

# THE CO-OPERATIVE BANK PLC

## VALUES & ETHICS AND NOMINATION COMMITTEE

### Terms of Reference

#### 1. CONSTITUTION

- 1.1 The Values & Ethics and Nomination Committee (the '**VEN Committee**') terms of reference of The Co-operative Bank p.l.c. (the '**Bank**') were approved by board of the Bank (the '**Board**') on 24 February 2025. The VEN Committee's responsibilities are discharged on behalf of the Bank and its subsidiaries (as appropriate).

The Bank and its subsidiaries are wholly owned by The Co-operative Bank Finance p.l.c. which is wholly owned by The Co-operative Bank Holdings p.l.c. which is in turn wholly owned by Coventry Building Society ('the **Society**', together with its subsidiaries, the '**Group**').

- 1.2 The purpose of the VEN Committee is to:

- recommend to the Board for its approval and adoption the co-operative values and ethical policies of the Bank and shall represent, monitor and advise the Board on matters concerning the interests of the customers, suppliers, employees, contractors and all other stakeholders in their dealings with the Bank in line with the objects of the Bank as described in the articles of association of the Bank (the '**Articles**');
- monitor on behalf of the Board the Bank's compliance with its statement to Co-operatives UK;
- monitor on behalf of the Board the Bank's compliance with the Bank's values, ethics and Environmental, Social and Governance ('**ESG**') strategies, including the Bank's journey to 'Net Zero' and in alignment with the Group's ESG strategies;
- review and make recommendations to the Board on Board composition, succession planning for executive directors, non-executive directors, executive committee members and Senior Management Function ('**SMF**') role holders (each as appointed or employed by the Bank), identifying and nominating candidates for Board vacancies and evaluation of candidates for the Board. In the case of recommendations for appointments to the Board of directors of the Bank, the VEN Committee's recommendations shall be made to the Board for approval, and to the Society;
- keep the Board's governance arrangements under review and make appropriate recommendations to the Board to ensure its arrangements are consistent with relevant corporate governance standards and best practice; and
- oversee the legal and regulatory requirements applicable to the non-executive directors including notified non-executive directors of the Bank in compliance with the Senior Managers' Regime.

#### 2. MEMBERSHIP

- 2.1 The members and chair of the VEN Committee shall be appointed by the Board in accordance with the Articles. The chair of the VEN Committee (the '**Chair**') shall be the chair of the Board. Membership shall comprise a minimum of two and maximum

of four directors of whom the majority shall be independent non-executive directors of the Bank, and include the deputy chair of the Board.

- 2.2 The VEN Committee may contain a member who is not a director of the Bank, who must be a senior executive of the Bank or if not a senior executive of the Bank, the individual must have credentials appropriate for the role.
- 2.3 In the absence of the Chair (and/or an appointed alternate member), the members present at any meeting of the VEN Committee shall elect one of their number (who shall be an independent non-executive director) to chair the meeting.
- 2.4 The Chair shall not chair the VEN Committee when it is dealing with the matter of succession of the chair of the Board. Where the VEN Committee meets to discuss the chair of the Board's succession or performance, the deputy chair of the Board shall chair such meetings of the VEN Committee.
- 2.5 Only members of the VEN Committee have the right to attend and vote at VEN Committee meetings. The Bank's Chief Executive Officer, the Group's Chief People Officer and the Group General Counsel have standing invitations to meetings, but shall not attend meetings where their succession planning is being discussed. Other non-executive directors of the Board or the Group board, the Group or Bank executive team, external advisors and representatives from relevant business functions of the Bank may be invited to attend all or part of any meeting as and when the Chair deems appropriate.
- 2.6 The members of the VEN Committee shall be listed each year in the annual report of the Bank.
- 2.7 Each member of the VEN Committee shall disclose to the VEN Committee:
  - 2.7.1 any personal financial interest (other than as a shareholder) in any matter to be decided by the VEN Committee; or
  - 2.7.2 any potential conflict of interest arising from a cross directorship or board position. Any such member shall abstain from voting on resolutions of the VEN 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 VEN Committee.

### **3. SECRETARY**

- 3.1 The Company Secretary of the Bank, or their nominee, shall be the secretary of the VEN Committee (the '**Secretary**').
- 3.2 The Secretary should ensure that the VEN Committee receives information and papers in a timely manner to support full consideration of the issues, the agenda having been approved by the Chair in advance.

### **4. QUORUM AND VOTING**

- 4.1 The quorum necessary for meetings of the VEN Committee shall be two members, who are both independent non-executive directors and one of whom must be the Chair or appointed deputy, present throughout the meeting. A duly convened meeting of the VEN 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 VEN Committee.

- 4.2 In the event of an equality of votes, the Chair shall have a casting vote.
- 4.3 A member may be present for the purpose of paragraph 4.1 in person, by telephone, by videoconference or by other communication facilities or means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously.
- 4.4 In alignment with the Articles (resolutions without meetings), a resolution which is signed or approved by all the directors entitled to vote (members of the VEN Committee) on that resolution (and whose vote would have been counted) shall be as valid and effectual as if it had been passed at a meeting duly called and constituted.

## **5. FREQUENCY AND NOTICE OF MEETINGS**

- 5.1 Meetings of the VEN Committee may be convened at any time by the Chair or on the reasonable request of any VEN Committee member who considers it necessary. The VEN Committee shall meet at least four times per financial year.
- 5.2 Unless otherwise agreed, notice of each meeting of the VEN 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 VEN Committee, and to each other person invited to attend, in a timely manner to enable full and proper consideration of issues.

## **6. MINUTES OF MEETINGS**

- 6.1 The Secretary shall minute the proceedings and resolutions of all VEN Committee meetings, including the names of those present and in attendance.
- 6.2 Draft minutes of VEN Committee meetings shall be circulated promptly to all members of the VEN Committee. Once approved by the VEN Committee, minutes shall be circulated to all other members of the Board (and shall constitute an item for discussion/noting on the agenda of the next Board meeting), unless it would be inappropriate to do so in the opinion of the Chair.

## **7. ANNUAL GENERAL MEETING**

In alignment with the Articles, the Chair should attend the annual general meeting of the Bank (the '**AGM**') to answer any shareholder questions on the VEN Committee's activities and on the annual report of the VEN Committee to the Board to be included in the annual report and accounts of the Bank. The members of the VEN Committee should be prepared to meet the shareholder at the AGM.

## **8. DUTIES**

### **Values & Ethics**

- 8.1 The VEN Committee shall recommend to the Board for approval and adoption the co-operative values and ethical policies of the Bank and shall represent, monitor and advise the Board on matters concerning the interests of all stakeholders in their dealings with the Bank in line with the objects of the Bank as described in the Articles having regard to:

- 8.1.1 the legal and regulatory requirements applicable to the Bank and its directors;
  - 8.1.2 the need for the Bank's operations to be commercially sustainable and profitable; and
  - 8.1.3 the desirability of maintaining and enhancing the public reputation and image of the Bank.
- 8.2 The VEN Committee shall monitor the Bank's compliance with its statement to Co-operatives UK on behalf of the Board.
- 8.3 The VEN Committee shall monitor on behalf of the Board compliance with the Bank's values, ethics and ESG strategies, including the Bank's journey to 'Net Zero', in alignment with the Group's ESG strategies.

### **Bank Board and Executive Composition and Succession Planning**

- 8.4 Regularly, and at least annually, review the structure, size and composition of the Board; and make recommendations to the Board and the Group Nominations and Governance Committee with regard to any changes.
- 8.5 Determine the succession plans for directors, executive committee members and SMF role holders, as appropriate, in the course of its work, taking into account the challenges and opportunities facing the Bank, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace, 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.
- 8.6 Be responsible for identifying and nominating, in alignment with the Group Nominations and Governance Committee, candidates to fill Board and executive vacancies as and when they arise, and Board and executive appointments for the approval of the Board, subject to any matters reserved to the Group board.
- 8.7 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 and assess the time commitment required. In identifying suitable candidates the VEN Committee shall, as appropriate:
- 8.7.1 use open advertising or the services of external advisers to facilitate the search;
  - 8.7.2 consider candidates from a wide range of backgrounds;
  - 8.7.3 consider candidates on merit and against objective criteria, promoting diversity, inclusion and equal opportunity on the Board, taking care that appointees have enough time available to devote to the position; and
  - 8.7.4 consider candidates who provide a broad set of qualities and competencies.
- 8.8 Provide input into the chair of the Board succession process which shall be managed by the Group Nominations and Governance Committee, including consideration of the job specification, the time commitment expected, and recognising the need for

availability in the event of crises. A proposed chair of the Board's other significant commitments should be disclosed to the Board before appointment and any changes should be reported to the Board as they arise.

- 8.9 Provide input into the Chief Executive Officer of the Bank succession process which shall be managed by the Group Nominations and Governance Committee.
- 8.10 Prior to appointment to the Board, 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. These must be authorised by the Board prior to appointment and any future business interests that could result in a conflict of interest must not be undertaken without prior authorisation of the Board.
- 8.11 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.

### **Board Effectiveness**

- 8.12 Regularly, and at least annually, assess the knowledge, skills, experience and diversity of individual members of the Board and of the Board collectively.
- 8.13 Review annually the time required from non-executive directors. Performance reviews should be used to assess whether the non-executive directors are spending enough time to fulfil their duties.
- 8.14 Review the scope and completion of induction programmes for new directors.
- 8.15 Determine the Board training programme on an annual basis.
- 8.16 Determine and oversee the process by which the Board, its committees and individual directors assess their effectiveness; and oversee progress against action plans addressing the results of the Board and Board committee effectiveness or performance review.

### **Key Interactions and Documentation**

- 8.17 Work and liaise as necessary with other board committees, ensuring the interaction between committees and with the Board is reviewed regularly. The VEN Committee shall consider the Bank's Joint Audit Committee recommendation with respect to the appointment and removal of the Bank's Chief Internal Auditor; and the Bank's Risk Committee recommendation with respect to the appointment and removal of the Bank's Chief Risk Officer. The VEN Committee shall make recommendations to the Board concerning the appointment of the company secretary of the Bank.
- 8.18 Review membership of the Board committees as appropriate, in consultation with the chairs of those committees and in so doing have regard to the Articles, the benefits of cross-committee membership and committee membership rotation to refresh committee viewpoint and support directors' continuing skills and professional development.
- 8.19 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.

- 8.20 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.
- 8.21 Annually review the Bank's policy on equality, diversity and inclusion, and its progress on implementing the policy.
- 8.22 Review reports on the diversity of the Board, its executive members and their direct reports, as appropriate, and review any measurable objectives and targets set by the VEN committee to improve the Group's diversity.
- 8.23 Periodically review the Board's policy for the selection and appointment of senior management and make recommendations to the Board.
- 8.24 Ensure these terms of reference are published on the Bank's website.

## **9. REPORTING RESPONSIBILITIES AND DISCLOSURE**

- 9.1 The Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The VEN Committee shall make whatever recommendations to the Board and the Group Board (as necessary) it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The VEN Committee shall produce a report which will form part of the Bank's annual report and accounts which describes:
  - 9.3.1 the roles and responsibilities of the Committee and actions taken by the Committee to discharge those responsibilities;
  - 9.3.2 the process it has used in relation to the recommendation of Board appointments, its approach to succession planning and how both support the development of a diverse pipeline, 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;
  - 9.3.3 the Board's policy on equality, diversity and inclusion, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives. The report may include the gender balance of those in the senior management team and their direct reports; and
  - 9.3.4 how the Bank Board performance review has been conducted, the nature and extent of any external performance reviewer's contact with the Board and individual directors, the outcomes and actions taken.

## **10. OTHER MATTERS**

The VEN Committee shall:

- 10.1 To the extent possible, on an ongoing basis, take account of the need to ensure that the Board's decision making is not dominated by any one individual or small group of individuals that is detrimental to the interests of the Bank as a whole.

- 10.2 Assist the SMF role holders in fulfilling their prescribed responsibilities. Where matters are being discussed in relation to a prescribed responsibility by the VEN Committee, ensure the relevant SMF role holder attends and participates in the discussion, or if unable to attend, ensure that they are suitably represented.
- 10.3 Review and note significant changes to the Bank's responsibilities map as required under the Senior Manager and Certification Regime.
- 10.4 Consider how the matters for which it is responsible could impact customers, including creating good customer outcomes and mitigating customer harm.
- 10.5 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required.
- 10.6 Keep the Bank's governance arrangements under review, giving due consideration to laws and regulations including those of the Financial Conduct Authority and Prudential Regulation Authority, the requirements of the UK Listing Authority's Rules, the Disclosure and Transparency Rules, corporate governance code requirements and best practice and the requirements of any applicable competent authority regulation or guidance, as appropriate.
- 10.7 Arrange for periodic reviews of its own performance and, at least annually, review its terms of reference to evaluate and improve its effectiveness and recommend any changes it considers necessary to the Board for approval.

## **11. AUTHORITY**

- 11.1 The VEN Committee is authorised by the Board to use any forms of resources the VEN Committee deems appropriate including obtaining, at the Bank's expense, independent legal or other professional advice on any matters within its terms of reference including employing search consultants.
- 11.2 The VEN Committee is authorised by the Board to seek any information it requires from any employee of the Bank in order to perform its duties.
- 11.3 The VEN Committee is authorised by the Board to investigate any activity within the scope of its duties.