

## TERMS OF REFERENCE OF THE BOARD

### 1. GENERAL

The Board has overall responsibility to control the business of the Society to ensure that it achieves its objectives within the relevant legal framework and in compliance with requirements of the Financial Services Authority.

It is appreciated that there are severe constraints on the members of the Board's time and thus there will be substantial delegation of authority (but not responsibility) both to Committees and staff.

The Board is not involved with the day-to-day management of the Society, which is delegated to the Chief Executive.

The Management Structure of the Society is shown in Appendix III.

### 2. OBJECTIVES AND STRATEGY

The Board is responsible for defining strategy and objectives of the Society. It will pay special attention to the Statement of Aims and business plan and will be responsible for both.

### 3. CONTROL

At the Management meeting immediately following the Society's AGM the Board will elect one of its members to be Chairman and one to be Vice Chairman.

The Board will approve the overall Board structure and composition and terms of reference of other committees. It will review all terms of reference annually and approve amendments where necessary. It will also approve all changes to statements of delegated authority as and when they occur.

The identification and evaluation of risks are viewed as key controls of the Society. Annually the Audit Committee in conjunction with the Society's Internal Auditor will perform a risk assessment, and produce a report on control issues for consideration by the Board.

The Board will appoint the Society's Chief Executive but can delegate this responsibility to a selection panel.

The Board must approve any significant changes to organisational structure.

The Board will review this Handbook annually and approve amendments where necessary.

### 4. FINANCIAL CONTROL

- ◆ The Board will approve the annual budget and statement of investment policy.
- ◆ The Board will determine levels of delegation to other Committees and staff.

- ◆ The Board has determined authorisation of payments and the signing of cheques as follows:
  - (a) All payments for amounts up to and including £10,000 to be signed by either:
    - (i) the Chief Executive and Office Manager, or
    - (ii) the Chief Executive or Office Manager and any one member of the Board, or
  - (b) All payments over £10,000 to be signed by either
    - (i) The Chairman or vice Chairman and the Chief Executive
  - (c) Notwithstanding the above, cheques up to the value of £20,000 each may have printed signatures thereon at the discretion of the Chief Executive in respect of all benefits and management costs subject to all payments in excess of £1,000, other than benefit payments, being subsequently noted by the Chairman, Vice Chairman or any member of the Committee.
- ◆ The Board will approve the Annual Accounts prior to submission to each Annual General Meeting and recommend the appointment of Auditors.
- ◆ The Board will determine the valuation basis and Statutory Reserves
- ◆ The Board will review the performance of the investment advisers and reconsider their appointment at least once every five years.

## 5. KEY DECISIONS

The Board will make or approve the following key actions:

- ◆ Election of Chairman and Vice Chairman
- ◆ All new initiatives not included in agreed plans
- ◆ New benefit tables / amendments to benefit tables
- ◆ All purchases and disposals of property
- ◆ All purchases of major items of equipment above a limit to be determined by the Committee from time to time. (Currently £5,000 as at October 2007)
- ◆ All other major decisions not specifically delegated to committees or staff

## 6. PERFORMANCE MONITORING

The Board will monitor performance against the annual plan and key performance indicators on a quarterly basis. The Board will also receive performance-monitoring reports from committees and from the Society's Development Manager in respect of Introducers. Specimen Key Performance Indicators are set out in Appendix VI.

The Board will undertake an annual performance review that assesses performance in relation to corporate and business plan objectives as well as key performance indicators. It will include a review of the main changes in the external framework within which the Society operates and identify their impact on the Society's work.

The annual performance review must include a review of the effectiveness of the Society's internal control arrangements and the effectiveness of the Society's Board structure.

In particular it must include a review of overall performance in terms of the FSA principles, i.e.:

- ◆ Solvency
- ◆ Liquidity
- ◆ Requisite account records, systems of control of business and of inspection and report

#### Direction and management

- (a) by sufficient number of persons who are fit and proper to be members of the Committee or other officers in their respective positions
- (b) conducted by them with prudence and integrity in the interests of members
- ◆ Fulfilling the reasonable expectations of members as to the conduct of insurance business – see the Society's policy on Treating Customers Fairly.
- ◆ Conducting the Society's activities with adequate professional skills using outside assistance as and when required
- ◆ To secure compliance with any obligation imposed on the Society by any provision of law (whether in the UK or EEA) which gives effect to life directives or is otherwise applicable to the insurance activities of the Society.

These issues are dealt with in greater detail elsewhere in the Handbook.

