

**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)
- Non-Executive Director (Gail Teasdale)
- 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 (AGM), 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 AGM.

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 Executive Directors.

All matters shall be decided by a majority of votes.

Every Committee 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 shall meet without the Executive Directors present.

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

Frequency of Meetings

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

Additional meetings are called as required by the Chair.

Duties
Governance Matters
<ul style="list-style-type: none"> • Provide leadership • Set the Society’s culture and values • Approve the Corporate Governance Policy • Review and monitor membership and chairmanship of Board Committees • Approve the range of delegation of authorities and responsibilities to individuals and Board Sub-Committees • Approve the appointment of the Chairman and the Vice-Chairman of the Board on an annual basis • Annually assess the performance of the Board and individual directors • Review and monitor management performance via Nominations & Remuneration Committee • Approve the appointment and/or removal of Non-Executive Directors, Executive Directors and Material Risk Takers (MRT) including the Chief Executive Officer, the Secretary, MLRO (SMF17), Head of Risk (SMF4) and Head of Compliance (SMF16) • Approve the appointment of the Senior Independent Director (SID). • Review, on at least an annual basis, the Society’s succession planning arrangements • Full attendance of the Board at the Annual General Meeting, prepared to respond to any questions on the Board's activities • Approve and recommend to the Society’s Members, any changes to the Memorandum and Rules of the Society • Make appropriate Declarations of Interest in accordance with the Building Societies Act • Approve all material third party relationships
Regulatory Matters
<ul style="list-style-type: none"> • High level monitoring and responsibility for the legal and regulatory governance of the Society • Review and monitor compliance with regulatory requirements relating to adequate resources and suitability • • 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 & Remuneration Committee • Accountability for all matters relating to risk and compliance of the business with delegated responsibility to the Audit Risk & Compliance Committee. • Review the Annual Complaints Report including receiving assurance of the operation of complaints administration within the Society to meet regulatory requirements • Receive assurance of the arrangements for ensuring compliance with all statutory, prudential and conduct regulatory requirements via the Audit, Risk and Compliance Committee.

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

- Review and monitor all risks facing the Society and the establishment of appropriate controls to mitigate those risks via the monthly Strategic Risk Register and Operational Risk Report
- Responsibility for the overall management of the Society within the Board approved risk appetite framework
- 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
Credit Risk	
Mortgage Credit Risk	<ul style="list-style-type: none"> • Lending Policy • Mortgage Pricing Policy • Arrears & Payment Shortfall Policy • Quarterly Credit Risk Cross Analysis Report
	<ul style="list-style-type: none"> • Approve new areas of lending including pilots • Review and/or approve (on a case by case basis) any mortgage case >£1m
Treasury Credit Risk	
	<ul style="list-style-type: none"> • Approve any changes in treasury counterparties
Financial Risk	
Liquidity & Funding Risk	<ul style="list-style-type: none"> • ILAAP • Financial Risk Management Policy
Capital Risk	<ul style="list-style-type: none"> • ICAAP
Operational Risk	
Financial Crime Risk	<ul style="list-style-type: none"> • Anti-Bribery & Corruption Policy • Anti-Money Laundering (AML) Policy • Annual AML Report • Fraud Risk Framework • Annual Fraud Report
Operational Resilience Risk	<ul style="list-style-type: none"> • Operational Resilience Policy • Disaster Recovery Plan • Business Continuity Plan • <p>In relation to the Outsourcing and Third Party Supplier Policy:</p> <ul style="list-style-type: none"> • Approve the planned outsourcing of “Material” functions in advance of execution and; • Approve all “Material” relationships

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

=====