

# Board Terms of Reference

## Document Control

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## 1. Purpose

The Board is the governing body of The Nottingham Building Society.

The UK Corporate Governance code requires that every firm should be headed by an effective board which is collectively responsible for the long-term success of the company.

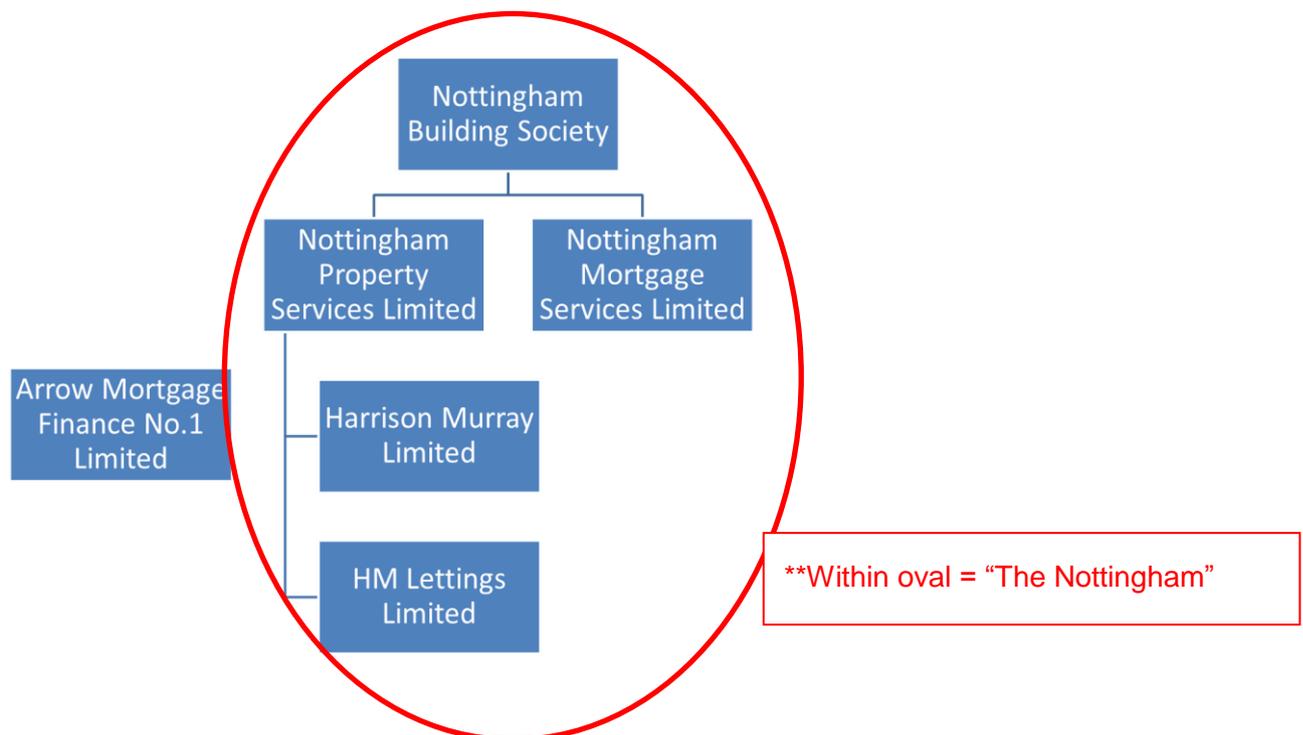
The Board sets The Nottingham’s strategic aims and ensures that the necessary financial and human resources are in place for The Nottingham to, at a minimum, serve the best interests of its members and meet its statutory objectives. The Board provides leadership of The Nottingham within a framework of prudent and effective controls which enables risk to be assessed and managed. It also reviews management performance.

The Terms of Reference document Board responsibilities, authority, organisation and composition.

The Terms of Reference are aligned to the UK Corporate Governance Code, the Rules of the Society and other relevant Regulatory requirements.

## 2. Scope

The Terms of Reference cover The Nottingham, comprising The Nottingham Building Society and its subsidiary companies Nottingham Property Services Limited, Nottingham Mortgage Services Limited, Harrison Murray Limited and HM Lettings Limited.



Where the document makes reference to the Society, this is The Nottingham Building Society. Where the document makes reference to The Nottingham this is meant by the Group companies illustrated above.

The subsidiary companies Nottingham Mortgage Services Limited, and Nottingham Property Services Ltd (includes Harrison Murray Limited and HM Lettings Limited) are governed by

their own subsidiary Boards reporting to the Board of the Society, and are required to follow the authorities defined in this document.

The special purpose vehicle (SPV), Arrow Mortgage Finance No. 1 Limited, is funded through loans from the Society and is fully consolidated into the Society's financial statements. The issued share capital of the SPV is held entirely by Intertrust Corporate Services limited on a discretionary trust basis. The SPV, therefore, does not fall within the scope of these terms of reference.

### 3. Composition

The Board currently consists of Non-Executive Directors (including the Chairman), and full time Executive Directors, providing a complementary balance of skills and expertise.

The composition of the Board and matters such as the selection and re-election of Directors are the responsibilities of the Nominations Committee.

The composition of the Board will be reviewed from time-to-time as required by the Rules of the Society, and the Corporate Governance Code.

All Non-Executive Directors are considered to be independent in character and judgement.

The Board is currently composed of the following members/attendees:

| Role                        | Status                     | Deputy        |
|-----------------------------|----------------------------|---------------|
| Chairman                    | Chairman, Member           | Vice-Chairman |
| Senior Independent Director | Vice-Chairman, Member      | N/A           |
| Chief Executive             | Executive Director, Member | N/A           |
| Chief Financial Officer     | Executive Director Member  | N/A           |
| Chief Risk Officer          | Executive Director Member  | N/A           |
| Non-Executive Directors     | Members                    | N/A           |
| General Counsel             | Non-voting attendee        | N/A           |
| Director of Member Services | Non-voting attendee        | N/A           |
| Company Secretary           | Secretary                  | N/A           |

The roles of the Chairman of the Board and the Chief Executive are held by different individuals and are distinct in their purpose. There is a clear division of responsibilities with the Chairman of the Board having overall responsibility for the Board and the Chief Executive for running the day to day business of The Nottingham. No one individual has

unrestricted powers of decision. The division of responsibilities are clearly established, via role profiles. These are set out in writing and agreed by the Board.

Only members of the Board have the right to attend Board meetings, the Director of Member Services, General Counsel and Company Secretary also attend the Board meetings. Also, other individuals such as Executive Committee members or Senior Leadership Team members, external advisers and other guests may be invited to attend all or part of any meeting as and when appropriate with permission from the Chairman.

All new members of the Board will be informed of their responsibilities, the role of the Board and be provided with support and training where deemed necessary by the Chairman (or person appointed by the Chairman) to ensure they are able to discharge their responsibilities effectively.

Matters relating to the election / re-election of Executive and Non-Executive Directors are the responsibility of the Nominations Committee and the requirements are detailed in that committee's Terms of Reference.

#### **4. Quorum**

The Rules of the Society state that four members present at any Board meeting shall form a quorum, of whom the majority should be Non-Executive Directors, but must include one Executive Director.

Quorum requirements should be reviewed annually to reflect any changes in Board membership or roles and responsibilities. A meeting can only be deemed quorate if all voting members have been invited to attend.

#### **5. Meeting Frequency**

The Board meets for the despatch of business as often as it shall find necessary. As a minimum the Board meets at least eight times a year in order to discharge its duties effectively.

A Director may, and the Company Secretary (at the request of a Director) can call a meeting of the Board. In addition to the full Board meeting, the Non-Executive Directors meet regularly, without the Executive Directors present, and consider all aspects of Board responsibilities, governance and performance.

#### **6. Rapid Decision Protocol**

The purpose of the Rapid Decision Protocol is to facilitate decision making outside of the scheduled meetings. Any use of the Rapid Decision Protocol must be agreed with the Chair of the Board (or in their absence, the Deputy Chair) prior to its use, and circulated by the Company Secretary (or in their absence, the nominated deputy). Quorum requirements detailed above apply to any decisions, with members either meeting in person, by telephone conference or responding via email.

Any decisions or approvals made using this protocol are to be submitted to the next scheduled Board meeting, accompanied by a summary of events and the final decision, for inclusion in the minutes

## 7. Authority

The Board is the ultimate governing body and as such has unreserved powers of authority.

The Board discharges its responsibilities via further delegations to Board (Level 1) Committees or Executive (Level 2) Committees. Such committees may make further delegations to relevant sub-committees, Executive Directors or the Senior Managers (i.e. holders of SMF or certification roles) of the Society. Such delegations are documented in the Board Delegated Authority and in the delegated authorities of the Level 1 committees. They are based on materiality of transactions and by reference to the Board Risk Policy and Board Risk Appetite Statement.

All Non-Executive Directors can request to attend any of the Board Committees or Executive / Management Committee (i.e. Level 2 to Level 4 Committee) meetings with the agreement of the Chair of the Committee.

Matters Reserved for the Board is a formal schedule of matters specifically reserved for the Board's decision. The schedule in Section 8 of these Terms of Reference provides detailed approval and responsibilities of the Board in the following areas:

- Strategy and Management
- Structure and Capital
- Financial Reporting and Controls
- Internal Controls and Risk Management
- Contracts, Commitments, Investments and Divestments
- Communications
- Board Membership and other Appointments
- Remuneration
- Delegation of Authority
- Corporate Governance

### 7.1 Exceptions

The Board will review and approve exceptions to policy under its authority as prescribed by the specific policy in question (see Section 8 - Matters Reserved for the Board).

Policy dispensations are submitted in writing to the Board for approval, stating:

- The relevant policy or specific requirement(s) for which the dispensation is being requested
- What is being done instead of following the policy (i.e. the variation)
- An impact assessment of the dispensation
- The requested time period for the dispensation

Policy breaches or agreed exceptions are to be reported to the Board through the relevant management information report as prescribed by the policy in question.

### 7.2 Voting

Each member of the Board is entitled to a single vote, which can be cast either in person at the meeting, or by email prior to the meeting addressed to the Chairman.

Approval requires a simple majority. In the event of an even split vote, the Chair or acting deputy has the option to exercise a casting vote. Board members may not delegate their vote to a deputy and invited guests attending the Board meetings are not entitled to vote.

## **8. Matters Reserved for the Board**

The Matters Reserved for the Board includes both Approvals and Responsibilities for the Board.

### **8.1. Strategy and Management**

- 8.1.1. Approve The Nottingham Group Corporate Plan documents, including Strategic Blueprint, Four Year Business Plan, Group Development Route Map, Project Expenditure Plan and Society Defence Statement. Approve any significant variances to the approved Group Corporate Plan documents.
- 8.1.2. Approve decisions to cease to operate all or any material part of the business of The Nottingham.
- 8.1.3. Setting The Nottingham's values, standards and culture.
- 8.1.4. Approve major changes to The Nottingham's corporate structure through any merger and acquisition.

### **8.2. Capital**

- 8.2.1. Approve changes to The Nottingham's capital structure including reduction of capital, issue of any capital instruments and distribution of reserves.

### **8.3. Financial Reporting and Controls**

- 8.3.1. Approve the Annual Report and Accounts based on recommendations from the Board Audit Committee, including the corporate governance statement, going concern, viability statement and directors' remuneration report. Approve announcement of annual results.
- 8.3.2. Approve the Interim Financial Report and publication of the announcement.

### **8.4. Internal Controls and Risk Management**

- 8.4.1. Ensure maintenance of a sound system of internal controls and risk management, including approval of the Board Risk Appetite Statement and Board Risk Policy.
- 8.4.2. Approval of the Society Modern Slavery Statement.
- 8.4.3. Review and approve matters escalated from the Board Risk Committee on exceptions and breaches to the Board Risk Policy or Board Risk Appetite Statement, or any other Board Policies.
- 8.4.4. Approval and championing of the Whistleblowing Policy.
- 8.4.5. Receive and review the annual MLRO report
- 8.4.6. Approve the annual review of Health and Safety performance to ensure that essential health and safety principles, strong and active leadership, worker involvement, and assessment and review have been embedded and that there are effective systems in place for managing health and safety risk and protecting people.

## **8.5. Contracts, Commitments, Investments and Divestments**

- 8.5.1. Approve the Project Initiation documents for individual projects with capital expenditure of greater than £250,000 and any projects classified as confidential. Monitor project delivery via monthly project status reports.
- 8.5.2. Approve the Business Cases for individual projects with capital expenditure of greater than £1,000,000 (based on total cost to deliver) and any projects classified as confidential. Monitor project delivery via monthly project status reports.
- 8.5.3. Approve acquisition and disposal of The Nottingham owned land and buildings where the total cost is £1,000,000 or greater.
- 8.5.4. Approve new and Renegotiation/Renewal of existing third party Tier 1 contracts.

## **8.6. Communications**

- 8.6.1. Maintain a satisfactory dialogue with members. Approve resolutions and corresponding documentation to be put forward to members at the Annual General Meeting.

## **8.7. Board Membership and other Appointments**

- 8.7.1. Approve appointments to the Board and changes to the structure, size, diversity and composition of the Board.
- 8.7.2. Approve selection of the Chairman of the Board and the Chief Executive.
- 8.7.3. Approve appointment of the Senior Independent Director.
- 8.7.4. Approve chairmanship of the Board Committees following recommendations from the Nomination Committee. Review the report from the Nominations Committee on effectiveness of Board committees and recommendation for any changes.
- 8.7.5. Approve continuation in office of Directors at the end of their term of office, when they are due to be re-elected by members at the Annual General Meeting and otherwise as appropriate.
- 8.7.6. Approve continuation in office of any Director at any time, including the suspension or termination of service of an Executive Director as an employee of the Society, subject to the law and their service contract.
- 8.7.7. Approve redundancy programmes for 20 or more employees.
- 8.7.8. Appoint, reappoint or remove the General Counsel and Head of Internal Audit.
- 8.7.9. Approve appointment, reappointment or removal to boards of subsidiaries.
- 8.7.10. Ensure adequate succession planning for the Board and senior management so as to maintain an appropriate balance of skills and experience and diversity within the Society and the Board.
- 8.7.11. Prior to the members vote at the Annual General Meeting, approve appointment, reappointment or removal of external auditors.

## **8.8. Remuneration**

- 8.8.1. Approve the Remuneration Policy and NED fees.

## 8.9. Delegation of Authority

- 8.9.1. Approve the delegation of responsibilities in the Board Delegated Authority and provide oversight of the responsibilities delegated.
- 8.9.2. Approve the division of responsibilities between the Chairman, and the Chief Executive, ensuring these are set out in writing and their respective role profiles are agreed by Board.

## 8.10. Corporate Governance

- 8.10.1. Approve Terms of Reference of the Board, Board Sub Committees (Level 1 committees) and Level 2 committees.
- 8.10.2. Review The Nottingham's overall corporate governance arrangements, including approval of the Board Terms of Reference and Matters Reserved for the Board.
- 8.10.3. Review The Nottingham's obligations, compliance and performance with the Senior Managers and Certification Regime (SM&CR), including performance of its obligations under the certification rules, compliance with the firm's obligations in relation to its management responsibilities map and for the allocation of all prescribed responsibilities. Assist the Senior Manager Function (SMF) role holder in fulfilling the following Prescribed Responsibilities (as defined within the SM&CR):
  - (a) for the firm's performance of its obligations under the SM&CR
  - (b) for the firm's performance of its obligations under the certification rules
  - (c) for compliance with the firm's obligations in relation to its management responsibilities map
  - (d) for the allocation of all prescribed responsibilities
  - (e) for leading the development, and monitoring the effective implementation, of policies and procedures for the induction, training and professional development of all members of the firm's governing body
  - (f) for monitoring effective implementation of policies and procedures for the induction, training and professional development of senior management , other than members of the governing body
  - (g) responsibility for leading the development of the firm's culture by the governing body as the whole.
  - (h) responsibility for overseeing the adoption of the firm's culture in the day-to-day management of the firm.
  - (i) responsibility for the development and maintenance of the firm's business model by the governing body.
- 8.10.4. Undertake an annual review of its own performance, that of its committees and individual directors, and the division of responsibilities.
- 8.10.5. Undertake an externally facilitated Board effectiveness review at least every three years, unless there have been material changes in the Board membership within the previous 12 months or there are changes expected within the next 12 months. The Board will state in the annual report how performance evaluation of the Board, its Committees and its individual directors has been conducted.
- 8.10.6. Review the independence of Non-Executive Directors in light of their character, judgment and relationships.
- 8.10.7. Consider the balance of interests between members, employees and the community.

- 8.10.8. Authorise conflicts of interest where permitted by the Rules of the Society.
- 8.10.9. Approve the Directors Conflict of Interest Policy
- 8.10.10. The Board delegates to the Board Risk Committee responsibility for The Society's risk management framework. This includes the Risk Management Framework Document and other key documents (such as the ICAAP, the ILAAP and the RRP. See the Board Delegated Authorities document for full details). This delegation is based on the common membership of the Board and Board Risk Committee and is designed to allow the Board Risk Committee to have authority for all matters relating to risk management. Should the membership of the Board Risk Committee diverge from that of the Board, this delegation will be revisited.

## **9. Secretariat**

The Company Secretary shall act as the Secretary of the Board and be responsible for maintaining meeting minutes. The Secretary will ensure that all follow-up actions are appropriately assigned and monitored.

The Secretary will ensure that all items included within the Terms of Reference are covered as standard agenda items within Board meetings with clear signposting of status and action for the Board for each item. The Secretary, in conjunction with the Chairman, shall draw up an agenda which shall be circulated prior to each meeting to each member of the Board and to any other attendees.

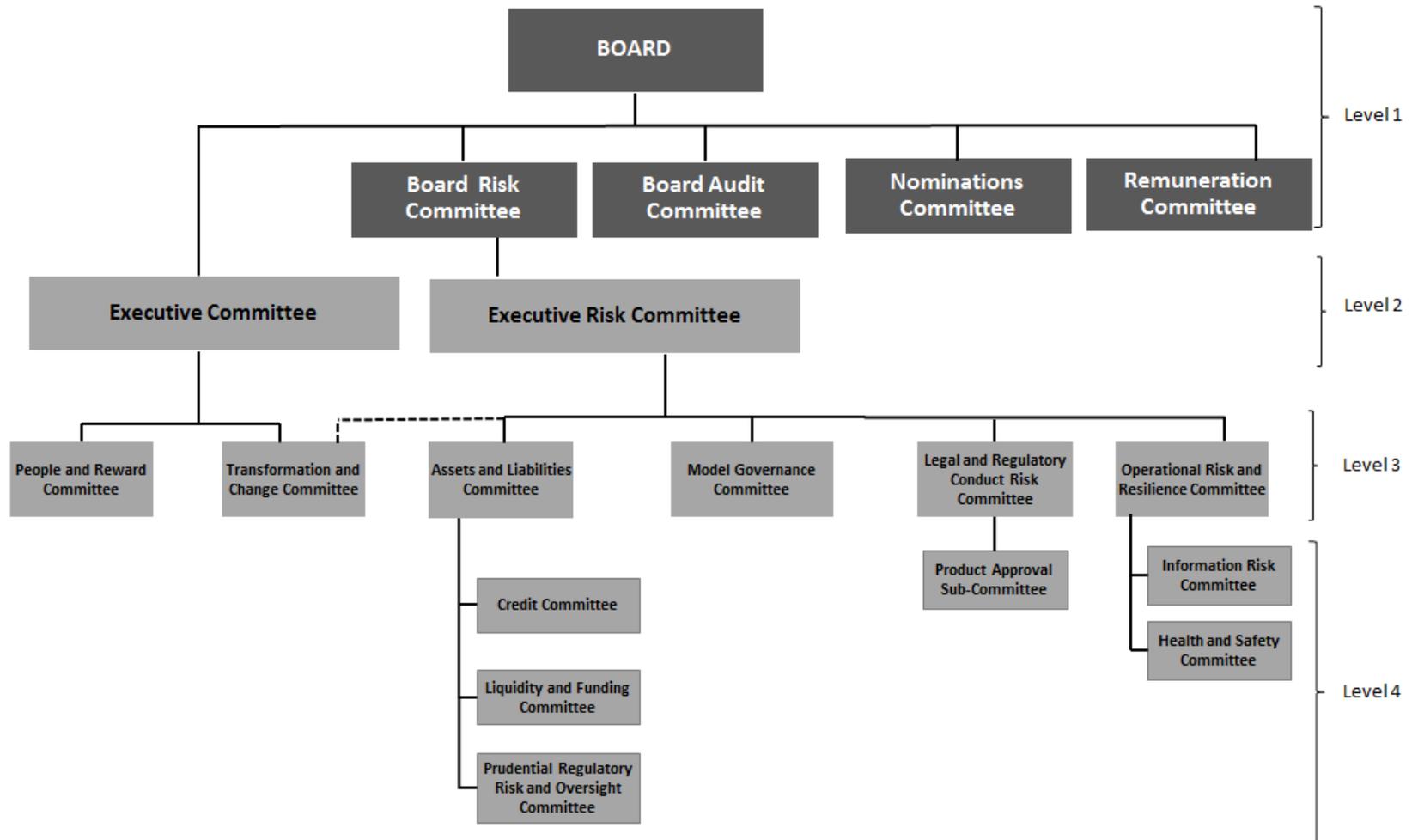
The Secretary shall be responsible for the collation and circulation of relevant reports to Board members and other attendees in sufficient time for papers to be reviewed.

## **10. Minutes**

Board decisions and discussions will be evidenced by minutes which, after approval by the Chair, will be circulated to the Board members and nominated attendees in sufficient time to allow completion of the actions.

## 11. Organisation

The organisation structure below shows the Board, and subordinated Board and Management committees, and how these fit within the overall governance structure of The Nottingham.



## 12. Document Version History

| Date       | Author    | Version    | Notes  |
|------------|-----------|------------|--|
| 11.05.2016 | I Skelton | V2016.1.0  | Initial version developed by Governance and Risk Management working group. |
| 11.05.2016 | I Skelton | V2016.1.1  | Board feedback incorporated.   |
| 13/06/2017 | R Kolebuk | V2016.1.2  | Update to reflect Executive Committee                                      |
| 30/10/2017 | R Kolebuk | V2017.1.3  | Annual review completed  |
| 19/06/2018 | S Bolton  | V2018.1.4  | Updated to reflect Health & Safety responsibility                          |
| 21/06/2018 | S Bolton  | V2018.1.5  | Update to include Health, Safety & Security Policy & Remuneration Policy   |
| 12/02/2019 | J Stevens | V2019.1.0. | Update following governance review   |