

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

In these Terms of Reference:

'**TSB**' means the Company together with its subsidiaries and subsidiary undertakings from time to time (as defined in the Companies Acts 2006).

'**Sabadell Group**' means Banco de Sabadell S.A. (the '**Parent**') together with its subsidiaries and subsidiary undertakings from time to time (as defined in the Companies Acts 2006).

## **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 TSB boards under review, to lead the process for appointments to the TSB boards, with due regard to the Parent's participation in this process, and to ensure plans are in place for orderly succession for both Board and Senior Management<sup>1</sup> positions.

**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, whilst maintaining accountability. Any such instances of delegation shall be reported to the Board;
- 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 TSB, 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 TSB (including the Company and TSB Bank plc (the '**Bank**')) as appropriate, having due regard to the views of the Parent on matters related to board composition and board appointments.

**2.2** The Committee shall:

- 2.2.1** Review regularly and recommend to the Board the appropriate structure, size and composition of the TSB boards, having regard to the skills, knowledge, experience, diversity and leadership needs of TSB.
- 2.2.2** Assess periodically the knowledge, skills and experience of individual members of the TSB boards and of the TSB boards collectively, and report this to the Board.
- 2.2.3** Lead the board appointment process for new directors and succession for existing directors, establishing appropriate selection criteria and recommending suitable candidates to the Board. In identifying candidates for appointment, the Committee

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<sup>1</sup> Defined as the Company Secretary, each direct report to the Chief Executive Officer (excluding executive and personal assistants), and employees who are designated as Material Risk Takers under the PRA's Remuneration Code

should consider the balance of skills, knowledge, experience and diversity needed on the TSB boards and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment, together with the time commitment expected.

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

- a) use open advertising or the services of external advisers to facilitate the search, where considered appropriate<sup>2</sup>;
- b) consider candidates from a wide range of backgrounds; and
- c) consider candidates on merit and against objective criteria and, within this context, promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, and experience and knowledge in accordance with the needs and conditions of the business of TSB, taking care that appointees have enough time available to devote to the position.

**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 (a) significant external commitments with an indication of the time involved; and (b) any other business interests that may result in a conflict of interest. Following appointment, any future business interests that could result in a conflict of interest and any additional external commitments must not be undertaken without prior authorisation of the Board. In addition, in the case of the appointment of an Independent Non-executive Director, the proposed appointee should confirm compliance with the relevant requirements for independence as set out in the UK Corporate Governance Code and the Ring-Fencing rules.

**2.2.6** Ensure that on appointment, Non-executive Directors of the Company or the Bank (including the chair of the Board) 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, having regard to the relevant requirements for independence as set out in the UK Corporate Governance Code and the Ring-Fencing rules.

**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 the re-appointment of Non-executive Directors at the conclusion of their specified term of office, having due regard to their performance and ability to continue to contribute to the TSB boards (including the required time commitment for the role) in light of the knowledge, skills and experience required.

**2.2.10** 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 or the Bank subject to the provisions of the law and such director's service contract.

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<sup>2</sup> Use of open advertising or the services of external advisers is required for the Board Chair and Non-executive Directors under Provision 20 of the UK Corporate Governance Code, whilst regulation 4.5 of the Ring-Fencing rules requires a ring-fenced body to publicly advertise every vacancy for an Independent Non-executive Director

- 2.2.11** Keep membership of Board committees under review and recommend for approval appropriate changes to committee membership to the Board, in consultation with the chair of those committees.
- 2.2.12** Ensure plans are in place for orderly succession for both Executive and Non-executive Directors of the Company and the Bank and Senior Management<sup>3</sup>, and oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing TSB, and the skills and expertise needed on the TSB boards in the future.
- 2.2.13** Keep under review the leadership needs of TSB, both executive and non-executive, with a view to ensuring the continued ability of TSB to compete efficiently in the marketplace.
- 2.2.14** To develop and recommend to Board for approval a policy on diversity and inclusion for the Company and the Bank as a whole, linked to the Company's strategy, and to monitor its implementation and progress against the achievement of any objectives set.
- 2.2.15** At least annually, or at the request of the Board at any time, to review the Terms of Reference of the Committee, to ensure that they remain appropriate and fit for purpose, and to recommend to the Board for approval any changes considered necessary or desirable.
- 2.2.16** At least annually, to review the effectiveness of the Committee, and to report to the Board thereon.
- 2.2.17** Work and liaise as necessary with all other Board committees.

### **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 Non-executive Directors. Members of the Committee shall be appointed by the Board in consultation with the chair of the Committee.
- 3.2** Appointments to the Committee are made by the Board on the recommendation of the Committee 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 chair who should be either the Chair of the Board or an Independent Non-executive Director. In the absence of the Committee chair 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 Chair of the Board shall not chair the Committee when it is dealing with his/her succession.
- 3.4** The Company Secretary or his or her nominee shall act as the secretary to the Committee.

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<sup>3</sup> Defined as the Company Secretary, each direct report to the Chief Executive Officer (excluding executive and personal assistants), and employees who are designated as Material Risk Takers under the PRA's Remuneration Code

- 3.5** The quorum necessary for the transaction of business shall be two members of the Committee, both of whom must be Non-executive Directors.
- 3.6** Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chair.
- 3.7** Unless otherwise agreed, notice of each 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 four 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** Members may attend meetings via teleconference or videoconference if required. Decisions of the Committee may also be taken by way of a unanimous written resolution of Committee members. Such written resolution is adopted when all members of the Committee have signed one or more copies of it or otherwise indicated their agreement to it in writing (which may include by electronic mail).

#### **4. INPUTS**

- 4.1** The Committee will be supported by the HR and Legal 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 General Counsel and the Legal/Company Secretarial team; and
  - c) 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** The Committee shall have regard to established and evolving best practice corporate governance standards including, where relevant, standards set by voluntary codes. Where departure from the requirements of these standards or codes 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.
- 4.3** The Committee shall have regard to the views and procedures of the Parent on matters related to board composition and board appointments.

#### **5. OUTPUTS**

- 5.1** To the extent that it is required by applicable regulation, the Committee shall produce a report to be included in the Company's Annual Report & Accounts about its activities, which should include those matters as set out in the relevant regulations.
- 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 promptly to all Committee members. Once approved, minutes should be circulated to all other members of the Board, unless in the opinion of the Committee chair 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 chair 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 Non-executive Directors, together with the Chief Executive Officer, HR Director, 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 chair.

## **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, HR Director and General Counsel) are to the individual holding that position for TSB, whether formally appointed by the Company, the Bank or otherwise.