



**Hanley**  
ECONOMIC  
Building Society

**2021**

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

**Committee: Board**

**Date: January 2021**

## 1. TABLE OF CONTENTS

1.	TABLE OF CONTENTS.....	1
2.	CHANGES SINCE LAST REVIEW.....	1
3.	PURPOSE .....	1
4.	MEETINGS AND MEMBERSHIP .....	2
	CHAIR .....	2
	MEMBERSHIP .....	2
5.	QUORUM.....	2
6.	FREQUENCY OF MEETINGS.....	2
7.	SECRETARY .....	2
8.	REPORTING.....	2
9.	DUTIES AND MATTERS RESERVED TO THE BOARD.....	3
10.	BOARD MEMBERSHIP AND OTHER APPOINTMENTS.....	4
11.	REMUNERATION .....	4
12.	DELEGATION OF AUTHORITY.....	5
13.	CORPORATE GOVERNANCE MATTERS .....	5
14.	POLICIES AND STATEMENTS.....	5
15.	LEGAL & REGULATORY .....	6
16.	DUTIES AND MATTERS NOT RESERVED TO THE BOARD .....	6
17.	ANNUAL REVIEW .....	6

## 2. CHANGES SINCE LAST REVIEW

Date of change	Section	Description of change	Author
20/1/20	Compliance	Update to include guidance from Corporate Governance Code.	EG/AG

## 3. PURPOSE

The Board of Directors is responsible for the overall stewardship of the Society and its subsidiary companies. The Board should establish the Society’s purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

Specifically, it is responsible for:

- Ensuring compliance with governing Laws, Rules and Regulations;
- Approval of the long-term strategy of the Society and its subsidiary companies;
- Ensuring that the best interests of members is central to strategy and decision making;
- Embedding a culture that places customer outcomes at the heart of strategy;
- Approval of risk appetite and embedding a culture of risk awareness;
- Review and approval of Corporate Plans;
- Oversight of the major risks run by the Society and Group, in part through the work of the respective Board Committees;
- Positioning of the Group’s external profile; and
- Ensure effective engagement, and encourage participation from Members.

The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. In fulfilling its role in overseeing the risks confronting the business, the Board will ensure that executive management maintains systems and processes to identify, measure, monitor and mitigate these risks. It will do this by agreeing the long term Group Corporate Plan and budget and through the formal approval of Group wide Board statements and policies. It will also review actual results of the Society and its subsidiaries against the Plan ensuring remedial action is taken, as appropriate.

All actions of the Board will ensure adherence to the Memorandum and Rules of the Society. The Board also ensures the workforce policies and practices are consistent with the company’s values and support its long-term sustainable success. The workforce should be able to raise any matters of concern. For engagement with the workforce the Society has an established Staff Association panel which the Board have access to meetings/minutes.

## 4. MEETINGS AND MEMBERSHIP

### CHAIR

The chair leads the Board and is responsible for its overall effectiveness in directing the company and independent on appointment. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive Board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

### MEMBERSHIP

The Board shall determine, from time to time, what its composition should be but it will comprise of no fewer than five and no more than nine Directors. It shall comprise of the Chair, Vice- Chair and up to seven other Directors. The majority of Directors at any time must be Non-Executive Directors. Non-executive directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. Any members of management or other employees of entities or companies within the Hanley Group of companies may be asked to attend meetings of the Board.

## 5. QUORUM

Meetings of the Board will be quorate if at least four Directors are present with a majority being Non-Executive Directors.

## 6. FREQUENCY OF MEETINGS

The Board shall meet at least eight times each year or, on a more frequent basis, as determined by the Chair. The Chair shall chair Meetings, or in his absence, the Vice-Chair. In the absence of both, the Non-Executive Directors present shall elect one of their members to be Chair for that Meeting.

## 7. SECRETARY

The CEO of the Society shall act as Secretary to the Board and will attend meetings of the Board. All directors have access to the advice of the company secretary, who is responsible for advising the Board on all governance matters. Both the appointment and removal of the company secretary should be a matter for the whole Board.

## 8. REPORTING

Formal minutes of the meetings of the Board shall be taken and circulated to the Chair of the Board ideally, within 10 days of the meeting. These will provide a record of how the Board meets its responsibilities within these Terms of Reference.

## 9. DUTIES AND MATTERS RESERVED TO THE BOARD

The following matters are reserved to the Board:

### **Strategy and Management**

- Responsibility for the overall management of the Group;
- Approval of the Group's long term objectives and commercial strategy;
- Approval of the annual operating and capital expenditure budgets and any material changes to them;
- Oversight of the Group's operations;
- The Board will be informed and advised of any change the standard variable rate ('SVR') for mortgages and/or the mortgage variable rate (MVR) on occasions where the differential between the two rates is not to be maintained;
- Extension of the Group's activities into new business or geographic areas;
- Any decision to cease to operate any part of the Group's business;
- Agreement and recommendation to members of the Society of any proposed change to the name of the Society.
- Senior Independent Director to meet without the Chair present at least annually to appraise the Chair's performance.

### **Structural, Capital and Liquidity**

- Approval of the Society's Individual Liquidity Adequacy Assessment Process ('ILAAP');
- Approval of the Society's Individual Capital Adequacy Assessment Process ('ICAAP');
- Approval of the Society's Recovery Plan;
- Approval of the Society's Resolution Plan;
- Declaring and recommending the payment of distributions to members excluding interest rates paid on savings accounts and interest rates charged on borrowings which are delegated to the Executive Committee;
- Approval of any programme for or single issuance of long-term debt, including senior and subordinated debt and any other capital instrument, by the Society or any of its subsidiaries;
- Major changes to the Group's corporate structure;
- Changes to the overall responsibilities of members of the Executive Committee;
- Any changes to the Society's status as a Building Society that is to be recommended to Members.

### **Financial Reporting and internal controls**

- Approval of preliminary announcements of half year and final results;
- Approval of the Annual Report and Accounts, including the Strategic Report, Business Review, Directors Report on Remuneration and viability report;
- Approval of any significant changes in accounting policies or practice based on the recommendations of the Board Audit & Compliance Committee;
- Approval of the Society's Risk Appetite Statement;
- Approval of Group Policies and Standards on financial, conduct and operational risks and any significant changes thereto;

- Approval of the Group's system of internal control and any significant changes thereto, based on the recommendations of the Board Audit & Compliance Committee;
- Annual review of the effectiveness of the Group's system of internal controls. The review will cover all material controls, including financial, operational and compliance controls and risk management systems
- In annual financial statements, the board should state whether it considers it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

### **Transactions**

- Approval of any substantial transaction, defined for these purposes as any capital and revenue expenditure, including an acquisition or disposal of financial assets, involving a total consideration (including deferred consideration if any) or, if greater, of a market value that exceeds or may exceed the limits set out in the Board Approved Group Mandate Schedule;
- Any transaction permitted under Group Policies (including the Group's Treasury Policies and Credit Approval processes) as approved by the Board is excluded from the definition of substantial transaction as defined above;
- Approval of the provision of any guarantee, indemnity or security by a Group company for a sum that exceeds the limits for transactions set out in the Board Approved Group Mandate Schedule;
- Approval of the issue or repayment of capital or debt securities or any other borrowings by any Group company other than:
  1. The day to day operation of bank accounts within delegated authorities and agreed mandates;
  2. The issue or repayment of non-retail funds and deposits in accordance with the Treasury Policies approved by the Board.
- Approval of any donation or any other support to a political party or other political organisation by any Group company, subject to compliance with the detailed legal obligations applicable to such donations. It is the Society's policy that no such donations be made.

## **10. BOARD MEMBERSHIP AND OTHER APPOINTMENTS**

- Changes to structure, size and composition of the Board, following recommendations from the Board Nominations Committee;
- Ensuring adequate succession planning for the Board and Leadership Team;
- Appointments to the Board, following recommendations by the Board Nominations Committee;
- Appointment of any Director as Chair or Vice-Chair of the Board, and ending such appointments;
- Removal 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;
- Appointment or removal of the Secretary;
- Appointment of shareholder directors to the Boards of subsidiaries based on the recommendations of the Board Nominations Committee;
- Appointment, reappointment or removal of the external auditor to be put to the members for approval, following recommendation from the Audit & Compliance Committee.

## **11. REMUNERATION**

Determining the Remuneration policy for the Non-Executive Directors, based on the recommendations of the Remuneration Committee.

## 12. DELEGATION OF AUTHORITY

- Approval of the division of responsibilities between the Chairman, Group Chief Executive and members of the Executive Committee;
- Approval of the delegation of authorities to the Group Chief Executive;
- Approval of terms of reference of Board Committees and a template for subsidiary Boards.

## 13. CORPORATE GOVERNANCE MATTERS

- Undertaking a formal and rigorous annual review of its own performance, that of its committees and ensuring that these are conducted for individual directors;
- Determining the independence of Directors;
- Review of the Group's overall corporate governance arrangements.

## 14. POLICIES AND STATEMENTS

Approval of policies and statements such as:

- Risk Appetite Statement;
- Terms of reference for all Society Committees;
- Conflicts of interest policy;
- Cyber security strategy;
- Risk Management Framework;
- Forbearance policy;
- Arrears policy;
- Corporate Governance policy;
- Tax Strategy;
- Approval of material changes to the Lending Policy and Credit Management Policy following consideration of recommendations by the Risk Committee or Assets & Liabilities Committee (as appropriate).

## 15. LEGAL & REGULATORY

- Approval of the initiation of and response to any litigation or proceedings in respect of the Society or any subsidiary company's business in relation to potential claims in excess of the limits set out in the Board Approved Group Mandate Schedule, or where there is reasonable expectation of significant reputational or financial impact, which is beyond the delegated authority of the Group Chief Executive or subsidiary company Boards;
- Approval of the overall levels of insurance for the Group, including Directors' and Officers' liability insurance;
- Consideration of declarations of interests from Directors;
- Approval of resolutions to be put forward to the Society's members at a general meeting.
- Matters which the Board considers suitable for delegation are contained in the terms of reference of its Committees and the subsidiary company boards, and the job descriptions of the Group Chief Executive and other Senior Executives of the Society.

## 16. DUTIES AND MATTERS NOT RESERVED TO THE BOARD

Duties and matters not reserved to the Board are delegated to:

- Board Committees in accordance with the terms of reference approved by the Board as set out in the Board Controls Manual; or
- The Leadership Team in accordance with the terms of reference approved by the Board; or
- The Group Chief Executive who may in turn sub-delegate certain powers within his powers to other Executive Directors or the Leadership Team, or the Boards of subsidiary companies.

The Executive Committee may only delegate responsibilities to an Executive Committee sub-committee/ sub-group.

Individual members of the Executive Committee may only delegate responsibilities to direct line reports for which they are responsible e.g. a member of the Leadership team or the Managing Director of a subsidiary company.

All matters delegated are subject to strict compliance with Board Statements and Policies including any limits set for specific activities and transactions.

## 17. ANNUAL REVIEW

The Board shall review its terms of reference at least annually to ensure these remain up to date.