

Rothsay

# Customer Conduct Committee

Terms of Reference

April 2022



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# Customer Conduct Committee

## Terms of Reference

### 1. Definitions

|                                    |   |
|------------------------------------|---|
| Audit Committee                    | Audit committee of the board of the Company   |
| Board                              | Rothesay Limited board of directors   |
| Board Risk Committee               | Risk committee of the board of the Company  |
| Business Controls Committee        | Executive level sub-committee of the Senior Management Committee  |
| Chair                              | Chair of the Committee  |
| Committee                          | Rothesay Limited Customer Conduct Committee   |
| Company                            | Rothesay Limited  |
| Company Secretary                  | The company secretary(s) for Rothesay Limited   |
| Customers                          | For the purposes of these terms of reference, means: <ul style="list-style-type: none"> <li>• 'Retail customers' as defined in the FCA Handbook who are direct existing or potential policyholders of any member of the Group;</li> <li>• Trustees of pension schemes and insurance companies which have been or are due to be insured or reinsured by a member of the Group;</li> <li>• Individual borrowers where the Group has financed the mortgage (notwithstanding the lack of a direct contractual nexus); and</li> <li>• Leaseholders against whose ground rents the Group has provided loans (notwithstanding the lack of a direct contractual nexus)</li> </ul> |
| Executive Customer Committee       | Executive level sub-committee of the Senior Management Committee that reports to the Committee.   |
| Group                              | Rothesay Limited and its subsidiaries from time to time   |
| Independent Non-Executive Director | Non-Executive Director of the Company who is independent in the opinion of the Board  |
| Nomination Committee               | Nomination Committee of the board of the Company  |
| Senior Management Committee        | Executive level senior management committee of the Group  |

### 2. Purpose

To assist the Board in ensuring that conduct towards Customers:

- meets the Group's strategic objectives;
- operates within risk appetite;
- maintains compliance with applicable legal and regulatory requirements and expectations; and
- is effectively coordinated across the Board's Committees.

The Committee recognises that the nature and extent of the Group's obligations varies between Customers, and principally flows from:

- the Group's contractual role and responsibilities in a product, service or investment arrangement

- Customer classification, i.e. professional clients, retail customers or consumers;
- A Customer's anticipated capability and circumstances, including vulnerable circumstances;
- Applicable regulatory requirements, both in the UK and abroad.

In particular, the Group's obligations may differ between Customers who have a direct relationship with the Group, and those with no contractual nexus who are nonetheless potentially affected by the (in)actions of the Group, its employees or third parties acting as its agent.

The Committee is responsible for taking these differentiating factors into account in its oversight and approach and providing assessments and reports to the Board as to the Group's compliance with Rothesay's standards for, and regulatory obligations to, Customers.

Specifically in relation to retail customers, the Committee is responsible for enabling the Board to demonstrate the Group acts to deliver good outcomes and operates appropriate systems and controls to meet FCA requirements and expectations, with particular focus on customer vulnerability and, effective April 2023, the FCA's 'Consumer Duty'.

The Committee's remit is focused on the oversight of conduct risk insofar as it impacts, or could impact, Customers. The Committee will liaise with the chairs of the Audit Committee and the Board Risk Committee to ensure the coordination of oversight being performed by each committee.

### **3. Membership**

- 3.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, in consultation with the Chair.
- 3.2 The Board shall appoint the Chair who should be either the chair of the Board or an Independent Non-Executive Director.
- 3.3 Appointments shall be for a period of up to three years, extendable by additional periods of three years, so long as members continue to meet the criteria for membership of the Committee.
- 3.4 The Committee shall consist of not less than four members, one of whom shall be the Chair of the Audit Committee.
- 3.5 All members of the Committee shall be Independent Non-Executive Directors.

### **4. Meetings and attendance**

- 4.1 Only members of the Committee and Board or Rothesay Life Plc Board members have the right to attend Committee meetings. Other individuals, such as relevant Senior Managers and/or their delegates and any external advisors appointed by the Committee may attend all or any part of any meeting of the Committee if invited by the Committee, as and when appropriate and necessary.
- 4.2 In the absence of the Chair, the remaining members present shall elect one of their number to chair the meeting.

### **5. Quorum and Voting**

- 5.1 A quorum necessary for the transaction of business shall be three members.
- 5.2 A duly convened meeting of the Committee 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 Committee.
- 5.3 Only members of the Committee may vote at Committee meetings.
- 5.4 Matters arising at any Committee meeting shall be determined by a majority of votes
- 5.5 In the case of an equality of votes, the Chair shall have a second or casting vote (unless he/she is not entitled to vote on the resolution in question).

### **6. Approvals in Writing**

The Committee may exercise all or any of the authorities, powers and discretions vested in or exercisable by it by written resolution. Any such written resolution may be effected by email. The quorum for approval of any written resolution by the Committee shall be a majority of Committee members, including the Chair, indicating their agreement to the same.

### **7. Secretary**

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

## 8. Frequency and notice of meetings

- 8.1 The Committee shall meet five times a year and otherwise as required.
- 8.2 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Chair.
- 8.3 The Chair or any other member of the Committee may convene additional meetings at any time to deal with matters in the remit of the Committee.
- 8.4 The chair of the Board, the Chief Operating Officer, the Chief Executive Officer, the Managing Director or the Chief Compliance Officer, may also request a meeting via the Chair if considered necessary.
- 8.5 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 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.
- 8.6 Board members who are not Committee members may attend all Committee meetings unless otherwise specified by the Chair ahead of a particular Committee meeting.

## 9. Minutes of meetings

- 9.1 The secretary of the Committee shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance and retain copies of the papers.
- 9.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the Chair it would be inappropriate to do so.
- 9.3 The secretary of the Committee shall record all actions, and ensure that they are clearly assigned, completed and reported back to the Committee.
- 9.4 Final signed copies of the minutes of the meetings of the Committee should be maintained for the Company's records.

## 10. Duties

The Committee is responsible for:

- 10.1 Reviewing the Group's strategy for Customers, providing oversight of its execution and direction to ensure the strategy meets the Group's desired customer outcomes
- 10.2 Reviewing and providing oversight, and providing recommendations to the Board Risk Committee, in relation to the performance of conduct risk frameworks and conduct governance (including product governance) against risk appetite and the reporting of conduct risk insofar as it relates to Customers,
- 10.3 Monitoring and overseeing compliance with applicable regulatory and legal requirements, including those relating to Customer data
- 10.4 Providing an escalation point for decisions relating to Customers that arise in product approval processes (both new arrangements and material changes to existing ones)
- 10.5 Periodically reviewing the management and measurement of identified conduct risks that could impact Customers, including oversight and recommendations to the Board Risk Committee in respect of relevant sections of the Group's Non-Financial Risk Register;
- 10.6 Reviewing reporting from the Executive Customer Committee including reporting on:
  - 10.6.1 the maintenance of appropriate operational service standards including:
    - 10.6.1.1 oversight of the performance of the Group's third party administrators;
    - 10.6.1.2 oversight of the Group's compliance with the complaints handling process;
    - 10.6.1.3 review of complaints data received by the Group, and
  - 10.6.2 projects or working groups established to implement new regulations, or industry best practice that impacts Customers.
- 10.7 Reviewing the summary output of compliance monitoring reviews covering Customers or issues relating to the Group's conduct in relation to Customers;
- 10.8 Ensuring that the Group's senior management:
  - 10.8.1 has instilled a culture, training and development environment within the Group whereby people understand what the fair treatment of Customers means, including customers in vulnerable circumstances; that they expect staff to achieve this at all times; and that any errors are promptly identified and corrected;
  - 10.8.2 appropriately and accurately measure performance against all Customer issues materially relevant to the Group, and are acting on the results;
- 10.9 Ensuring that the Group:
  - 10.9.1 has appropriate systems and controls in place to avoid serious conduct failings (i.e., those which significantly affect the delivery of good outcomes to Customers) – whether seen through management information or known to the Group directly – including in areas of particular regulatory interest that have been previously publicised; and

10.9.2 is delivering appropriate outcomes through those measures

In fulfilling these duties and responsibilities, the Committee must consider any Customer risks arising that could adversely impact the reputation of the Group or the viability or sustainability of the Group's business model. This includes, but is not limited to, the potential effect of any business opportunities, transactions, products, acquisitions, investments, activities or other matters that could impact Customers. The Committee aims to balance the interests of the Group's Customers with those of other stakeholders (shareholders; suppliers; regulators; creditors; employees, and society in general). Should any serious conduct failings occur, the Committee will oversee action by the Executive Customer Committee to rectify such failings.

## **11. Cooperation with other Committees**

- 11.1 The Committee shall work with the Audit Committee and the Board Risk Committee to ensure that customer conduct is properly considered within the Group's framework of internal controls.
- 11.2 The Committee shall review and approve material amendments to the terms of reference for the Executive Customer Committee, shall provide authorisation and oversight to the work of the Executive Customer Committee.
- 11.3 Where there is a perceived overlap of responsibilities between the Audit Committee, the Board Risk Committee, and the Committee, the respective committee chairs shall have the discretion to agree the most appropriate committee to fulfil any obligation. An obligation under the terms of reference of the Audit Committee, the Board Risk Committee, or the Committee will be deemed by the Board to have been fulfilled providing it is dealt with by either the Audit Committee, the Board Risk Committee, or the Committee.

## **12. Governance and reporting responsibilities**

- 12.1 The Committee shall receive regular, but not less than quarterly, reports from the Executive Customer Committee, the Chief Operating Officer and the Chief Compliance Officer, concerning matters of customer conduct.
- 12.2 The Chair shall report formally to the Board on its proceedings after each meeting on all matters which fall within the Committee's remit, making recommendations when requested or deemed appropriate.
- 12.3 If the Committee is not satisfied with any aspect of the Group's treatment of Customers, or any other areas within the Committee's duties or remit above, the Committee shall promptly report its views to the Board.
- 12.4 The Committee shall produce a report on its activities to be included in the annual report.
- 12.5 The Chief Operating Officer, Chief Risk Officer and Chief Compliance Officer shall have a right of direct access to the Chair.
- 12.6 Where the Committee agrees that changes need to be made to a proposal that has been put before the Committee then the amended proposal shall be brought back before the Committee for final approval at a later date, or authority to sign off the amended proposal shall be delegated to the Executive Customer Committee, the Chief Operating Officer or other named individuals at the discretion of the Committee.

## **13. Authority**

The Board authorises the Committee:

- 13.1 to seek any information it requires from any employee in order to perform its duties;
- 13.2 to obtain, at the Group's expense, external legal, actuarial, risk management or other professional advice on any matter within these Terms of Reference;
- 13.3 to call any employee to be questioned at a meeting of the Committee as and when required; and
- 13.4 to delegate any of its duties, as appropriate to such person or persons as it sees fit.

## **14. Annual performance evaluation and Terms of Reference**

The Committee should conduct an annual performance evaluation of the Committee regarding its activities and effectiveness, including member participation, and provide the results of the evaluation to the Board. The evaluation should include an assessment of the performance of the Committee against the duties and responsibilities set out in these Terms of Reference and should entail a review of these Terms of Reference. The Committee should recommend any changes it considers necessary to the Terms of Reference to the Board.

## **15. Other matters**

The Committee shall:

- 15.1 have access to sufficient resources in order to carry out its duties, including access to the Group's company secretariat function for assistance as required;
- 15.2 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;

15.3 give due consideration to laws and regulations, including the general duties of directors set out in the Companies Act 2006, and other provisions, requirements and applicable rules, as appropriate; and

15.4 oversee any investigation of activities which are within these Terms of Reference.

15.5 to obtain, at the Group's expense, external legal, actuarial, risk management or other professional advice on any matter within these Terms of Reference.

**Approved by the Board on 5 April 2022.**