



Terms of Reference of the Royal London
Independent Governance Committee
(RLIGC)

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Author	Group Company Secretarial
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1. Purpose

- 1.1 The Royal London Independent Governance Committee ('**RLIGC**') will assess the ongoing value for money of relevant workplace pension schemes (as defined in section 5 below); report and escalate issues which are identified; and provide annual reporting. This will be done in accordance with FCA rules relating to Independent Governance Committees and in particular, the RLIGC must act at all times solely in the interests of Relevant Policyholders (as defined in section 5 below).
- 1.2 The RLIGC is expected to act in the interests of Relevant Policyholders both individually and collectively. Where there is the potential for conflict between individual and collective interests, the RLIGC should manage this conflict appropriately.
- 1.3 The Royal London Mutual Insurance Society ('**RLMIS**') Board may ask the RLIGC to consider the interests of policyholders other than those defined as Relevant Policyholders. Where such a request is made RLMIS will provide additional resources and support to the RLIGC such that its ability to act in the interests of Relevant Policyholders is not compromised.
- 1.4 The RLIGC will assess the ongoing value for money for Relevant Policyholders delivered by Relevant Schemes.
- 1.5 The RLIGC should assess whether default investment strategies available to Relevant Policyholders are regularly reviewed to ensure alignment with the interests of those policyholders.

2. Reporting and escalation

- 2.1. The RLIGC is a committee of the RLMIS Board ("**the Board**").
- 2.2. The RLIGC will raise with the Board any concerns it may have in relation to the value for money offered to Relevant Policyholders by a relevant scheme;
- 2.3. The RLIGC may escalate concerns as appropriate where RLMIS has not, in the RLIGC's opinion, addressed those concerns satisfactorily or at all;
- 2.4. Where the RLIGC is unable to obtain from RLMIS, and ultimately from any other person providing relevant services, the information it requires in order to assess the matters defined in the FCA's Conduct of Business Sourcebook (COBS 19.5.5R(2)), the RLIGC should explain in the annual report why it has been unable to obtain the information and how it will be granted access to that information in the future.
- 2.5. The general duties of RLMIS in relation to the RLIGC are detailed at Appendix 1.2.
- 2.6. RLMIS will supply all appropriate information relating to the assessment of value for money supplied to Relevant Policyholders. RLMIS will also respond to all reasonable requests for information asked for by the RLIGC. The RLIGC Chair should raise with the Board any concerns that the RLIGC has about the information or resources that RLMIS provides or about the arrangements that RLMIS puts in place to ensure that the views of Relevant Policyholders are directly represented to the RLIGC.

- 2.7. If, having raised concerns with the Board about the value for money offered to Relevant Policyholders by a Relevant Scheme, the RLIGC is not satisfied with the response, the RLIGC Chair may escalate concerns to the FCA if that would be appropriate. The RLIGC may also alert Relevant Policyholders and employers and make its concerns public. Prior to any such escalation the RLIGC should, in writing to the Board, highlight the materiality of the issue and the intention to escalate to the FCA. The Board should be given reasonable time to respond prior to FCA escalation. The RLIGC will indicate in its escalation communication to the Board what it believes to be a reasonable timescale for a response. This timescale may vary depending on the materiality of the issue and any statutory deadlines.

3. The Annual report

The Chair of the RLIGC will be responsible for the production of an annual report setting out:

- 3.1 The RLIGC's opinion on the value for money delivered by Relevant Schemes, particularly against the matters listed in section 4 – "*Assessing value for money*" below;
- 3.2 How the RLIGC has considered Relevant Policyholders' interests;
- 3.3 Any concerns raised by the RLIGC with the Board and the response received to those concerns;
- 3.4 Whether the membership of the RLIGC has sufficient expertise, experience and independence to act in Relevant Policyholders' interests;
- 3.5 The name of each independent member of the RLIGC and confirmation that the RLIGC considers these members to be independent, having taken into account those matters set out at COBS 19.5.12G; and
- 3.6 The arrangements put in place by the RLMIS to ensure that the views of Relevant Policyholders are directly represented to the RLIGC.

4. Assessing value for money

The RLIGC will assess the ongoing value for money Relevant Policyholders receive from Relevant Schemes particularly, although not exclusively, through assessing:

- 4.1 Whether default investment strategies within those schemes:
 - Are designed and executed in the interests of Relevant Policyholders; and
 - Have clear statements of aims and objectives;
- 4.2 Whether the characteristics and net performance of investment strategies are regularly reviewed by RLMIS to ensure alignment with the interests of Relevant Policyholders and the action taken to make any necessary changes;
- 4.3 Whether core scheme financial transactions are processed promptly and accurately;
- 4.4 The levels of charges borne by Relevant Policyholders;
- 4.5 The direct and indirect costs incurred as a result of investing, and activities in connection with the managing and investing of, the pension savings of Relevant Policyholders, including transaction costs; and

4.6 The effectiveness of communications, including support provided beyond mandatory disclosure requirements.

5. Scope

5.1 **Relevant Scheme** means any scheme offered to customers by RLMIS which is a personal pension scheme or stakeholder pension scheme for which direct payment arrangements are, or have been, in place, and under which contributions have been paid for two or more employees of the same employer. This includes any group Self Invested Personal Pension ('SIPP') arrangements used in the workplace and set up by employers for their employees and any Relevant Schemes which are closed or are in run-off (i.e. an active decision has been taken to stop further contributions into scheme).

5.2 **Relevant Policyholder** means an individual with funds held in a Relevant Scheme. This includes both active and deferred members. Deferred members of Workplace Pension Schemes ('WPPS') which have been reclassified as individual personal pension policies by RLMIS remain in scope for the RLIGC.

5.3 The RLIGC will assess value for money for all Relevant Schemes and Relevant Policyholders. This remit covers all investment choices available to the Relevant Policyholders, not just the default fund in place.

5.4 The following arrangements are not Relevant Schemes and are therefore out of the scope of the RLIGC:

- RLMIS's occupational pension schemes;
- Personal pensions set up on an individual basis without employer involvement; and
- Executive SIPPs or other Personal Pensions ('PPs') where the member has made the final choice of scheme and set up the arrangement for their own benefit (even where their employer pays in).

These arrangements are out of the mandatory scope of IGCs. The Board and the RLIGC may agree to extend the scope to cover such arrangements.

5.5 The Committee (via the Chairman and Secretary) will liaise with the Royal London With Profits Committee on issues of mutual relevance.

6. Membership

6.1 Members of the RLIGC shall be appointed by the Board, on the recommendation of the Group Nomination Committee in consultation with both the Chair of the RLIGC and the Group Chief Executive. The appointment of independent members will follow an open and transparent process and involve an external search consultancy or open advertising.

6.2 The RLIGC shall consist of at least five members, at least three of which shall be independent members (see appendix 1.1). The employer members shall be determined by the Board in consultation with the Chair of the RLIGC.

6.3 The Board may appoint a corporate entity to the RLIGC, including as Chair. The corporate member should agree with the Board the name of the individual who will act as the member's representative on the RLIGC. Any change to the named individual should be agreed in advance with the Board prior to any change being effected.

- 6.4 RLMIS will consider the circumstances of a corporate IGC member and any representative of the corporate member with the objective of ensuring that any potential conflicts of interest are managed effectively. This is to ensure that any conflicts do not affect the corporate RLIGC member's ability to represent the interests of Relevant Policyholders.
- 6.5 The RLIGC may invite internal or external experts or advisers to attend the meetings and from time to time representatives from RLMIS may attend as required. Advisers to the RLIGC will not have any membership of the RLIGC and not hold voting rights.
- 6.6 Members should attend each RLIGC in person where possible. Where non-independent members are unable to attend, subject to the agreement of the Chair, they may appoint an alternative individual to attend. This individual must have sufficient authority to make decisions on the RLIGC member's behalf.
- 6.7 If the Chair is unable to attend then he must appoint another independent member of the RLIGC to act as Chair.
- 6.8 The independent members are not permitted to appoint an alternative individual to attend. If they are unable to attend and a quorum that can transact business cannot be met, then the meeting will need to be re-arranged until such time as a quorum can be met. At all times attendance should be such that the meeting has equal to or majority independent members compared to employer members.
- 6.9 RLIGC members will be bound by appropriate contracts which reflect the terms of reference and on such terms as to secure the independence of independent members. Any actual or potential conflicts of interests must be declared prior to appointment and any new conflicts should be declared at the commencement of each meeting. Where an RLIGC independent member has reason to believe their circumstances have changed such that they may no longer be considered sufficiently independent, this should be notified to the RLIGC Chair and the secretary.
- 6.10 The Board will recruit into any vacancies that arise within the RLIGC as soon as possible and in any event within six months.
- 6.11 RLMIS will involve the RLIGC Chair in the appointment of other members, both independent members and employees of RLMIS.
- 6.12 The RLIGC should make public the names of those members who are employees of the firm, unless there are compelling reasons not to do so. The RLIGC should consult employee members as to whether there are such reasons.

7 Duration of appointment

- 7.1 Independent RLIGC members who are individuals (rather than corporate entities) are appointed for fixed terms of no longer than five years, with a cumulative maximum duration of ten years.
- 7.2 Individuals acting as the representative of an independent corporate member are appointed to the RLIGC for a maximum duration of ten years.
- 7.3 Independent RLIGC members who are individuals, including those representing independent corporate members, are not eligible for reappointment to the RLIGC until five years have elapsed, after having served on the RLIGC for the maximum duration of ten years.
- 7.4 Appointments to the RLIGC will be managed in order to maintain continuity in terms of expertise and experience. An individual may serve on more than one IGC (i.e. on another firm's IGC).

8 Chair

- 8.1 The Board shall appoint an independent person as Chairman of the RLIGC.

9 Secretary

- 9.1 The Board's Secretary, or such person as the Board's Secretary may recommend to the Board, shall be the Secretary of the RLIGC.

10 Frequency of meetings and Quorum

- 10.1 The RLIGC will meet at least 4 times per annum.
- 10.2 The RLIGC will meet, or otherwise make decisions to discharge its duties, using a quorum of at least three members, where the number of independent members is at least equal to the number of employer members.
- 10.3 Where a decision is split, the Chair will have the casting vote.
- 10.4 A properly convened meeting of the RLIGC at which a quorum is present shall be competent to exercise any or all of the authorities and powers vested in the RLIGC.

11 Conduct of the meeting

- 11.1 Meetings will normally take place in person but may also take place via telephone, video or other electronic means, and if necessary by a series of meetings.

12 Notice of meetings

- 12.1 Meetings of the RLIGC shall be predetermined on an annual basis or at such other times as directed or decided by the members in quorum or the Board.
- 12.2 Additional meetings of the RLIGC shall be called by the Chair as considered necessary.

12.3 Unless it is necessary to call a meeting at short notice to deal with urgent matters, a notice of each meeting, together with an agenda of items to be discussed and supporting papers shall be sent to each member of the RLIGC no later than 5 working days before the date of the meeting.

13 Minutes of meetings

13.1 The Secretary of the RLIGC, or a nominated alternate, shall minute the proceedings of all meetings of the RLIGC and circulate to the members of the RLIGC.

13.2 The minutes of the meetings should accurately document the discussions and in particular must reflect any significant difference of views expressed during the meeting. The minutes should be agreed by the RLIGC Chair prior to issue.

13.3 All minutes must be retained by the Secretary together with a copy of all reports made to the Committee.

13.4 Meeting minutes will be stored and available for any authorised individual or organisation to access.

14 Review of RLIGC effectiveness

14.1 The RLIGC will undertake an annual evaluation of its effectiveness and make any recommendations to the Board that it believes would make it more effective.

15 Source of Authority

15.1 The RLIGC is established under the authority of the RLMIS Board.

16 Scope of Authority

16.1 The RLIGC has no authority delegated to it by the Board. The RLIGC has power and authority derived from the FCA conduct of business rules relating to Independent Governance Committees.

16.2 The RLIGC is authorised to investigate and report on any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the IGC.

16.3 The RLIGC is authorised to obtain independent professional advice and to secure the attendance at its meetings of third parties with relevant experience and expertise where it considers this necessary. The Secretary should ensure internal processes are followed to ensure that the most appropriate provider is chosen.

16.4 The Independent members of the RLIGC will have no authority to bind RLMIS to actions.

16.5 The terms of reference will be reviewed annually by the Board. Any changes will be made under authority of the Board.

Appendix 1.1 – Independent members

In appointing independent RLIGC members, RLMIS will determine whether such a member is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, that member's judgment. An RLIGC member is unlikely to be considered independent if any of the following circumstances exist:

- (a) the individual is an employee of the firm or of another company within the firm's group or paid by them for any other role other than as RLIGC member, including participating in the firm's share option or performance related pay scheme;
- (b) the individual has been an employee, non-executive director or officer of the firm or of another company within the firm's group within the five years preceding his appointment to the IGC;
- (c) the individual has, or has had within the three years preceding his appointment, a material business relationship of any description with the firm or with another company within the firm's group, either directly or indirectly.

Appendix 1.2 - Duties of RLMIS in relation to the RLIGC

RLMIS will take reasonable steps to:

- a) Ensure that the RLIGC acts and continues to act in accordance with its terms of reference;
- b) Provide the RLIGC with all information reasonably requested for the purposes of carrying out its role;
- c) Provide the RLIGC with sufficient resources as are reasonably necessary to allow it to carry out its role independently;
- d) Put arrangements in place to ensure that the views of Relevant Policyholders can be directly represented to the RLIGC; and
- e) To address any concerns raised by the RLIGC under its terms of reference.

RLMIS will:

- f) Allocate responsibility for the management of the relationship between itself and the RLIGC to an appropriate employee of Royal London. This person will hold an FCA significant–influence function;
- g) Provide written reasons to the RLIGC as to why it has decided to depart in any material way from any advice or recommendations made by the RLIGC to address any concerns it has raised;
- h) Take all necessary steps to facilitate the escalation of concerns by the RLIGC under COBS19.5.5R(4) and COBS 19.5.6G(5);
- i) Fund independent advice to the RLIGC if this is necessary and proportionate;
- j) Ensure arrangements are in place for sharing confidential and commercially sensitive information with the RLIGC;
- k) Use best endeavours to obtain, and should provide the RLIGC with, information on the costs incurred as a result of managing and investing, and activities in connection with the

managing and investing of, the assets of relevant schemes, including transaction costs. Information about the costs and charges more broadly should also be provided, so that the RLIGC can properly assess the value for money of relevant schemes and the funds held within these;

- l) If it asks the RLIGC to take on responsibilities in addition to those set out by the COBS19.5.5R, it will provide additional resources and support to the RLIGC such that its ability to fulfil its responsibilities are not compromised;
- m) Provide secretarial and other administrative support to the RLIGC. The nature of the support, including how it is provided and by whom, should not conflict with the RLIGC's ability to act independently of the firm; and
- n) Make the terms of reference for the RLIGC and the annual report of the RLIGC publicly available by placing them on its website and by providing them on request to relevant policyholders and their employers.

RLMIS will not unreasonably withhold from the RLIGC information that would enable the RLIGC to carry out a comprehensive assessment of value for money.