

Board

Terms of Reference – November 2021

1. The Terms of Reference detailed below set out the scope and objectives of the Board.

Approval

2. The Terms of Reference for the Board are approved by the Board on an annual basis, as confirmation that they remain appropriate and up-to-date.

Membership

3. Under the Rules, the business of the Society and any business that the Society proposes to carry on shall be under the direction of a Board of Directors consisting of not more than 16 nor less than 7 members, and the Board may from time to time resolve the number who together shall constitute the Board within these limitations (if at any time the number of Directors falls below the minimum of 7 the Board may act for a maximum period of 6 months with that number).

Members of the Board shall be appointed by the Board, on the recommendation of the Nominations Committee. All members shall be subject to either annual election or re-election by the Society's members at the Annual General Meeting. The Society's members also have the right to nominate candidates for election to the Board. The majority of Board members shall be independent Non Executive directors.

The Board shall appoint the Chair and the Chief Executive. At the time of appointment as Chair, the Director concerned shall be an independent Non Executive director. In the absence of the Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

Responsibilities

4. All Directors (both Executive and Non Executive) have been issued with individual job descriptions which set out their underlying responsibilities.

Board Quorum and Attendance at Meetings

5. Under the Rules, the Board shall meet for the despatch of business as often as it shall find necessary and 4 Directors present at any Board meeting shall form a quorum. The Board however have decided that in addition to having a minimum of 4 Directors present at a meeting there must also be a majority of Non-Executive Directors in attendance unless otherwise agreed with the Chair, or in his absence the Deputy Chair.

Meetings take place on a monthly basis, or such other time as required, to carry out the Group's business. The Board does not normally meet in August or December.

The Rules state that a Director may, and the Secretary at the request of a Director shall, call a meeting of the Board.

Questions arising at a meeting shall be resolved by a majority of votes and, in the case of an equality of votes, the Chair of the meeting shall have a second or casting vote (however if the number of Directors falls below the minimum of 7 then the Chair would not have a second or casting vote).

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The responsibility for appointing and removing the Group Secretary resides with the Board. The Group Secretary shall act as the secretary of the Board and shall minute the proceedings and resolutions of all meetings of the Board, including recording the names of those present and in attendance. The Secretary shall record any declarations of interest (including conflicts) divulged at the meeting. Minutes of Board meetings shall be circulated to all members of the Board before the next Board meeting.

Authority

6. The Board must ensure that the Group functions within the bounds of the Society's Memorandum and Rules (as amended from time to time), rules and guidance issued by the regulatory authorities, and all applicable laws.

Matters Reserved to the Board

7. In carrying out its role, the Board aims to ensure that excellent service is delivered to the Members, customers and Solutions business customers. The Board has responsibilities in contributing to and supporting the values of the Group set by Management, and believes that the interests of all stakeholders can be best served by remaining a strong, dynamic and mutual building society.

The Board will receive verbal and/or written reports from the Executive Committee and all Board Committees and in doing so will oversee the business. The Executive Committee will ensure that the business operates in a compliant fashion in accordance with the Strategic Plan and Budget, ICAAP, and ILAAP, and will also monitor and review the Board rolling agenda and progress action points deriving from the Board meetings. The Board needs to ensure that the Group has the right people within the organisation to run and build up the business.

It is accepted there may be particular circumstances where a decision is required prior to the next main Board meeting, and in these circumstances a meeting of the Board (Action Committee) will be called.

The following matters are reserved to the Board:-

Strategy and Management

- Determining the overall strategy of the Group including approval of the Strategic Plan, with the responsibility for its implementation being delegated to the Executive team;
- Monitoring operational and financial performance in pursuit of the strategy;
- Overseeing and approving the Society's recovery plans, playbook, and resolution pack on an annual basis;
- Monitoring the indicators and overseeing any proposed actions in accordance with the Playbook;
- Approving budgets, forecasts and major capital expenditure or major disposal;
- Approving any extension of the Society's activities into new business or geographical areas; and

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- Approving any decision to cease all, or a material part, of the Society's business.

Culture

- Overseeing and setting the tone for the culture, values and behaviours of the Group.
- Overseeing and setting the tone for diversity and inclusion within the Group.

Structure, Capital and Liquidity

- Approval of the Society's Internal Liquidity Adequacy Assessment Process (ILAAP);
- Approval of the Society's Internal Capital Adequacy Assessment Process (ICAAP);
- Approval of changes to the Group's corporate structure;
- Approval of any programme for the issuance or buy back of long-term debt or capital; and
- Approval of any utilisation of Bank of England emergency liquidity support.

Financial Reporting and Internal Controls

- Approval of Stock Exchange announcements, half year and final annual results;
- Approval of the Annual Report and Accounts including the Strategic Report, Risk Management Report, Report of the Directors on Corporate Governance, and the Remuneration Committee Report;
- Approval of the Pillar 3 disclosures;
- Ratification of the Going Concern and Business Viability review following review and approval by the Audit Committee;
- Approval of any significant changes in accounting policies or practice, based on the recommendations of the Audit Committee; and
- Ensuring an adequate internal control environment is in existence. The Board delegates oversight of internal controls to the Audit Committee.

Risk Management and Regulatory

- Ensuring an adequate risk management framework is in place. This includes approval of risk appetite, oversight of risk governance, reviewing the top risks, ensuring the strategy and risk appetite are consistent, and approving the ICAAP. The Board delegates oversight of risk management to the Group Risk Committee, as well as oversight of compliance with regulations (including by the Prudential Regulatory Authority and the Financial Conduct Authority).

Senior Managers and Certification Regime

To ensure that the Society meets its obligations under the Senior Managers Regime (SMR), including:

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- Reviewing at least annually the SMR Policy; and
- Maintaining a responsibilities map for all prescribed responsibilities and ensuring all prescribed responsibilities have been allocated.

Operational Resilience

- The Board retains oversight and approval of the Operational Resilience strategy and matters prescribed in regulatory requirements.

Board Membership and Senior Management Issues

- Approval of changes to the structure, size and composition of the Board, following recommendations from the Nominations Committee;
- Ensuring that adequate succession planning for the Board and senior management is in place following recommendations from the Nominations Committee; and
- Approving and overseeing the appointments to the boards of subsidiary companies.

Appointment and/or re-appointment or removal of the external auditor

- To be put to members for approval, following a recommendation from the Audit Committee.

Remuneration

- Agreeing the remuneration policy for the Directors and other Senior Executives, following recommendations from the Remuneration Committee.

Delegation of Authority

- Approval of the responsibilities of the Chair, the Chief Executive and the Senior Independent Director;
- Approval of the delegation of authorities to the Chief Executive;
- Ratifying the terms of reference for Board Committees and Subsidiary Companies; and
- Receiving minutes and/or reports from the chairs of the Board Committees and Subsidiary Companies.

Corporate Governance Matters

- To ensure that a formal evaluation of the effectiveness of the Board is undertaken on an annual basis and to keep an external assessment, using outside consultants, under consideration and to facilitate one at an opportune time;
- Determining the independence of Directors;
- Review of the Group's overall corporate governance arrangements;
- Agreeing the Directors' Conflicts of Interest Policy and other relevant policies;
- Approval of the Notice of any General Meeting of the Society including all resolutions to be put forward to members; and

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- Insurance: Approval of overall levels of insurance for the Group, including Directors & Officers liability insurance.

The Society's Defined Benefit Pension Scheme

- Consent to the Pension Scheme Trustees to amend the Pension Scheme's Trust Deed and Rules.
- Approval of the appointment/removal of Society nominated Trustees.