



Committee

Terms of Reference

June 2017

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Dudley Building Society

Assets and Liabilities Committee Terms of Reference

1. Composition

The Committee shall comprise 3 NEDs, Chief Executive, Finance Director, Head of Risk, Compliance and Financial Crime and the Regulatory Reporting, Treasury and Data Manager. The Chairman of the Committee shall be the Chief Executive.

Regular attendees shall be the remaining NEDs. The Committee may also invite others as necessary.

External advisers appointed by the Society for Treasury related matters may attend as requested. Representatives must declare their firm's interests.

2. Meetings and Quorum

The quorum for meetings is the Chief Executive or Finance Director and 1 NED.

Meetings will be chaired by the Chairman.

The Committee shall meet every month except for the month of the AGM and August. The Committee will also meet at other times as the Chairman of the Committee requires.

All members and attendees will be asked to declare any conflict of interest at the start of each meeting.

3. Notice of Meetings

Meetings of the Committee shall take place at the request of any of its members.

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 and any other person required to attend 5 working days before the date of the meeting.

Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

4. Minutes of Meetings

The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

Minutes of the Committee meetings shall be circulated promptly to all members of the Committee.

5. Principal Functions

The purpose of the Committee is to oversee the structure of the Society's assets and liabilities, which includes setting the strategy and policies relating to liquidity, wholesale funding, risk management and balance sheet structure.

6. Main Responsibilities

The main responsibilities of the Committee are set out in Appendix 1.

7. Communication

The Committee will report to the Risk Committee by way of key risk and key performance indicators and will ensure that regular reporting is provided to the Board. Minutes will be approved by the Chair of the Committee and submitted to the Board.

8. Review of Committee Performance and Terms of Reference

At least once a year the Committee shall review its own performance, 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.

APPENDIX 1 – Main Responsibilities

a. Treasury

- To oversee the Society's assets and liabilities in accordance with the interest rate, liquidity and funding risk appetite statements.
- To oversee the Society's assets and liabilities and ensure compliance with regulatory limits, including ILAAP.
- To oversee the systems in place to manage and monitor interest rate and financial risk;
- To review and recommend to the Board the Treasury policy in respect of liquidity and financial risk management, including the annual ILAAP document;
- To review previous Treasury Committee activity and performance;
- To monitor Treasury counterparties and their associated credit limits within the risk appetite and recommend any changes to Board;
- Review cash flow projections and liquidity stress testing;
- Approve contingent funding lines;
- Oversee interest rate exposure and ensure it doesn't breach the limitations and requirements of the Matched approach;
- Set the strategy for managing liquidity, funding and refinancing risk and oversee the systems in place to monitor and manage such risks.

All of the above are subject to Matters Reserved to the Board (approval to be given by e-mail if outside of Board meeting timescale). Specific Matters Reserved to the Board are:-

1. Agreement of new counterparties;
2. Creation of new Bank of England facilities.

b. General Policy

- Maintain policy in accordance with FCA / PRA requirements.

- Monitor, discuss and agree future FCA / PRA proposals in the area of Treasury and financial risk management.

c. Finance

- Oversee mortgage, savings and investments products and the mortgage and savings back books in terms of Balance Sheet structure, product pricing, yield / margin and alignment with the Society's risk appetite and Corporate Plan.
- As the make-up of products in the balance sheet changes, the Committee will consider the impact and direct the Treasury Committee and the Product and Pricing Committee as appropriate.

d. Capital

- Oversee the management of the Society's level of capital in comparison to the Corporate Plan.
- Oversee the management of the "capital buffer" in a stressed trading situation.

e. Economic Outlook

- Consider general economic reports and interest rate forecasts from the Society's Treasury advisors.
- Consider the general effects of house price changes within the economy.
- Consider the general level of lending with the UK.
- Consider regional employment / unemployment rates.
- Consider competitor activity

And their effect on Society policy, and recommend to the Board any changes in Society policies as a result.

Dudley Building Society

Audit and Compliance Committee Terms of Reference

1. Composition

The Board shall appoint the Committee, which shall be made of three Non-Executive Directors. All members of the Committee shall be independent Non-Executive Directors of the Society.

The Board shall appoint the Chairman of the Committee.

At least one member of the Audit and Compliance Committee should have recent and relevant financial experience.

2. Meetings and Quorum

A quorum for meetings shall be two members.

The Committee shall meet sufficiently regularly to discharge its duties effectively. It is expected that the Committee shall meet at least four times a year.

The Board shall elect a Chairman from the Committee members. Meetings will usually be chaired by the Chairman, in the absence of which the remaining members present at the meeting shall elect a member to be chair for that meeting.

Only members have the right to attend meetings. However, other individuals may be invited to attend all or part of any meeting as and when appropriate. Such individuals include other Non-Executive Directors, Chief Executive, Finance Director, representatives of internal and external auditors and the Head of Risk, Compliance and Financial Crime ("Head of RCFC").

There should be at least one meeting a year where the Committee meets the external and internal auditors without Executive Directors present.

The Head of RCFC shall have direct access to the Chair and will also report to the Committee. In addition, the Head of RCFC shall meet with the Committee Chairman at least once a year without Executive Directors present.

The Committee Chairman should attend the Annual General Meeting and answer questions, through the Chairman of the Board, on the Committee's activities and responsibilities.

3. Notice of Meetings

Meetings of the Committee shall take place at the request of any of its members.

External auditors or internal auditors may request a meeting if they consider that one is necessary.

The Head of RCFC may request a meeting if he/she considers that one is necessary.

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 and any other person required to attend 5 working days before the date of the meeting.

Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

4. Minutes of Meetings

The Society Secretary shall minute the proceedings and resolutions of all meetings.

The Society Secretary shall record any conflicts or declarations of interest divulged at the meetings.

Minutes shall be circulated by the Society Secretary to all members of the Committee before the next meeting and also to the Board promptly.

5. Authority

The Committee is authorised by the Board to:

- Investigate any activity within its terms of reference;
- Seek any information that it requires from any employee of the Society, for which purpose all employees are directed to co-operate with any request made by the Committee; and
- Obtain external legal or independent professional advice, at the Society's expense.

6. Principal Functions

The purpose of the Committee is to ensure that the interests of the members are protected in relation to financial reporting and internal controls.

The main items dealt with by the Committee are:

- a) Financial Reporting;
- b) Internal Controls and Risk Management Systems;
- c) Internal Audit;
- d) External Audit;
- e) Compliance;
- f) Other Reporting; and
- g) Whistleblowing and Fraud and Bribery Prevention.

7. Main Responsibilities

The main responsibilities of the Committee are set out in Appendix 1.

8. Review of Committee Performance and Terms of Reference

At least once a year the Committee shall review its own performance, 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.

Approved by the Committee at the meeting on 16 February 2017

Approved by the Board at the meeting on 23 February 2017

APPENDIX 1 – Main Responsibilities

a. Financial Reporting

- Review, and challenge where necessary, the actions and judgements of management, in relation to the Society's financial statements, summary financial statements and the operating and financial review before submission to, and approval by, the Board, and before clearance by the auditors. Particular attention should be paid to:
 - Critical accounting policies and practices, and any changes in them;
 - Decisions requiring a significant element of judgement;
 - The extent to which the financial statements are affected by any significant or unusual transactions in the year and how they are disclosed;
 - The clarity of disclosures;
 - Significant adjustments resulting from the audit;
 - The going concern assumption;
 - Compliance with accounting standards; and
 - Whether the financial statements, taken as a whole, are fair, balanced and understandable.
- Consider other topics, as defined by the Board, including the necessary Pillar 3 disclosures required by Basel II.

b. Internal Controls and Risk Management Systems

- Review management's and the internal auditor's reports on the effectiveness of the systems for internal control, reporting and risk management.
- Monitor the integrity and effectiveness of the Society's internal financial controls.
- Review the statement in the Annual Report and Accounts on the Society's internal controls and risk management framework.
- Assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks.

c. Internal Audit

- Approve the appointment and removal of the Chief Internal Auditor.
- Meet the Chief Internal Auditor at least once a year without management being present.
- Taking into account the views of the Chief Executive, the Chairman of the Committee shall be accountable for setting the objectives of the Chief Internal Auditor and appraising his/her performance.
- Review and approve the remit of the internal audit function and ensure it is adequately resourced, has access to necessary information and has appropriate standing within the Society.
- Review and approve the annual internal audit plan.
- Ensure that the internal auditor has direct access to the Audit and Compliance Chairman and the Audit and Compliance Committee and is accountable to the Audit and Compliance Committee.
- Receive reports on the results of the internal auditors' work at every meeting, which must cover:-
 - (i) The adequacy of the Society's accounting records and accounting controls, and resulting recommendations for improvement where appropriate and necessary.
 - (ii) The adequacy of the Society's systems of business control and, in particular, its arrangements for evaluating risks in relation to its existing and future business and related capital requirements and to advise the Board on the adequacy of the Society's systems of business controls and to make recommendations for improvement when necessary.
 - (iii) The review of the accuracy and timeliness of management information and other reports made available to the Board.
 - (iv) Significant information provided to the regulators (FCA/PRA) (e.g. ILAAP/ICAAP).
- Review and monitor management's responsiveness to the internal auditor's findings and recommendations.
- Monitor and assess the role and effectiveness of the internal audit function in the overall context of the Society's risk management framework.

- Regularly review the appointment and performance of the outsourced internal auditors. At appropriate intervals, obtain an independent and objective external assessment of the internal audit function.
- Approve the internal audit budget.
- Carry out a comprehensive review of the outsourced provision of internal audit services every 3 to 5 years.
- Become involved in an assurance capacity during the development of significant new IT systems or other projects to ensure the appropriate controls are in place.

d. External Audit

- Oversee the Society's relations with the external auditor.
- Consider and make recommendations to the Board, which are to be put to the members for approval at the Annual General Meeting, on the appointment, reappointment and removal of the external auditor.
- Approve the terms of engagement and the remuneration to be paid to the external auditor in respect of the audit services provided.
- Assess the qualification, expertise and resources, effectiveness and independence of the external auditors regularly and carry out a comprehensive review every 3 to 5 years. Steps to consider include:
 - Seeking reassurance that the auditors and their staff have no family, financial, employment, investment or business relationship with the Society (other than in the normal course of business).
 - Seeking from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding the rotation of audit partners and staff.
 - Monitoring the external audit firm's compliance with applicable ethical guidance relating to the rotation of audit partners, the level of fees that the Society pays in proportion to the overall fee income of the firm, office and partner and other related regulatory requirements.
 - Agreeing with the Board and monitoring the Society's policy for the employment of former employees of the external auditor.

- Discuss and agree with the external auditor, before the audit commences, the nature and scope of the audit.
- Review with the external auditors, the findings of their work, including, any major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved; key accounting and audit judgements; levels of errors identified during the audit, obtaining explanations from management and, where necessary the external auditors, as to why certain errors might remain unadjusted.
- Review the audit representation letters before consideration by the Board, giving particular consideration to matters that relate to non-standard issues.
- Assess, at the end of the audit cycle, the effectiveness of the audit process by:
 - Reviewing whether the auditor has met the agreed audit plan and understanding the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks.
 - Consideration of the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements identified and in responding to questions from the Committee, and in their commentary, where appropriate, on the systems of internal control.
 - Obtaining feedback about the conduct of the audit from key people involved.
- Review and monitor the content of the external auditor’s management letter, in order to assess whether it is based on a good understanding of the Society’s business. Review the management’s response and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon.
- Develop and recommend to the Board the Society’s policy in relation to the Provision of non audit services by the auditor and ensure that the provision of such services does not impair the external auditor’s independence or objectivity. In doing so, the Audit Committee should:
 - Consider whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services.
 - Consider whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor.

- Consider the nature of the non-audit services, the related fee levels, and the fee levels individually and in aggregate relative to the audit fee.
- Consider the criteria that govern the compensation of the individuals performing the audit; and
- Set and apply a formal policy specifying the types of non-audit work from which the external auditors are excluded; for which the external auditors can be engaged without referral to the Audit and Compliance Committee; and for which a case-by-case decision is necessary.

e. Compliance

- Assess the adequacy of resources / skills of those involved in independent compliance monitoring.
- Approve the annual Compliance Monitoring Plan, taking into account the risk assessment of each area of the business.
- Receive the results of the findings from the independent compliance monitoring performed and details of any corrective action proposed by management.
- Review and monitor management’s responsiveness to the compliance function’s findings and recommendations.

f. Other Reporting

The Committee shall report formally to the Board on how it has discharged its responsibilities including:

- the significant issues that it considered and how such issues were addressed;
- its assessment of the effectiveness of the external audit process; and
- any other issues on which the Board has requested the Committee’s opinion.

The Committee shall make recommendations to the Board on any area within its remit where action or improvement is needed.

g. Whistleblowing and Fraud and Bribery Prevention

- Review the Society’s procedures for detecting and preventing fraud and bribery.
- Review the Society’s procedures for whistleblowing.

- Ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters.

Dudley Building Society

Board of Directors Terms of Reference

1. Composition

The Board shall comprise of at least 5 but no more than 12 Directors, the majority of whom shall be Non-Executive Directors.

The board shall include sufficient independent Directors so as to ensure that no individual or group of individuals is able to dominate or influence the Board's decision making.

The Board shall have an appropriate range of skills and experience to control and direct the Society's activities effectively.

2. Meetings and Quorum

The Board shall meet sufficiently regularly to discharge its duties effectively. It is expected that the Board shall meet at least 10 times a year.

The quorum for meetings is three Directors with at least two being Non-Executive Directors.

At the first meeting following every Annual General Meeting, the Board shall elect from its number a Chairman and Deputy Chairman. Meetings will usually be chaired by the Chairman, or in his/her absence, the Deputy Chairman. If both are absent then the Directors present at the meeting will elect a Board member to be chair for that meeting.

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

3. Notice of Meetings

Meetings may be summoned by the Secretary at the request of any Board member or at the request of the external or internal auditors. Notice of each such meeting shall be forwarded to each member no later than 5 working days before the meeting.

4. Minutes of Meetings

The Society Secretary shall minute the proceedings and resolutions of all meetings of the Board.

The Society Secretary shall record any conflicts of interest or declarations divulged at the meetings.

Minutes shall be circulated by the Society Secretary to all members of the Board before the next meeting.

5. Principal functions

The principal functions of the Board are to:

- a) determine the strategy and policies of the Society and oversee their implementation to ensure its long term success;
- b) set out the guidelines within which the Society is managed;
- c) review business performance;
- d) determine the nature and extent of significant risks and agree appetites, controls and mitigants; and
- e) ensure that the Society operates within:
 - i) the Society's Rules;
 - ii) rules and guidance issued by regulatory authorities; and
 - iii) all applicable laws.

6. Main responsibilities

The main responsibilities of the Board are set out in Appendix 1.

7. Matters reserved to the Board

The matters specifically reserved to the Board are set out in Appendix 2.

8. Review of Terms of Reference

The Board shall review at least annually its Terms of Reference and its own effectiveness.

APPENDIX 1 - Main Responsibilities

a. Regulatory Matters

- Review, monitor and be responsible for compliance with legal and regulatory requirements.
- Develop and review policies and practices on corporate governance.
- Appointment and oversight of the approval of persons undertaking Senior Manager Functions or any other regulated functions.
- Oversight of an annual review of all those performing Senior Manager Functions to ensure that they remain fit and proper to continue.
- Approval of any changes and at least an annual review and reaffirmation of all Board Policy Statements.
- Approval of the Internal Capital Adequacy Assessment Process (ICAAP).
- Approval of the Internal Liquidity Adequacy Assessment Process (ILAAP).
- Approval of the Recovery and Resolution Plan
- Approval of the Liquidity Contingency Plan

b. Performance Management

- High level monitoring of the performance of the Society, through written reports from the Executive and Management and other management information, including key performance and risk indicators.

c. Memberships and Other Appointments

- Appointment and removal of the Chief Executive and other Executive Directors.
- Approval of the recommendation for the appointment or removal of individuals either as Executive Directors of the Society or regulated functions introduced from time to time by the PRA and / or FCA made by the Society's Chief Executive.
- Approval of the recommendation for the appointment or removal of the Secretary of the Society made by the Society's Chief Executive.

d. Strategy and Planning

- Development of the long term strategy of the Society, which includes the Society's purpose, legal status, structure and business activities.
- Approval of the corporate plans and budgets proposed by the Executive.
- Reviewing the major risks facing the Society, formulating the risk appetite, and development of appropriate controls to mitigate those risks.

e. Procedures

- Annual review and approval of the Governance Manual and other policies.
- Approval of the establishment or disbanding of any Board Sub-Committee.
- Approval of the terms of reference of the Board Sub-Committees.
- Approval of the reporting arrangements of the Board Sub-Committees.
- Approval of changes to the share structure of the Society (e.g. issuing Permanent Interest Bearing Shares).
- Agree and recommend to the Members any changes to the Memorandum and Rules of the Society.
- Agree and recommend to the Members any proposed change to the name of the Society.

f. Expenditure

- Approval of expenditure over certain designated limits as set out in the attached Appendix 2.

g. Delegated Authorities

- Approval and annual review of delegation of authorities and responsibilities to individuals and Board Sub Committees.

h. Other Matters

- Approval of any proposed new business initiatives, including the formation of a subsidiary undertaking.
- Approval of any programme for single issuance of long term debt by the Society.

- Approval of the initiation and response to any litigation or proceedings.
- Proposal of responses to any declarations of interest or conflicts by Directors in relation to the Building Societies Act.
- Approval of annual reports and accounts, including Chairman's Statements and Directors' Reports.
- Oversee the Society's approach for ensuring that it operates a framework which is adequately focussed on the delivery of fair customer outcomes.

APPENDIX 2 – Matters Reserved to the Board

a. Strategy, Control and Management

- Development of the long term strategy of the Society, which includes the Society's purpose, legal status, structure and business activities.
- Formulating the Society's general policy relating to Risk (and management of), Capital Adequacy, Investment and Mortgage Interest Rates, Margins, Reserves and Liquidity.
- The division of responsibilities between Chairman and Chief Executive.
- Approval of the use of the Society's Seal.
- Proposal of amendments to the Society's Memorandum and Rules.
- Approval of any change in Branch structure.
- Any decision to create, sell, strike off or liquidate a subsidiary company.
- Approval of delegated Authorised Signatories to approve or amend bank mandates including verbal or electronic approvals.

b. Board/Committee Memberships and Other Appointments

- Approve changes to the structure, size and composition of the Board.
- Determining the independence of Directors.
- Appointment or removal of Chief Executive and Executive Directors.
- Approval of the membership and chairmanship of Board Sub-Committees.
- Appointment or removal of the Society Secretary.
- Appointment or removal of any Manager responsible for Risk or Compliance.

c. Financial controls

- Approval of annual report and accounts.

- Approval of opening or closing any bank account.
- Approval of capital projects involving investment of more than £10,000.
- Approval of contracts entered into in the ordinary course of business with a cost amounting to or likely to amount to more than £15,000 per annum or a total cost of £45,000.
- Approval of contracts not entered into in the ordinary course of business with a cost amounting to or likely to amount to more than £5,000 per annum or a total cost of £10,000.
- Disposing of or acquiring of property in the form of land or buildings or any asset valued at more than £10,000.
- Approval of any lease for a term longer than 1 year.
- Approval of the introduction or discontinuance of any activity or operation requiring expenditure or generating gross annual income in excess of £10,000.
- Approval of the bringing, defending or settling any litigation which is not mortgage related.
- Approval of the bringing, defending or settling any mortgage related litigation involving a sum or exposure above £50,000. Any litigation for lesser value carries a reporting to the Board obligation only.
- Approval of individual write-offs in excess of £10,000.
- Approval of any mortgage loan in excess of £1m.

Dudley Building Society

Credit Committee Terms of Reference

1. Composition

The Committee shall be made up of the Head of Strategic Development and Legal (Chair), Head of Operations, Finance Director, Three Non-Executive Directors (NEDs), Chief Executive, Head of Lending and Head of Risk, Compliance and Financial Crime.

The Committee may invite other NEDs, Managers and external advisers to attend for all or part of any meeting as and when appropriate.

2. Meetings and Quorum

Meetings should be held on a monthly basis. The Chair of Credit Committee may also convene meetings of the Committee if in his judgement a mortgage proposal or issue arises that must be sanctioned / addressed before the next scheduled meeting.

For a quorum to be established a minimum of four of the members must be present who must include one NED, one Executive Director and two other Committee members.

Meetings will be chaired by the Chairman, in the absence of which the remaining members present at the meeting shall elect a member to be chair for that meeting.

The Committee is authorised to make decisions by way of email exchange providing that all members are included in the circulation and there are sufficient responses to establish a quorum.

The quorum to be established to make decisions relating to loans is set out in Appendix 1.

3. Notice of Meeting

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 and any other person required to attend 5 working days before the date of the meeting.

Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

4. Minutes of Meetings

A minute of the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance, shall be taken.

Minutes of the Committee meetings shall, once approved by the Chair of the Committee, be submitted to the Board and all members of the Committee.

5. Principal Function

The principal functions of the Committee are to:

- a) support the Board in achieving its objectives and responsibilities of the Society's exposure to and control of credit risk; and
- b) oversee and challenge the Society's lending strategy, policies and product development to ensure that proper consideration is given to credit risk control and regulatory requirements of lending; including responsible lending requirements.

The Committee shall report to the Board. It shall also report to the Risk Committee on matters relating to risk.

6. Main Responsibilities

The main responsibilities of the Committee are set out in Appendix 1.

7. Review of Terms of Reference

At least once a year the Committee shall review its own performance, 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.

APPENDIX 1

a. Credit Risk oversight

- Ensure that credit risk is within Board approved credit risk appetite limits.
- Ensure that Credit Risk Policy and credit risk controls assist in delivering lending within the Board's credit risk appetite and Board / regulatory limits.
- Ensure that Credit Risk Policy assists in delivering the corporate plan lending target.
- Monitor the operation of the lending business and adherence to mortgage strategy and policies. This shall include monitoring the adequacy of resources in place (quality of lending decisions by underwriters, effectiveness of mandate systems and adherence to credit risk and regulatory responsibilities of lending by underwriter and mandate holders) and oversight of the quality of the intermediary panel.
- Ensure that the systems established by management to identify, assess, manage and monitor the credit risk and regulatory risk of lending are effective.
- Provide challenge and oversight of lending risk assessments.
- Monitor lending portfolio quality and performance of segments of the book through book and cross-book reviews.
- Monitor the glide path of any lending that needs to be brought back to within the Board's risk appetite, Board limits and regulatory limits.
- Monitor lending risk elements to the Society's ICAAP.
- Monitor lending and book risk elements against the PRA and FCA requirements.
- Monitor Impairment cases.
- Review the Society's forbearance approach and effectiveness of it.

b. Approval of products and mortgages

- Sanction new lending in accordance with the Mandates set out in the Credit Risk Policy.

c. Reporting and recommendations

- Recommend to the Board for approval and inclusion within policy amendments to exposure limits, any new lending product area, market or lending jurisdiction.
- Recommend to the Board for approval changes to Credit Risk and Lending Policies.
- At least annually review and approve the Credit Risk Policy and report / recommend any changes to the Board (for approval as necessary) via Minutes.
- Update the Board with regard to the Society's lending.
- Monitor and recommend to the Board the credit risk inputs to the pricing model.
- Make recommendations to the Board regarding Credit Risk appetite limits and procedures.
- Report to the Board and Risk Committee on the credit quality of the mortgage book and any risks contained therein.

**Customer Committee
Terms of Reference**

1. Purpose

To oversee the Society's approach for ensuring that the Society operates a framework which is adequately focused on the delivery of fair customer outcomes, and to provide assurance that policies and procedures are in place to support the delivery of fair customer outcomes. The Committee will also strive to identify opportunities where improvements can be made.

2. Composition

The Committee members are as follows:

- Head of Strategic Development and Legal (Chair)
- Chief Executive
- Mortgage & Savings Product Manager
- Customer Services Manager
- Marketing & Communication Manager
- Project and Change Support Manager
- Finance Manager
- Financial Crime and Compliance Supervisor
- 2 Non-Executive Directors

Additional attendees

- Any Non-Executive Director wishing to attend

The Committee may invite the attendance of any other person.

3. Frequency of Meetings

The Committee will meet bi-monthly.

4. Quorum

Three members (at least one of which must be the Head of Strategic Development and Legal or Chief Executive).

5. Responsibilities

The Customer Committee will be responsible for:

- challenging whether the needs of customers and the delivery of fair customer outcomes are central to the Society's operations and identifying potential areas for improvement;
- providing oversight and development of the Society's customer focused culture, assessing whether it is embedded and maintained throughout the Society;
- reviewing any evidence of practices leading to (or potentially leading to) poor customer outcomes and determining any corrective action necessary;
- monitoring the delivery of fair customer outcomes through the analysis of robust and relevant management information. Consideration of whether good outcomes for customers are being achieved in practice and if appropriate steps are being taken to address any areas for improvement;
- ensuring that the Society's appetite for Conduct Risk is articulated, measured and reported;
- providing oversight of the procedures around product design, promotion, product sales, customer service, forbearance and closure of products;
- reporting any conduct issues to the Risk Committee through Minutes and escalation, if necessary;
- overseeing the complaints handling process;
- Overseeing the conduct and practices of 3rd party providers of products and services to customers; and
- reviewing the Committee's terms of reference, performance and constitution no less than annually, and recommending any changes to the Board.

6. Reporting structure

The Committee may request and obtain any information that it requires, from any employee of the Society, and all employees are directed to co-operate with any request made by the Committee.

Minutes approved by the Chair of the Committee will be submitted to the Risk Committee.

Approved at the meeting on 23 March 2017

Dudley Building Society

Nomination Committee Terms of Reference

1. Composition

The Committee shall comprise all the Non-Executive Directors.

2. Meetings and Quorum

The quorum for meetings is 3 Non-Executive Directors.

The Chairman should chair the Committee unless it is dealing with the appointment of a successor of the Chairmanship, in which case the members present should elect a member to act as chair for that meeting.

The Committee shall meet at least twice a year. The Committee will also meet at other times as the Chairman of the Committee requires or at the request of any of its members.

All members and attendees will be asked to declare any conflict of interest at the start of each meeting.

3. Notice of Meetings

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 and any other person required to attend 5 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

4. Minutes of Meetings

The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

Minutes of the Committee meetings shall be circulated promptly to all members of the Committee.

5. Principal Functions

The purpose of the Committee is to oversee the structure, skills, composition and effectiveness of the Board and its Committees.

6. Main Responsibilities

The main responsibilities of the Committee are set out in Appendix 1.

7. Communication

The Committee shall report / provide Minutes to the Board after each meeting and shall make any recommendations it deems appropriate.

8. Review of Committee Performance and Terms of Reference

At least once a year the Committee shall review its own performance, 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.

Approved at the meeting on 5 May 2016

APPENDIX 1 – Main Responsibilities

The Nomination Committee is responsible for:

- a. Following a rigorous evaluation of the skills, experience and diversity on the Board, preparing a description of the role and capabilities required for an appointment to the Board and then overseeing the selection and recruitment process.
- b. Ensuring that a record is kept of:
 - meetings held to discuss recruitment and selection;
 - the method of recruitment and selection; and
 - interviews with applicants.
- c. Nominating candidates (for election / re-election) to fill Board vacancies.
- d. Ensuring that on appointment to the Board, non-executive directors receive a formal letter of appointment and / or service agreement setting out clearly what is expected of them, in particular in terms of time commitment, committee service and involvement outside Board meetings.
- e. Ensuring that an induction and training programme is in place for new non-executive directors.
- f. Giving regular consideration to succession planning, taking into account the challenges and opportunities facing the Society and the skills and expertise needed on the Board in the future.
- g. Regularly (and more formally in March and September) reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and its Committees.
- h. Considering the annual Board and Committee effectiveness reviews.
- i. Reviewing the leadership needs of the Society, both executive and non-executive, with a view to ensuring the continued ability of the Society to compete effectively in the market place.
- j. In March of each year, reviewing the time required from a non-executive director.
- k. Reviewing a non-executive director's re-appointment at the conclusion of any specified term of office as appropriate under the Society's Rules and the UK Corporate Governance Code.

- i. If a non-executive director has been on the Board beyond six years (they may serve nine years – three 3 year terms), carrying out a review to ensure that the Board retains a good balance of skills and knowledge. Where a non-executive director is to serve longer than nine years, ensuring that a rigorous review is carried out and a record is kept of the deliberations, decision and reasons for the decision.

Dudley Building Society

Remuneration Committee Terms of Reference

1. Composition

The Committee shall be made of three Non-Executive Directors (NEDs) appointed by the Board. The Chairman of the Committee will also be appointed by the Board. The Chairman of the Board shall not be Chairman of the Committee.

The Committee may invite other NEDs, the Chief Executive, Finance Director, HR Representative or External Advisers to attend for all or part of any meeting as and when appropriate.

2. Meetings and Quorum

The quorum for meetings is two members.

Meetings will be chaired by the Chairman, in the absence of which the remaining members present at the meeting shall elect a member to be chair for that meeting.

The Committee shall meet sufficiently regularly to discharge its duties effectively but shall meet at least twice a year. The Committee will also meet at other times as the Chairman of the Committee requires.

3. Notice of Meetings

Meetings of the Committee shall take place at the request of any of its members.

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 and any other person required to attend 5 working days before the date of the meeting.

Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

4. Minutes of Meetings

The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

Minutes of the Committee meetings shall be circulated promptly to all members of the Committee.

5. Principal Functions

The purpose of the Committee is to set the over-arching principles, parameters and governance framework of the Society's remuneration policy, principles and practices such that they support the long-term success of the Society and attract, retain and motivate Executive Directors and senior management of the quality required to run the Society successfully.

The Committee will ensure that the Society complies with best practice and applicable legal and regulatory requirements.

The main items dealt with by the Committee are:

- a) Performance Management;
- b) Remuneration;
- c) Annual Accounts disclosure; and
- d) Approval of HR and Personnel policies.

6. Main Responsibilities

The main responsibilities of the Committee are set out in Appendix 1.

7. Review of Committee Performance and Terms of Reference

At least once a year the Committee shall review its own performance, 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.

Approved on 18 May 2017

APPENDIX 1 – Main Responsibilities

a. Performance Management

Ensure that a transparent, stretching and rewarding performance management structure is in place.

Oversee compliance with the performance management structure to ensure that it is applied rigorously and fairly and that non-performance is appropriately dealt with.

b. Remuneration

Remuneration for the Chair and the Directors will be approved as follows:

Society Chairman	To be approved by Chair of Remuneration Committee and Deputy Chairman with input from the Chief Executive.
Non Executive Directors	To be agreed by Chairman and Chief Executive.
Chief Executive	To be agreed by the Remuneration Committee, following a performance discussion.
Finance Director Other Executive Directors	Remuneration should be recommended by the Chief Executive to the committee and is subject to the Committee's approval.

Ensure that the remuneration and benefits awarded are in accordance with the Society's budget and consistent with industry standards.

Oversee any major changes in employee benefits structures throughout the Society.

Approve the design of, and determine targets for, any performance related pay schemes operated by the Society and approve the total annual payments made under such schemes.

Ensure that performance related elements of remuneration are transparent, stretching and rigorously applied, having regard to the risk appetite of the Society. Further that failure is not rewarded.

Approve contractual terms on termination, including any payments made, to ensure they are fair to the Society, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

Determine the terms of any service agreement entered into with any Executive Director with the objective that notice periods are set appropriately.

c. Annual Accounts Disclosure

Produce an annual report of the Society's Remuneration Policy and practices which will form part of the Society's annual report and ensure each year that it is put to members for approval at the AGM.

d. Approval of HR and Personnel Policies

Approve and review annually relevant policies.

e. Governance

Ensure that no Director or manager is involved in any decisions about their own remuneration.

Establish the selection criteria and selecting, appointing and setting the Terms of Reference for any remuneration consultants who advise the Committee.

The Committee Chairman shall report formally (as appropriate and necessary) to the Board regarding the proceedings of the Committee on matters within its duties and responsibilities.

Make whatever recommendations to the Board it deems appropriate on any area within its remit.

The Chief Executive may exit any employee, with the exception of the Society Secretary and Executive Directors, within contractual terms but anything in excess of contractual terms will be referred to the Remuneration Committee.

Risk Committee Terms of Reference

1. Composition

The Committee shall be made up of all the Non-Executive Directors.

The Executive Directors and the Head of Risk, Compliance and Financial Crime shall be invited to attend the meetings of the Committee. In addition, the Committee may invite other staff and external advisers to attend for all or part of any meeting as and when appropriate.

2. Meetings and Quorum

The Committee shall meet sufficiently regularly to discharge its duties effectively. It is expected that the Committee shall meet at least four times per year.

The Chairman will be appointed by the Board.

Meetings will be chaired by the Chairman, in the absence of which the remaining members present at the meeting shall elect a member to be chair for that meeting.

For a quorum to be established a minimum of two of the members must be present.

In October of every year, the Committee shall meet with the Head of Risk, Compliance and Financial Crime without the Executive Directors present.

3. Notice of Meeting

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 and any other person required to attend 5 working days before the date of the meeting.

Supporting papers shall be sent to Committee members and to other attendees as appropriate.

4. Minutes of Meetings

The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

Minutes of the Committee meetings shall, once approved by the Chair of the Committee, be submitted to the Board and all members of the Committee.

5. Principal Function

The principal functions of the Committee are:

- a) Provide oversight in relation to:
 - i) risks facing the Society; and
 - ii) the Society's risk management framework, systems and controls; governance structure; risk strategy; and risk appetites.

- b) Report to the Board on all matters concerning risk.

6. Main Responsibilities

The main responsibilities of the Committee are set out in Appendix 1.

7. Review of Terms of Reference

In March of every year, the Committee shall review its own performance and constitution and in October of each year its Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Committee for approval.

APPENDIX 1

a. Oversight

- Oversee the Society's risk governance arrangements and structure.
- Oversee the Society's internal systems and controls which are designed to identify, monitor and control risks.
- Oversee the risks identified by the Society's Assets and Liabilities Committee (ALCO) by receiving Minutes of its meetings and a summary of the Management Information presented to ALCO.
- Challenge the Risk Management Framework and the effectiveness of it.
- Oversee the Society's assessment and measurement of key current and potential future risks.
- Provide advice, oversight and challenge necessary to embed and maintain an effective risk culture.
- Review the Society's risk profile against Risk Appetites, Corporate Plan, Recovery and Resolution Plan and risk trends.
- Review the Society's procedures for tracking existing risks and identifying and tracking any potential future ones.
- Review the Society's processes for analysing root causes and reacting to them.
- Ensure that the principal risks identified by the Society are included in the internal audit programme.

b. Reporting and recommendations

- Annually, or more frequently if necessary, recommend to the Board the Society's Risk Appetites and supporting metrics.
- Assess the appropriateness of the Corporate Plan in the context of the Risk Appetites.
- Provide advice to the Board on current and emerging risks.
- Provide advice to the Board on the effectiveness of the Society's Risk Management Framework, day-to-day risk control environment and oversight arrangements.

- Provide to the Board advice on the Society's risk profile against the Risk Appetites and Corporate Plan.