

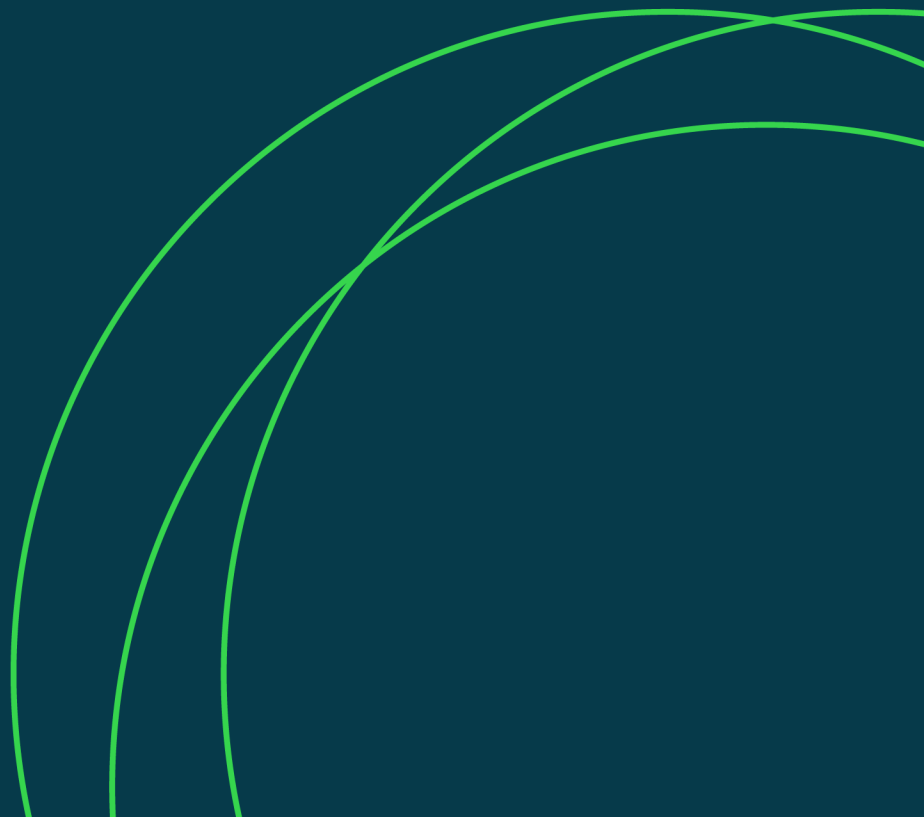


**Sparrow**  
Shared Ownership

# Terms of Reference for the Board of Sparrow Shared Ownership Limited

VERSION: 2.0

APPROVED 24/02/2025  
BY BOARD



# Terms of Reference for the Board of Sparrow Shared Ownership Limited

## INTRODUCTION

### 1. Our policy statement

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#### 1.1 The Board will be responsible for the following:

- 1.1.1 providing effective and entrepreneurial leadership to promote the long-term sustainable success of Sparrow Shared Ownership Limited (the Company), to generate value for its investors and contributing to wider society;
- 1.1.2 establishing the purpose, values and strategy of the Company and satisfying itself that these and its culture are aligned;
- 1.1.3 ensuring that the necessary resources are in place for the Company to meet its objectives and measure performance against them;
- 1.1.4 ensuring the current strategic direction of the Company embeds a culture which supports ever improving outcomes for customers and members of the workforce.
- 1.1.5 establishing a framework of prudent and effective controls, which enable risk to be assessed and managed;
- 1.1.6 ensuring effective engagement with, and encouraging participation from its customers, investors and other stakeholders;
- 1.1.7 ensuring that workforce policies and practices are consistent with the Company's values and behaviours and support its long-term sustainable success.

#### 1.2 The Board shall:

- 1.2.1 approve the Company's accounts each year, prior to publication, and approve each year's budget and strategic plan;
- 1.2.2 agree and/or adopt policies and make decisions on all matters that might create significant financial or other risk to the Company, or which raise material issues;
- 1.2.3 monitor the Company's performance in relation to its business planning, budgets, controls and decisions, taking into account customer feedback and the performance of other comparable organisations and ensuring the organisation operates effectively, efficiently and economically;
- 1.2.4 receive and monitor management accounts of the Company at each Board meeting;
- 1.2.5 set a positive culture, with strong customer focus;
- 1.2.6 provide oversight, direction and constructive challenge to the Company's Managing Director and senior staff;
- 1.2.7 assess the Company's compliance with the Code;
- 1.2.8 maintain oversight over the Company's compliance with the requirements of the Regulator of Social Housing;

- 1.2.9 satisfy itself that the Company's affairs are conducted lawfully and in accordance with all other applicable regulations and generally accepted standards of performance and probity.

## 2. Reserved Matters for the Board of the Parent

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- 2.1 The parent company of the Company is Sparrow Housing Group Limited, a Jersey registered company (Jersey Company no.155564) (the Parent).
- 2.2 The matters listed in paragraphs 2.3.1 to 2.3.34 below are specifically subject to the approval of the Board of the Parent .
- 2.3 The reserved matters are:
- 2.3.1 Altering in any respect the articles of association or the rights attaching to any of the shares of the Company (as applicable).
  - 2.3.2 Approval of the Dividend Policy.
  - 2.3.3 Declaring or paying any distribution in respect of surpluses, assets or reserves or in any other way reducing the reserves of the Company (as applicable) in accordance with Dividend Policy.
  - 2.3.4 Changing accounting and reporting policies.
  - 2.3.5 Changing the registered office.
  - 2.3.6 Making of political donations or gifts.
  - 2.3.7 Approving the appointment or removal of the Company's Secretary.
  - 2.3.8 Admission to listing or trading on any securities exchange.
  - 2.3.9 Admission of Shareholders.
  - 2.3.10 Appointment or removal of any person as a director.
  - 2.3.11 Changes to the structure, size and composition of the Board.
  - 2.3.12 Directors' continuation in office at the end of their term in office.
  - 2.3.13 Directors' continuation in office at any time, including the suspension or termination of service of an executive director as an employee of the Company.
  - 2.3.14 Issuing any loan capital or entering into any commitments with any person with respect to the issue of any loan capital.
  - 2.3.15 Making any loan or advance or giving credit.
  - 2.3.16 Approving or authorising any intragroup loans.
  - 2.3.17 Issuing or purchasing any securities.
  - 2.3.18 Admission to listing or trading on any securities exchange.
  - 2.3.19 Adopting the Business Plan or amending the Business Plan beyond agreed parameters.
  - 2.3.20 Approving any action outside the parameters of the Business Plan including but not limited to contracted expenditure of the company outside the parameters of the Business Plan.
  - 2.3.21 Forming any subsidiary or acquiring shares in any other company or participating in any partnership or joint venture (incorporated or not).
  - 2.3.22 Amalgamating, merging or demerging with any other company or business undertaking.
  - 2.3.23 Acquiring, disposing or agreeing to acquire or dispose any asset or any other land or buildings outside the parameters of the Business Plan.
  - 2.3.24 Entering into any arrangement, contract or transaction outside the normal course of the Business Plan or otherwise than on arm's length terms.
  - 2.3.25 Entry into any guarantee, indemnity or surety or provide security for the obligations of the third party.

- 2.3.26 Negotiating and agreeing the terms of any material contracts outside the parameters of the Business Plan with a value of up to £50,000.
- 2.3.27 Entering into contracts with external consultants outside parameters of the Business Plan with a value of £50,000 or more.
- 2.3.28 The employment (or termination of employment) of any person where the applicable emoluments and pension benefits for such person shall cost the Company more than £100,000 per annum or it is intended to increase emoluments or pension benefits of such employee by in excess of £50,000 per annum. The employment (or termination of employment) of any person where the applicable emoluments and pension benefits for such person shall cost the Company more than £100,000 per annum or it is intended to increase emoluments or pension benefits of such employee by in excess of £50,000 per annum.
- 2.3.29 Major changes to the Company's pension scheme including changes of trustees and changes in the fund management arrangements.
- 2.3.30 Any litigation or other legal proceedings where the value of the claim is more than £25,000 and is not for the recovery of debts in the ordinary course of business.
- 2.3.31 Entering into any transaction or arrangement which is not on an arm's length basis.
- 2.3.32 Disposing of a substantial part of the business and or assets of the Company.
- 2.3.33 Passing any resolution for the Company's winding up or presenting any petition for its administration of the Company, or any of its subsidiaries, making an assignment for the benefit of creditors, consenting to the appointment of a custodian, receiver, trustee or liquidator with similar powers or making or commencing of any voluntary bankruptcy or insolvency filing of receivership.
- 2.3.34 Decisions to cease to operate all or any material part of the Company's business.

### 3. Delegation

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- 3.1 In the event of any conflict between the Constitution and the Standing Orders, the Constitution shall supersede the Standing Orders.
- 3.2 It is the responsibility of the Board to decide what matters may be delegated to the Committees and Executives. The areas of responsibility delegated to the Committees and Executives are set out in the Committees' Terms of Reference and the Standing Orders. However, the Company may from time to time delegate their powers in relation to specific matters and transactions.
- 3.3 The Board of the Company may delegate its powers to:
  - a) any Committee or number of Committee Members;
  - b) any Board Member or number of Board Members;
  - c) any working group or task and finish group for specific projects;
  - d) any executive officer or officers, and  
any such delegation may be:
  - e) subject to any conditions that the Board may impose; and
  - f) imposed either collaterally with or to the exclusion of the relevant Board's own powers;  
and
  - g) revoked or altered.
- 3.4 Any decisions made on behalf of the Company in accordance with the delegations must be reported to the next meeting of the Board for noting.

## 4. Summary: Committees and Terms of Reference

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- 4.1 The Board shall establish and may change from time to time the membership and terms of reference of any Committee.
- 4.2 A Committee's Terms of Reference shall include any delegations and the reporting arrangements to the Board.
- 4.3 The Company's Audit & Risk Committee has responsibility for overseeing the Company's audit functions and leads on matters of probity and risk.
- 4.4 The Remuneration and Nomination Committee is responsible for overseeing Board Member and senior executive appointments. It also agrees the remuneration strategy for all employees and remuneration for the Managing Director, Finance Director and other designated senior employees.
- 4.5 The Board shall have power to give directions to any Committee in relation to the future exercise of delegated functions and it may exercise any function included in the delegation to the Committee.
- 4.6 Any Committee may submit a matter to the Board for decision, even though the power to deal with this matter has been delegated by the Board to the Committee.
- 4.7 The minutes of any decisions of a Committee taken pursuant to delegated powers shall be made available to all the Board and any Board Member may ask a question of the Chair of the Committee on any matter included in those minutes.
- 4.8 The Board and Committees will carry out an annual self-assessment to consider their effectiveness. The Board and Committees will also carry out a formal review of their effectiveness every three years to ensure best practice and that documentation is compliant with the latest legislation and regulations.

## TERMS OF REFERENCE FOR BOARD

### 1. Introduction

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- 1.1 This document sets out the terms of reference for the board of Sparrow Shared Ownership Limited (the Company).
- 1.2 These terms of reference may be varied by the Board with the consent of the Parent from time to time.
- 1.3 References to the “Code” in these terms of reference mean the FRC UK Corporate Governance Code.

### 2. Composition

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- 2.1 The number of the Board shall be determined by the Parent. It is currently set at a minimum of 5 and a maximum of 12.
- 2.2 At least half the Board, excluding the chair, should be non-executive directors whom the Board considers to be independent as defined by the Code.

### 3. Powers of the Board

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- 3.1 The Board shall direct the affairs of the Company in accordance with its articles of association and ensure that its functions are properly performed. The ultimate responsibility for the direction and management of the Company rests with the Board.
- 3.2 The Ringfencing Agreement entered into between the Company and the Parent (amongst others) lists matters which the Board may only undertake with the consent of the Parent. These have been reflected in these Terms of Reference.

### 4. Functions of the Board

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- 4.1 Strategy and management
  - 4.1.1 The consideration of how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the Company's business model and how governance contributes to the delivery of its strategy.
  - 4.1.2 Responsibility for the overall leadership of the Company and setting the Company's purpose, values and strategy.
  - 4.1.3 Approval of the Company's business plans and long-term strategy.
  - 4.1.4 The consideration in Board discussions and decision-making of the matters set out in s172 of the Companies Act 2006. The Board shall ensure that stakeholder engagement mechanisms are kept under review so that they remain effective.
  - 4.1.5 The assessment and monitoring of culture to ensure that management have aligned policy, practices and behaviour throughout the business with the Company's purpose, values and strategy, and that its culture promotes diversity, equality and inclusion.
  - 4.1.6 To review the strategy the Company has set to ensure it maintains an effective customer strategy.
  - 4.1.7 Approval of the annual operating and capital expenditure budgets and any material changes to them.
- 4.2 Oversight of the Company's operations
  - 4.2.1 Ensuring:

- a) Competent and prudent management;
- b) Sound planning;
- c) Adequate accounting and other records; and
- d) Compliance with statutory and regulatory obligations, including customer related obligations.

4.2.2 Review of performance in the light of the Company's strategic aims, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.

4.2.3 Extension of the Company's activities into new business or geographic areas, subject to the Parent's prior written consent.

4.2.4 Any decision to cease to operate all or any material part of the Company's business, subject to the Parent's prior written consent.

4.2.5 Any admission to listing or trading on any Securities Exchange, subject to the Parent's prior written consent.

#### 4.3 Structure and capital

4.3.1 Changes relating to the Company's capital structure including reduction of capital, share issues (except under employee share plans), share buy backs, subject to the Parent's prior written consent.

4.3.2 Changes to the Company's management and control structure, subject to the Parent's prior written consent.

4.3.3 Declaration of a distribution, dividend (interim or final) or capital call of the Company, subject to the Parent's prior written consent.

4.3.4 Incorporating trading subsidiaries or associated companies, subject to the Parent's prior written consent.

4.3.5 Any merger or demerger, including involving the roll up of any investment vehicles, subject to the Parent's prior written consent.

4.3.6 Issuing or purchasing any securities, subject to the Parent's prior written consent.

4.3.7 Variations of loan or capital structure, including entering into (as lender or borrower or equivalent) any loan or any transaction having the commercial effect of a borrowing or entering into any derivative or contract for differences or investment or make any grant, subject to the Parent's prior written consent.

4.3.8 Entering into any guarantee, indemnity or surety or providing security for the obligations of a third party, subject to the Parent's prior written consent.

4.3.9 Admission of Shareholders, subject to the Parent's prior written consent.

#### 4.4 Financial reporting and controls

4.4.1 Approval of the half-yearly report, interim management statements and any preliminary announcement of the final results.

4.4.2 Approval of the annual report and accounts, including the corporate governance statement and directors' report and statement of directors' responsibilities.

4.4.3 Approval of the dividend policy, subject to the Parent's prior written consent.

4.4.4 Approval of any significant changes in accounting policies or practices, subject to the Parent's prior written consent.

4.4.5 Approval of treasury policies including foreign currency exposure and the use of financial derivatives.

4.4.6 Approval of material unbudgeted capital or operating expenditures (outside pre-determined tolerances), subject to the Parent's prior written consent.

4.4.7 Changing the accounting reference date, auditors or registered office. The registered office, subject to the Parent's prior written consent.

#### 4.5 Internal controls

**4.5.1 Ensuring maintenance of a sound system of internal control and risk management including:**

- a) A robust assessment of the Company's emerging and principal risks;
- b) Approving the Company's risk appetite statements;
- c) Receiving reports on, and reviewing the effectiveness of, the Company's risk and control processes to support its strategy and objectives;
- d) Approving procedures for the detection of fraud and the prevention of bribery;
- e) Undertaking an annual assessment of these processes; and
- f) Approving an appropriate statement for inclusion in the annual report.

**4.6 Contracts**

- 4.6.1 Approval of major capital projects and oversight over execution and delivery.
- 4.6.2 Acquisition or disposal of any asset in accordance with the agreed business plan (except for staircasing). Any acquisition or disposal outside the business plan (except for staircasing) will require the Parent's prior written consent.
- 4.6.3 Negotiating and agreeing the terms of any material contracts outside the parameters of the business plan, with the Parent's prior written consent.
- 4.6.4 Loans or other payments made by the Company on behalf of anybody or person are subject to the Parent's prior written consent.

**4.7 Communication**

- 4.7.1 Approval of resolutions and supporting documentation to be put to the Parent for its approval.
- 4.7.2 Approval of press releases concerning matters decided by the Board.

**4.8 Board membership and other appointments**

- 4.8.1 Changes to the structure, size and composition of the Board, subject to the Parent's prior written consent.
- 4.8.2 Ensuring adequate succession planning for the Board and senior management so as to maintain an appropriate balance of skills and experience within the Company and on the Board.
- 4.8.3 Appointment of independent Directors to the Board, subject to the Parent's prior written consent.
- 4.8.4 Removal of independent Directors to the Board, subject to the Parent's prior written consent.
- 4.8.5 Selection of the chair of the Board and the Managing Director, subject to the Parent's prior written consent.
- 4.8.6 Membership and chairship of Board committees.
- 4.8.7 Continuation in office of directors at the end of their term of office, subject to the Parent's prior written consent.
- 4.8.8 Continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of the Company, subject to the law and their service contract and subject to the Parent's prior written consent.
- 4.8.9 Appointment or removal of the Company secretary, subject to the Parent's prior written consent.
- 4.8.10 Appointment, reappointment or removal of the external auditor to be put to Parent for its approval, following the recommendation of the Audit and Risk Committee.
- 4.8.11 Appointments to the boards of any subsidiaries or joint ventures.

**4.9 Remuneration**

- 4.9.1 Determining the remuneration policy for the staff, subject to the Parent's prior written consent in respect of any long-term incentive plan, and any annual pay award.



4.9.2 Determining the remuneration of the managing director and other senior executives.

4.9.3 Determining the remuneration of the non-executive directors, subject to the Parent's prior written consent.

#### 4.10 Delegation of authority

4.10.1 The division of responsibilities between the chair, the Managing Director and other executive directors, which should be clearly established, set out in writing and agreed by the Board.

4.10.2 Approval of the delegated levels of authority, including the Managing Director's authority limits (which must be in writing).

4.10.3 Establishing Board committees and approving their terms of reference, and approving material changes thereto.

4.10.4 Receiving reports from Board committees on their activities.

#### 4.11 Corporate governance matters

4.11.1 Undertaking formal and rigorous periodic reviews of its own performance, that of its committees and individual directors, and the division of responsibilities and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness.

4.11.2 Determining the independence of non-executive directors in light of their character, judgment and relationships.

4.11.3 Considering the balance of interests between the Parent, employees, customers and the community.

4.11.4 Review of the Company's overall corporate governance arrangements.

4.11.5 Ensuring that the Board as a whole has a clear understanding of the views of investors and their views on governance and performance against the Company's strategy.

4.11.6 Authorising conflicts of interest where permitted by the Company's articles of association. The Board should take action to identify and manage conflicts of interest to ensure that the influence of third parties does not compromise or override independent judgement.

#### 4.12 Policies

4.12.1 Approval of key policies, including:

- a) Code of conduct;
- b) Diversity, Equality and Inclusion Policy
- c) Treasury;
- d) Bribery prevention policy;
- e) Whistleblowing policy;
- f) Health and safety policy;
- g) Environment and sustainability policy;
- h) Remuneration policy;
- i) Corporate social responsibility policy;
- j) Procurement Policy; and
- k) Charitable donations policy.

#### 4.13 Other

4.13.1 The making of political donations and gifts, subject to the Parent's written consent.

4.13.2 Approval of the appointment of the Company's principal professional advisers.

4.13.3 Prosecution, commencement, defence or settlement of litigation, or an alternative dispute resolution mechanism. Any litigation or other legal proceedings where the

value of the claim is more than £25,000 and is not for the recovery of debts in the ordinary course of business shall be subject to the Parent's prior written consent.

- 4.13.4 Approval of the categories of insurance for the Company including directors' & officers' liability insurance and indemnification of directors.
- 4.13.5 Employment (or terminating the employment of) any person where the applicable emoluments and pension benefits for such person shall cost the Company more than £100,000 per annum or the Company proposes to increase the emoluments or pension benefits of such employee by more than £50,000 per annum, the Board shall obtain the Parent's prior written consent.
- 4.13.6 Changes to the Company's pension scheme, or changes of trustees or changes in the fund management arrangements, any material changes shall be subject to the Parent's prior written consent.
- 4.13.7 Establishment of any long-term incentive plan, subject to the Parent's prior written consent.
- 4.13.8 Any decision likely to have a material impact on the Company from any perspective, including, but not limited to, financial, operational, strategic or reputational.
- 4.13.9 The Board will receive reports and recommendations from time to time on any matter which it considers significant to the Company.
- 4.13.10 The Board should maintain oversight over the means for the workforce to raise concerns in confidence and the reports of the investigations and follow-up actions arising.
- 4.13.11 This schedule of matters reserved for Board decisions.

## 5. Meetings

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- 5.1 The Board shall meet at least 4 times every calendar year.
- 5.2 The quorum at meetings of the Board shall be three Board Members, of which at least two should be an Independent, Non-Executive Board Member.
- 5.3 The Company Secretary, or his or her deputy shall be in attendance at each meeting of the Board and shall (unless any contrary direction is given by the Board) keep full Minutes of each meeting.
- 5.4 The Parent shall be allowed to nominate up to two Observers to the meeting, Observers have no voting rights.
- 5.5 Board meetings may be held in person, by electronic means or a combination of the two. The Board shall make reasonable adjustments to ensure meetings are inclusive and accessible, where such adjustments are requested.

## 6. Voting arrangements

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- 6.1 Decisions will normally be made by member consensus but for the avoidance of doubt each member of the Board shall have one vote which may be cast on matters considered at the meeting with a majority required for a resolution to be passed. Votes can only be cast by members attending a meeting of the Board.
- 6.2 If a matter that is considered by the Board is one where a member of the Board, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 6.3 Save where he or she has a personal interest, the chair of the Board will have a casting vote.

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

## 7. Notice of meetings

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- 7.1 Meetings of the Board shall be called by the Company Secretary at the request of any of its members or at the request of the external auditor 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 Board, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting reports shall be sent to Board members and to other attendees, as appropriate, at the same time.
- 7.3 Notices, agendas and supporting reports can be sent to members in electronic form.

## 8. Urgent matters

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- 8.1 In dealing with matters which need to be dealt with urgently between regular Board meetings, a telephone or video conference meeting (an Urgency Meeting) will be held where a physical meeting is not possible. All directors shall be given notice of an Urgency Meeting and the quorum for Urgency Meetings shall be as set out in the Company's articles of association – i.e. a minimum of two Board Members, of which at least one should be an Independent, Non-Executive Board Member. Any director who cannot attend will be sent the relevant papers and have the opportunity to give their views to the chair or another director or the Company. Decisions will be formally recorded in the minute book.
- 8.2 However, if the matter is routine and discussion is not necessary the approval of all the directors may be obtained by means of a written resolution, subject to the requirements of the Company's articles of association.
- 8.3 In all cases, however, the procedures should balance the need for urgency with the overriding principle that each director should be given as much information as possible, the time to consider it properly and an opportunity to discuss the matter prior to the commitment of the Company.

## 9. Authority

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- 9.1 A duly convened meeting of the 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 Board.
- 9.2 The Board is authorised to:
- 9.2.1 Seek any information it requires from any employee or service provider of the Company in order to perform its duties;
  - 9.2.2 obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
  - 9.2.3 call any employee or service provider to be questioned at a meeting of the Board as and when required; and
  - 9.2.4 have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

## 10. Reporting

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- 10.1 The Company Secretary shall minute the proceedings and resolutions of all Board meetings, including the names of those present and in attendance.
- 10.2 Draft minutes of Board meetings shall be circulated promptly to all members of the Board. 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.
- 10.3 The chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.
- 10.4 The Board shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.5 The Board shall compile a report on its activities to be included in the Company's annual report setting out the matters specified in the Code.
- 10.6 The Board shall 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.

## 11. General matters

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- 11.1 The Board shall work and liaise as necessary with all other Board committees.

VERSION	AMENDMENTS	APPROVED BY BOARD
1.0	Initial adoption	12/08/2024
2.0	Amendment	24/02/2025