

## **TERMS OF REFERENCE:**

### **The PTL Governance Advisory Arrangement (“GAA”)**

#### **1. Duties and Responsibilities**

The GAA shall act solely in the interests of Relevant Policyholders in assessing and raising concerns about the value for money in the Relevant Schemes of the appointing Firm.

The GAA will be independent of the Firm.

The GAA chair will be independent of the Firm.

#### **Value for money**

The GAA will assess the ongoing value for money for Relevant Policyholders delivered by a Relevant Scheme. As part of this, the GAA will:

- 1.1.** assess whether the Firms’ Relevant Schemes’ default investment strategies are designed and executed in the interests of Relevant Policyholders and have clear statements of aims and objectives.
- 1.2.** assess whether the characteristics and net performance of investment strategies are regularly reviewed by the Firms to ensure alignment with the interests of Relevant Policyholders and that the Firms take action to make any necessary changes.
- 1.3.** assess whether Relevant Schemes’ core financial transactions are processed promptly and accurately.
- 1.4.** assess the level of charges borne by the Relevant Policyholders.
- 1.5.** assess 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 the Relevant Policyholders, including transaction costs.
- 1.6.** assess whether the communications to Relevant Policyholders are fit for purpose and properly take into account the Relevant Policyholders’ characteristics, needs and objectives.

#### **Independent consideration of policies**

Where a Firm has an investment strategy or makes investment decisions which could have a material impact on the Relevant Policyholders’ investment returns, the GAA will provide an independent consideration of, and report on, the Firm’s policies regarding:

- 1.7. the adequacy and quality of the Firm's policy (if any) in relation to Environmental, Social and Governance (ESG) financial considerations and how these are taken into account in the Firm's investment strategy or investment decision making.
- 1.8. the adequacy and quality of the Firms' policy (if any) in relation to non-financial matters and how these are taken into account in the Firm's investment strategy or investment decision making.
- 1.9. the adequacy and quality of the Firm's policy (if any) in relation to stewardship.

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

Where the Firm 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, the GAA will also:

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

The GAA will consider and report on the extent to which the Firm has implemented its stated policies in relation to the considerations and matters referred to above.

When the GAA is considering the adequacy and quality of a Firm's policies regarding ESG financial considerations, non-financial matters, stewardship or other financial considerations, the GAA should form a view as to whether:

- the policy sufficiently characterises the relevant risks or opportunities;
- the GAA considers that a policy seeks to appropriately mitigate those risks or take advantage of those opportunities;
- a Firm's processes have been designed to properly take into account those risks or opportunities;
- the policy is appropriate in the context of the expected duration of the investment;
- the policy is appropriate in the context of the main characteristics of the actual or expected Relevant Policyholders.

## **Information on costs and charges**

- 1.10.** The GAA will ensure the publication by 31 July each year, in respect of the previous calendar year, of the required administration charges and transaction costs information. This information must be available for free on a publicly accessible website and must include the costs and charges for each default arrangement and each alternative fund that a member is able to select. It must also include an illustration of the compounding effect of the administration charges and transaction costs, based on prescribed assumptions, for a representative range of funds options that a member is able to select.
- 1.11.** The GAA will ensure that all members of a Relevant Scheme are provided with an annual communication setting out the most recent transaction costs and administration charges information that has been published, together with an explanation of how that information is relevant to the Relevant Scheme member and how a Relevant Scheme member can access the full costs and charges information described in paragraph 1.10 above, with a link to the website.
- 1.12.** The GAA will set out the information in the annual communication in a manner that pays due regard to the purposes for which Relevant Policyholders might reasonably use the information. The GAA will make the annual communication available on request to Relevant Scheme members' spouses and civil partners, as well as persons within the application of a Relevant Scheme and qualifying or prospectively qualifying for benefits under the Relevant Scheme.

## **Raising and escalation of concerns**

- 1.13.** In relation to the GAA's remit of review, the GAA will raise with the Firm's governing body any concerns it may have in relation to any of the matters it has assessed or considered, or where the GAA is unable to obtain or has difficulties obtaining from the Firm the information it requires.
- 1.14.** The GAA will escalate concerns as appropriate, to the FCA and/or alert Relevant Policyholders, their employers and/or make its concerns public, where a Firm has not, in the GAA's opinion, addressed those concerns satisfactorily or at all.

## **Duties of the Firm in relation to the GAA**

The Firm shall:

- 1.15.** take reasonable steps to ensure that the GAA acts and continues to act in accordance with its terms of reference.
- 1.16.** take reasonable steps to provide the GAA with all information reasonably requested by the GAA for the purposes of carrying out its role.

- 1.17.** provide the GAA with sufficient resources as are reasonably necessary to allow it to carry out its role independently.
- 1.18.** have arrangements to ensure that the views of the Relevant Policyholders can be directly represented to the GAA.
- 1.19.** take reasonable steps to address any concerns raised by the GAA under its terms of reference.
- 1.20.** provide written reasons to the GAA as to why it has decided to depart in any material way from any advice or recommendations made by the GAA to address any concerns it has raised.
- 1.21.** take all necessary steps to facilitate the escalation of concerns by the GAA.
- 1.22.** make available the GAA'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 by placing them in an appropriately prominent and relevant position on the Firm's website and by providing them on request to Relevant Policyholders and their employers.
- 1.23.** provide to the GAA, for each Relevant Scheme, administration charges and transaction cost information, setting out the costs and charges for each default arrangement and each alternative fund option the member is able to select.
- 1.24.** consider allocating responsibility for the management of the relationship between the Firm and its GAA to a person at the Firm holding an FCA Significant-Influence or designated senior management Function.
- 1.25.** fund independent advice for the GAA if this is necessary and proportionate.
- 1.26.** not unreasonably withhold from the GAA information that would enable the GAA to carry out its duties in the GAA's remit of review.
- 1.27.** provide the GAA with sufficient support and resources so that the GAA is properly able to carry out its duties in the GAA's remit of review.
- 1.28.** have arrangements for sharing confidential and commercially sensitive information with the GAA.
- 1.29.** use best endeavours to obtain, and shall provide the GAA 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, including transaction costs and information about costs and charges more broadly.

- 1.30. provide additional resources and support to the GAA where the Firm asks the GAA to take on responsibilities in addition to those listed above, such that its ability to act within its terms of reference is not compromised.
- 1.31. review the continued appropriateness of the GAA over an IGC, having regard to the complexity and nature of the size of the take-up, or expected size of the take-up, complexity and nature of the Relevant Schemes.

## **2. Conflicts of Interest**

- 2.1. The GAA will act in the interests of Relevant Policyholders both individually and collectively. Where there is the potential for conflict between the individual and collective interests, the GAA should manage this conflict effectively. The GAA is not required to deal directly with complaints from individual policyholders.
- 2.2. If a Firm asks the GAA also to consider the interests of other members or clients, the Firm should provide additional resources and support to the GAA such that the GAA's ability to act in the interests of Relevant Policyholders are not compromised.

## **3. Membership**

- 3.1. Members of the GAA shall be appointed and removed by the board of PTL entirely at its discretion.
- 3.2. One member of the GAA will always be independent of PTL and the Firm.
- 3.3. The board of PTL will take reasonable steps to ensure that the GAA has sufficient collective expertise and experience to be able to make judgements on the value for money of Relevant Schemes.

## **4. Quorum**

- 4.1. The quorum necessary for meetings shall be three members, the majority of which must be independent of the Firm.
- 4.2. The quorum necessary for the GAA to make decisions to discharge its duties shall be three members.
- 4.3. All decisions relating to the discharge of its duties shall be made by the GAA, whether at meetings or by other instrument, will be made by majority.

## **5. Meetings**

- 5.1. The GAA shall meet as necessary, normally four times a year, on dates to be determined in advance. Additional meetings may be convened if necessary, with 14 days' notice.

- 5.2.** Only GAA members shall have the right to attend meetings.
- 5.3.** Non-members are able to attend meetings by invitation only.
- 5.4.** In absence of the Chair, the GAA has the power to appoint a meeting chair.
- 5.5.** The GAA will appoint a secretary.
- 5.6.** The secretary shall minute the proceedings and resolutions of all meetings of the GAA.
- 5.7.** Minutes of each GAA meeting shall be circulated as soon as practicable to all members of the GAA. They shall be approved (with updates on previously agreed actions provided) within four weeks of the meeting and relevant extracts sent to the Firm.
- 5.8.** Meetings of the GAA shall be summoned by the secretary at the request of any of its members, in each case with the agreement of the Chair.
- 5.9.** Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the GAA and any other person required to attend.
- 5.10.** Meetings of the GAA may take place in person or by telephone or video conference.

## **6. Chair**

- 6.1.** The board of PTL will appoint the Chair of the GAA.
- 6.2.** The Chair of the GAA will be responsible for the production of an annual report for each Firm by 31 July each year, in respect of the previous calendar year, which will set out:
  - 6.2.1.** the GAA's opinion on the value for money delivered by the Relevant Schemes, particularly against the matters in paragraphs 1.1. to 1.6;
  - 6.2.2.** the adequacy and quality of the Firm's policies, or reasons for not having policies, in relation to ESG financial considerations, non-financial matters or stewardship and the extent to which the Firm has implemented its stated policies;
  - 6.2.3.** how the GAA has considered the Relevant Policyholders' interests;
  - 6.2.4.** any concerns raised by the GAA with the Firm's governing body and the response received to those concerns;

- 6.2.5.** how the GAA has sufficient expertise, experience and independence to act in Relevant Policyholders' interests;
- 6.2.6.** the arrangements put in place by the Firm, to ensure that the views of Relevant Policyholders are directly represented to the GAA; and
- 6.2.7.** information on the administration charges and transaction costs for each Relevant Scheme's default arrangement(s), to be published alongside any information relating to the Relevant Scheme's default investment strategy and value for members, explaining how a Relevant Scheme member can access costs and charges information for each default arrangement and each alternative fund a member can select, including a website link.
- 6.3.** The annual report detailed in Clause 6.2 shall be sent to the Firm for review and comment before it is finalised. However, the GAA shall not be obliged to follow these comments.
- 6.4.** If, having raised concerns with the Firm's governing body about the value for money offered to Relevant Policyholders by a Relevant Scheme, the GAA is not satisfied with the response of the Firm's governing body, the GAA Chair may escalate concerns to the FCA if the GAA thinks that would be appropriate. The GAA may also alert Relevant Policyholders and employers, and make its concerns public.
- 6.5.** The Chair will raise with the Firm's governing body any concerns that the GAA has about the information or resources that the Firm provides, or arrangements that the Firm puts in place to ensure that the views of Relevant Policyholders are directly represented to the GAA. If the GAA is not satisfied with the Firm's governing body, the Chair may escalate its concerns to the FCA if appropriate, and may make its concerns public.

## 7. Power to Appoint

- 7.1.** The GAA shall have the power to appoint its own advisers, as it deems appropriate in relation to the execution of its functions.

## 8. Policies

- 8.1.** The GAA shall develop policies on:
- 8.1.1.** assessing value for money;
  - 8.1.2.** escalating issues to the Firm, the FCA and beyond; and
  - 8.1.3.** managing conflicts of interest.

## 9. Review of Performance

**9.1.** The GAA members will regularly review their performance and their Terms of Reference.

**9.2.** The GAA shall produce a business plan and report on its progress to the Firm on a regular basis.

## 10. Amendment

The GAA may decide to amend its Terms of Reference at any time provided:

**10.1.** such change shall not at any time render the Terms of Reference inconsistent with FCA rules relating to GAAs; and

**10.2.** three months' notice is given to the Firm unless it is urgent or there has been or will otherwise be a breach of law or regulation.

## 11. Definitions

In this document, the following terms have the following meanings:

**"FCA"** means the Financial Conduct Authority

**"Firm(s)"** means a/the Relevant Scheme provider(s) who has/have joined the PTL GAA

**"PTL"** means PTL Governance Ltd

**"Relevant Policyholder"** means 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

**"Relevant Scheme"** 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 employerThe GAA and the Firm agree to observe and adhere to these Terms of Reference:

GAA

Signature:

Clare James

Name:

Clare James

Position:

Chair

Date:

8 October 2020



A J Bell Management Ltd

Signature:

..... Louis Petherick

Name:

..... Louis Petherick

Position:

..... Chief Risk Officer

Date:

..... 8 October 2020