

As part of the Board's review of governance changes to bring GPDF more into line with the desires of LMCs for simplicity and cost-effective management, whilst ensuring an appropriate and robust governance framework, Jon Stanley, our Independent Non-Executive Director was asked to review the articles of association and suggest possible changes to put forward to Members. We are recommending adopting the draft articles reflecting some of these as an interim measure at the GM on 5 March 2024 will in the coming months be consulting with Members with a view to seeking approval of further changes to better reflect LMCs' and members' needs in terms of rights and protections.

We will, of course, be delighted to discuss and explain the reasoning for amendments during the notice period for the GM and at the meeting itself. We set out below the rationale for some of the key elements we're asking LMCs to consider at present.

1) ***Income and Use of Funds (Article 4)***

Article 4.4 provides that GPDF cannot return more than £1 million to Members (whether via levy rebates, credits or otherwise) inside 12 months, except with the authority of a special resolution (ie 75% of Members present and voting at a GM or a written resolution signed by 75% of Members). However, the Articles impose no limit on how much cash the Board can withdraw from GPDF's reserves in any financial year.

Since the reserve funds ultimately belong to Members (and have in the past occasionally been used to deal with budgetary overspends), the Board is proposing to impose a limit on its ability to access reserve funds in excess of a specified amount (£2 million) in any 12 month period without seeking approval from Members at a general meeting. The Board of course remains subject to its statutory and common law duties (and the Company's objects in Article 3) in relation to the use of any funds drawn down and remains prohibited from using these funds in the circumstances prescribed by the other provisions of Article 4.

2) ***Membership (Article 6)***

The suspension provision in Article 6.9 has proved divisive in the recent past. The Board has a range of potential remedies short of suspension where an LMC withholds payment of quota in the absence of hardship or other material difficulties in funding and cashflow and accepts that LMCs may have withheld payment in the past for genuine reasons relating to concerns over governance and expenditure. The Board's view is that suspension should only be used (if at all) as a last resort, where communications have irreparably broken down and there is no prospect of a resumption of quota payments which is in the interests of members as a whole. The reasoning for retaining this power (which was introduced in 2020) is that ultimately, the Board feels there is little reason for other LMCs to provide unlimited subsidy for LMCs that are not meeting their quota commitment.

That said, the Board considers that it would be prudent to lift the threshold required for approval of suspension by Members to 75% (whether at a general meeting or by written resolution) with a view to ensuring both that the compromise of suspended Members' rights is effective as a company law matter and that a substantial majority of Members are comfortable any suspension action taken is appropriate and proportionate.

The Board expects that LMCs and Members may well have varying views on this proposed amendment and look forward to discussing with Members at the GM. We would also welcome hearing views on

whether any further changes should be made at the 2024 AGM (or indeed whether Members consider the suspension power should be removed entirely).

3) ***Notice of General Meetings (Article 8)***

The Board has proposed some standard wording drawn from model articles prescribed by statutory instrument to attempt to cater for Members' frustrations in previous years at the inability to proactively influence the agenda at General Meetings. Unlike Conferences, where the standing orders and the will of Conference are essentially "sovereign", GPDF is subject to company law, both statute and case law, governing what resolutions can be moved validly. So we unfortunately can't guarantee that every last amendment submitted by Members on behalf of LMCs will be put to a general meeting, but we felt it was important to provide Members with more opportunity to directly influence the business to be considered at General Meetings.

4) ***The Board (Article 15) and the Chair (Article 17)***

Under Article 15.1 as it currently stands, the Board comprises up to 6 Elected Directors (elected from among the Members nominated by LMCs), up to 3 Independent Directors (appointed by the Board) and one Chief Officer (if any). The Chief Officer (as a permanent role) is a job title that has not been used for some time and there have been concerns that a Chief Officer with an automatic right to a board position may present governance and accountability problems (particularly if that person, whatever their job title, also serves as Chair). We are therefore proposing to abolish the position of "Chief Officer", at least in terms of any person with such title or equivalent also automatically having a guaranteed Board seat.

Further, the Board believes that, in order to ensure interests are appropriately aligned with those of LMCs and that there is clear accountability to LMCs, Independent Non-Executive Directors should, like Elected Directors, be subject to re-election at the first AGM following their appointment (if appointed by the Board) or directly elected by Members (if their appointment with the Company first arises because they are proposed for election at an AGM) and that all Directors should be subject to retirement by rotation on a 3-year cycle. You will recall that our Independent Non-Executive Director, Jon Stanley, sought election at the 2023 AGM to allow Members the choice of confirming and ratifying his appointment or indeed rejecting it, because he and the Board believe that this is fundamental to Members' rights and the accountability of all Directors.

Article 15.2 currently sets the requirement for Board seats reserved to each devolved nation but contains a slight ambiguity as to whether it is the Members voting on the appointment or the candidates to serve as a director that must be resident in the relevant nation, or indeed both. In line with practice adopted by other bodies, we are proposing to clarify this Article to provide that the Elected Director for each devolved nation must be a representative of an LMC in that nation as well as being elected (solely) by Members representing LMCs in that nation (ie to mitigate potential concerns that eg an English LMC nominee along the Scottish or Welsh border could argue that they are personally resident in Wales or Scotland and therefore theoretically eligible to contest the Board seat reserved for a devolved nation they do not, in practical terms, manifestly represent).

Further, Article 17.1 currently prohibits the same person serving as Chair and Chief Officer but does not prohibit any other management team member/director "with executive function" from serving as Chair, although again this can result in governance and accountability problems. We are therefore proposing a

“blanket” prohibition on any member of executive management serving as Chair and to require that the Chair be an Elected Director or possibly, if the Board prefers, an Independent Non-Executive Director.

5) ***Elected Directors (Article 16)***

We are proposing to amend Article 16.1 consistently with providing for Independent Directors to also be nominated and elected at AGMs (as well as it remaining within the Board’s discretion to appoint to fill an interim vacancy between AGMs). Accordingly, throughout the Articles, reference is now made to LMC Directors to distinguish Board members who represent LMCs from independent Directors who will also now be elected.

Article 16.4 currently provides for the Board to be able to impose an assessment of corporate experience and company law knowledge and training for Members to nominate themselves as candidates to be Elected Directors. It is the Board’s view that, while previous experience and knowledge may be a feature that makes candidates attractive to voting Members, there is no legal or practical requirement for Elected Directors to have any previous experience or knowledge in order to serve on the Board and that the Company can provide such training as might be considered necessary in this regard. We are therefore proposing the deletion of this provision.

Article 16.7 currently provides that election of Elected Directors must be conducted on a “first past the post” basis. While this is simple and provides for clarity, we are proposing to provide flexibility to explore an alternative voting structure as more fairly representing the wishes of Members when choosing between multiple candidates, such as a single transferable vote (as was used in the recent GPC England election, for example).

6) ***Quorum for Directors Meetings (Article 24)***

Article 24.2 provides that for a Board meeting to be quorate, at least 50% of the Directors in office at the time must be present, including at least one Elected Director and either the Chair or the Chief Officer. This is simpler to interpret if the concept of “Chief Officer:” is abandoned and we are proposing that for a Board meeting to be quorate, a majority of Elected Directors must be present (ie to ensure that LMC input is appropriately prioritised in line with the inbuilt overall Board majority). The Chair does not need to be one of the Elected Directors present to allow for exceptional circumstances, such as personal emergencies, as per article 26.2.

7) ***Directors’ Remuneration (Article 31)***

Article 31.2 requires the establishment of a Remuneration Committee (which the Article envisages may be largely or entirely composed of external members that are not Directors). This is a relatively unusual approach (even given the potential difficulties of assessing comparable remuneration policies given the lack of obvious peer organisations). In order to ensure appropriate oversight by LMCs, we are therefore proposing that Elected Directors representing LMCs should form the majority of any Remuneration Committee empanelled from time to time, with the ability to seek external advice on market conditions for reasonably comparable roles.

In addition to requiring a more conventional structure for a Remuneration Committee, we are proposing set a remuneration limit in the Articles on Board remuneration in Article 31.3 such that fees for Board members under their service agreements and/or salaries under management employment contracts

may not exceed a certain aggregate amount in any financial year without the consent of at least a majority of Members. Recognising that non-ordinary course circumstances can arise that involve exceptional time commitments, draft Article 31.4 proposes that Directors may be entitled to reasonable remuneration on a per diem basis (which the Board expects will ordinarily be based on the standing BMA rate for honoraria payments). We are also proposing bringing within the scope of the Articles controls on payment of expenses (which must be reasonable and properly incurred) and providing for approval of expenses by Board members who are independent of the expenses claimed.

Finally, in light of recent interest in (and LMCs' concern relating to) the service terms of Directors, subject to appropriate safeguarding of sensitive personal information where relevant, we are proposing a requirement to make Directors' service agreements or letters of appointment available for inspection at General Meetings. This is, of course, without prejudice to Members' statutory rights to require copies of Directors' service contracts.

8) ***Indemnity (Article 35)***

Currently, the indemnification provisions in the Articles extend the ability of the Board to provide (out of company resources) indemnification against legal claims and costs, beyond the usual categories of directors and officers to employees in general. This is relatively unusual because while directors are potentially liable to third parties, as well as to the Company and Members, and therefore (assuming they are innocent of breaches of duty to the Company or are personally found civilly liable or guilty of a criminal offence) it is likely appropriate for them to be indemnified, employees typically have no such duties and liabilities. It's therefore rather unlikely that a valid indemnification claim would arise from an employee and we are proposing to restrict the scope of indemnification provided to something more conventional and in line with the Companies Act 2006.