

**THE CO-OPERATIVE BANK PLC**  
**NOMINATION COMMITTEE**  
**Terms of Reference**

## **1. Constitution**

The Nomination Committee (the 'Committee') Terms of Reference were approved on 25 January 2017 by The Co-operative Bank plc (the 'Bank') Board.

The purpose of the Committee is to review and make recommendations on the Board composition, succession planning for Executive Directors, Non-Executive Directors, Executive Committee members and Senior Management Function role holders, identifying and nominating candidates for Board vacancies and evaluation of candidates for the Board.

## **2. Membership**

2.1 The Committee shall comprise at least three Directors of the Bank. A majority of the members of the Committee shall be independent Non-Executive Directors.

2.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Human Resources Director, Chief Financial Officer, Chief Risk Officer, the General Counsel and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

2.3 Appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the Director still meets the criteria for membership of the Committee.

2.4 The Board shall appoint the Committee Chairman from among the members of the Committee and who should be either the Chairman of the Board or an independent non-executive director. The Chairman of the Board shall not chair the Committee when it is dealing with the matter of succession to the chairmanship.

2.5 The Committee Chairman and members shall be listed each year in the annual report of the Bank.

2.6 Each member of the Committee shall disclose to the Committee:

(a) any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or

(b) any potential conflict of interest arising from a cross directorship. Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so requested by the Board) shall resign from the Committee.

### **3. Secretary**

The Company Secretary of the Bank or his or her nominee shall act as the Secretary of the Committee (the 'Secretary').

### **4. Quorum**

The quorum necessary for the transaction of business shall be two members both of whom must be independent Non-Executive Directors present throughout the meeting in person, by telephone or other electronic communications. 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.

### **5. Frequency of meetings**

The Committee shall meet at least twice per financial year. Meetings can be convened at any other time where circumstances require, in accordance with clause 6.

### **6. Notice of meetings**

6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman, or on the reasonable request of any Committee member who considers it necessary.

6.2 Unless otherwise agreed, notice of each meeting of the Committee 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, in a timely manner to enable full and proper consideration of issues.

### **7. Voting**

In the event of an equality of votes, the Committee Chairman shall have a casting vote.

### **8. Minutes of meetings**

8.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. Once approved by the Committee Chairman, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Committee Chairman.

8.2 Annual General Meeting.

The Committee's Chairman should attend the AGM to answer any shareholder questions on the Committee's activities. All members of the Committee shall also attend the AGM.

## 9. Duties

The Committee should carry out the duties below for the Bank and its subsidiary undertakings as appropriate.

The Committee shall:

- 9.1 Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.
- 9.2 Give full consideration to succession planning for Directors, Executive Committee members and Senior Management Function role holders in the course of its work, taking into account the challenges and opportunities facing the Bank, and the skills and expertise needed at the Board and in senior executive level appointments in the future and having regard to length of service and expected date on which existing Directors will conclude their term of office.
- 9.3 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.
- 9.4 Keep up to date and fully informed about strategic issues and commercial changes affecting the Bank and the market in which it operates.
- 9.5 Be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- 9.6 Before any recommendation for an appointment is made to the Board, evaluate a candidate's suitability using the regulatory Fitness and Propriety test as a benchmark, taking into consideration 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:
  - use open advertising or the services of external advisers to facilitate the search
  - consider candidates from a wide range of backgrounds
  - 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.
- 9.7 For the appointment of a Chairman, the Committee should prepare a job specification, including the time commitment expected, recognising the need for availability in the event of crises. 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, and their impact explained in the next annual report.

- 9.8 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.
- 9.9 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.
- 9.10 Review the results of the Board performance evaluation process that relate to the composition of the Board.
- 9.11 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. A full time executive director should not be given permission to take on more than one non-executive directorship in a FTSE 100 company nor the chairmanship of such a company.
- 9.12 Annually review the Bank's policy on diversity, including gender, and the measure of objectives that it has set in implementing the policy, and progress on achieving the objectives.
- 9.13 Ensure these terms of reference are published on the Bank's website.

The Committee shall also make recommendations to the Board concerning:

- 9.14 Formulating plans for succession for Directors and Non-Executive Directors and in particular for the key roles of Chairman and Chief Executive.
- 9.15 The appointment of Directors and Non-Executive Directors.
- 9.16 The appointment of the Company Secretary and the Chief Risk Officer, in consultation with other Board Committees.
- 9.17 Suitable candidates for the role of Senior Independent Director.
- 9.18 Membership of the Audit, Remuneration, Risk and Values & Ethics Committees, and any other Board Committees as appropriate, in consultation with the Chairmen of those Committees and in so doing have regard to the benefits of cross-committee membership and committee membership rotation to refresh committee viewpoint and support Directors' continuing skills and professional development.
- 9.19 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.
- 9.20 The re-election by shareholders of Directors under the annual re-election provisions of the UK Corporate Governance Code or the retirement by rotation provisions in the Bank'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 and the need for progressive refreshing of the Board (particularly in relation to Directors being re-elected for a term beyond six years).

- 9.21 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 Bank subject to the provisions of the law and their service contract.

## **10. Reporting Responsibilities**

- 10.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Committee shall produce a report which will form part of, or be annexed to, the Bank's annual report which describes the roles and responsibilities of the Committee and actions taken by the Committee to discharge those responsibilities, including the process it has used in relation to Board appointments and an explanation if external advice or open advertising has not been used. Where an external search consultancy has been used, it should be identified in the report and a statement should be made as to whether it has any other connection with the Bank. The report should also include a description of the Board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.

## **11. Other matters**

The Committee shall:

- 11.1 Assist the Senior Management Function (SMF) role holders in fulfilling their prescribed responsibilities.
- 11.2 Where matters are being discussed in relation to a prescribed responsibility, ensure the relevant SMF role holder attends and participates in the discussion, or if unable to attend, ensure that they are suitably represented.
- 11.3 Have access to sufficient resources in order to carry out its duties, including access to the Bank Secretariat for assistance as required.
- 11.4 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.
- 11.5 Give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and

any other applicable competent authority regulation or guidance, as appropriate.

- 11.6 Arrange for periodic reviews of its own performance and, at least annually, 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.

## **12. Authority**

- 12.1 The Committee is authorised by the Board to obtain, at the Bank's expense, outside legal or other professional advice on any matters within its Terms of Reference including employing search consultants.
- 12.2 The Committee is authorised by the Board to seek any information it requires from any employee of the Bank in order to perform its duties.
- 12.3 The Committee is authorised by the Board to investigate any activity within the scope of its duties.