

## NATIONAL DEPOSIT FRIENDLY SOCIETY LTD

### BOARD

#### TERMS OF REFERENCE

##### 1. Role of the Board

The Board is the main decision-making body for National Friendly and its subsidiary companies. It determines the strategic direction and has responsibility for the overall management of the Society's business affairs, including its subsidiary companies, in the interests of its members and other stakeholders.

##### 2. Responsibilities

The Board is responsible for:

###### 2.1 Governance

Monitoring the effectiveness of the Society's governance arrangements ensuring that appropriate resource, controls, policies and procedures are in place to enable the effective operation of the business, avoidance or management of conflicts of interest and to ensure compliance with relevant legislation, regulation, Codes and the Society's Memorandum and Rules.

Ensuring that appropriate procedures are in place for the appointment of individuals to the Board and Sub Committees and the boards of subsidiary companies.

###### 2.2 Strategy

Determining an appropriate strategy for the business, including acquisitions and disposals, agreeing short and longer-term business plans, budgets and major capital expenditure.

###### 2.3 Risk and capital management

Ensuring that an effective risk framework is in place to manage the Society's risks and the management of its capital within regulatory requirements.

###### 2.4 Culture

Responsible for the overall leadership of the Society, setting its values and standards, ensuring a culture of risk awareness and ethical behaviour for the Society to follow in pursuit of its business goals.

A schedule of matters reserved for the Board is attached to these Terms of Reference.

###### 2.5 Reputation Management

Ensuring that appropriate controls and processes are in place to preserve and enhance the Society's reputation amongst its members, regulators other stakeholders and generally.

### **3. Membership**

The Board shall consist of such number of individuals as the Board may determine from time to time and no more than 50% shall be Executive Directors.

Director appointments or re-appointments and their termination and retirement are governed by the Society's Rules.

### **4. Attendees**

The Board may invite non-members, including the Society's senior managers and external advisers, to attend all or part of any meeting.

### **5. Chair and Senior Independent Director**

The Directors shall from time to time appoint one of their members (who shall not be an Executive Director) as Chair of the Board, and another (who shall not be an Executive Director) as Senior Independent Director, each to hold office for a maximum term of one year (subject to re-appointment).

In the absence of the Chair, the Senior Independent Director shall act as Chair of the Board.

The Chair shall have a casting vote.

### **6. Secretary**

The Directors shall appoint the Secretary of the Society who shall attend all Board meetings or, in his or her absence, a competent deputy.

### **7. Quorum**

The quorum for the transaction of the business of the Directors shall be three Directors, of whom at least two shall be Non-Executive Directors. Decisions made outside of meetings through electronic approval must be formally ratified at the next meeting of the Board.

### **8. Frequency of meetings**

The Board shall meet sufficiently regularly to discharge its duties. The Board will schedule a minimum of six scheduled meetings a year and meet more frequently if required.

### **9. Notice of meetings**

Meetings of the Board shall be called by the Secretary at the request of any of its members. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Board and any other person required to attend, no less than five working days before each meeting.

## **10. Minutes**

The Secretary, or his or her nominee shall minute the proceedings and resolutions of all meetings, including recording the names of those present and in attendance. Minutes of Board meetings shall be circulated as soon as practicable to all members of the Board.

## **SCHEDULE OF MATTERS RESERVED FOR THE BOARD**

### **1. Governance**

1.1 Retain responsibility for, and oversight of, matters delegated to Board sub-committees and subsidiary companies.

1.2 Consider and approve appointments (and reappointments) to the Board upon recommendations from the Nominations Committee, including the boards of subsidiary companies and the annual reappointment of the Board Chair and Senior Independent Director.

1.3 Consider and approve appointments to Committees ensuring that the composition enables competent and independent judgements on the matters within their remit.

1.4 Oversee the effectiveness of the 'Fitness and Propriety' Policy to ensure that persons who effectively run the Society or have other key functions are 'fit and proper' to do so.

1.5 Maintain succession plans that address the unexpected loss of key individuals.

1.6 Review and approve changes to the terms of reference of the Board and its Committees and subsidiary companies.

1.7 Review and report on the Board's effectiveness, and the effectiveness of its Committees, in line with reporting and industry governance standards.

1.8 Oversight of the Society's operations, ensuring competent management, planning, controls, accounting procedures and compliance with regulatory obligations.

1.9 Ensure that duties and responsibilities are allocated, segregated and co-ordinated in line with the Society's policies and documented appropriately and comprehensively in the Society's Management Responsibilities Map.

1.10 Ensure that conflicts of interest are managed appropriately and that any significant decision involves at least two persons who effectively run the Society before the decision is implemented.

- 1.11 Appropriately document the decisions taken by the Board including how information from the risk management system has been taken into account.
- 1.12 Review and approve the society's external auditor, including the scope of non-audit services, upon recommendation from the Audit Committee.
- 1.13 Review and approve the Society's financial statements, returns and reports (including annual Valuation, SFCR and RSR) upon recommendation from the Audit Committee.
- 1.14 Review and approve the Society's Remuneration policy, and any changes thereto, upon the recommendation of the Remuneration Committee.
- 1.15 Review and approve certain reports upon the recommendation of the With-Profits Advisory Arrangement, including: adherence to the PPFM; changes to the PPFM; Bonus rates; reports to With-Profits policyholders; EV and SII methodology reports.
- 1.16 Approve the appointment of the Internal Auditor upon recommendation of the Audit Committee.
- 1.17 Approve the appointment of the external actuary upon recommendation of the audit committee.
- 1.18 Ensure that the AGM, and any other member meetings, take place in accordance with the Society's Rules.
- 1.19 Oversight of the effectiveness of management information provided to the Board.
- 1.20 Ensure that the Society operates within its regulatory permissions and that any changes to the Society's legal structure, corporate structure and regulatory permissions are approved by the Board.
- 1.21 Approval of investment mandates (and material changes thereon) and the appointment and termination of fund managers.
- 1.18 Approval of the schedule of Delegated Authorities.
- 1.19 Ensure appropriate dialogue with members and other stakeholders.
- 1.20 Maintain an open, responsive and co-operative relationship with regulatory bodies.
- 1.21 Require Committees of the Board and the boards of subsidiary companies to provide regular reports to the Board on their activities.
- 1.22 Review and approve the Appointed Representative Annual Review document
- 1.23 Review the profitability reports and outcomes of ongoing product profitability reviews.
- 1.24 Review the counterparty limits at least annually.



## **2. Strategy**

2.1 Determine, approve and review the Society's strategic direction, mission and values to promote the long-term success of the Society.

2.2 Review and approve proposals for the acquisition or disposal of assets which are material in terms of the business of the Society.

2.3 Review and approve the Society's annual business plans and budgets (and any material changes thereto).

2.4 Receive timely business and financial reports and regularly review the Society's strategy, objectives, business plans and budgets.

2.5 Consider and approve proposals for business development, including new products, significant changes to existing products and the formation of additional subsidiary operations and associations with third parties.

2.6 Approve all significant joint ventures, partnerships, alliances and acquisitions.

## **3. Risk, Capital and Liquidity management**

3.1 Determine the Society's key financial objectives including prudential ratios and target rates of return on capital and assets.

3.2 Keep under review, and maintain, the Society's capital and liquidity position, continuing to meet the Threshold Conditions.

3.3 Establish and maintain appropriate accounting policies and implement and monitor the maintenance of systems of internal control.

3.4 Consider emerging issues which may be material to the business and affairs of the Society.

3.5 Review and approve the Society's risk appetite statement, risk tolerance limits, and the main risk management strategies and policies, upon recommendations from the Risk and Compliance Committee.

3.6 Oversee the effectiveness of the risk management and control system, and its alignment with the Society's risk appetite and risk tolerance limits.

3.7 Review and approve the Society's ORSA, including stress tests, upon the recommendation of the Risk and Compliance Committee.

3.8 Receive and consider high level reports through the reporting lines and governance structures, on matters material to the Society including but not limited to:

- a. relations with regulatory authorities
- b. legal and regulatory compliance



- c. risk management and internal controls
- d. fitness and propriety
- e. human resources
- f. information security
- g. business continuity
- h. insurance cover
- i. litigation
- j. investment policy and performance
- k. capital adequacy
- l. the interests of the Society's policyholders and beneficiaries.
- m. Financial crime
- n. Health and Safety

3.9 Approve any changes to the Society's capital structure including share issues by subsidiary companies.

3.10 approval of material\* unbudgeted expenditure.

3.11 approval of material\* contracts and projects

[\* material being in excess of CEO's authorised limit]

3.12 Determine the remuneration policy for the board and other senior management upon recommendation of the Remuneration Committee.

**Approved by the Board: 13 December 2023**

