

Independent Governance Committee

Terms of Reference¹

Legal & General (Portfolio Management Services) Limited
Legal & General Assurance Society Limited
Independent Governance Committee (IGC)

Constitution

The IGC is a Committee of both Legal & General (Portfolio Management Services) Limited (“PMS”) and Legal & General Assurance Society Limited (“LGAS”).

The IGC will have oversight of all relevant policyholders. Relevant policyholders are active and deferred members in a workplace pension scheme chosen by their employer over which the policyholder had little or no influence over the choice of product provider. This includes members who were in workplace schemes but have since left and are now housed in individual arrangements. The IGC will have oversight of relevant policyholders of the following Registered Pension Schemes:

- WorkSave Pension Plan (“WPP”);
- Stakeholder Pension Plan (“GSHP”);

The IGC will report to the Board of PMS in respect of WPP and to the Board of LGAS in respect of GSHP. The IGC will act solely in the interests of the relevant policyholders.

1. The IGC will act solely in the interests of:
 - (a) relevant policyholders and any other members or clients LGAS or PMS ask the IGC to consider; or
 - (b) pathway investors;
2. the IGC will assess the ongoing value for money for relevant policyholders delivered by a relevant scheme, particularly, though not exclusively, through assessing:
 - (a) 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;
 - (b) whether the characteristics and net performance of investment strategies are regularly reviewed by LGAS or PMS to ensure alignment with the interests of relevant policyholders and that LGAS or PMS take action to make any necessary changes;
 - (c) whether core scheme financial transactions are processed promptly and accurately;
 - (d) the levels of charges borne by relevant policyholders;
 - (e) 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 transactions costs; and

- (f) whether the communications to relevant policyholders are fit for purpose and properly take into account the relevant policyholders’ characteristics, needs and objectives;

2.1) the IGC will assess the ongoing value for money for pathway investors delivered by a pathway investment particularly, though not exclusively, through assessing:

- (a) whether the pathway investment offered by LGAS or PMS:
 - (i) Is designed and managed in the interests of pathway investors; and
 - (ii) Has a clear statement of aims and objectives;
- (b) whether the characteristics and net performance of the pathway investment and regularly reviewed by LGAS or PMS to ensure alignment with the interests of pathway investors and that LGAS or PMS take action to make any necessary changes;
- (c) whether core financial transactions are processed promptly and accurately;
- (d) the levels of charges borne by pathway investors;
- (e) the direct and indirect costs incurred as a result of managing and investing, and activities in connection with the managing and investment of, the drawdown fund of pathway investors, including transaction costs; and
- (f) whether the communications to pathway investors are fit for purpose and properly taken into account the pathway investors’ characteristics, needs and objectives;

2.2) where LGAS or PMS have an investment strategy or make investment decisions which could have a material impact on the relevant policyholders’ or pathway investors’ investment returns, the IGC will consider and report on:

- (a) the adequacy and quality of the LGAS’ or PMS’ policy (if any) in relation to ESG financial considerations;
- (b) the adequacy and quality of LGAS’ or PMS’ policy (if any) in relation to non-financial matters; and
- (c) how the considerations of matters in (a) and (b) are taken into account in LGAS’ or PMS’ investment strategy or investment decision making; and
- (d) the adequacy and quality of LGAS’ or PMS’ policy (if any) in relation to stewardship;

2.3) where LGAS or PMS do 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 LGAS’ or PMS’ reasons for not having a policy;

2.4) where LGAS or PMS have not already adequately taken into account, in its investment strategy or investment decision making, other financial considerations that pose a

¹ Words and expressions which are defined in Chapter 19.5 of the FCA’s Conduct of Business Sourcebook (“FCA COBS”) have the same meanings in these Terms of Reference.

particular and significant risk of financial harm to the relevant policyholders or pathway investors, the IGC will also:

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

2.5) the IGC will consider and report on the extent to which LGAS or PMS has implemented its stated policies in relation to the considerations and matters in (2.2), (2.3), and where applicable (2.4);

3. In relation to the IGC's remit of review, the IGC will raise with the Board of LGAS or PMS, any concerns it may have:
 - (a) In relation to any of the matters it has addressed or considered; or
 - (b) Whether the IGC is unable to obtain or has difficulties obtaining from LGAS or PMS the information it requires;

3.1) once a decision has been made by LGAS or PMS to offer a pathway investment, the IGC must raise any concerns under (3);

- (a) in good time to give the Board of LGAS or PMS 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;
4. the IGC will escalate concerns as appropriate where LGAS or PMS have not, in the IGC's opinions, addressed those concerns satisfactorily or at all;
 5. 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;
 6. the Chair of the IGC will be responsible for the production of an annual report setting out:
 - (a) 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 2) and 2.1); and
 - (ii) the adequacy and quality of LGAS' and PMS' policies, or reasons for not having policies, in relation to the considerations and matters listed under 2.2, 2.3 and (if applicable) 2.4;

The extent to which LGAS or PMS have implemented its stated policies in relation to the consideration and matters in 2.2, 2.3 and (if applicable) 2.4;

- (a) how the IGC has considered relevant policyholders' or pathway investors' interests;

- (b) any concerns raised by the IGC with the Board of LGAS or PMS and the response received to those concerns;
- (c) how the IGC has sufficient expertise, experience and independence to act in relevant policyholders' or pathway investors' interests;
- (d) how each independent member of the IGC, together with the confirmation that the IGC considers these members to be independent, has taken into accounts COBS 19.5.12;
- (e) the arrangements put in place by LGAS or PMS to ensure that the views of relevant policyholders or pathway investors are directly represented to the IGC; and
- (f) administration charges and transaction costs information complying with the requirements in COBS 19.5.16R;

7. the Chair of the IGC will ensure the annual report is produced by 31 July each year in respect of the previous calendar year;
8. the IGC will ensure the publication of administration charges and transaction costs information complying with the requirements in COBS 19.5.13R;
9. 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;
10. the IGC will make available the annual communication referred to in (9), on request to:
 - (a) relevant scheme members' spouses or civil partners; and
 - (b) persons with the application of the relevant scheme and qualifying or prospectively qualifying for benefits under the relevant scheme; and
11. the IGC will ensure that the information is communicated under this rule in a manner that pays due regard to the purposes for which the relevant policyholders might reasonably use the information.
12. When the IGC is considering the adequacy of the LGAS' or PMS' policies regarding all of the above aspects, the IGC should form a view as to whether:
 - (a) A policy sufficiently characterises the relevant risks or opportunities;
 - (b) It considers that a policy seeks to appropriately mitigate those risks and take advantage of those opportunities;
 - (c) LGAS' or PMS' processes have been designed to properly take into account those risks or opportunities;
 - (d) A policy is appropriate in the context of the expected duration of the investment; and
 - (e) A policy is appropriate in the context of the main characteristics of the actual or expected relevant policyholders or pathway investors.
13. The scope of the IGC may be altered by either LGAS or PMS Board following consultation with and the agreement of the IGC. The scope may be broadened or narrowed at any time as the Board or either LGAS or PMS see fit, but never to the exclusion of the scope of

the relevant FCA regulations. The Terms of Reference will be amended accordingly.

Duties of the Company

LGAS and PMS shall:

1. Take reasonable steps to ensure that the IGC acts and continues to act in accordance with its terms of reference;
2. Take reasonable steps to provide the IGC with all information reasonably requested by the IGC for the purposes of carrying out its role;
3. Provide the IGC with sufficient resources as are reasonably necessary to allow it to carry out its role independently;
4. Have arrangements to ensure that the views of relevant policyholders or pathway investors can be directly represented to the IGC;
5. Take reasonable steps to address any concerns raised by the IGC under its terms of reference;
6. For any pathway investment, take reasonable steps to address any concerns raised by the IGC in relation to any of the matters it has considered or where the IGC has been unable to obtain information from LGAS or PMS both before LGAS or PMS offers the pathway investment and promptly for any pathway investment it already offers.
7. 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;
8. 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);
9. Make the terms of reference and the three most recent annual reports of the IGC publicly available in a way that appears to be best calculated to bring them to the attention of relevant policyholders and their employers or to the attention of pathway investors, such as through a website, and will be directly provided to them at their request.; and
10. 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.

Composition

The IGC will comprise a minimum of 5 members, a majority of which will be independent of the Legal & General Group.

The Chair of the IGC shall be independent. Independent is defined as not:

- Being an employee of Legal & General or paid by them for any role other than that which they will fulfil on the IGC;
- Having been an employee of Legal & General within the last five years, and;
- Having, or have had within the last three years, a material business relationship with Legal & General,

excluding membership of the Board of Trustees of the Legal & General Mastertrust.

Meetings

IGC members shall meet at least quarterly or, more frequently, if required.

Minutes of the meeting will be circulated to:

- All members of the IGC;
- The Boards of LGAS and PMS;
- The Scheme Administrator(s) (“SA”) of all Registered Pension Schemes within the scope of the IGC;
- The Chief Risk Officer of Legal & General Retail Retirement; and
- Any other individual who the IGC deems appropriate to receive a copy of the minutes or a relevant extract.

Only members of the IGC have a right to attend meetings of the IGC. The IGC has the right to request the attendance of the SA and make reasonable requests for the appropriate Legal & General Group employees to attend IGC meetings to enable the IGC to discharge its duties.

The proceedings of the IGC can take the form of physical meeting and other such forms e.g. email, telephone and video conference as determined by the Chair of the IGC.

Authority

Both LGAS and PMS will ensure that the IGC has the appropriate authority to perform its duties. In the event that the IGC considers that it does not have the relevant authority then the Chair of the IGC shall contact the Chair of either LGAS or PMS.

Interaction with the IGC

The Boards of both LGAS and PMS will annually consider the IGC’s Annual Report. The Chair of the IGC shall have the appropriate access to members of the Boards of LGAS and PMS to enable him / her to discharge his/ her duties. Any Director of the relevant Company has a corresponding right to seek representations of any IGC member.

IGC will expect the SA to work collaboratively in order that both LGAS and PMS and the IGC may successfully fulfil their respective duties.

The Chair of the IGC will ensure that all requests made to both LGAS and PMS for either an investigation or to implement a change to the Registered Pension Schemes or pathway investments will be supported by the appropriate documentation that either LGAS or PMS are potentially not acting with the interests of the relevant members or pathway investors.

Should the IGC recommend that either LGAS or PMS take a particular course of action the appropriate Board approval must be sought. The Boards of both LGAS and PMS in considering the IGC’s recommendation reserve the right to either ‘comply or explain’ based on the IGC recommendation. Any “explanation” shall be provided in writing. The Chair shall reserve the right to make the appropriate recommendations as the Chair deems appropriate.

Escalation Process

Where concerns have been raised with the Board of LGAS or PMS which, in the opinion of the IGC, has not been addressed satisfactorily, the Chair of the IGC may, if appropriate and after having given the Board(s) further opportunity to respond, escalate its concerns to the Financial Conduct Authority (FCA), alert relevant policyholders, pathway investors and employers (as appropriate), and make its concerns public.

Conflict of Interests of IGC Members

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

The IGC will consider whether a conflict of interests exists. In the event that the IGC agrees that a conflict of interest exists. The following approach shall be applied:

- The member should absent him/herself from any IGC discussions where the conflict of interests could arise (other than for any conflict of interest that arises by virtue of an IGC member being a representative of an independent Trustee company or Legal & General);
- Any change in circumstances should be notified to the Chair immediately, prior to notification to the full IGC membership.

The Secretary of the IGC will be responsible for ensuring the Conflict of Interest Register of each member is up to date and will ensure that such statements are included in the IGC papers once a year for a review by the IGC.

Confidentiality

Written material provided to the IGC and discussed by IGC members and other attendees at meetings, which has not been published, will be considered to be confidential to the IGC and should not be disclosed to any third party without the consent of Chair of the IGC and the Boards of LGAS and PMS.

IGC members have a duty to act in the best interests of relevant policyholders and pathway investors at all times and will be expected to adhere to Legal & General's data security policy.

The IGC members will ensure that commercially sensitive information obtained during the performance of the IGC's duties will remain confidential to either LGAS or PMS.

Annual Evaluation

The IGC will conduct an annual evaluation of its composition, performance, skills and effectiveness.

Last updated March 2021