

**TSB BANKING GROUP PLC (THE 'COMPANY')**  
**BOARD NOMINATION COMMITTEE**  
**TERMS OF REFERENCE**

## **1. PURPOSE**

**1.1.** The Nomination Committee (the '**Committee**') is authorised by the Board of the Company (the '**Board**') to keep the composition of the Board under review and to lead the process for appointments to the Board.

**1.2.** The Committee is a committee of the Board and as such is authorised by the Board to:

- a) delegate any of its responsibilities to a sub-committee including one established solely for that purpose;
- b) seek any information that it requires or request attendance at a meeting from any employee or director of the Company or any other member of the Group (as defined below), and all employees and directors are directed to co-operate with any requests made by the Committee; and
- c) obtain outside legal or other independent professional advice in relation to matters falling within its responsibilities as set out below and to approve the fees and other terms of any such retainer.

## **2. RESPONSIBILITIES**

**2.1** The Committee should carry out the duties below for the Group (including the Company and TSB Bank plc (the '**Bank**')) as appropriate.

**2.2** The Committee shall:

**2.2.1** Review regularly and recommend to the Board the appropriate structure, size and composition of the board, having regard to the skills, experience, and leadership needs of the Group and the need for effective succession planning (taking into consideration the challenges and opportunities facing the Group).

**2.2.2** Lead the board appointment process for new directors, establishing appropriate selection criteria and recommending suitable candidates to the Board. In identifying candidates for appointment, the Committee should consider the balance of skills, knowledge, experience and diversity needed on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.

**2.2.3** In identifying suitable candidates, the Committee shall:

- a) use open advertising or the services of external advisers to facilitate the search, where considered appropriate;
- 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, taking care that appointees have enough time available to devote to the position.

- 2.2.4** For the appointment of a Chairman (as defined below), 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.
- 2.2.5** Ensure that, prior to the appointment of a director of the Company or the Bank, the proposed appointee 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.
- 2.2.6** Ensure that on appointment, non-executive directors of the Company or the Bank (including the chairman of the Board (the '**Chairman**')) 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 and committee meetings.
- 2.2.7** Make recommendations to the Board regarding the independence of non-executive directors of the Company or the Bank, the re-appointment or re-election of directors of the Company or the Bank and the suitability of any director of the Company or the Bank to continue in office, having regard to their individual performance, time commitment to the role and the balance of skills and experience required.
- 2.2.8** Make recommendations to the Board concerning suitable candidates for the role of senior independent director.
- 2.2.9** Make recommendations to the Board concerning any matters relating to the continuation in office of a director of the Company or the Bank 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 such director's service contract.
- 2.2.10** Keep membership of Board committees under review and recommend appropriate changes to committee membership to the Board, in consultation with the chairman of those committees.
- 2.2.11** Oversee the annual evaluation of the performance of the Board (including the performance of individual directors, as required) and its principal committees and review with the Board the results of these assessments, recommending actions for addressing any findings and overseeing the implementation of any resulting action plan.
- 2.2.12** Formulate plans for succession arrangements for both executive and non-executive directors of the Company and the Bank and, in particular, the roles of Chairman and Chief Executive Officer, together with other members of the Bank Executive Committee and their respective direct reports.
- 2.2.13** Keep under review the leadership needs of the Group, both executive and non-executive, with a view to ensuring the continued ability of the Group to compete efficiently in the marketplace.
- 2.2.14** At least annually, or at the request of the Board at any time, to review and approve the Terms of Reference of the Committee and all the committees of the Board, to ensure that they remain appropriate and fit for purpose, and to recommend to the Board any changes considered necessary or desirable.

**2.2.15** At least annually, to review the effectiveness of the Committee, and to report to the Board thereon.

### **3. MEMBERSHIP AND OPERATION OF THE COMMITTEE**

**3.1** The Committee shall comprise at least three directors. A majority of the members of the Committee shall be independent non-executive directors. Members of the Committee shall be appointed by the Board in consultation with the chairman of the Committee.

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

**3.3** The Board shall appoint the Committee chairman who should be either the Chairman or an independent non-executive director. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board. The Chairman shall not chair the Committee when it is dealing with the matter of succession to the chairmanship of the Board.

**3.4** The Company Secretary or his or her nominee shall act as the secretary to the Committee.

**3.5** The quorum necessary for the transaction of business shall be two, both of whom must be independent non-executive directors.

**3.6** Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chairman.

**3.7** Unless otherwise agreed, notice of the meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than three clear working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

**3.8** The Committee chairman should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

### **4. INPUTS**

**4.1** The Committee will be supported by the HR, Risk, Legal and Finance functions of the Bank and will have access to whatever additional advice or support it requires in the discharge of its duties. This will include but is not limited to:

- a) access to the advice and services of the HR Director and HR team;
- b) access to the advice and services of the Chief Risk Officer and the Risk team;
- c) access to the advice and services of the General Counsel and the Legal/Company Secretarial team;
- d) access to the advice and services of the Chief Financial Officer and the Finance team; and
- e) outside independent professional, technical and/or legal advice or other resources, at the Company's expense, as and when it considers this necessary.

**4.2** To assist the Committee in understanding the implications of risk in the discharge of its responsibilities, the Committee shall meet with the Chief Risk Officer, as required, without management being present to discuss matters of relevance to the Committee.

**4.3** The Committee shall have regard to established and evolving best practice corporate governance standards including, where relevant, standards set by voting agencies and voluntary codes. Where departure from the requirements of these standards or codes, including the UK Corporate Governance Code is required or believed to be appropriate, the Committee shall recommend to the Board the appropriate explanation or justification or use as required, in the Company's external disclosures.

## **5. OUTPUTS**

**5.1** The Committee shall produce a report to be included in the Company's annual report about its activities, which should include the process used to make appointments and an explanation where external advice or open advertising has not been used. This report should include a statement of the Board's policy on diversity, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.

**5.2** The secretary of the Committee shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.

**5.3** Draft minutes of Committee meetings shall be distributed to all members within 5 working days of the meeting. Once approved, minutes should be circulated to all other members of the Board, together with other meeting attendees, unless in the opinion of the Committee chairman it would be inappropriate to do so.

**5.4** Final signed copies of the minutes of the meetings of the Committee should be maintained for the Company's records, in hard and soft copy where possible.

**5.5** The Committee chairman shall report formally to the Board on the Committee's proceedings.

**5.6** The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

## **6. NON MEMBERS/OTHER ATTENDEES**

**6.1** Only members of the Committee have the right to attend Committee meetings. However, all other independent non-executive directors, together with the Chief Executive Officer, HR Director, Chief Financial Officer, Chief Risk Officer, General Counsel and external advisors may be invited to attend all or part of the meeting as appropriate, together with other attendees at the discretion of the Committee chairman.

## **7. FREQUENCY OF MEETINGS**

**7.1** Meetings shall be held as circumstances require, but at least twice a year to enable responsibilities to be discharged.

## **8. MISCELLANEOUS**

- 8.1** References in these Terms of Reference to executive positions (including without limitation, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, HR Director and General Counsel) are to the individual holding that position for the Group, whether formally appointed by the Company, the Bank (as defined below) or otherwise.
- 8.2** In these Terms of Reference, '**Group**' means the Company together with its subsidiaries and subsidiary undertakings from time to time (as defined in the Companies Acts 2006).