

Terms of Reference – Independent Governance Committee (“IGC”)

1. Introduction

The IGC is a committee of The Prudential Assurance Company Limited (“PAC” or “Company”) and has been established as part of the overall governance arrangements as set out in the Financial Conduct Authority’s Conduct of Business Sourcebook (“**FCA COBS**”).

2. Matters for which the IGC is Responsible

2.1. The IGC is responsible for:

- a) assessing whether the Company provides ongoing value for money in accordance with FCA COBS [Sections 19.5.5 and 19.5.5A](#) for:
 - (i) Relevant Policyholders delivered by a Relevant Scheme; and
 - (ii) Pathway Investors;
- b) provide an independent consideration of the Company’s policies on:
 - (i) ESG Financial Considerations;
 - (ii) Non-Financial Matters;
 - (iii) Stewardship; and
 - (iv) Where applicable, Other Financial Consideration and Non-Financial Matters to the extent that they pose a particular and significant risk of financial harm to the Relevant Policyholders and Pathway Investors.

3. Scope

3.1. The IGC will act solely in the interests of:

- a) Relevant Policyholders;
- b) Pathway Investors; and
- c) any other members or clients the Company asks the IGC to consider.

3.2. The IGC is expected to act in the interests of Relevant Policyholders and Pathway Investors, both individually and collectively. Where there is a potential for conflict between individual and collective interests, the IGC should manage this conflict effectively.

3.3. The IGC will assess whether all the investment choices available to Relevant Policyholders and Pathway Investors, including default options, are regularly reviewed to ensure alignment with the interests of Relevant Policyholders and Pathway Investors.

- 3.4. The IGC may, if requested to do so by the Company, consider the interests of other customers of the Company, provided that the IGC is able to do so without compromising its ability to act in the interests of Relevant Policyholders and Pathway Investors.

4. Publication and disclosure of costs and charges

The IGC shall ensure that the administration charges and transactions costs information referred to in COBS 19.5.13, in relation to each Relevant Scheme is:

- a) published by 30 September each year, in respect of the previous calendar year;
- b) available for free on a publicly accessible website;
- c) includes the costs and charges for each default arrangement and each alternative fund option that a member is able to select; and
- d) includes an illustration of the compounding effect of the administration charges and transaction costs, based on either the assumptions contained in COBS 13 Annex 2 or those in Version 4.2 of the Actuarial Standard Technical Memorandum (AS TM1) produced by the Financial Reporting Council, for a representative range of fund options that a member is able to select.

5. Raising Concerns and Escalation

- 5.1. The IGC will not deal directly with complaints from Relevant Policyholders; any other members or clients the Company asks the IGC to consider; or Pathway Investors. Any complaints directly received should be referred to the Company Secretary.
- 5.2. In relation to the IGC's remit of review, the IGC will raise with the Company's Governing Body any concerns it may have:
- a) in relation to any of the matters it has assessed or considered; or
 - b) where the IGC is unable to obtain or has difficulties obtaining from the Company the information it requires.
- 5.3. Once a decision has been made by the Company to offer a Pathway Investment, the IGC must raise any concerns under 5.2(a):
- a) in good time to give the Company's Governing Body a proper opportunity to consider and address the IGC's concerns, before the Pathway Investment is offered to Retail Clients; and
 - b) on an ongoing basis in relation to the Pathway Investment it offers.
- 5.4. Where the Company has not, in the IGC's opinion, addressed those concerns satisfactorily or at all, the IGC will escalate concerns as appropriate. The IGC Chair may, on behalf of the IGC, escalate concerns to the FCA and will, if appropriate, notify the Company's Governing

Body of this escalation. The IGC may also alert Relevant Policyholders, Pathway Investors and employers and make its concerns public

6. Duties of the Chair

- 6.1. The Chair of the IGC is responsible for the production of an annual report setting out:
- a) the IGC's opinion in relation to considerations and matters arising under COBS 19.5.5A on:
 - (i) the value for money delivered by a Relevant Scheme or a Pathway Investment, and
 - (ii) the adequacy and quality of the Company's policies, or reasons for not having policies.
 - b) the extent to which the Company has implemented its stated policies in relation to the consideration of, and matters arising from, Investment and ESG strategies;
 - c) how the IGC has considered Relevant Policyholders' and Pathway Investors' interests;
 - d) any concerns raised by the IGC with the Company's Governing Body and the response received to those concerns;
 - e) how the IGC has sufficient expertise, experience and independence to act in Relevant Policyholders' and Pathway Investors' interests;
 - f) how each independent member of the IGC, together with confirmation that the IGC considers these members to be independent, has taken into account COBS 19.5.12 G;
 - g) the arrangements put in place by the Company to ensure that the views of the Relevant Policyholders and Pathway Investors are directly represented to the IGC; and
 - h) administration charges and transaction costs information complying with the requirements in COBS 19.5.16R.
- 6.2. The Chair of the IGC will ensure the annual report is produced by 30 September each year, in respect of the previous calendar year.

7. Appointment of IGC Members

- 7.1. The Company will take reasonable steps to ensure that the IGC has sufficient collective expertise and experience to be able to make judgements on matters in the IGC's remit of review.

- 7.2. The Company will recruit independent IGC members through an open and transparent recruitment process.
- 7.3. The Company will 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 19.5.5 R, and on such terms as to secure the independence of independent members; and
 - c) Independent IGC members who are individuals are appointed for an initial term of three years and, subject to review, a second term of three years. After six years of service, may be appointed for a further year, up to a maximum of three times, subject to review.
- 7.4. The Company, in appointing independent IGC members, must determine whether such a member is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, that member's judgement.

8. Quorum

- 8.1. The IGC will meet, or otherwise make decisions to discharge its duties using a quorum of at least three members, with the majority of the quorum being independent.
- 8.2. IGC members may not appoint a delegate to attend in their place at meetings.

9. Duties of the Company in Relation to the IGC

- 9.1. The Company will:
- a) take reasonable steps to ensure that the IGC acts and continues to act in accordance with its terms of reference;
 - b) take reasonable steps to provide the IGC with all information reasonably requested by the IGC in good time for the purposes of carrying out its role;
 - c) provide the IGC with sufficient resources as are reasonably necessary to allow it to carry out its role independently;
 - d) provide additional resources and support to the IGC in respect of any request by the Company to consider the interests of any other customers, such that the ability of the IGC to act in the interests of Relevant Policyholders and Pathway Investors is not compromised;
 - e) have arrangements to ensure that the views of Relevant Policyholders and Pathway Investors can be directly represented to the IGC;

- f) take reasonable steps to address any concerns raised by the IGC under its terms of reference;
- g) for any Pathway Investment, take reasonable steps to address any concerns raised by the IGC about the matters in COBS 19.5.5R(3) and (3A):
 - (i) before the Company offers the Pathway Investment; and
 - (ii) promptly, for any Pathway Investment it already offers;
- h) 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;
- i) 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);
- j) make available the IGC's terms of reference and the three most recent annual reports, in a way appearing to the Company to be best calculated to bring them to the attention of Relevant Policyholders and their employers or to the attention of Pathway Investors;
- k) fund independent advice for the IGC if this is necessary and proportionate. This may include investment and legal advice; and
- l) provide the IGC with administration charges and transaction cost information, setting out the costs and charges for each default arrangement and each alternative fund option that the member is able to select.

10. Meetings

- 10.1. The IGC will meet at least quarterly.
- 10.2. Potential conflicts of interest will be declared and managed in accordance with policy.
- 10.3. In the absence of the Chair, and subject to 8.1 being met, the IGC members present have the power to appoint a meeting chair for the duration of the meeting, who must be an independent member.
- 10.4. The IGC may invite any individual, whether internal or external, to attend all or part of any meeting in whatever capacity as the Chair of the IGC deems appropriate.

11. Reporting

- 11.1. The Chair shall determine, at the end of each IGC meeting, what, if any, matters of significance need to be reported to the Company's Governing Body or to the FCA.

12. Amendments to Terms of Reference

12.1. The IGC will review these terms of reference at least annually to ensure they remain up to date. Any amendment to these terms of reference must be agreed by the Company.

13. Definitions

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

COBS	Means the Financial Conduct Authority Conduct of Business Sourcebook from 1 November 2007
Company	Means The Prudential Assurance Company Limited registered in England and Wales with company number 15454
ESG Financial Considerations	Means environmental, social and governance factors (including climate change) that are material to the sustainability of an Investment
Governing Body	Means the board of directors, committee of management or other governing body of the Company.
IGC	Means the Company Independent Governance Committee.
Non-Financial Matters	Means factors which may influence the Company's <i>investment</i> strategy or decision, and which are based on the views (including ethical concerns regarding environmental, social and governance issues) of the Company's Clients or Relevant Policyholders.
Other Financial Considerations	Means factors (other than ESG Financial Considerations) that are material to the financial performance of an Investment or Investment strategy.
Pathway Investor	Means a Retail Client investing in the Company's Pathway Investment
Relevant Policyholder	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 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. '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.
Retail Client/Customer	A retail client is a client who is not a professional client or an eligible counterparty or member of a Relevant Scheme already in the remit of the IGC.
Stewardship	"Stewardship" relates to a firm's exercise of rights or engagement activities in relation to the investments attributable to the firm's Relevant Policyholders or Pathway Investors, and may include: (a) the exercise of a firm's voting rights in those investments; and (b) monitoring and engaging on matters such as strategy, performance, risk, culture and governance of the investments.

Appendix A - Date of Last Revision and Approval

Revision	Approval
Version 1.0	Approved by PAC Board 21 October 2014
Version 1.1	Approved by PAC Board 7 December 2015
Version 1.2	Approved by PAC Board 16 June 2016
Version 1.3	Update to reflect Jennifer Owens' appointment
Version 1.4	Approved by PAC Board 20 March 2019
Version 1.5	Approved by PAC Board 1 April 2020
Version 1.6	Approved by the PAC Board on [] 2021
Version 1.7	Approved by the PAC Board on 21 October 2022
Version 1.8	Updated to reflect changes in Committee Membership
Version 1.9	Approved by PAC Board on 1 December 2023

Appendix B – Membership*

Members	
Patrick Healy	Chair, Independent Member
Bruce Rigby	Independent Member
Mary Kerrigan	Independent Member
Anusha Mittal	PAC Member
Gareth McQuillan	PAC Member
Standing Invitees	
Stuart Paton Evans	Director of Insured Propositions
Victoria Head	Assistant Commercial Manager
Alastair Hogg	Head of Corporate Pensions
Christine McGregor	Assistant Commercial Manager
Secretary	
Kerri Lynch	Secretary

*The details in Appendix B – Membership is to be updated by the Secretary from time to time.