

Society Board Terms of Reference

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Contents

1. Purpose	3
2. Membership	3
3. Quorum	4
4. Authority	4
5. Responsibilities	5
6. Meeting Frequency	9
8. Secretariat	9
9. Minutes & Reports	10
10. Other Matters	10
11. Document Version History	11

1. Purpose

The Board is the governing body of the Harpenden Building Society (the “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 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.

The Terms of Reference document Board responsibilities, authority, organisation and composition. The Terms of Reference have been aligned to the UK Corporate Governance Code (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

The Board currently consists of Non-Executive Directors and Executive Directors, providing a complementary balance of skills and expertise. This is in line with the Rules of the Society requiring not less than five and not more than ten Board members, and in line with the Code requiring at least half the Board, excluding the Chair, to comprise Non-Executive Directors.

The Board is required to be of sufficient size that the requirements of the business can be met and changes to the Board’s composition and that of its committees can be managed without undue disruption.

The composition of the Board will be reviewed at least annually and “from time to time” as required by the Rules, and the Code.

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

The Board is composed of the members set out in the table on the next page.

Role	Status
Chair	Chair, Full Member
Senior Independent Director	Vice Chair, Full Member
Non-Executive Directors	Full Members
Chief Executive	Full Member
Finance Director	Full Member

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.

All Directors are submitted for election at an annual general meeting following appointment to the Board, and then re-elected at three-yearly intervals in accordance with the Rules of the Society. Non-Executive Directors can serve up to a maximum of three three-year terms. Any extension agreed by the Board and Non-Executive Director is then subject to annual re-election by the members, having due consideration to the continuing independence and objectivity of the Non-Executive Director.

Only members of the Board have the right to attend Board meetings, the Secretary also attends Board meetings. Other individuals such as members of the Senior Management Team, external advisers and other guests may be invited to attend all or part of any meeting as and when appropriate with permission from the Chair.

All new members of the Board will be informed of the role of the board and their responsibilities and provided support and training where deemed necessary by the Chair, or person appointed by the Chair.

3. 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.

4. Authority

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

The Board discharges its responsibilities via further delegations to Board 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 Policy and Board Risk Appetite Statement.

All Non-Executive Directors can request to attend any of the Board Committees or Management Committee meetings with the agreement of the Chair of the Committee.

Matters Reserved to the Board is a formal schedule of matters specifically reserved for the Board's decision. This schedule provides detailed approval and responsibilities of the Board in the following areas:

- Strategy and Management
- Structure and Financial Resources
- Financial Reporting and Controls
- Risk Management and Internal Controls
- Contracts
- Communications
- Board Membership and Appointments
- Remuneration
- Delegation of Authority
- Corporate Governance

5. Responsibilities

Responsibility	Details
Strategy & Management	Approve: <ul style="list-style-type: none"> • the Society's strategy, including capital, profit and sustainability objectives, • approve the Society's Corporate Plan, including High Level Strategy, Business Plan, Budgets and Associated Projects, • approve any material variances to the approved Corporate Plan, • approve extension of the Society's activities into new business or geographic areas; and • approve any decision to cease to operate all or any material part of the Society's business.

Responsibility	Details
Strategy & Management	Provide overall leadership of the Society and setting the organisation's culture and values. Provide oversight of the Society's operations and performance. Review performance in the light of the Society's Corporate Plan and ensure that any necessary corrective actions are taken.
Structure and Financial Resources	Approve:

	<ul style="list-style-type: none"> • 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.
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.
Risk Management and Internal Controls	<p>Approve key regulatory documents including, Internal Liquidity Adequacy Assessment Process, Individual Capital Adequacy Assessment Process, Recovery Plan including the Liquidity Contingency and Retail Run Plan.</p> <p>Ensure maintenance of a sound system of internal controls and risk management, including approval of the Board Risk Appetite Statement, Board Risk Policy, Risk Management Framework and any other Board Policies.</p> <p>Delegate certain responsibilities for approval of other aspects of risk management to the Board Risk & Compliance Committee. Delegations of authority will be set out in the Board Risk & Compliance Committee Terms of Reference approved annually by the Board.</p> <p>Delegation of authority for the approval of policies will be documented in the Risk Management framework.</p> <p>Review and approve matters escalated from the Board Risk & Compliance Committee on exceptions to the Board Risk Policy or Board Risk Appetite Statement, or any other Board Policies.</p> <p>Undertake an annual assessment of the effectiveness of the Risk Management and internal controls processes including review of Risk Management and Control effectiveness report.</p> <p>Review and approve the Society’s insurance policies, ensuring that they are appropriate to the level of risk.</p>

Responsibility	Details
Contracts	<p>Approve:</p> <ul style="list-style-type: none"> • major capital projects and oversight over execution and delivery,

	<ul style="list-style-type: none"> • 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.
Communications	<p>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.</p>
Board Membership and Appointments	<p>Approve:</p> <ul style="list-style-type: none"> • appointments and de-selection of Directors and changes to the structure, size and composition of the Board, • selection of the Chair and Vice Chair of the Board and the Chief Executive, • appointment of the Senior Independent Director, • Chairs for the Board Committees following recommendations from the Nominations Committee. Review the report from the Nominations 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, reappoint or removal of the Society Secretary.

Responsibility	Details
Board Membership and Appointments	Ensure adequate succession planning for the Board and senior management team so as to maintain an appropriate balance of skills and experience and diversity within the Society and the Board.

	<p>Prior to the members' vote at the Annual General Meeting, approve appointment, reappointment or removal of external auditors.</p>
Remuneration	<p>Determine the remuneration of the Executive Directors and other members of the Senior Management Team, following recommendations from the Remuneration Committee.</p> <p>Determine the remuneration of the Non-Executive Directors, subject to the Rules of the Society and Member approval as appropriate.</p> <p>Establishment of the pension policy or policies for the Society on the recommendation of the Remuneration Committee.</p>
Delegation of Authority	<p>Agreeing, in writing, the division of responsibilities between the Chair, the Chief Executive and other executive directors.</p> <p>Approving the delegated levels of authority, including the Chief Executive's authority limits (which must be in writing).</p> <p>Establishing board committees and approving their terms of reference, and approving material changes thereto.</p> <p>Receiving reports from board committees on their activities.</p>
Corporate Governance	<p>Approve Terms of Reference of the Board and Management Committees reporting to the Board.</p> <p>Approve the documents and recommendations from the Board Committees.</p> <p>Review of the Society's overall corporate governance arrangements, including the Board Terms of Reference and Matters Reserved for the Board.</p> <p>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.</p>

Responsibility	Details
Corporate Governance	Undertake annual review of its own performance, that of its committees and individual Directors, and the division of responsibilities.

	<p>Review the independence of Non-Executive Directors in light of their character, judgment and relationships.</p> <p>Consider the balance of interests between members, employees and the community.</p> <p>Authorise conflicts of interest where permitted by the Rules of the Society.</p>
Whistleblowing	<p>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 wrong doing.</p>

6. 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 six times a year in order to discharge its duties effectively. In addition to the scheduled Board meetings, the Board holds two Strategy and Development Meetings, providing an opportunity for Non-Executive Directors to constructively challenge and help to develop proposals on strategy.

A Director may, and the Secretary at the request of a Director 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.

7. 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. Secretariat

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. The Secretary in conjunction with the Chair 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 will make a best endeavour to collate and circulate relevant reports to the Board members and other attendees at least 7 days before the meeting to allow sufficient time for papers to be reviewed.

The Board undertakes an annual internal effectiveness review lead by the Senior Independent Director and supported by the Secretary. The Board will evaluate its own performance and that of its Committees and individual directors. The Board will state in the annual report how performance evaluation of the Board, its Committees and its individual directors has been conducted.

9. Minutes & Reports

Board decisions and discussions will be evidenced by minutes and after approval by the Chair will be circulated to the Board members and nominated attendees within 14 days of the meeting time to allow completion of the actions.

10. Other Matters

The Board has access to sufficient resources, including the Society Secretary, to carry out its duties including obtaining, at the Society's expenses, legal or professional advice on any matters within its terms of reference.

The Board gives due consideration to laws and regulations, Codes of Practice and any other Rules, as appropriate.

11. Document Version History

Date	Version	Author	Comments
17.01.2018	V2018 1.0	Roy Badcock, Society Secretary	New Terms of Reference format developed for Society
25.01.2018	V2018 1.1	Roy Badcock, Society Secretary	Amendments by the Board and approved
24.01.2019	V2019 1.2	Roy Badcock, Society Secretary	Amendments made by Board and detailed in minutes of 24 th January 2019
25.04.2019	V2019 1.2	Roy Badcock, Society Secretary	Version 1.2 approved by Board
11.09.2019	V2019 1.3	Roy Badcock, Society Secretary	Version 1.2 updated with amends from Sarah Howe
11.09.2019	V2019 1.4	Roy Badcock, Society Secretary	Clean Version of 1.3 for Board
27.11.2020 18.12.2020 (post board)	V2020 1.5	Society Secretary	Minor amendments, including changes to reflect the Rem & NomCo split and the correct name of the Risk & Compliance Committee. The timescales for circulating the pack and the minutes has also been updated. Whistleblowing has also been added. Removal of SMR Prescribed Responsibilities.