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**TERMS OF REFERENCE OF THE INDEPENDENT GOVERNANCE COMMITTEE**

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Approved by the Independent Governance Committee on 28 May 2021

Approved by the Life Companies Board on 24 June 2021

## TERMS OF REFERENCE OF THE INDEPENDENT GOVERNANCE COMMITTEE (the "Committee")

### 1. INTRODUCTION

- 1.1 The Committee has been established in accordance with the requirements set out in [Chapter 19.5](#) of the Financial Conduct Authority's ("FCA") Conduct of Business Sourcebook ("**COBS**") relating to Independent Governance Committees.
- 1.2 The scope of the Committee covers Phoenix Life Assurance Limited, Phoenix Life Limited, Standard Life Assurance Limited, ReAssure Life Limited and ReAssure Ltd (each a "**Company**" and together the "**Companies**").
- 1.3 These Terms of Reference replace any pre-existing Terms of Reference of the Committee.

### 2. ROLE

- 2.1 The role of the Committee is to act solely in the best interests of policyholders ("**Policyholders**") of Relevant Schemes and pathway investors.
- 2.2 In this Terms of Reference, "**Relevant Schemes**" means a personal pension scheme or stakeholder pension scheme for which direct payment arrangements are, or have been, in place, and under which contributions have been paid for two or more employees of the same employer. <sup>1</sup> "**Pathway Investor**" means a retail client investing in a pathway investment provided by one of the Companies.
- 2.3 The role of the Committee is aligned to the FCA's requirements noted under [COBS 19.5.1B \(G\)](#) which states that the specific objectives of an Independent Governance Committee are to:
  - (i) assess the ongoing value for money delivered by Relevant Schemes or pathway investments;
  - (ii) provide an independent consideration of the Companies' policies on:
    - (A) ESG financial considerations;
    - (B) non-financial matters;
    - (C) stewardship; and
    - (D) where applicable, other financial considerations to the extent that they pose a particular or significant risk of financial harm to Policyholders or pathway investors.

The duties of the Committee are more fully described in paragraph 9.

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<sup>1</sup> '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.<sup>1</sup> (Conduct of Business Standards, Chapter 19.5)

### 3. MEMBERSHIP

- 3.1 The Committee shall comprise not less than five members, the majority of whom, including the Chair, must be independent of the Companies. The members, including the Committee Chair, shall be appointed by the Board of each of the Companies (in each case, the “Relevant **Board**”).
- 3.2 Independent members of the Committee shall be recruited through an open and transparent recruitment process, and shall be bound by appropriate letters of appointment, which reflect the regulations in these Terms of Reference and the FCA COBS rules, on such terms as to secure the independence of independent members.
- 3.3 Employees of the Companies who serve on the Committee (“**provider-nominated members**”), when acting in the capacity of a provider-nominated member, are free to act within these Terms of Reference without conflict with other terms of their employment. In particular, when acting as a Committee provider-nominated member, the employee is expected to act solely in the interests of Policyholders or pathway investors and will be able to do so without breaching any terms of their employment contract.
- 3.4 The Companies will take reasonable steps to ensure that the Committee has and maintains sufficient collective expertise and experience to be able to make judgements on the Committee’s remit.
- 3.5 Appointments to the Committee will be managed to maintain continuity in terms of expertise and experience of this Committee, including replacement of any vacancies that arise as soon as possible and, in any event, within six months. [\(COBS 19.5.10G \(3\)\)](#).
- 3.6 The Companies will involve the Committee Chair in the appointment and removal of other members, both independent members and provider-nominated members.
- 3.7 Appointments to the Committee shall be for a period of up to three years which may be extended by two further three-year periods, provided that the members retain their relevant expertise and, in the case of independent members, continue to be independent.
- 3.8 No person shall be permitted to attend Committee meetings unless he or she is:
  - a) a member or secretary of the Committee;
  - b) the Company Secretary or his or her nominee; or
  - c) invited by the Committee Chair to attend the meeting in question (including but not limited to any expert person(s)).

### 4. SECRETARY

- 4.1 The Company Secretary or his or her nominee shall act as the secretary of the Committee.

### 5. NOTICE OF MEETINGS

- 5.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of the items to be discussed and any appropriate supporting

papers shall be forwarded to each member of the Committee, any other person required to attend, ideally five working days before the date of the meeting.

- 5.3 No person other than permitted attendees and members of the Company Secretariat of the Phoenix Group shall be entitled to receive any papers relating to the Committee unless expressly authorised in writing by the Committee Chair (provided that no conflict of interest exists).

## **6. MEETINGS**

- 6.1 The Committee shall meet at least four times a year at appropriate times in the reporting cycle or more frequently as circumstances require. Each meeting shall commence with a closed session for members (along with the secretary of the Committee) unless otherwise agreed by the Committee, either in advance or at the start of the Committee meeting in question.
- 6.2 The Committee 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.
- 6.3 Meetings of the Committee may take place in person, by telephone or via video conference.
- 6.4 In the absence of the Committee Chair, the members attending a meeting shall elect one of the independent members of the Committee to chair the meeting.
- 6.5 Decisions should normally be unanimous. In the event of a disagreement regarding a proposal, a decision to be made by the Committee shall be made by simple majority with each member of the Committee having a single vote. In the event that the result of a vote is a tie, the Committee Chair shall then have a second casting vote. A Committee member who remains opposed to a proposal shall have the right to ask for his or her opposing view to be recorded in the minutes of the meeting.
- 6.6 Decisions of the Committee may be made by written agreement of all of the members of the Committee and such agreement may take electronic form such as email.
- 6.7 Any member unable to attend a meeting may submit his or her views on the matters due to be discussed at the meeting to the Committee Chair.

## **7. REPORTING RESPONSIBILITIES**

- 7.1 The secretary of the Committee shall minute the proceedings and the resolutions of all Committee meetings, including the names of those present and in attendance. Minutes of Committee meetings shall be circulated promptly to all members of the Committee.
- 7.2 The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and ensure that these are minuted accordingly.
- 7.3 The Relevant Board is to receive minutes of meetings once approved and the Committee Chair shall report formally to the Board whenever requested by the Relevant Board or deemed appropriate. The Committee shall make whatever recommendations to the Relevant Board it deems appropriate on any area within the Committee's remit where action or improvement is needed.
- 7.4 The Committee shall ensure that any reporting by the Committee complies with all applicable laws and regulations.

- 7.5 Where matters of interest are aligned, the Committee should consider engagement with other Boards or Committees within the Phoenix Group to prevent duplication. This may include, but may not be limited to, the With-Profits Committee of the Companies and the Standard Life Master Trust Company Limited. Any interaction must be mutually beneficial and in the interests of the Companies' policyholders.
- 7.6 In accordance with [COBS Rule 19.5.5R](#) (6), the Chair of the Committee is accountable for ensuring the production of an annual report (by 31 July each year, in respect of the previous calendar year) covering at least the following:
- a) the Committee's opinion on the value for money delivered by Relevant Schemes or pathway investments;
  - b) the adequacy and quality of the Companies' stewardship and ESG policies and the extent to which the firm has implemented these policies;
  - c) how the Committee has considered Policyholders' and pathway investors' interests and challenged management accordingly;
  - d) any concerns raised by the Committee with the Relevant Board and the response received by the Committee in respect of the concerns raised;
  - e) how the Committee has sufficient expertise, experience and independence to act in Policyholders' and pathway investors' interests;
  - f) how each independent member of the Committee has taken into account the test for independence as set out in Chapter 19.5 of the FCA's Conduct of Business Sourcebook relating to Independent Governance Committees;
  - g) the arrangements put in place by each of the Companies to ensure that the views of Policyholders or pathway investors are directly represented to the Committee; and
  - h) administration charges and transaction costs information complying with the requirements in [COBS19.5.16R](#).

## **8. AUTHORITY**

- 8.1 The Committee is authorised by each of the Relevant Boards to:
- a) investigate any activity within its Terms of Reference;
  - b) seek any information, including commercially sensitive information, that it requires to properly perform its duties (including but not limited to seeking advice from an independent adviser and/or independent lawyer);
  - c) call any representative of any one of the Companies to be questioned at a meeting of the Committee as and when required; and
  - d) call into effect the 'comply or explain' duty regarding recommendations received by the Companies or any one of them from the Committee.
- 8.2 If the Committee considers it necessary so to do, it is authorised by the Relevant Board to obtain appropriate external advice to assist it in the performance of its duties and to secure the services of outsiders with relevant experience and expertise and to invite those

persons to attend meetings of the Committee. The cost of obtaining any advice or services shall be paid for by the Companies within any limits imposed by the Relevant Board.

- 8.3 The Committee, when reviewing its Terms of Reference, may recommend to the Relevant Board for its approval any changes to the Terms of Reference which the Committee believes to be required by the Committee for the proper discharge of its duties.

## 9. DUTIES

- 9.1 In accordance with [COBS Rule 19.5.5](#), the Committee shall:

- a) act solely in Policyholders' interests (both active and deferred) and pathway investors;
- b) assess the ongoing value for money for Policyholders delivered by Relevant Schemes and pathway investors particularly, though not exclusively, through assessing:
  - i. whether default investment strategies within those Relevant Schemes or the pathway investments offered to pathway investors:
    - are designed and executed in the interests of relevant Policyholders or pathway investors; and
    - have clear statements of aims and objectives;
  - ii. whether the characteristics and net performance of investment strategies of Relevant Schemes or pathway investments are regularly reviewed by the Relevant Company to ensure alignment with the interests of Policyholders or pathway investors and whether the Relevant Company is taking appropriate action to make any necessary changes;
  - iii. whether core scheme financial transactions of Relevant Schemes or pathway investments are processed promptly and accurately;
  - iv. the levels of charges borne by relevant Policyholders or pathway investors;
  - v. 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 Policyholders or the drawdown fund of pathway investors, including transaction costs; and
  - vi. whether the communications to Policyholders or pathway investors are fit for purpose and properly take into account the recipients' characteristics, needs and objectives;
- c) in accordance with [COBS 19.5.6G](#), consider and report on:
  - i. the adequacy and quality of each Company's stewardship policy and each Company's ESG policy in relation to ESG financial and non-financial considerations;
  - ii. how those considerations are taken into account in the relevant Company's investment strategy or investment decision-making in connection with Relevant Schemes or pathway investments; and
  - iii. consider and report on the extent to which each Company has implemented their stated stewardship and ESG policies;

- d) raise with the Relevant Board any concerns the Committee may have in relation any of the matters it has assessed or considered or where the Committee has been unable to obtain or has difficulties obtaining the information it requires from the relevant Company as follows:
  - i. if a concern raised relates to an investment pathway decision which has been made by any of the Companies, the Committee must give appropriate time for the relevant Company to consider and address the Committee's concerns before the pathway investment is offered to retail clients; and / or
  - ii. in any event, the Committee must raise with the Relevant Board any concerns on an ongoing basis in relation to the pathway investments offered by the relevant Company;
- e) ensure the publication by the Companies of administration charges and transaction costs information complying with the requirements in [COBS19.5.13R](#);
- f) ensure that all Policyholders are provided with an annual communication, by the relevant Company, that complies with the requirements in [COBS19.5.17R](#), and that each of the Companies put in place appropriate arrangements to make this annual communication available, on request, to Policyholders' spouses or civil partners and any other persons connected with the Policyholder who qualify or could qualify for benefits under the Relevant Scheme; and
- g) ensure that the information that is required to be communicated under [COBS 19.5.5R](#) is communicated in a manner that pays due regard to the purposes for which Policyholders, pathway investors and any other relevant policyholders might reasonably use the information.

9.2 If the Committee is not satisfied with the actions of the Relevant Board in response to any concerns raised or actions recommended by the Committee, the Committee shall escalate as appropriate, reporting this to the FCA, Policyholders, contributing employers and/or pathway investors, if considered to be in Policyholders' or pathway investors' interests.

## **10. RAISING CONCERNS AND ESCALATION**

- 10.1 If a Committee member is concerned about an issue within their area of championing, they should raise it initially with the Committee Chair.
- 10.2 If the Committee Chair and Committee member are unable to make sufficient progress on their own initiative, the issue should be raised with the Committee's Executive Sponsor (by the Committee Chair, whom failing, by the relevant Committee member).
- 10.3 If the escalation meets with resistance or progress is not sufficient within a reasonable period of time, the issue should be raised with the other Committee members (by email or at an appropriate meeting). If the Committee believes that further escalation is warranted, the Committee Chair should raise the issue with the Chair of the relevant Company's Board, copying in the Executive Sponsor and the relevant Company's CEO.
- 10.4 If the response from the Relevant Boards does not address the concerns of the Committee, then the Committee Chair shall, after informing the Relevant Board of their intention, escalate the matter to the FCA's lead supervisor for the Phoenix Group.

## 11. OTHER MATTERS

### 11.1 The Committee shall:

- a) receive support from each of the Companies in accordance with their duties, as set out in [COBS 19.5.7R](#);
- b) have access to the services of the Phoenix Group Company Secretariat function on all Committee matters, including assisting the Committee Chair in planning the Committee's work, drawing up meeting agendas and maintenance of minutes;
- c) Company Secretariat will ensure that support is provided from the Companies to enable the collection and distribution of information for the annual report and provision of any necessary practical support;
- d) at least once a year, review its own performance, constitution and these Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval; and
- e) maintain a record of relevant training and development activity undertaken by Committee members.