



Board

Terms of Reference

Author:

Head of Risk

Approved by Board:

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# The Stafford Building Society

## Board

### Terms of Reference

#### 1. Purpose

- 1.1. The Board is the governing body of The Stafford Building Society ('Society').
- 1.2. The UK Corporate Governance Code 2018 ('the Code') requires that every firm should be headed by an effective Board which is collectively responsible for the long-term success of the company.
- 1.3. The Board provides leadership of the Society within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Society's strategic aims and ensures that the necessary financial and human resources are in place for the organisation to meet its statutory objectives. It also reviews management performance. The Board sets the Society's behavioural standards and ensures the Society's obligations to its members and others are understood and met.
- 1.4. The Terms of Reference document Board responsibilities, authority, organisation, and composition. The Terms of Reference have been aligned to the Code, Rules of the Society and Regulatory requirements. The Board is committed to complying with the best practice in corporate governance but where it believes that there is a justifiable reason to depart from the Code then it will do so and follow the "comply and explain approach".

#### 2. Membership

- 2.1. Members of the Board shall be Non-Executive Directors and Executive Directors, providing a complementary balance of skills and expertise. This in line with the Rules of the Society, and in line with the Code. The Board shall appoint new Directors based on recommendations from the Nominations and Governance Committee.
- 2.2. All Non-Executive Directors are required to be independent in character and judgement.
- 2.3. Only members of the Board have the right to attend meetings. However, other individuals such as members of the Senior Management Team, Internal and External Audit may be invited to attend all or part of any meeting as and when appropriate with permission from the Chair.
- 2.4. The composition of the Board will be reviewed at least annually as required by the Rules of the Society, and the Code.
- 2.5. The Board shall appoint the Board Chair who shall be a Non-Executive Director. In the absence of the Board Chair, the remaining members present shall elect one of themselves to chair the meeting.
- 2.6. The roles of the Chair 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 Chair of the Board having overall responsibility for the Board and the Chief Executive for running the day-to-day business of the Society. 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.

#### 3. Secretary

- 3.1. The Secretary of the Society shall be appointed by the Board and shall act as the Secretary of the Board. The Secretary will ensure that all items included within the Terms of Reference are covered as standard agenda items in Board meetings with clear signposting of status and action for the Board for each item.

#### 4. Quorum

- 4.1. The quorum necessary for the transaction of business shall be two Non-Executive Directors and one Executive Directors as members. A duly convened meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers, and discretions vested in or exercisable by the Board.

- 4.2. Each member of the Board is entitled to a single vote, which can be cast either in person at the meeting or be email prior to the meeting addressed to the Chair. Approval requires a simple majority. In the event of an even split vote, the Chair has the option to exercise a casting vote. Board members may not delegate their vote to a deputy, and invited attendees are not entitled to vote.

## 5. Frequency of Meetings

- 5.1. The Board shall meet a minimum of six times a year at appropriate times and otherwise as required. In addition to the scheduled Board meetings, the Board holds two Strategy and Corporate Planning meetings, providing an opportunity for Non-Executive Directors to constructively challenge and help to develop proposals on strategy.

## 6. Notice of Meetings

- 6.1. The Secretary of the Board in accordance with the agreed annual schedule shall call meetings of the Board. Additional meetings may be called by any Board member.
- 6.2. Unless otherwise agreed, notice of each meeting confirming the venue, time, and date together with an agenda of items to be discussed, shall be forwarded to each member of the Board, any other person required to attend, no later than five working days before the date of the meeting. All supporting papers shall be sent to Board members and to other attendees as appropriate, at the same time.
- 6.3. Members of the Board may participate in a meeting by means of Microsoft Teams (or equivalent), that is, 'virtually' where all persons participating can see and hear each other at the same time. Participation by such means shall constitute presence at a meeting.

## 7. Minutes of Meetings

- 7.1. The Secretary shall minute the proceedings of all meetings of the Board, including recording the names of those present and in attendance.
- 7.2. The draft minutes of the Board meetings will be circulated promptly to the Chair of the Board. Once reviewed, minutes should be circulated to all other members of the Board.

## 8. The Role and Responsibilities of the Board

- 8.1. The Board is the governing body of the Society and as such has unreserved powers of authority.
- 8.2. The Board discharges its responsibilities via further delegations to Board Committees or Management Committees, Executives, or the Senior Managers of the Society. Such delegations are based on materiality of transactions and by reference to the Board Risk Appetite Statement.
- 8.3. All Non-Executive Directors can request to attend any of the Board Committees or Management Committee meetings.

### **Matter Reserved for the Board: Strategy and Management**

To develop and approve:

- the Society's strategy, including capital, profit, and sustainability objectives;
- the Society's Corporate Plan, including Strategy, Business Plan, Budgets and Associated Projects;
- any material variances to the approved Corporate Plan,
- extension of the Society's activities into new business or geographic areas; and
- any decision to cease to operate all or any material part of the Society's business.
- Approve the IT strategy and strategic technology investment.

### **Matter Reserved for the Board: Strategy and Management**

- Provide overall leadership of the Society and set the organisation's culture and values;
- Provide oversight of the Society's operations and performance; and
- Review performance in the light of the Society's Corporate Plan and ensure that any necessary corrective actions are taken.
- Provide oversight of the Society's strategy and performance in delivering good consumer outcomes.

**Matter Reserved for the Board: Structure and Financial Resources**

Approve:

- changes to the Society's capital structure including reduction of capital, issue of any capital instruments and distribution of reserves;
- major changes to the Society's corporate structure through any merger and acquisition; and
- changes to the Society's management and control structure.

**Matter Reserved for the Board: Financial Reporting and Controls**

- Approve the Annual Report and Accounts based on recommendations from the Audit Committee, including the corporate governance statement, going concern, viability statement and directors' remuneration report.

**Matter Reserved for the Board: Risk Management and Internal Controls**

- Oversight and ownership of key regulatory documents including, Internal Liquidity Adequacy Assessment Process ('ICAAP'), Individual Capital Adequacy Assessment Process ('ILAAP'), Recovery Plan;
- Ensure maintenance of a sound system of internal controls and risk management, including approval of the Board Risk Appetite Statement, Risk Management Framework, and any other Board Policies;
- Delegate certain responsibilities for approval of other aspects of risk management to the Board Risk Committee. Delegations of authority will be set out in the Board Risk Committee Terms of Reference approved annually by the Board;
- Delegation of authority for the approval of policies will be documented in the Risk Management Framework;
- Review and approve matters escalated from the Board Risk Committee on exceptions to the Board Risk Appetite Statement, or any other Board Policies;
- Undertake an annual assessment of the effectiveness of the Risk Management and internal controls processes;
- Review and approve the Society's insurance policies, ensuring that they are appropriate to the level of risk.

**Matter Reserved for the Board: Contracts**

Approve:

- major capital projects and oversight of execution and delivery;
- other contracts which are in excess of the authority level delegated to the Chief Executive; and
- acquisition and disposal of the Society's owned land and buildings.

**Matter Reserved for the Board: Communications**

- Approve significant communications to Financial Conduct Authority and Prudential Regulation Authority.
- Maintain a satisfactory dialogue with members. Approve resolutions and corresponding documentation to be put forward to members at the Annual General Meeting.

**Matter Reserved for the Board: Board Membership and Appointments**

Approve:

- appointments and de-selection of Directors and changes to the structure, size, and composition of the Board;
- selection of the Chair of the Board and the Chief Executive;
- appointment of the Senior Independent Director;
- appointment of Chairs for the Board Committees following recommendations from the Nominations and Governance Committee. Review of the report from the Nominations and Governance Committee on effectiveness of Board Committees and recommendation for any changes;
- 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;
- 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;
- large scale redundancies;
- the appointment, reappointment, or removal of the Society's Internal Auditors; and
- the appointment, reappointment, or removal of the Society Secretary.

**Matter Reserved for the Board: Board Membership and Appointments**

- Ensure adequate succession planning for the Board and senior management team to maintain an appropriate balance of skills and experience and diversity within the Society and the Board.
- Prior to the members' vote at the Annual General Meeting, approve appointment, reappointment, or removal of external auditors.

#### **Matter Reserved for the Board: Remuneration**

- Determine the remuneration of the Executive Directors and other members of the Senior Management Team, following recommendations from the Remuneration and Engagement Committee;
- Approve the remuneration of the Non-Executive Directors, subject to the Rules of the Society and Member approval as appropriate; and
- Establishment of the pension policy or policies for the Society on the recommendation of the Remuneration and Engagement Committee.

#### **Matter Reserved for the Board: Delegation of Authority**

- Agree, in writing, the division of responsibilities between the Chair, the Chief Executive and other Executive Directors;
- Approve the delegated levels of authority, including the Chief Executive's authority limits (which must be in writing);
- Establish Board Committees and approving their Terms of Reference, and approving material changes thereto.
- Receive reports from Board Committees on their activities.

#### **Matter Reserved for the Board: Corporate Governance**

- Approve Terms of Reference of the Board;
- Approve the documents and recommendations from the Board Committees;
- Review of the Society's overall corporate governance arrangements, including the Board Terms of Reference and Matters Reserved for the Board;
- Review the Society's obligations, compliance, and performance with the Senior Managers & Certification Regime, 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;
- Undertake annual review of its own performance, that of its committees and individual Directors, and the division of responsibilities;
- Review the independence of Non-Executive Directors in light of their character, judgment and relationships;
- Consider the balance of interests between members, employees, and the community; and
- Authorise conflicts of interest where permitted by the Rules of the Society.

#### **Matter Reserved for the Board: Whistleblowing**

- Review the adequacy and security of the Society's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters such as health & safety, environmental risk/damage, miscarriage of justice, breaches of company law and covering up wrongdoing.

## **9. Reporting Responsibilities**

The Board shall:

9.1. Receive from each Board Committee Chair:

- Reports on its proceedings after each meeting on all matters within its duties and responsibilities.
- On an annual basis, receive a report from the Committee Chairs, assessing whether responsibilities included in the Matters Reserved for the Committee and Terms of Reference documents have been achieved.
- Make whatever recommendations it deems appropriate on any area within its remit where action or improvement is needed.

9.2. Produce a report on its activities to be included in the Society's Annual Report and Accounts.

Review and evaluate, at every Board meeting, any conflict of interest of the Board members (as per article 39 of the Statutory Audit Directive as amended by Directive 2014/56/EU (Amending Directive).)

## **10. Other Matters**

The Board shall:

- 10.1. Have access to sufficient resources to carry out its duties, including access to the Secretariat for assistance as required.
- 10.2. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.
- 10.3. Give due consideration to laws and regulations, the provisions of the Code and the requirements of any other applicable rules as appropriate.

- 10.4. Oversee any investigation of activities which are within its Terms of Reference.
- 10.5. Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference in order that changes are made in line with the developing risk environment and good practice and recommend any changes it considers necessary.
- 10.6. Consider on an annual basis whether it is appropriate to conduct an externally facilitated Board Effectiveness Review (“BER”) noting that The Code recommends an external review every three years.

## 11. Authority

The Board shall:

- 11.1. Seek any information it requires from any employee of the Society to perform its duties.
- 11.2. Obtain, at the Society’s expense, outside legal or other professional advice on any matter.
- 11.3. Request the attendance of any employee at a meeting of the Board as and when required.

## 12. Annual General Meeting

- 12.1. The Board Chair should attend the Annual General Meeting to answer Members’ questions on the Board’s activities.

## 13. The Rapid Response Protocol

- 13.1. The Rapid Response Protocol seeks to facilitate decision making between meetings, whereby a minimum quorum must be present, either in person or over the phone. The Protocol is typically applied between meetings when, for example, the bank base rate changes; unexpected regulatory or legislative announcements occur; there is a material change in the housing market or economic outlook; or the credit quality of a counter-party changes.
- 13.2. All decisions made under the Rapid Response Protocol are to be ratified at the following Board meeting.

## 14. Revision Control Sheet

<u>Date</u>	<u>Version</u>	<u>Summary of Changes Made</u>	<u>Changes Made By</u>
11/11/2022	2022V1	Annual Review and Update	Head of Risk
22/11/2022	2022V2	Annual Review by Board	Board
13/12/2022	2022V3	Board approval	Board
27/06/2023	2023V1	Post external Board evaluation	Board