

BOARD

TERMS OF REFERENCE

1. Purpose

The Chorley & District Building Society (the “Society”) is a Mutual Society, registered on the Mutuels Public Register (number: 108B), whose principal office is a Key House, Foxhole Road, Chorley Lancashire PR7 1NZ.

The Society is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) - Financial Services Register, FRN: 206023.

The Society’s Board of Directors (the “Board”) operates within the Society’s Memorandum and Rules (as amended from time to time), rules and guidance issued by the regulatory authorities and all applicable laws and regulations.

The Board will have oversight of the Society as a whole and, unless required otherwise by regulation, will carry out the duties listed below, as appropriate.

2. Objectives

The Board is the governing body for the Society and has overall control and responsibility over the Society’s purpose, values and strategic objectives. The Board must:

- Ensure the long-term sustainable success of the Society, and act in the best interests of its Members as a whole (both current and future).
- Review and maintain viability of the Society’s strategic objectives over the 5-year plan.
- Ensure that the necessary risk management framework, financial and operational systems and controls, and human resources are in place to support the Society’s overall objectives.
- Ensure that the financial risks from climate change are considered as part of the Society’s corporate planning.
- Ensure the Society always seeks, to ensure good outcomes for its members.

3. Membership

The Board comprises of a minimum of five (5) and a maximum of twelve (12) both Executive and Non-Executive Directors, in accordance with the Society’s Memorandum and Rules, that are subject to change from time to time. The majority of the Board shall be independent Non-Executive Directors.

Members of the Board shall be appointed by the Board, on the recommendation of the Nominations Committee, and shall be subject to election by the Society's Members.

Only Members of the Board have the right to attend Board meetings. Other individuals may be invited to attend all or part of any meeting, as and when appropriate and necessary.

The Board shall appoint the Chair and Vice Chair at the first meeting immediately following the Annual General Meeting. The Chief Executive will chair this process until a replacement Chair is elected.

In the absence of the Chair and/or the Vice Chair, the remaining members present shall elect one of themselves to chair the meeting.

The Board shall appoint one of the independent Non-Executive Directors to the Senior Independent Director role.

The Board shall review, at least annually, the Board's succession planning arrangements.

The Chair will consult with the Nominations Committee for the appointment of any new Non-Executive and Executive Directors. Further details can be found in the Society's Corporate Governance Policy.

To ensure appropriate declarations, or conflict of interest, statements are noted by the Board and any related business is handled with due acknowledgement of noted interests.

It is important that the independence of the Board is maintained and that any conflicts of interest are avoided. There is an opportunity to raise and discuss potential conflicts of interest at the start of each meeting and any potential conflicts are recorded in the minutes.

4. Board Roles

The role of the Chair, Vice Chair/Senior Independent Director and Chief Executive are distinct and held by different individuals.

- The primary role of the Chair is to lead the Board, ensuring that it acts effectively, and to facilitate communication with the Society's members on behalf of the Board.
- The Vice-Chair is responsible for deputising for the Chair.
- The responsibilities of the Chief Executive are to manage the Society's business on a day-to-day basis, being accountable to the Board for the financial and operational performance of the Society and for the formulation and implementation of a Business Plan to achieve the strategic objectives set by the Board.

The Society appoints the role of Senior Independent Director (SID) to one of its Non-Executive Directors. The main role of the SID is to:

- Act as the main point of contact for members if they have concerns which the normal channels of communication with the Chair, Chief Executive or other Executive Directors have failed to resolve or for which such contact is inappropriate.
- Act as a sounding board for the Chair and Chief Executive on Board and Member matters.
- Conduct the Chair's annual performance appraisal, taking into account the views of the Non-Executive and Executive Directors.
- Be the focal point for Board members for any concerns regarding the Chair, or the relationship between the Chair and the Chief Executive.

5. Secretary

The Company Secretary, or their nominee, shall act as the Secretary of the Board and will ensure that members receive information and papers in a timely manner to enable full and proper consideration to be given to issues.

6. Quorum

The quorum necessary at each Board meeting shall be three (3) Directors, two (2) of whom must be Non-Executive Directors.

All matters shall be decided by a majority of votes. Every Board member present, including the Chair, shall have one vote. In the event of a tie, the Chair shall have a second and casting vote.

7. Frequency of Meetings

The Board will normally meet at least nine times a year (including a strategy and planning meeting).

Additional meetings may be called as and when required by the Chair.

Non-Executive Directors shall meet without the Executive Directors at least once a year.

Non-Executive Directors shall also meet without the Chair present at least once a year and this will be led by the SID.

8. Notice of Meetings

Meetings shall be called by the Secretary at the request of the Chair, its members, or internal or external auditors if necessary.

Notice of each meeting confirming the venue, date and time along with an agenda of items to be discussed, shall be forwarded to each member and any other person required to attend, normally no later than five working days before the date of the meeting, along with supporting papers.

9. Minutes of Meetings

The Secretary shall minute the proceedings and decisions of all Board meetings, including recording the names of those present and in attendance.

Draft minutes of Board meetings shall be circulated to all members of the Board for approval and sign off from the Chair as a true and accurate reflection of the meeting held.

Final signed copies of the Board minutes should be maintained for the Society's records.

10. Engagement with Stakeholders

The Chair should attend the Annual General Meeting to answer any questions on the Board's activities.

The Chair should also seek engagement with Members on significant matters related to the Board's areas of responsibility.

11. Delegation of Authority

The Board retains overall overriding accountability for the Society. However, the Board is supported by sub-committees which support it in ensuring appropriate communications and messages are escalated across the Society. The relevant Board Sub-Committees are:

- Risk Committee
- Audit Committee
- Nominations Committee
- Remuneration Committee

More details of the areas of responsibility delegated to each sub-committee are described under Duties & Responsibilities below, and in the individual Terms of Reference for each Board Sub-Committee.

12. Duties and Responsibilities

12.1 Constitutional and Regulatory matters.

The Board shall:

- Monitor and take accountability for the legal and regulatory governance of the Society.
- Review all "Key Person Dependency" roles and approved persons undertaking Senior Management Functions to ensure they remain fit and proper to do so.
- Oversee the appointment of an individual to act as Senior Management Function SMF1 (Chief Executive) for the Society.
- Challenge, review and approve key regulatory and Society documents on an annual basis for which it is responsible, following consideration and recommendations from the sub-Board Committees. The list includes but is not restricted to the Society's:
 - Internal Capital Adequacy Assessment Process (ICAAP)

- Internal Liquidity Adequacy Assessment Process (ILAAP)
- Recovery Plan & Resolution Pack (including the Solvent Exit Analysis)
- Risk Management Framework and Risk Appetite Framework
- Financial Risk Management Policy (FRMP)
- Lending Policy
- Conduct Risk Policy & Annual Consumer Duty Report
- Cyber Security Policy & Incident Response Plan
- Operational Resilience & Self-Assessment
- Corporate Governance Policy
- Receive and consider the annual MLRO Report.

12.2 Strategy & Planning

The Board shall:

- Ensure the success, including the long-term sustainable success of the Society, and shall act in the best interests of its Members as a whole (both current and future) and have regard to the interests of other key stakeholders including customers, colleagues, employees, suppliers and wider society, as well as the impact of the Society on the community and the environment.
- Ensure overall management of the Society within a framework of risk management and internal controls systems that support and direct financial security and good outcomes for all.
- Establish and oversee the purpose, strategy and values of the Society and reviewing the performance of the Society in light of these.
- Establish and oversee a sustainable business model and setting the strategy of the Society with that model, delegating implementation of the strategy and the 'day to day' management to the Executive Team, which is led by the Chief Executive, and review the performance of the Society in light of that strategy.
- Lead, develop and oversee the Society's culture (including a culture of risk awareness, prudent management, creating good customer outcomes, promoting openness with the regulators) ensuring that the desired values and behaviours are Board led, and review the performance of the Society in light of its culture and values.
- Ensure that management fully identifies climate change-related risks in the short, medium and long-term, assesses their materiality, and takes appropriate action according to the materiality of the risks.

12.3 Performance Management

The Board shall:

- Monitor the performance of the Society through written reports from the Executive and Senior Management, or other management information, including key performance indicators.
- Approve all new initiatives and expenditure, subject to Board approval, in accordance with specified delegated limits.

12.4 People & Culture

The Board shall:

- Be responsible for the appointment of the Chair, Vice Chair and Senior Independent Director of the Society's Board on an annual basis.
- Receive and approve recommendations for the appointment or removal of any Non-Executive Directors of the Society made by the Nominations Committee and approve as appropriate. Where required, any formal appointment will be subject to the prior approval of the FCA and PRA.
- Receive and approve recommendations for the appointment or removal of individuals either as Executive Directors of the Society. Any formal appointment will be subject to the prior approval of the FCA and where applicable, the PRA.
- Approve any recommendations for the appointment or removal of the Company Secretary of the Society.
- Maintain the oversight of culture to promote risk awareness and ethical behaviour for the entire organisation to follow in pursuit of its strategy, including adequate focus on the delivery of good customer outcomes.
- Maintain appropriate oversight of the People Strategy, ensuring its delivery is fit for purpose and enables the Society to deliver its wider strategic aims.
- Approve recommendations from the Nominations Committee regarding Executive and Senior Management succession planning and talent management.
- Approve recommendations from the Nominations Committee regarding structure, size and composition of the Board.

12.5 Risk Management and Internal Procedures

The Board shall:

- Act within the PRA rulebook and FCA handbook.
- Set risk appetite for the Society in accordance with its Business Plan and strategic objectives.
- Cascade key risk decisions to the appropriate Board and Management Committees to ensure a 'top-down' risk management approach is achieved.
- Have regard for relevant advice from the Audit Committee or from Internal and External Audit concerning the effectiveness of the current control framework.
- Approve the establishment of any new or disbanding Board Sub-Committees.
- Approve the Terms of References for the Board and Sub-Board/Management Committees.
- Agree and recommend to members, any changes to the Memorandum and Rules of the Society.
- Consider any proposed change in the external auditors to the Society and approve the remuneration of the external auditors.

13. Reporting Responsibilities

The Board shall:

- Take control or request changes to whatever it deems appropriate on any area within its remit where action or improvement is needed.
- Produce a report of its activities and the Society's risk management and strategy to be included in the Society's Annual Report & Accounts and Summary Financial Statement.
- Ensure that all regulatory reports are submitted accurately and within a timely manner.

14. Other Matters

The Board shall

- Have access to sufficient resources in order to carry out its duties, including access to the Chief Risk Officer, the Head of Compliance and the Company Secretary for assistance as required.
- Be provided with appropriate and timely training, in the form of an induction programme for new members and on an ongoing basis for all members.
- Arrange for periodic reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness.
- Act within the PRA rulebook and FCA handbook.
- Act in accordance with the UK Corporate Governance Code to the extent appropriate for the Society to have regard to this and where the requirements are relevant to a building society of our nature, size and complexity.
- Oversee any investigation of activities which are within its Terms of Reference.

15. Authority and Delegation of Responsibilities

The Board is accountable to the regulator and maintains oversight of all key risks related to the Society's Business Plan.

The Board shall approve:

- The Business Plan
- The Overall Annual Pay Award.
- All new initiatives and expenditure, subject to Board approval, in accordance with specified delegated limits (Capital Expenditure >£25k).
- All new propositions.
- The Society's Annual Report & Accounts (inc. Going Concern Statement, Representation Letter).
- Standard Variable Rate (SVR) changes that take place outside of a Bank Base Rate response.
- Responses to Bank Base Rate, including changes to SVR (may be via email and by majority vote).
- Any single or aggregate mortgage loan in excess of £1.5m in accordance with the Society's Lending Policy.

- Any products where pricing does not meet the Society's hurdle rate.
- Treasury related bank mandates, swap agreements and authorised signatories (in FRMP).
- All new suppliers deemed to be performing a critical function ("Material outsourcers/third-party suppliers").

The Board shall:

- Seek any information it requires from any employee of the Society in order to perform its duties.
- Obtain, at the Society's expense, external legal or other professional advice on any matter within its terms of reference.

The Board delegates its authority and approval of certain policies to its sub-Board Committees:

- Audit Committee
- Risk Committee
- Nominations Committee
- Remunerations Committee

Authorities for approval are stipulated within each Committee's Terms of Reference.



Signed:

Chair: Peter Brickley

Review History

Date of Issue	Author	Purpose	Date of Approval	Version: CDBS – BOARD TOR	Date of Next Review
29 Nov 2023	Board Governance Officer	New Board ToR	29 Nov 2023	1.0	27 Nov 2024
26 Feb 2025	CRO	Annual Review	26 Feb 2025	2.0	Feb 2026
26 Feb 2026	Interim Board Governance Officer	Annual Review	26 Feb 2026	3.0	Feb 2026