

THE CHILDREN'S MUTUAL

Schedule of Matters Reserved for the Board

1. Strategy and Management

- 1.1 Responsibility for the overall management of The Children's Mutual (TCM).
- 1.2 Approval of TCM's objectives and commercial strategy, and any material changes thereto.
- 1.3 Confirmation of the overall risk appetite of the organization in the context of successfully delivering the agreed strategy. This will take into account the efficient and prudent use of capital.
- 1.4 Approval of TCM's annual operating and capital expenditure budgets and any material changes to them.
- 1.5 Control of the activities of subsidiaries and joint ventures.
- 1.6 Oversight of TCM's operations ensuring:
 - clear and concise statements regarding corporate risk appetite
 - competent risk management
 - the Treating Customers Fairly principles are met
 - an adequate system of internal control
 - adequate accounting and other records
 - compliance with statutory and regulatory obligations
- 1.7 Review of performance in the light of TCM's strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
- 1.8 Extension of activities into new business or geographic areas.
- 1.9 Any decision to cease to operate all or any material part of the business.

2. Structure and capital

- 2.1 Major changes to TCM's corporate structure.
- 2.2 Significant changes to the risk profile of TCM which have a material impact on capital requirements.
- 2.3 Changes to the management and control structure.
- 2.4 Any changes to the company's status as a mutual.
- 2.5 Changes to membership rights and the structure of internal funds.
- 2.6 Any acquisition or disposal of a controlling interest in any company.

3. Financial reporting and controls

- 3.1 Approval of the annual report and accounts and the statutory annual returns to the FSA.
- 3.2 Approval of the Return to With Profits policyholders, PPFM and CFPPFM upon recommendation from the With Profits Actuary.
- 3.3 Approval of the Mutual Bonus policy and all bonus rates for Life and Pensions business, on recommendation of the With Profits Actuary.

- 3.4 Ratification of the decisions of the Investment Committee on investment policy, and review of the investment performance.
- 3.5 Approval of any significant changes in accounting policies or practices.
- 3.6 Approval of the Life Fund valuation basis assumptions and results.
- 3.7 Approval of the base assumptions underlying the capital calculation and results.
- 3.8 Annual ratification of expense authority limits set by Management Board.
- 3.9 Approval of bank mandates.

4. Internal controls

- 4.1 Ensuring maintenance of a sound system of internal control and risk management including:
 - Receiving reports on, and reviewing the effectiveness of TCM's risk and control processes (including the Society's risk universe) to support its strategy and objectives, through the Audit & Risk Committee.
 - Approving, upon recommendation from the Audit and Risk Committee, an appropriate statement for inclusion in the annual report.

5. Contracts

- 5.1 Transactions above the Chief Executive's limits of authority for capital expenditure and revenue expenditure and major contracts and transactions.
- 5.2 Substantial commitments where the foreseeable expenditure exceeds £500k in any one year including pension scheme funding and the giving of security over assets.

6. Communication

- 6.1 Approval of general meeting notices and resolutions and corresponding documentation to be put forward to members at a general meeting.
- 6.2 Approval of press releases issued in the Board's name.

7. Board membership and other appointments

- 7.1 Changes to the structure, size and composition of the board, following recommendations from the Nomination Committee.
- 7.2 Ensuring adequate succession planning for the board and senior management.
- 7.3 Appointments to the board, following recommendations by the Nomination Committee, including appointment of the Senior Independent Director.
- 7.4 Selection of the Chairman of the board and the Chief Executive.
- 7.5 Continuation in office of directors at the end of their term of office, when they are due to be re-elected by members at the AGM and otherwise as appropriate.
- 7.6 Continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of the company, subject to the law and their service contract.
- 7.7 Appointment or removal of the Company Secretary and the Regulation and Risk Director.

- 7.8 Appointment, reappointment or removal of the external auditor to be put to members for approval, following the recommendation of the Audit and Risk Committee.
- 7.9 Appointments to the board of subsidiaries.
- 7.10 Authorisation of potential conflicts of interest of the directors, following recommendations by the Nomination Committee.
- 7.11 Authorisation of potential conflicts of interest of the directors of subsidiary companies.

8. Remuneration

- 8.1 Determining the remuneration policy for directors, the company secretary and senior executives (including salaries, benefits and Management Incentive Schemes).

9. Delegation of Authority

- 9.1 The division of responsibilities between the Chairman and the Chief Executive, which should be in writing.
- 9.2 Approval of terms of reference of board committees and the Management Board (including membership and chairmanship).
- 9.3 Receiving reports from board committees and the Management Board on their activities.

10. Corporate governance matters

- 10.1 Annually undertaking a formal and rigorous review of its own performance, that of its committees and individual directors.
- 10.2 Determining the independence of directors.
- 10.3 Review of the group's overall corporate governance arrangements.
- 10.4 Receiving reports on the views of the company's members.

11. Policies

- 11.1 Approval of policies, including:
- Whistleblowing
 - Code of Conduct
 - Conflicts of interest

12. Other

- 12.1 The making of political donations.
- 12.2 Prosecution, defence or settlement of litigation material to the interests of TCM.
- 12.3 Review of the overall levels of insurance for the group including Directors' and Officers' liability insurance and indemnification of directors.
- 12.4 Major changes to the rules of the group's pension scheme, or changes of company nominated trustees or changes in the fund management arrangements.

12.5 This schedule of matters reserved for board decisions.