

THE CHILDREN'S MUTUAL

Terms of Reference for the Finance Committee

1. Constitution

- 1.1 The Board hereby resolves to establish a committee of the Board to be known as the Finance Committee.

2. Responsibilities

The responsibilities of the committee shall be:

2.1 With Profits Management

- 2.1.1 to review bonus recommendations made by the With Profits Actuary, with a view to then making recommendations on bonus rates for approval by the Board;
- 2.1.2 to consider whether the Society has complied with the terms of its Principles and Practices of Financial Management document, and reporting its findings to the Board.

2.2 Capital Management

- 2.2.1 to review and ensure regular updating of the Society's ICA report for approval by the Society's Board;
- 2.2.2 to receive and review statutory valuation assumptions, the statutory valuation results, and the Society's FSA returns, prior to submission to the main Board for approval;
- 2.2.3 to receive the Financial Condition Report and ensure that appropriate recommendations are made to the Board;
- 2.2.4 to review the Society's Realistic Balance Sheet reporting and Value Added reporting.

2.3 General

- 2.3.1 to help support the Board in ensuring all customers are treated fairly when financial management decisions are made;
- 2.3.2 to consider other topics, as defined by the Board from time to time;
- 2.3.3 to review and update the committee's terms of reference annually, recommending any changes to the Board;
- 2.3.4 to carry out a review of the committee's performance annually;
- 2.3.5 the committee shall have access to the Society Secretary for appropriate assistance in carrying out its duties;
- 2.3.6 the secretary shall keep appropriate records of all the committee's meetings, including appropriate minutes of the proceedings and resolutions.

3. Membership

- 3.1 The committee shall be appointed by the Board on the recommendation of the Nomination Committee.
- 3.2 The Board will appoint the chairman of the committee from amongst the non-executive directors.
- 3.3 The committee shall consist of not less than three members, at least one of whom shall have recent and relevant financial experience.
- 3.4 A quorum shall be three members.
- 3.5 In the absence of the Committee Chairman, those committee members attending shall, at the start of the meeting, elect a chairman who shall be an independent non-executive director, for the purpose of that meeting only.

4. Attendance at meetings

- 4.1 The With Profits Actuary, Actuarial Function Holder and the Society Secretary shall attend meetings at the invitation of the committee.
- 4.2 The Society Secretary shall be secretary of the committee.

5. Frequency of meetings

- 5.1 Meetings shall be held not less than three times a year, and where appropriate should coincide with the key dates in the financial reporting cycle of the business.
- 5.2 Additional meetings may be called by any member of the committee.

7. Authority

The committee is authorised by the Board to:

- 7.1 investigate any activity within its terms of reference;
- 7.2 seek any information that it requires from any employee of the business and all employees are directed to co-operate with any request made by the committee; and
- 7.3 obtain outside legal or independent professional advice at the Society's expense and such advisors may attend meetings as necessary.

8. Reporting procedures

- 8.1 Minutes of meetings of the committee will be circulated to all members of the Board.
- 8.2 The committee's duties and activities during the year shall be disclosed in the annual financial statements.
- 8.3 The chairman shall attend the AGM and shall answer questions, through the chairman of the Board, on the Finance Committee's activities and their responsibilities.

Approved by the Society's Board 26 June 2008
Reviewed November 2009