

Board Committee Terms of Reference

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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.

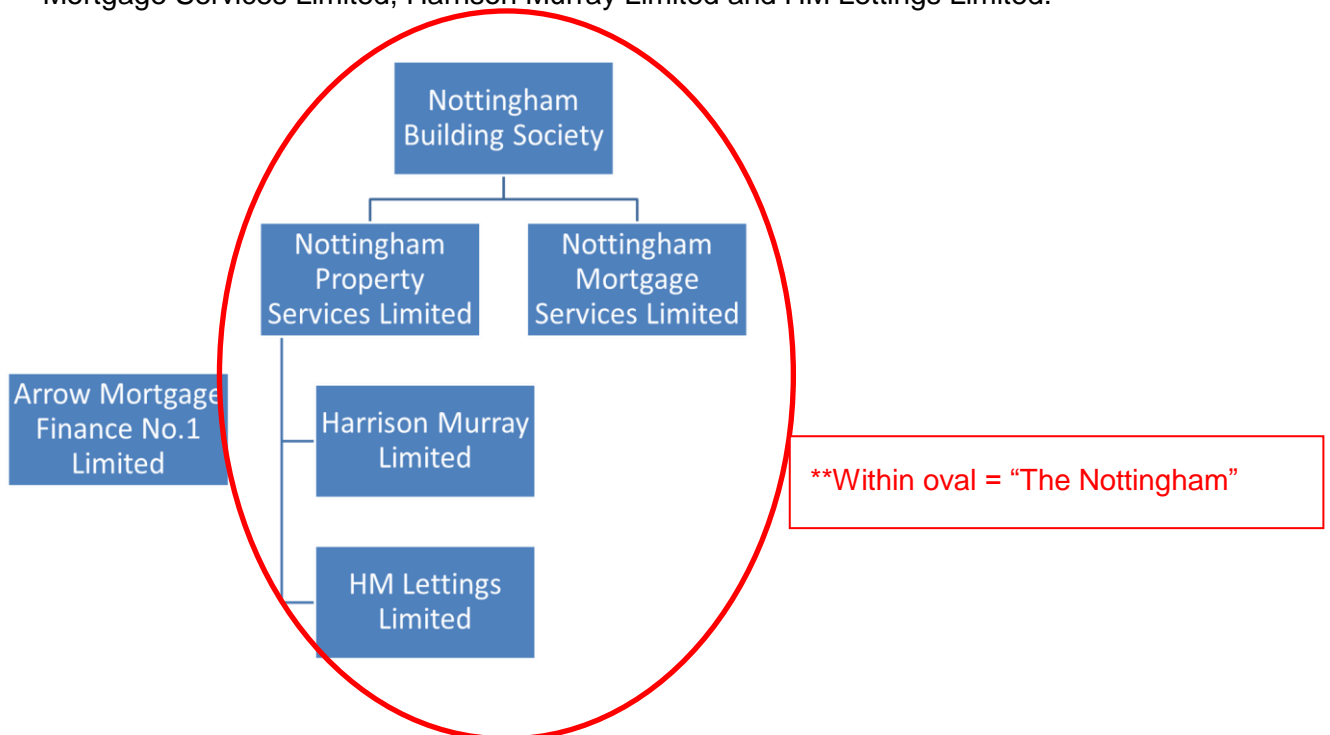
The Terms of Reference document Board responsibilities, authority, organisation and composition.

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

These Terms of Reference should be read in conjunction with the Terms of Reference Master Reference Guidance Document which applies to these Terms of Reference. In the event of any conflict, these Terms of Reference shall prevail.

2. Scope

This Committee’s remit covers 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 Committee is currently composed of the following members/attendees:

Role ¹	Status ²	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
Non-Executive Directors	Members	N/A

¹ Insert relevant job title

² This should identify whether the individual is a member or non-voting attendee

Role ¹	Status ²	Deputy
Chief Risk Officer & 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.

Whilst only members of the Board have the right to attend and vote at Board meetings, the Director of Member Services, Chief Risk Officer & General Counsel and Company Secretary also attend the Board meetings. Also, other individuals such as Executive Committee members or 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

Four members present at any Board meeting shall form a quorum whether attending in person, by telephone or online, of whom the majority should be Non-Executive Directors.

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. 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 Delegated Authorities Summary. They are based on materiality of transactions and by reference to the Board Risk Policy.

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. Matters Reserved for the Board

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

7.1. Strategy and Management

- 7.1.1 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.
- 7.1.2 Approve decisions to cease to operate all or any material part of the business of The Nottingham.
- 7.1.3 Setting The Nottingham's values, standards and culture.
- 7.1.4 Approve major changes to The Nottingham's corporate structure through any merger and acquisition.

7.2 Capital

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

7.3 Financial Reporting and Controls

- 7.3.1 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.
- 7.3.2 Approve the Interim Financial Report and publication of the announcement.

7.4 Internal Controls and Risk Management

- 7.4.1 Ensure maintenance of a sound system of internal controls and risk management, including approval of the Board Risk Policy.
- 7.4.2 Approval of the Society Modern Slavery Statement.
- 7.4.3 Review and approve matters escalated from the Board Risk Committee on exceptions and breaches to the Board Risk Policy, or any other Board Policies.
- 7.4.4 Approval and championing of the Whistleblowing Policy.
- 7.4.5 Receive and review the annual MLRO report
- 7.4.6 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.

7.5 Contracts, Commitments, Investments and Divestments

- 7.5.1 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.
- 7.5.2 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.
- 7.5.3 Approve acquisition and disposal of The Nottingham owned capital assets, including all or part of a specific business line, where the total value is £1,000,000 or greater.
- 7.5.4 Approve new and Renegotiation/Renewal of existing third party Tier 1 contracts.

7.6 Communications

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

7.7 Board Membership and other Appointments

- 7.7.1 Approve appointments to the Board and changes to the structure, size, diversity and composition of the Board.
- 7.7.2 Approve selection of the Chairman of the Board and the Chief Executive.

- 7.7.3 Approve appointment of the Senior Independent Director.
- 7.7.4 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.
- 7.7.5 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.
- 7.7.6 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.
- 7.7.7 Approve redundancy programmes for 20 or more employees.
- 7.7.8 Appoint, reappoint or remove the Chief Risk Officer & General Counsel and Head of Internal Audit.
- 7.7.9 Approve appointment, reappointment or removal to boards of subsidiaries.
- 7.7.10 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.
- 7.7.11 Prior to the members vote at the Annual General Meeting, approve appointment, reappointment or removal of external auditors.

7.8 Remuneration

- 8.8.1 Approve the Remuneration Policy and NED fees.

7.9 Delegation of Authority

- 7.9.1 Approve the delegation of responsibilities in the Delegated Authority Summary and provide oversight of the responsibilities delegated.
- 7.9.2 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.

7.10 Corporate Governance

- 7.10.1 Approve Terms of Reference of the Board, Board Sub Committees (Level 1 committees) and the Executive Committee.
- 7.10.2 Review The Nottingham's overall corporate governance arrangements, including approval of the Template Terms of Reference, Terms of Reference Master Reference Guidance Document and Matters Reserved for the Board.
- 7.10.3 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):
 - for the firm's performance of its obligations under the SM&CR (Prescribed Responsibility 'A')
 - for the firm's performance of its obligations under the certification regime (Prescribed Responsibility 'B')

- for compliance with the requirements of the regulatory system about the management responsibilities map (Prescribed Responsibility 'C')
 - for the allocation of all prescribed responsibilities (Prescribed Responsibility '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 (Prescribed Responsibility 'F')
 - for monitoring effective implementation of policies and procedures for the induction, training and professional development of all persons performing designated senior management functions on behalf of the firm, other than members of the governing body (Prescribed Responsibility 'G')
 - responsibility for overseeing the adoption of the firm's culture in the day-to-day management of the firm (Prescribed Responsibility 'H')
 - responsibility for leading the development of the firm's culture by the governing body as the whole (Prescribed Responsibility 'I')
 - responsibility for the development and maintenance of the firm's business model by the governing body (Prescribed Responsibility 'T')
- 7.10.4 Undertake an annual review of its own performance, that of its committees and individual directors, and the division of responsibilities.
- 7.10.5 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.
- 7.10.6 Review the independence of Non-Executive Directors in light of their character, judgment and relationships.
- 7.10.7 Consider the balance of interests between members, employees and the community.
- 7.10.8 Authorise conflicts of interest where permitted by the Rules of the Society.
- 7.10.9 Approve the Directors Conflict of Interest Policy
- 7.10.10 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 Delegated Authorities Summary 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.

In addition to the specific responsibilities identified above, the Committee shall also review and approve model/EUC assumptions and outputs, and to fulfil the responsibilities (in relation to model governance) of an approval committee, as defined in the Society's Model Governance Risk Policy.

8. Document Version History

Date	Author	Version	Notes
24 August 2020	H. Hollowell	V 2020.2	Updated onto new template