and non-executive with a view to ensuring the continued ability of the Company to compete effectively in the marketplace;
- 7.1.5 keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- 7.1.6 be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;
- 7.1.7 before an appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in light of the results of such evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:
 - (a) use open advertising or the services of external advisers to facilitate the search;
 - (b) consider candidates from a wide range of backgrounds; and
 - (c) consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position;
- 7.1.8 for the appointment of a chairman of the Company, the Committee should prepare a job specification including the time commitment expected. A proposed chairman's other significant commitments should be disclosed to the Board before appointment and any changes to the chairman's commitments should be reported to the Board as they arise;
- 7.1.9 prior to the appointment of a director, ensure that the proposed appointee is required to disclose any other business interests they may have which (i) conflict or may conflict with the interests of the Company or (ii) are transactions or arrangements which he or she proposes to enter (or has entered) into with the Company;
- 7.1.10 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. A proposed non-executive director's other significant commitments should be disclosed to the Board before appointment (with a broad indication of time involved) and any changes to such commitments should be reported to the Board as they arise;
- 7.1.11 review the results of the Board performance evaluation process that relate to the composition of the Board;
- 7.1.12 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 fulfilling their duties; and
- 7.1.13 work and liaise as necessary with all other Board committees.

- 7.2 The Committee shall also make recommendations to the Board concerning:
- 7.2.1 succession planning for both executive and non-executive directors and in particular for the key roles of chairman of the Board and chief executive;
 - 7.2.2 suitable candidates for the role of senior independent director;
 - 7.2.3 membership of the audit and risk committee and remuneration committee, in consultation with the chairmen of those committees;
 - 7.2.4 the re-appointment of any non-executive director at the conclusion of his or her specified term of office having given due regard to their performance and their ability to continue to contribute to the Board in light of the knowledge, skills and experience required;
 - 7.2.5 the re-election by shareholders of directors 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 light of the knowledge, skills and experience required and the need for progressive refreshing of the Board (particularly in relation to directors being re-elected for a term beyond six years);
 - 7.2.6 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
 - 7.2.7 the appointment of any director to executive or other office.

8. **REPORTING RESPONSIBILITIES**

- 8.1 The Chairman of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.3 The Committee shall produce a report to be included in the Company's 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 consultancy has been used, it should be identified in the annual report and a statement made as to whether it has any other connection with the Company. The report should also give an explanation if neither an external search consultancy nor open advertising has been used in the appointment of the chairman or a non-executive director.
- 8.4 The report referred to in 8.3 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 and progress on achieving objectives and should also list the names of all members of the Committee, the number of Committee meetings and attendance by each member.

9. **OTHER MATTERS**

- 9.1 The Committee shall:
- 9.1.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

- 9.1.2 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;
- 9.1.3 give due consideration to laws and regulations, the provisions of the Code and the requirements of the Financial Conduct Authority's Listing, Prospectus and Disclosure and Transparency rules and any other applicable rules, as appropriate;
- 9.1.4 arrange for periodic reviews of its own performance and, at least annually, 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;
- 9.1.5 oversee any investigation of activities which are within its terms of reference; and
- 9.1.6 make available its terms of reference, explaining its role and the authority delegated to it by the Board.

10. **AUTHORITY**

- 10.1 All decisions in respect of appointment of directors shall be referred to the Board and shall take effect only upon approval thereof by resolution of the Board at a meeting which is properly convened and constituted and in accordance with the Company's articles of association.
- 10.2 The Committee is authorised by the Board to:
 - 10.2.1 undertake any activity within its terms of reference;
 - 10.2.2 do all matters as the Committee believes appropriate in respect of the conduct of its duties, including, without limitation, the matters referred to herein;
 - 10.2.3 obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference;
 - 10.2.4 seek any information it requires from any employee of the Company in order to perform its duties; and
 - 10.2.5 delegate any of its powers to one or more of its members or the secretary of the Committee.