

THE CHILDREN'S MUTUAL

Terms of Reference for the Board

The directors of The Children's Mutual fully recognise the benefits of mutuality to all its members and customers, and are committed to supporting this status.

The role of the Board

- 1 The Board should set the values and standards of the business and ensure that its obligations to members, customers and others are understood and met.
- 2 The Board is collectively responsible for promoting the success of the business by direction and supervision of the affairs of the business.
- 3 The Board's role is to provide entrepreneurial leadership of the business within a framework of prudent and effective controls which enable risk to be assessed and managed appropriately.
- 4 The Board should set the strategic aims of the business and ensure that the necessary financial and human resources are in place for the business to meet its objectives.
- 5 The Board is responsible for reviewing and challenging management and operational performance.
- 6 All directors must take decisions objectively in the best interests of the Society and with due regard to the interests of other stakeholders, as required by the Companies Act 2006.

General

- 7 There are practical constraints on Board members' time and substantial delegation of authority (but not responsibility) both to Board committees and staff is a prerequisite.
- 8 There should be a formal schedule of matters specifically reserved for the Board's decision.
- 9 The Board is not involved in the day to day management of the business, which is delegated to the Chief Executive.

Control

- 10 The Board will approve the overall structure of its committees and their composition and terms of reference. It will review all terms of reference annually and approve amendments where necessary. It will also approve all changes to statements of delegation (for example expenditure authority lists) at the appropriate time.
- 11 Annually, the Audit Committee will produce a report on control and risk issues (to include the Auditors' management letter) for consideration by the Board.
- 12 The Board will appoint the Chief Executive.
- 13 The Board must approve any significant change to organisational structure.

Financial Control

- 14 The Board will approve the annual budget and statement of investment policy.
- 15 The Board will approve the Annual Accounts prior to submission to each Annual General Meeting and recommend the appointment of Auditors.
- 16 The Board will review the performance of investment advisors and re-consider their appointment not less than once every three years.

Performance Monitoring

- 17 The Board will monitor performance against the annual plan, any approved reforecast plan, three year business plan, and key performance indicators on a regular basis. The Board will also receive performance monitoring reports from committees and subsidiaries on an exceptions basis. Such performance monitoring will include focus on the main changes in the external framework within which the business operates and identify their impact on the business.
- 18 Such monitoring must include the effectiveness of the system of internal control and risk management processes.
- 19 In particular, it must include a review of overall performance in terms of the criteria of prudent management i.e.
 - Solvency, including Individual Capital Assessment
 - Liquidity
 - Requisite accounting records
 - Systems of control
 - Risk management – including quarterly review and validation of the Corporate Risk Register.
 - Direction and management:-
 - By sufficient number of fit and proper persons (both Board and organisation)
 - Conducted with prudence and integrity
 - Fulfilment of the reasonable expectations of customers, and ensuring that customers are treated fairly
 - Supervision of controlled bodies and outsourced functions.
- 20 The Board will review and approve the procedures within the business for handling allegations from whistleblowers.
- 21 The Board will monitor the effectiveness of the complaints procedures throughout the business and review any customer complaint which is not resolved to the customer's satisfaction by our staff.

12 December 2007
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