



## National Deposit Friendly Society Limited Governance

National Deposit Friendly Society Limited is incorporated under 1992 Friendly Societies Act (Reference 369F), and is a dual regulated entity: authorised and regulated by Prudential Regulation Authority (Firm Reference Number 110008), and regulated by Financial Conduct Authority. As such, the Society is required to have the necessary governance structure in place to ensure that the Society business is transacted in line with the regulatory rules, systems and controls.

The main Board of the Society is constituted in line with the Society rules. The Board effectiveness is reviewed on an annual basis by the Company Secretary, within internal and external support as needed. The Board delegates authority to various Committees to cover specific topics such as Risk and Compliance, Audit, Investment, Remuneration and Nominations which report back into the Board. There is also a With Profits Arrangement to oversee the Society book of with profits business, which also reports back into the main Board.

The Board is made up of Executive Directors and independent Non-Executive Directors which have been appointed through an appropriate process for an agreed term.

The Board is of the view that good corporate governance is fundamental to the Society's operations. To comply with best practice in corporate governance it aims to adhere to the principles of the Association of Financial Mutuals Corporate Governance Code published in January 2019 ("AFM Code").

The AFM Code provides a high-level approach to corporate governance, based on six key principles, whilst providing flexibility for the Society to explain the application and relevance of its corporate governance arrangements. The Society has applied the AFM Code and provided statements to explain how it has followed each key principle in the way that is most appropriate to its business model and objectives.

### Principle One - Purpose and Leadership

*An effective board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.*

The Society's long-term objective remains to protect and enhance member value through improved Own Funds and excess assets so that it continues to act in the best interests of its members. It aims to achieve this by providing policyholders with products and services that help to look after their health and welfare and provide certainty and control over their wellbeing both now and in the future.

The Society's mutual ethos and values are essential to its future success and as an organisation, it will endeavour to work together to embed them and to promote them.

### Principle Two - Board Composition

*Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the organisation.*

### Role of the Board

The Board is the main decision-making body for National Friendly. It determines the strategic direction and has responsibility for the overall management of the Society's business affairs.

### **Principle Three - Director Responsibilities**

*The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.*

#### Accountability

Board members have a clear understanding of their accountability and responsibilities. The Directors, Committee members and the wider management team complete annual declarations on Code of Ethics and Conduct, confirming that they have behaved in accordance with the Society's expected behaviours and values.

### **Principle Four - Opportunity and Risk**

*A board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.*

#### Opportunity

The Board considers long-term strategy and opportunities each year as part of the annual planning process. The overall objective remains to achieve a sustainable and growing business in order to enhance member value.

#### Risk

Risk management is an integral part of the Society's business activities to ensure that the strategic objectives are met. The integrated approach ensures that value is created by identifying the right balance between risk and reward, whilst making sure that obligations are met and the outcomes remain in the best interest of policyholders.

### **Principle Five - Remuneration**

*A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, considering pay and conditions elsewhere in the organisation.*

The Remuneration Committee has clear terms of reference and is responsible for making recommendations to the Board concerning the remuneration strategy, framework and benefits. The Board has established a clear remuneration policy that outlines the key remuneration principles and framework for the Society.

### **Principle Six - Stakeholders**

*Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.*

The Board recognises that good governance and effective communication are essential on a day-to-day basis to deliver purpose and protect the Society's brand, reputation and relationship with stakeholders including its members, intermediaries, suppliers and employees.

The Society's strategy is aligned with long-term aspirations for sustainability and enhancing member value. The Board is committed to maintaining good communications with members. In order to fulfil this commitment, a Members' Focus Group and Research Community have been established. Engagement with the Focus Group has been positive and feedback valued.