

BOARD OF GENTOO GROUP LIMITED

TERMS OF REFERENCE

APPROVED BY GROUP BOARD: 22 FEBRUARY 2017

EFFECTIVE FROM: 1 APRIL 2017

GENTOO GROUP LIMITED ("the Association")

TERMS OF REFERENCE With effect from 1 April 2017

1. DEFINITIONS AND INTERPRETATION

1.1 In these Terms of Reference, unless the context otherwise requires:

"Committee" means Risk and Audit Committee, Appointments and Remuneration, Operations Committee or any other standing committee set up by the Group Board

"Secretary" means the appointed Secretary or Deputy Secretary

"Rules" means the Rules of the Association, a copy of which can be obtained from the Secretary or which are publically available from the FCA website

"Group" means the Association and all entities directly or indirectly controlled or owned by it.

"Group Board" means the Board of the Association

"Independent Member" as defined in the Rules

"Members" means the executive and non-executive members of the Association who collectively make up the Group Board

"Subsidiary" means any legal entity directly or indirectly controlled or owned by the Association

"Code" National Housing Federation Code of Governance

2. **PURPOSE**

The Group Board has overall responsibility to determine vision and strategy, direct, control and scrutiny of the Group in accordance with the requirements of the Code. This includes monitoring the Group's performance and the deployment of its resources. Group Board will take all reasonable steps to ensure that any activities undertaken do not place social housing assets or its financial viability at risk. The Group Board must ensure that the Group operates effectively and within the terms of its internal governance requirements, complies with laws and regulatory requirements and upholds the Group's vision and values.

The Group Board is responsible for ensuring that the Group has an effective risk management and internal control framework in place that protects social housing assets and maintains the financial viability of the Group. This includes having an understanding of how risk in one part of the Group may affect other entities within the Group. Where appropriate the Board may delegate a detailed review of such matters to the Risk and Audit Committee, but the Board retains overall responsibility for them.

3. **MEMBERSHIP**

3.1 Members shall be appointed in accordance with D11 – D17 of the Rules.

3.2 Non-executive appointments to the Group Board shall be for a period of up to three years in the first instance, which may be extended for one further three year period (Rule D12). Appointments for a third term renewed annually will be subject to rigorous scrutiny by Appointments and Remuneration Committee. All appointments and re-

appointments shall be made in line with the Board Lifecycle Policy, and in the context of the Board Diversity Policy.

- 3.3 The Board shall appoint a Chair and a Vice Chair who shall be Independent Members. In the absence of the Chair and/or Vice Chair, the remaining Members present shall elect one of themselves to chair the meeting (Rules E1 – E2).
- 3.4 The Chair of the Association shall be known as the "Group Chair".

4. **SECRETARY**

The Board shall approve the appointment of a Secretary and a Deputy Secretary who may act in the Secretary's absence (Rule E7).

5. **QUORUM**

The quorum necessary for the transaction of business shall be three Members which shall include at least one Independent Member with Executive Members being in the minority (Rule D18). A duly convened meeting of the Group Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Group Board. The only business which an inquorate meeting of Group Board may conduct is to set a date for the next meeting.

6. **FREQUENCY OF MEETINGS**

- 6.1 The Group Board shall meet at least six times a year at appropriate times in the reporting cycle and otherwise as required.
- 6.2 An Annual General Meeting shall be held each year no more than six months after the close of the financial year. It shall:
 - 6.2.1 receive the annual report (Rule C10 – C11). The annual report shall contain:
 - 6.2.1.1 the revenue accounts and balance sheets for the last accounting period.

6.2.1.2 the auditor's report on those accounts and balance sheets.

6.2.1.3 the Group Board's report on the affairs of the Association.

6.2.2 appoint the External Auditor

6.2.3 elect (or re-elect) Board Members if applicable

6.2.4 transact any other business of the Association as set out in the notice, including those specified by the External Auditors.

7. NOTICE OF MEETINGS

7.1 Meetings of the Group Board shall be called by the Secretary at the request of the Chair or any two Board Members who give written notice to the Secretary in the manner laid out in the Rules or at the request of external or internal auditors if they consider it necessary (Rule D30).

7.2 Unless otherwise agreed, written 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 and any other person required to attend, no later than 7 calendar days before the date of the meeting (Rule D29). Written notice may be served by hand, by post or by electronic communication. Supporting papers shall be sent to Members and to other attendees as appropriate, at the same time.

8. MINUTES OF MEETINGS

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

8.2 The Secretary shall ascertain, at the beginning of each meeting the existence of any declarations of interest and minute them accordingly (Rule D20).

8.3 Minutes of board meetings shall be agreed by the Chair and circulated promptly to all Members, unless a conflict of interest exists which would prevent this.

9. MATTERS RESERVED FOR THE BOARD

Strategy and management

- 9.1 Responsibility for the overall leadership of the Group:
- Setting and ensuring compliance with the Group's vision and values and approving the Group's long-term aims, objectives (financial and non-financial) business strategy and business plans of trading subsidiaries following recommendations received from the Group's Executive Team.
 - A positive culture, with strong customer focus
 - Ensuring that the Group operates efficiently, effectively and economically
- 9.2 Annual review of the 10 year business plan and approval of the annual operating and capital expenditure budgets and any material changes to them.
- 9.3 Provide oversight, direction and constructive challenge to the Group's Executive Team.
- 9.4 Oversight of the Group's operations ensuring:
- Competent and prudent management;
 - Sound planning;
 - An adequate system of internal control;
 - Adequate accounting and other records; and
 - To ensure the social housing assets are protected and regulatory compliance is maintained.
- 9.5 Review of performance in the light of the Group's strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
- 9.6 Approve the creation, purchase or dissolution of new Group entities or joint ventures or the extension of the Group's activities into new business or geographic areas having regard for the impact on viability.

10. Structure and capital

- 10.1 Major changes to the Group's corporate structure and major capital projects.
- 10.2 Major changes to the Group's management and control structure.
- 10.3 Any changes to the Association's legal status.

11. Financial reporting and controls

- 11.1 Approval of the annual budget and mid-year reviews.
- 11.2 Approval of the annual report and accounts, satisfying itself as to the integrity of financial information, including but not limited to the certification of compliance with HCA Governance and Financial and Viability Standard and the Code.
- 11.3 Approval of any significant changes in accounting policies or practices.
- 11.4 Approval of:
 - The finance strategy including long term cash flow projections and capital structure (following advice from the Executive Director of Finance confirming funding lines are in place in sufficient time and ensure that they effectively identify and manage any risks of re-financing
 - The Treasury Policy
 - The Financial Regulations
- 11.5 Approval of additional financial resource requirements of the Group's trading subsidiaries received outside the normal budgetary/business planning cycle.
- 11.6 Approval of all borrowings for periods exceeding 12 months in the pursuance of the Group's objectives. Agree any appropriate charge against the Group's assets whilst ensuring compliance with HCA's Category 6 General Consent where relevant.

12 Internal controls

12.1 Establish and ensure sufficient oversight and maintenance of a sound system of internal control and risk management including:

- Receiving reports on, and reviewing the effectiveness of, the Group's business planning, risk and control framework and process to support its strategy and objectives
- Undertaking an annual assessment of these processes
- Approving an appropriate statement for inclusion in the annual report
- Approval of the Group's risk appetite
- Providing the Group's internal audit provider with full, free and unrestricted access to the organisations records, properties and personnel.

13. Contracts

13.1 Major capital projects outside of the business planning process.

13.2 Contracts or acquisitions which are material strategically or by reason of size, entered into by the Association or any part of the Group in the ordinary course of business, or in any event above £5m non-land and buildings, £10 million land and buildings. Contracts of the Association or any part of the Group not in the ordinary course of business, for example or in any event above £5m.

13.3 Disposals of fixed assets with a net book value greater than £250,000.

13.4 Major investments including the acquisition or disposal of interests of more than 5 percent in the voting shares of any company/entity or the making of any takeover offer.

14. Board membership and other appointments

14.1 Changes to the structure, size, quorum and composition of the board, following recommendations from the Appointments and Remuneration Committee.

- 14.2 Ensuring adequate succession planning for the board and senior management and the maintenance of the agreed skills matrices required for all Group Boards and Committees.
- 14.3 Appointments and re-appointments of Board Members following recommendations by the Appointments and Remuneration Committee (Rules D11 – D17). Appointments and re-appointments of executive directors to all Group Boards and Committees following nomination by the Group Chief Executive Officer.
- 14.4 Selection, appointment and re-appointment of the Chair of the board and the Vice Chair on the recommendation of the Appointments and Remuneration Committee (Rules E1 – E2).
- 14.5 Approve the appointment and re-appointment of Members and Chairs to all Boards and Committees on the recommendation of the Appointments and Remuneration Committee (in the case of the Risk and Audit Committee the Chair appointed shall not also be the Group Chair or the Chair of any other standing committee). This includes the continuation in office of directors at the end of their term of office, when they are due to be re-elected at the AGM and otherwise as appropriate (Rule D34).
- 14.6 Appointment and, if necessary, the dismissal of the Chief Executive Officer (Rule E6).
- 14.7 Appointment or removal of the Secretary or Deputy Secretary (Rule E7).
- 14.8 Appointment, reappointment or removal of the external auditor, and approval of the annual External Audit Management Letter following the recommendation of the Risk and Audit committee. (Rule F1).

15. Remuneration

- 15.1 To receive recommendations from the Appointments and Remuneration Committee to approve a framework or policy for the remuneration (including pension arrangements) of the

Group Chair, Group Chief Executive Officer and their direct reports

- 15.2 To determine the remuneration of the non-executive Group Board members, subject to the Rules and the Code and receive recommendations from the Group Chair and Group Chief Executive Officer and any other appropriate source eg external consultants.

16. Delegation of authority

- 16.1 To determine the matters to be reserved to the Board and to create division of responsibilities and delegations between the Chair, the Chief Executive Officer and Group Executive Team, specific Group entities, Committees, officers, Working Groups and employees.
- 16.2 Approval of Terms of Reference of all Group Boards and Committees.

17. Corporate governance matters

- 17.1 Undertaking a formal and rigorous review annually of its own performance, that of its Committees both as a collective and individual Board Members.
- 17.2 Determining the independence of Board Members.
- 17.3 Review of the Group's overall corporate governance arrangements and the effectiveness of how its business is conducted ensuring compliance with statutory and regulatory obligations including:
- How the Code of Governance is applied to each Group entity.
 - Governing instruments, delegations, regulations, structures and other formal documentation
 - The timing and frequency of meetings
 - The format of the agenda, papers, minutes and communications
 - Compliance with the Code and legal duties

18. Policies

18.1 Approval of all Tier 1 policies and any other policies as the Board sees fit.

19. Other

19.1 The making of political donations.

19.2 Approval of the appointment of the Group's principal professional advisers.

19.3 Prosecution, defence or settlement of litigation, material to the interests of the Group.

19.4 Approval of the overall levels of insurance for the Group including directors' & officers' liability insurance and indemnification of directors.

19.5 Major changes to the rules of the Group's employment terms and conditions and pension scheme arrangements.

19.6 This schedule of matters reserved for board decisions.

19.7 To receive the annual report of the Chair of the Risk and Audit Committee which should include commentary on but not limited to:

- satisfaction with the framework to maintain the Group's Assets and Liabilities register
- compliance with laws and regulation
- process and outcome of stress testing

19.8 Matters which the board considers suitable for delegation are contained in the terms of reference of its Committees. In addition, the board will receive reports and recommendations from time to time on any matter which it considers significant to the Group.

20. REPORTING RESPONSIBILITIES

Minutes of the Group Board shall be submitted to the Lead Regulator at the Homes and Communities Agency as necessary.

21. OTHER MATTERS

The board shall:

- 21.1 Have access to sufficient resources in order to carry out its duties, including access to the secretariat and executive for assistance.
- 22.2 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.
- 23.3 At least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and make any changes it considers necessary.

22. **AUTHORITY**

The board is authorised:

- 22.1 To seek any information it requires from any employee of the Group in order to perform its duties.
- 22.2 To obtain, at the Group's expense, outside legal or other professional advice on any matter within its terms of reference or Rules.
- 22.3 To call any employee to be questioned at a meeting of the Group Board.