

## **Board of Directors Terms of Reference**

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### **1. Composition**

The Board shall comprise of at least five 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.

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.

### **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 ten times each year.

For a quorum to be established a minimum of three Directors - with at least two being Non-Executive Directors – must be present.

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.

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.

### **3. Notice of Meetings**

Meetings may be arranged outside of the annual schedule by the Society Secretary at the request of any Board member or at the request of the external or internal auditors.

Unless otherwise agreed, notice of each such meeting confirming the venue, time and date, together with an agenda of items and supporting papers to be discussed, shall be forwarded to each member of the Board and any other person required to attend no later than five working days before the date of 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 also record any conflicts of interest or declarations divulged at the meetings.

A draft of the minutes shall be sent to the Chairman within two working days of the meeting and shall be circulated to the Board within five working days of the meeting following approval by the Chairman. The draft minutes shall be reviewed and approved at the next meeting.

#### **5. Principal Function**

The principal function of the Board is to determine the strategy, risk management framework and policies of the Society, overseeing their implementation to ensure its long-term sustainability, ensuring that the Society operates within:

- the Society's Rules;
- rules and guidance issued by regulatory authorities;
- all applicable laws; and
- Board approved Risk Appetites

#### **Matters Reserved for the Board**

In the execution of these principal functions, the Board operates a Committee structure with various delegated authorities provided to those Committees. There are certain powers however which may not be delegated which are deemed matters reserved to the Board. These are:

- Approval of the use of the Society's Seal;
- Proposal of amendments to the Society's Memorandum and Rules;
- Approval of any purchase and disposal in the Society's estate;
- 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;
- Approve changes to the structure, size and composition of the Board;
- Appointment and oversight of persons undertaking Senior Manager Functions or any other regulated functions;
- Appointment or removal of Chief Executive, Executive Directors, Society Secretary and Head of Risk, Compliance and Financial Crime;
- Approval of the membership and chairmanship of Board Sub-Committees;
- Approval of opening or closing any bank account, including any new facility with Bank of England;
- Approval of new treasury and / or swap counterparties;

- Approval of operational spends, capital projects and new supplier relationships involving annual investment of more than £50,000;
- 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 any single or aggregate mortgage loan in excess of £1m. Approval must be received by at least two Non-Executive Director. All Non-Executive Directors have the right to veto any application.
- Approval of Standard Variable Rate

## 6. Main Responsibilities

To maintain oversight of the following:

### MR1 - Strategy

- Maintain oversight of the long-term purpose, values and strategy of the Society, which includes the Society's purpose, legal status, structure and business activities, including the establishment of any new business initiatives. To provide oversight of direct and indirect market impacts to the Society that may provide key opportunity or risk to the Society's strategy.

### MR2 - Performance Management

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

### MR3 – Risk Management

- Set risk appetite for the Society in accordance with the Corporate Plan and Strategic objectives
- To cascade key risk decisions to the appropriate Board and Executive Committees to ensure a 'top-down' risk management approach is achieved;
- Have regard for relevant advice from the Audit and Compliance Committee or Internal Audit Function concerning the effectiveness of the current control framework;
- Ensure expert advice and support is available to assist with risk issues.

### MR4 – Governance

- Maintain appropriate governance practices, including review and approval of:-
  - The establishment or disbanding of any Board or Executive Committee
  - The terms of reference of the Board, Board Committees and Executive Committees
  - The reporting arrangements of the Board and Executive Committees

- Changes to the share and/or long-term debt structure of the Society (e.g. issuing Permanent Interest Bearing Shares or CCDS)
- Recommendation to the Members any changes to the Memorandum and Rules of the Society
- Recommendation to the Members any proposed change to the name of the Society
- Approval and annual review of delegation of authorities and responsibilities to individuals and Board and Executive Committees.

#### **MR5 – People and Culture**

- 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 fair customer outcomes.
- Maintain appropriate oversight to the People Strategy, ensuring its delivery is fit for purpose and enables the Society to deliver its wider strategic aims.

#### **MR6 – Annual Review**

- At least annually review and approve the following:
  - Annual Report and Accounts
  - Approval of the corporate plans and budgets proposed by the Executive
  - Counterparty Review Actions
  - Credit Risk and Lending Policy
  - Disaster Recovery and Business Continuity Plan
  - Governance Policy
  - Internal Capital Adequacy Assessment Process (ICAAP)
  - Internal Liquidity Adequacy Assessment Process (ILAAP)
  - Liquidity Contingency Plan
  - Pillar 3 Disclosures
  - Pricing Model
  - Recovery Plan
  - Resolution Pack
  - Risk Appetite Statements (subject to recommendation from the relevant Board and / or Executive Committee)
  - Risk Management Approach
  - Terms of Reference for all Board and Executive Committees
  - Treasury Policy

Approved By:	Date:
Board	24 October 2019

## **Audit and Compliance Committee Terms of Reference**

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### **The Audit and Compliance Committee is a Board Committee**

#### **1. Composition**

The Committee shall be made up of four independent Non-Executive Directors. At least one member of the Audit and Compliance Committee must have recent and relevant financial experience.

The Chairman, Executive Directors, the Head of Risk Compliance and Financial Crime, the Head of People, Culture and Governance and representatives for both the Society's internal and external audit function shall be invited to attend the meetings of the Committee.

The Committee may invite other attendees as necessary.

#### **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 each year.

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

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

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 Risk, Compliance and Financial Crime shall have direct access to the Chairman and will also report to the Committee. In addition, the Head of Risk, Compliance and Financial Crime 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 may be arranged outside of the annual schedule by the Committee Secretary at the request of the Committee Chair, any Committee member or the Head of Risk, Compliance and Financial Crime.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items and supporting papers to be discussed, shall be forwarded to each member of the Committee and any other person required to attend five working days before the date of the meeting.

#### **4. Minutes of Meetings**

The Committee Secretary shall minute the proceedings and resolution of all meetings of the Committee. The Committee Secretary shall also record any conflicts of interest or declarations divulged at the meetings.

A draft of the minutes shall be sent to the Committee Chairman within two working days of the meeting and shall be circulated to Committee members within five working days of the meeting following approval of the Committee Chairman. The draft minutes shall be reviewed and approved at the next meeting.

#### **5. Principal Function**

The principal function 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:

- Bribery, Corruption and Fraud Prevention;
- Compliance;
- External Audit;
- Financial Reporting;
- Internal Audit;
- Internal Controls and Risk Management Systems;
- Other Reporting; and
- Whistleblowing - ensuring 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.

In addition, 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. Main Responsibilities

To maintain oversight of the following:

### MR1 – Financial Controls & Reporting

- Review, and challenge where necessary, the actions and judgements of management, in relation to the Society's financial statements, summary financial statement and the operating and financial review before submission to, and approval by, the Board, and before clearance by the auditors. Particular attention is paid to:-
  - the integrity of the financial statements and any formal announcements relating to the Society's financial performance;
  - critical accounting policies and practices, and any changes in them;
  - decisions requiring a significant element of judgement; and
  - whether the financial statements, taken, are fair, balanced and understandable.

### MR2 – Internal Audit

- Monitoring and reviewing the effectiveness of the Society's internal audit function. Particularly the following;
  - Review and monitor the integrity and effectiveness of the Society's internal financial controls, reporting and risk management;
  - Approve the appointment and removal of the Internal Auditor;
  - 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;
  - Monitor and assess the role and effectiveness of the internal audit function in the overall context of the Society's risk management framework; and
  - 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.

### MR3 – 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 qualifications, expertise and resources, effectiveness and independence of the external auditors; and
- 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.

#### **MR4 – Second Line 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; and
- Review the Society’s procedures for detecting and preventing bribery, corruption and fraud.

#### **MR5 – Risk Management**

- Ensure appropriate controls are in place for the Society to operate within its compliance and legal risk appetite and, where necessary, escalate risks to the Board Risk Committee.

#### **MR6 – Annual Review**

- At least annually review and approve the following:
  - Anti-Bribery and Corruption Report
  - Combined Assurance Plan
  - Compliance Approach Policy
  - Finance & Banking Operations Policy
  - Fit & Proper Policy
  - General Data Protection Policy
  - Gifts & Hospitality Policy
  - Mortgage Impairment & Provisioning Policy
  - Procurement Policy
  - Provisioning Model
  - Regulatory Reporting Policy
  - Whistleblowing & Anti-Bribery and Corruption Policy
- At least annually review and recommend to the Board the following:-
  - Compliance Risk Appetite Statement
  - Legal Risk Appetite Statement
- At least annually the Committee reviews 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.
- Every three years the Committee carries out a full review of internal and external audit provision.

Approved By:	Date:
Audit and Compliance Committee	13 June 2019
Board	13 June 2019



## **Board Risk Committee Terms of Reference**

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### **1. Composition**

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

The Executive Directors, the Head of Risk, Compliance and Financial Crime and the Chairs of all Executive Committees shall be invited to attend the meetings of the Committee.

The Committee may invite other attendees as necessary.

### **2. Meetings and Quorum**

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

For a quorum to be established a minimum of three Non-Executive Directors must be present. In the event that absence prevents any Non-Executive Director who is a member of the Committee from attending, it is permissible to invite the Society Chairman and / or the Society's Senior Independent Director to ensure quoracy.

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

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 Meetings**

Meetings may be arranged outside of the annual schedule by the Committee Secretary at the request of the Committee Chairman, any Committee member or the Head of Risk, Compliance and Financial Crime.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items and supporting papers to be discussed, shall be forwarded to each member of the Committee and any other person required to attend five working days before the date of the meeting.

#### **4. Minutes of Meetings**

The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee. The Committee Secretary shall also record any conflicts of interest or declarations divulged at the meetings.

A draft of the minutes shall be sent to the Committee Chairman within two working days of the meeting and shall be circulated to Committee members within five working days of the meeting following approval by the Committee Chairman. The draft minutes shall be reviewed and approved at the next meeting.

#### **5. Principal Function**

The principal function of the Board Risk Committee is to:

- Provide oversight in relation to:
  - risks facing the Society; and
  - the Society's risk management framework, systems and controls; risk strategy; and risk appetites; and
- Report to the Board on all matters concerning risk.

#### **6. Main Responsibilities**

To maintain oversight of the following:

##### **MR1 – Risk Appetite**

- To provide oversight to the Society's risk profile and its operation within risk appetite, considering risk matters escalated from other Committees and escalating where necessary to the Board.

##### **MR2 – Effectiveness of Risk Management Approach**

- To ensure an effective risk management approach is operating, ensuring the Board Risk Committee is able to provide effective oversight and fulfil its responsibilities to the Board.

##### **MR3 – Horizon Scanning**

- To provide oversight to the emerging risks to the Society.

## MR4 – Annual Review

- At least annually review and approve the following:
  - Conduct Risk Policy
  - Financial Crime Policy
  - Information Security Policy
  - MLRO Report
  - Project Governance Policy
  
- At least annually review and recommend to the Board the following:
  - Credit Risk and Lending Policy
  - Risk Appetite Statements (excluding Compliance and Legal)
  - Risk Management Approach
  
- At least annually the Committee reviews its own performance, constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommends any changes it considers necessary to the Board for approval.

Approved By:	Date:
Board Risk Committee	13 June 2019
Board	13 June 2019

## **Nomination Committee Terms of Reference**

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### **The Nomination Committee is a Board Committee**

#### **1. Composition**

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

The Head of People, Culture and Governance shall be invited to attend the meetings of the Committee.

The Committee may invite other attendees as necessary.

#### **2. Meetings and Quorum**

The Committee shall meet sufficiently regularly to discharge its duties effectively. It is expected that the Committee will meet at least twice each year.

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

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

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 chairman for that meeting.

#### **3. Notice of Meetings**

Meetings may be arranged outside of the annual schedule by the Committee Secretary at the request of the Committee Chairman or any Committee member.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items and supporting papers to be discussed, shall be forwarded to each member of the Committee and any other person required to attend five working days before the date of the meeting.

#### **4. Minutes of Meetings**

The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee. The Committee Secretary shall record any conflicts or declarations of interest divulged at the meetings.

A draft of the minutes shall be sent to the Committee Chairman within two working days of the meeting and shall be circulated to Committee members within five working days of the meeting following approach to the Committee Chairman. The draft minutes shall be reviewed and approved at the next meeting.

## **5. Principal Function**

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

### **Matters Reserved for the Board**

- Approval of changes to the structure, size and composition of the Board; and
- The appointment and oversight of persons undertaking Senior Management Functions or any other regulated functions.

## **6. Main Responsibilities**

To maintain oversight of the following:

### **MR1 – Board Composition**

- Regularly review the structure, size and composition of the Board, evaluating skills, knowledge, experience and diversity. The Committee takes the responsibility for nominating candidates (for election / re-election) to fill Board vacancies.

### **MR2 – Succession Planning**

- Regularly consider succession planning of the Board, taking into account the challenges and opportunities facing the Society and the skills and expertise needed on the Board in the future.

### **MR3 – Board and Committee Effectiveness**

- Formally and regularly review the effectiveness of both the Board and its Board Committees to ensure the Society is lead by an effective Board.

### **MR4 – Annual Review**

- At least annually the Committee reviews 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:	Date:
Nomination Committee	13 June 2019
Board	13 June 2019

## Remuneration Committee Terms of Reference

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### The Remuneration Committee is a Board Committee

#### 1. Composition

The Committee shall be made up of all Non-Executive Directors. 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 Executive Directors and the Head of People, Culture and Governance shall be invited to attend all, or part of, any meeting when appropriate.

The Committee may invite other attendees as necessary.

#### 2. Meetings and Quorum

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

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

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

#### 3. Notice of Meetings

Meetings may be arranged outside of the annual schedule by the Committee Secretary at the request of the Committee Chairman or any Committee member.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items and supporting papers to be discussed, shall be forwarded to each member of the Committee and any other person required to attend five working days before the date of the meeting.

#### 4. Minutes of Meetings

The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee. The Committee Secretary shall also record any conflicts of interest or declarations divulged at the meetings.

A draft of the minutes shall be sent to the Committee Chairman within two working days of the meeting and shall be circulated to Committee members within five working days of the meeting following approval by the Committee Chairman. The draft minutes shall be reviewed and approved at the next meeting.

## 5. Principal Function

The principal function 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.

## 6. Main Responsibilities

To maintain oversight of the following:

### MR1 – Performance Management

- Ensure that a transparent, stretching and rewarding performance management structure is in place; and
- Oversee compliance with the performance management structure to ensure that it is applied rigorously and fairly and that non-performance is appropriately dealt with.

### MR2 - Remuneration

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

Role	Governance Requirement
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, ensure 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; and
- Determine the terms of any service agreement entered into with any Executive Director with the objective that notice periods are set appropriately.

**MR3 – 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 Chief Executive may exit any employee - with the exception of the Society Secretary, Executive Directors and Head of Risk, Compliance and Financial Crime - within contractual terms, but anything in excess of contractual terms will be referred to the Remuneration Committee.

**MR4 – Annual Review**

- At least annually review and approve the following:
  - Benefits Policy
  - Capability Policy
  - Performance Management Policy
  - Remuneration Policy
  - 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.
- At least annually 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:	Date:
Remuneration Committee	13 June 2019
Board	13 June 2019

## **Assets and Liabilities Committee Terms of Reference**

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### **The Assets and Liabilities Committee is an Executive Committee**

#### **1. Composition**

The Committee shall be made up of the Executive Directors, the Head of Finance, the Head of Risk, Compliance and Financial Crime, the Head of Commercial, the Regulatory, Reporting and Treasury Accountant and the Products and Mortgage Systems Manager.

The Committee may also invite other attendees as necessary; this includes Non-Executive Directors.

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

For a quorum to be established a minimum of three members must be present; at least one member must be an Executive Director.

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

#### **3. Notice of Meetings**

Meetings may be arranged outside of the annual schedule by the Committee Secretary at the request of the Committee Chairman, any Committee member or any Non-Executive Director.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items and supporting papers to be discussed, shall be forwarded to each member of the Committee and any other person required to attend five working days before the date of the meeting.

#### **4. Minutes of Meetings**

The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee. The Committee Secretary shall also record any conflicts of interest or declarations divulged at the meetings.

A draft of the minutes shall be sent to the Committee Chairman within two working days of the meeting and shall be circulated to Committee members within five working days of the meeting following approval by the Committee Chairman. The draft minutes shall be reviewed and approved at the next meeting.

## **5. Principal Function**

The principal function of the Committee is to manage the Society's assets and liabilities in accordance with the capital and profit, financial markets, funding, interest rate and liquidity risk appetite statements and to ensure compliance with regulatory limits. The Committee is also responsible for approving proposed products which do not meet the Society's pricing hurdle rate.

### **Matters Reserved for the Board**

- Agreement of new counterparties; and
- Creation of new Bank of England facilities.

## **6. Main Responsibilities**

To maintain oversight of the following:

### **MR1 – Liquidity Management**

- The management of liquidity within the liquidity risk appetite statement and the compliance with the Overall Liquidity Adequacy Rule.

### **MR2 – Funding Management**

- The management of funding within the funding risk appetite statement and the compliance with the Overall Liquidity Adequacy Rule.

### **MR3 – Interest Rate Risk Management**

- The management of interest rate risk within the interest rate risk appetite statement.

### **MR4 – Counterparty Credit Risk Management**

- The management of interest rate risk within the interest rate risk appetite statement.

### **MR5 – Concentration Risk Management (Treasury)**

- The management of concentration risk within the concentration rate risk appetite statement. This will assess treasury exposures only, reviewing Board and regulatory limits.

### **MR6 – Financial Market Risk Management**

- The management of financial market risk within the financial market risk appetite statement.

### **MR7 – Capital Management**

- The management of capital within the capital and profit risk appetite statement.

### **MR8 – Margin Management**

- Products and pricing including margin and returns compared with Corporate Plan.

### **MR9 – Risk Management**

- Ensure appropriate controls are in place for the Society to operate within its Capital and Profit, Concentration, Financial Markets, Funding, Interest Rate and Liquidity risk appetite and, where necessary, escalate risks to the Executive Risk Committee and / or Board Risk Committee.

### **MR10 – Annual Review**

- At least annually review and recommend to the Board Risk Committee the following:-
  - Risk Appetite Statements
    - Capital and Profit
    - Concentration
    - Credit (Treasury)
    - Financial Markets
    - Funding
    - Interest Rate
    - Liquidity
- At least annually review and recommend to the Board the following:-
  - Counterparty Review Actions
  - ICAAP
  - ILAAP
  - Liquidity Contingency Plan
  - Pillar 3 Disclosures
  - Pricing Model
  - Treasury Policy
- At least annually 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:	Date:
ALCO	5 June 2019
Board	13 June 2019

## **Credit Committee Terms of Reference**

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### **The Credit Committee is an Executive Committee**

#### **1. Composition**

The Committee shall be made up of the Executive Directors, the Head of Finance, the Head of Risk, Compliance and Financial Crime, the Head of Operations, the Head of Mortgage Operations and the Head of Commercial.

The Committee may invite other attendees as necessary; this includes Non-Executive Directors.

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

#### **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 ten times each year.

For a quorum to be established a minimum of three members must be present; at least one member must be an Executive Director.

To ensure good customer outcomes, the Committee is authorised to make lending and / or credit decisions - in accordance with the Credit Risk and Lending Policy Mandate Structure - by way of email exchange providing that all members are included in the circulation and there are sufficient responses to establish a quorum. The Head of Risk, Compliance and Financial Crime has the authority to veto any lending and / or credit decision.

#### **3. Notice of Meeting**

Meetings may be arranged outside of the annual schedule by the Committee Secretary at the request of the Committee Chairman or any Committee member.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items and supporting papers to be discussed, shall be forwarded to each member of the Committee and any other person required to attend five working days before the date of the meeting.

#### **4. Minutes of Meetings**

The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee. The Committee Secretary shall also record any conflicts of interest or declarations divulged at the meetings.

A draft of the minutes shall be sent to the Committee Chairman within two working days of the meeting and shall be circulated to Committee members within five working days of the meeting following approval by the Committee Chairman. The draft minutes shall be reviewed and approved at the next meeting.

#### **5. Principal Function**

The principal functions of the Committee are to:-

- Manage the operation of the Society's lending strategy, policies and product development ensuring that proper consideration is given to credit risk control and regulatory requirements of lending; including responsible lending requirements; and
- Oversee compliance of indicative Sourcebook limits and capital at risk exposures set by the Board.

#### **Matters Reserved for the Board**

- Approval of the bringing, defending or settling any mortgage related litigation involving a sum or exposure above £50,000. Any litigation for lessor value carries a reporting to the Board obligation only; and
- Approval of any single or aggregate mortgage loan in excess of £1m. Approval must be received by all individual members of the Board.

#### **6. Main Responsibilities**

To maintain oversight of the following:

##### **MR1 – Market Awareness**

- Awareness of market developments that may impact the Society or borrowers.

##### **MR2 – Sourcebook and Internal Limits**

- Ensuring the Society's mortgage book operates within sourcebook and internal limits and plans for potential extensions.

### **MR3 – New Lending Credit Quality**

- Tracking the credit quality of new lending including reporting of out of policy lending, early arrears emergence and assessment of capital at risk in the context of the credit risk appetite statement.

### **MR4 – Back Book Credit Quality**

- Tracking the credit quality of the Society's back book including a rotational review of back book and cross book segments and all aspects of impairment.

### **MR5 – Arrears Management**

- Tracking arrears performance and ensuring that early warnings are addressed – and escalated – in the event of emerging arrears trends.

### **MR6 – Stress Testing**

- Conducting routine stress tests assessing both the Society's exposure in the event of severe but plausible scenarios (including links to ICAAP) and borrower exposure to rate rise and potential payment shock.

### **MR7 – Risk Management**

- Ensure appropriate controls are in place for the Society to operate within its credit risk and climate change risk appetite and, where necessary, escalate risks to the Executive Risk Committee and / or Board Risk Committee.

### **MR8 – Annual Review**

- At least annually review and recommend to the Board Risk Committee the following:-
  - Credit Risk and Lending Policy
  - Climate Change Risk Appetite Statement
  - Credit Risk Appetite Statement



- At least annually review and recommend to the Audit & Compliance Committee the following:-
  - Mortgage Impairment & Provisioning Policy
  
- At least annually review and approve the following:-
  - Mortgage Collections & Recoveries Policy
  - Mortgage Servicing, Collections and Shortfall Mandate Policy
  - Mortgage Servicing Policy
  
- At least annually 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:	Date:
Credit Committee	5 June 2019
Board	13 June 2019

## Customer Committee Terms of Reference

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### The Customer Committee is an Executive Committee

#### 1. Composition

The Committee shall be made up of the Chief Executive, the Head of Finance, the Head of Operations, the Head of Change & IT, the Head of Commercial, the Products & Mortgage Systems Manager, the Customer Services Manager, the Mortgage Servicing Manager and the Marketing and Communications Manager.

The Committee may also invite other attendees as necessary; this includes Non-Executive Directors.

#### 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 ten times each year.

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

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

#### 3. Notice of Meetings

Meetings may be arranged outside of the annual schedule by the Committee Secretary at the request of the Committee Chairman or any Committee member.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items and supporting papers to be discussed, shall be forwarded to each member of the Committee and any other person required to attend five working days before the date of the meeting.

#### 4. Minutes of Meetings

The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee. The Committee Secretary shall also record any conflicts of interest or declarations divulged at the meetings.

A draft of the minutes shall be sent to the Committee Chairman within two working days of the meeting and shall be circulated to Committee members within five working days of the meeting following approval by the Committee Chairman. The draft minutes shall be reviewed and approved at the next meeting.

## **5. Principal Function**

The principal function of the Customer Committee is to ensure that activities align to the outlined strategy that the member is at the foundation of everything the Society does. The Committee will oversee:-

- The approach for ensuring that the Society operates a framework that is adequately focused on the delivery of fair customer outcomes now and into the future; and
- The Society's awareness of and compliance with regulatory requirements in respect of customer conduct, in particular as escalated from the Regulatory Review Group, including ensuring the Society's operates within the approved Conduct Risk Appetite.

### **Main Responsibilities**

To maintain oversight of the following:

#### **MR1 – Horizon Scanning**

- Review the Society's future plans and consider potential customer impact. Specifically;
  - Strategic plans
  - Ongoing projects / change
  - 12 month communication plan

#### **MR2 – Conduct Risk Awareness**

- Review decisions made by the business and the resulting customer outcome. Specifically;
  - Post Sale Product Review
  - Material policy / process change
  - Material change or addition to customer facing third party relationships
  - Re-pricing

**MR3 – Customer Outcome Assessment**

- Reviewing any evidence of practices leading to (or potentially leading to) poor customer outcomes and / or experience within the customer journey and determining any corrective action necessary, including specific consideration of vulnerable customers.

**MR4 – Customer Journey Analysis**

- On a rotational basis, review an example of a Customer Journey, including external test and validation, reviewing and improving as appropriate.

**MR5 – Risk Management**

- Ensure appropriate controls are in place for the Society to operate within its conduct risk appetite and, where necessary, escalate risks to the Executive Risk Committee and / or Board Risk Committee.

**MR6 – Annual Review**

- At least annually review and recommend to the Board Risk Committee the following:-
  - Conduct Risk Appetite Statement
  - Conduct Risk Policy
- At least annually review and approve the following:-
  - Complaints Policy
  - Financial Promotions Policy
  - Savings Policy
  - Vulnerable Persons & Financial Abuse Policy
- At least annually, 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:	Date:
Customer Committee	5 June 2019
Board	13 June 2019

## Executive Risk Committee Terms of Reference

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### 1. Composition

The Committee shall be made up of the Executive Directors, the Head of Finance, the Head of Operations, the Head of Change and IT, the Head of Risk, Compliance and Financial Crime, the Head of People, Culture and Governance, the Head of Mortgage Operations, the Head of Commercial and the Marketing and Communications Manager.

The Committee may also invite other attendees as necessary; this includes Non-Executive Directors.

### 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 ten times each year.

For a quorum to be established a minimum of three members must be present with at least one being an Executive Director or the Head of Risk, Compliance and Financial Crime.

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

### 3. Notice of Meeting

Meetings may be arranged outside of the annual schedule by the Committee Secretary at the request of the Committee Chairman, any Committee member or any Non-Executive Director.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items and supporting papers to be discussed, shall be forwarded to each member of the Committee and any other person required to attend five working days before the date of the meeting.

### 4. Minutes of Meetings

The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee. The Committee Secretary shall also record any conflicts of interest or declarations divulged at the meetings.

A draft of the minutes shall be sent to the Committee Chairman within two working days of the meeting and shall be circulated to Committee members within five working days of the meeting following approval by the Committee Chairman.

The draft minutes shall be reviewed and approved at the next meeting.

## **5. Principal Function**

The principal function of the Committee is to review, manage and report to the Board Risk Committee on the:

- Society's Risk Appetite Profile by utilising Key Risk and Early Warning Indicators;
- emerging risks facing the Society;
- robustness of the Society's risk management framework, systems and controls; and governance structure including policies;
- Society's accepted risks and the controls, contingencies and actions in place; and
- resources allocated to risks considered to be business critical.

## **6. Main Responsibilities**

To maintain oversight of the following:-

### **MR1 – Risk Appetite**

- To review the Key Risk and Early Warning Indicators in relation to the Society's Risk Appetite, ensuring appropriate action is taking to manage within Board approved Risk Appetite.

### **MR2 – Key Risks**

- To assess, monitor and report (to the Board Risk Committee) the Society's principal risks, ensuring appropriate controls and mitigating activity are in place.

### **MR3 – Horizon Scanning**

- Review emerging risks and conduct horizon scanning to ensure short, medium and long-term potential risks are acknowledged and appropriate actions allocated to reduce exposure.

### **MR4 – Annual Review**

- At least annually review and recommend to the Board Risk Committee the following:-
  - All Strategic Risk Appetite Statements
  - Contagion Risk Appetite Statement
  - Governance Practice Risk Appetite Statements
  - Risk Management Approach

- At least annually review and recommend to the Audit and Compliance Committee the following:-
  - Compliance Risk Appetite Statement
  - Fit and Proper Policy
  - General Data Protection Policy
  - Gifts and Hospitality Policy
  - Legal Risk Appetite Statement
  - Procurement Policy
  - Regulatory Reporting Policy
  - Whistleblowing and Anti-Bribery & Corruption Policy
  
- At least annually review and recommend to the Remuneration Committee the following:-
  - Benefits Policy
  - Capability Policy
  - Performance Policy
  - Remuneration Policy
  
- At least annually review and recommend to the Board the following:-
  - Disaster Recovery and Business Continuity Plan
  - Governance Policy
  - Recovery Plan
  - Resolution Pack
  
- At least annually review and approve the following:-
  - Absence Policy
  - Bullying and Harassment Policy
  - Corporate Social Responsibility Policy
  - Disciplinary Policy
  - Employees as Customers Policy
  - Equality and Diversity Policy
  - Expenses Policy
  - Family Policy
  - Flexible Working Policy
  - Grievance Policy
  - Learning and Development Policy
  - Payroll Policy
  - Probation Policy
  - Product Policy
  - Recruitment and Selection Policy
  - Redundancy Policy

- At least annually 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:	Date:
ERC	5 June 2019
Board	13 June 2019



## **Operational Risk Committee Terms of Reference**

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### **The Operational Risk Committee is an Executive Committee**

#### **1. Composition**

The Committee shall be made up of at least one Accountable or Responsible Risk Owner – or an appropriate delegate - from each area of the business and at least one Risk and Governance Business Partner or the Head of People, Culture and Governance.

The Committee may also invite other attendees as necessary; this includes Executive and Non-Executive Directors.

#### **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 ten times each year.

For a quorum to be established a minimum of six members must be present with representation from the following business areas as a minimum; savings operations, mortgage operations, finance operations and commercial operations. At least one member must be a Risk and Governance Business Partner or the Head of People, Culture and Governance.

Meetings will be chaired by a Risk and Governance Business Partner or the Head of People, Culture and Governance.

#### **3. Notice of Meetings**

Meetings may be arranged outside of the annual schedule by the Committee Secretary at the request of the Committee Chairman, the Head of Risk, Compliance and Financial Crime or an Executive Director.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items and supporting papers to be discussed, shall be forwarded to each member of the Committee and any other person required to attend five working days before the date of the meeting.

#### **4. Minutes of Meetings**

The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee. The Committee Secretary shall also record any conflicts of interest or declarations divulged at the meetings.

A draft of the minutes shall be sent to the Committee Chairman within two working days of the meeting and shall be circulated to Committee members within five working days of the meeting following approval by the Committee Chairman. The draft minutes shall be reviewed and approved at the next meeting.

## **5. Principal Function**

The principal function of the Committee is to ensure that operational risk management and assurance activity is being undertaken consistently within the first line of defence and in line with the requirements of the Society's Risk Management Approach.

### **Main Responsibilities**

To maintain oversight of the following:

#### **MR1 – Change Management**

- To review the operational risks associated with any known and emerging business change ensuring the Society remains within its agreed risk appetite.

#### **MR2 – Projects**

- Review Project Risk Workbooks and ensure Project Managers and key stakeholders collate risks applicable to both the project phase and post-implementation stages, ensuring the Society remains within its agreed risk appetite.

#### **MR3 – Financial Crime**

- To review the operational risks associated with financial crime ensuring the Society remains within its agreed risk appetite.

#### **MR4 – Information Security**

- To review the operational risks associated with information security ensuring the Society remains within its agreed risk appetite.

#### **MR5 – Operational Resilience**

- To review the operational risks associated with operational resilience ensuring the Society remains within its agreed risk appetite.

**MR6 – People, Policy and Process**

- To review the operational risks associated with people, policy and process ensuring the Society remains within its agreed risk appetite. Provide oversight to the policy attestation schedule.

**MR7 – Risk Event Analysis**

- Conduct root cause analysis on Risk Events and ensure rectification has taken place where necessary; and
- Review operational losses and escalate any potential Pillar 2a considerations in the context of the ICAAP to ALCO.

**MR8 – Control Assurance**

- Ensure first line control assurance is conducted in accordance with the assurance framework in place for each business area.

**MR9 – Annual Review**

- At least annually review and recommend to the Board Risk Committee the following:-
  - Financial Crime Policy
  - Information Security Policy
  - Project Governance Policy
  - All Operational Risk Appetite Statements
- At least annually review and recommend to the Audit & Compliance Committee the following:-
  - Finance and Banking Operations Policy
- At least annually review and approve the following:-
  - Database Credential Policy
  - Health, Safety and Welfare (inc. Premises Security) Policy
  - Intermediary Due Diligence Policy
  - IT Policy
- At least annually 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:	Date:
ORC	3 June 2019
Board	13 June 2019

## **Product and Pricing Committee Terms of Reference**

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### **The Product and Pricing Committee is Management Committee**

#### **1. Composition**

The Committee shall be made up of the Head of Operations, the Head of Change and IT, the Head of Finance, the Head of Risk, Compliance and Financial Crime, the Head of Commercial, the Marketing and Communications Manager, the Products and Mortgage Systems Manager and the Finance Specialist.

The Committee may also invite other attendees as necessary.

#### **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 ten times each year.

For a quorum to be established the following members – or an appropriate delegate – must be present: the Head of Operations, the Head of Risk, Compliance and Financial Crime and the Finance Specialist. The meeting must be attended by the Head of Commercial or the Product and Mortgage Systems Manager.

To ensure good customer outcomes, the Committee is authorised to make product and pricing decisions by way of email exchange providing that all members are included in the circulation and there are sufficient responses to establish a quorum.

#### **3. Notice of Meetings**

Meetings may be arranged outside of the annual schedule by the Committee Secretary at the request of the Committee Chairman, the Head of Risk, Compliance and Financial Crime or an Executive Director.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items and supporting papers to be discussed, shall be forwarded to each member of the Committee and any other person required to attend five working days before the date of the meeting.

#### **4. Minutes of Meetings**

The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee. The Committee Secretary shall also record any conflicts of interest or declarations divulged at the meetings.

A draft of the minutes shall be sent to the Committee Chairman within two working days of the meeting and shall be circulated to Committee members within five working days of the meeting following approval by the Committee Chairman. The draft minutes shall be reviewed and approved at the next meeting.

#### **5. Principal Functions**

The principal function of the Committee is to oversee product and pricing strategy, ensuring the Society's product offering is in line with market, customer expectation, effective margin management and volume appetite. Any changes to products must be approved by a quorate Product and Pricing Committee.

If a product proposal fails to meet the pricing hurdle rate, the Committee's powers are limited to recommending the product for approval by ALCO.

##### **Main Responsibilities**

To maintain oversight of the following:

##### **MR1 – Product Strategy**

- Review performance of existing product range and review / approve recommendations for change and / or new products.

##### **MR2 – Market**

- Consider the outputs from the Society's Treasury and Volumes Committee to help inform potential opportunities and future product concepts including market conditions and competitor product information.

##### **MR3 – Volume**

- Consider the outputs from the Society's Treasury and Volumes Committee to help inform volume appetite, performance (including pipeline) and funding requirements.

##### **MR4 – Margin**

- Consider the outputs from the Society's Treasury and Volumes Committee to help inform margin information and pressure, including reviewing the Society's pricing models at least bi-annually to ensure they are appropriate for the nature and size of the Society's activities.

### MR5 – Risk Approach

- Ensure appropriate controls are in place for the Society to operate within its risk appetite and, where necessary, escalate risks to the Customer Committee, Executive Risk Committee and / or Board Risk Committee.

### MR6 – Annual Review

- At least annually review and recommend to the Executive Risk Committee the following:-
  - Product Policy
- At least annually review and recommend to the Assets and Liabilities Committee the following:-
  - Pricing Model
- At least annually 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:	Date:
Product & Pricing Committee	12 June 2019
Board	13 June 2019

## Treasury and Volumes Committee Terms of Reference

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### The Treasury and Volumes Committee is Management Committee

#### 1. Composition

The Committee shall be made up of the Executive Directors, the Head of Operations, the Head of Finance, the Head of Mortgage Operations, the Head of Commercial, the Market Research and Distribution Manager, the Finance Manager, the Products and Mortgage Systems Manager and the Marketing and Communications Manager.

The Committee may also invite other attendees as necessary.

#### 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 three times each month.

For a quorum to be established at least three members must be present of which at least one member must be an Executive Director or the Head of Finance.

#### 3. Notice of Meetings

Meetings may be arranged outside of the annual schedule by the Committee Secretary at the request of the Committee Chairman or any Committee member.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items and supporting papers to be discussed, shall be forwarded to each member of the Committee and any other person required to attend five working days before the date of the meeting.

#### 4. Minutes of Meetings

The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee. The Committee Secretary shall also record any conflicts of interest or declarations divulged at the meetings.

A draft of the minutes shall be sent to the Committee Chairman within two working days of the meeting and shall be circulated to Committee members within five working days of the meeting following approval by the Committee Chairman.

The draft minutes shall be reviewed and approved at the next meeting.

## 5. Principal Functions

The principal function of the Treasury and Volumes Committee is to oversee expected business volume with a view to understand its impact to the wider Society and recommend actions, where necessary, to the relevant Committee.

## 6. Main Responsibilities

To maintain oversight of the following:

### MR1 – Mortgage Performance

- Examine current and future lending volumes to monitor they are in line with the corporate plan and sourcebook limits, ensuring sufficient funding plans are in place and advising members of any potential shortfall and recommend mitigating activity.

### MR2 – Savings Performance

- Examine current and future retail and wholesale volumes to monitor they are in line with the corporate plan and sufficient funding plans are in place, advising members of any potential shortfall and recommend mitigating activity.

### MR3 – Pricing, Swaps and Hedging

- Monitor swap rates impact on pricing, aligning mortgage and savings volumes with hedging to optimise interest rate risk management.

### MR4 – Cash Flow and Planning

- Monitor cash flow and liquidity ensuring it is in line with Board approved Risk Appetite. Ensure mortgage and savings volumes align with cash flow planning.

### MR5 – Marketing and Communications

- Proactively oversee all Marketing and Communications activity, ensuring messaging is in line with anticipated volume and ensuring partners are kept well informed of activity.

### MR6 – Risk Approach

- Ensure appropriate controls are in place for the Society to operate within its risk appetite and, where necessary, escalate risks to the Assets and Liabilities Committee, Customer Committee, Executive Risk Committee and / or Board Risk Committee.



### MR7 – Annual Review

- At least annually 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:	Date:
Treasury & Volumes Committee	11 June 2019
Board	13 June 2019