



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 rules ("COBS") in respect of 'COBS 19.5 Independent governance committees and publication and disclosure of costs and charges'. It 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 for Relevant Policyholders and Pathway Investors. Also, in accordance with the definitions in Appendix 1, it considers the Company's policies on:
- 1.1.1 ESG Financial Considerations
- 1.1.2 Non-financial Matters
- 1.1.3 Stewardship
- 1.1.4 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 The Board may ask the Committee to consider the interests of policyholders other than Relevant Policyholders or Pathway Investors ("Other Policyholders").
- 1.3 The Committee acts solely in the interests of Relevant Policyholders, Pathway Investors and Other Policyholders.
- 1.4 Defined terms used in these Terms of Reference are explained in Appendix 1.

2 Membership

- 2.1 The Committee comprises at least five members, the majority of whom, including the Chair, are independent members. The Nominations and Governance Committee will determine prior to appointment whether individuals are independent of the Group's activities.
- 2.2 Alternatives, approved by the Chief Executive without restraint as to the execution of the Committee's duties and in consultation with the Committee Chair, may stand in for non-independent members of the Committee. Alternatives are not appointed in respect of independent members.
- 2.3 Only members (or alternates) 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.
- 2.4 Members of the Committee are appointed by the Board, on the recommendation of the Nominations and Governance Committee in consultation with both the Committee Chair and the Group Chief Executive. The appointment of independent members will follow an open and transparent process.
- 2.4 The Board will appoint the Committee Chair. If the Committee Chair is absent from a meeting, the remaining members present will elect an Independent Committee member to chair the meeting.
- 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 will be 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.

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- 2.6 Any actual or potential conflicts of interests must be declared prior to appointment and any new conflicts should be declared at the commencement of a meeting and disclosed to the Nominations and Governance Committee.
- 2.7 Vacancies that arise within the Committee will be filled as soon as possible and in any event within six months.
- 2.8 Independent members are appointed for fixed terms of no longer than five years, with a cumulative maximum duration of ten years.
- 2.9 Membership of the Committee will be reviewed annually by the Company Chairman in consultation with the Committee Chair.

3 Secretary

- 3.1 The Company Secretary or his or her nominee is the Secretary of the Committee.
- 3.2 The Secretary will be responsible for ensuring that the Committee complies with its terms of reference.

4 Quorum

- 4.1 A quorum is three members of the Committee, the majority of whom will be independent. A duly convened meeting of the Committee at which a quorum is present is competent to exercise all of the authorities, powers and discretions vested in the Committee.
- 4.2 Circulated written resolutions constitute a resolution of the Committee.
- 4.3 Where a decision is tied, the Chair will have the casting vote.

5 Frequency of meetings

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

6 Notice of meetings

- 6.1 Committee meetings will be convened by the Secretary at the request of the Committee Chair.
- 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 will be forwarded to each member of the Committee no later than five working days before the date of the meeting. Relevant papers may be made available to other individuals required to attend.

7 Minutes of meetings

- 7.1 The Secretary will minute the proceedings and resolutions of meetings, record declarations of interests and those present and in attendance.
- 7.2 Draft minutes will be circulated promptly to the Committee Chair and subsequently be circulated to Committee members for approval. Approved minutes will be signed by the Committee Chair and be made available to the Board.

8 Duties

8.1 Reporting and escalation to the Board

- 8.1.1 In relation to the Committee's remit, the Committee will raise with the Board any concerns it may have:

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- 8.1.1.1 In relation to any of the matters it has assessed or considered
- 8.1.1.2 Where the Committee is unable to obtain or has difficulties obtaining from Company the information it requires
- 8.1.2 Once a decision has been made by the Company to offer a Pathway Investment the Committee will raise any concerns under 8.1.1:
 - 8.1.2.1 In good time to give the Board a proper opportunity to consider and address the Committee's concerns, before the Pathway Investment is offered to retail clients; and
 - 8.1.2.2 On an ongoing basis in relation to the Pathway Investment it offers
- 8.1.3 The Committee will escalate concerns as appropriate where the Company has not, in the Committee's opinion, addressed those concerns satisfactorily or at all
- 8.1.4 The Committee Chair should 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
- 8.1.5 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 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.
- 8.2 **Assessing value for money**
 - 8.2.1 The Committee will assess the ongoing value for money Relevant Policyholders receive from a Relevant Scheme particularly, although not exclusively, through assessing:
 - 8.2.1.1 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
 - 8.2.1.2 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
 - 8.2.1.3 Whether core scheme financial transactions are processed promptly and accurately
 - 8.2.1.4 The levels of charges borne by Relevant Policyholders
 - 8.2.1.5 The direct and indirect 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, including Transaction Costs; and
 - 8.2.1.6 Whether the communications (including support provided beyond mandatory disclosure requirements) to Relevant Policyholders are fit for purpose and properly take into account the Relevant Policyholders' characteristics, needs and objectives

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- 8.2.2 The Committee will assess the ongoing value for money for Pathway Investors delivered by a Pathway Investment particularly, though not exclusively, through assessing:
 - 8.2.2.1 Whether the Pathway Investment offered by the Company is designed and managed in the interests of Pathway Investors and has a clear statement of aims and objectives
 - 8.2.2.2 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
 - 8.2.2.3 Whether core financial transactions are processed promptly and accurately
 - 8.2.2.4 The levels of charges borne by Pathway Investors
 - 8.2.2.5 The direct and indirect 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, including Transaction Costs; and
 - 8.2.2.6 Whether the communications to Pathway Investors are fit for purpose and properly take into account the Pathway Investors' characteristics, needs and objectives.
- 8.3 **ESG, Non-Financial Matters and Stewardship**
 - 8.3.1 The Committee will consider and report on:
 - 8.3.1.1 The adequacy and quality of the Company's policy in relation to ESG Financial Considerations
 - 8.3.1.2 The adequacy and quality of the Company's policy in relation to Non-Financial Matters
 - 8.3.1.3 How the considerations or matters in 8.3.1.1 and 8.3.1.2 are taken into account in the Company's investment strategy or investment decision making; and
 - 8.3.1.4 The adequacy and quality of the Company's policy in relation to Stewardship
 - 8.3.2 When considering the adequacy and quality of policies referred to in 8.3.1, the Committee will form a view as to whether:
 - 8.3.2.1 A policy sufficiently characterises the relevant risks or opportunities
 - 8.3.2.2 It considers that a policy seeks to appropriately mitigate those risks and take advantage of those opportunities
 - 8.3.2.3 The Company's processes have been designed to properly take into account those risks or opportunities
 - 8.3.2.4 A policy is appropriate in the context of the expected duration of the investment
 - 8.3.2.5 A policy is appropriate in the context of the main characteristics of the actual or expected Relevant Policyholders or Pathway Investors
 - 8.3.3 Where the Company has not adequately taken into account (in investment strategy or investment decision making) financial considerations (other than those referred to in 8.3.1 above) that pose a particular and significant risk of financial harm to Relevant Policyholders or Pathway Investors, the Committee will also:
 - 8.3.3.1 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
 - 8.3.3.2 Consider the Company's reasons for not having a policy in relation to those considerations

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8.3.4 The Committee will consider the extent to which the Company has implemented its stated policies in relation to the consideration and matters in 8.3.1, 8.3.2 and 8.3.3.

9 Reporting responsibilities

9.1 By 31 July of the subsequent calendar year, the Committee Chair will be responsible for the production of an annual report setting out:

9.1.1 The Committee's opinion on the value for money delivered by a Relevant Scheme or a Pathway Investment, particularly against the matters listed in section 8.2.1 or 8.2.2

9.1.2 The Committee's opinion on the adequacy and quality of the Company's policies, or reasons for not having policies, in relation to the considerations and matters listed under 8.3.1, 8.3.2 and 8.3.3

9.1.3 The extent to which the Company has implemented its stated policies in relation to the consideration and matters in 8.3.1, 9.1.2, 8.3.3.1 and 8.3.3.2

9.1.4 How the Committee has considered Relevant Policyholders' or Pathway Investors' interests

9.1.5 Any concerns raised by the Committee with the Board and the response received to those concerns

9.1.6 How the Committee has sufficient expertise, experience and independence to act in Relevant Policyholders' or Pathway Investors' interests

9.1.7 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 COBS 19.5.12G

9.1.8 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

9.1.9 Administration Charges and Transaction Costs information complying with the requirements in COBS 19.5.16R

9.2 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 should 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.

9.3 The Committee will ensure the publication of Administration Charges and Transaction Costs information complying with the requirements in COBS 19.5.13R.

9.4 The Committee will ensure that all Relevant Policyholders are provided with an annual communication complying with the requirements in COBS 19.5.17R.

9.5 The Committee will make available, on request, the annual communication referred to in 9.4, in a manner that pays due regard to the purposes for which Relevant Policyholders might reasonably use the information, to:

9.5.1 Relevant Policyholders' spouses or civil partners

9.5.2 Persons within the application of the Relevant Scheme and qualifying or prospectively qualifying for benefits under the Relevant Scheme

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- 9.6 The Administration Charges and Transaction Costs information referred to in COBS 19.5.5R(8) must, in relation to each Relevant Scheme:
- 9.6.1 Be published by 31 July each year, in respect of the previous calendar year
- 9.6.2 Be available for free on a publicly accessible website
- 9.6.3 Include the costs and charges for each default arrangement and each alternative fund option that a member is able to select
- 9.6.4 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
- 9.7 In respect of Transaction Costs:
- 9.7.1 The requirement in 9.6.3 and 9.8.1 apply to the extent that such information is available to the Committee
- 9.7.2 The published information should include a warning giving brief details of any unavailable information that the Committee is aware of
- 9.8 The Administration Charges and Transaction Costs information in the Committee's annual report must, in relation to each Relevant Scheme:
- 9.8.1 At a minimum, include the costs and charges for each default arrangement
- 9.8.2 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
- 9.8.3 Be published alongside any information in the IGC's annual report relating to the Relevant Scheme's default investment strategy and value for members
- 9.9 The annual communication referred to in 9.6 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
- 9.10 In communicating information in compliance with 9.6, the Committee should ensure, for example, 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.

10 Other matters

- 10.1 The Committee Chair will produce a report to be included in the Company's Annual Report and Accounts on the Committee's activities. The report will be fair, balanced and understandable and apply best practice reporting.
- 10.2 The Committee Chair will, where possible, attend the Annual General Meeting of the Company to answer members' questions on the Committee's activities.
- 10.3 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.
- 10.4 The Committee will undertake an annual evaluation of its effectiveness and of these terms of reference and make recommendations to the Board that will make the Committee more effective.

Definitions

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).

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.

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

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

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

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.

Administration Charges and **Transaction Costs** have the meaning given in COBS 19.8.1R.

Duties of the Company in relation to the Committee

The Company will take reasonable steps to:

- Ensure that the Committee acts and continues to act in accordance with its terms of reference;
- Ensure that the Committee has sufficient collective expertise and experience to be able to make judgements on the matters within the Committee's remit.
- Provide the Committee with all information reasonably requested by the Committee in good time for the purposes of carrying out its role;
- Provide the Committee with sufficient support and resources as are reasonably necessary to allow it to carry out its role independently;
- Put arrangements in place to ensure that the views of Relevant Policyholders or Pathway Investors can be directly represented to the Committee; and
- To address any concerns raised by the Committee under its terms of reference.

The Company will:

- For any Pathway Investment, take reasonable steps to address any concerns raised by the Committee about the matters in COBS 19.5.5R(3) and (3A) (reflected in section 2.2 and 2.3 above):
 - Before the Company offers the Pathway Investment, and
 - Promptly, for any Pathway Investment it already offers.
- Consider allocating responsibility for the management of the relationship between itself and the Committee to an employee of the Company holding an FCA significant influence function or a designated senior management function;
- Provide written reasons to the Committee as to why it has decided to depart in any material way from any advice or recommendations made by the Committee to address any concerns it has raised;
- Take all necessary steps to facilitate the escalation of concerns by the Committee under COBS19.5.5R(4) and COBS 19.5.6G(5);
- Fund independent advice to the Committee if this is necessary and proportionate;
- Ensure arrangements are in place for sharing confidential and commercially sensitive information with the Committee;
- Use best endeavours to obtain, and should provide the Committee 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 a Relevant Scheme or which could impact a Pathway Investment, including transaction costs. Information about the costs and charges more broadly should also be provided, so that the Committee can properly assess the value for money of a Relevant Scheme or a Pathway Investment and the funds held within these;
- If it asks the Committee to take on responsibilities in addition to those set out by the COBS19.5.5R, it will provide additional resources and support to the Committee such that its ability to fulfil its responsibilities are not compromised;
- Provide secretarial and other administrative support to the Committee. The nature of the support, including how it is provided and by whom, should not conflict with the Committee's ability to act independently of the firm;
- Make available the Committee's terms of reference and the three most recent annual reports, in a way appearing to the Company to be best calculated to bring them to the attention of Relevant Policyholders and their employers or to the attention of Pathway Investors. The Company can do this by placing them in an appropriately prominent and relevant position on its website, and by providing them on request to Relevant Policyholders and their employers or to Pathway Investors; and

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- provide Administration Charges and Transaction Costs information for each Relevant Scheme, setting out the costs and charges for each default arrangement and each alternative fund option that a member is able to select.

The Company will not unreasonably withhold from the Committee information that would enable the Committee to carry out its duties within its remit.

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Approvals

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<i>1</i>	9 June 2020	25 June 2020	24 August 2020