

UNITY TRUST BANK PLC

NOMINATIONS & REMUNERATION COMMITTEE

Terms of Reference

1. **Constitution**

- 1.1 The Board Nominations and Remuneration Committee (the Committee) was originally established by a resolution of the Board of Unity Trust Bank plc (the Bank) on 19 January 1996. The terms of reference were last revised and approved by the Board on 25 March 2011.

2. **Membership**

- 2.1 The Committee shall consist of: -
- The Chairman of the Board
 - The President
 - One 'B' Director
 - The Senior Independent Non- Executive Director
- 2.2 The membership of the Committee shall be reviewed by the Chairman on an annual basis.
- 2.3 The Board shall appoint the Committee Chairman who shall be the Chairman of the Board, or in his absence the 'B' Director. The Chairman of the Board shall not Chair the Committee when it is dealing with the matter of succession to the chairmanship.

3. **Secretary**

- 3.1 The Secretary of the Bank will be secretary to the Committee.

4. **Attendance at the Meetings**

- 4.1 No one other than the Committee Chair and its members shall be entitled to attend meetings of the Committee, unless at the invitation of the Chair.

5. **Quorum**

- 5.1 The quorum shall be one 'B' Director and either one 'A' Director or the Independent Director. 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.

6. **Frequency**

- 6.1 The committee shall meet three times a year or more frequently if circumstances require.

7. **Minutes of meetings**

- 7.1 The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
- 7.2 Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the board unless it would be inappropriate to do so.

8. **Annual General Meeting**

- 8.1 The Committee Chairman should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.
- 8.2. As recommended by the Walker Review, the Chair of the Committee will be required to stand for re-election in the following year in the event that the Directors' Remuneration Report attracts less than 75% vote at the AGM.

9. **Responsibilities**

The responsibilities of the Committee are set out below.

9.1 **Nominations**

The Committee shall:

In relation to the Board and its Committees

- 9.1.1 regularly review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regards to any changes.
- 9.1.2 make recommendations to the Board concerning membership of the audit and remuneration committees, and any other board committees as appropriate, in consultation with the chairmen of those committees.
- 9.1.3 keep under review the leadership needs of the Bank, both Executive and Non-Executive, with a view to ensuring the continued ability of the Bank to compete effectively in the marketplace.
- 9.1.4 keep up to date and fully informed about strategic issues and commercial changes affecting the Bank and the market in which it operates.
- 9.1.5 give full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Bank and what skills and expertise are therefore needed on the Board in the future.
- 9.1.6 make recommendations to the Board concerning plans for succession for both Executive and Non-Executive Directors.
- 9.1.7 make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time.

In making particular nominations

- 9.1.8 be responsible for identifying and nominating for the approval of the Board, and relevant shareholder(s), candidates for Executive and Independent Director positions.
- 9.1.9 before making a nomination evaluate the balance of skills, knowledge and experience of the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment including the time commitment expected.
- 9.1.10 consider candidates from a wide range of backgrounds.
- 9.1.11 prior to the appointment of a director, require the proposed appointee 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.
- 9.1.12 make recommendations to the Board concerning re-election by shareholders of any Director under retirement by rotation provisions in the Bank's Articles of Association.

In relation to Executive Directors

- 9.1.13 make recommendations to the Board concerning the appointment of any Director to Executive or other office other than to the positions of Chairman and Chief Executive, the recommendation for which would be considered at a meeting of the Board.
- 9.1.14 consider requests from members of the Executive wishing to take on a Non-Executive directorship and make recommendations to the Board.

In relation to Non-Executive Directors

- 9.1.15 ensure that on appointment to the Board, Independent Non-Executive Directors receive a formal letter of appointment and all Non-Executive Directors receive a role profile setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.
- 9.1.16 review annually the time required from a Non-Executive Director. Performance evaluation should be used to assess whether the Non-Executive Director is spending enough time to fulfil their duties.
- 9.1.17 make recommendations to the Board concerning suitable candidates for the role of Senior Independent Director.
- 9.1.18 make recommendations to the Board concerning the re-election of any Non-Executive Director at the conclusion of their specified term of office.

9.2 Remuneration

The committee shall:

Bank-wide

- 9.2.1 determine the scope, rules and targets for any performance-related pay schemes operated by the Bank.
- 9.2.2 be aware of and advise on any major changes in employee benefit structures throughout the Bank.

Policy

- 9.2.3 be responsible for setting the over arching principles and parameters of Remuneration Policy on a Bank-wide basis
- 9.2.4 when setting remuneration policy for directors, review and have regard to the remuneration trends across the Bank.
- 9.2.5 determine the policy for and scope of pension arrangements for each Executive Director and all staff of the Bank, within the rules of the Co-operative Group Pensions (Average Career Earnings) Scheme.
- 9.2.6 review the ongoing appropriateness and relevance of the remuneration policy.

Information and Consultants

- 9.2.7 obtain reliable, up-to-date information about remuneration in other companies. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board.
- 9.2.8 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- 9.2.9 take into account the Remuneration Consultant's Code when engaging advisors.

Remuneration of Specified Individuals

- 9.2.10 determine and agree with the Board the framework or board policy for the remuneration of the Managing Director, the Chairman of the Bank and such other members of the Executive Management as it is designated to consider. At a minimum, the Committee should have delegated responsibility for the setting remuneration for all Executive Directors, the Chairman and Independent Director members of the Board. No Chairman, Director or Manager shall be involved in any decisions as to their own remuneration.
- 9.2.11 within the terms of the agreed policy, determine the total individual remuneration package of each Executive Director including, where appropriate, bonuses and incentive payments.
- 9.2.12 ensure that contractual terms on termination, and any payments made, are fair to the individual and the Bank, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- 9.2.13 in determining such packages and arrangements, give due regard to the contents of the UK Corporate Governance Code (the Code).
- 9.2.14 agree the policy for authorising claims for expenses from the Chief Executive, Chairman and Independent Non-Executive Director.

10. Reporting responsibilities

The committee shall:

- 10.1 make a statement in the Annual Report about its activities, the process used for appointments and explain if external advice or open advertising has not been used, the membership of the committee, the

number of Committee meetings and attendance over the course of the year.

- 10.2 ensure that provisions regarding the disclosure of remuneration, including pensions, as set out in the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Code, are fulfilled.
- 10.3 the Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.4 make whatever recommendations to the Board it deems appropriate to any area within its remit where action or improvement is needed.
- 10.5 make available its terms of reference explaining clearly its role and the authority delegated to it by the Board.