

**ONESAVINGS BANK PLC**  
**(THE "COMPANY")**

**TERMS OF REFERENCE AND MATTERS RESERVED TO THE BOARD**

**1. OBJECTIVES**

The role of the Board is to set the Bank's aims and objectives. It is the Board's responsibility to ensure that the necessary financial and human resources are in place to enable the Bank to meet those objectives and also review management performance. The Board is also responsible for setting the tone from the top in relation to conduct, culture and values (the Mission, Vision and Values); and for ensuring continuing commitment to treating customers fairly, carrying out business honestly and openly and preventing bribery, corruption, fraud and the facilitation of tax evasion.

The Articles set out the Objects of the Bank in Article 157, and while generally unrestricted, they do specifically require that while KRPS remains a shareholder, that membership of the Society is offered to all qualifying customers of the Bank.

**2. CONSTITUTION, MEMBERSHIP AND QUORUM**

- 2.1. The Board is chaired by the Chairman, who is appointed by the Board.
- 2.2. The Board shall consist of a minimum of two Directors and a maximum of 15 Directors. A majority of Directors must be independent with at least two Directors (in addition to the Chairman) being considered independent.
- 2.3. One of the independent Directors shall be appointed as Senior Independent Director.
- 2.4. Two Directors shall constitute a quorum and the holders of a majority of shares may give notice to the Company in writing that one or more named Directors is required to be present for there to be a valid quorum.

**3. SECRETARY**

- 3.1. The Company Secretary shall act as the Secretary to the Board and will ensure that the Board receives information and papers in a timely manner to enable full and proper consideration of the given issues.
- 3.2. The appointment and removal of the Company Secretary shall be a matter for the Board.

**4. VOTING ARRANGEMENTS**

- 4.1 Each Director shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by Directors attending a Board meeting (whether in person or by audio or video conference).
- 4.2 If a matter that is considered by the Board is one where a Director, either directly or indirectly has a personal interest, that Director shall not be permitted to vote on that matter.
- 4.3 Except where he has a personal interest, the Chairman of the Board shall have a casting vote.

**5. FREQUENCY OF MEETINGS**

The Board shall meet at least six times a year, normally bi-monthly or more frequently if otherwise required.

**6. NOTICE AND MINUTES**

- 6.1. The Secretary will normally distribute the agenda and papers for meetings at least five days before the meeting.

6.2 The Secretary shall minute the proceedings and decisions of all meetings of the Board, including recording the names of those present and in attendance.

6.3 Draft minutes of the meeting will be distributed promptly to the Chairman. Once approved, minutes should be distributed to all other members of the Board unless it would be inappropriate to do so in the opinion of the Chairman.

## **7. AUTHORITY**

7.1. The Board has the delegated authority from the Shareholders to manage all matters relating to the business.

7.2. The Matters Reserved to the Board is set out in the attached Schedule.

7.3. Any matters that are not reserved to the Board, or any of its Committees (via their terms of reference), are delegated to the Chief Executive Officer in his/her responsibility for the day-to-day management of the Bank.

## **8. OTHER**

The Board shall review these terms at least annually.

## Matters Reserved to the Board

Document control information			
<b>Version</b>	1.2	<b>Owner</b>	Company Secretariat
<b>Review Frequency</b>	Annually or as required for material amendments	<b>Next Review date</b>	February 2020

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## 1. Strategy and Management

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Authorised Signatory <i>(any one of unless otherwise stated)</i>	Accountability
1.1	<b>Strategy</b>	Approval of the Group's long term objectives and commercial strategy.	Board	N/A	CEO
1.2	<b>Budget</b>	Approval of the annual operating and capital expenditure budgets and any material changes to them			Board
1.3	<b>Oversight of Operations</b>	Oversight of the Group's operations ensuring: <ul style="list-style-type: none"> <li>• competent and prudent management</li> <li>• sound planning</li> <li>• an adequate system of internal control</li> <li>• adequate accounting and other records</li> <li>• compliance with statutory and regulatory obligations</li> </ul>			Board
1.4	<b>Performance Review</b>	Review of performance in light of the Group's strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken			Board

## 2. Group entity formation, dissolution and company secretariat matters

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Authorised Signatory <i>(any one of unless otherwise stated)</i>	Accountability
2.1	<b>Intra-group re-organisation</b>	Set-up, merger, consolidation, dissolution, recapitalisation of any Group company	Board	CEO/CFO	Chairman of the Board
2.2	<b>Acquisition of shares or equivalent interest in any other body corporate</b>	The acquisition or disposal of interests of any business or the making of any takeover, transfer or merger offer, unless otherwise delegated		CEO/CFO	
2.3	<b>New Subsidiaries</b>	Establish a new subsidiary undertaking or establish a branch outside of the UK where the company is actively trading, save for shelf companies acquired for the purpose of bids and tax planning		CEO/CFO/GCCS	
2.4	<b>Disposals</b>	Sell, transfer, lease, licence or in any way dispose of any shares in the Group, or the whole or part of its business undertaking or assets whether by a single transaction or series of transactions, in each case other than from a Group Company		CEO/CFO/GCCS	
2.5	<b>Constitutional Amendment</b>	Recommend any amendment of the Articles of Association or similar organisational document of any Group entity		CEO/CFO/GCCS	
2.6	<b>Company name change</b>	Make an alteration to a Group entity name, other than where such change is for a non-operating entity, including new incorporations)		CEO/CFO/GCCS	
2.7	<b>Winding up/Liquidation</b>	Pass or place any material Group entity into liquidation, winding-up or other administration save where the entity is non-trading or dormant		CEO/CFO/GCCS	

## 2. Group entity formation, dissolution and company secretariat matters

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Authorised Signatory <i>(any one of unless otherwise stated)</i>	Accountability
2.8	<b>Capital Structure and Debt Securities</b>	Issue, redemption or repurchase by any Group entity of any equity securities or any warrants, rights, options, employee share structure or other security, other than in the ordinary course of business	Board	CEO/CFO/GCCS	Chairman of the Board
		Purchase or redeem any of the shares of any Group entity which is not wholly-owned directly or indirectly by OSB Holdco or enter into any arrangement for the same	Board	CEO/CFO	Chairman of the Board
		Enter into or create any agreement, arrangement or obligation requiring or granting any option or right to require the creation, allotment, issue or transfer of any shares in the capital of any Group entity or securities convertible into shares (other than in either case to a Group entity)	Board	CEO/CFO	Board Operating Committee
		Material changes relating to the Group's capital structure and debt securities including any reduction of capital, share issues (except under employee share plans), share buybacks including the use of treasury shares, redemption or issue of debt	Board	CEO/CFO	Chairman of the Board
2.9	<b>Structure</b>	Major changes to the Group's corporate structure, saved as covered above	Board	CEO/CFO	Chairman of the Board
		Major changes to the Group's management and control structure		CEO/CFO	CEO

## 2. Group entity formation, dissolution and company secretariat matters

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Authorised Signatory <i>(any one of unless otherwise stated)</i>	Accountability
2.10	<b>Board Meeting Minutes</b>	The approval of relevant Board Meeting Minutes	Board	Chairman of the Meeting	Chairman of the Board
2.11	<b>Terms of Reference - Board and its Committees</b>	The creation, amendment and annual review of any Terms of Reference for the Board or any terms of reference for any Committee reporting to the Board	Board	N/A	Chairman of the Board
2.12	<b>Nature of business</b>	Make or permit any substantial alteration (including cessation) to the general nature of the business carried on or proposed to be carried on by the Company	Board	N/A	Chairman of the Board
2.13	<b>New geographical location</b>	Extension of the Group's Activities into new business or geographic areas	Board	N/A	Chairman of the Board
2.14	<b>Company's listing</b>	Any changes to the Company's listing or its status as a public limited company	Board	N/A	Board
2.15	<b>Resolutions</b>	Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting	Board	N/A	Board
2.16	<b>Circulars and Prospectuses</b>	Approval of all circulars, prospectuses and listing particulars unless the document to be approved has no unusual features	Board	CEO/CFO/GCCS	Board
2.17	<b>Announcements</b>	Approval of announcements concerning matters reserved to the Board	Board	Executive Disclosure Committee	Board



## 2. Group entity formation, dissolution and company secretariat matters

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Authorised Signatory <i>(any one of unless otherwise stated)</i>	Accountability
2.18	<b>Political Donations</b>	Making of political donations	Board	N/A	Board
2.19	<b>Division of Responsibilities</b>	The division of responsibilities between the Chairman, the Chief Executive Officer and other Executive Directors	Board	N/A	Chairman of the Board
2.20	<b>Board Committee Reports</b>	Receiving reports from Board Committees on their activities	Board	N/A	Chairman of the Board
2.21	<b>Board and Committee Effectiveness</b>	Undertaking a formal and rigorous review annually of its own performance, that of its Committees and individual Directors	Board	N/A	Chairman of the Board/ Chairman of each respective Board Committee
2.22	<b>Independence of Directors</b>	Determining the independence of Directors following recommendations from the Nomination and Governance Committee	Board	N/A	Chairman of the Board
2.23	<b>Board Committees</b>	Approval of the establishment of any new or disbanding of Committees of the Board including appointing the Chairs and members	Board	N/A	Chairman of the Board
2.24	<b>Balance of Interests</b>	Considering the balance of interests between shareholders, employees, customers and the community	Board	N/A	Chairman of the Board
2.25	<b>Corporate Governance Arrangements</b>	Review the Group's overall corporate governance arrangements	Board	N/A	Chairman of the Board

## 2. Group entity formation, dissolution and company secretariat matters

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Authorised Signatory <i>(any one of unless otherwise stated)</i>	Accountability
2.26	<b>Board Level Policies</b>	Approval of any changes and at least annual review and reaffirmation of all Board level Policies (excluding Policies overseen by a Board Committee)	Board	N/A	Board
2.27	<b>Insurance</b>	Oversight of the overall levels of insurance for the Group including Directors' & Officers' liability insurance and indemnification of Directors upon recommendation from the CEO	CEO	N/A	CEO

### 3. Finance (General and Business as Usual)

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Authorised Signatory <i>(any one of unless otherwise stated)</i>	Accountability
3.1	<b>Financial Reporting</b>	Approval of the half-year or annual report and accounts including the corporate governance statement and remuneration report, trading updates and any interim or preliminary announcement of final results	Board	N/A	Board
3.2	<b>Auditors</b>	Appoint or remove the Group auditors or any other professional advisors of the Group (excludes reappointment of the Group's existing auditors)	Board  (upon recommendation from Audit Committee)	N/A	Chairman of the Board and Chair of Audit Committee
3.3	<b>Accounting Policy</b>	Approval of significant changes of accounting policy based on recommendation of the Audit Committee	Board  (upon recommendation from Audit Committee)	N/A	CFO
3.4	<b>Charges, Liens or Mortgages</b>	Create, cause or permit to be created or to exist any mortgage, charge, lien (other than liens arising in the ordinary course of business) or other encumbrance whatsoever over the whole or any material part of its undertaking, property or assets	Board	CEO/CFO	Chairman of the Board
3.5	<b>Dividends</b>	Pay, make or declare any interim dividend or other distribution in respect of its profits, assets or reserves (other than to a Group	Board	CEO/CFO/GCCS	CFO

### 3. Finance (General and Business as Usual)

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Authorised Signatory <i>(any one of unless otherwise stated)</i>	Accountability
		entity) or enter into any agreement for the same; and recommend any final dividend			
		Approval of the dividend policy	Board	CEO/CFO	Chairman of the Board
3.6	<b>Commercial borrowing or bond issue</b>	Enter into any commercial borrowing or bond issue agreement	Board	CEO/CFO	CFO
3.7	<b>Lending or Underwriting Transactions</b>	Enter into any underwriting transaction in excess of 20% of Common Equity Tier 1 for a single borrower or connected transaction	Board	CEO/CFO	Chairman of the Board

## 4. Internal Controls and Risk Management

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Authorised Signatory <i>(any one of unless otherwise stated)</i>	Accountability
4.1	<b>Risk Appetite</b>	<p>Ensuring maintenance of a sound system of internal control and risk management including:</p> <ul style="list-style-type: none"> <li>• approving the Group's overall risk appetite, risk tolerance, key risk limits, risk strategy and risk control framework;</li> <li>• receiving reports on, and reviewing the effectiveness of, the Group's risk and control processes to support its strategy and objectives;</li> <li>• undertaking an annual assessment of these processes; and</li> <li>• approving an appropriate statement for inclusion in the annual report.</li> </ul>	<p>Board</p> <p>(upon recommendation from Risk Committee)</p>	N/A	Board
4.2	<b>Risk Appetite Policies and Statements</b>	<p>Approval of the Group's:</p> <ul style="list-style-type: none"> <li>• annual internal capital adequacy assessment process (the "ICAAP") and any periodic re-assessments;</li> <li>• annual internal liquidity adequacy assessment process (the "ILAAP") and any periodic reassessments);</li> <li>• Risk Appetite Statement and any periodic reassessments; and</li> <li>• Recovery Plan.</li> </ul>	<p>Board</p> <p>(upon recommendation from Risk Committee)</p>	N/A	Board

## 5. Real Estate (Corporate)

Type of Activity		Threshold limit	Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Authorised Signatory <i>(any one of unless otherwise stated)</i>	Accountability
5.1	<b>Acquisition/Disposal</b>	<b>&gt;£5m</b>	Acquire or dispose of any freehold or leasehold property other than from or to another Group company (excludes customer properties)	Board	Board	Chairman of the Board
5.2	<b>Leasing</b>	<b>&gt;£5m per annum</b>	Enter into any leasehold property other than from or to another Group company (excludes customer properties)	Board	Board	Chairman of the Board

## 6. Employment (including benefits and compensatory matters)

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Authorised Signatory <i>(any one of unless otherwise stated)</i>	Accountability	
6.1	<b>Director/Board Appointments</b>	Requests to appoint or remove any Executive Director, Director, Chairman or Non-Executive Director of any Group Company, following recommendations from the Nomination and Governance Committee	Board	Chairman/ CEO/GCCS	Board	
		If requested, appointments to boards of subsidiaries	Nomination and Governance Committee	CEO/GCCS	CEO	
6.2	<b>Chairman of the Board</b>	Selection of the chairman of the board and the Chief Executive Officer following recommendation from Nomination and Governance Committee	Board	CEO/GCCS	Chair of Nomination and Governance Committee	
6.3	<b>Chief Executive Officer</b>			GCCS	Chairman of the Board	
6.4	<b>Senior Independent Director</b>			Appointment of the Senior Independent Director	Chairman	Chairman of the Board
6.5	<b>Company Secretary</b>			Appointment or removal of Company Secretary		
6.6	<b>Structure, size and composition of Board</b>	Changes to the structure, size and composition of the Board, following recommendations from the Nomination and Governance Committee	Board	N/A	Chairman of the Board	
6.7	<b>Succession Planning</b>	Ensuring adequate succession planning for the Board, including Executive Directors	Board	N/A	Chairman of the Board	
6.8	<b>Continuation of Directors</b>	Continuation in office of Directors at the end of their term, when they are due to be re-elected at the AGM, and otherwise as appropriate (for example following suspension or termination)	Board	Chairman/ CEO/ GCCS	Chairman of the Board	
6.9	<b>Remuneration</b>	The introduction of new share incentives plans or major changes to existing plans, to be put to shareholders for approval	Board (upon recommendation from	N/A	Chairman of the Board and Chair of Remuneration	

## 6. Employment (including benefits and compensatory matters)

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Authorised Signatory <i>(any one of unless otherwise stated)</i>	Accountability
			Remuneration Committee)		Committee
		Determining the remuneration policy for the Executive Directors	Board	N/A	Chairman of the Board
		Determining the remuneration policy for senior executives and Company Secretary	Remuneration Committee	N/A	Chair of the Remuneration Committee
		Determining the remuneration of the Non-Executive Directors, subject to the articles of association and shareholder approval as appropriate	Chairman of the Board and CEO	N/A	Chairman of the Board and CEO



## 7. Commercial (Portfolio Acquisitions, M&A activity and other related transactions)

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Authorised Signatory <i>(any one of unless otherwise stated)</i>	Accountability
7.1	<b>Portfolio acquisitions</b>	Acquire a portfolio above £80m	Board	Any Executive Team Member	Chairman of the Board
7.2	<b>Secured funding lines</b>	Secured funding lines above £80m	Board	CEO	Chairman of the Board
7.3	<b>Joint ventures and Partnerships</b>	Enter into any joint venture or partnership agreement or arrangement with any other person, firm or company (other than within a Group Company)	Board	Any Executive Team Member	Chairman of the Board
7.4	<b>M&amp;A Acquisitions</b> <i>(Refer also to Section 1)</i>	Undertake any merger or demerger or reconstruction or amalgamation of companies or enter into any scheme of arrangement. Does not include acquisition of SPV's as part of general portfolio acquisition	Board	Any Executive member or GHIA/GCCS	Chairman of the Board
7.5	<b>Arms length transactions</b>	Enter into any transaction of any nature whatsoever otherwise than by way of bargain on arm's length terms	Board	CEO	Chairman of the Board

## 8. Contracts (Any contract binding a Group company excluding employment agreements)

Type of Activity		Threshold limit	Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Authorised Signatory <i>(any one of unless otherwise stated)</i>	Accountability
8.1	<b>Portfolio Acquisition Agreement</b>	A Purchase Price in excess of £80m	Enter into any portfolio acquisition with any Group entity	Board	Any Executive Team Member	GCD
8.2	<b>Any contract or expense that does not fall into the above</b>	In excess of £5m in any single or connected series of transactions	Any contract with long-term or onerous provisions or unusual in nature which assumes material liability otherwise than in the ordinary course of business	Board (upon recommendation from ExCo)	CFO or CEO or Executive Team Member (who is the Project Owner)	CEO
8.3	<b>Shareholder Agreements or Agreements with Shareholders</b>	N/A	Enter into, terminate or vary any contract, agreement or arrangement with a Shareholder or Related Party of a Shareholder in which Shareholder or Related Party of a Shareholder is otherwise interested	Board Operating Committee	CFO or CEO	Chairman of the Board
8.4	<b>Major capital and operating projects</b>	In excess of £5m in any one or series of transactions	Major capital and operating projects	Board	Any Executive Team Member	CEO
8.5	<b>Balance-sheet or derivative exposure</b>	N/A	Any off balance-sheet or derivative exposure except in accordance with counterparty limits or the ordinary course of liquidity and risk management activities in accordance with Board approved policies	Board	CEO/CFO	CFO

## 9. Litigation

Type of Activity		Threshold limit	Other Criteria / Notes	Approval <i>(any one of unless otherwise stated)</i>	Authorised Signatory <i>(any one of unless otherwise stated)</i>	Accountability
9.1	Settlements	>£5m	Settling litigation via cash or asset value	Board	CEO/CFO/GCCS	GCCS

## 10. Regulatory

Type of Activity		Threshold limit	Other Criteria / Notes	Approval <i>(any one of unless otherwise stated)</i>	Accountability <i>(any one of unless otherwise stated)</i>
10.1	<b>Whistleblowing</b>	Oversight of Whistleblowing policy and arrangements within the Group	Board (upon recommendation from Audit Committee)	GCCS	Chair of Audit Committee
10.2	<b>Variation of any permission to FCA/PRA licence</b>	Where the current FCA licence requires varying or a permission added in order to accommodate a new product or line of business	Board	Executive Member or GHIA/GCCS	CRO
10.3	<b>Any new regulatory licence</b>	Where the entity is required to enter/register for a new licence in accordance with regulatory or legislative requirements	Board	Executive Member or GHIA/GCCS	CRO