

# Market Harborough

BUILDING SOCIETY

## Proposed Changes to our Society Memorandum and Rules

Effective 10 August 2023

Principal Office:  
Welland House, The Square,  
Market Harborough, Leicestershire, LE16 7PD

### Proposed changes to our Society Memorandum and Rules

The agenda for this year's AGM contains proposals to amend the Society's Memorandum ('Memorandum') and the Society's Rules (Rules).

The Memorandum and Rules are our main constitutional documents and set out the principles and basis on which the Society is governed. We note in particular that the Society's existing Rules are largely based on the Building Societies Association's (BSA) Model Rules.

Under Resolutions 4 and 5, we are proposing to update both the Memorandum and Rules to add provisions which reinforce the Society's commitment to environmental and social matters. As a result of these updates, the paragraphs of the Memorandum, and the Rules, are proposed to be re-numbered.

In addition, under Resolution 5, we are proposing to update the Rules:

- to remove legacy provisions surrounding the maintenance of insurance;
- to make the Rules gender neutral; and
- to make a small number of minor typographical and clarificatory changes.

A summary, together with further detail, of the specific changes can be found below.

The Board believes that the proposed changes to the Memorandum and Rules will benefit the Society and its members as a whole and recommends that members vote FOR the adoption of the proposed Memorandum and Rules. It is intended that, if the proposed alterations to the Memorandum and Rules are agreed, they will take effect (subject to registration by the Financial Conduct Authority) on 10 August 2023.

### **How can I find out more?**

If you would like to view a full copy of the existing Memorandum and Rules, the proposed Memorandum and Rules, or the documents tracking the changes between the existing and proposed Memorandum and Rules, these are available on our website at [www.mhbs.co.uk/noticeofagm2023](http://www.mhbs.co.uk/noticeofagm2023). Alternatively, you can request a copy by writing to us at the following address: Secretary, Market Harborough Building Society, Welland House, 15-17 The Square, Market Harborough, LE16 7PD; or by email to [customersfirst@mhbs.co.uk](mailto:customersfirst@mhbs.co.uk).

### **Summary of changes to the Memorandum and Rules**

*Changes to the Rules and Memorandum to reflect the Society's commitment to environmental and social matters*

We understand that environmental and social matters are critical issues for our members and other stakeholders as well as for wider society and we are committed to positively impacting our members, colleagues, communities, suppliers and the planet on which we live. To reinforce this message, we propose amending our Memorandum to include a statement that seeks to embed the Society's long-term commitment to environmental and social matters into our overall purpose.

Specifically, the proposed addition to paragraph 3 of the Memorandum confirms that a purpose of the Society going forwards will be to have a material positive impact on society and the environment, taken as a whole. Members should note however that this purpose does not detract from the Society's principal purpose, which is to make loans that are secured on residential property and which are funded substantially by the Society's members.

The Society also proposes to insert into the Rules a new Rule 12(5) which will require Directors of the Society to act in a way they consider, in good faith, to be:

- in the best interests of members as a whole; and
- most likely to promote the new objective of ensuring that the Society has a material positive impact on society and the environment.

In acting in the way that promotes the new objective of ensuring that the Society has a material positive impact on society and the environment, the Directors will need to have regard to the impact of their decisions on the Society's stakeholders, including the interests of members, colleagues and suppliers, as well as society and the environment (**Stakeholder Interests**). A new Rule 12(6) provides that the Directors are not required to treat any one or more of these Stakeholder Interests as being more important than the other.

New Rules 12(5) and 12(6) reflect an approach that is being taken by a number of other businesses to demonstrate their commitment to social and environmental performance and sustainability. The intention of Rule 12(6) is not to require the objective of ensuring that the Society has a material positive impact on society and the environment to take precedence over acting in the best interests of members – as such, the Directors intend to interpret this Rule so that, in determining what is in the best interests of the members, they will have regard to wider stakeholder interests; the Directors do not intend to take any decision that is not in the best interests of the members. If a course of action is neutral in its impact on society and the environment, the Directors will proceed to act in the way they consider to be in the best interests of the members as a whole.

In addition, the Society proposes to insert a new Rule 12(7) which provides that Rules 12(5) and 12(6) are not intended to create or grant any cause of action to, by or for any person other than the Society. The purpose of this language is to make it clear that third parties other than the Society cannot enforce Rules 12(5) or 12(6) in their own right and in the absence of any other right.

#### *Changes to insurance provisions in the Additional Rules*

To reflect the Society's current lending policy and to bring the Rules in line with current practice, the Society proposes to remove item 17 from the Appendix of Additional Rules, being the requirement that all property mortgaged to the Society should be insured in the name of the Society and the mortgagor, or in such other manner as the Board approves.

This requirement is not contained within the most recent version of the Building Societies Association's Model Rules, nor is there any legal obligation for this requirement to be included within the Rules.

#### *Changes to the Rules to adopt gender-neutral terminology*

In aligning with the Society's culture, purpose and values, the proposed alterations to the Rules include the adoption of gender-neutral terminology throughout.

### **Detail of the proposed changes to the Memorandum and Rules**

Where relevant, the proposed new wording is set out in italics and underlined. In addition to the changes set out below, we are proposing to make the Rules gender neutral, and make a small number of minor typographical and clarificatory changes to the Memorandum and Rules, including to reflect numbering changes arising as a result of changes described below. Full details of these changes, together with all other changes described in this document, can be seen in the marked-up version of our Memorandum and Rules available at [mhbs.co.uk/financials/agm](https://mhbs.co.uk/financials/agm) and can be requested by writing to Secretary, Market Harborough Building Society, Welland House, 15-17 The Square, Market Harborough, LE16 7PD or by email to [customersfirst@mhbs.co.uk](mailto:customersfirst@mhbs.co.uk).

## Proposed Memorandum changes

To reinforce the Society's commitment to environmental and social matters

Insert a new paragraph 3(f) as follows:

(f) through its business and operations, to have a material positive impact on society and the environment, taken as a whole;

To re-number the paragraphs in the Memorandum

As a result of inserting a new sub-paragraph 3(f) as above, update the numbering of the subsequent sub-paragraphs of paragraph 3.

## Proposed Rule changes

To reinforce the Society's commitment to environmental and social matters

Insert new Rules 12(5), (6) and (7) as follows:

(5) The Directors shall act in the way they consider, in good faith, to be:

(a) in the best interests of the Members as a whole; and

(b) most likely to promote the objective of ensuring that, through its business and operations, the Society has a material positive impact on society and the environment, taken as a whole, and in doing so shall have regard (amongst other matters) to:

(i) the likely consequences of any decision in the long term;

(ii) the interests of the Society's employees;

(iii) the need to foster the Society's business relationships with Members, customers, suppliers and others;

(iv) the impact of the Society's operations on the community and the environment;

(v) the desirability of the Society maintaining a reputation for high standards of business conduct; and

(vi) the need to act fairly as between Members;

(together, the matters referred to in subparagraphs (i) to (vi) above being defined for the purposes of this Rule 12 as the Stakeholder Interests).

(6) In exercising their duty to act in the way they consider, in good faith, to be in the best interests of the Society, a Director shall not be required to regard the benefit of any particular Stakeholder Interest or group of Stakeholder Interests as more important than any other.

*(7) Nothing in Rules 12(5) and 12(6), express or implied, is intended to or shall create or grant any right or cause of action to, by or for any person (other than the Society).*

*To re-number the Rules*

As a result of inserting new Rules 12(5), (6) and (7) as above, update the numbering of the subsequent Rules of Rule 12.

To remove legacy provisions surrounding the maintenance of insurance

Delete paragraph 17 at Additional Rule 3 in its entirety.

To make the Rules gender neutral and to make a small number of minor typographical and clarificatory changes.

Full details of the changes proposed to make the Rules gender neutral, together with other minor typographical and clarificatory changes we propose to make to the Rules, can be seen in the document tracking the changes between the existing and proposed Rules on our website at [www.mhbs.co.uk/noticeofagm2023](http://www.mhbs.co.uk/noticeofagm2023). Alternatively, you can request a copy by writing to us at the following address: Secretary, Market Harborough Building Society, Welland House, 15-17 The Square, Market Harborough, LE16 7PD; or by email to [customersfirst@mhbs.co.uk](mailto:customersfirst@mhbs.co.uk).

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