



Anglo-Saxons Friendly Society Ltd

Board Manual

Anglo-Saxons Friendly Society Limited

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1 Introduction

The Society is governed by a very wide range of legislation. Of most importance are the Friendly Societies Act 1992 and the rulebooks of both the Prudential Regulation Authority and the Financial Conduct Authority. In addition, there are many other areas of law and regulation that apply to the Society from authorities such as the Information Commissioners Office (data protection), HMRC (taxation matters), The Companies Acts, Health and Safety legislation and Employment Laws.

It is not the purpose of this Board Manual to discuss or explain the above in detail. The Board of the Society is made up of experienced business people, with a varied range of knowledge, skills and competencies. It is for the individuals to bring their knowhow to the Boardroom table and for this to result in a combination of all-round capabilities to run the Society professionally and to high standards of governance.

This Manual seeks to explain the responsibilities that fall upon Directors individually, and collectively, and seeks to set the standards by which they should operate. Where appropriate it points them to other sources of information to assist them in understanding their responsibilities.

2 Role of the Board

2.1 The role of the Board is to organise and direct the affairs of Anglo-Saxons Friendly Society Limited (the Society) so as to maximise the ability of the Society to support the needs of its membership. In doing so it will deliver high standards of governance and oversight by complying with the Company's Memorandum and Articles of Association, statutory and regulatory requirements and relevant corporate governance standards.

The PRA's Fundamental Rules and the FCA's Principles for Business must be observed at all times.

2.2 The Board has overall responsibility to set the strategic direction of the Society and to ensure that it achieves its vision and mission through clear objective setting which enables the executive team to deliver them. The vision and mission are –

Vision Statement

- To be a not for profit organisation, well known and respected in our community, providing great value discretionary awards to Members to assist with their health needs.

Mission Statements

- Maintain the quality of our property investment portfolio to ensure capital is preserved and annual income from it is stable, and reliably received.
- Operate to high standards of corporate governance to protect our Members' best interests at all times.
- Establish, each year, a Target Operating Model which apportions forthcoming annual income to give annual budgets for benefit payments; property maintenance; operating expenses; addition to surplus.
- Regularly appraise the product offerings to ensure they remain relevant and suitable both for the identified target market and have benefit levels which are sustainable in the longer term.
- Manage membership numbers by understanding what value of Member's discretionary awards can be supported by the average income from a property. This enables members to be added in relation to available income each time an additional property is acquired.
- Define clearly, and on a more frequent basis, what represents a fair distribution of surplus to members in respect of their discretionary benefits.
- Communicate regularly with Member's about the Society's work and provide clear and transparent information to them in meetings, in writing and via the website.

3 Responsibilities of the Board (collectively)

3.1 Directors should act collectively to achieve the following:

- a) To set the strategic direction and annual business objectives of the Society to develop the business for the benefit of its Members.
- b) To provide the required management, financial, technological and people resources to deliver the strategy.
- c) To set the tone from the top in respect of the Society's culture, values and standards of behaviour ensuring that the Member's interests are protected at all times.
- d) To ensure that all Board members and staff adhere to the Codes of Conduct expected of them by all regulatory bodies involved with the Society, and to deliver levels of corporate governance expected of the Society as a member of the Association of Financial Mutuals (AFM).
- e) To set annually the risk appetite of the Society and to encapsulate this in a Risk Appetite Statement supported by a risk management and mitigation framework.
- f) Establish a framework of internal controls that enable the strategic, operational and financial activities of the Company to be assessed and managed. Receive an annual review of the effectiveness of the systems of internal control.
- g) To make appointments to the Board on the basis that a majority of the Board will be classified as Independent Directors and who have a range of skills, competencies and knowledge suited to delivering successfully the collective responsibilities of the Board.
- h) To establish Board Sub–Committees staffed by individuals with appropriate levels of know-how and experience, and to receive their recommendations for ratification by the Board where appropriate.
- i) Agree the personal responsibilities and delegated authority levels of the Chairman, the Senior Independent Director, the Chief Executive Officer and the Board Sub–Committees. This will include financial spending limits and authority to dispose/acquire investment assets.
- j) Maintain succession planning for the Board itself and the executive management.
- k) Set the investment strategy of the Society which protects the Members financial assets, generates the income to pay them benefits and to ensure that any outsourced investment management activity is by fit and proper persons.
- l) Receive recommendations from the Audit Committee Chairman on behalf of his Sub–Committee in respect of approving the Annual Report and Financial Statements, approving the Society's accounting policies and practices, and approving its adherence to the UK Corporate Code as published to members of the AFM.
- m) Set the remuneration levels for the Board members and any executive staff of the Society.

- n) Establish the nature and scale of Society pension schemes and contributions to them.
- o) To conduct formal annual reviews of its own performance, the performance of its Sub-Committees and the contribution made by individual Board members.

4 Responsibilities of Board Members (individually)

4.1 The Companies Act of 2006 describes the general duties that all Directors owe to the Society as a Limited company. These are -

- a) Act in accordance with the Company's Memorandum and Articles of Association;
- b) Promote the success of the Company;
- c) Exercise independent judgement;
- d) Exercise reasonable care, skill and diligence;
- e) Avoid conflicts of interest;
- f) Not accept benefits from third parties, and
- g) Declare any interest in proposed transactions.

4.2 The Prudential Regulation Authority and the Financial Conduct Authority have introduced the Senior Manager and Certification Regime with effect from 10th December 2018.

A Board member who holds a Senior Manager Function is required to comply at all times with the following Code of Conduct requirements –

- a) must take reasonable steps to ensure that the business of the firm for which you are responsible complies with the relevant requirements and standards of the regulatory system
- b) You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the discharge of the delegated responsibility effectively.
- c) You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice.

4.3 In addition to the above, all Directors must comply with the additional Code of Conduct requirements below –

- a) You must act with integrity.
- b) You must act with due skill, care and diligence.
- c) You must be open and cooperative with the FCA, the PRA and other regulators.
- d) You must pay due regard to the interests of customers and treat them fairly.
- e) You must observe proper standards of market conduct.

- 4.4 More generally Directors are expected to:
- a) Support the mission and cultural values of the Society.
 - b) Support all Society policies.
 - c) Represent the Society positively to all external audiences.
 - d) Maintain constructive relationships with Society staff.
 - e) Maintain an understanding of the views of the membership.
 - f) Declare any potential or actual conflicts of interest as and when they arise.
 - g) Maintain the competency, skills and knowledge required to fulfil their SMF function.
 - h) Remain fit and proper for their role as a SMF function holder.
 - i) Maintain oversight of any delegated authority for their role as SMF function holder.
 - j) Undertake appropriate CPD related activities relevant to their role as Board Director and/or SMF function holder.
 - k) Be a member of one or more Committees of the Board, when required.
 - l) Ensure they have sufficient time availability to discharge their duties.
 - m) Attend at least 75% of all Board meetings in a rolling 12-month period.
 - n) Not to be absent from two consecutive Board meetings other than for reasons of serious ill health.
 - o) Make any claims for personal expenses strictly in line with the Society's personal expenses policy. Should the need arise to exceed the expense policy, either by financial amount or purpose of expenditure, prior approval should be sought from the Chairman.

5 Role of the Chairman

- 5.1 The role of the Chairman is to lead the Board and ensure that it functions effectively.
- 5.2 The Chairman is a Senior Management Function Holder (SMF9) and as such has signed a Statement of Responsibilities, which can be found in the Society's Responsibilities Map, which describes his regulatory prescribed responsibilities and his other responsibilities.
- 5.3 It is the personal responsibility of the Chairman to review periodically, but not less than annually, that the Statement of Responsibilities is an accurate reflection of the role being fulfilled. If he feels it is not, he must raise the matter at a Board meeting so amendments can be resolved by the Board.
- 5.4 The main areas of Board effectiveness for the Chairman to lead on are –
 - a) Set the agenda, style, and tone of Board discussions to promote a culture of openness, effective decision making, and constructive debate in Board meetings, including appropriate consideration of strategic issues.
 - b) Promote the highest standards of corporate governance within the Company. Be satisfied personally that Senior Manager Function holders and all Board members are fit, proper and competent people.
 - c) Identify the development needs of the Board as a whole, and the individual directors, to maintain its effectiveness as a team and to maintain individual skills and knowledge. Always ensure new Board members receive relevant induction training upon joining the Board.
 - d) Support the Chief Executive in his implementation of business plans striking the right balance between entrepreneurial encouragement and balanced risk taking.
 - e) Ensure that the Members of the Board receive accurate, timely, and clear information for consideration at Board meetings and that sufficient time is made available for proper consideration of all Board matters.
 - f) Ensure effective communication with Members and ensure that the Board is aware of their views.
 - g) Meet with Non-Executive Directors without the Executives being present at least once a year to discuss the overall performance of the executive team.
 - h) Ensure that the performance of any Executive, who attends Board meetings, and Non-Executive Directors is assessed at least once a year and development plans are based on the assessment and a one-to-one discussion with the person concerned.

6 Roles of the Non-Executive Directors

6.1 Role and Responsibilities

The primary role of the Non-Executive Directors is to deliver independent oversight and challenge, in a constructive manner, to the design and delivery of the corporate objectives of the Society.

They achieve this by:

- a) Contributing to creating the vision for the future and establishing the mission statements and corporate objectives to deliver the vision.
- b) Contributing to defining the Society's risk appetite and supporting this with a risk management framework.
- c) Providing entrepreneurial directorship of the Society within a framework of prudent and effective controls which enables risk to be assessed and managed.
- d) Ensuring that the necessary financial and non-financial resources are in place for the Company to meet its objectives and to operate at all times within the Regulators Conditions for Business ("the threshold conditions").
- e) Ensuring they receive sufficient, relevant and timely management information to enable them to consider in full any decisions required of them and to discharge their responsibility to monitor corporate and executive performance.
- f) Being satisfied that the system of controls and risk management are adequate to protect the Society and that they are being implemented properly.

6.2 Other matters

- a) Non-Executive Directors will all receive contracts of employment and be remunerated through the PAYE system. The terms of their appointments are governed by these contracts and the Rules of the Society.
- b) Non-Executive Directors may seek and receive independent professional advice about the business affairs of the Society, at the cost of the Society, when they can justify that such advice is not being provided adequately by the professional firms already engaged to advise the Society. The views of the Chairman should be sought before commissioning such advice.

7 Role of the Senior Independent Director

- 7.1 It is not compulsory for the Society to have a Senior Independent Director. If it does the role and responsibilities of the Senior Independent Director are three-fold:
- a) To conduct the annual performance assessment of the Chairman.
 - b) To be a confidential sounding board for the other Non-Executive Directors should they wish to raise matters rather than speak to the Chairman.
 - c) To be a channel of communication for Members who feel they cannot communicate concerns via the Chief Executive or the Chairman.

8 Role of the Chief Executive Officer

- 8.1 The Chief Executive is responsible, under the immediate authority of the Board, for the conduct of the business of the Society, and all employees of the Society are accountable to the Chief Executive for the performance of their duties. The Chief Executive exercises the delegated powers and responsibilities allocated to him by the Board.
- 8.2 The Chief Executive must exercise an awareness in his day to day activities that the matters described in Section 3 of this Manual are reserved to the Board and any decision in respect of them is a Board decision.
- 8.3 The Board will consider annually, at a Board meeting, the levels of delegated financial authority applicable to the Chief Executive and the staff reporting to him. This will be confirmed to the Chief Executive by the Chairman each year.

9 Role of Board Sub-Committees

- 9.1 It is for the Board to determine if it wishes to establish Board Sub-Committees.
- 9.2 The purpose of such committees will be for the Board to delegate authority to them to provide governance and oversight of specialist areas of business activity, and it is the Board's responsibility to ensure that committee members have relevant specialist ability to discharge their responsibilities effectively.
- 9.3 It will be for the Committee to draw up and recommend its Terms of reference to the Board for approval.
- 9.4 A Sub-Committee does not have delegated authority to take decisions or commit the Board to a particular course of action. It recommends its decisions to the Board for approval.
- 9.5 The Board will require a Sub-Committee to assess its performance against its Term of Reference and report the outcome to the Board each year.

10 Corporate Governance Standards

10.1 The most important responsibility of the Board is to deliver high standards of corporate governance. Without this the Society will be unable to prosper. To ensure a depth of understanding of what is required, and for that level of understanding to be consistent across the Board, all Board members are required to have and maintain an excellent understanding of the following documents. Access to the documents is by clicking the link provided or a copy can be obtained from the Society.

10.2 PRA Supervisory Statement 5/16 . Corporate Governance: Board Responsibilities.

<https://www.bankofengland.co.uk//media/boe/files/prudentialregulation/supervisorystatement/2018/ss516update.pdf?la=en&hash=9FA09D82A6431745BBA95B3943C9AD13A5FB40A7>

10.3 Association of Financial Mutuals – Corporate Governance Code January 2019

[https://financialmutuals.org/files/files/AFM%20corporate%20governance%20code,%20jan19\(3\).pdf](https://financialmutuals.org/files/files/AFM%20corporate%20governance%20code,%20jan19(3).pdf)

10.4 Financial Reporting Council – Guidance on Board Effectiveness July 2018

<https://www.frc.org.uk/getattachment/61232f60-a338-471b-ba5abfed25219147/2018-Guidance-on-Board-Effectiveness-FINAL.PDF>

11 Board Policies

11.1 For the Board to set the right “tone from the top” it is important for it to have a set of Board Policies which are the cornerstone of what the Society’s beliefs and values are. These policies can only be approved by the Board.

The Policies are important statements, some of which will be in the public domain, and serve to direct the executive in what processes and procedures it will need to establish to deliver those policies into business practice.

11.2 Below is a current list of the Policies set by the Board -

- a) Business Continuity and Disaster Recovery
- b) Capital Management
- c) Climate change
- d) Conduct Risk
- e) Conflicts of Interest
- f) Cyber Security
- g) Data Protection
- h) Equality and Diversity
- i) Financial Crime, Corruption and Anti Money Laundering
- j) Whistle Blowing
- k) Health and Safety
- l) Resources, Training and Competence
- m) Internal Audit and Internal Control
- n) Investment
- o) Legal and Regulatory
- p) Liquidity
- q) Management Information
- r) Outsourcing
- s) Risk Management

11.2 The list of above policies and the policies themselves will be reviewed annually.

11.3 The Board Policies will be maintained in a separate folder which is made available to all Board Members and all other staff.

12 Senior Manager & Certification Regime requirements

- 12.1 The above regime has been instituted by the PRA and the FCA and has applied to the Society since 10th December 2018.

Its main purpose is to ensure that all those people in the firm who are responsible for running the business are fit, proper and competent for their roles.

It has also placed a “personal duty of responsibility” on individual Senior Manager Function Holders (SMFs) to discharge their duties with due care, skill and diligence.

- 12.2 The Society is not obliged to have a person in place to fulfil every one of the listed Senior Manager Functions. However, it must allocate all of the “Prescribed Responsibilities” that apply to a Large Non-Directive Friendly Society, to a person within the Society. Each person who is a Senior Manager Function Holder will require PRA/FCA approval before they can carry out that role.

It must also identify other staff in the Society who, because of the role they fulfil, are classified as “Certification” persons. They are subject to a regime similar to that applicable to SMFs, but their initial and continuing approval as fit, proper and competent is done by the Society, not the regulators.

There may be instances of a key function being delivered by someone other than a Board or Staff member. The Board will decide if that is “a material out-sourced function” and implement the regulatory requirements in respect of it.

- 12.3 The Society will discuss and decide annually at a Board meeting the following:

- a) Does the Society have enough SMFs?
- b) Are Prescribed Responsibilities completely allocated?
- c) Does any one person have too many prescribed responsibilities?
- d) Has an annual fit, proper and competent assessment been concluded for all SMFs?
- e) Is the list of Certification staff complete or are there additions to be made?
- f) Has the annual certification process been completed for certified staff?
- g) Is the list of key functions complete and correct?
- h) Are any key functions categorised as material outsourced functions?
- i) Are there any SM&CR events that should be notified to the regulators?

Document End