

Independent Governance Committee

Annual Report

For the year ending 31 March 2019



Contents of report

03	Glossary
04	The Chairman's Introduction
07	Administration
09	Asset and Data Security
10	Investment Performance and Process
11	Value for money
12	Online Facilities
13	Engagement
14	Member Feedback
15	Appendix 1
17	Appendix 2 - More Investment Details
19	Appendix 3 - IGC Terms of Reference
25	Appendix A
26	Appendix B
27	Appendix C

Glossary

Term	Meaning
AE	Auto-enrolment
DC	Defined contribution (pension scheme) - also sometimes known as money purchase pensions
DWP	Department for Work & Pensions
FCA	Financial Conduct Authority
COBS	Conduct of Business Sourcebook
ESG	Environmental, Social and Governance
HMRC	HM Revenue & Customs
IGC	Independent Governance Committee
ISA	Individual Savings Account
L&G	Legal & General
LGIM	Legal & General Investment Management
MI	Management Information
OCF	Ongoing Charges Figure - certain (most) charges levied within a fund as defined by the FCA and the European regulator
PPI	Pensions Policy Institute
TP	The True Potential group of firms which includes TPI
TPI	True Potential Investments LLP, the provider and operator of the True Potential Pension Scheme
TPR	The Pensions Regulator
VfM	Value for Money

The Chairman's Introduction



Towards the end of 2018 Mark Henderson, David Keir and Russell Hogan stood down as members of the IGC. At the same time Brian Shearing stood down as chairman and was replaced by John Reynolds.

I am pleased to be delivering the annual IGC report with Brian, who remains on the IGC but is no longer considered to be an independent member. I am also delighted to welcome Richard Curry and Trevor Williamson who have joined the IGC as independent members, and Sean Montgomery joining as a True Potential nominee.

As newly elected Chairman of the IGC for 2019/20, I would like to take this opportunity to thank Brian for his tireless efforts to safeguard the interests of TP's AE scheme members since the IGC was set up.

Those thanks are also extended to the members of the IGC who stood down during the last year. Thank you for all your efforts on behalf of all members.

Along with my colleagues on the IGC, members can be assured that we will be working equally hard, as custodians of their contributions, to secure good value for money on their pension investments. We will not hesitate to challenge the business, investment and operational strategies of TP in circumstances where we believe this outcome could be compromised.

This is the fourth annual report of the TPI IGC and covers the year ending 31 March 2019. This report will explain progress that has been made in a number of key areas, not least in the development of a 'value for money' matrix that will apply in the coming year (and which we used to review last year's performance). We hope that you find this report informative, in terms of reporting on past performance, but more importantly on how we believe we can improve the value for money you receive in future and our reporting of it.

The Chairman's Introduction (Cont'd)

Looking back, the five areas of activity upon which this report focuses are:

- the level of service and support provided by TP to AE scheme members;
- the performance of the funds in which contributions have been invested;
- the charges that have been taken from the funds to cover the cost of running the AE scheme;
- the security of your money and the data that we hold about you;
- the quality and clarity of communications with you.

As you will see below, we are introducing a 'traffic light' system to capture our assessment of the value for money provided to AE scheme members. This reporting mechanism is one of a number of initiatives to try to make it easier for you to read the report and to consider progress that has been made.

The 'traffic light' assessment scheme will operate as follows:

Good

In the opinion of the IGC, scheme members are receiving value for money (for that area of assessment).

Average

In the opinion of the IGC, the scheme members may not be receiving value for money and TP have been requested to take action to rectify the position;

Poor

In the opinion of the IGC the scheme members are not receiving value for money and TP has not or was not able to take the necessary action identified by the IGC, to rectify the position, within agreed timescales.

Outcome



The good news is that our overall assessment for the year 2018/19 is **Green**.

Which means that, in the opinion of the IGC, scheme members received value for money during 2018/19. That's not to say we can't do more; overall the assessment of performance over the year was positive, but with work to do to maintain that value for members.

The Chairman's Introduction (Cont'd)

Moving forward, we are proposing to introduce a new 'value for money' matrix. This is outlined below:

1	Administration	The quality of the service TP provides to administer members' investments
2	Asset and Data Security	What steps TP has taken to keep members' assets and their confidential data secure
3	Investment Performance	Whether the funds in which members are invested are designed for their needs, how the funds in which members are invested have performed after fees and whether TP has properly governed the investment process
4	Online Service	The quality of the online facilities that TP provides to members to access details of their pension
5	Cost and Charges	The costs and charges paid by members and whether they are commensurate with the range and quality of services provided and the costs to TP of providing those services
6	Engagement	The steps that TP has taken to engage with members to ensure that they are aware of the benefits of pensions investment and the options that they have in respect of their pension
7	Feedback	Feedback that members have provided in respect of the scheme, either through TP or directly the IGC

We believe that good performance in these areas is the foundation of good investment outcomes for you and represents the value for money you receive.

Throughout the coming year, the IGC will monitor and critically appraise TP's performance in these key areas and report upon them to you. Our aim is to provide greater transparency of our governance activity. The use of this matrix and traffic light assessment scheme will allow you to monitor performance over time and to see where we feel that performance enhancements may be made. Our responsibility will be to ensure that the performance measures remain valid, reliable and compliant with any appropriate Financial Conduct Authority' requirements.

We are mindful that the Financial Conduct Authority (FCA) is placing increased responsibility on IGCs to oversee provision of value for money for AE scheme members. We are continually appraising FCA guidelines and will incorporate any necessary changes to our mode of operation to ensure we fulfil these responsibilities, as efficiently and effectively as possible, in carrying out our duties on the IGC.

One area, for example, in which the FCA has recently been active is in raising expectations about the way IGCs monitor the investment strategies and decision-making processes of fund managers, with particular regard to the nature of the activities in which funds are invested. Greater awareness and public concern about social affairs, such as climate change and plastic usage, are placing increasing demands on fund managers to exhibit both social and financial responsibility when selecting funds in which to invest. We are going to step up our endeavours to examine and report upon TP's investment strategy in this critically important area, known as 'ESG Investing', which stands for Environmental, Social and (Corporate) Governance Investing.

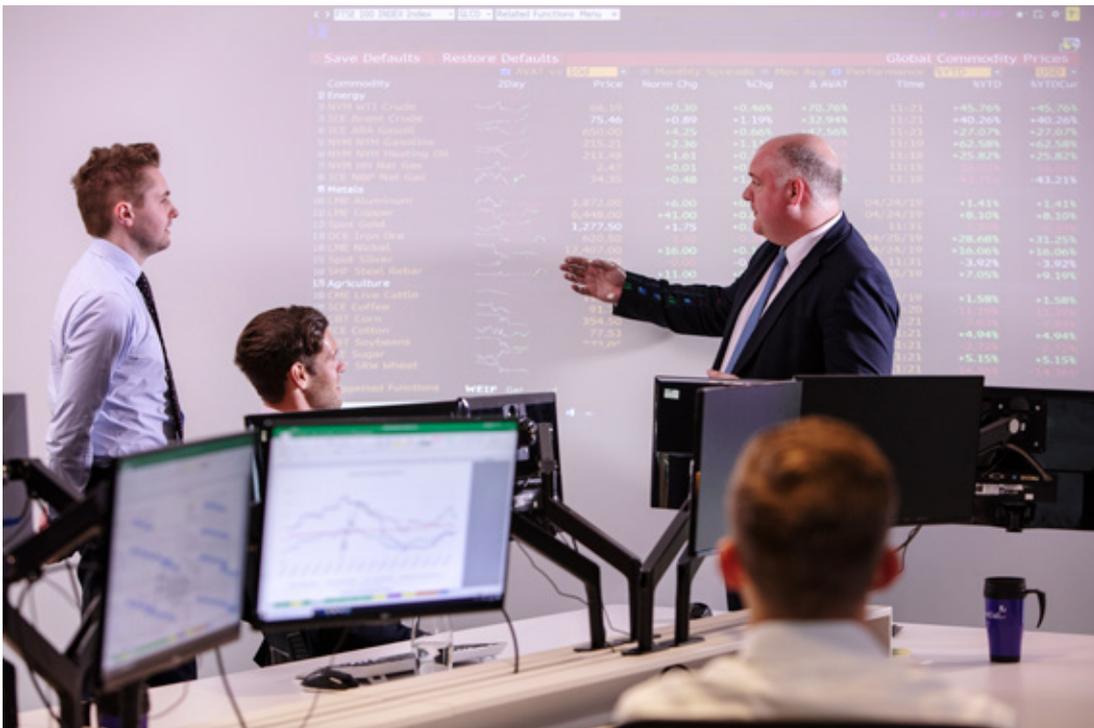
That gives you a flavour of our intended approach going forward into 2019/20. I hope you'll find this approach of real benefit in the years ahead.

1. Administration

In order that the pension contributions of our members can be invested and ultimately provide a retirement income, TP must provide a range of effective administrative services. This is a critical part of our criteria in assessing value for money; low costs do not necessarily mean good service. Delivering a high quality of service at a reasonably low cost is the challenge TP must meet and the duty of the IGC to appraise.

Service delivery, in support of providing your pension, is made up of a number of key elements:

- TP must manage members' contributions and effect their timely investment into one or more funds as specified by each member;
- It must accurately handle changes to members' investment requirements and their personal data and do it in a timely and respectful manner;
- As members retire it must ensure that they are able to withdraw their pension pot, either as a lump sum or as a monthly income payment and it must account to HMRC for any tax payable;
- In conducting all of these activities, TP must comply with relevant regulations set out by the Financial Conduct Authority ("FCA"), HM Revenue and Customs ("HMRC"), the Department for Work and Pensions ("DWP") and The Pensions Regulator ("TPR").



1. Administration (Cont'd)

The IGC will:

- Assess how quickly TP respond to member contact and whether member transactions and changes have been made promptly and accurately;
- Consider the range of choices available on retirement and the quality of the administration team that serves the scheme;
- Review any regulatory breaches and consider how these might have impacted members.

The following shows details of the reports and/or metrics that the IGC will use at each quarterly meeting to review the service proposition. As you will see, a 'traffic light' assessment has been made of the performance over the past year under review:

Report/Metric	Frequency of review	Annual Review 2018/19 status
Initial response rate to calls, emails or secure messages	Quarterly	Good
Timeliness and accuracy of investment of member contributions	Quarterly	Good
Timeliness and accuracy of fund transactions	Quarterly	Good
Timeliness and accuracy of changes to member requirements or personal data	Quarterly	Good
The timeliness and accuracy of investment withdrawals and pension payments	Quarterly	Good
Range of choices available at retirement	Quarterly	Good
Experience and expertise of administration staff	Annual	Good
Any breaches in the regulations of the FCA COBS, HMRC, DWP or TPR in relation to the administration of the scheme.	Annual	Good

2. Asset and Data Security

In order to provide the pension services of the scheme to members, TP must:

- Securely hold the data, assets and money belonging to the scheme members;
- Ensure that client data is only used for the purposes agreed with clients and that it is not accessed by unauthorised persons;
- Ensure that its records of individual member's entitlements are maintained accurately;
- Ensure that the client money and assets held correspond to the total of those entitlements;
- Ensure that any income or dividends arising out of those assets and money is correctly apportioned to clients.

These are our minimum expectations.

The IGC will:

- Continue to regularly assess the client asset and data' security arrangements and will review any independent assurance on the operation of TP's controls to keep client assets and data secure;
- Review any breaches of the data security and client asset regulations, as appropriate.

The following shows details of the reports and/or metrics that the IGC will use at each quarterly meeting to review data protection arrangements. The 'traffic light' system has been used to show our assessment of the performance over the past year under review:

I am delighted to report that TP continues to manage members' personal information and money with the highest diligence.

Report/Metric	Frequency of review	Annual Review 2018/19 status
Report on client asset security arrangements	Annual	Good
Report on data security arrangements	Annual	Good
Review of independent assurance on TP's controls in relation to the scheme	Annual	Good
Details of any Data Security breaches in relation to the scheme	Quarterly	Good
Details of any FCA breaches in relation to the scheme	Quarterly	Good

3. Investment Performance and Process

The performance of the assets in which members' contributions are invested is a key aspect of the value for money that members receive. The value of investments can rise or fall considerably in the short term but the important aspect for scheme members is long term performance after the deduction of fees and charges and how this compares with the return that members could have received if they held their contributions in cash and with the returns generated by other fund providers.

Where funds within the scheme are managed by TP, they must operate an investment process whereby they review the way that the scheme is invested and make changes as required. Each fund that TP manages has an investment objective and some restrictions on the type and proportion of assets in which it can invest in and the management of the fund is governed by the FCA Collective Investment Scheme rules.

The IGC will check that the default investment strategies and funds are designed and executed in the interests of members and that the process of investment is properly governed. The IGC will review the performance of the funds after fees, particularly over the longer term and will compare their returns with the returns that members could have achieved if they had not invested their pension pot or had chosen another provider. The IGC will review any breaches of the FCA Collective Investment Scheme rules to see if members have been affected.

The following shows details of the reports or metrics that the IGC will review when considering this area:

Report/Metric	Frequency of review
Confirmation that default strategies are designed and execution in the interests of members	Annual
Confirmation that default fund investments have clear statements of aims and objectives	Annual
Report on operation and governance of investment process	Annual
Performance of each of the funds within the scheme after fees compared to cash returns and industry benchmarks	Quarterly
Details of any breaches of FCA Collective Investment Scheme rules in relation to the scheme	Annual

On the 23rd November 2018, True Potential Global Managed Fund was launched and became the replacement default fund for auto-enrolment members. Previously, members were invested in the Legal & General Multi-Index 5 Fund.

3. Investment Performance and Process (Cont'd)

The backdrop to the year under review was the period of synchronized growth and rising markets enjoyed in 2017. However, by the second quarter of 2018 it became clear that the rate of acceleration in global economic growth was moderating from the very strong pace seen earlier.

An exception to this was the relative strength of the US with the economy energised by Donald Trump's unorthodox timing of tax cuts at the end of 2017, which boosted growth and allowed corporate earnings to swell well into double digit territory. In contrast, growth in the eurozone and China decelerated and during 2018 the global economy became less synchronized.

In the United States the Federal Reserve continued its programme of raising interest rates in response to the strength of the economy and the fiscal relaxation. The UK, too, raised interest rates by one quarter point and, although rates in Europe remained on hold, the European Central Bank announced it would end its bond-buying programme by the end of 2018 and even the Bank of Japan gave itself more flexibility by expanding its target for the 10-year bond yield. Interest rates also rose in several emerging markets as they sought to stem currency weakness.

As the year progressed the prospect of fading US policy support, together with an escalation in the US-China trade conflict and hawkish rhetoric eventually took their toll on investor confidence. In the last three months of 2018 markets suffered a severe sell-off following the US interest rate hike in October. The sell off, together with weaker economic numbers, prompted a reappraisal by the Fed which announced that any further tightening of monetary policy would be data dependent and that they would be pausing in their policy of higher interest rates while evaluating the strength of the global economy.

This policy rethink had an immediate effect on financial markets which in January, February and, to a lesser extent, in March enjoyed a significant rebound as Jay Powell, chair of the Federal Reserve, announced that policymakers now expected interest rates to remain unchanged throughout the year. The European Central Bank also joined the Fed in adopting a more dovish approach by putting on hold its own intention to implement a rate rise in 2019. European rates are now not expected to rise until 2020. The easing of financial conditions and subdued inflation was been a major positive for risk assets (equities and high yield bonds) generating very strong returns in the final three months of the period under review.

Looking further out, economic indicators for both business sentiment and consumer confidence have softened, whilst hard data (GDP figures, retail sales, industrial production etc) have also been pared back although growth is expected to stabilise and then expand later in the year.

Performance

As of 31.03.2019	Price	Value	3 Month	1 Month	Since TPI Fund Launch (23.11.18)
TP Global Managed Fund	£103.8	£118.3m	6.0%	1.9%	3.1%

More investment details can be found in Appendix 2

4. Online Facilities

The IGC believes that it is essential that scheme members are easily able to access information about their pension and to make changes to it at a time of their choosing: this is a key service deliverable. TP is proud of its technical innovation, which is central to its service delivery and client support activity.

The IGC will periodically review the range of facilities made available to members and monitor how the service offering compares to that offered by other product providers.

As part of this monitoring activity, the IGC will:

- review client login activity (nature, purpose and frequency);
- monitor system availability / downtime for planned maintenance, or otherwise;
- review client feedback / complaints about the online service;
- periodically appraise the service provided (design, access, usability, response times);
- review follow-up activity to encourage client engagement.

The following shows details of the reports and/or metrics that the IGC will use at each quarterly meeting to review the online facilities on offer.

The 'traffic light' system has been used to show our assessment of the performance over the past year under review:

Report/Metric	Frequency of review	Annual Review 2018/19 status
Range of online facilities made available to members	Annual	Good
Quality of design and ease of use of online facilities	Annual	Good
Details of system availability	Quarterly	Good
Trend of number of unique member logins	Quarterly	Good

5. Engagement

The IGC believes that it is vital that scheme members are kept informed of the importance of saving into their pension and other savings plans to enable them to have sufficient retirement income to support the lifestyle that they desire. That is a journey which necessitates regular communication.

Accordingly, the IGC will:

- review the communications that TP has sent to scheme members to remind them of the importance of saving and to inform them of any changes in the pension rules, or developments within the scheme;
- review TP's assessment of the effectiveness of client' engagement campaigns;
- review the annual benefit statements sent to members to ensure that they have all the information they need to understand the benefits that have accrued and the retirement income they should expect as a result;
- appraise the general clarity of communications to ensure they are easy to read and understand by their target audience;
- review client feedback / complaints about the nature and form of communications received.

In terms of client contact, the IGC will:

- review the number of AE scheme members who are no longer contactable and consider the steps taken by TP to regain contact;
- conduct a quarterly review of the trend of contributions into the scheme and other savings.

The following shows details of the reports and/or metrics that the IGC will use at each quarterly meeting to review our engagement with members. The traffic light system shows our overall assessment of the performance over the past year under review:

Report/Metric	Frequency of review	Annual Review 2018/19 status
Communications to members by TP that are designed to promote engagement	Quarterly	Good
Assessment of effectiveness of engagement campaigns	Quarterly	Good
Clarity and content of annual benefit statements	Annual	Good
Number of members no longer contactable and steps taken to trace them	Annual	Good
Trend of contributions including transfers in and impulse saves	Quarterly	Good

6. Member Feedback

The IGC will continue to make an independent assessment of the quality of service delivered to members and consider the extent to which it may be regarded as good value for money. However, a comprehensive assessment cannot be completed without feedback from members. In the forthcoming year, we will be commissioning periodic surveys in an endeavour to better understand your needs and expectations regarding the service provided by TP, overseen by the IGC. The more we can understand your motivations to engage with the AE scheme and any barriers to engagement, the more we do to serve your interests and evaluate outcomes of any activity we initiate.

If you signal dissatisfaction by opting out of the AE scheme, or transferring elsewhere, we investigate to discover any lessons that can be learned to encourage engagement and a longer-term relationship with TP.

A member survey was promised last year, but it did not take place. We will be seeking your views on the new 'value for money' matrix in 2019/20 and will endeavour to ensure that activities we undertake on your behalf are more closely aligned with your objectives, requirements and expectations.

Very few complaints about the service provided are received from members. Any complaint that is received is reviewed to identify the root cause and to introduce preventative measures to avoid repetition. In the event of you being unhappy about the service provided, you can register a complaint through the IGC mailbox IGC@tpllp.com

The following shows details of the reports and/or metrics that the IGC will use at each quarterly meeting to review engagement and obtain feedback from members. The traffic light system shows our overall assessment of the performance over the past year under review:

Report/Metric	Frequency of review	Annual Review 2018/19 status
Results of member surveys	Ad-hoc	Good
Details of member complaints	Quarterly	Good
Review of direct feedback to the IGC from members	Quarterly	Good
Feedback from clients transferring out	Quarterly	Good
Trend of opt-outs and transfers out	Quarterly	Good

A key objective is a member survey this coming year, as well as clearly outlined assessment criteria against which we will measure future engagement. We've got work to do on this, but we are very keen to seek feedback from our members and act upon it, as appropriate.

Appendix 1



Brian Shearing

Brian Shearing has devoted his entire career to financial services. For almost 30 years Brian has worked as a management consultant providing his expertise to pensions, investment and platforms.

In addition to a degree in mathematics and statistics he holds fellowships with the Chartered Insurance Institute (he is a chartered insurance practitioner), the Pensions Management Institute and the Institute of Directors. Brian is a member of the Pensions Policy Institute and the Association of Professional Compliance Consultants.



John Reynolds

John Reynolds has over 25 years' experience as a pension practitioner, providing expert pension advice, consultancy and training into specialist advisory businesses across the UK.

He currently holds fellowship with the PFS, is a Chartered Financial Planner and is a Chartered Fellow of the Institute of Securities and Investments. In 2017 he completed his MSc in Financial Planning and Business Management at Manchester Metropolitan University (MMU).



Richard Curry

Richard has over 30 years of experience in the investment management industry in a variety of senior management roles at large UK financial firms. Initially Richard worked as a computer programmer in the nuclear power industry before transferring those skills to the financial sector.

During his career he has held the positions of Head of Development, Head of IT, Director of Operations and finally Chief Operating Officer; a role that he performed for 15 years before entering semi-retirement in 2018. As part of his last role Richard was responsible for the implementation, operation and governance of a pension scheme with over £300m of client assets. Richard now works part-time as a consultant and independent governance committee member.

Appendix 1 (Cont'd)



Trevor Williamson

Trevor comes with a strong academic background, whose global experience in the design and delivery of business case workshops and working with thought leaders and diverse stakeholders in a variety of strategic, business and financial management situations has developed a keen eye for asking the right questions to help facilitate key decision-making.

He is an experienced academic versed in the use and application of critical thinking skills, with a natural inclination to challenge assumptions and behaviours underpinning organisational strategy and financial performance.



Sean Montgomery

Sean has worked at True Potential since 2011 and became Operations Manager role in 2017. Sean has been a key influence on various projects and brings with him a wealth of knowledge of the internal workings of the TP organisation.

Appendix 2 - More Investment Details

Commentary date: 23.11.2018 - 30.04.2019

Equities	Comments
UK	<p>The UK has been rewarding despite the ongoing Brexit/political uncertainty weighing on investor sentiment. The UK parliament rejected a no deal Brexit, but Prime Minister May's withdrawal agreement also was repeatedly voted down. There remains no clear consensus around an alternative ahead of the EU's revised deadline of 31st October to agree a way forward or move towards an exit without a deal.</p> <p>In the short-term we remain neutral on the UK as Brexit uncertainty is influencing the decision making of global investors as well as delaying investment domestically. Periods of sterling weakness against both USD and Euro helped the returns of the FTSE 100 but we have seen sterling rebound since the start of the year. Given valuations across all market caps are more attractive than those of their American counterparts with the large cap index yielding a healthy 4.8% we remain content having an overweight position.</p>
Europe	<p>A strong performer since the fund launched as global markets rallied strongly after a more than challenging Q4 in equity markets globally.</p> <p>Historically Europe has been a late cycle performer and valuations are supportive, but the withdrawal of liquidity is making life difficult for banks and this may presage more difficult conditions across the bloc generally. Italy has experienced a technical recession following two quarters of negative growth and the manufacturing PMI figures are starting to show signs of detonation. However, the service sector should ensure that growth across the economy remains positive this year.</p> <p>Brexit, for long seen as a UK issue, is increasingly being recognised as a threat to European prosperity, especially in the event of a disorderly exit. Monetary policy is expected to remain accommodative but weak economic momentum and political risks are challenges to earnings growth. There are fears around what other levers can be pulled by the ECB should we see the Eurozone enter a larger recession outside of the manufacturing sector.</p>
North America	<p>Like most developed equity market, US equity returns have been whipsawed over the period with the Fed's recent reassessment of its programme of interest rate hikes triggering a strong recovery from Q4. The Fed announced its policy will be data dependent rather than pre-programmed, and the consensus has moved from there being three quarter point hikes during 2019 to only one later in the year.</p> <p>The US remains fully valued relative to other markets but also represents the best growth prospects. Although the initial stimulus may have passed, the effects of the tax reforms introduced at the end of 2017 continue to feed through, not least as some of the \$2.6 trillion of foreign earnings are repatriated to the US and committed to dividends and share buy backs.</p> <p>Although retail sales figures have been disappointing the unemployment, wage growth and inflation figures continue to point to steady, sustainable economic growth which should support risk assets.</p>
Emerging Markets	<p>With the Fed reverting to a more dovish stance on interest rate hikes coupled with an additional injection of fiscal stimulus from China, Emerging Market equities rallied 9.9% during the period. The moderation of US interest rates has allowed some Asia Pacific and EM central banks to ease their own interest rates, reducing financing costs within these areas. The meaningful stimulus package introduced by the Chinese government could help offset any trade-related weakness</p>

Appendix 2 - More Investment Details

Commentary date: 23.11.2018 - 30.04.2019

Equities	Comments
Japan	<p>Japan over the period has lagged all other equity markets with concerns over trade wars, the dominant narrative in the fourth quarter of 2018, has begun to feed through to economic data with the popular economic indicator, the Tankan Index of large manufacturers, reporting the worst reading in two years.</p> <p>Japan is an economy trying to improve capitalism, shareholder returns and return on equity which is all very positive for Japanese equity valuations. Despite attractive valuations and accommodative monetary policy, the biggest driver of performance will be the rate of global expansion given its an export led economy. Given the softening of global growth and data this could prove to be the greatest headwind for Japanese profits. Stretched public finances and unfavourable demographics remain structural headwinds. The regions central bank, the bank of Japan, has been struggling to reach its own inflation target which is another function of its aging demographics and has been hindering growth within the region.</p>

Fixed Income	Comments
UK Gilts	Up during the period 4.9% as gilts proved their worth during periods of heightened volatility. Although yields are near 1%, gilts provide risk mitigation should equity markets fall in relation to lower growth and inflation. The low nominal yields are unattractive from a long-term return perspective. Gilts should also offer protection should the UK leave the EU with a 'hard Brexit' scenario.
UK Credit	Offered small gains over the period, +0.5%. Investment grade offering a better risk: reward trade off compared to lower quality paper. At trend levels of GDP growth paired with benign inflation should be supportive for the asset class.
Global Inflation Linked Bonds	Strong performance during the period, +4.7% with investors re-ricing inflation expectations. The inflation outlook remains broadly unchanged but with some pressure points building -low unemployment with possibility of skills shortages pressuring wages and elimination of surplus capacity pushing up prices.
EM Bonds	Following a sharp blow out in spreads in Q4, spreads retightened, coupled with additional returns from the carry on currency helped generate impressive returns (+7.2%) during the period.

Alternatives	Comments
Gold	Has offered risk mitigation benefits that one would hope for during periods of market volatility. From a technical aspect gold is still appealing and any further depreciation in the US dollar should also benefit the asset class.

Appendix 3 - 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.

Appendix 3 - IGC Terms of Reference

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 Appendix B.

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 C. The IGC will consist of five independent members. Independence in the context of the IGC is defined as set out in Appendix D.

Appendix 3 - IGC Terms of Reference

Appendix C.

The IGC will consist of five independent members. Independence in the context of the IGC is defined as set out in Appendix D.

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 either of the firms 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 firms 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 (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.

Appendix 3 - IGC Terms of Reference

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 firms. 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 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 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.

Appendix 3 - IGC Terms of Reference

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 firm'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 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.

Appendix 3 - IGC Terms of Reference

Engagement Protocols:

22. Engagement with Relevant Policyholders:

The firms 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

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 1) to the Managing Partner 2) to the TPI Board
5	Standing Papers 1) Quarterly Management Information Report
6	Matters to Note from Assurance Functions (Risk and Compliance)
7	Matters for Escalation: 1) to the Managing Partner 2) to the TPI Board
8	Matters for Exceptional Escalation: 3) to the Financial Conduct Authority 4) to Relevant scheme members and/or employees
9	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 firms in relation to the IGC:

A firm must take reasonable steps to ensure that the IGC acts and continues to act in accordance with its terms of reference;

A firm must take reasonable steps to provide the IGC with all information reasonably requested by the IGC for the purposes of carrying out its role;

A firm must provide the IGC with sufficient resources as are reasonably necessary to allow it to carry out its role independently;

A firm must have arrangements to ensure that the views of relevant policyholders can be directly represented to the IGC;

A firm must take reasonable steps to address any concerns raised by the IGC under its terms of reference;

A firm must 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;

A firm must take all necessary steps to facilitate the escalation of concerns by the IGC under COBS 19.5.5R(4) and COBS 19.5.6G(5); and

A firm must make the terms of reference and the annual report of the IGC publicly available.

A firm should consider allocating responsibility for the management of the relationship between the firm and the IGC to a person at the firm holding an FCA significant-influence function.

A firm should fund independent advice to the IGC if this is necessary and proportionate.

A firm should not unreasonably withhold from the IGC information that would enable the IGC to carry out a comprehensive assessment of value for money.

A firm should have arrangements for sharing confidential and commercially sensitive information with the IGC.

A firm should 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 relevant schemes, 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 relevant schemes and the funds held within these.

If a firm asks an IGC to take on responsibilities in addition to those set out in COBS 19.5.5R, the firm should provide additional resources and support to the IGC such that its ability to fulfil its responsibilities as set out in COBS 19.5.5R is not compromised.

A firm 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:

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.

Appendix C:

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.



True Potential Investor is a trading name of True Potential Investments LLP, which is authorised and regulated by the Financial Conduct Authority, FRN 527444. www.fca.org.uk. Registered in England and Wales as a Limited Liability Partnership No. OC356027.

Head Office: Gateway West, Newburn Riverside, Newcastle upon Tyne, NE15 8NX

T: 0800 046 8007 E: support@tpinvestor.com W: tpinvestor.com

July 2019