



## GOVERNANCE HANDBOOK

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## 1. MDDUS Corporate governance – summary

Founded in 1902, MDDUS is a mutual defence organisation offering expert advice, assistance and indemnity cover to doctors, dentists and other healthcare professionals across the UK.

We are wholly owned by our membership – we have no shareholders and pay no dividends. A priority of the Board is protecting the mutual fund of subscriptions and other income to deliver our principal activity. This means the benefits of membership are discretionary as set out in our Articles of Association.

A private company limited by guarantee, MDDUS is the trading name of the holding company of the Group. There are three wholly owned subsidiaries: MDDUS Insurance Limited, an insurance company; MDDUS Education Limited, a risk and training company; and MDDUS Property Limited, which oversees the management and performance of our investment property portfolio.

As we are not listed on the main market of the London Stock Exchange, we are not required to report against *The UK Corporate Governance Code*. However, the Board is committed to a high standard of corporate governance that reflects our role as a 'non-directive' mutual insurer. Accordingly, since the financial year ending 31 December 2017, we aim to report on a 'comply or explain' basis against the Provisions and Principles of the Association of Financial Mutuals' *UK Corporate Governance Code: an annotated version for mutual insurers*.

Our corporate governance arrangements were most recently reviewed and updated during 2018. A narrative report about our compliance with the Code is provided in our most recent Annual report and Accounts.

### MDDUS Board

The governing document of MDDUS is our Articles of Association. It provides that the business of MDDUS shall be managed by the Board, which has terms of reference and a schedule of matters reserved for its consideration / decision, e.g. the approval of strategy, substantive changes to the services provided to members and the Annual report and Accounts.

Since the Annual General Meeting (**AGM**) in 2017, the Board generally will have not more than 14 directors, comprising up to 12 non-executive directors (**NEDs**) and two executive directors: the Chief Executive and the Finance Director. Any member of MDDUS can stand for election to the Board at an AGM. Four of the NEDs may be 'external' non-clinical members of the Board. NEDs generally serve not more than 12 years in office, with no individual term extending to more than four years.

Biographies for current directors are available on our website.

In addition to agreeing short-term appointments of NEDs between AGMs, the Board also appoints directors to the positions of Chairman, Vice-Chairman and Senior Independent Director. The Chairman and Chief Executive are separate roles that distinguish clearly between leading the Board and executive responsibility for the running of the business.

The Board has agreed a process for evaluating, in consecutive years, its performance and that of individuals directors.

The Board usually meets six times a year and has a forward business programme, which helps to shape the agenda for each meeting, in discussion with the Chairman, the Chief

Executive / Secretary and the Deputy Company Secretary. A typical meeting will consider emerging strategic and policy matters, as well as receiving regular reports about progress against the business plan, the 'balanced scorecard' of key performance indicators, a Chief Executive's report, management accounts and minutes of meetings of Committees and subsidiary boards.

The Board is supported in its work by committees, executive management groups and Board and executive groups. The membership of these bodies, and the Group's subsidiaries, is reviewed annually.

## **MDDUS Board committees and groups**

There are four committees and two groups supporting the work of the Board.

The **Audit and Risk Committee** is charged with, amongst other things, considering the reports of the external and internal auditors and the executive's responses, endorsing the Annual report and Accounts to the Board, endorsing the (re-)appointment of the external auditor to the Board, and oversight of risk management and financial and other internal controls.

The **Governance and Nominations Committee** is charged with, amongst other things, leading an open and transparent process to identify and nominate candidates to fill vacancies on the Board. When nominating suitable candidates, the Committee takes into account the structure, size and composition of the Board. There is a role profile for NEDs and each of the Board's office holders and an induction programme for new directors. The Committee is also responsible for determining, and reviewing the outcomes of, the processes to evaluate the performance of the Board and individual directors and the ongoing review of our governance framework against developments in governance 'good practice'.

The **Investment Committee** is charged with, amongst other things, recommending to the Board the MDDUS Investment and Asset Allocation Strategy and setting the framework for, and monitoring the performance of, the investment managers.

The **Remuneration Committee** is charged with, amongst other things, determining and keeping under review the remuneration and terms and conditions of service of directors and some senior executive staff, in the light of external benchmarking by expert external companies.

All non-executive directors serve on at least one committee, but members of the Investment Committee are prohibited from serving also on the Audit and Risk Committee. Each committee has a clearly defined remit and terms of reference.

The **Actuarial Reserving Group** is charged with, amongst other things, reviewing and challenging the actuarial reserving processes, methodologies and assumptions used in setting the year-end actuarial reserves and providing assurance that these have been properly reviewed internally and by external peer-reviewers. The Chief Executive is the Chairman of the Group, which comprises the Chairmen and Vice-Chairmen of the Board's committees and the executive directors.

The **Membership Renewal Review Group** is charged with, amongst other things, approving, refining and applying conditions of membership criteria to a small number of identified members, including potentially the removal of membership. The Chief Executive is the Chairman of the Group, which comprises directors and senior executive staff.

## **The Executive**

The Chief Executive leads our executive and is the Chairman of the **Executive Management Group**, which considers commercial, member-facing, operational and planning issues, and the **Pre-Board Group**, which considers draft papers and other advice to the Board.

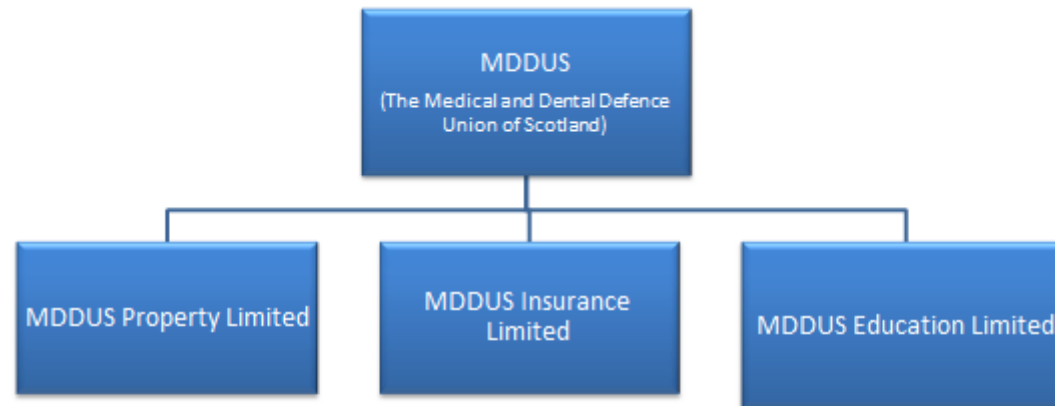
## **The Membership**

MDDUS is wholly owned by the membership. Accordingly, the members are encouraged to support our 'good governance', for example, by standing for appointment to the Board and / or attending the AGM to receive the Annual report and Accounts, to appoint NEDs and the auditor and to consider other resolutions. The Notice of the AGM and related papers are published at the earliest opportunity, whilst ensuring compliance with the NED appointment process.

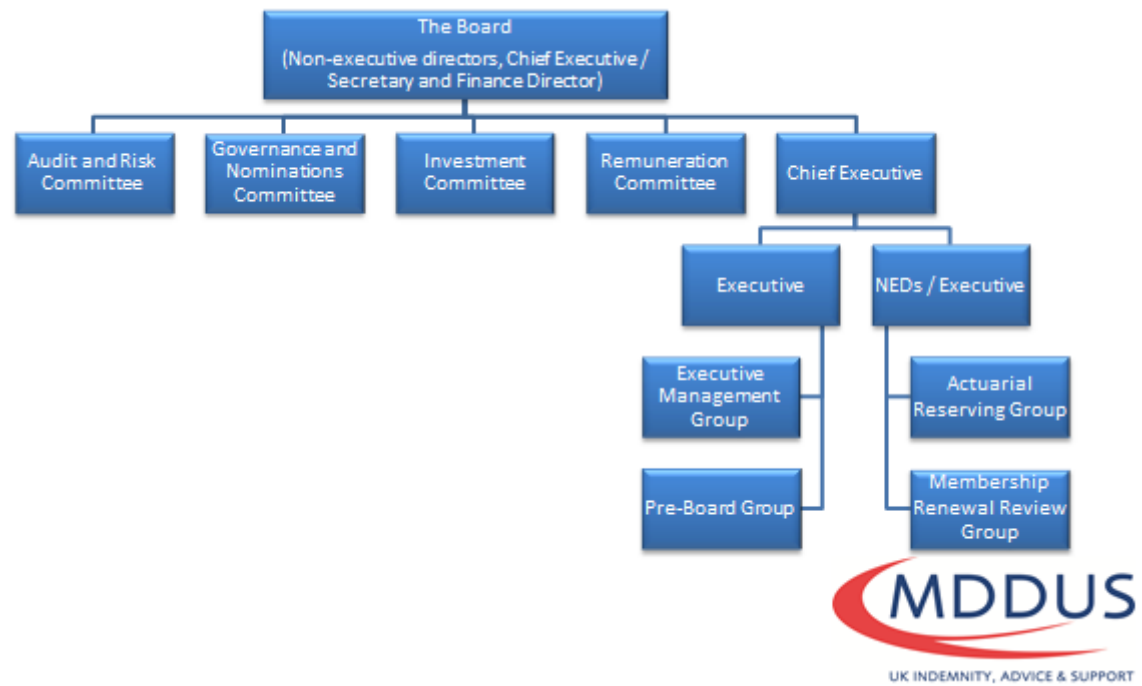
For more information about our governance arrangements, please contact:

Bryan Hislop  
Deputy Company Secretary / Corporate Governance Manager  
0141 228 1255 / 07496 893 132  
[bhislop@mddus.com](mailto:bhislop@mddus.com)

## 2. MDDUS Group corporate structure



### 3. MDDUS Governance structure



## **4. MDDUS Board – Terms of reference**

### **Responsibilities**

- 1) Subject to the provisions of the Companies Act 2006 (as amended), of the Articles of Association of MDDUS (the 'Articles') and of any direction effected by Special Resolution, the business of MDDUS shall be managed by the Board which may exercise all the powers of MDDUS. This business and these powers will include, but are not limited to, the matters expressly reserved to the Board.
- 2) These Terms of Reference will be reviewed at least annually, and will be updated as required by the Board (in consultation with the Governance and Nominations Committee). They are expressly subordinate to, and must be interpreted in accordance with, the provisions of the Companies Act 2006 (as amended) and the Articles.

### **Authorities**

- 3) A meeting of the Board at which a quorum is present may exercise all powers exercisable by the Board.
- 4) The Board may delegate any of its powers in accordance with the Articles.

### **Membership and Attendees**

- 5) The Board (including the Chairman, Vice-Chairman, Chief Executive and Finance Director) shall be appointed and shall serve in accordance with the Articles.
- 6) Non-members of the Board will attend meetings at the invitation of the Chairman.
- 7) The Chairman will have the right to direct those attending a meeting to withdraw to facilitate the open and frank discussion of particular matters.

### **Meetings**

- 8) The Board will normally meet six times a year, on dates and at times duly notified. In addition, any four members of the Board may, and the Secretary at the request of the Chairman or Vice-Chairman shall, call a meeting of the Board.
- 9) Meetings of the Board will be chaired by the Chairman or, in his / her absence, the Vice-Chairman. If there is no Chairman or Vice-Chairman, or either is unwilling to chair or is not present within 10 minutes after the time appointed for the holding of the meeting, the members of the Board present may appoint one of their number to preside at the meeting.
- 10) Decisions of the Board will normally be made by consensus, failing which by a majority of the members present and voting. In the case of an equality of votes, the Chairman (or, in his / her absence, the Vice-Chairman or other person chairing the meeting) will have a second, casting vote.
- 11) The quorum for a meeting of the Board will be five members, attending in person or by telephone or video conference, or by participating by a series of telephone calls from the Chairman. The Board or a sole member of the Board may act notwithstanding any vacancies on the Board, but if the number of members of the Board is less than the quorum for the transaction of business at meetings of the Board, the Board may act only

for the purpose of filling vacancies on the Board or of calling a General Meeting of the Union.

12) Decisions of the Board may also be made by written resolution signed by two-thirds of the members of the Board.

13) The Secretary of the Board will be the Deputy Company Secretary.

### **Papers and Reporting**

14) The agenda and other papers will normally be circulated to members five working days in advance of meetings of the Board.

15) The order of business at a meeting will follow the agenda, unless otherwise agreed by the Chairman.

16) Papers will be taken as read and may only be tabled at a meeting with the prior permission of the Chairman.

17) Minutes and actions arising from each meeting will be drafted by the Secretary within five working days.

18) The Board will agree an Annual Report and Financial Statements of MDDUS in accordance with the Companies Act 2006.

Agreed by the Board on 22.04.16



## 5. Schedule of matters reserved to the MDDUS Board

Subject to the Companies Act 2006 (as amended), of the Articles of Association of MDDUS and of any direction effected by Special Resolution, the governance and oversight of MDDUS is vested in the Board of Directors. Operational management, on the other hand, has been delegated to the Chief Executive. The following matters reserved to the Board cannot be delegated, except as expressly stated (here or elsewhere).

### 1 Regulation and Control

- 1.1 Convening Annual General Meetings<sup>1</sup>.
- 1.2 Approving the Board's own rules of procedure<sup>2</sup>.
- 1.3 Approving the minutes of meetings of the Board.
- 1.4 Authorising any matter which would or might otherwise constitute or give rise to a breach of duty of a member of the Board to avoid a direct or indirect interest that conflicts, or possibly may conflict, with the interests of MDDUS<sup>3</sup>.

### 2 Appointments

- 2.1 Recommending the appointment or re-appointment of members of the Board<sup>4</sup>.
- 2.2 Appointing any person who is willing to act to be a member of the Board either to fill a vacancy or as an additional member of the Board<sup>5</sup>.
- 2.3 Recommending the re-appointment of a member of the Board who has already served a continuous period exceeding 11 years to serve as Chairman or Vice-Chairman of the Board<sup>6</sup>.
- 2.4 Appointing and removing the Chairman and Vice-Chairman of the Board<sup>7</sup>.
- 2.5 Determining the remuneration for members of the Board<sup>8</sup>.
- 2.6 Delegating any of the Board's powers to Committees, Subcommittees or ad hoc Committees<sup>9</sup>, including approving their Terms of Reference and membership.
- 2.7 Approving the establishment or dissolution of subsidiary companies.
- 2.8 Appointing and removing the Chief Executive and Finance Director<sup>10</sup> (and any Executive posts as may from time to time be determined) and, if appointed separately, the Secretary<sup>11</sup>.
- 2.9 Delegating any of the Board's powers to the Chief Executive or the Finance Director, with powers to sub-delegate<sup>12</sup>.
- 2.10 Recommending the appointment of the external auditor<sup>13</sup>.

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References are to the MDDUS Articles of Association (approved on 18 September 2015).

<sup>1</sup> Regulation 11.2.

<sup>2</sup> Regulation 19.1.

<sup>3</sup> Regulation 22.5 (subject to Companies Act 2006, s175).

<sup>4</sup> Regulation 15.18(a) (subject to Regulation 15.18(b)).

<sup>5</sup> Regulation 15.20.

<sup>6</sup> Regulation 15.12.

<sup>7</sup> Regulation 19.2.

<sup>8</sup> Regulation 22.1 – delegated to the Remuneration Committee under Regulation 18.2.

<sup>9</sup> Regulation 18.2.

<sup>10</sup> Regulation 20-21 – terms and conditions of service delegated to the Remuneration Committee under Regulation 18.2.

<sup>11</sup> Regulation 24.1 – terms and conditions of service delegated to the Remuneration Committee under Regulation 18.2.

<sup>12</sup> Regulations 18.5-18.6.

<sup>13</sup> The external auditor is appointed by the Members at General Meeting. The terms of engagement and remuneration are approved by the Audit and Risk Committee.

2.11 Electing an Honorary Fellow of MDDUS<sup>14</sup>.

### **3 Strategy, Business plan and Budget**

3.1 Approving the strategy.

3.2 Approving the business plan (including the budget).

### **4 Risk management**

4.1 Approving the strategy and procedures for the management of risk.

4.2 Approving the Risk register.

4.3 Approving the strategy and procedures for the management of health and safety.

### **5 Financial and Performance reporting arrangements**

5.1 Monitoring the financial and non-financial performance of MDDUS by receiving papers as it sees fit from Committees, Subcommittees, the Executive and external advisers.

5.2 Overseeing the effective executive management of MDDUS.

5.3 Approving capital adequacy and accounting policies.

5.4 Approving and presenting the Annual Report and Financial Statements.

5.5 Approving expenditure that will have a major impact on the asset allocation within MDDUS' holdings.

5.6 Approving the settlement of claims above £1.5m<sup>15</sup>.

5.7 Approving and monitoring performance targets at the corporate level.

### **Indemnities and Membership**

6.1 Approving the terms and conditions for granting indemnities by the Executive<sup>16</sup>.

6.2 Approving the criteria, requirements and qualifications for admitting to membership both Voting Members and Associate Members<sup>17</sup>.

6.3 Making any regulations prescribing a form or forms of application for membership, fixing the subscriptions or subscriptions for membership (including the date and period), prescribing any membership admission fee, and prescribing such other terms and conditions relating to membership<sup>18</sup>.

6.4 Terminating the membership of any member at any time<sup>19</sup>.

6.5 Approving substantive changes to the services provided to members.

### **Miscellaneous**

7.1 Calling upon the members to contribute a sum or sums to be paid at such time and place in addition to the subscription<sup>20</sup>.

7.2 Transferring the property of MDDUS upon its winding-up or dissolution to other bodies<sup>21</sup>.

Agreed by the Board on 22.04.16

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<sup>14</sup> Regulation 23.

<sup>15</sup> Delegated to the Chairman of the Board (re-confirmed on 19.02.16).

<sup>16</sup> Regulation 6.

<sup>17</sup> Regulations 7.3-7.5 (including 'Relevant Entities') (unless delegated under Regulation 7.6).

<sup>18</sup> Regulation 8.1.

<sup>19</sup> Regulation 10.2 (unless delegated under Regulation 10.9).

<sup>20</sup> Regulation 9 (subject to Regulations 9.2-9.4).

<sup>21</sup> Regulation 4.

## **6. MDDUS Audit and Risk Committee – Terms of reference**

### **Responsibilities**

- 1) The Board has established an Audit and Risk Committee to consider and to offer its views about such matters as may be referred to it by the Board or such other relevant matters as the Committee may determine, in accordance with these Terms of Reference and all relevant reservations and delegations of authorities.
- 2) These matters include, but are not limited to:
  - a. risk management and financial and other internal controls (including the Risk Register and the Register of Directors' Interests)
  - b. accounting policies and the integrity of the Annual Report and Financial Statements
  - c. monitoring the arrangements by which staff may, in confidence, raise concerns about possible improprieties in financial or other matters
  - d. recommending to the Board the (re-)appointment of the External Auditor and, following their (re-)appointment at the Annual General Meeting, approving their terms of engagement and remuneration
  - e. monitoring the effectiveness and independence of the External Auditor
  - f. determining the approach for procuring internal audit services and overseeing tendering where appropriate
  - g. the purchase of non-audit services from contractors who provide audit services
  - h. monitoring the effectiveness and independence of the Internal Auditor
  - i. the planned activity and reports of both the External and Internal Auditors, and the Executive's response to issues identified by audit activity
  - j. the value for money of MDDUS activities.
- 3) These Terms of Reference will be reviewed at least annually by the Committee, and updated as required by the Board (in consultation with the Governance and Nominations Committee). They are expressly subordinate to, and must be interpreted in accordance with, the provisions of the Companies Act 2006 (as amended) and the Articles of Association of MDDUS.

### **Authorities**

- 4) The authorities of the Committee include:
  - a. determining the approach for procuring internal audit services and overseeing tendering where appropriate
  - b. requesting any information it requires from the Executive, all of whom are directed to co-operate with any such request for information
  - c. procuring at the reasonable expense of MDDUS external independent professional advice or training relating to the work of the Committee.

## **Membership and Attendees**

- 5) The Committee (including its Chairman and Vice-Chairman) will be appointed by the Board, in consultation with the Governance and Nominations Committee, but will not include members of the Investment Committee or Executive members of the Board. The Chairman and Vice-Chairman of the Board will not be appointed to the Committee.
- 6) The Committee as a whole will have competence relevant to the sector in which MDDUS operates. In addition, at least one member of the Committee should have recent and relevant financial experience.
- 7) The majority of the Committee (including its non-executive Chairman) will be members of the Board.
- 8) The Chief Executive, the Finance Director and representatives of the External and Internal Auditors will generally attend meetings of the Committee, at the invitation of the Chairman. Other non-members of the Committee will attend meetings at the invitation of the Chairman.
- 9) The Chairman will have the right to direct those attending a meeting to withdraw to facilitate the open and frank discussion of particular matters. In particular, at least annually, the Chairman will direct the Executive to withdraw during private discussions with either or both the External and Internal Auditors, and vice versa. Additionally, auditors will not be present during discussion of their own remuneration.

## **Meetings**

- 10) The Committee will normally meet three times a year, at appropriate intervals in the financial reporting and audit cycle.
- 11) Meetings of the Committee will be chaired by the Chairman or, in his / her absence, the Vice-Chairman.
- 12) Decisions of the Committee will normally be made by consensus, failing which by a majority of the members of the Board present and voting. In the case of an equality of votes, the Chairman (or, in his / her absence, the Vice-Chairman) will have a second, casting vote.
- 13) The quorum for a meeting of the Committee will be three members (the majority of whom must be non-executive members of the Board, including either the Chairman or the Vice-Chairman of the Committee), attending in person or by telephone or video conference, or by participating by a series of telephone calls from the Chairman. Where a meeting is not quorate, provisional decisions must be presented for ratification at the next meeting of the Committee or by written resolution signed by two-thirds of the members of the Committee.
- 14) Decisions of the Committee may also be made by written resolution signed by two-thirds of the members of the Committee.
- 15) The Secretary of the Committee will be the Deputy Company Secretary.

## **Papers and Reporting**

- 16) The agenda and other papers will normally be circulated to members five working days in advance of meetings of the Committee.

- 17) The order of business at a meeting will follow the agenda, unless otherwise agreed by the Chairman.
- 18) Papers will be taken as read and may only be tabled at a meeting with the prior permission of the Chairman.
- 19) Minutes and actions arising from each meeting will be drafted by the Secretary within five working days.
- 20) The Chairman of the Committee will present a report about each meeting of the Committee (including, in due course, the minutes) to the next available meeting of the Board.
- 21) The Chairman of the Committee will present a written report about the activities of the Committee in the Annual Report and Financial Statements of MDDUS.

Agreed by the Board on 22.04.16

07.09.18

## **7. MDDUS Governance and Nominations Committee – Terms of reference**

### **Responsibilities**

- 1) The Board has established a Governance and Nominations Committee to consider and to offer its views about such matters as may be referred to it by the Board or such other relevant matters as the Committee may determine, in accordance with these Terms of Reference and all relevant reservations and delegations of authorities.
- 2) These matters include, but are not limited to:
  - a. leading an open and transparent process to identify, and recommending to the Board, candidates to fill vacancies on the Board and its Committees
  - b. considering, and recommending to the Board, the re-appointment of non-executive directors at the conclusion of their specified term of office
  - c. reviewing the composition and size of the Board and its Committees (including the skills, knowledge, experience and diversity of members), planning for the succession of their members (including the Chairman and Vice-Chairman of the Board), and making recommendations to the Board, as required
  - d. determining, and reviewing the results of, the regular process to evaluate the performance of the Board, its Committees and non-executive members
  - e. reviewing the governance framework of MDDUS and any developments in governance 'good practice', and making recommendations to the Board, as required.
- 3) The appointment and removal of the Chairman and Vice-Chairman of the Board are matters reserved to the Board.
- 4) These Terms of Reference will be reviewed at least annually by the Committee, and updated as required by the Board. They are expressly subordinate to, and must be interpreted in accordance with, the provisions of the Companies Act 2006 (as amended) and the Articles of Association of MDDUS.

### **Authorities**

- 5) The authorities of the Committee include:
  - a. requesting any information it requires from the Executive, all of whom are directed to co-operate with any such request for information
  - b. procuring at the reasonable expense of MDDUS external independent professional advice or training relating to the work of the Committee.

### **Membership and Attendees**

- 6) The Committee (including its Chairman and Vice-Chairman) will be appointed by the Board, but will not include executive members of the Board. The Chairman of the Board will be appointed the Chairman of the Committee.
- 7) The majority of the Committee will be members of the Board.
- 8) Non-members of the Committee (in particular the Chief Executive and the Finance Director) will attend meetings at the invitation of the Chairman.

- 9) The Chairman will have the right to direct those attending a meeting to withdraw to facilitate the open and frank discussion of particular matters.

## **Meetings**

- 10) The Committee will normally meet twice a year.
- 11) Meetings of the Committee will be chaired by the Chairman or, in his / her absence (or when dealing with matters relating to the succession of the Chairman of the Board), the Vice-Chairman.
- 12) Decisions of the Committee will normally be made by consensus, failing which by a majority of the members of the Board present and voting. In the case of an equality of votes, the Chairman (or, in his / her absence, the Vice-Chairman) will have a second, casting vote.
- 13) The quorum for a meeting of the Committee will be three members (the majority of whom must be non-executive members of the Board, including either the Chairman or the Vice-Chairman of the Committee), attending in person or by telephone or video conference, or by participating by a series of telephone calls from the Chairman. Where a meeting is not quorate, provisional decisions must be presented for ratification at the next meeting of the Committee or by written resolution signed by two-thirds of the members of the Committee.
- 14) Decisions of the Committee may also be made by written resolution signed by two-thirds of the members of the Committee.
- 15) The Secretary of the Committee will be the Deputy Company Secretary.

## **Papers and Reporting**

- 16) The agenda and other papers will normally be circulated to members five working days in advance of meetings of the Committee.
- 17) The order of business at a meeting will follow the agenda, unless otherwise agreed by the Chairman.
- 18) Papers will be taken as read and may only be tabled at a meeting with the prior permission of the Chairman.
- 19) Minutes and actions arising from each meeting will be drafted by the Secretary within five working days.
- 20) The Chairman of the Committee will present a report about each meeting of the Committee (including, in due course, the minutes) to the next available meeting of the Board.

Agreed by the Board on 22.04.16

## **8. MDDUS Investment Committee – Terms of reference**

### **Responsibilities**

- 1) The Board has established an Investment Committee to consider and to offer its views about such matters as may be referred to it by the Board or such other relevant matters as the Committee may determine, in accordance with these Terms of Reference and all relevant reservations and delegations of authorities.
- 2) These matters include, but are not limited to:
  - a. determining, and recommending to the Board, the MDDUS Investment and Asset Allocation Strategy
  - b. determining, and recommending to the Board, all relevant policies relating to investment matters
  - c. appointing and removing the External Investment Managers and Investment Advisers and approving their terms of engagement and remuneration
  - d. setting the reporting framework for and monitoring the performance of the External Investment Managers and Investment Advisers
  - e. receiving and considering, at least annually, the investment return on the property portfolio, as prepared by the Board of MDDUS Property Limited.
- 3) The Committee must at all times operate within a risk appetite defined by the Board.
- 4) These Terms of Reference will be reviewed at least annually by the Committee, and updated as required by the Board (in consultation with the Governance and Nominations Committee). They are expressly subordinate to, and must be interpreted in accordance with, the provisions of the Companies Act 2006 (as amended) and the Articles of Association of MDDUS.

### **Authorities**

- 5) The authorities of the Committee include:
  - a. appointing and removing the External Investment Managers, approving their terms of engagement and remuneration and setting their reporting framework
  - b. requesting any information it requires from the Executive, all of whom are directed to co-operate with any such request for information
  - c. procuring at the reasonable expense of MDDUS external independent professional advice or training relating to the work of the Committee.

### **Membership and Attendees**

- 6) The Committee (including its Chairman and Vice-Chairman) will be appointed by the Board, in consultation with the Governance and Nominations Committee, but will not include members of the Audit Committee. The Chairman of the Board and the Finance Director will be members of the Committee.
- 7) The majority of the Committee (including its non-executive Chairman) will be members of the Board.



- 8) The Chief Executive and representatives of the Investment Advisers will generally attend meetings of the Committee, at the invitation of the Chairman. Other non-members of the Committee will attend meetings at the invitation of the Chairman.
- 9) The Chairman will have the right to direct those attending a meeting to withdraw to facilitate the open and frank discussion of particular matters.

## **Meetings**

- 10) The Committee will meet at least three times a year, subject to its annual business programme.
- 11) Meetings of the Committee will be chaired by the Chairman or, in his / her absence, the Vice-Chairman.
- 12) Decisions of the Committee will normally be made by consensus, failing which by a majority of the members of the Board present and voting. In the case of an equality of votes, the Chairman (or, in his / her absence, the Vice-Chairman) will have a second, casting vote.
- 13) The quorum for a meeting of the Committee will be three members (the majority of whom must be non-executive members of the Board, including either the Chairman or the Vice-Chairman of the Committee), attending in person or by telephone or video conference, or by participating by a series of telephone calls from the Chairman. Where a meeting is not quorate, provisional decisions must be presented for ratification at the next meeting of the Committee or by written resolution signed by two-thirds of the members of the Committee.
- 14) Decisions of the Committee may also be made by written resolution signed by two-thirds of the members of the Committee.
- 15) The Secretary of the Committee will be the PA to the Finance Director.

## **Papers and Reporting**

- 16) The agenda and other papers will normally be circulated to members five working days in advance of meetings of the Committee.
- 17) The order of business at a meeting will follow the agenda, unless otherwise agreed by the Chairman.
- 18) Papers will be taken as read and may only be tabled at a meeting with the prior permission of the Chairman.
- 19) Minutes and actions arising from each meeting will be drafted by the Secretary within five working days.
- 20) The Chairman of the Committee will present a report about each meeting of the Committee (including, in due course, the minutes) to the next available meeting of the Board.

Agreed by the Board on 22.04.16

28.04.17

07.09.18

## **9. MDDUS Remuneration Committee – Terms of reference**

### **Responsibilities**

- 1) The Board has established a Remuneration Committee to consider and to offer its views about such matters as may be referred to it by the Board or such other relevant matters as the Committee may determine, in accordance with these Terms of Reference and all relevant reservations and delegations of authorities.
- 2) These matters include, but are not limited to:
  - a. determining, and keeping under review, the remuneration and terms and conditions of service of the Executive and Non-Executive Directors of the Board, the Director of People and Corporate Services, the Director of Advisory and Legal Services and the Director of Development, and such other posts as may from time to time be determined
  - b. being consulted about the MDDUS pay strategy (including employment benefits)
  - c. being advised about the annual pay uplift
  - d. considering, and recommending to the Board, any remuneration reporting to the membership.
- 3) These Terms of Reference will be reviewed at least annually by the Committee, and updated as required by the Board (in consultation with the Governance and Nominations Committee). They are expressly subordinate to, and must be interpreted in accordance with, the provisions of the Companies Act 2006 (as amended) and the Articles of Association of MDDUS.

### **Authorities**

- 4) The authorities of the Committee include:
  - a. determining the remuneration and terms and conditions of service of the Executive and Non-Executive Directors of the Board, the Director of People and Corporate Services, the Director of Advisory and Legal Services and the Director of Development, and such other posts as may from time to time be determined
  - b. requesting any information it requires from the Executive, all of whom are directed to co-operate with any such request for information
  - c. procuring at the reasonable expense of MDDUS external independent professional advice or training relating to the work of the Committee.

### **Membership and Attendees**

- 5) The Committee (including its Chairman and Vice-Chairman) will be appointed by the Board, in consultation with the Governance and Nominations Committee, but will not include executive members of the Board. The Chairman of the Board will be a member of the Committee.
- 6) The majority of the Committee (including its non-executive Chairman) will be members of the Board.
- 7) Non-members of the Committee (in particular the Chief Executive, the Finance Director and the Director of People and Corporate Services) will attend meetings of the

Committee, at the invitation of the Chairman, but no member of the Executive will be present for the discussion of his / her own remuneration.

- 8) The Chairman will have the right to direct those attending a meeting to withdraw to facilitate the open and frank discussion of particular matters.

## **Meetings**

- 9) The Committee will normally meet annually.
- 10) Meetings of the Committee will be chaired by the Chairman or, in his / her absence, the Vice-Chairman.
- 11) Decisions of the Committee will normally be made by consensus, failing which by a majority of the members of the Board present and voting. In the case of an equality of votes, the Chairman (or, in his / her absence, the Vice-Chairman) will have a second, casting vote.
- 12) The quorum for a meeting of the Committee will be three members (the majority of whom must be non-executive members of the Board, including either the Chairman or the Vice-Chairman of the Committee), attending in person or by telephone or video conference, or by participating by a series of telephone calls from the Chairman. Where a meeting is not quorate, provisional decisions must be presented for ratification at the next meeting of the Committee or by written resolution signed by two-thirds of the members of the Committee.
- 13) Decisions of the Committee may also be made by written resolution signed by two-thirds of the members of the Committee.
- 14) The Secretary of the Committee will be the Deputy Company Secretary.

## **Papers and Reporting**

- 15) The agenda and other papers will normally be circulated to members five working days in advance of meetings of the Committee.
- 16) The order of business at a meeting will follow the agenda, unless otherwise agreed by the Chairman.
- 17) Papers will be taken as read and may only be tabled at a meeting with the prior permission of the Chairman.
- 18) Minutes and actions arising from each meeting will be drafted by the Secretary within five working days.
- 19) The Chairman of the Committee will present a report about each meeting of the Committee (including, in due course, the minutes) to the next available meeting of the Board.

Agreed by the Board on 22.04.16

28.04.17

07.09.18

## **10. MDDUS Chairman – Role and responsibilities**

The Chairman is responsible for promoting the highest standards of corporate governance, integrity and probity and creating the conditions for overall Board and individual Director effectiveness, both inside and outside the Boardroom.

In particular, it is the responsibility of the Chairman to:

- provide coherent leadership of the Board
- promote effective relationships and open communication, both inside and outside the Boardroom, between Non-Executive Directors, the Executive team and MDDUS members
- encourage active engagement by all Directors
- chair meetings of the Board and set the agenda, which should take full account of the issues and the concerns of all Directors, ensure that the Board is forward looking and concentrate on strategic matters
- ensure that Directors receive accurate, timely and clear information, in particular about performance, to enable the Board to take sound decisions, monitor effectively and provide advice to promote the success of MDDUS
- manage the Board to ensure that sufficient time is allowed for early formal and informal discussion of complex or contentious issues
- take the lead in providing a properly constructed induction programme for new Directors that is comprehensive, formal and tailored, facilitated by the Chief Executive and Deputy Company Secretary
- take the lead in identifying and meeting the development needs of individual Directors, facilitated by the Chief Executive and Deputy Company Secretary
- lead the process, with the support of the Vice-Chairman, of evaluating the performance of the Board and its Committees, and individual Directors, in alternate years
- chair the Governance and Nominations Committee
- serve as a Member of the Investment and Remuneration Committees
- chair the General Meetings of MDDUS.

The role and responsibilities of MDDUS Non-Executive Directors apply also to the MDDUS Chairman.

The Chairman is appointed by the Board from amongst its members, having regard to any recommendations or succession plans provided by the Governance and Nominations Committee.

The Chairman may serve a maximum of two terms each of not more than three years, running concurrently with their service as a Director, but with the option, in exceptional circumstances agreed by the Board, to extend the appointment by a maximum of one term of one year (subject to Regulation 15.12).

Agreed by the Board 22.04.16

## **11. MDDUS Vice-Chairman – Role and responsibilities**

The Vice-Chairman is responsible for supporting and giving guidance to the Chairman.

In particular, it is the responsibility of the Vice-Chairman:

- in the absence of the Chairman, to chair the meetings of the Board and General Meetings of MDDUS
- in the event of the prolonged absence of the Chairman, to assume all the responsibilities of the Chairman until such times as the Chairman returns or a new Chairman is appointed by the Board
- to support the Chairman by leading or giving guidance about such activities or matters requested by the Chairman.

The role and responsibilities of MDDUS Non-Executive Directors apply also to the MDDUS Vice-Chairman.

The Vice-Chairman is appointed by the Board from amongst its members, having regard to any recommendations or succession plans provided by the Governance and Nominations Committee.

The Vice-Chairman may serve a maximum of two terms each of not more than three years, running concurrently with their service as a Director, but with the option, in exceptional circumstances agreed by the Board, to extend the appointment by a maximum of one term of one year (subject to Regulation 15.12).

Agreed by the Board on 22.04.16

## **12. MDDUS Senior Independent Director – Role and responsibilities**

The Senior Independent Director is responsible for supporting and giving guidance to the Chairman.

In particular, it is the responsibility of the Senior Independent Director to:

- act as a sounding board for the Chairman
- serve as an intermediary between the other Directors when necessary
- meet the other Directors annually in the absence of the Chairman to appraise his / her performance and to feedback accordingly
- mentor new Non-Executive Directors
- act as the independent point of contact in accordance with MDDUS' Disclosure of Malpractice or Impropriety Policy (Whistleblowing)
- support the Chairman by leading or giving guidance about such activities or matters requested by the Chairman.

The role and responsibilities of MDDUS Non-Executive Directors apply also to the MDDUS Senior Independent Director.

The Senior Independent Director is appointed by the Board from amongst its members, having regard to any recommendations or succession plans provided by the Governance and Nominations Committee.

The Senior Independent Director may serve a maximum of two terms each of not more than three years, running concurrently with their service as a Director, but with the option, in exceptional circumstances agreed by the Board, to extend the appointment by a maximum of one term of one year.

Agreed by the Board on 22.04.16

### **13. MDDUS Committee Chairmen – Role and responsibilities**

Committee Chairmen are responsible for promoting the highest standards of corporate governance, integrity and probity on their Committees and creating the conditions for overall Committee and individual Committee Member effectiveness.

It is the responsibility of Committee Chairmen to:

- chair the Committee and set its agenda, which should take full account of the issues and the concerns of all Committee Members
- ensure that the Committee discharges its full remit, whilst acting within its terms of reference
- ensure that Committee Members receive accurate, timely and clear information, to enable the Committee to take sound decisions, monitor effectively and provide advice to promote the success of MDDUS
- ensure that the Committee accesses any necessary external professional advice to aid the discharge of its functions and that the effectiveness and value of suppliers of that advice is regularly evaluated
- manage the Committee to ensure that sufficient time is allowed for early formal and informal discussion of complex or contentious issues
- take the lead in providing a properly constructed induction programme for new Committee Members that is comprehensive, formal and tailored, facilitated by the Chief Executive and Deputy Company Secretary
- take the lead in identifying and meeting the development needs of individual Committee Members, facilitated by the Chief Executive and Deputy Company Secretary.

Committee Chairmen are appointed by the Board from amongst its members, having regard to any recommendations or succession plans provided by the Governance and Nominations Committee.

Committee Chairmen may serve a maximum of two terms each of not more than three years, running concurrently with their service as a Committee Member, but with the option, in exceptional circumstances agreed by the Board, to extend the appointment as a Committee Member and Chairman by a maximum of one term of three years.

Agreed by the Board on 22.04.16

## **14. MDDUS Committee Vice-Chairmen – Role and responsibilities**

Committee Vice-Chairmen are responsible for supporting and giving guidance to their Committee Chairman.

In particular, it is the responsibility of Committee Vice-Chairmen:

- in the absence of the Chairman, to chair the Committee
- in the event of the prolonged absence of the Chairman, to assume all the responsibilities of the Chairman until such times as the Chairman returns or a new Chairman is appointed by the Board
- to support the Chairman by leading or giving guidance about such activities or matters requested by the Chairman.

Committee Vice-Chairmen are appointed by the Board from amongst its members, having regard to any recommendations or succession plans provided by the Governance and Nominations Committee.

Committee Chairmen may serve a maximum of two terms each of not more than three years, running concurrently with their service as a Committee Member, but with the option, in exceptional circumstances agreed by the Board, to extend the appointment as a Committee Member and Chairman by a maximum of one term of three years.

Agreed by the Board on 22.04.16



## **15. MDDUS Non-Executive Directors – Role and responsibilities**

MDDUS Directors must have particular regard to the general duties of directors in Part 10 of the Companies Act 2006, including the duty to act in the way they consider, in good faith, would be most likely to promote the success of MDDUS for the benefit of its members as a whole. In doing so, they must have regard (amongst other matters) to:

- the likely consequences of any decision in the long term
- the interests of MDDUS' employees
- the need to foster MDDUS' business relationships with suppliers, customers and others
- the impact of MDDUS' operations on the community and the environment
- the desirability of MDDUS maintaining a reputation for high standards of business conduct
- the need to act fairly as between members of MDDUS.

In particular, it is the responsibility of MDDUS Directors to:

- uphold the highest ethical standards of integrity and probity
- set MDDUS' values and standards and ensure that its obligations to members and others are understood and met
- provide leadership of MDDUS within a framework of prudent and effective controls, which enable risk to be assessed and managed
- help develop and update MDDUS' strategic objectives
- ensure that the necessary financial and human resources are in place for MDDUS to meet its objectives
- review and challenge the performance of management in meeting agreed goals and objectives and to monitor the reporting of performance
- satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible
- satisfy themselves on the robustness of processes for the appointment, and where necessary the removal, of Executive Directors and for succession planning
- understand, exercise powers under and abide by MDDUS' Articles of Association
- serve on at least one Committee of the Board and / or a subsidiary Board of MDDUS
- attend Board 'away days', presentations and dinners
- devote time to developing and refreshing their relevant knowledge and skills
- commit sufficient time to fulfil their role and responsibilities effectively.

Directors are appointed in accordance with the Articles of Association of MDDUS.

Committee Members are appointed to a Committee for a maximum of two terms each of not more than three years (unless appointed as a Committee Chairman or Vice-Chairman).

Agreed by the Board on 22.04.16