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Explanatory notes of principal changes to the society's Articles of Association

1. The Society's objects

The Society is proposing to remove the provisions of its Memorandum of Association that, by virtue of the Companies Act 2006, have been treated since 1st October 2009 as forming part of the Current Articles. The Society's Memorandum of Association contains, among other things, the objects clause which sets out the scope of the activities the Society is authorised to undertake. This is drafted to give a wide scope.

As the effect of the resolution will be to remove the objects clause imported by operation of law from the Memorandum of Association, this will mean that the Society will have unlimited capacity.

As the statement imported by operation of law from the Memorandum of Association regarding limited liability will also be removed, the New Articles contain an express statement regarding the limited liability of its Members.

2. Notice of general meetings

The Companies Act 2006 permits a limited company to give 14 clear days' notice of general meetings. Annual general meetings must be held on 21 clear days' notice. The New Articles amend the provisions of the Current Articles to reflect this.

3. Voting record date

The Current Articles have been amended to authorise the directors to specify the date on which persons registered as Members of the Society shall be entitled to vote at such meeting.

4. Votes of Members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting (or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll), with weekends and bank holidays being permitted to be excluded for this purpose. The New Articles reflect these new provisions.

5. Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The Current Articles have been amended to reflect these changes.

6. Variation of class rights

The Current Articles do not contain provisions regarding the variation of class rights. The New Articles provide that the same proceedings and quorum requirements for general meetings apply to the proceedings for a meeting convened to vary class rights.

7. Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Society's name.

8. Provision for employees on cessation of business

The Companies Act 2006 provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors may exercise this power.

9. Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act, from 1st October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

10. Age of directors on appointment

The Current Articles contain a provision limiting the age at which a director can be appointed. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles.

11. Vacation of office by directors

The Current Articles specify the circumstances in which a director must vacate office. The New Articles update these provisions to treat physical illness in the same manner as mental illness.

12. Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles allow communications to members in electronic form and, in addition, they also permit the Society to take advantage of the new provisions relating to website communications. Before the Society can communicate with a member by means of website communication, the relevant Member must be asked individually by the Society to agree that the Society may send or supply documents or information to him by means of a website, and the Society must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Society will notify the Member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a Member can always request a hard copy version of the document or information.

13. Indemnities and loans to fund expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

14. General

Generally the opportunity has been taken to bring clearer language into the New Articles.