

**AJ Bell Management Limited  
UK DC Governance Advisory Arrangement (“GAA”)**

**TERMS OF REFERENCE**

**1. Organisation and Purpose**

1.1 The GAA is to be formed by and is accountable to the Executive Management Board of AJ Bell Management Ltd (“**the Company**”) (“**the Board**”).

1.2 At the request of the Board, the GAA has been established to assess the value for money of the Company’s relevant DC workplace pension plans (i.e. group SIPPS) where such plans have two or more employees of the same employer.

1.3 The key duties of the GAA are:

- to report to the Board;
- to act in the interests of all relevant pension scheme members;
- to assess the value for money of the Company’s UK DC workplace pension products;
- where the GAA has concerns related to value for money, to raise its concerns with the Board;
- where concerns have been raised with the Board which, in the opinion of the GAA, have not been addressed satisfactorily the Chair of the GAA may, if appropriate and after having given the Board further opportunity to respond, escalate its concerns to the Financial Conduct Authority (**FCA**), alert relevant pension scheme members and employers, and make its concerns public; and
- to produce an annual report of its findings.

**2. Accountability**

2.1 The GAA will receive relevant information distilled from existing Company governance committees and oversight groups, where they deliver, manage and oversee activities that relate to the Company’s UK DC workplace pensions business and its governance protocols.

2.2 The GAA will report to the Board after each meeting and provide recommendations to the Board on specific issues identified by it. Any recommendations which the GAA makes to the Board will be responded to on a ‘comply or explain’ basis.

2.3 Where concerns have been raised with the Board which, in the opinion of the GAA, have not been addressed satisfactorily the Chair of the GAA may, if appropriate and after having given the Board further opportunity to respond, refer the matter to the FCA.

2.4 The GAA will not be constrained from communicating its concerns to employers or pension scheme members, or making them public, if they are not satisfied with the response to escalating their concerns and deem this action to be appropriate.

**3. Appointment and Membership**

3.1 The Company shall appoint Punter Southall Governance Services Limited (“**PSGS**”) to form a GAA. The majority of the members of the GAA, including the Chair, must be independent of the Company. It has been agreed that PSGS will provide three individuals as the independent majority, including the Chair. The Company will provide two individuals to the GAA committee.

3.2 The five GAA members will be formed of:

- An independent Chair from PSGS, and
- Two independent members from PSGS, and

- Two representatives from the Company.

3.3 The Chair shall be involved in the appointment of the two independent GAA members and the Company representative GAA members.

3.4 Independent GAA members must not:

- be an employee of the Company or paid by them for any role other than that which they will fulfil on the GAA;
- have been an employee of the Company or a company within the group of companies of which the Company is a member ("**Group Company**") within the last five years, and have, or have had within the last three years, a material business relationship with the Company.

3.5 The two representatives of the Company will act independently in their capacity as GAA members.

3.6 Non-voting attendees may include any of the following:

- Group Legal Services Director;
- Group Risk & Compliance Officer or a representative of the Risk and Compliance Department;
- Head of Operations or a representative of the UK Operations Department;
- Such other employees of any Group Company (including for the avoidance of doubt a Non-Executive Director of any Group Company) as the Board and the Chair may consider appropriate.

3.7 The GAA will work with existing governance arrangements within the Company. The skills and qualifications of the GAA members should draw on expertise from employees of the Company, as well as on investment and legal skills.

3.8 The GAA will have a fixed term of office of no more than five years. Members will be eligible for re-appointment, subject to a maximum duration of ten years.

3.9 The following persons are ineligible to be GAA members:

- A person convicted of any offence involving dishonesty or deception;
- A person subject to bankruptcy or sequestration, in both cases undischarged;
- A person who has made an arrangement with creditors but has not been discharged;
- A person disqualified as a company director; and
- A person suspended, prohibited or disqualified as a trustee by the Occupational Pensions Regulatory Authority or The Pensions Regulator.

#### **4. Meetings**

4.1 The GAA will meet at least half yearly, or more frequently as the Chair deems appropriate.

4.2 Meetings will be scheduled on an annual basis and all GAA members are expected to attend the half yearly meetings.

4.3 Attendance by video or telephone is permitted.

4.4 Specific issues can be resolved by email subject to the agreement of the Chair.

4.5 If the GAA needs to meet at short notice to discuss a material matter, then the Chair or his/her delegate will contact the GAA members and explain the matters to be addressed. GAA members should make reasonable efforts to attend such meetings.

4.6 Agendas and meeting papers will generally be circulated seven working days before the meeting date, which will confirm the timings and location.

4.7 GAA members can suggest items for the agenda either via the Chair or via the Secretary.

4.8 Once an agenda has been finalised, any exceptional matters of business will be considered at the actual meeting under “Any Other Business” at the Chair’s discretion.

## **5. Quorum**

5.1 The quorum for GAA meetings will be three GAA members (one of whom must be the Chair).

5.2 The quorum shall include a majority of independent GAA members and in the event of a tied vote, the Chairman shall have the casting vote.

## **6. Duties and Responsibilities**

### **6.1 Members’ Interests**

The GAA shall:

- act in the best interests of pension scheme members (actives and deferred);
- ensure the views of pension scheme members can be directly represented to the GAA by ensuring the Company makes arrangements to give effect to the same; and
- identify and manage conflicts of interest that may arise between different groups of pension scheme members.

### **6.2 Value for Money**

(a) The GAA will:

Maintain ongoing oversight of the value for money of the Company’s UK DC workplace personal pension products through assessing:

- whether the investment strategies (including non-default investment strategies, as appropriate), where required, are designed in the interests of members, with a clear statement of aims, objective and structure and how these are appropriate for their membership;
- whether the characteristics and net performance of all investment strategies (including non-default investment strategies, where appropriate) are regularly reviewed to ensure alignment with the interests of members, and action taken to make any necessary changes;
- whether core scheme financial transactions are processed promptly and accurately;
- the levels of charges for scheme and investment administration borne by pension scheme members, taking account of any bespoke fee arrangements;
- the direct and indirect costs of transactions and other activities incurred through management and investment of pension assets;
- to make recommendations to the Board to ensure that pension scheme members receive value for money on an ongoing basis;
- assess the findings of any scheme audits undertaken by the Company;

- make recommendations to the Board for any remedial action based on the audit findings;
- ensure member views are directly represented to the GAA, through the arrangements agreed with the Company to give effect to the same.

(b) In reviewing value for money the GAA may consider:

- latest industry guidance and best practice that help to define relevant scheme value for money;
- grouping relevant pension schemes with similar characteristics and assessing value for money at the level of any such groups of similar pension schemes; and
- taking into account the profile of the employer's workforce when assessing value for money. For example, employers with smaller, more transient and lower paid workforces may cost more per member to service.

### **6.3 Scheme Quality**

The GAA will, in its assessment of value for money, weigh the quality of the scheme against its cost to scheme members. In reviewing scheme quality, the GAA will:

- review relevant information from management reports from internal Company sub-committees on governance activities within the business where necessary to assess scheme quality;
- review with the input from Company and Board (as appropriate) the design and execution of relevant default strategies and other popular funds of in scope products;
- review administration of relevant schemes including the communications from the Company.

### **6.4 Standards & Duties**

The GAA will:

- ensure that all GAA committee members have a sufficient level of knowledge and understanding in order to exercise their duties and functions of the GAA in order to meet its objectives;
- ensure receipt and review of relevant reporting in order to meet its obligations and provide the appropriate mechanism to report to the Board;
- uphold high standards of Governance in accordance with regulatory guidance and industry best practice. In relation to which all GAA members will:
  - act reasonably and diligently;
  - prepare for and attend meetings and relevant training wherever possible; and
  - act in accordance with these Terms of Reference.

### **6.5 Resources**

The Company will provide the GAA with the necessary support and resources to carry out its duties. These will include:

- provision of additional information or reporting as reasonably requested by the GAA;

- as far as practical, facilitating access to relevant scheme members to ensure their views are appropriately represented to the GAA;
- the reasonable provision of financial support to the extent necessary and proportionate to enable the GAA to employ independent professional advisers including lawyers and investment advisers.

## **7. Reporting**

7.1 The Chair must produce an annual report covering:

- the value for money delivered by the Company's DC workplace personal pension schemes having due regard to the factors detailed in paragraph 6.2;
- how the GAA has acted in scheme members' interests;
- recommendations made to the Board together with the response received to those recommendations.

7.2 The report must also include:

- how the members of the GAA as a whole have sufficient independence, expertise and experience to act in scheme members' interests;
- identification of each independent member of the GAA;
- arrangements in place to ensure representation of scheme members' interests.

## **8. Conflict of Interests of GAA Members**

8.1 All potential conflicts of interest should be notified immediately in writing to the Chair prior to notification to the full GAA membership.

8.2 If the GAA confirms that a conflict of interests exists, the following should be observed:

- the committee member should absent him/herself from any GAA discussions where the conflict of interests could arise (other than for any conflict of interest that arises by virtue of a GAA committee member being a representative of the Company);
- any change in circumstances should be notified to the Chair immediately, prior to notification to the full GAA membership;
- the Secretary of the GAA is responsible for ensuring the Conflict of Interest policy is up to date and will ensure that the policy is included in the GAA papers once a year for a review by the GAA.

## **9. Confidentiality**

9.1 Written materials provided to the GAA and discussed by GAA committee members and other attendees at meetings, which have not been published, are considered to be confidential to the Company.

9.2 GAA committee members have a duty to act in the best interests of pension scheme members at all times and will be expected to adhere to the Company's security policy on data.

## **10. Secretariat**

10.1 All meetings will be provided with secretarial support that will:

- assist the Chair in promoting high standards of governance;
- provide impartial advice to the GAA on issues of process and governance and ensuring that its procedures are complied with;

- prepare and circulate agendas and meeting packs in advance of each GAA meeting no later than seven working days prior to the meeting;
- prepare and circulate minutes of each meeting within ten business days of a meeting;
- prepare and maintain an appropriate Risk Register and Conflicts of Interest policy and make these available to the Company;
- prepare and maintain a record of GAA committee member training.

10.2 Secretarial support is a non-voting role.

## **11. GAA Evaluation**

11.1 The secretary of the GAA is responsible for ensuring that the GAA conducts an annual evaluation of its effectiveness by assessing overall performance against its duties and responsibilities.

11.2 Every three years, the GAA will conduct a review of its composition.

## **12. Terms of Reference Revisions**

12.1 The GAA will review and reassess the adequacy of these Terms of Reference at least annually and make recommendations for change (by vote of the majority of GAA committee members) to the Board.

12.2 All changes are subject to approval by the Board.

**Dated: December 2019.**