

Terms of Reference – Independent Governance Committee ("IGC")

1. Introduction

The purpose of this document is to set out the terms of reference for the IGC. The IGC is a committee of The Prudential Assurance Company Limited ("Company") and established as part of the overall governance arrangements as set out in the Financial Conduct Authority's Conduct of Business Sourcebook ("COBS").

2. Objectives

- 2.1. The objectives of the IGC are to:
 - 2.1.1. assess whether the Company provides ongoing value for money for:
 - (a) Relevant Policyholders delivered by a relevant scheme
 - (b) Pathway Investors;
 - 2.1.2. provide an independent consideration of the Company's policies on:
 - (a) ESG Financial Considerations;
 - (b) Non-Financial Matters;
 - (c) Stewardship; and
 - (d) 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:
 - 3.1.1. Relevant Policyholders;
 - 3.1.2. Pathway Investors; and
 - 3.1.3. 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 the potential for conflict between individual and collective interests, the IGC should manage this conflict effectively. 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.
- 3.3. 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. Matters for which the IGC is Responsible

- 4.1. The IGC will assess the ongoing value for money for Relevant Policyholders delivered by a relevant scheme, particularly, though not exclusively, through assessing:
 - 4.1.1. 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;
 - 4.1.2. whether the characteristics and net performance of investment strategies are regularly reviewed by the Company to ensure alignment with the interests of Relevant Policyholders and that the Company takes action to make any necessary changes;
 - 4.1.3. whether core scheme financial transactions are processed promptly and accurately;
 - 4.1.4. the levels of charges borne by Relevant Policyholders;
 - 4.1.5. 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; and
 - 4.1.6. whether the communications to Relevant Policyholders are fit for purpose and properly take into account the Relevant Policyholders' characteristics, needs and objectives;
- 4.2. The IGC will assess the ongoing value for money for Pathway Investors delivered by a Pathway Investment, particularly, though not exclusively, through assessing:
- 4.2.1. whether the Pathway Investment offered by the Company:
 - (a) is designed and managed in the interests of Pathway Investors; and
 - (b) has a clear statement of aims and objectives;
 - 4.2.2. whether the characteristics and net performance of the Pathway Investment are regularly reviewed by the Company to ensure alignment with the interests of Pathway Investors and that the Company takes action to make any necessary changes;
 - 4.2.3. whether core financial transactions are processed promptly and accurately;
 - 4.2.4. the levels of charges borne by Pathway Investors;
 - 4.2.5. the direct and indirect costs incurred as a result of managing and investing, and activities in connection with the managing and investing of, the drawdown fund of Pathway Investors, including transaction costs; and
 - 4.2.6. whether the communications to Pathway Investors are fit for purpose and properly take into account the Pathway Investors' characteristics, needs and objectives;
- 4.3. Where the Company has an Investment strategy or makes Investment decisions which could have a material impact on the Relevant Policyholders' and Pathway Investors' Investment returns, the IGC will consider and report on:
- 4.3.1. the adequacy and quality of the Company's policy (if any) in relation to ESG Financial Considerations;
 - 4.3.2. the adequacy and quality of the Company's policy (if any) in relation to Non-Financial Matters; and
 - 4.3.3. how the considerations on matters in 4.3.1 and 4.3.2 are taken into account in the Company's Investment strategy or Investment decision making; and
 - 4.3.4. the adequacy and quality of the Company's policy (if any) in relation to stewardship.
- 4.4. Where the Company does not have a policy in relation to ESG Financial Considerations, Non-Financial Matters or stewardship, the IGC will in each case consider and report on the Company's reasons for not having a policy.

- 4.5. Where the Company 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 and Pathway Investors, the IGC will also:
 - 4.5.1. consider and report on the adequacy and quality of the Company's policy (if any) in relation to those Other Financial Considerations, and whether and how those considerations are taken into account in the Company's Investment strategy or Investment decision; or
 - 4.5.2. consider and report on the Company's reasons for not having a policy in relation to those considerations.
- 4.6. The IGC will consider and report on the extent to which the Company has implemented its stated policies in relation to the considerations and matters in 4.3, 4.4 and where applicable 4.5.
- 4.7. The IGC will ensure the publication of administration charges and transaction costs information complying with the requirements in COBS 19.5.13R;
- 4.8. The IGC will ensure that all members of each relevant scheme are provided with an annual communication complying with the requirements in COBS 19.5.17R;
- 4.9. The IGC will make available the annual communication referred to in 4.8, on request, to:
 - 4.9.1. relevant scheme members' spouses or civil partners; and
 - 4.9.2. persons within the application of the relevant scheme and qualifying or prospectively qualifying for benefits under the relevant scheme; and
- 4.10. the IGC will ensure that information is communicated under this rule in a manner that pays due regard to the purposes for which Relevant Policyholders might reasonably use the information.
- 4.11. The administration charges and transactions costs information referred to in 4.7 must, in relation to each relevant scheme:
 - 4.11.1. be published by 31 July each year, in respect of the previous calendar year;
 - 4.11.2. be available for free on a publicly accessible website;
 - 4.11.3. include the costs and charges for each default arrangement and each alternative fund option that a member is able to select; and
 - 4.11.4. include an illustration of the compounding effect of the administration charges and transaction costs, based on either the assumption contained in COBS 13 Annex 2 or those in Version 4.2 of the Actuarial Standard Technical Memorandum (AS TM1) product by the Financial Reporting Council, for a representative range of fund options that a member is able to select.
- 4.12. Regarding transaction costs:
 - 4.12.1. the requirements in COBS 19.5.13R(3) and COBS 19.5.16R(1) apply to the extent that such information is available to the IGC; and

4.12.2. the published information should include a warning giving brief details of any unavailable information that the IGC is aware of.

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:
 - 5.2.1. in relation to any of the matters it has assessed or considered; or
 - 5.2.2. 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 5.1:
 - 5.3.1. 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
 - 5.3.2. on an ongoing basis in relation to the Pathway Investment it offers.
- 5.4. The IGC will escalate concerns as appropriate where the Company has not, in the IGC's opinion, addressed those concerns satisfactorily or at all. 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 will be responsible for the production of an annual report setting out:
 - 6.1.1. the IGC's opinion on
 - (i) the value for money delivered by a relevant scheme or a Pathway Investment, particularly against the matters listed under 4.1 or 4.2; and
 - (ii) the adequacy and quality of the Company's policies, or reasons for not having policies, in relation to the considerations and matters listed under 4.3, 4.4 and (if applicable) 4.5;
 - 6.1.2. the extent to which the Company has implemented its stated policies in relation to the consideration and matters in 4.3, 4.4 and (if applicable) 4.5;
 - 6.1.3. how the IGC has considered Relevant Policyholders' and Pathway Investors' interests;
 - 6.1.4. any concerns raised by the IGC with the Company's Governing Body and the response received to those concerns;
 - 6.1.5. how the IGC has sufficient expertise, experience and independence to act in Relevant Policyholders' and Pathway Investors' interests;

- 6.1.6. 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;
 - 6.1.7. 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
 - 6.1.8. 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 31 July 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:
 - 7.3.1. the IGC consists of at least five members, including an independent Chair, and a majority of independent members;
 - 7.3.2. 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;
 - 7.3.3. 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.
- 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:
 - 9.1.1. take reasonable steps to ensure that the IGC acts and continues to act in accordance with its terms of reference;

- 9.1.2. 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;
- 9.1.3. provide the IGC with sufficient resources as are reasonably necessary to allow it to carry out its role independently;
- 9.1.4. 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;
- 9.1.5. have arrangements to ensure that the views of Relevant Policyholders and Pathway Investors can be directly represented to the IGC;
- 9.1.6. take reasonable steps to address any concerns raised by the IGC under its terms of reference;
- 9.1.7. 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;
- 9.1.8. 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;
- 9.1.9. take all necessary steps to facilitate the escalation of concerns by the IGC under 5.4 and COBS 19.5.6 (G) (5);
- 9.1.10. 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;
- 9.1.11. fund independent advice for the IGC if this is necessary and proportionate. This may include investment and legal advice; and
- 9.1.12. 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.

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