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## Roles and Responsibilities of Members of the Board

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This document sets out the key responsibilities of the members of the Board of the Housing Finance Corporation Limited ("THFC") and its subsidiaries ("the Group") including the role of the Chair, Chief Executive and Senior Independent Director.

This document is reviewed by the Board on an annual basis and was last approved by the Board on 24 May 2022.

For the purposes of this document, references to THFC includes the equivalent functions for all its subsidiary companies.

### The Chair

#### Role and responsibilities

The role of the Chair is to lead the Board and ensure it functions effectively. The Chair is the Board's principal spokesperson and acts also as the Chair of General Meetings of members. The Chair is a non-executive director, appointed by the Board.

George Blunden is currently appointed as Chair of the Board.

The Chair is responsible for:

#### **1 Meetings**

- a. Chairing Board and general meetings.
- b. Running the Board and ensuring its effectiveness in all aspects of its role, including regularity and frequency of meetings.
- c. Setting the Board agenda, taking into account the issues and concerns of all Board members. The agenda should be forward looking, concentrating on strategic matters.
- d. Ensuring that there is appropriate delegation of authority from the Board to executive management.
- e. Ensuring that the directors receive accurate, timely and clear information, including that on the company's current performance, to enable the Board to take sound decisions, monitor effectively and provide advice to promote the success of THFC.
- f. Managing the Board to allow enough time for discussion of complex or contentious issues.

The Chair should ensure that directors (particularly non-executive directors) have sufficient time to consider critical issues and obtain answers to any questions or concerns they may have.

#### **2 Directors**

- a. Facilitating the effective contribution of non-executive directors and encouraging active engagement by all members of the Board.
- b. Ensuring constructive relations between the executive and non-executive directors.
- c. Holding meetings with the non-executive directors without the executives present.

#### **3 Induction, development and performance evaluation**

- a. Ensuring that new directors participate in a full, formal and tailored induction programme, facilitated by the company secretary.
- b. Ensuring that the development needs of directors are identified and, with the company secretary having a key role, that these needs are met. The directors should be able to continually update their skills and the knowledge and familiarity with THFC required to fulfil their role on the Board and its committees.

- c. Identifying the development needs of the Board as a whole to enhance its overall effectiveness as a team.
- d. Ensuring the performance of the Board, its committees and individual directors is evaluated at least once a year and acting on the results of such evaluation by recognising the strengths and addressing the weaknesses of the Board. Where appropriate, through the nomination committee, proposing that new members be appointed to the Board or seeking the resignation of others.

**4 In addition, the Chair should:**

- a. Uphold the highest standards of integrity and probity.
- b. Set the agenda, style and tone of Board discussions to promote effective decision making and constructive debate.
- c. Ensure that the Board are fully informed about all issues on which they will have to make a decision, through briefings with the chief executive, the company secretary, and members of the executive management as appropriate.
- d. Ensure clear structure for, and the effective running of, Board committees.
- e. Ensure effective implementation of Board decisions.
- f. Promote effective relationships and open communication between executive and non-executive directors both inside and outside the Boardroom, ensuring an appropriate balance of skills and personalities.
- g. Build an effective and complementary Board, together with the nomination committee, initiate change and plan succession in Board appointments (except that of a successor as Chair) subject to Board and shareholder approval.
- h. With the assistance of the company secretary, promote the highest standards of corporate governance, seeking compliance with the Combined Code. If full compliance is not possible, ensure that the reasons for non-compliance are fully understood, agreed by the Board and explained to shareholders.
- i. Ensure the interests of stakeholders (employees, customers, investors and the community) are duly considered.
- j. Act as a point of contact for employees to escalate serious concerns, in the event the staff member feels unable to raise the issue with the Executive Team.
- k. Ensure the long-term sustainability of the business.
- l. Ensure the continual improvement in quality and calibre of the executives.
- m. Establish a close relationship of trust with the chief executive and finance director, providing support and advice while respecting executive responsibility.
- n. Provide coherent leadership of THFC, including, in conjunction with the chief executive, representing THFC to customers, suppliers, governments, shareholders, financial institutions, the media, the community and the public.

## The Chief Executive

### Role and responsibilities

The Chief Executive is responsible for running the Group's business and is accountable and report to the Board.

This includes responsibility for the following, within the authority limits delegated by the Board:

#### **1 Business strategy and management**

- a. Developing group objectives and strategy having regard to the Group's responsibilities to its members, customers, employees and other stakeholders.
- b. The successful achievement of objectives and execution of strategy following presentation to, and approval by, the Board.
- c. Recommending to the Board an annual budget and [5 year] financial plan and ensuring their achievement following Board approval.
- a. Optimising as far as is reasonably possible the use and adequacy of the Group's resources.

#### **2 Capital Expenditure**

- a. Examining major capital expenditure and making recommendations to the Board where these are material to the Group either by nature or cost.

#### **3 Risk management and controls**

- a. Managing the Group's risk profile, including the health and safety performance of the business, in line with the extent and categories of risk identified as acceptable by the Board.
- b. Ensuring appropriate internal controls are in place.

#### **4 Board committees**

- a. Making recommendations on the remuneration and terms of employment of the executive team to the Remuneration Committee.
- b. Making recommendations to the Nominations Committee on the role and capabilities required in respect of the appointment of executive directors.

#### **5 Communication**

- a. Providing a means for timely and accurate disclosure of information, including an escalation route for issues.

#### **6 Other**

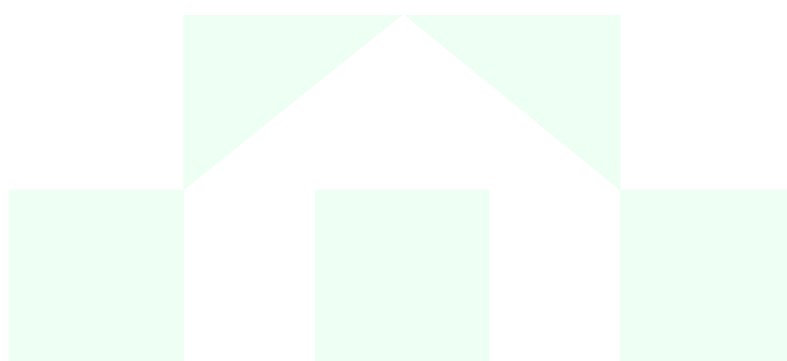
- a. Setting group HR policies, including management development and succession planning for the executive team.
- b. Approving the appointment and termination of employment of staff members.

#### **7 Duties**

The duties which derive from these responsibilities include:

- a. Leading the executive team in the day to day running of the Group's business.
- b. Ensuring effective implementation of Board decisions.
- c. Regularly reviewing the operational performance and strategic direction of the Group's business.
- d. Regularly reviewing the Group's organisational structure and recommending changes as appropriate.

- e. Together with the Chair, providing coherent leadership of THFC, including, representing the Group to customers, investors, government, financial institutions, employees, the community and the public.
- f. Keeping the Chair informed on all important matters.



The Housing Finance Corporation Limited

## The Senior Independent Director

### Role and responsibilities

The Senior Independent Director (the “SID”) is a non-executive director, whose duties include both the general duties of a non-executive director (see below) and the below detailed enhanced duties and areas of responsibility.

The SID will:

- Provide a sounding board for the Chair.
- Where necessary, act as an intermediary for other Directors and take the initiative in discussion with the Chair, or other Board members, should it seem that the Board is not functioning effectively.
- Be available to investors if they have concerns which contact through the normal channels of Chair, Chief Executive or other Executive Director has failed to resolve, or for which such contact is for any reason inappropriate.
- Deputise for the Chair should they be unwell or otherwise unable to fulfil their duties.
- Take an active role on the Nomination Committee when it is considering succession to the role of Chair of the Board.
- Lead a meeting or discussion with the other Non-Executive Directors at least once a year to appraise the Chair’s performance and on such other occasions as are deemed appropriate.
- Act as a point of contact for employees to escalate serious concerns, in the event the staff member feels unable to raise the issue with the Executive Team, the Chair or THFC’s nominated whistleblowers’ champion.

### Appointment

The SID is appointed by the Board, on recommendation from the Nominations Committee.

Shirley Smith is currently appointed SID.

## Directors

### Role and responsibilities

As members of a unitary Board, all directors are required to:

- Provide entrepreneurial leadership of the Group within a framework of prudent and effective controls which enable risk to be assessed and managed;
- Set the Group's strategic aims, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives; and review management's performance;
- Set the Group's values and standards and ensure that its obligations to its members and stakeholders are understood and met;
- Take decisions objectively in the interests of the Group
- Promote the desired culture of the Group.

### Statutory responsibilities

Whilst THFC is registered under the Co-operative and Community Benefit Societies Act 2014, a number of subsidiary companies within the Group are incorporated under the Companies Act 2006 ("CA2006").

All Group directors are therefore expected to act in accordance with the seven general duties of directors as defined in CA2006. These are:

- the duty to act in accordance with the Company's constitution;
- the duty to promote the success of the Company;
- the duty to exercise independent judgement;
- the duty to exercise reasonable care, skill and diligence;
- the duty to avoid conflicts of interest;
- the duty not to accept benefits from third parties; and
- the duty to declare interest in proposed transactions.

In exercising these duties, each director must act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the THFC's employees;
- (c) the need to foster the THFC's business relationships with suppliers, customers and others;
- (d) the impact of the THFC's operations on the community and the environment;
- (e) the desirability of the THFC maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between the members of THFC.

Each of the duties is described in more detail in the relevant section of the Companies Act 2006.

### Independent advice

All directors are authorised to seek, at THFC's expense, appropriate professional advice inside and outside of THFC when they consider this necessary to discharge their responsibilities. Also, they have access at all times to the Company Secretary, external counsel, the external auditors and to other independent advice.

All directors have the right to have any unresolved concerns about the running of THFC or a proposed action recorded in the minutes.

## **Non-Executive Directors**

### Role and responsibilities

The role of non-executive directors is to participate fully in the functioning of the Board, advising, supporting and challenging management where appropriate.

In addition to these requirements of all Directors, the role of the non-executive director has the following key elements:

- **Strategy:** Non-executive directors should constructively challenge and help develop proposals on strategy;
- **Performance:** Non-executive directors should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance; and
- **Governance and Risk:** Ensure that the Group is well governed and that the Board maintains the right controls environment so that risk is both identified and appropriately monitored and managed. THFC seeks to follow best practice in strategic management of risk.

### Appointments and authorities

Non-executive directors are appointed for specific terms subject to election or re-election by shareholders and to the provisions of THFC's rules.

A full list of non-executive directors can be found in the most recent Group Annual Report & Accounts.

## **Executive Directors**

### Roles and responsibilities

The Executive Directors have day-to-day management responsibilities in addition to their responsibilities as members of the Board (set out above). Their responsibilities as members of the Board are separate from their management responsibilities.

**Ray Walker**  
**Company Secretary**  
**24 May 2022**