

True Potential Investments

Independent Governance Committee of
True Potential Investments LLP

Terms of Reference

Last updated 15/08/2020



Preface:

The Independent Governance Committee (“IGC”) established by the Board of Directors of True Potential Investments (“TP”) shall be known as the True Potential Investments Governance Committee and shall have the following Terms of Reference.

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 TP.

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 TP’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 TP.

Role and Duties:

3. **Role:** The establishment of the IGC is to satisfy the requirements 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 TP’s relevant schemes and pathway solution investors.

4. **Duties:** The IGC has the following core duties:

- a) the IGC will act solely in the interests of relevant policyholders and pathway solution investors (as defined by the definitions outlined in COBS 19.5.2R);
- b) the IGC will assess the ongoing value for money for relevant policyholders delivered by relevant schemes and their associated pathway solutions;
- c) Review TP’s policies (if any) on ESG financial considerations, non-financial matters (e.g. members’ ethical concerns), stewardship and other financial considerations to the extent that they pose a particular and significant risk of financial harm to members;
- d) Consider and report on the quality and adequacy of TP’s policies, their reasons for not having a policy in respect to any of the above considerations and the implementation of TP’s stated policies;
- e) Review the design of TP’s pathway solutions and provide feedback to TP in good time for prior in order that TP can make changes to the pathway solutions prior to their implementation;
- e) the IGC will raise with TP’s governing body any concerns it may have in respect of any of the matters it has assessed or considered, or where is unable to obtain, or has difficulty obtaining from the TP the information it requires;
- f) the IGC will escalate concerns as appropriate where TP has not, in the IGC’s opinion, addressed those concerns satisfactorily or at all;
- g) the Chair of the IGC will be responsible for the production of an annual report.

The IGC is expected to act in the interests of relevant policyholders and pathway investors both individually and collectively. Where there is the potential for conflict between individual and collective interests, the IGC should manage this conflict effectively. The IGC is not expected to deal directly with complaints from individual policyholders or pathway investors.

The governing body of TP has specific regulatory duties in relation to the IGC. These are set out in Appendices B & C.

5. **Value for Money Policy:** The IGC will assess the ongoing value for money for relevant policyholders and pathway investors delivered by relevant schemes and pathway solutions with reference to its Value for Money Policy. The IGC will ensure that its Value for Money Policy includes, as a minimum, the following assessments:
- a) whether default investment strategies within the scheme and pathway investments are designed, managed and executed in the interests of relevant policyholders or pathway investors and have clear statements of aims and objectives;
 - b) whether the characteristics and net performance of investment strategies and pathway investments are regularly reviewed by TP to ensure alignment with the interests of relevant policyholders and that TP 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;
 - 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 and the drawdown fund of pathway investors, including transaction costs; and
 - f) whether the communications to relevant policyholders and pathway investors are fit for purpose and properly take into account the relevant policyholders' and pathway investors' characteristics, needs and objectives;

In designing its Value for Money Policy the IGC will take into account any guidance issued by the FCA, any guidance issued by industry bodies and the policies of other IGCs.

6. **ESG & Stewardship:** Where TPI has an investment strategy or makes investment decisions which could have a material impact on the relevant policyholders' or pathway investor's investment returns, the IGC will consider and report on:
- a) the adequacy and quality of TP's policy (if any) in relation to ESG financial considerations;
 - b) the adequacy and quality of TP's policy (if any) in relation to non-financial matters; and
 - c) how the considerations or matters in (a) and (b) are taken into account in TP's investment strategy or investment decision making; and
 - d) the adequacy and quality of TP's policy (if any) in relation to stewardship;

Where TP does not have a policy in relation to ESG financial considerations, non-financial matters or stewardship, the IGC will in each case consider and report on TP's reasons for not having a policy;

Where TP has not already 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 the relevant policyholders or pathway investors, the IGC will also:

- a) consider and report on the adequacy and quality of TP's policy (if any) in relation to those other financial considerations, and whether and how those considerations are taken into account in TP's investment strategy or investment decision; or
- b) consider and report on TP's reasons for not having a policy in relation to those considerations;

When considering the adequacy and quality of a TP policies regarding ESG financial considerations, non-financial matters, stewardship or other financial considerations, the IGC should 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) a firm'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.

The IGC will consider and report on the extent to which TP has implemented its stated policies in relation to the matters above;

7. **Extent of Authority:** The governing body of TP 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 TP ask the IGC to consider the interests of other members, TP 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.
8. **Chair:** The Chair of the IGC shall be appointed and removed by the governing body of TP and will be an independent member. Any changes of the Chair will be notified to the FCA.
9. **Membership:** The members of the IGC are appointed and removed by the governing body of TP in consultation with the IGC Chair, and in accordance with the requirements set out in Appendix C.

The IGC will consist of at least five members, the majority of which will be Independent. Independence in the context of the IGC is defined as set out in Appendix C.

10. **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 either of TP's firms should not take on the role of the Secretary to the IGC.
11. **Quorum:** The IGC will meet, or otherwise make decisions to discharge its duties, using a quorum of at least three members, with the majority of the quorum being independent 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.

12. **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.
13. **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 TPs or advisors to attend all or part of the meeting.
14. **Right of Access:** In order to discharge their roles effectively and in line with legal and regulatory requirements, the following role holders (providing services to both firms unless otherwise stated) 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:

15. **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 TPs. 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.
16. **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 as set out in Appendix A with additional items added as required. The agenda and supporting papers shall be distributed to the members and attendees through TP's chosen electronic software package no less than five working days before the meeting.

17. **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 videoconferencing. 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.
18. **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.
19. **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.
20. **Decision-Making:** The IGC has no decision-making authority, other than the authority to escalate as set out in section 23 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:

21. **Reports Received:** The IGC will be closely involved with specifying the Management Information that it requires from TP. The IGC shall receive and consider a Management Information report from TP 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.

22. **Reports Made:** The Chair of the IGC will produce a quarterly report for TP summarising proceedings from its meeting/s, and any actions raised with Executive Management.

The Chair of the IGC will produce an annual report in respect of the previous calendar year for members setting out:

- a) the IGC's opinion on the value for money delivered by relevant schemes or pathway investments, with reference to the IGC's Value for Money policy;
- b) the adequacy and quality of the TP's ESG & Stewardship policies, or reasons for not having policies, in relation to the considerations and matters listed above;
- b) how the IGC has considered relevant policyholders' interests;
- c) any concerns raised by the IGC with TP'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 TP to ensure that the views of relevant policyholders are directly represented to the IGC.
- g) administration charges and transaction costs information complying with the requirements in COBS 19.5.16R;

The annual report will be produced by 31 July each year, in respect of the previous calendar year, applicable in respect of the report for the year 1 January to 31 December 2020 and future years.

In addition, where an IGC is unable to obtain from TP, 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.

The IGC will ensure the publication of administration charges and transaction costs information complying with the requirements in COBS 19.5.13R.

The IGC will ensure that all members of each relevant scheme are provided with an annual communication complying with the requirements in COBS 19.5.17R. and will make this available, on request, to relevant scheme members' spouses or civil partners and to persons within the application of the relevant scheme and qualifying or prospectively qualifying for benefits under the relevant scheme.

The IGC will ensure that the above annual reports and notifications are made in a manner that pays due regard to the purposes for which relevant policyholders might reasonably use the information.

23. **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 and/or pathway investors in TP's 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 TP'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 TP's governing body to respond to any concerns.

If, having raised concerns with TP'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 TP'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 TP's governing body any concerns that the IGC has about the information or resources that TP provides, or arrangements that TP 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 TP'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 TP'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 20 of the ToR.

Engagement Protocols:

24. **Engagement with Relevant Policyholders:** TPs 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.

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

26. **Engagement with the External Auditors:** The Chair and members of the IGC may interact with TP's External Auditors through the Secretary to the IGC.

Glossary:

27. 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.

drawdown fund means either a capped drawdown pension fund or a flexi-access drawdown pension fund.

Pathway solution is the process set out in COBS 19.10.14R to 19.10.21R that a retail client can use to select a pathway investment for investing the sums and assets in their capped drawdown pension fund or flexi-access drawdown pension fund.

pathway investor means a retail client investing in TP's pathway investment.

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

Non-financial matters are factors which may influence TP's investment strategy or decision, and which are based on the views (including ethical concerns regarding environmental, social and governance issues) of the firm's clients or relevant policyholders.

stewardship relates to TP's exercise of rights or engagement activities in relation to the investments attributable to the firm's relevant policyholders or pathway investors, and may include:

- (a) the exercise of TP's voting rights in those investments; and
- (b) monitoring and engaging on matters such as strategy, performance, risk, culture and governance of the investments;

Appendix A:

Standard Agenda: The following items will be included in every quarterly meeting of the IGC. Any exceptions will be noted by the Chair in his introduction.

Ref	Agenda item:
1	Introduction
2	Previous Minutes for Approval
3	Actions List for Review
4	Papers in Response to Matters Previously Escalated a) to the Managing Partner b) to the TPI Board
5	Standing Papers a) Quarterly Management Information Report
6	Value for money for policyholders a) (i) Any new default strategies proposed or changes to the design or execution of existing (ii) Analysis of aims and objectives of the default investment strategies & investment pathways b) whether the characteristics and net performance of investment strategies are regularly reviewed by the firm c) Processing of core scheme financial transactions d) Service and Product costs (i.e. platform, wrapper & OCF) e) Costs incurred as a result of managing and investing (i.e. transaction costs) f) Communications
7	Value for money for pathway investors a) (i) Any new investment pathways proposed or changes to the design or execution of existing (ii) Analysis of aims and objectives of the default investment strategies & investment pathways b) whether the characteristics and net performance of investment strategies are regularly reviewed by the firm c) Processing of core scheme financial transactions d) Service and Product costs (i.e. platform, wrapper & OCF) e) Costs in relation to managing the investments (i.e. transaction costs) f) Communications
8	ESG and non-financial matters
9	Annual IGC Report
10	Annual costs and charges publication and communication
9	Matters to Note from Assurance Functions (Risk and Compliance)
10	Matters for Escalation: a) to the Managing Partner b) to the TPI Board
11	Matters for Exceptional Escalation: a) to the Financial Conduct Authority b) to Relevant scheme members and/or employees
12	Any Other Business

Annual Calendar: The following item will be included in the relevant meeting of the IGC.

Ref	Agenda Item	Duty & Obligation (as per TOR)	Lead	Timing
1	IGC Chair's Annual Report	Review of the annual report for each firm prepared by the IGC Chair.	Chair	April
2	Annual Declaration of Independence	Review whether independent IGC members continue to be independent.	Chair	April

Appendix B: Duties of TP in relation to the IGC:

TP must:

- a) take reasonable steps to ensure that the IGC acts and continues to act in accordance with its terms of reference;
- b) take reasonable steps to provide the IGC with all information reasonably requested by the IGC in good time for the purposes of carrying out its role;
- c) provide the IGC with sufficient resources as are reasonably necessary to allow it to carry out its role independently;
- d) have arrangements to ensure that the views of relevant policyholders or pathway investors can be directly represented to the IGC;
- e) take reasonable steps to address any concerns raised by the IGC under its terms of reference;
- f) for any pathway investment, take reasonable steps to address any concerns raised by the IGC before the firm offers the pathway investment, and promptly, for any pathway investment it already offers.
- g) provide written reasons to the IGC as to why it has decided to depart in any material way from any advice or recommendations made by the IGC to address any concerns it has raised;
- h) take all necessary steps to facilitate the escalation of concerns by the IGC
- i) make available the IGC's terms of reference and the three most recent annual reports, in a way appearing to the firm to be best calculated to bring them to the attention of relevant policyholders and their employers or to the attention of pathway investors. It can do so 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 pathway investors.
- j) provide the IGC with administration charges and transaction costs information, setting out the costs and charges for each default arrangement and each alternative fund option that a member is able to select.

TP should:

- a) consider allocating responsibility for the management of the relationship between the firm and its IGC to a person at the firm holding an FCA significant-influence function or designated senior management function.
- b) fund independent advice for the IGC if this is necessary and proportionate.
- c) not unreasonably withhold from the IGC information that would enable the IGC to carry out its duties in the IGC's remit of review.
- d) provide the IGC with sufficient support and resources so that the IGC is properly able to carry out its duties in the IGC's remit of review.
- e) have arrangements for sharing confidential and commercially sensitive information with the IGC.
- f) use best endeavours to obtain, and should provide the IGC 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 costs and charges more broadly should also be provided, so that the IGC can properly assess the value for money of a relevant scheme or a pathway investment and the funds held within these.
- g) should provide additional resources and support to the IGC such that its ability to act within its terms of reference is not compromised if it asks the IGC to take on responsibilities in addition to those required in COBS 19.5.5 R.
- h) should provide secretarial and other administrative support to the IGC. The nature of the support, including how it is provided and by whom, should not conflict with the IGC's ability to act independently of the firm.

Appendix C: Appointment of IGC members:

TP must take reasonable steps to ensure that the IGC has sufficient collective expertise and experience to be able to make judgements on matters in the IGC's remit of review.

TP must recruit independent *IGC* members through an open and transparent recruitment process.

TP 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 TP'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 TP 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 or pathway investors and should be able to do so without breaching any terms of their employment contract.

An individual may serve on more than one *IGC*.

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

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

TP, 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 TP or of another company with TP's group or paid by them for any other role other than as *IGC* member, including participating in TP's share option or performance related pay scheme;
- (b) the individual has been an employee of TP or of another company within TP'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 TP or with another company within TP's group, either directly or indirectly.

TP 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.