

## Stakeholder Committee

### Terms of Reference<sup>1</sup>

Throughout this document, references to:

- the “**Board**” means the board of directors of Charter Court Financial Services Group plc (the “**Company**”);
- the “**Chairman**” means the chairman of the Board;
- the “**Group**” means the Company and any wholly owned subsidiary (a “**Group Company**”) which may exist from time to time;
- the “**Subsidiary Board**” means a board of directors of any Group Company;
- “**Employee**” means an employee of the Company or any Group Company.

#### 1. Constitution

- 1.1 The Stakeholder Committee (the “**Committee**”) shall comprise at least three members and include the Board Risk Committee chairperson. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee after consultation with the chair of the Committee (the “**Chairperson**”). A majority of members of the Committee shall be independent non-executive directors.
- 1.2 The Chief Executive Officer and Chief Risk Officer, or his/her nominee, shall be expected to attend all Committee meetings.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals (in addition to those referred to in 1.2), including the Chief Operating Officer, the Director of HR and Central Operations, the Director of Savings, the Managing Director representatives of the risk function, compliance, and internal and external audit, may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 Appointments to the Committee shall be for a period of up to three years, which may be extended by the Board for further periods of up to three years, provided the member still meets the criteria for membership of the Committee.
- 1.5 The Board shall appoint the Chairperson who shall be an independent non executive director. In the absence of the Chairperson and/or an appointed deputy, the remaining members of the Committee present shall appoint one of their number to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board.

#### 2. Purpose

The purpose of the Committee is to:

- 2.1 inform the Board on general policy, objectives and programmes regarding environment and social responsibility, reputation, diversity (other than Board diversity), culture, conduct, employee relationships, customer relations, ethics and investor relations;
- 2.2 ensure the adoption and effective application of relevant policies and monitor compliance;
- 2.3 ensure fair outcomes for all stakeholders consistent with being a trusted and responsible business;
- 2.4 review, on behalf of the Board, the management of conduct risk and reputational risk; and

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<sup>1</sup> Approved at a meeting of the board of directors held on 8 November 2018

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- 2.5 co-ordinate the non-financial and diversity information reporting process in accordance with applicable regulations and standards.

### **3. Membership**

- 3.1 The members of the Committee are:

Ian Ward	Chairperson
Sir Malcolm Williamson	Chairman of the Board
Tim Brooke	Independent Non-Executive Director/ Chair of the Board Risk Committee
Noël Harwerth	Senior Independent Director

### **4. Secretary**

- 4.1 The Company Secretary or his/her nominee shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

### **5. Quorum**

- 5.1 The quorum necessary for the transaction of business shall be two members. The Chairperson shall have the casting vote.

### **6. Frequency of Meetings**

- 6.1 Meetings will be held not less than four times a year at appropriate times and otherwise as required.

### **7. Notice of Meetings**

- 7.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members, or at the request of the Chief Risk Officer, external audit lead partner or head of internal audit if they consider it necessary.
- 7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, all other non-executive directors and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

### **8. Minutes of Meetings**

- 8.1 The secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and those in attendance.
- 8.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, the minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Chairperson.
- 8.3 Final signed copies of the minutes of the meetings of the Committee should be maintained for the company's records, in hard and soft copy where possible.

## **9. Annual General Meeting**

- 9.1 The Chairperson should attend the annual general meeting to respond to questions from shareholders on the Committee's activities.

## **10. Duties**

The Committee should have oversight of the Group as a whole and, unless indicated or required otherwise by regulation, carry out the duties below for the Company and each Group Company. The Committee's authority and duties in these terms of reference extend to all relevant matters concerning the Group, including relevant outsourcing arrangements.

### **Stakeholders**

- 10.1 identify, and keep under regular review, the Company's key stakeholders;
- 10.2 oversee, monitor and periodically evaluate the way in which the Group engages with its key external stakeholders including shareholders, regulators, customers, employees and other interested parties;
- 10.3 ensure that appropriate internal and external communication policies are in place and working effectively including ensuring that there are appropriate lines of reporting from stakeholder engagement activities to the Board;
- 10.4 review and sign off the corporate responsibility report in the Company's annual strategic report ensuring how the impact of the Company's actions on stakeholders is taken into account by the Board in its decision-making is adequately described;

### **Reputation**

- 10.5 review the effectiveness of the processes and policies by which the Group identifies and manages reputational risk, including reviewing the effectiveness of the reputational risk framework on an annual basis;
- 10.6 periodically review the Group's implementation of policies on reputational risk and monitor compliance by receiving reports on reputational risk issues/exposures etc.
- 10.7 define reputational risk metrics and indicators, and provide input to the Remuneration Committee as necessary on risk adjustments to be made to incentive packages;
- 10.8 identify and monitor those external developments which are likely to have a significant influence on the Group's reputation and/or its ability to conduct its business appropriately and review how best to protect that reputation or that ability;
- 10.9 oversee policies which define the customers the Group will do business with, including policies relating to sectors determined by the Committee from time to time to involve risk to the Group's reputation or which do not align with Group values;

### **Conduct, Culture and Values**

- 10.10 review the effectiveness of the processes and policies by which the Group identifies and manages conduct risk, including reviewing the effectiveness of the conduct risk framework on an annual basis;
- 10.11 periodically review the Group's implementation of policies concerning customers and employees and monitor compliance by receiving reports on complaint and grievance levels, vulnerability satisfaction levels, and net promoter scores etc.;

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- 10.12 define conduct and culture risk metrics and indicators, and provide input to the Remuneration Committee as necessary on risk adjustments to be made to incentive packages;
- 10.13 oversee the promotion and embedding of Group values and the maintenance of a culture which supports Group employees;

### **Regulatory Compliance**

- 10.14 receive prompt notification of any material adverse reports or sanctions by any regulatory authority;
- 10.15 review and approve the annual Group compliance plan, including details of activities, resources, skills, experience and expertise;
- 10.16 periodically review arrears management practices, including details of activities, resources, skills, experience and expertise;
- 10.17 review compliance reports and reports on regulatory relationships;
- 10.18 keep up to date on the actions being taken to address issues raised by regulators;

### **Environment and Social Responsibility**

- 10.19 define and approve the Group's environmental and social policy and oversee its conduct of its obligations;
- 10.20 review the effectiveness of the processes and policies by which the Group discharges its environmental and social responsibilities, including reviewing the effectiveness of the environment and social responsibility framework on an annual basis;
- 10.21 oversee policies and practices in support of public policy initiatives relevant to the Group's customers, including policies on providing mortgages to help home ownership, promoting financial education and inclusion and helping customers in financial difficulty;

### **Employees**

- 10.22 oversee the Group's strategy and policies on employee-related matters including policies on diversity, disability, health and safety, training and development, flexible working, employee engagement and employee complaints.

## **11. Reporting Responsibilities**

- 11.1 The Committee chairperson shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3 The Committee shall produce a report of its activities and the Company's risk management and strategy to be included in the Company's annual report.

## **12. Other Matters**

The Committee shall:

- 12.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

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- 12.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 12.3 give due consideration to relevant laws, regulations and best practice guidelines issued by industry bodies, regulators and government authorities from time to time, the provisions of the UK Corporate Governance Code and any other applicable rules, as appropriate;
- 12.4 oversee any investigation of activities which are within its terms of reference; and
- 12.5 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

### **13. Authority**

- 13.1 The Committee is authorised to consider any aspect of the way in which the Group treats its customers and the products and services it provides, including product design and suitability, sales processes and incentivisation, after-sales service, transparency of fees and protection of customer data, using satisfaction levels as a key measure of effectiveness in this regard.
- 13.2 The Committee is authorised to seek any information it requires from any Employee and request any Employee or any advisor to provide information and/or attend its meetings as required. All Employees are directed to co-operate with any request made by the Committee.
- 13.3 The Committee will have access to, and will be provided with, all accounting, compliance, internal and external audit reports and records required to enable it to discharge its obligations and duties. It is also free to request any further information it considers necessary.
- 13.4 The Committee is authorised to obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.