Terms of Reference

Board of Management

Adopted by the Board on 19th May 2026

1. Introduction

The Shepherds Friendly Society Limited ("the Society") is a registered Friendly Society and the Committee of Management as set out in the Friendly Societies Act 1992 (known as "the Board") is the main governing and decision-making body. The Board is established pursuant to the Society Memorandum and Rules ("the Rules"). Unless specifically stated otherwise the terminology, words or expressions used in the Terms of Reference shall have the same meaning as in the Rules.

2. Purpose

2.1 To ensure that the Society is effectively managed and achieves its strategic objectives, protecting members' interests at all times, including those who are vulnerable or potentially vulnerable;

2.2 The Board sets the strategic direction of the Society and its capital and liquidity requirements within the agreed risk appetite;

2.3 The Board sets the Society's cultural values and standards of behaviour in line with its Consumer Duty Policy and ensures the highest standards of corporate governance;

2.4 The Board oversees the Society's operations, ensuring competent and prudent management, sound planning, proper procedures for the maintenance of adequate accounting and other records and systems of control and for compliance with statutory and regulatory obligations.

2.5 The Board provides entrepreneurial leadership and is collectively responsible to the members of the Society for the long-term success of the organisation, exercising all its powers (subject to any relevant laws and regulations and in accordance with the Rules). In particular, the Board will manage the Society within the powers of the Friendly Societies Act 1992, the Financial Services and Markets Act 2000, the Financial Services Act 2012, the SM&CR and other Relevant Legislation.

3. Responsibilities

The Board is responsible for:

3.1 Reviewing, approving and overseeing corporate strategy including partnership opportunities, brand strategy, investment strategy, major plans of action, risk appetite, the ORSA, asset allocation, policies and procedures, annual budgets, business plans, annual reports and accounts and regulatory returns;

3.2 Setting performance objectives; monitoring implementation and corporate performance; and approving capital expenditure, acquisitions and disposals, with appropriate delegated authority to the Executive;

3.3 Monitoring the effectiveness of the Society's governance arrangements and practices, making changes as needed to ensure the alignment of the Society's governance framework with the appropriate Codes and current best practices;

3.4 The Board has oversight of the SM&CR regime and its requirements. The Board assigns implementation responsibility to the Nominations and Governance Committee;

3.5 Determining recovery and resolution status. The Board will assess on an annual basis whether members' interests are met by the continuance of the Society, or seek alternative remedies, including wind up or sale to third parties;

3.6 Reviewing and approving the Solvent Exit Analysis (SEA) report and taking appropriate action should triggers in the SEA indicate further Board input required.

3.7 To determine the sub-committees required to assist the Board in performing its duties, approving their terms of reference and any delegated authority and monitoring the performance of those Committees on an annual basis

3.8 Ensuring the appointments to the Board or its Committees and the remuneration of the Directors are undertaken in accordance with the appropriate governance process.

3.9 Ensuring that Directors are not involved in the determination of their own remuneration package;

3.10 The Board has overall responsibility for the delivery of the Society's people strategy;

3.11 The Board has responsibility for the oversight and delivery of the Diversity, Equality and Inclusion (DEI) strategies related to the Board and the employees of the Society;

3.12 Overseeing potential conflicts of interest of the Executive, Board members, external advisors and other service providers, including misuse of corporate assets and abuse of related party transactions; and

3.13 Overseeing the process of external disclosure and communication.

3.14 The Board is also responsible for all other matters of such importance as to be of significance to the Society as a whole because of their strategic, financial or reputational implications or consequences, including ensuring effective oversight of crisis management arrangements, major incident response and resilience to operational disruptions, such as cyber-attacks.

3.15 Overseeing and approving the annual attestations, ensuring all required statutory, regulatory and governance-related confirmations are completed and submitted in line with applicable legislation and the Society's internal governance framework.

A formal schedule of Matters Reserved to the Board is in place including policies the Board has oversight of (see Governance Framework).

4. Membership

4.1 The Board of Directors will consist of Executive Directors and Non-Executive Directors in accordance with the Rules;

4.2 The Board shall consist of a minimum of five Directors. The majority of which must be Non-Executive Directors;

4.3 The Board shall at the appropriate time appoint a Board Chair and a Senior Independent Director.

5. Meetings

5.1 The Board shall meet for business as often as it deems necessary. Meetings will normally be held a minimum of six times a year. Additionally, the Board will meet at least once a year to discuss the Society's strategic direction and any other related issues. All meetings shall be conducted in accordance with the Terms of Reference and the Rules. Attendance may be in person, by teleconference call, or other form of electronic communication;

5.2 The ordinary notice period for a Board meeting shall be not less than 14 days. However, in exceptional circumstances a shorter notice period may be necessary;

5.3 The Board Chair, or in their absence, the Senior Independent Director, shall chair every meeting of the Board at which they are present. If the Board Chair and Senior Independent Director are absent from the meeting of the Board, or both decline to chair the meeting, the Directors present at the meeting shall appoint a Non-Executive Director to be Chair for the purposes of that meeting;

5.4 A quorum will consist of four Directors. For a quorum to be valid there must be at least two Non-Executive Directors;

5.5 The agenda will be prepared by the Company Secretary and agreed upon and approved by the Board Chair. The agenda will be circulated to all members and invited attendees at least 10 days before the next meeting and the support papers at least five;

5.6 Minutes of the meetings will be taken by the Company Secretary and will then be circulated to Board members prior to the next meeting;

5.7 Board meetings are held in private, but non-members may be invited to attend meetings at the Board Chair's discretion.

5.8 An extraordinary meeting of the Board may be convened at the request of the Board Chair, the Senior Independent Director, or any two Directors, where urgent or significant matters require consideration between scheduled meetings. The Company Secretary will issue notice and supporting papers as soon as practicable, and the quorum requirements of ordinary Board meetings shall apply.

5.9 The Board shall undertake an annual training day.

6. Delegation

The conduct of the day-to-day business of the society will be delegated to the Chief Executive, subject at all times to the Rules, applicable legislation and regulation, Matters Reserved by the Board, delegation by the Board to its Committees, the Principles and Practices of Financial Management (PPFM) and Policies and Procedures.

7. Self-Appraisal

7.1 The Board shall undertake a formal and rigorous annual evaluation of their collective and individual performance and the performance of the Board committees;

7.2 The Board's performance is evaluated after each meeting in the form of a questionnaire The results will be discussed at each Board meeting.

7.2.1 The Nominations and Governance Committee will annually review the Board assessments to identify any particular issues and take action appropriately. The Committee will also consider an external evaluation of the Board's performance once every three years.

7.3 The Board undertakes an annual 360 exercise to evaluate individual performance as both a member of the Board and as a Committee Chair.

8. Terms of Reference

The Board will periodically review these Terms of Reference and make any necessary amendments.