

# IGC Terms of Reference

## **Preface:**

The Independent Governance Committee (“**IGC**”) established by the Board of Directors of True Potential Investments (“**The Firm**”) shall be known as the True Potential Investments Governance Committee and shall have the following Terms of Reference. References to the regulatory rules and guidance governing the IGC, as set out in the Financial Conduct Authority Conduct of Business Sourcebook (COBS) are incorporated into this document in the right-hand column.

### **1. Confidentiality:**

The Terms of Reference of the IGC and Annual Report of the IGC Chair will be made publicly available through the website of the Firm. Matters otherwise discussed at meetings of the IGC, and any commercially sensitive information shared by the members within the IGC, are confidential and should only be communicated to third parties with the permission of the IGC Chair and the Firm’s governing body, and to the extent permitted or required by regulation or legislation. The IGC Chair and members are also bound by the confidentiality clauses contained within their individual contracts for service.

### **2. Constitutional Changes:**

Any amendments to these Terms of Reference (“**ToR**”), including its appendices, shall be considered by the IGC and subsequently be approved by the governing body of the Firm.

## **Role and Duties:**

### **3. Role:**

The establishment of the IGC is to satisfy the requirement of the Financial Conduct Authority (“**FCA**”) Conduct of Business Sourcebook (“**COBS**”) section 19 - Pensions supplementary provisions. This is, in summary, to represent the interests of relevant policyholders in the firms’ relevant schemes. The IGC has the following core role requirements:

- a) the IGC will act solely in the interests of relevant policyholders;
- b) the IGC will assess the ongoing value for money for relevant policyholders delivered by relevant schemes;
- c) the IGC will raise with the firm’s governing body any concerns it may have in relation to the value for money offered to relevant policyholders delivered by a relevant scheme;
- d) the IGC will escalate concerns as appropriate where the firm has not, in the IGC’s opinion, addressed those concerns satisfactorily or at all;
- e) the Chair of the IGC will be responsible for the production of an annual report.

### **4. Duties:**

The IGC will assess the ongoing value for money for relevant policyholders delivered by relevant schemes particularly, though not exclusively, through assessing:

- a) Whether default investment strategies within those schemes:
  - i) are designed and executed in the interests of relevant policyholders;
  - ii) have clear statements of aims and objectives;
- b) Whether the characteristics and net performance of investment strategies are regularly reviewed by the firm to ensure alignment with the interests of relevant policyholders and that the firm takes action to make any necessary changes;
- c) Whether core scheme financial transactions are processed promptly and accurately;
- d) The levels of charges borne by relevant policyholders; and
- e) 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.

The IGC 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 IGC should manage this conflict effectively. In addition, the IGC should assess whether all the investment choices available to relevant policyholders, including default options, are regularly reviewed to ensure alignment with the interests of relevant policyholders.

## **5. Extent of Authority:**

The governing body of the Firm is jointly and severally responsible for setting the scope of the IGC, subject to the minimum regulatory requirements, and for ensuring that the IGC acts in accordance with its ToR. The IGC shall have the resources and authority appropriate to discharge its role and duties. Should the Firm ask the IGC to consider the interests of other members, the Firm should provide additional resources and support to the IGC such that the IGC's ability to act in the interests of relevant policyholders is not compromised. The governing body of the Firm has specific regulatory duties in relation to the IGC. These are set out in

## **6. Chairman:**

The Chair of the IGC shall be appointed and removed by the governing body of the Firm and will be an independent member. Any changes of the Chair will be notified to the FCA.

## **7. Membership:**

The members of the IGC are appointed and removed by the governing body of the Firm in consultation with the IGC Chair, and in accordance with the requirements set out in Appendix A. The IGC will consist of five independent members.

## **8. Secretary:**

A suitably qualified person will be appointed by the Chair to act as Secretary to the IGC. As a rule, the Company Secretary to the firm should not take on the role of the Secretary to the IGC.

## **9. Quorum:**

The IGC will meet, or otherwise make decisions to discharge its duties, using a quorum of at least three members. A duly convened meeting of the IGC at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the IGC.

## **10. Standing Ex Officio Invitees:**

Standing invitees have no voting rights. The Chair can request individual standing invitees to leave the meeting for certain items if there is a conflict of interest or if it is otherwise believed appropriate to do so. Standing invitees to the IGC are:

- Managing Partner
- Chief Investment Officer

## **11. Attendance by Invitation:**

The Chair may on his or her own, or upon request by another member of the IGC, or a Standing Ex Officio Invitee, invite other employees of the firm or advisors to attend all or part of the meeting.

## **12. Right of Access:**

In order to discharge their roles effectively and in line with legal and regulatory requirements, the following role holders should be considered as having a right of access to the IGC for the purposes of raising matters from assurance activity which are relevant to the remit of the IGC:

- Head of Compliance and Risk
- Chief Investment Officer The role holders with a right of access to the IGC shall have no voting rights.

## **Meeting Conduct:**

### **13. Frequency of Meetings:**

The IGC shall meet at least four times per year. Meetings will be scheduled approximately one month before the quarterly meetings of the governing bodies of the firm. The Chair, or on his behalf the Secretary, shall convene meetings of the IGC whenever the need arises, or upon the request of a member of the IGC.

#### **14. Agenda:**

The Chair, in conjunction with the Secretary, shall set the agenda, taking also requests from the other members of the IGC. The agenda will be based on the Standard Agenda and Annual Calendar with additional items added as required. The agenda and supporting papers shall be distributed to the members and attendees through the firm's chosen electronic software package no less than five working days before the meeting.

#### **15. Meetings:**

The IGC meets in person, in Newcastle or London. In exceptional cases meetings can be held in whole or in part by telephone or video-conferencing. The Chair shall chair meetings of the IGC. In his or her absence the members of the IGC will elect an independent member to act as an ad-hoc Chair for the meeting.

#### **16. Minutes:**

The proceedings of the IGC shall be recorded in minutes taken by the Secretary or his delegate. Draft minutes shall be received by the members of the IGC within five working days of the relevant meeting. Copies of the draft minutes shall be sent to those attending and those with responsibilities for action. The minutes must be approved by the members at the subsequent meeting of the IGC.

#### **17. Conflict of Interests:**

In the event that a member of the IGC is affected by a potentially conflicting interest in respect of a matter to be decided by the IGC, the member shall declare their interest. If necessary, they will also excuse themselves from the relevant section of the meeting.

#### **18. Decision-Making:**

The IGC has no decision-making authority, other than the authority to escalate as set out in section 21 of the ToR. A decision to make an escalation to the FCA will be made with a majority vote of the IGC members. In the event that a member is absent, and the vote is tied, the IGC Chair (or in the absence of the IGC Chair, the member nominated as Chair of that meeting) will have the casting vote.

### **Reporting:**

#### **19. Reports Received:**

The IGC will be closely involved with specifying the Management Information that it requires from the firm. The IGC shall receive and consider a Management Information report from the firm at each of its quarterly meetings. The report will provide sufficient information to enable the IGC to assess the ongoing value for money for relevant policyholders delivered by relevant schemes, and its other duties. The IGC is authorised to commission additional papers to support specific topics on the agenda, or in response to specific actions, to ensure that the views of relevant policyholders can be directly represented to the IGC, and otherwise as is reasonable to support the discharge of its duties.

#### **20. Reports Made:**

The Chair of the IGC will produce a quarterly report for the Firm summarising proceedings from its meeting/s, and any actions raised with Executive Management. The Chair of the IGC will produce an annual report for the firm setting out:

- a)** the IGC's opinion on the value for money delivered by relevant schemes, particularly against the matters listed;
- b)** how the IGC has considered relevant policyholders' interests;
- c)** any concerns raised by the IGC with the firm's governing body and the response received to those concerns;
- d)** how the IGC has sufficient expertise, experience and independence to act in relevant policyholders' interest;
- e)** how each independent member of the IGC, together with confirmation that the IGC considers these members to be independent, has taken into account the FCA's guidance on assessment of independence;
- f)** the arrangements put in place by the firm to ensure that the views of relevant policyholders are directly represented to the IGC. In addition, where an IGC is unable to obtain from the firm, and ultimately from any other person providing relevant services, the information it requires, the IGC 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.

## **21. Escalations:**

The Chair of the IGC will in the first instance raise any concern/s requiring management action in relation to the value for money offered to relevant policyholders in the firms' relevant schemes with the Managing Partner. If the management response to the concerns raised by the IGC is not considered to be satisfactory by the IGC members, or if the management response is untimely in nature, the Chair of the IGC will escalate the concern/s with the Firm's governing body.

The IGC will allow sufficient time, being three months from the date of the escalation or the date of the next quarterly meeting of the IGC (whichever is earlier), for the Managing Partner and the Firm's governing body to respond to any concerns. If, having raised concerns with the Firm's governing body about the value for money offered to relevant policyholders by a relevant scheme, the IGC is not satisfied with the response of the firm's governing body, the IGC Chair may escalate concerns to the FCA if that would be appropriate. The IGC may also alert relevant policyholders and employers and make its concerns public. Separately, the IGC Chair should raise with the Firm's governing body any concerns that the IGC has about the information or resources that the Firm provides, or arrangements that the firm puts in place to ensure that the view of relevant policyholders are directly represented to the IGC. If the IGC is not satisfied with the response of the Firm's governing body, the IGC Chair may escalate its concerns to the FCA if appropriate.

The IGC may also make its concerns public. All escalations made by the IGC and responses to escalations by the Managing Partner or the Firm's governing body are to be made in writing. Any decisions to make an escalation to the FCA should be subject to the IGC's decision making process as set out in section 18 of the ToR.

## **Engagement Protocols:**

### **22. Engagement with Relevant Policyholders:**

The firm must have arrangements to ensure that the views of relevant policyholders can be directly represented to the IGC. The Chair will not undertake to respond individually to views from relevant policyholders, but will set out within his annual report for each firm how the IGC has considered relevant policyholders' interests.

### **23. Engagement with the Firm:**

The Chair and members of the IGC may interact with other parts of the Firm's business and its management, outside of those role holders as set out in the ToR, through the Secretary to the IGC.

### **24. Engagement with the External Auditors:**

The Chair and members of the IGC may interact with the Firm's External Auditors through the Secretary to the IGC.

## **Glossary:**

### **25. Glossary of Definitions:**

Relevant policyholder is a member of a relevant scheme who is or has been a worker entitled to have contributions paid by or on behalf of his employer in respect of that relevant scheme. 'Worker' has the same meaning as in section 88 of the Pensions Act 2008, that is, in summary, an individual who has entered into or works under (a) a contract of employment, or (b) any other contract by which the individual undertakes to do work or perform services personally for another party to the contract. Relevant scheme a personal pension scheme or stakeholder pension scheme in respect of which direct payment arrangements are, or have been, in place, under which contributions have been paid in respect of two or more employees of the same employer.

'Direct payment arrangements' has the same meaning as in section 111A of the Pension Schemes Act 1993, that is, arrangements under which contributions fall to be paid by or on behalf of the employer towards the scheme (a) on the employer's own account (but in respect of the employee); or (b) on behalf of the employee out of deductions from the employee's earnings.

## Appendix A

### Appointment of IGC members:

A firm must take reasonable steps to ensure that the IGC has sufficient collective expertise and experience to be able to make judgements on the value for money of relevant schemes. A firm must recruit independent IGC members through an open and transparent recruitment process.

A firm must appoint members to the IGC so that:

- a) the IGC consists of at least five members, including an independent Chair and a majority of independent members;
- b) IGC members are bound by appropriate contracts which reflect the terms of reference in COBS 19.5.5R, and on such terms as to secure the independence of independent members;
- c) independent IGC members who are individuals are appointed for fixed terms of no longer than five years, with a cumulative maximum duration of ten years;
- d) individuals acting as the representative of an individual corporate member are appointed to the IGC for a maximum duration of ten years;
- e) independent IGC members who are individuals, including those representing independent corporate members, are not eligible for reappointment to the IGC until five years have elapsed, after having served on the firm's IGC for the maximum duration of ten years;
- f) appointments to the IGC are managed to maintain continuity in terms of expertise and experience of the IGC.

The effect of COBS 19.5.9R(3)(b) is that employees of the firm who serve on an IGC should be subject to appropriate contractual terms so that, when acting in the capacity of an IGC member, they are free to act within the terms of reference of the IGC without conflict with other terms of their employment. In particular, when acting as an IGC member, an employee will be expected to act solely in the interests of relevant policyholders and should be able to do so without breaching any terms of his employment contract.

An individual may serve on more than one IGC.

A firm should replace any vacancies that arise within IGCs as soon as possible and in any event within six months.

A firm should involve the IGC Chair in the appointment of other members, both independent members and employees of the firm.

The firm, in appointing independent IGC members, must 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 IGC 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 with the firm's group or paid by them for any other role other than as IGC member, including participating in the firm's share option or performance related pay scheme;
- b) the individual has been an employee 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 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. A firm may appoint a corporate person to an IGC, including as Chair. The corporate member should notify the firm of the individual who will act as the member's representative on the IGC.

A firm should 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 so that any conflicts do not affect the corporate IGC member's ability to represent the interests of relevant policyholders.

Should the firm, or another company within the firm's group, operate a master trust, there may be benefits in a trustee of such a master trust also being an IGC member. If such circumstances exist, an individual or a corporate member may be suitable to be an independent IGC member, notwithstanding the relationship with the firm.

A firm should review on a regular basis whether its independent IGC members continue to be independent and take appropriate action if it considers that they are not.



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