

## **Nomination committee – Terms of Reference**

The Terms of Reference set out below are common to each of UK Asset Resolution Ltd ("UKAR"), Bradford & Bingley plc ("B&B") and Northern Rock (Asset Management) plc ("NRAM") (each, a "Company" and together, the "Group Companies" or the "Group"). Each of the Group Companies has separately resolved to adopt these Terms of Reference at a Board meeting held on 26 January 2011. Wherever any item is not applicable to any one of the Group Companies this is highlighted in the Terms of Reference.

### **1. Constitution**

The Board of Directors (the "Board") of the Company has established a committee of the Board, known as the Nomination Committee (the "Committee"), with Terms of Reference as set out below.

### **2. Purpose and duties**

The purpose of the Committee is to make recommendations to the Board on the appointment of new executive and Non-Executive Directors to the Board and their subsequent re-appointment, including making recommendations as to the composition of the Board generally and the balance between executive and Non-Executive Directors as well as preparing succession plans for the Chairman and other Directors. The Committee shall be responsible for all aspects of the appointment of Directors of the Company, and where practicable shall have regard to statutory and regulatory obligations applicable to the Company, and, in accordance with the relationship framework document detailing the relationship between UKAR and UK Financial Investments Limited ("UKFI") (acting on behalf of HM Treasury), the UK Corporate Governance Code and any other relevant corporate governance codes and/or best practice guidelines applying to companies admitted to the Official List.

The Committee is also responsible for reviewing management succession plans and the appropriateness of management development programmes for Executives, taking into account the challenges and opportunities facing the Company and accordingly what balance of skills will be needed on the Board in the future. The UKAR Nominations Committee will maintain an oversight role in the nomination policy of the entire Group of companies.

The Committee shall:

- 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;
- give full consideration to succession planning for Directors and other Senior Executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- 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 operate effectively;

- keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- be responsible for identifying and nominating for the approval of the Board, candidates to fill vacancies as and when they arise;
- before any appointment is made by the Board, evaluate the balance of skills, knowledge, 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; and
  - ensure compliance with all FSA Rules concerning the appointment of candidates.
- provide UKFI with assistance as required, in relation to the appointment of the Chairman of the Board in accordance with the UKAR and UKFI Relationship Framework Document;
- 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;
- 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;
- review the results of the Board performance evaluation process that relate to the composition of the Board; and
- 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.

The Committee shall also make recommendations to the Board concerning:

- formulating plans for succession for both Executive and Non-Executive Directors and in particular for the key roles of Chairman and Chief Executive;
- suitable candidates for the role of Senior Independent Director;

- membership of the Risk, Audit and Remuneration Committees, and any other Board Committees as appropriate, in consultation with the Chairmen of those Committees;
- 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;
- the re-election by shareholders of Directors under the annual re-election provisions of the Code or the annual retirement provisions in the Company'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);
- 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
- the appointment of any Director to Executive or other office.

### **3. Membership**

The members of the Committee shall be appointed by the Board. The Committee shall comprise at least three Directors. A majority of the members of the Committee shall be independent Non-Executive Directors of the Company. A quorum shall comprise two members of the Committee, both of whom must be independent Non-Executive Directors. The Chairman of the Board or an independent Non-Executive Director shall serve as Chairman of the Committee (the "Chairman"). The Chairman of the Board shall not chair the Committee when it is dealing with the matter of succession to the Chairmanship. The Company Secretary or such other nominated individual as may be appointed by the Board from time to time will serve as secretary to the Committee, and references in these Terms of Reference to the "Secretary" shall be construed as including any and all of the aforementioned persons. The Committee may invite any Director, the Chief Executive or any other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the fulfilment of its duties.

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.

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.

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.

#### **4. Authority**

The Committee is authorised by the Board to investigate any matter within its Terms of Reference.

#### **5. Advice**

The Committee may obtain, at the Company's expense, appropriate external professional advice and, if necessary, appoint external advisors and or recruitment consultants. It is envisaged that in obtaining outside advice the Committee will act in conjunction with the Chairman of the Company.

#### **6. Meetings**

Meetings shall be held not less than twice per year and at such times as the Committee deems appropriate. Regular meetings will be programmed to take place to consider succession planning and to review time commitments of Non-Executive Directors and, via performance evaluation assess whether Non-Executive Directors are spending enough time fulfilling their role, and to review re-appointment and re-election of Directors annually. A notice of each meeting and agenda will be sent to each member of the Committee, any other person required to attend and all other Non-Executive Directors at least seven calendar days in advance. Supporting papers will be sent to Committee members and other attendees at the same time, as appropriate.

The Chairman of the Committee may call additional meetings to consider such matters related to its responsibilities as the Committee may consider desirable. Any member of the Committee may request a meeting if they consider it necessary. Meetings of the Committee may be held by telephone conference or similar arrangement.

The Secretary shall minute the proceedings and resolutions of all Committee meetings including the names of those present and in attendance.

#### **7. Other**

The Committee may form sub-committees from its membership to address specific aspects of its duties, and may delegate such of its powers as it thinks necessary to designated individuals to assist them in carrying out work required by the Committee. The Committee shall consider any other matters requested by the Board from time to time.

The Committee Chairman should attend the Annual General meeting to answer any shareholder questions on the Committee's activities.

#### **8. Review**

The Committee will conduct an annual review of its performance, and ensure that it is provided with sufficient resources to undertake its duties, including access to the Company Secretariat for assistance as required and that appropriate and timely training is provided to members on appointment and on an ongoing basis, and recommend any changes it

considers necessary to the Board for approval. These Terms of Reference will be reviewed and, where necessary, updated, at least once a year.

## **9. Reporting procedures**

The Chairman of the Committee shall be responsible for reporting to the Board. The minutes of all meetings and resolutions of the Committee shall be circulated to the members of the Committee and to the Board unless it would be inappropriate to do so. The Secretary will retain copies of the minutes and papers.

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

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.