

## **Principality Building Society Matters Reserved to Board**

### **1 Main Purpose**

The Board of Directors is the overall governing body of Principality Building Society. The Board is responsible for the overall stewardship of the Society (including subsidiary businesses) to ensure its long-term success. The principal functions of the Board include (but not limited to):

- Setting strategy and monitoring performance;
- Determining the Society's overall Purpose;
- Setting the annual budget and medium term plan and approving capital expenditure levels;
- Determining the Society's overall risk appetite;
- Setting the Society's remuneration policy;
- Ensuring that an appropriate culture is in place (including setting an "appropriate tone from the top");
- Ensuring that the Society is managed in the best long term interests of current and future Members; and
- Oversight of governance arrangements.

The activities of the Board are set out in this document. This document should be read in conjunction with the Society's Rules and Board Composition Policy. The Board delegates authority for some of its activities to its sub-Committees: Audit, Risk, Governance and Nominations, Remuneration and Non-Executive Directors Remuneration, and Commercial Sub committees.

The Board has a general duty to ensure that the Society operates within the Society's Rules and Memorandum, rules and guidance issues competent authorities and all applicable laws.

### **2 Membership**

The Board shall comprise at least 7 members, and shall not exceed 14 members, which will consist of Executive and independent Non-Executive Directors. There shall be more Non-Executive Directors than Executive Directors at any time. Members of the Board are appointed by the Board, upon the recommendation of the Governance and Nominations Committee.

The Chair of the Board shall be the Chair of the Society as appointed by the Board and elected/re-elected by the Society's Members at each Annual General Meeting. In the absence of the Chair at a Board meeting, the Senior Independent Non-Executive Director will chair the meeting. If the Chair and the Senior Independent Non-Executive Director are both absent from a meeting of the Board or shall both decline to act as Chair, the Non-Executive Director present at that meeting shall elect a Director to be Chair for the purposes of that meeting.

### **3 Quorum**

Four members, at least two of which should be independent Non-Executive Directors. A member participating by way of conference call or other communications equipment shall be counted in the quorum accordingly.

### **4 Attendance**

Only the Statutory Directors of the Society have the right to attend Board meetings. However, other individuals may be invited to attend for all or part of the meeting, as and when appropriate such as but not limited to:

- Executive Committee members, who are not otherwise Executive Directors, as appropriate.
- Members of the Senior Leadership Team or other senior leaders as appropriate to present papers.
- External advisers as necessary.

The Chief Governance Officer or nominee will act as Secretary to the Board.

### **5 Frequency of Meetings**

The Board shall meet as often as is determined necessary to fulfil its purpose and objectives. Subject to the approval of the Chair, all or any member of the Board may participate in the Board meeting by means of a conference call or any other communications equipment which allows all individuals to hear, or both see and hear, each other.

## **6 Other Matters**

Matters not Reserved to the Board, unless otherwise indicated, are delegated to the Chief Executive Officer (who may in turn sub-delegate certain matters and powers to Members of the Executive Committee) and the Executive Committee (in accordance with the terms of reference for that committee).

The Board will receive reports and recommendations from time to time on any matter which it considers to be of sufficient significance.

The Secretary to the Committee will record any conflict of interest disclosed at meetings of the Board.

The Secretary shall circulate the Agenda and papers for each meeting of the Board no less than five clear working days in advance of the relevant meeting.

## **7 Minutes**

The Deputy Secretary shall minute the proceedings, resolutions and decisions of the Board including recording the names of those present and in attendance and record any declarations of interest/conflicts of interest disclosed at meetings of the Board.

The minutes of Board meetings shall be circulated to all members of the Board before the next meeting of the Board.

## **8 Annual General Meeting**

All Board members shall attend the Annual General Meeting to be available to answer Member questions on the work of the Board.



		of operational resilience business contingency planning and information security arrangements.	
1.5	Approval of any document or resolution that is referred to the members to vote on in general meetings of the Society including changes to the Society's Rules and Memorandum and of any document stated to be made on behalf of the Board.	No delegation	As necessary
<b>2</b>	<b>PERFORMANCE AND RISK MANAGEMENT</b>		
2.1	Oversight of the Society's operations ensuring: <ul style="list-style-type: none"> <li>• Competent and prudent management</li> <li>• Sound planning and risk management</li> <li>• An adequate system of internal control</li> <li>• Adequate accounting and other records</li> <li>• Compliance with statutory and regulatory obligations</li> <li>• Adequate financial resources</li> <li>• Fair outcomes for our members and customers</li> </ul>	Audit Committee	As necessary
2.2	Review of operational performance in the light of the Society's strategy, objectives, business plans and budgets, including review of the monthly Board Pack, and ensuring that any necessary corrective action is taken.	No delegation	Monthly
2.3	After consideration by the Audit Committee: <ul style="list-style-type: none"> <li>• Approval of interim and final results</li> <li>• Approval of the annual report and accounts (including the Long Term Viability Statement, Corporate Governance Report and Remuneration Report) and Summary Financial Statement</li> <li>• Approval of any significant changes to accounting policies or practices</li> <li>• Appointment, reappointment or removal of the external auditor (to be approved by the Society's Members)</li> </ul>	Audit Committee	Bi-annually Annually  As necessary  As necessary
2.4	Prior approval of any capital expenditure in aggregate in excess of that authorised in the budget.	No delegation	As necessary

2.5	After consideration by the Board Risk Committee, approval of the Society's Risk Appetite Statements.	BRC	Annually
2.6	Approval of any changes affecting the Society's risk management/governance frameworks responsible for the identification, mitigation and management of risk.	BRC	As necessary
2.7	Ensuring maintenance of a sound system of internal control and risk management including receiving: <ul style="list-style-type: none"> <li>Regular reports from the Audit and Board Risk Committees on the effectiveness of the Society's systems and controls and risk management processes.</li> <li>An annual report from the Board Whistleblowing Champion on the appropriateness and effectiveness of the Society's Whistleblowing systems and controls</li> </ul>	Audit Committee and BRC  No delegation. Derek Howell is responsible NED.	Following each meeting  Annually
2.8	Approving an appropriate statement for inclusion in the annual report relating to internal controls.	Audit Committee	Annually
2.9	Prescription of minimum capital limits/ratios [in excess of those limits prescribed by the regulatory authorities], changes relating to the Society's capital structure including capital raising activity, and the introduction of new capital instruments to meet planned future capital requirements.	BRC	Annually
2.10	Prescription of minimum liquidity limits/ratios in excess of those limits prescribed by the regulatory authorities.	BRC	Annually
2.11	Approval of: <ul style="list-style-type: none"> <li>The overall levels of insurance cover purchase for the Society. The Board to receive a copy of the Directors and Officers Liability Insurance certificate.</li> <li>Lending proposals in excess of the Board approved delegated lending mandates or risk appetite (including approval of commercial facilities in excess of £10m); and</li> <li>Acquisition of external loan portfolios (disposal of loan portfolios)</li> </ul>	BRC  No delegation	Annually  As necessary

2.12	Approval of the principles of any new forms of wholesale funding instruments or any non-standard retail funding with characteristics different from those previously approved by the Board.	No delegation	As necessary
2.13	Approval of any material changes to the allocation of responsibilities as set out in the Society's Responsibility Map.	Delegated to management	To be managed through role profiles
2.14	Oversight of the arrangements in place to discharge the Society's regulatory obligations: <ul style="list-style-type: none"> <li>• Under the FCA's Senior Management Regime</li> <li>• Under the FCA's Employee Certification Regime</li> <li>• Regarding the allocation of prescribed responsibilities</li> <li>• Relating to the assessment of Fitness/Propriety in respect of Non-Executive Directors</li> </ul>	CEO CRO Head of Compliance and Conduct Chair	As necessary
2.15	On the recommendation of the Board Risk Committee approval of: <ul style="list-style-type: none"> <li>• TPS</li> <li>• ICAAP</li> <li>• ILAAP</li> <li>• RRP (including LCFP)</li> <li>• Retail and Commercial Lending Policies</li> </ul>	BRC	Annually
2.16	Prosecution, defence or settlement of litigation being material to the interests of the Society.	No delegation	Annually & as necessary
2.17	On the recommendation of the Board Risk Committee removal of the Chief Risk Officer.	BRC	As necessary
2.18	Retail product approval for those products required by the Product Governance Standards.	No delegation	As necessary
2.19	Commercial Lending Product Approval Matrix for new products requiring Board approval. The Board will approve a Commercial Lending Base Rate change, where this is not in line with a change to Bank of England Base Rate.	No delegation	As necessary

2.20	Third party commitments and framework agreements. Approval for contract expenditure where the consideration (or aggregate consideration over the contract term) exceeds £5,000,000. This excludes provision of standard services required to fulfil operational requirements, individual lending, savings or financial crime decisions, specifically postal or printing services, credit bureau, valuation services (including Alternative Valuation Models), electronic customer ID, conveyancing services (including legal and panel appointments). Expenditure relating to zero value contracts (including for example, contracts relating to the payment of procurement fees) are also excluded.	No delegation	As necessary
<b>3</b>	<b>CULTURE AND LEADERSHIP</b>		
3.1	Approval of the Society's Values Framework, Culture and Standards of Conduct including responsibility for assessing and monitoring the alignment of: <ul style="list-style-type: none"> <li>• The Society's Culture with Purpose and Values.</li> <li>• Workforce reward and incentives with the Society's culture and strategy.</li> </ul>	No delegation Remuneration Committee	Annually
3.2	Subject to the Society's Rules: On the recommendation of the Remuneration Committee determine the: <ul style="list-style-type: none"> <li>• Remuneration policy for the Society's executive directors</li> <li>• Strategy, framework and broad policies for the remuneration of Material Risk Takers and Senior Managers.</li> <li>• The remuneration of non-executive directors shall be a matter for the Non-Executive Remuneration Committee.</li> </ul>	Remuneration Committee  Non-Executive Directors Remuneration Committee	Annually  Annually
3.3	Receive an annual report on the Staff Engagement Survey and ensuring appropriate follow up action is taken.	No delegation	Annually
<b>4</b>	<b>CORPORATE GOVERNANCE MATTERS</b>		
4.1	Approval of the division of responsibilities between the Chair and the Chief Executive Officer including approval of: <ul style="list-style-type: none"> <li>• Chair and Chief Executive Officer role profiles; and</li> <li>• The level of authority delegated to the Chief Executive Officer</li> </ul>	No delegation	As necessary

4.2	Approval of resolutions and corresponding documentation to be put forward to members at a general meeting, including proposals for changes to the Society's Memorandum and Rules.	No delegation	Annually
4.3	Review and approval of the following: <ul style="list-style-type: none"> <li>• Statements made under S54 of the Modern Slavery Act and Modern Slavery &amp; Human Trafficking Policy</li> <li>• Appointments to the board of subsidiary businesses</li> <li>• Whistleblowing Policy</li> <li>• Any loan to a director or person connected with a director</li> <li>• The making of political donations</li> </ul>	No delegation	Annually
4.4	Evaluating the independence of Non-Executive Directors.	No delegation	Annually
4.5	Approval of outside interests and any potential conflicts of interest of any director.	Governance & Nominations Committee	As necessary
4.6	Board Committees – approval of: <ul style="list-style-type: none"> <li>• The establishment of new committees</li> <li>• Terms of reference (including the level of delegation of authority to those committees)</li> <li>• Approval of membership and chairing of Board Committees, ensuring an appropriate balance of skills and experience within the Society's Board Committees.</li> </ul>	No delegation	As necessary
4.7	On the recommendation of the Governance and Nominations Committee: <ul style="list-style-type: none"> <li>• Approval of changes to the structure, size and composition of the Board.</li> <li>• Ensuring adequate succession planning for the Board and Executive team so as to maintain an appropriate balance of skills and experience within the Society. The Board will ensure such succession plans promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.</li> <li>• Appointments to the Board, including the appointment of the Chair, the Chief Executive Officer, the Senior Independent Director, Whistleblowing Champion, Chief Risk Officer and</li> </ul>	Governance & Nominations Committee	Annually Annually  As necessary



	<p>the Secretary and the selection of members and chairs of Board committees.</p> <ul style="list-style-type: none"> <li>• Removal of the Chief Executive Officer and the Secretary.</li> <li>• Agreeing changes to the time commitments of Board members.</li> <li>• Approval of the Board Stakeholder Map.</li> </ul>		<p>As necessary Annually Annually</p>
4.8	<p>Approval of the continuation in office of directors including:</p> <ul style="list-style-type: none"> <li>• At the end of their term of office when they are due to be re-elected by members at the Annual General Meeting.</li> <li>• The suspension or termination of services of an executive director as an employee of the Society, subject to the law and their service contract.</li> </ul>	No delegation	As necessary
4.9	Amendments to this Schedule of Matters Reserved to the Board.	No delegation	At least annually
4.10	Ensuring appropriate and effective arrangements for engagement with the Society's stakeholder groups (members, customers, employees, suppliers, investors, community and the environment).	No delegation	Quarterly meetings
4.11	<p>Further to 4.10, the Board is responsible for embedding Consumer Duty within the Society, by:</p> <ul style="list-style-type: none"> <li>- Having a Board Champion who (will be the Chair of BRC), along with the Chair and the CEO, ensures that the Duty is being discussed regularly and raised in all relevant discussions.</li> <li>- Review and approve at least annually an assessment of whether the firm is delivering good outcomes for its customers which are consistent with the Duty.</li> <li>- Holding senior managers accountable for the Duty through the Senior Managers &amp; Certification Regime.</li> <li>- Consider the Duty in all strategic discussions.</li> </ul> <p>Throughout its activities, the Board shall consider the general obligation to ensure customers are getting fair value and good outcomes in everything it does (Consumer Duty – Principle 12).</p>		

Note: The Common Seal Policy was delegated to Executive Committee with effect 21 December 2021.