

INDEPENDENCE AGREEMENT

between

OAK TREE HOUSING ASSOCIATION LIMITED, a non-charitable registered social landlord incorporated under the Industrial and Provident Societies Act 1965 (registered number 2232 R (S)) with its registered office at 41 High Street, Greenock PA15 1NR ("**the Parent**")

and

CLOCH HOUSING ASSOCIATION LIMITED, a registered social landlord and a Scottish Charity (charity number SC013996) incorporated under the Industrial and Provident Societies Act 1965 (registered number 1893 R (S)) with its registered office at 19 Bogle Street, Greenock PA15 4PL ("**the Subsidiary**")

WHEREAS:

- A. The Parent is a non-charitable registered social landlord, operating in the Inverclyde area;
- B. Cloch Housing Association Limited is, or is to become, a subsidiary of the Parent and it has been agreed between the Parent and the Subsidiary to enter into this Agreement in order to clarify their respective rights and their obligations towards each other;
- C. The Subsidiary is a charitable registered social landlord;
- D. The Subsidiary's business is providing housing, accommodation, and assistance to help house people and associated families, and providing associated facilities and amenities for poor people, and providing for the relief of aged, disabled, handicapped (whether physically or with a learning disability), or chronically sick people (see also Cloch's Rules attached at Appendix 4 – Rules 2.1.1 to 2.1.5).

THEREFORE the Parties agree as follows:

1 INTERPRETATION

- 1.1 In this Agreement and in the Schedule (as hereinafter defined), unless the context shall otherwise require, the following expressions shall have the following meanings:

"Auditors"	means the auditors of the Subsidiary, appointed in accordance with Group Policies;
"Committee Member"	means a committee member of the Subsidiary Board or a committee member of the Parent Board as the context requires;
"Competent Authority"	means, in relation to an industrial and provident society, the Financial Services Authority; in relation to a Scottish charity, HM Revenue and Customs and the Office of the Scottish Charity Regulator; and any other body, present or future, with a statutory or regulatory authority over a Party;
"Constitution"	means the Rules of the Parent (registered with the Financial Services Authority from time to time) and / or the Rules of the

	Subsidiary (registered with the Financial Services Authority from time to time) as the context requires;
"Events of Default"	means those events listed in Clause 9;
"Financial Year"	means a financial accounting period of 12 months ending on 31 March;
"Group"	means the Parent and the Subsidiary;
"Group Agreement"	means this Agreement and / or any other agreement to which the Parent and Subsidiary are party;
"Group Policy"	means such policies and standards applicable to the Group as adopted by the Parent Board from time to time;
"Member"	means, in relation to the Subsidiary a member and, in relation to the Parent a member as the context requires;
"Parent"	means Oak Tree Housing Association Limited, registered under the Industrial Provident Societies Act 1965 (registered number 2232 R(S) and a registered social landlord registered under the Housing (Scotland) Act 2001 and having its registered office at 41 High Street, Greenock PA15 1NR;
"Parent Board"	means the Management Committee of the Parent or, where the context requires, the persons present at a validly convened meeting of that Board or of a duly authorised committee of that Board at which a quorum is present;
"Party"	means the Parent and / or the Subsidiary and a reference to a Party includes its successors and assignees;
"Public Sector Grant"	means any grant, loan or subsidy (whether taking the form of money or money's worth, including, without limitation, land) provided by any public sector body which provides grant or subsidy from time to time;
"Schedule"	means the schedule in four parts attached to this Agreement;
"SHR"	means The Scottish Housing Regulator, or any similar future authority carrying on substantially the same regulatory and supervisory functions;
"Subsidiary Board"	means the Management Board of the Subsidiary or, where the context requires, the persons present at a validly convened meeting of that Board or of a duly authorised committee of that Board at which a quorum is present;
"Subsidiary Company"	means a subsidiary as defined in Section 82 of the Housing (Scotland) Act 2001;

1.2 All references in this Agreement to a statutory provision shall be construed as including reference to:

- 1.2.1 Any statutory modification, consolidation or re-enactment (whether before or after the date of this Agreement) for the time being in force;
- 1.2.2 All statutory instruments or orders made pursuant to a statutory provision; and
- 1.2.3 Any statutory provision of which a statutory provision is a consolidation, re-enactment or modification.

- 1.3 Unless otherwise specified, words importing the singular include the plural, words importing any gender include every gender, and words importing persons include bodies corporate and unincorporated, and in each case vice versa.
- 1.4 Reference to Clauses and other provisions are references to Clauses and other provisions of this Agreement and any reference to a sub-provision is, unless otherwise stated, a reference to a sub-provision of the provision in which the reference appears.
- 1.5 The headings are included for convenience only and shall not affect the interpretation of this Agreement.
- 1.6 Any undertaking by any of the Parties not to do any act or thing shall be deemed to include an undertaking not to permit or suffer the doing of that act or thing.

2 UNDERTAKINGS

- 2.1 The Parent undertakes to the Subsidiary to observe and perform each of the undertakings set out in Part 1 of the Schedule.
- 2.2 The Subsidiary undertakes to the Parent to observe and perform each of the undertakings set out in Part 2 of the Schedule.
- 2.3 All the terms of this Agreement are subject to an overriding qualification that the Subsidiary may only do that which is permitted to a charity registered in Scotland under the Charities and Trustee Investment (Scotland) Act 2005.

3 SUBSIDIARY AND BOARD STRUCTURE

- 3.1 The Parent shall be a Member of the Subsidiary. For the avoidance of doubt, the Subsidiary is prohibited from transferring or otherwise dealing in any way in its shares without the prior written approval of the Parent.
- 3.2 Notwithstanding that the Parent as a Member has or will have the power at any time to appoint and remove members from the Subsidiary Board in terms thereof, the Parent confirms its intention that it would only intend to exercise such power in the circumstances set out in Clause 10.

4 GROUP STATUS

- 4.1 It is the intention of the Parties (but subject to the proviso below) that they form a group in which the Subsidiary is a Subsidiary Company of the Parent so that they shall be treated as a group ("**Group Status**"). Each Party agrees that it will use all reasonable endeavours and take such steps as may be required by any Competent Authority from time to time to maintain Group Status.
- 4.2 The Parent and the Subsidiary undertake that unless and until any of the Events of Default occurs, or, in relation to the Subsidiary unless the Parent Board agrees otherwise, the Parent and the Subsidiary shall not:
- 4.2.1 requisition or join in the requisition of any general meeting of the Members of the Subsidiary or the Parent convened for the purpose (with or without other purposes) of passing a resolution for the winding up of the Subsidiary or the Parent;
 - 4.2.2 exercise any instrument of dissolution in respect of the Subsidiary or the Parent;
 - 4.2.3 vote in favour of any resolution for the winding up of the Subsidiary or the Parent at any general meeting of the Subsidiary or the Parent;

provided that any such restriction on the Subsidiary in relation to the Parent shall not apply if any Competent Authority requires the Subsidiary to take this action.

- 4.3 Unless required by law, the Subsidiary shall not amend its Constitution nor alter its status nor enter into any contract or arrangement with a third party nor do or permit to be done anything which (in each case) has or may have the effect of causing the Subsidiary to cease to be a Subsidiary Company of the Parent.
- 4.4 The Parent and the Subsidiary agree that except insofar as this Agreement requires otherwise, the business of the Subsidiary shall be carried on autonomously and independently of the Parent and shall be managed by the Subsidiary Board in accordance with the objects of the Subsidiary's Constitution.

5 GROUP POLICIES

- 5.1 The Parent shall have the power to adopt such policies and standards, which it shall designate as Group Policies, as it shall consider appropriate from time to time to ensure compliance with any statutory or regulatory requirements applicable to the Group, the Parent or the Subsidiary, financial and business probity and that the business of each of the Parent and the Subsidiary is carried on in accordance with their respective Constitutions and with the Group's corporate plan or the relevant part thereof.
- 5.2 The Parent will consult with the Subsidiary on policies relating to values and significant risks and will consider suggestions and recommendations from the Subsidiary for new or revised policies.
- 5.3 The Subsidiary agrees to use its best endeavours to carry on its business in accordance with Group Policy.
- 5.4 The Subsidiary may set its own policies, objectives and is entitled to establish and vary its own standing orders, subject to the prior written approval of the Parent. However, policies or objectives set and standing orders adopted or amended by the Subsidiary must comply with good practice and must not (in the Parent's opinion) conflict or be incompatible with the Group's objectives or with any Group policy.

6 RESPONSIBILITIES OF THE PARTIES

- 6.1 It is the intention of the Parent that the Subsidiary should have primary responsibility for all aspects of its business of an operational nature and that the Subsidiary Board should have the right to manage the Subsidiary's business in its best interests subject only to acting in accordance with the overall business and financial strategy for the Group set by the Parent.
- 6.2 It is agreed between the Parties that the responsibilities of each of them shall be in accordance with the distribution of functions for the Group (the "**Relevant Functions**") set out in Part 4 of the Schedule and otherwise as they may agree, acting reasonably.

7 SHARING INFORMATION

- 7.1 The Subsidiary shall deliver to the Parent the minutes for all meetings of the Subsidiary Board (or any of its committees) at the same time as they are issued to the Subsidiary Board Members.
- 7.2 The Subsidiary shall, to the extent that they relate to the Subsidiary, have the right to require delivery of any papers or provision of any information supplied or made available to Parent Board Members where those papers or that information directly affects the Subsidiary, provided that where such papers or information are required the Parent's reasonable requirements for confidentiality or security can be properly met.
- 7.3 The Subsidiary shall provide the following to the Parent:
- 7.3.1 its final audited financial statements within the time period permitted by law and in any event within 180 days of its year end, signed by the Auditors and the chairperson of the Subsidiary Board;

- 7.3.2 immediately on the Parent's request, any other report, information or communication issued by any Competent Authority or other organisation in respect of the Subsidiary's business and / or finances which is not in the public domain together with copies of any documents sent by the Subsidiary to the relevant Competent Authority or organisation;
 - 7.3.3 any policies, objectives or standing orders as soon as any of the same are proposed, made or varied by the Subsidiary;
 - 7.3.4 as soon as it is aware of the same, details of any litigation, arbitration, action or proceeding of or before any Competent Authority, court or agency which is threatened, commenced or pending against the Subsidiary;
 - 7.3.5 as soon as it is aware of the occurrence of an Event of Default, notice of the same and the steps, if any, taken by the Subsidiary to rectify it;
 - 7.3.6 at least 10 days notice should the Subsidiary Board intend to take any action to remove a Subsidiary Board Member, which removal requires the prior written consent of the Parent, said consent not to be unreasonably withheld or delayed.
- 7.4 The Parent shall provide the following to the Subsidiary:
- 7.4.1 the Group Policies as soon as they are finalised or following any change to them;
 - 7.4.2 any report or other communication from any Competent Authority which is critical of the activities of the Parent when this could be reasonably expected to be relevant to the Group;
 - 7.4.3 immediate notice should the Parent intend to take any action to remove a Subsidiary Board Member.
- 7.5 The Parent and the Subsidiary agree to keep confidential any information either Party receives in relation to the Subsidiary and / or the Parent and each Party shall comply with the reasonable requirements of the other Party in relation to the confidentiality or security of any information it has provided. In addition, neither Party shall be obliged to provide information under this Clause if that would breach any legal obligation or any obligation to any Competent Authority.
- 7.6 Subject to Clause 7.5, any press release or any other public announcement on the subject matter of this Agreement or the business of the Subsidiary (or of the Parent where it relates to the Subsidiary) shall be agreed between the Parties prior to publication. No other announcement or disclosure of such subject matter shall be made by or on behalf of the Subsidiary.

8 RESOURCES AND ACCOUNTS

- 8.1 Each of the Parent and the Subsidiary shall pay that proportion of the staffing and overhead cost of the provision of the Relevant Functions which relate to it and its business activities on a pro rata basis to the total cost of the provision of the Relevant Functions to the Group.
- 8.2 The total cost of provision of the Relevant Functions shall be assessed by the Parent's finance officer and the Parent's accountants, and appropriate journal entries made in the accounts of both the Parent and the Subsidiary. When the Group's financial statements are finalised adjustments shall be made as necessary to reflect any changes to actual costs incurred and may otherwise be adjusted by the Parent's finance officer or accountants as they reasonably consider appropriate from time to time.
- 8.3 The Group's accountants shall assist the Group to compile Group accounts following appropriate accounting principles and statements of recommended practice applicable to both or either of the Parent and the Subsidiary from time to time (for example, with regard to both Group accounts or charity accounts).

- 8.4 The distribution of the Relevant Functions and the provision of resources by the Parent to fulfil the Relevant Functions shall be formally reviewed annually between the Parties, and the Parent shall make available to the Subsidiary such information as it may reasonably request to demonstrate the cost to the Parent of providing the Relevant Functions and the apportionment of the Parent's overheads and other expenditure between the Parent and the Subsidiary relating thereto, including but not limited to financial information.

9 EVENTS OF DEFAULT

Any one or more of the following events will constitute an Event of Default by the Subsidiary:

- 9.1 failure by the Subsidiary to pay any sum due from it under any Group Agreement in cleared funds on the due date (or such longer period as the Parent may agree); or
- 9.2 material breach by the Subsidiary of any other obligations, or other terms of any Group Agreement and (where the same is capable of remedy) failure by the Subsidiary to remedy that breach within 28 days following notice by the Parent requiring the breach to be remedied or the Subsidiary to have implemented a plan approved by the Parent for remedying the breach; or
- 9.3 failure by the Subsidiary to comply with its business plan; or
- 9.4 a petition being presented (which is not dismissed within 14 days of presentation), an order being made or a meeting being convened or an effective resolution being passed, for the winding up of the Subsidiary; or
- 9.5 a charge holder taking possession or a liquidator, provisional liquidator, receiver, manager, trustee, sequestrator or similar officer being appointed over all or any of the assets of the Subsidiary; or
- 9.6 a distress, execution, attachment or other legal process being levied, enforced on or sued out against any of the assets of the Subsidiary and not being discharged or paid in full within five working days or any security interest over such assets becoming enforceable and steps being taken to enforce the same; or
- 9.7 the Subsidiary being unable or admitting in writing an inability to pay its debts or proposing or entering into a voluntary arrangement (within the meaning of Section 64 of the Housing (Scotland) Act 2001 and / or under the Charities and Trustee Investment (Scotland) Act 2005) or taking or being subjected to any proceedings under any law, or suspending or threatening to suspend payment of all or a material part of its debts, or commencing negotiations with one or more of its creditors for the readjustment, rescheduling or deferment of all or any of its debts, or proposing or entering into any general assignment or composition with or for the benefit of its creditors; or
- 9.8 any indebtedness of the Subsidiary becoming immediately due and payable, or capable of being declared so due and payable, prior to its stated maturity, by reason of default, or the Subsidiary failing to discharge any indebtedness on its due date or within any applicable grace period or the Subsidiary being in breach of or in default under any agreement to which it is party or which is binding on it or any of its assets in each case for an amount in excess of £1,000; or
- 9.9 there being a change in the business or financial condition of the Subsidiary which, in the Parent's reasonable opinion, is likely to have an adverse effect on the Subsidiary or the Group, or the Subsidiary ceasing or threatening to cease to carry on all or a substantial part of its business; or
- 9.10 any guarantee or indemnity in respect of any loan(s) or debt(s) of any third party given by the Subsidiary not being honoured when due and called upon and steps being taken to enforce the same; or
- 9.11 any Public Sector Grant, which has been paid to the Subsidiary, becoming repayable by the Subsidiary or any future instalments of such Public Sector Grant ceasing to be payable to the

Subsidiary, in each case by reason of breach of any terms or conditions on which such grant was made; or

- 9.12 the Subsidiary failing to carry on its business in accordance with any guidelines, criteria or regulations published by any Competent Authority (or other body from which the Subsidiary receives or might receive Public Sector Grant) where as a result:-
- 9.12.1 there is significant reduction in the amount of any Public Sector Grant receivable by the Subsidiary; or
- 9.12.2 any Competent Authority states that such a reduction will take place; or
- 9.13 the Parent considering that there is a material risk that an Event of Default will occur unless the Parent exercises its rights under Clause 11.2; or
- 9.14 there being a material deterioration in the actual financial performance of the Subsidiary for any financial year as compared with that stated in its latest business plan; or
- 9.15 in the Parent's reasonable opinion exercise of the control in accordance with Clause 11.2 is necessary in order to (a) preserve Group Status; or (b) bring the Subsidiary within its business plan where the Subsidiary is operating outside it or, there is in the Parent's reasonable belief, an imminent risk of the Subsidiary operating outside its business plan; or (c) procure the resolution of any conflict between the policies and procedures of the Parent and the Subsidiary which is or could reasonably be expected to be materially prejudicial to the standing of the Parent or the Group; or
- 9.16 the Parent is required to take action in relation to the Subsidiary by a Competent Authority which would require it to use powers under Clause 10; or
- 9.17 any event or series of events which would be reasonably likely to have an adverse effect on the ability of the Subsidiary to comply with its obligations under this Agreement or any Group Agreement.

10 CONTROL BY THE PARENT

- 10.1 The Parent may exercise its rights of control, set out in Clause 10.2 to the extent necessary to protect the interests of the Subsidiary and / or the Parent and the standing and reputation of the Group (but without the Parent or any of its officers being a shadow director of the Subsidiary) if an Event of Default occurs, is continuing and is not waived by the Parent.
- 10.2 Where this Clause applies, the Parent, at the cost of the Subsidiary, may:
- 10.2.1 exercise such rights as it has or will have to appoint and / or remove Members and Board Members of the Subsidiary and may require the Subsidiary to appoint and / or remove from any committee such persons as the Parent may nominate; and / or
- 10.2.2 appoint investigating accountants in respect of the Subsidiary.
- 10.3 If the Parent is satisfied that the event(s) which caused the Parent to exercise its powers under Clause 10.2 have been remedied and that no such event(s) is likely to recur, it shall as soon as practicable, remove any Subsidiary Board Member appointed and reinstate any such persons removed in exercise of its Clause 10.2 powers.
- 10.4 The Parent will only exercise its rights to appoint and remove Subsidiary Board Members in accordance with Clauses 10.1 to 10.3 inclusive.

11 VARIATIONS

- 11.1 It is anticipated by the Parties that pursuant to their overall aim and intention to co-operate for the benefit of the Group, the provisions of this Agreement may from time to time require amendment.

- 11.2 It is accordingly agreed between the Parties that they shall formally review the operation of this Agreement once a year and shall report thereon to the Subsidiary Board and the Parent Board. The Subsidiary or the Parent may thereafter propose to the other that a variation be made to this Agreement, and in such event the Parties shall negotiate in good faith with a view to reaching agreement upon the variation proposed.
- 11.3 In the event of a failure to agree the matter in dispute shall be considered pursuant to the procedure set out in Clause 12.
- 11.4 In the event of a variation being agreed the same shall be recorded in writing between the Parties.

12 RESOLUTION OF DISPUTES

12.1 It is the declared intention of the Parties that all matters of disagreement should be resolved by negotiation and discussion between the Parties and both Parties will use their best endeavours to apply the terms of this Agreement without the necessity for recourse to the following provisions of this Clause. Notwithstanding the foregoing declaration and in the event that any dispute or other failure to agree shall arise between the Parties in relation to the matters the subject of this Agreement which cannot be resolved by negotiation and discussion the Parties shall observe the following procedure for the resolution of the same:

- 12.1.1 either Party may serve upon the other a dispute notice. Such notice shall state the subject matter of the dispute and shall specify the proposals of the Party serving the notice for the resolution of the dispute;
- 12.1.2 not later than 14 days after the date of service of a dispute notice and if the proposals for resolution set out in the dispute notice are not acceptable to it, the Party upon whom such notice shall have been served may serve a counter notice specifying its proposals for the resolution of the dispute, and specifying a date (which shall be not less than fourteen nor more than twenty eight days after the service of the counter notice) for a meeting to resolve the dispute;
- 12.1.3 the meeting referred to in Clause 12.1.2 shall be attended by two members of the Parent Board and two members of the Subsidiary Board (which members cannot also be Parent Board members) and shall be held at the Registered Office of the Party serving the counter notice or at some other place to be agreed between the Parties;
- 12.1.4 those persons present at such meeting shall use their best endeavours in a reasonable manner to resolve the dispute between the Parties, but if the dispute shall not be resolved the matter shall be referred to advisory conciliation;
- 12.1.5 advisory conciliation shall be carried out by an independent person who shall be appointed jointly by the Parties or, failing agreement upon such appointment shall be nominated by the Chair for the time being of the SHR following a reference to him by either Party within fourteen days of the meeting hereinbefore mentioned;
- 12.1.6 the Parties hereby agree to co-operate with the person appointed or nominated to carry out the advisory conciliation in terms of Clause 12.1.5, and shall act in good faith with a view to reaching agreement upon the matter in dispute with the assistance of such advisory conciliation;
- 12.1.7 the person appointed or nominated to carry out the advisory conciliation shall as a term of his appointment or nomination be required to present a report of his findings. Such report shall be copied to each Party, who shall by notice in writing to the other served within fourteen days of receipt of the report indicate its willingness or otherwise to settle the dispute upon the basis suggested in the report;
- 12.1.8 in the event that the matter in dispute shall not be resolved following such advisory conciliation, the matter shall be referred to the next meeting of the Parent Board whose decision shall be final and binding upon both Parties.

13 **NOTICES**

13.1 Any notice to be given in terms of this Agreement shall be in writing and shall be sufficiently served if delivered by hand and received by the recipient or sent by recorded delivery service addressed in each case to the Parent or to Subsidiary at the address specified above or to such other address as either Party may from time to time notify to the other in accordance with the provisions of this Clause.

14 **MISCELLANEOUS**

14.1 If any term or provision of this Agreement or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable the remainder of this Agreement or application of such term or provision to persons or circumstances other than those to the extent to which it is invalid or unenforceable shall not be affected thereby and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

14.2 This Agreement shall be governed by the laws of Scotland.

IN WITNESS WHEREOF this Agreement, comprising this and the 8 preceding pages and the Schedule in 4 parts annexed hereto, is executed at _____ on _____ as follows:

By Oak Tree Housing Association Limited

Management Committee member

Management Committee member / Secretary

By Cloch Housing Association Limited

Management Committee member

Management Committee member / Secretary

THE SCHEDULE

Part 1

Undertakings by the Parent

The Parent will co-operate with the Subsidiary as follows:

1. By providing high level professional advice and support as required relating to significant policy matters generally, including advice on regulatory requirements in relation to performance expectations, monitoring and good professional standards.
2. By advising the Subsidiary on and assisting the Subsidiary in the selection and appointment of, bankers, solicitors and other consultants.
3. By appointing auditors for the Group.
4. By complying with all reasonable requests of the Financial Services Authority, the SHR and other comparable bodies and agencies.
5. By implementing all its adopted strategic policies.
6. By implementing all its adopted financial budgets and by using its best endeavours to perform in accordance with its adopted cash flows.
7. By working closely with all appropriate local agencies in seeking to promote and enhance regeneration in the Group's area of operations.
8. By respecting confidentiality of all material and negotiations.
9. By operating in accordance with its own standing orders and financial regulations.
10. By acting in accordance with its core values and vision and with its business plan.
11. By supplying services to the Subsidiary as appropriate and as required, and on terms to be agreed between the Parent and the Subsidiary.

Part 2

Undertakings by the Subsidiary

The Subsidiary will co-operate with the Parent as follows:

1. By complying with all reasonable requests of the Financial Services Authority, the Office of the Scottish Charity Regulator, the SHR and other comparable bodies and agencies.
2. By complying with all reasonable advice from the Parent in relation to probity, standards of competence, management and fidelity, and customer services.
3. By implementing the Group's Policies and the Subsidiary's adopted strategic policies.
4. By implementing the business plan agreed with the Parent and all its adopted financial budgets and by using its best endeavours to perform in accordance with its adopted cash flows.
5. By attending quarterly liaison meetings with the Parent and providing such relevant information as may be requested by the Parent as to the performance of the Subsidiary in relation to strategic policy and financial matters.
6. By reporting to the Parent quarterly upon its financial functions in such form as the Parent shall reasonably require.
7. By using the Group's bankers, solicitors and any other consultants (other than consultants of a temporary or minor nature employed for day to day work).
8. By respecting confidentiality of all material and negotiations and only disclosing any information pertaining to the Group with the prior agreement of the Parent.
9. By preparing for and co-operating with any monitoring of either its or the Parent's activities by the Parent's members.
10. By operating in accordance with its own standing orders and financial regulations.
11. By complying with the reasonable requests of the Parent to contribute to specific areas of the Group's business at particular times.
12. By agreeing to receive services from the parent as appropriate and as required by the Parent on terms to be agreed between the Parent and the Subsidiary.

Part 3

Subsidiary Board Structure

1. The Parent wishes to ensure that the Subsidiary Board should consist of persons with appropriate levels of skill and experience sufficient to manage the Subsidiary's business in accordance with Group Policy and shall take such steps as it considers appropriate with a view to ensuring that the proposed nominees will most effectively fill the vacancies on the Subsidiary Board as appropriate.

Part 4

Distribution of Functions

Charity Law

The Parent and the Subsidiary each acknowledge that the Subsidiary, as a charity, must at all times act in accordance with the law and regulations relating to charities and the Parent and the Subsidiary undertake not to take actions which shall cause the Subsidiary to cease to be a charity in law.

The Parent

The Parent is responsible for the following functions:

- Setting goals, values and vision for the Group;
- Business Planning;
- Constitutional issues;
- Governance;
- Significant financial risk:-
 - Investment policy for stock, people and other assets;
 - Treasury management;
 - Financial parameters (budget constraints);
 - Allocation of surpluses
- Policy and strategy;
- Audit;
- Monitoring the performance of the Subsidiary;
- Framework for staffing and deployment of resources;

The Subsidiary

The Subsidiary is responsible for:

- Implementing the Subsidiary's agreed business plan.
- Fulfilling and complying fully at all times with its objects as per its Constitution.

Appendix 4: Amended Rules of Sub-co