



TERMS OF REFERENCE

The Royal London Mutual Insurance Society Limited
Independent Governance Committee
(the 'Committee')

The Royal London Mutual Insurance Society Limited
Independent Governance Committee terms of reference

1 Role

- 1.1 The role of the Committee is to meet the requirements of the Financial Conduct Authority's ('FCA') Conduct of Business Sourcebook ('COBS'), section 19.5 'Independent governance committees and publication and disclosure of costs and charges'. The Committee independently reviews investments held by Relevant Policyholders and Pathway Investors, assessing whether The Royal London Mutual Insurance Society Limited ('the Company') provides ongoing value for money, and reports its findings to the board of directors of the Company (the 'Board'), as appropriate. In addition, in accordance with the definitions in the Appendix, the Committee considers the Company's policies on:
- (a) ESG Financial Considerations;
 - (b) Non-Financial Matters;
 - (c) Stewardship; and
 - (d) where applicable, Other Financial Considerations to the extent that there might be significant risk of financial harm to Relevant Policyholders or Pathway Investors.
- 1.2 Apart from Relevant Policyholders or Pathway Investors, the Board may ask the Committee to consider the interests of other policyholders ('Other Policyholders').
- 1.3 The Committee shall act solely in the interests of Relevant Policyholders, Pathway Investors and Other Policyholders.

2 Membership

- 2.1 The Committee shall comprise of at least five members, the majority of whom, including the Committee Chair, shall be independent members.
- 2.2 A Committee member is unlikely to be considered independent if any of the following circumstances exist:
- (a) The individual is an employee of the Company or of a company within the Company's group or paid by them for any role other than as a Committee member.
 - (b) The individual has been an employee of the Company, or of another company within the Company's group, within the five years preceding their appointment to the Committee.
 - (c) The individual has, or had within the three years preceding their appointment, a material business relationship of any description with the Company or with another company within the Company's group, either directly or indirectly.
- 2.3 The Board shall appoint the Committee Chair. In the absence of the Committee Chair, the remaining members present shall elect an independent member of the Committee to chair the Committee meeting.
- 2.4 Only members of the Committee have the right to attend Committee meetings. Other individuals may be invited by the Committee Chair to attend all or part of meetings.
- 2.5 Committee members will be bound by appropriate contracts which reflect these terms of reference and on such terms as to secure the independence of members. When acting as a member of the Committee, employees of the Company are expected to act solely in the interests of Relevant Policyholders, Pathway Investors and Other Policyholders and should be able to do so without breaching any terms of their employment contracts.
- 2.6 Committee member vacancies shall be filled as soon as possible and in any event within six months.
- 2.7 Independent members of the Committee shall be appointed by the Board for a fixed term of no longer than five years, with a cumulative maximum duration of ten years.

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3 Secretary

- 3.1 The Company Secretary of the Company or their nominee shall act as the Secretary of the Committee.

4 Quorum

- 4.1 The quorum for a Committee meeting shall be three members, the majority of whom must be independent. Members may attend a meeting of the Committee in person, by phone, or by videoconference.
- 4.2 The Committee may consider and decide matters by email, or by a written resolution which shall be recorded by the Secretary.

5 Frequency of meetings

- 5.1 The Committee shall meet at least four times a year.

6 Notice of meetings

- 6.1 Committee meetings shall be called by the Secretary at the request of the Committee Chair or any member of the Committee.
- 6.2 Unless otherwise agreed with the Committee Chair, notices of meetings confirming the venue (or medium), time and date, together with the agenda and supporting papers, shall be sent to each member of the Committee.

7 Minutes of meetings

- 7.1 The Secretary shall minute the proceedings of meetings, including recording the names of those present and in attendance.
- 7.2 Draft minutes of Committee meetings shall be circulated promptly to the Committee Chair and subsequently to the Committee for approval.

8 Duties

8.1 **Assessing value for money**

- 8.1.1 The Committee shall assess the ongoing value for money for Relevant Policyholders delivered by a Relevant Scheme particularly, though not exclusively, through assessing the factors in (a) to (c) below, taking into account the specific points in (d) to (g):
- (a) The level of charges and costs, in particular:
 - a. Administration Charges and any Transaction Costs borne by Relevant Policyholders; and
 - b. any other charges borne by Relevant Policyholders and any other costs incurred as a result of managing and investing, and activities in connection with the managing and investing of, the pension savings of Relevant Policyholders;
 - (b) Investment performance; and
 - (c) The quality of service, including whether:
 - a. the communications are fit for purpose and properly take into account the characteristics, needs and objectives of the Relevant Policyholders; and
 - b. core financial transactions are processed promptly and accurately, such as processing contributions, transfers or death benefits;
 - (d) As part of the ongoing value for money assessment in 8.1.1, the Committee shall consider whether to assess the Relevant Scheme by reference to employer pension arrangements on an individual basis or on an aggregated basis using cohorts of

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sufficiently similar employer pension arrangements, or a combination of both, to enable the Committee to produce a value for money assessment that is the most useful for the members of the Relevant Scheme, but which is also appropriate and proportionate in the circumstances;

- (e) As part of the ongoing value for money assessment in 8.1.1(a) a, (b) and (c), the Committee shall:
 - a. consider whether individual employer pension arrangements or cohorts of employer pension arrangements, or a combination of both, would be most appropriate to be part of its scheme comparators taking into account the proportionality and usefulness of each;
 - b. if the Committee selects cohorts of employer pension arrangements as part of its scheme comparators, select sufficiently similar employer pension arrangements that enable the Committee to produce an assessment that is the most useful for the members of the Relevant Scheme;
 - c. select a small number of reasonably comparable scheme comparators (including those which could potentially offer better value for money in respect of factors 8.1.1 (a) a., (b) and (c));
 - d. use reasonable endeavours to obtain and compare the relevant data that it needs to carry out useful assessments in respect of the factors set out in 8.1.1 (a) a., (b) and (c), in a manner which is proportionate to the likely member benefits that will result from the Committee assessing the data;
 - e. assess the Relevant Scheme by reference to the scheme comparators based on factors 8.1.1 (a) a., (b) and (c) (to the extent that there is publicly, or readily, available information about the scheme comparators in respect of those factors); and
 - f. consider whether any of the scheme comparators offer better value for money for Relevant Policyholders based on factors 8.1.1(a) a., (b) and (c) (to the extent that there is publicly, or readily, available information about the scheme comparators in respect of those factors);
- (f) As part of the assessment of quality of service in 8.1.1(c), the Committee shall assess whether default investment strategies within those schemes:
 - a. are designed and executed in the interests of Relevant Policyholders; and
 - b. have clear statements of aims and objectives;
- (g) As part of the assessment of quality of services in 8.1.1(c), the Committee shall assess whether the characteristics and net performance of investment strategies are regularly reviewed by the Company to ensure alignment with the interests of Relevant Policyholders and that the Company takes action to make any necessary changes.

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8.1.2 The Committee shall assess the ongoing value for money for Pathway Investors delivered by a Pathway Investment particularly, though not exclusively, through assessing the three factors in (a) to (c) below, taking into account the specific points in (d) to (g):

- (a) The level of charges and costs in particular:
 - a. Administration Charges and any Transaction Costs borne by Pathway Investors; and
 - b. any other charges borne by pathway investors and any other costs incurred as a result of managing and investing, and activities in connection with the managing and investing of, the drawdown fund of pathway investors;
- (b) Investment performance; and
- (c) The quality of services including whether:
 - a. the communications are fit for purpose and properly take into account the characteristics, needs and objectives of the Pathway Investors; and
 - b. core financial transactions are processed promptly and accurately, such as processing contributions, transfers or death benefits;
- (d) As part of the ongoing value for money assessment in 8.1.2, the Committee shall consider whether to assess the Pathway Investment on an individual basis or on an aggregated basis using cohorts of sufficiently similar Pathway Investments, or a combination of both, to enable the Committee to produce a value for money assessment that is the most useful for the Pathway Investors, but which is also appropriate and proportionate in the circumstances;
- (e) As part of the ongoing value for money assessment in 8.1.2 (a) a, (b) and (c), the Committee shall:
 - a. consider whether individual Pathway Investments or cohorts of Pathway Investments, or a combination of both, would be most appropriate to be part of Pathway Investment comparators taking into account the proportionality and usefulness of each;
 - b. if the Committee selects cohorts of Pathway Investments as part of its Pathway Investment comparator, select sufficiently similar Pathway Investments that enable the Committee to produce an assessment that is the most useful for the Pathway Investors;
 - c. select a small number of reasonably comparable Pathway Investment comparators (including those which could potentially offer better value for money in respect of factors 8.1.2 (a) a, (b) and (c));
 - d. use reasonable endeavours to obtain and compare the relevant data that it needs to carry out useful assessments in respect of the factors set out in 8.1.2 (a) a, (b) and (c), in a manner which is proportionate to the likely Pathway Investor benefits that will result from the Committee assessing the data;
 - e. assess the Pathway Investment by reference to the Pathway Investment comparators based on factors 8.1.2 (a) a, (b) and (c) (to the extent that there is publicly, or readily, available information about the Pathway Investment comparators in respect of those factors); and
 - f. consider whether any of the Pathway Investment comparators offer better value for money for Pathway Investors based on factors 8.1.2 (a) a, (b) and

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(c), to the extent that there is publicly, or readily, available information about the Pathway Investment comparators in respect of those factors;

- (f) As part of the assessment of quality of services in 8.1.2(c), the Committee shall assess whether the Pathway Investment offered by the Company:
 - a. is designed and managed in the interests of Pathway Investors; and
 - b. has a clear statement of aims and objectives;
- (g) As part of the assessment of quality of services in 8.1.2(c), the Committee shall assess whether the characteristics and net performance of the Pathway Investment are regularly reviewed by the Company to ensure alignment with the interests of Pathway Investors and that the Company takes action to make any necessary changes.

8.2 ESG, Non-Financial Matters and Stewardship

8.2.1 The Committee shall consider and report on:

- (a) The adequacy and quality of the Company's policy in relation to ESG Financial Considerations;
- (b) The adequacy and quality of the Company's policy in relation to Non-Financial Matters;
- (c) How the considerations or matters in (a) and (b) are taken into account in the Company's investment strategy or investment decision making; and
- (d) The adequacy and quality of the Company's policy in relation to Stewardship.

8.2.2 When considering the adequacy and quality of policies referred to in 8.2.1, the Committee shall form a view as to whether:

- (a) A policy sufficiently characterises the relevant risks or opportunities;
- (b) It considers that a policy seeks to appropriately mitigate those risks and take advantage of those opportunities;
- (c) The Company's processes have been designed to properly take into account those risks or opportunities;
- (d) A policy is appropriate in the context of the expected duration of the investment; and
- (e) A policy is appropriate in the context of the main characteristics of the actual or expected Relevant Policyholders or Pathway Investors.

8.2.3 Where the Company has not adequately taken into account, in its investment strategy or investment decision making, other financial considerations that pose a particular and significant risk of financial harm to Relevant Policyholders or Pathway Investors, the Committee shall also:

- (a) Consider and report on the adequacy and quality of the Company's policy (if any) in relation to those Other Financial Considerations, and whether and how those considerations are taken into account in the Company's investment strategy or investment decision; or
- (b) Consider the Company's reasons for not having a policy in relation to those considerations.

The Committee shall consider the extent to which the Company has implemented its stated policies in relation to the consideration and matters in 8.2.1, 8.2.2 and 8.2.3.

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8.3 Annual report of the Committee

8.3.1 By 30 September of the subsequent calendar year, the Committee Chair shall produce an annual report setting out the following, in sufficient detail, taking into account the information needs of consumers:

- (a) The Committee's opinion on:
 - a. the value for money delivered by a Relevant Scheme or a Pathway Investment, particularly against the matters listed in section 8.1.1 or 8.1.2 and a statement setting out their overall assessment of whether the Relevant Scheme or Pathway Investment provides value for money;
 - b. the adequacy and quality of the Company's policies, or reasons for not having policies, in relation to the considerations and matters listed under 8.2.1, 8.2.2 and 8.2.3;
- (b) The extent to which the Company has implemented its stated policies in relation to the consideration and matters in 8.2.1, 8.2.2 and 8.3.3;
- (c) How the Committee has considered Relevant Policyholders' or Pathway Investors' interests;
- (d) Any concerns raised by the Committee with the Board and the response received to those concerns;
- (e) How the Committee has sufficient expertise, experience and independence to act in Relevant Policyholders' or Pathway Investors' interests;
- (f) The name of each independent member of the Committee and confirmation that the Committee considers these members to be independent, having taken into account those matters set out at 2.2.1, 2.2.2 and 2.2.3;
- (g) The arrangements put in place by the Company to ensure that the views of Relevant Policyholders or Pathway Investors are directly represented to the Committee;
- (h) Administration Charges and Transaction Costs information complying with the requirements in 8.3.9;
- (i) An explanation of how the Committee carried out its assessment of ongoing value for money. This must include demonstrating how the factors set out in 8.1.1(a) to (c) and 8.1.2(a) to (c) have been fully and properly considered;
- (j) The reasons:
 - a. for the Committee's overall assessment of whether the Relevant Scheme or Pathway Investment provides value for money as required under 8.2.1(a) a;
 - b. in relation to a Relevant Scheme only, where the Committee assessed the Relevant Scheme using cohorts of employer pension arrangements for the purposes of its general assessment in 8.1.1(d) or used cohorts as part of the scheme comparators in 8.1.1(e), why the Committee considers it is appropriate and proportionate to use cohorts and the Committee's reasons for using the characteristics that it used to select the cohorts;
 - c. in relation to a Relevant Scheme only, why the Committee considers that the scheme comparators it selected for the purposes of its assessment under 8.1.1(e) provided a reasonable comparison against the Relevant Scheme;
 - d. in relation to a Pathway Investment only, where the Committee assessed the Pathway Investment using cohorts of Pathway Investments for the purpose of its general assessment in 8.1.2(d) or used cohorts as part of the Pathway Investment comparators in 8.1.2(e), why the Committee considers it is

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appropriate and proportionate to use cohorts of Pathway Investments and the Committee's reasons for using the characteristics that it used to select the cohorts; and

- e. in relation a Pathway Investment only, why the Committee considers that the Pathway Investment comparators it selected for the purposes of its assessment under 8.1.2(e) provided a reasonable comparison against a Pathway Investment.

- 8.3.2 Where the Committee is unable to obtain from the Company, and ultimately from any other person providing relevant services, the information it requires in order to assess or to consider and report on the matters within the Committee's remit, the Committee shall explain in the annual report why it has been unable to obtain the information and how it will take steps to be granted access to that information in the future.
- 8.3.3 The Committee shall ensure the publication of Administration Charges and Transaction Costs information complying with the requirements in 8.3.6.
- 8.3.4 The Committee shall ensure that all Relevant Policyholders are provided with an annual communication complying with the requirements in 8.3.6.
- 8.3.5 The Committee shall make available, on request, the annual communication referred to in 8.3.3, in a manner that pays due regard to the purposes for which Relevant Policyholders might reasonably use the information, to:
 - (a) Relevant Policyholders' spouses or civil partners;
 - (b) Persons within the application of the Relevant Scheme and qualifying or prospectively qualifying for benefits under the Relevant Scheme
- 8.3.6 The Administration Charges and Transaction Costs information referred to in 8.3.3 must, in relation to each Relevant Scheme:
 - (a) Be published by 30 September each year, in respect of the previous calendar year;
 - (b) Be available for free on a publicly accessible website;
 - (c) Include the costs and charges for each default arrangement and each alternative fund option that a member is able to select;
 - (d) Include a brief description of the most recent Transaction Costs and Administration Charges information and an explanation of how that information is relevant to the Relevant Policyholder.
 - (e) Include an illustration of the compounding effect of the Administration Charges and Transaction Costs, based on either the assumptions contained in COBS 13 Annex 2 or those in Version 4.2 of the Actuarial Standard Technical Memorandum (AS TM1) produced by the Financial Reporting Council, for a representative range of fund options that a member is able to select.
- 8.3.7 In respect of Transaction Costs:
 - (a) The requirement in 8.3.6(c) and 8.3.8(a) apply to the extent that such information is available to the Committee;
 - (b) The published information should include a warning giving brief details of any unavailable information that the Committee is aware of.
- 8.3.8 The Administration Charges and Transaction Costs information in the Committee's annual report must, in relation to each Relevant Scheme:
 - (a) At a minimum, include the costs and charges for each default arrangement;

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- (b) Explain how a Relevant Scheme member can access the costs and charges information for each default arrangement and each alternative fund option that a member is able to select, including providing a link to the required website;
 - (c) Be published alongside any information in the Committee's annual report relating to the Relevant Scheme's default investment strategy and value for members.
- 8.3.9 The annual communication referred to in 8.3.6 may be included with any other annual communication from the Company to the member of the Relevant Scheme and may also include the particular Transaction Costs and Administration Charges that have been incurred by that member.
- 8.3.10 In communicating information in compliance with 8.3.6, the Committee should ensure that it is straightforward for a Relevant Policyholder to compare the Transaction costs and Administration Charges between fund options that are available for them to select.
- 8.3.11 The Committee shall retain copies of any evidence used in their assessment of ongoing value for money for a minimum of six years.
- 9. Reporting**
- 9.1 In relation to the Committee's remit, the Committee shall raise with the Board:
 - (a) Any concerns it may have in relation to any of the matters it has assessed or considered; and
 - (b) Where the Committee has been unable to obtain or has difficulties obtaining from Company the information it requires.
- 9.2 The Committee shall escalate to the Board concerns as appropriate where the Company has not, in the Committee's opinion, addressed those concerns satisfactorily or at all.
- 9.3 The Committee Chair shall raise with the Board any concerns that the Committee has about the information or resources that the Company provides or about the arrangements that the Company puts in place to ensure that the views of Relevant Policyholders or Pathway Investors are directly represented to the Committee.
- 9.4 If, having raised concerns with the Board about the matters in the Committee's remit, the Committee is not satisfied with the response of the Board, the Committee Chair may escalate concerns to the FCA if the Committee thinks that would be appropriate. The Committee may also alert Relevant Policyholders or Pathway Investors and employers and make its concerns public. Prior to any such escalation the Committee 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 Committee shall indicate in its escalation communication to the Board what it believes to be a reasonable timescale for a response from the Board.
- 10 Other matters**
- 10.1 The Committee Chair will, where possible, attend the Annual General Meeting of the Company to answer members' questions on the Committee's activities.
- 10.2 The Committee will have access to sufficient resources to carry out its duties.
- 10.3 Committee members will be provided with appropriate induction training before commencing their role.
- 10.4 Where it is necessary and proportionate, the Committee is authorised to obtain, at the Company's expense, outside professional advice on any matter within its terms of reference.
- 10.5 The Committee shall annually review its performance against its terms of reference and recommend any changes to its terms of reference to the Board for approval.

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Appendix

Definitions

Administration Charges and **Transaction Costs** have the meaning given in COBS Handbook Glossary (as it applies to COBS 19.5).

COBS means the FCA's Conduct of Business Sourcebook.

Company means The Royal London Mutual Insurance Society Limited.

ESG Financial Considerations means environmental, social and governance factors (including climate change) that are material to the sustainability of an investment.

FCA means the Financial Conduct Authority.

Non-Financial Matters means factors which may influence the Company's investment strategy or decision, and which are based on the views (including ethical concerns regarding ESG Financial Consideration issues) of employers or Relevant Policyholders.

Other Financial Considerations means factors (other than ESG Financial Considerations) that are material to the financial performance of an investment or investment strategy.

Pathway Investment means an investment that corresponds to the investment pathway options in COBS 19.10.17R(1).

Pathway Investors means an investor investing in a Pathway Investment of the Company.

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 which have been reclassified as individual personal pension policies by the Company remain in scope for the Committee.

Relevant Scheme means any scheme offered to customers by the Company 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).