

## Principality Building Society

### Board Terms of Reference

<b>Date of approval</b>	21 March 2025
<b>Role</b>	<p>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.</p> <p>The principal functions of the Board include (but not limited to):</p> <ul style="list-style-type: none"> <li>• Determining the Society's overall Purpose;</li> <li>• Setting strategy and monitoring performance;</li> <li>• Allocating capital and determining the Society's overall risk appetite;</li> <li>• Setting the annual budget and medium term plan including approving capital expenditure levels;</li> <li>• Appointing the senior executives and setting the Society's remuneration policy;</li> <li>• Ensuring that an appropriate culture is in place (including setting an "appropriate tone from the top");</li> <li>• Ensuring that the Society is managed in the best long term interests of current and future Members;</li> <li>• Ensuring that the Society meets its regulatory and statutory duties; and</li> <li>• Oversight of governance arrangements.</li> </ul>
<b>Membership</b>	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.
<b>Chair</b>	The Chair of the Board shall be the Chair of the Society as appointed by the Board and elected/re-elected by the Society' 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.
<b>Secretary</b>	The Secretary of the meeting will be agreed between the Chair of the Meeting and the Society Secretary.
<b>Attendees</b>	<p>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:</p> <ul style="list-style-type: none"> <li>• Executive Committee members, who are not otherwise Executive Directors, as appropriate.</li> <li>• Members of the Senior Leadership Team or other senior leaders as appropriate to present papers.</li> <li>• External advisers as necessary.</li> </ul>

<b>Frequency</b>	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.
<b>Quorum</b>	<p>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.</p> <p>Questions arising at a meeting shall be resolved by a majority of votes and, in the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.</p>
<b>Written Resolutions</b>	Written resolutions may be used in accordance with the Society's Rules with written consent by all Directors.
<b>Meeting papers and minutes</b>	<p>The Secretary shall circulate the Agenda and papers for each meeting no less than five working days in advance of the relevant meeting.</p> <p>Minutes will record the proceedings, resolutions and decisions including recording the names of those present and in attendance and record any declarations of interest/conflicts of interest disclosed at meetings. The minutes of the meeting shall be approved at the next meeting.</p>
<b>Mandate</b>	<p>The Board may exercise all powers of the Society that are not, by the Statutes or by the Rules, required to be exercised by the Society in general meeting. 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.</p> <p>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.</p>
<b>Sub Committees</b>	<ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Governance and Nominations Committee</li> <li>• Non-Executive Director Remuneration Committee</li> <li>• Remuneration Committee</li> <li>• Risk Committee</li> </ul>

	What	Matter	Frequency	Delegation
<b>1</b>	<b>STRATEGY AND FINANCIAL</b>			
1.1	Responsible	Setting the Society's overall strategy, sub-strategies, purpose and values.	As necessary	No delegation
1.2	Approve	Corporate Plan, Medium Term Plan and annual budget along with any material changes to them.	Annually	No delegation
1.3	Approve	All circulars, prospectuses and listing particulars which require approval by the Board.	As necessary	No delegation
1.4	Approve	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> <li>-</li> </ul>	As necessary	Approval following recommendation from Audit Committee.
1.5	Approve	Prior approval of any capital expenditure in aggregate in excess of that authorised in the budget.	As necessary	No delegation
1.6	Approve	Major changes to the Group's corporate structure including any merger, acquisition or creation, acquisition or disposal of any subsidiary or associated company, or of any significant business operation, or any other initiative which has significant strategic implications for the Society.	As necessary	No delegation
1.7	Approve	Any material extension of the Society's activities into new business or geographic areas (Branch and Agencies).	As necessary	No delegation
1.8	Approve	Any decision to cease to operate all or any material part of the Society's business.	As necessary	No delegation
1.9	Approve	Any new Partnerships and Joint Ventures.	As necessary	No delegation

<b>2</b>	<b>CULTURE</b>			
2.1	Approve	<p>The Society's Values Framework, Culture and Standards of Conduct including responsibility for assessing and monitoring the alignment of:</p> <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>	As necessary	<p>No delegation</p> <p>Remuneration Committee</p>
2.2	Oversight	Receive an annual report on the Staff Engagement Survey and ensuring appropriate follow up action is taken.	Annually	No delegation
2.3	Oversight	Ensuring appropriate and effective arrangements for engagement with the Society's stakeholder groups (members, customers, employees, suppliers, investors, community and the environment) and approval of the Board Stakeholder Map.	As necessary	Following recommendation from Governance & Nominations Committee.
2.4	Responsible	<p>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>	As necessary	None.
<b>3</b>	<b>RISK MANAGEMENT</b>			
3.1	Approve	After consideration by the Board Risk Committee, approval of the Society's Risk Appetite Statements.	As necessary	Following recommendation from Risk Committee.
3.2	Approve	Approval of any changes affecting the Society's risk management/governance frameworks responsible for the identification, mitigation and management of risk.	As necessary	Following recommendation from Risk Committee.

3.3	Approve	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>	Following each meeting  Annually	Audit and Risk Committees  No delegation. Whistleblowing Champion to report to Board.
3.4	Approve	An appropriate statement for inclusion in the annual report relating to internal controls.	Annually	Audit Committee
3.5	Approve	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.	Annually	Risk Committee
3.6	Approve	Prescription of minimum liquidity limits/ratios in excess of those limits prescribed by the regulatory authorities.	Annually	Risk Committee
3.7	Approve	The overall levels of insurance cover purchase for the Society. The Board to receive a copy of the Directors and Officers Liability Insurance certificate.	Annually	Risk Committee
3.8	Approve	Lending proposals in excess of the Board approved delegated lending mandates or risk appetite (including approval of commercial facilities in excess of £10m).	As necessary	No delegation
3.9	Approve	Acquisition of external loan portfolios (disposal of loan portfolios).	As necessary	No delegation
3.10	Approve	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.	As necessary	No delegation
3.11	Approve	Approval of any material changes to the allocation of responsibilities as set out in the Society's Responsibility Map.	As necessary	Delegated to Executive Committee to be managed through role profiles.

3.12	Approve	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>	Annually	Following recommendation from Risk Committee
3.13	Approve	Of Retail product for those products required by the Product Governance Standards.	As necessary	No delegation
3.14	Approve	Of 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.	As necessary	No delegation
3.15	Oversight	Of prosecution, defence or settlement of litigation being material to the interests of the Society.	As necessary	No delegation
3.16	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>	As necessary	CEO CRO CRO  Chair/SID (supported by the Secretary)
4	<b>OPERATIONS</b>			
4.1	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>	As necessary	Audit Committee
4.2	Review	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.	Each meeting	No delegation

4.3	Approve	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.	As necessary	No delegation
5	<b>ESG</b>			
5.1	Approve	Strategy in respect of Environmental, Social and Corporate Governance. The Impact Report is approved by the Executive Committee.	As necessary	The Impact Report is approved by the Executive Committee.
5.2	Approve	Strategy in respect of climate change, and approve, where necessary, any actions required to achieve this.	As necessary	The Board delegated the following oversight to BRC 6.23 to receive regular reports on the actions being taken to identify and mitigate climate change related risks, the suitability of operational resilience business contingency planning and information security arrangements.
6	<b>REMUNERATION</b>			
6.1	Oversight	Determine the Remuneration policy for the Society's executive directors and the strategy, framework and broad policies for the remuneration of Material Risk Takers and Senior Managers.  The remuneration of non-executive directors shall be a matter for the Non-Executive Remuneration Committee.	As necessary  As necessary	Remuneration Committee.  Non-Executive Remuneration Committee
7	<b>GOVERNANCE</b>			
7.1	Review and recommend change of Rules to members	The Society's overall corporate governance arrangements including whether its Rules are fit for purpose.	As necessary	No delegation
7.2	Agree and recommend to members	Any change to the Society's mutual status.	As necessary	No delegation

7.3	Agree and recommend to members	Any proposed change to the name of the Society.	As necessary	No delegation
7.4	Approve	The place of the Head Office.	As necessary	No delegation
7.5	Approve	The distribution policy for periodic investment returns on Core Capital Deferred Shares and declarations of periodic investment returns on Core Capital Deferred Shares.	As necessary	No delegation
7.6	Approve	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 and of any document stated to be made on behalf of the Board.	As necessary	No delegation
7.7	Approve	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>	As necessary	On the recommendation of Governance & Nominations Committee
7.8	Approve	Any loan to a director or person connected with a director.	Annually	No delegation
7.9	Approve	The making of political donations.	As necessary	No delegation
7.10	Approve	Statements made under S54 of the Modern Slavery Act and Modern Slavery & Human Trafficking Policy	As necessary	On the recommendation of the Risk Committee
7.11	Approve	Whistleblowing Policy	As necessary	No delegation
7.12	Approve	Common Seal Policy	As necessary	Executive Committee
7.13	Approve	Appointments to the board of subsidiary businesses.	As necessary	No delegation
7.14	Evaluate	Independence of Non-Executive Directors.	As necessary	No delegation
7.15	Approve	Outside interests and any potential conflicts of interest of any director.	As necessary	No delegation



7.16	Approve	<p>Board Committees:</p> <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> <li>-</li> </ul>	As necessary	No delegation
7.17	Approve	<p>On the recommendation of the Governance and Nominations Committee:</p> <ul style="list-style-type: none"> <li>- Approval of changes to the structure, size and composition of the Board.</li> <li>- Ensure 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 the Secretary and the selection of members and chairs of Board committees.</li> <li>- Removal of the Chief Executive Officer and the Secretary.</li> <li>- Agreeing changes to the time commitments of Board members.</li> </ul>	As necessary	On the recommendation of the Governance and Nominations Committee
7.18	Approve	On the recommendation of the Board Risk Committee removal of the Chief Risk Officer.	As necessary	On the recommendation of the Risk Committee
7.19	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 or the suspension or termination of services of an executive director as an employee of the Society, subject to the law and their service contract.	As necessary	On the recommendation of the Governance and Nominations Committee
7.20	Approve	Amendments to this Schedule of Matters Reserved to the Board.	As necessary	No delegation