

## BOARD OF DIRECTORS (BOARD)

### TERMS OF REFERENCE

#### Purpose

The principal purpose of the Board is to be responsible for the long-term success of the Society by determining the Society's strategy and reviewing business performance whilst ensuring the necessary risk management, financial and operational systems and controls and human resources are in place to support an effective system of governance which aids both decision making and achievement of the Society's primary objective of safeguarding Members' interests.

#### Constitution

The Board comprises Executive and Non-Executive Directors.

The Society's Rules allow for the appointment of a minimum of five and a maximum of ten Directors.

The offices of Chair and Chief Executive are held by different people and each role is clearly defined, documented and agreed by the Board.

The Chair's main role 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 Chief Executive's responsibilities are to manage the Society's day-to-day business, being accountable to the Board for the financial and operational performance of the Society and for the formulation and implementation of a corporate plan to achieve the strategic objectives set by the Board.

#### Membership

Non-Executive Director and Chair (John Sandford)  
 Non-Executive Director and Vice Chair (Andrew Horsley)  
 Non-Executive Director and Senior Independent Director (Erfana Mahmood)  
 Non-Executive Director (David Bagley)  
 Non-Executive Director (Kevin Bernbaum)  
 Non-Executive Director (Joanna Hall)  
 Executive Director and Chief Executive Officer (CEO) (Stephen Penlington)  
 Executive Director, Secretary and Finance Director (Angela Kos)  
 Executive Director and Customer Services Director (Kimberley Roby)

#### Attendees

Head of Risk (Steven Melbourne)  
 Minute Taker  
 Other staff members may be requested to attend and report as necessary

### **Attendance at Meetings**

At its first meeting after every Annual General meeting, the Board will elect a Chair and Vice Chair from its number, to hold office until the commencement of the first meeting after the next Annual General Meeting.

The Board will appoint one of the independent Non-Executive Directors to be the Senior Independent Director to serve as an intermediary for the other Directors when necessary. The Senior Independent Director should be available to Members, staff, Directors and other stakeholders if they have concerns which contact through the normal channels of Chair, CEO or other Executive Directors has failed to resolve or for which such contact is inappropriate.

The quorum necessary for the transaction of business at each Board meeting shall be three (3) Directors, two (2) of whom must be Non-Executive Directors and the composition of the each Board meeting shall be that of greater Non-Executive Directors to Directors.

All matters must be decided by a majority of votes.

Every member present, including the Chair shall have one vote. In the event of a tie, the Chair shall have a second and casting vote.

At least once a year, the Non-Executive Directors meet without the executives present.

At least once a year, led by the Senior Independent Director, the Non-Executive Directors meet without the Chair present.

### **Frequency of Meetings**

The Society holds a minimum of ten (10) Board meetings each year and reserves one (1) day each year to discuss strategy.

Additional meetings are called as required by the Chair

<b>Duties</b>
<b>Governance Matters</b>
<ul style="list-style-type: none"> <li>• Provide leadership</li> <li>• Set the Society's culture and values</li> <li>• Approve the Corporate Governance Policy</li> <li>• Review membership and chairmanship of Board Committees</li> <li>• Approve the range of delegation of authorities and responsibilities to individuals and Board Sub-Committees</li> <li>• Approve the appointment of the Chairman and the Vice-Chairman of the Board on an annual basis</li> <li>• Annually assess the performance of the Board and individual directors</li> <li>• Review management performance via Nominations &amp; Remuneration Committee</li> <li>• Approve the appointment and/or removal of Non-Executive Directors, Executive Directors and MRT including the Chief Executive Officer and the Secretary</li> <li>• Review on at least an annual basis the Society's succession planning arrangements</li> <li>• Full attendance of the Board at the Annual General Meeting, prepared to respond to any questions on the Board's activities</li> <li>• Approve and recommend to the Society's Members, any changes to the Memorandum and Rules of the Society</li> <li>• Make appropriate Declarations of Interest in accordance with the Building Societies Act</li> <li>• Review of compliance with SYSC</li> <li>• Receive assurance regarding supplier management</li> </ul>
<b>Regulatory Matters</b>
<ul style="list-style-type: none"> <li>• High level monitoring and responsibility for the legal and regulatory governance of the Society</li> <li>• Review compliance with regulatory requirements relating to adequate resources and suitability</li> <li>• Review compliance with the High Level Standards requirements of the appropriate regulator as set out in the PRA Rulebook and FCA Handbook, including the Principles for Business (PRIN) and Senior Management Arrangements Systems and Controls (SYSC)</li> <li>• Ongoing review of whether all Approved Persons undertaking Senior Management Functions (SMF) (including all notified non-executive directors) for the Society remain fit and proper to do so via Nominations &amp; Remuneration Committee</li> <li>• Accountability for all matters relating to risk and compliance of the business with delegated responsibility to the Audit Risk &amp; Compliance Committee.</li> <li>• Regular review on the operation of complaints administration within the Society to meet regulatory requirements</li> <li>• Review of arrangements for ensuring compliance with all prudential and conduct regulatory requirements</li> </ul>

<b>Statutory Audit Matters</b>
<ul style="list-style-type: none"> <li>• Review, agree and approve via Audit, Risk and Compliance Committee, the Society's:               <ul style="list-style-type: none"> <li>○ Annual Report and Accounts;</li> <li>○ Summary Financial Statement;</li> <li>○ Going Concern Assessment Paper;</li> <li>○ Pillar 3 Disclosure;</li> <li>○ Section 68/69 Statement; and</li> <li>○ Representation Letter</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Receive and review from the External Auditor via Audit, Risk and Compliance Committee:               <ul style="list-style-type: none"> <li>○ The Final Audit Findings;</li> <li>○ FCA CASS Report;</li> <li>○ Section 68 Opinion; and</li> <li>○ Independence Letter</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Approve the appointment of the External Auditor</li> <li>• Approve the remuneration of the External Auditor</li> </ul>
<b>Strategic Risk Matters</b>
<ul style="list-style-type: none"> <li>• Approve the long-term strategy of the Society</li> <li>• Approve the Corporate Plan</li> <li>• Approve the Recovery Plan &amp; Resolution Pack</li> <li>• Monitor Liquidity and Capital Early Warning Indicators as laid out in the Recovery Plan via the Treasury Risk Report and the Finance Report</li> <li>• Review the Liquidity and Capital Alert Level as defined in the Recovery Plan via the Treasury Risk Report and the Finance Report</li> <li>• Approve any major changes to the Society's corporate structure</li> <li>• Approve any decision to cease to operate all or any material part of the business</li> <li>• Approve any decisions to undertake new business initiatives, including the formation of or disposal of a subsidiary undertaking</li> <li>• Approve any programme for or single issuance of long term debt by the Society or any regulatory approved appropriate capital investment</li> <li>• Approve the Stress Testing Policy</li> <li>• Approve the Society's suite of stress tests</li> <li>• Delegate authority to the Crisis Management Committee (CMC) to manage liquidity during a capital and/or liquidity crisis.</li> <li>• At all times the Board retains the right to reconstitute or amend the powers of the CMC</li> <li>• Decide when the capital and/or liquidity crisis has ended and stand down the CMC</li> </ul>
<b>Risk Management Framework</b>
<ul style="list-style-type: none"> <li>• Approve the Risk Management Framework</li> <li>• Approve the Risk Appetite Policy</li> </ul>

- Identification and monitoring of the major risks facing the Society and the establishment of appropriate controls to mitigate those risks
- Responsible for the overall management of the Society within the approved risk appetite
- Approval and ongoing monitoring of Board level Key Risk Indicator Limits, and Triggers via the Key Risk Indicator Report
- Approve the following Policies in support of the Risk Management Framework:

Key Risk Category	Policies and Reports
<b>Credit Risk</b>	
Mortgage Credit Risk	<ul style="list-style-type: none"> <li>• Lending Policy</li> <li>• Arrears &amp; Payment Shortfall Policy</li> <li>• Quarterly Credit Risk Cross Analysis Report</li> </ul>
	<ul style="list-style-type: none"> <li>• Approve new areas of lending including pilots</li> </ul>
<b>Treasury Credit Risk</b>	
	<ul style="list-style-type: none"> <li>• Approve any changes in treasury counterparties</li> </ul>
<b>Financial Risk</b>	
Liquidity & Funding Risk	<ul style="list-style-type: none"> <li>• ILAAP</li> <li>• Financial Risk Management Policy</li> </ul>
Capital Risk	<ul style="list-style-type: none"> <li>• ICAAP</li> </ul>
<b>Operational Risk</b>	
Financial Crime Risk	<ul style="list-style-type: none"> <li>• Anti-Bribery &amp; Corruption Policy</li> <li>• Anti-Money Laundering (AML) Policy</li> <li>• Annual AML Report</li> <li>• Fraud Risk Framework</li> <li>• Annual Fraud Report</li> </ul>
	<ul style="list-style-type: none"> <li>• Approve the appointment of a Money Laundering Reporting Officer (SMF 17)</li> </ul>
Operational Resilience Risk	<ul style="list-style-type: none"> <li>• Operational Resilience Policy</li> <li>• Disaster Recovery Plan</li> <li>• Business Continuity Plan</li> <li>• Outsourcing &amp; Third-Party Supplier Policy</li> </ul>
Cyber & Information Security Risk	<ul style="list-style-type: none"> <li>• Cyber Security Policy incorporating Cyber Incident Response Plan</li> <li>• Six-monthly Cyber Security Report</li> <li>• Information Security Policy</li> <li>• Data Protection Policy</li> <li>• Annual Data Protection Report</li> <li>• Data Retention Policy</li> </ul>

<b>Conduct Risk</b>	<ul style="list-style-type: none"> <li>• Conduct Risk Framework</li> <li>• Six Monthly review of Conduct metrics via Conduct Risk Dashboard</li> <li>• Annual Complaints Report</li> </ul>
<b>Regulatory &amp; Legal Risk</b>	<ul style="list-style-type: none"> <li>• Whistleblowing Policy</li> <li>• Annual Report in relation to Whistleblowing</li> <li>• Health &amp; Safety Policy</li> </ul>
<b>Other Matters</b>	
<ul style="list-style-type: none"> <li>• Approve the initiation and response to any litigation or proceedings in respect of the Society</li> <li>• Oversight of the Society's operations via the monthly Operations Report</li> <li>• Oversight of the Society's products and services via ALCO</li> <li>• Approve any global interest rate changes to the Board</li> <li>• Approve any products not meeting Corporate Plan parameters</li> <li>• Receive assurance that the necessary human resources are in place via the monthly CEO Report</li> <li>• Receive assurance that the necessary financial resources are in place via the monthly Finance Report</li> <li>• Approve the Society's insurances on an annual basis</li> <li>• Approve the appointment of the Internal Auditor</li> <li>• Approve the remuneration of the Internal Auditor</li> <li>• Approve capital expenditure over £25k controlled by the approval and monitoring of the Corporate Plan</li> <li>• Review and approve the Terms of Reference of the Board, Senior Independent Director, Board Sub-Committees and management committees</li> </ul>	
<b>Additional Reports Received</b>	
Operational Risk Report	

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