

# British Friendly Society

## Board of Directors

### Terms of Reference

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The British Friendly Society Limited (the “Society”) is a registered Friendly Society and the Board of Directors of the Society (the “Board”) is the Society’s governing body.

The Board is responsible for determining the strategic objectives of the Society and for ensuring that the Society has the appropriate human and financial resources to meet those objectives. It is also responsible for the direction and management of the business of the Society (and any subsidiaries) in the fulfilment of its mission and strategic objectives and in compliance with the Society’s Memorandum and Rules (the “Rules”), any applicable legislation or regulation and the Society’s policies, principles and values. The Board shall monitor the performance of the Society and its management against the objectives the Board sets.

#### 1. Membership

- 1.1. The Board will consist of not more than 10 individuals, “Directors”, (subject to the provisions of Rule 10.6 of the Rules) nor fewer than four members of the Board. The Board may from time to time resolve the number who together shall constitute the Board of Directors within these limitations.
- 1.2. The Board may from time to time, determine the maximum number of Non-Executive Directors but this number will not be greater than eight.
- 1.3. The Board shall include:
  - 1.3.1. The Chair of the Board
  - 1.3.2. The Senior Independent Director who shall be a Non-Executive Director.
  - 1.3.3. Further Non-Executive Directors and Executive Directors of the Society.
- 1.4. In accordance with Rule 12.1 of the Rules the Board of Directors shall annually appoint a Chair from the non-executive Board members.

#### 2. Secretary

- 2.1. The Company Secretary, or their nominee, shall act as the secretary to 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 issues.

#### 3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be four Directors, one of whom shall act as the Chair.

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- 3.2. If required, the Board shall decide issues according to the majority in a show of hands of Directors present at the meeting. Each Director present shall have one vote. In the event of an equal number of votes, the Chair of the meeting shall have the casting vote.
- 3.3. If a Director has a conflict of interest in respect of any matter being discussed, or to be discussed, they shall declare such conflict and retire from the meeting and shall not be entitled to vote on any such matter.
- 3.4. The Chair shall chair each meeting of the Board. If the Chair is absent, the Senior Independent Director shall act as Chair for the meeting. If both the Chair and Senior Independent Director are absent, the other Directors present shall choose one of their number (excluding Executive Directors) as Chair for that meeting.

#### **4. Frequency of meetings**

- 4.1. The Board shall meet at least six times a year and otherwise as required.

#### **5. Notice of meetings**

- 5.1. Notices of meetings of the Board shall be given by the Company Secretary no less than five working days prior to any meeting of the Board.
- 5.2. An agenda of items to be discussed with supporting papers will be given to each Director no less than five working days prior to any meeting of the Board.

#### **6. Minutes of the meeting**

- 6.1. The Company Secretary, or their nominee, shall minute the proceedings and decisions of all Board meetings, including recording the names of those present and in attendance.
- 6.2. Chair approved draft minutes of Board meetings shall be circulated to all members of the Board and shall be reviewed, amended if necessary and approved by the Board at its next meeting.

#### **7. Role of the Board – Strategy and Management**

- 7.1. The Board shall:
- 7.2. Consider and approve the Strategy, Budget and Business Plan of the Society each year and review the performance of the Society against these priorities and plans.
- 7.3. Determine the Society's overall long-term objectives and commercial strategy.

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- 7.4. Review the performance of the Society's investment strategy following recommendation from the Risk and Investment Committee.
- 7.5. Determine the Society's risk and capital management strategy including review of the annual Own Risk and Solvency Assessment Report (ORSA) document, process and reporting requirements and associated policies.
- 7.6. Agree the overall risk appetite, tolerance and risk strategy for the Society following recommendation from the Risk and Investment Committee.
- 7.7. Set annual objectives for the CEO and review performance against those objectives.

#### **8. Role of the Board – Capital and Financial Reporting**

- 8.1. The Board shall:
- 8.2. Take appropriate steps to review and evaluate the Society's financial performance and maintain a solvency position reflecting the Board's position at all times.
- 8.3. Consider and approve Capital expenditure and financial commitments above the level of the delegated authority of the Chief Executive Officer.
- 8.4. Approve any decision to consolidate the affairs of the Society with another body corporate, including transfer of engagements.
- 8.5. Approve major capital projects or investments in excess of the amounts delegated to the Chief Executive Officer.
- 8.6. Approve the Annual Report and Accounts of British Friendly Society Limited and any subsidiaries thereof.

#### **9. Role of the Board – Governance Structure**

- 9.1. The Board shall:
- 9.2. Ensure the Society has appropriate Systems of Governance.
- 9.3. Approve any changes relating to the Society's corporate structure.
- 9.4. Appoint and/or remove the Company Secretary.
- 9.5. Subject to ratification by members at the Annual General Meeting (AGM), approve the appointment of External Auditors following recommendation by the Audit and Compliance Committee.
- 9.6. Receive, review and act upon the Money Laundering Reporting Officer (MLRO) report as required.
- 9.7. Consider reports and recommendations from Committees.
- 9.8. Conduct annual review as to:

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- 9.8.1. The Society's overall performance
- 9.8.2. The Society's investment performance
- 9.8.3. The Society's economic and regulatory capital
- 9.8.4. The effectiveness and performance of the Board and its Directors
- 9.8.5. Review and re-appoint, appoint, removal and performance of the non-executive Directors
- 9.8.6. Review the terms of reference for the Board and Committees annually and approve any changes.

#### **10. Role of the Board - Communications**

- 10.1. Proposed resolutions and documentation for the Annual General Meeting.
- 10.2. Any extra-ordinary communications to members.

#### **11. Role of the Board - Miscellaneous**

- 11.1. The Board shall:
- 11.2. Be responsible for agreeing to the commencement of any litigation or the settlement of litigation in excess of the amount delegated to the Chief Executive Officer.
- 11.3. Be advised on notice being received on any litigation or action being taken against the Society.
- 11.4. Review the schedule of matters reserved for the Board.
- 11.5. Determine and decide upon advice and recommendations received from the Actuarial Function Holder particularly but not exclusively related to rate of annual interest, apportionment and terminal bonus.
- 11.6. Consider any other matter not falling within the powers and authority of the members, Chief Executive Officer or delegated Committee of the Board.

#### **12. Chair of the Board**

- 12.1. The Chair of the Board will be an independent Non-Executive Director, elected by the Board in accordance with the Society's rules. The Chair shall be responsible for the leadership of the Board and the management of Board meetings and the business undertaken thereat.
- 12.2. Provide leadership to the Board and Directors, facilitating the running of the Board to foster open and inclusive discussion.
- 12.3. On behalf of the Board, oversee the objectives and performance of the CEO and, through them the performance of the CEO direct reports.

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- 12.4. Set the agenda for Board meetings with the assistance of the Executive Directors and ensure sufficient time is devoted to discuss agenda items with emphasis on strategic and regulatory issues.
- 12.5. Ensure clear and effective communication between the Board, its Directors, Committees and Executive Directors.
- 12.6. Support and challenge the Executive Directors where appropriate.
- 12.7. Evaluate the performance of the Board and individual Directors and report on this to the Remuneration and Nominations Committee.

### 13. Other Matters/responsibilities

- 13.1. The Board shall:
- 13.2. Undertake a formal annual evaluation of their collective and individual performance and the performance of the Board's committees.
- 13.3. The Chair shall act on performance evaluation and where appropriate propose new Directors be appointed or current Directors be removed.
- 13.4. Excluding the Chair, the Senior Independent Director shall be responsible for the performance evaluation of the Chair, taking into account the views of the Non-Executive Directors and Chief Executive Officer.

### 14. Matters Reserved for the Board

- 14.1. Approval of the Society's annual and long-term business plan.
- 14.2. Any decision to cease operating all or any material part of the Society's business.
- 14.3. Major changes to the Society's corporate structure and any proposed changes to the Society's rules.
- 14.4. Changes to the structure, size and composition of the Board.
- 14.5. Appointments to the Board.
- 14.6. Selection of the Chair of the Board, the CEO and Executive Directors and the Company Secretary and the suspension or removal of any of these role holders at any time.
- 14.7. Appointment, reappointment or removal of External Auditors following the recommendation of the Audit and Compliance Committee.
- 14.8. Oversight and approval of the remuneration policy for Directors and CEO direct reports.
- 14.9. Determination of the remuneration policy for independent Non-Executive Directors.

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- 14.10. The introduction of any new incentive schemes or major changes to existing plans.
- 14.11. Approval of all Capital and Financial expenditure above the level delegated to the CEO.
- 14.12. Contracts which are material strategically or because of their scale and potential impact on the resilience of the Society.
- 14.13. Prosecution, defence or settlement of any litigation.
- 14.14. Approval of press releases and announcements concerning matters decided upon by the Board.
- 14.15. On an annual basis, approve achievements against the Balanced Scorecard and following recommendations from Remuneration and Nomination Committee, approve the overall size of the bonus pot.

#### **15. The Chief Executive Officer**

- 15.1. Subject to a recommendation from the Remuneration and Nomination Committee, the Board shall appoint a Chief Executive Officer who shall be the senior Executive officer of the Society and who has overall responsibility for:
- 15.2. Development and execution of the Society's strategy in line with the policies and objectives agreed by the Board.
- 15.3. The operational effectiveness of the Society and its compliance with regulatory requirements.
- 15.4. The effective leadership of the Society through the Executive Director/s and the CEO direct reports.
- 15.5. Effective communication with the Chair and Board of the Society and the Chairs of any Committees of the Board.
- 15.6. Effective leadership and development of the Society's staff.

Approved by the Board on **21 February 2024**.