

Paragon Banking Group PLC (“PBG”)

&

Paragon Bank PLC (the “Bank”)

Terms of Reference: Nomination Committee (the “Committee”)

Approved: 28 September 2023

Contents

Section 1: Overview	3
1.1 Board approval	3
1.2 Interpretation	3
Section 2: Terms of Reference	4

Section 1: Overview

1.1 Board approval

This revised version was approved by the Boards of each of PBG and the Bank on 28 September 2023. The Terms of Reference will be reviewed annually, or when required by changes to regulation/legislation.

1.2 Interpretation

- 1.2.1 The Boards and Committees of PBG and the Bank have identical membership and sit jointly on most occasions. Where a joint meeting takes place, these Terms of Reference shall apply. Where the Committee of PBG or the Bank sit separately, these Terms of Reference shall apply to each Committee except where due to statute, regulation or other reasons considered appropriate by the non-executive directors they cannot or should not apply.
- 1.2.2 For the purpose of these Terms of Reference the term 'Group' shall mean, when the Committee is sitting as a joint Committee, PBG and its subsidiaries as defined by the Companies Act 2006. Should the Committee sit solely as a Committee of PBG then the same definition shall apply but when meeting as a Committee only of the Bank then this definition shall mean only the Bank and those subsidiaries of the Bank as defined by the Companies Act 2006.
- 1.2.3 For the purpose of these Terms of Reference the term 'Company' shall mean, when the Committee is sitting as a joint Committee, each of PBG and the Bank. Where the Committee is sitting as either a Committee of PBG or the Bank then it shall mean the relevant company only.
- 1.2.4 For the purpose of these Terms of Reference the term 'Board' shall mean, when the Committee is sitting as a joint Committee, the Boards of each of PBG and the Bank. Where the Committee is sitting as either a Committee of PBG or the Bank then it shall mean the relevant Board only.
- 1.2.5 For the purpose of these Terms of Reference the term 'Articles of Association' shall mean, when the Committee is sitting as a joint Committee, the Articles of Association of each of PBG and the Bank. Where the Committee is sitting as either a Committee of PBG or the Bank then it shall mean the Articles of Association of the relevant company only.

Paragon Banking Group PLC (“PBG”) &
Paragon Bank PLC (the “Bank”)
Nomination Committee (the “Committee”)
Section 2: Terms of Reference

Section 2: Terms of Reference

1 Role

The role of the Committee is to:

- 1.1 ensure that there is a formal, rigorous and transparent procedure for the appointment of new directors to the board of directors of the Company (the “Board”), to lead the process for Board appointments and make recommendations to the Board;
- 1.2 assist the Board in ensuring its composition is regularly reviewed and refreshed taking into account the length of service of the Board as a whole, so that it is effective and able to operate in the best interests of shareholders; and in doing so, the Committee shall work and liaise with other Board committees, as appropriate (including the Remuneration Committee in respect of any remuneration package to be offered to any new appointee to the Board);
- 1.3 ensure plans are in place for orderly succession to positions on the Board and as regards senior management, including the Company Secretary;
- 1.4 oversee the development of a diverse pipeline for succession;
- 1.5 oversee the adoption of appropriate internal policies on the assessment of the suitability of Directors of PBG and members of the Group Executive Committee and other key personnel who are subject to regulatory approval; and
- 1.6 receive and consider updates on employee engagement.

2 Authority

- 2.1 The Committee is a committee of the Board from which it derives its authority and to which it regularly reports.
- 2.2 The Committee has delegated authority from the Board in respect of the functions and powers set out in these Terms of Reference. The Committee may sub-delegate any or all of its powers and authority as it sees fit, including, without limitation, the establishment of sub-committees to analyse particular issues or themes and to report back to the Committee.
- 2.3 The Committee is concerned with the business of the whole Group and accordingly its authority extends to all relevant matters relating to the Group.
- 2.4 The Committee has authority to investigate any matters within its responsibilities and to obtain such information as it may require from any director, officer or employee of the Group.
- 2.5 The Committee Chair is authorised to request remedial action be taken in relation to any matter, within the Committee’s Terms of Reference, which the Committee Chair considers has not been addressed promptly or sufficiently.
- 2.6 The Committee is authorised by the Board to obtain, at the Company’s expense, outside legal or other professional advice on any matters within its Terms of Reference. If the proposed professional advisor provides statutory audit services to any part of the Group discussion shall be had with the Chair of the Audit Committee before the proposed appointment is agreed.
- 2.7 The Committee shall have the right to publish in the Company’s annual report details of any issues that cannot be resolved between the Committee and the Board.

Paragon Banking Group PLC (“PBG”) &
Paragon Bank PLC (the “Bank”)
Nomination Committee (the “Committee”)
Section 2: Terms of Reference

3 Relationship with other Committees

- 3.1 When appropriate, the views of the Audit Committee, Remuneration Committee and Risk and Compliance Committee will be sought and taken into account when considering any matters detailed in these Terms of Reference which, for the avoidance of doubt, includes the determination of remuneration packages.
- 3.2 The Committee shall work and liaise as necessary with all other Board Committees in addition to the points noted above in order to fulfil its duties.

4 Membership

- 4.1 The Committee shall comprise at least three members, all of whom shall be independent non-executive directors (within the meaning of the UK Corporate Governance Code 2018 (the “Code”). Additionally, the Chair of the Board may serve on the Committee as a Committee member if he or she was considered by the Board to be independent on appointment as Chair of the Board. It is recognised that the number of members may fall below three for temporary periods due to departures pending new appointments.
- 4.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, Chief Risk Officer, Chief People Officer, General Counsel, Company Secretary and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 4.3 Appointments to the Committee are made by the Board and shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members (other than the Chair of the Board, if he or she is a member of the Committee) continue to meet the criteria of the Committee.
- 4.4 The Board shall appoint the Committee Chair, who shall 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 be Committee Chair when it is dealing with the matter of succession to the role of Chair of the Board.
- 4.5 The Committee Chair shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.

5 Secretary

- 5.1 The Company Secretary, or his or her nominee, shall act as the Secretary of the Committee.

6 Quorum

- 6.1 The quorum necessary for the transaction of business shall be two members.
- 6.2 Significant decisions such as the appointment process for a new Chair of the Board or Chief Executive should, in all practical circumstances, be taken by the Committee as a whole (excluding, as appropriate, the current role holder for which the appointment process is being initiated).

Paragon Banking Group PLC (“PBG”) &
Paragon Bank PLC (the “Bank”)
Nomination Committee (the “Committee”)
Section 2: Terms of Reference

7 Meetings

- 7.1 The Committee shall meet at least twice a year and otherwise as required.
- 7.2 Meetings of the Committee may be conducted when the members are physically present together, in the form of either video or audio conference or as a hybrid.

8 Notice of meetings

- 8.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair or any of its members.
- 8.2 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 requested to attend and all other non-executive directors, normally no later than five working days before the date of the meeting unless otherwise agreed. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time so far as practicable. Late papers will be accepted by agreement with the Committee Chair.

9 Minutes of meetings

- 9.1 The Secretary of the Committee, or their nominated alternate, shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance and the existence of any conflicts of interest.
- 9.2 Draft minutes of Committee meetings shall be sent to the Committee Chair, normally no later than 10 working days after the meeting or as soon as practicable. Once finalised, draft minutes will be made available to all members of the Committee before formal approval at the next Committee meeting. Once approved, minutes should be made available to all members of the Board unless, exceptionally, it would be inappropriate to do so.

10 Shareholder engagement

- 10.1 The Committee Chair should attend the Annual General Meeting to answer any shareholder questions on the Committee’s activities and areas of responsibility.
- 10.2 The Committee Chair should seek engagement with shareholders on significant matters related to the Committee’s areas of responsibility.

11 Duties

The Committee shall carry out the following duties for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

11.1 Composition of the Board

The Committee shall:

- 11.1.1 regularly review the structure, size and composition (including the skills, experience, independence, knowledge and diversity) of the Board and its committees, taking account of the Group’s strategic priorities and the matters affecting the Group, and

Paragon Banking Group PLC (“PBG”) &
Paragon Bank PLC (the “Bank”)
Nomination Committee (the “Committee”)
Section 2: Terms of Reference

make recommendations to the Board with regard to any changes that are deemed necessary;

- 11.1.2 keep under review the leadership needs of the organisation, relating to the Board and senior management with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- 11.1.3 oversee, at the request of the Board, the implementation, operation and reporting of matters which support 11.1.1 such as the Equality and Diversity Policy, Women in Finance Charter, Parker Review and gender pay gap reporting. This shall include the development of measurable targets as appropriate; and
- 11.1.4 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 in a manner that is detrimental to the interests of the Company and its Group.

11.2 Succession planning

The Committee shall:

- 11.2.1 give full consideration to succession planning for directors and other senior executives in the course of its work, based on merit and objective criteria and taking into account the challenges and opportunities facing the Group, and the skills, experience, independence, knowledge and diversity needed on the Board in the future, and the length of service of the Board as a whole; and
- 11.2.2 satisfy itself that plans are in place for orderly succession for appointments to the Board and senior management.

11.3 Appointments to the Board

The Committee shall:

- 11.3.1 be responsible for identifying and nominating for the Board's approval, candidates from a wide range of backgrounds to fill Board vacancies as and when they arise;
- 11.3.2 consider proposals for the re-appointment or promotion of directors and also any proposal for their dismissal, retirement, non-re-appointment or any substantial change in their duties, responsibilities or the term of their appointment;
- 11.3.3 before the Board makes any appointment, evaluate the balance of skills, experience, independence, knowledge and diversity on the Board, and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment including an indication of the time required to undertake the role. In identifying suitable candidates, the Committee shall:
 - 11.3.3.1 use such methods as it deems appropriate, including the use of open advertising or the services of external advisers to facilitate the search;
 - 11.3.3.2 consider candidates from a wide range of backgrounds; and
 - 11.3.3.3 consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, social and ethnic backgrounds, taking care that appointees have enough time available to devote to the position;

Paragon Banking Group PLC (“PBG”) &
Paragon Bank PLC (the “Bank”)
Nomination Committee (the “Committee”)
Section 2: Terms of Reference

- 11.3.4 for the appointment of a chair, prepare a job specification, including the time commitment expected;
- 11.3.5 require a proposed appointee to disclose other significant commitments to the Board before appointment and disclose any changes to their commitments to the Board as they arise;
- 11.3.6 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 and the induction process;
- 11.3.7 ensure that all directors offer themselves for annual re-election by shareholders in accordance with the Code (Provision 18) and the Company’s Articles of Association; and
- 11.3.8 keep under review the number of external directorships held by each director.

11.4 Induction and training

The Committee shall:

- 11.4.1 ensure that all new directors undertake an appropriate induction programme to ensure that they are fully informed about strategic and commercial issues affecting the Group and the markets in which it operates as well as their duties and responsibilities as a director; and
- 11.4.2 consider any training requirements for the Board as a whole.

11.5 Conflicts of interest

The Committee shall:

- 11.5.1 before appointment of a director, require the proposed appointee to disclose any other business interests that may result in a conflict of interest and to report any future business interests that could result in a conflict of interest in line with the Board’s policy on conflicts of interest; and
- 11.5.2 if the Committee considers it to be necessary, review at least annually all potential conflicts of interest of directors disclosed to the Board and develop appropriate processes for managing such conflicts.

11.6 Board evaluation

The Committee shall:

- 11.6.1 if requested to do so, assist the Chair of the Board with the implementation of an annual evaluation process to assess the overall and individual performance and effectiveness of the Board and its committees, including consideration of balance of skills, experience, independence and knowledge of the Group, its diversity, how the Board works together as a unit, the quality of information the Board receives, and other factors relevant to the Board's effectiveness;
- 11.6.2 review the results of the Board performance evaluation process that relate to the composition of the Board and succession planning, its diversity and how effectively members of the Board work together to achieve objectives;
- 11.6.3 ensure that evaluation of the Board is externally facilitated at least every three years;
- 11.6.4 review the results of the performance evaluation of the Committee; and

Paragon Banking Group PLC (“PBG”) &
Paragon Bank PLC (the “Bank”)
Nomination Committee (the “Committee”)
Section 2: Terms of Reference

- 11.6.5 review annually the time required from non-executive directors, including the Chair and senior independent director. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties.

12 Board recommendations

The Committee shall also make the following recommendations to the Board, as appropriate.

12.1 Nominations and succession planning

The Committee shall make recommendations to the Board on:

- 12.1.1 the appointment of any director to executive or other office. Unless requested by the Board to do so recommendations for the positions of Chair of the Board, Chief Executive and Chief Financial Officer shall be considered at a meeting of the full Board;
- 12.1.2 the Chair of the Board, having assessed every three years whether the present incumbent shall continue in post, taking into account the need for continuity versus freshness of approach;
- 12.1.3 suitable candidates for the role of senior independent director; membership and Chair of the audit, risk and compliance and remuneration committees, and any other Board committees as appropriate, in consultation with the Chairs of those committees;
- 12.1.4 formulating succession plans for both executive and non-executive directors and in particular for the key roles of Chair of the Board, Chief Executive Officer and Chief Financial Officer;

12.2 Re-appointment of directors

- 12.2.1 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 and the length of service of the Board as a whole and its membership being regularly refreshed; and
- 12.2.3 re-election by shareholders of directors in accordance with the Code (Provision 18), having regard to their performance and commitment to the role (particularly in relation to non-executive directors being re-elected for a time beyond six years).

12.3 Continuation of office

The Committee shall make recommendations to the Board on 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 Group, subject to the provisions of the law and their service contract.

Paragon Banking Group PLC (“PBG”) &
Paragon Bank PLC (the “Bank”)
Nomination Committee (the “Committee”)
Section 2: Terms of Reference

13 Reporting responsibilities

- 13.1 The Committee Chair shall report formally to the Board on the Committee’s proceedings, as the Committee Chair considers appropriate, after each meeting on all matters within its duties and responsibilities.
- 13.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 13.3 The Committee shall produce a report to be included in the Group's annual report including any matters required by the Disclosure Guidance and Transparency Rules sourcebook published by the Financial Conduct Authority (the “FCA”) and describing its work, including:
- i. its activities, the membership of the Committee, number of meetings and attendance by Committee members over the course of the year;
 - ii. the process used to make appointments, its approach to succession planning and how both support the development of a diverse pipeline;
 - iii. if any external advice/search consultancy or open advertising has not been used;
 - iv. where an external search agency has been used, it shall be identified in the annual report and a statement made as to whether it has any connection with the Group; and
 - v. how the Board evaluation has been conducted.
- 13.4 The report referred to in paragraph 13.3 shall also include a description of the Board's policy on diversity, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives, as well as the gender balance of those in senior management and their direct reports.
- 13.5 The Committee shall make publicly available the Committee’s Terms of Reference by placing them on the Company’s website.

14 Other matters

The Committee shall:

- 14.1 have access to sufficient resources (e.g. financial) to carry out its duties, including unfettered access to the Company Secretariat, HR departments and independent control functions for advice and assistance as required;
- 14.2 have access to all data and information concerning the decision making process of the Board on matters within the Committee’s remit;
- 14.3 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis, for all members;
- 14.4 give due consideration to all relevant laws and regulations, in particular, the directors' duties contained in the Companies Act 2006, the provisions of the Code and published guidance, the requirements of the FCA’s Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules sourcebook, the Prudential Regulation Authority and Financial Conduct Authority’s Senior Managers and Certification Regime and any other applicable rules, as appropriate; and

Paragon Banking Group PLC (“PBG”) &
Paragon Bank PLC (the “Bank”)
Nomination Committee (the “Committee”)
Section 2: Terms of Reference

- 14.5 arrange for periodic reviews of its own performance and, at least annually, review its constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.