Independent Governance Committee (the “Committee”)

Terms of Reference

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

Constitution of the Committee

The IGC is a Committee of both PMS and LGAS (collectively the “Scheme Administrators”).

The IGC will have oversight of all relevant policyholders and pathway investors, as defined in the FCA’s Conduct of Business Sourcebook (“COBS”). The IGC will have oversight of relevant policyholders of the following Registered Pension Schemes:

- WorkSave Pension Plan (“WPP”); and
- 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 specific objectives of the IGC are to:

(a) assess whether PMS and LGAS provide value for money for relevant policyholders and pathway investors;

(b) provide an independent consideration of PMS’s and LGAS’s policies on:

(i) ESG financial considerations;

(ii) non-financial matters;

(iii) stewardship; and

(iv) where applicable, other financial considerations to the extent that they pose a particular and significant risk of financial harm to the relevant policyholders or pathway investors.

To achieve those objectives:

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

   (a) relevant policyholders and any other members or clients that LGAS or PMS ask the IGC to consider; and
   (b) pathway investors.

2.1 The IGC will assess the ongoing value for money for relevant policyholders delivered by a relevant scheme, particularly, though not exclusively, through assessing the three factors in (a) to (c) below, taking into account the specific points in (d) to (g):

(a) the level of charges and costs, in particular:

(i) administration charges and any transaction costs borne by relevant policyholders; and

(ii) any other charges borne by relevant policyholders and any other 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;

(b) investment performance; and

(c) the quality of services including whether:

(i) the communications are fit for purpose and properly take into account the characteristics, needs and objectives of the relevant policyholders, and

(ii) core financial transactions are processed promptly and accurately, such as processing contributions, transfers or death benefits;

(d) As part of the ongoing value for money assessment in 2.1, the IGC will need to consider whether to assess the relevant scheme by reference to employer pension arrangements on an individual basis or on an aggregated basis using cohorts of sufficiently similar employer pension arrangements, or a combination of both, to enable the IGC to produce a value for money assessment that is the most useful for the members of the relevant scheme, but which is also appropriate and proportionate in the circumstances;

(e) As part of the ongoing value for money assessment in 2.1(a)(i), (b) and (c), the IGC will need to:

(i) consider whether individual employer pension arrangements or cohorts of employer arrangements, or a combination of both, would be most appropriate to be part of its scheme comparators taking into account the proportionality and usefulness of each;

(ii) (where it selects cohorts of employer pension arrangements as part of its scheme comparators) select sufficiently similar employer pension arrangements that enable the IGC to produce an assessment that is the most useful for the members of the relevant scheme;
(iii) select a small number of reasonably comparable scheme comparators (including those which could potentially offer better value for money in respect of factors 2.1(a)(i), (b) and (c));
(iv) use reasonable endeavours to obtain and compare the relevant data that it needs to carry out useful assessments in respect of the factors set out in 2.1(a)(i), (b) and (c), in a manner which is proportionate to the likely member benefits that will result from the IGC assessing the data;
(v) assess the relevant scheme by reference to the scheme comparators based on factors 2.1(a)(i), (b) and (c) (to the extent that there is publicly, or readily, available information about the scheme comparators in respect of those factors); and
(vi) consider whether any of the scheme comparators offer better value for money for relevant policyholders based on factors 2.1(a)(i), (b) and (c) (to the extent that there is publicly, or readily, available information about the scheme comparators in respect of those factors);

(f) As part of the assessment of quality of services in 2.1(c), the IGC will need to assess whether default investment strategies within those schemes:

(i) are designed and executed in the interests of relevant policyholders; and

(ii) have clear statements of aims and objectives; and

(g) As part of the assessment of quality of services in 2.1(c), the IGC will need to assess 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 takes action to make any necessary changes.

2.2 The IGC will assess the ongoing value for money for pathway investors delivered by a pathway investment particularly, though not exclusively, through assessing the three factors in (a) to (c) below, taking into account the specific points in (d) to (g):

(a) the level of charges and costs in particular:

(i) administration charges and any transactions costs borne by pathway investors; and

(ii) any other charges borne by pathway investors and any other 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;

(b) investment performance; and

(c) the quality of services including whether:

(i) the communications are fit for purpose and properly take into account the characteristics, needs and objectives of the pathway investors; and

(ii) core financial transactions are processed promptly and accurately, such as processing contributions, transfers or death benefits;

(d) As part of the ongoing value for money assessment in 2.2, the IGC will need to consider whether to assess the pathway investment on an individual basis or on an aggregated basis using cohorts of sufficiently similar pathway investments, or a combination of both, to enable the IGC to produce a value for money assessment that is the most useful for the pathway investors, but which is also appropriate and proportionate in the circumstances;

(e) As part of the ongoing value for money assessment in 2.2(a)(i), (b) and (c), the IGC will need to:

(i) consider whether individual pathway investments or cohorts of pathway investments, or a combination of both, would be most appropriate to be part of pathway investment comparators taking into account the proportionality and usefulness of each;

(ii) (where it selects cohorts of pathway investments as part of its pathway investment comparators) select sufficiently similar pathway investments that enable the IGC to produce an assessment that is the most useful for the pathway investors;

(iii) select a small number of reasonably comparable pathway investment comparators (including those which could potentially offer better value for money in respect of factors 2.2(a)(i), (b) and (c));

(iv) use reasonable endeavours to obtain and compare the relevant data that it needs to carry out useful assessments in respect of the factors set out in 2.2(a)(i), (b) and (c), in a manner which is proportionate to the likely pathway investor benefits that will result from the IGC assessing the data;

(v) assess the pathway investment by reference to the pathway investment comparators based on factors 2.2(a)(i), (b) and (c) (to the extent that there is publicly, or readily, available information about the pathway investment comparators in respect of those factors); and

(vi) consider whether any of the pathway investment comparators offer better value for money for pathway investors based on factors 2.2(a)(i), (b) and (c) (to the extent that there is publicly, or readily, available information about the pathway investment comparators in respect of those factors);

(f) As part of the assessment of quality of services in 2.2(c), the IGC will need to assess 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;

(g) As part of the assessment of quality of services in 2.2(c), the IGC will need to assess whether the characteristics and net performance of the pathway investment are regularly reviewed by LGAS or PMS to ensure alignment with the interests of pathway investors and that LGAS or PMS takes action to make any necessary changes

2.3 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;
(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.

2.4 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.

2.5 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 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.

2.6 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 2.3, 2.4, and where applicable 2.5.

3.1 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 assessed or considered; or
(b) Whether the IGC is unable to obtain or has difficulties obtaining from LGAS or PMS the information it requires.

3.2 Once a decision has been made by LGAS or PMS to offer a pathway investment, the IGC must raise any concerns under 3.1;

(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 the following in sufficient detail, taking into account the information needs of consumers:

(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 2.1 and 2.2 and a statement setting out their overall assessment on whether the relevant scheme or pathway investment provides value for money; 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 2.3, 2.4 and (if applicable) 2.5;

(b) the extent to which LGAS or PMS has implemented its stated policies in relation to the consideration and matters in 2.3, 2.4 and (if applicable) 2.5;

(c) an explanation of how the IGC carried out their assessment of ongoing value for money. This must include demonstrating how the factors set out in 2.1(a) to (c) or 2.2(a) to (c) have been fully and properly considered;

(d) the reasons:

(i) for the IGC's overall assessment of whether the relevant scheme or pathway investment provides value for money as required under 6(a)(i);

(ii) (in relation to a relevant scheme only), where the IGC assessed the relevant scheme using cohorts of employer pension arrangements for the purposes of its general assessment in 2.1(d) or used cohorts as part of the scheme comparators in 2.1(e), why the IGC considers it is appropriate and proportionate to use cohorts and the IGC's reasons for using the characteristics that it used to select the cohorts;

(iii) (in relation to a relevant scheme only), why the IGC considers that the scheme comparators it selected for the purposes of its assessment under 2.1(e) provided a reasonable comparison against the relevant scheme;

(iv) (in relation to a pathway investment only), where the IGC assessed the pathway investment using cohorts of pathway investments for the purposes of its general assessment in 2.2(d) or used cohorts as part of the pathway investment comparators in 2.2(e), why the IGC considers it is appropriate and proportionate to use cohorts of pathway investments and the IGC's reasons for using the characteristics that it used to select the cohorts; and

(v) (in relation to a pathway investment only) why the IGC considers that the pathway investment comparators it selected for the purposes of its assessment under 2.2(e) provided a reasonable comparison against the pathway investment;

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

(f) any concerns raised by the IGC with the Board of LGAS or PMS and the response received to those concerns;

(g) how the IGC has sufficient expertise, experience and independence to act in relevant policyholders' or pathway investors' interests;

(h) how each independent member of the IGC, together with the confirmation that the IGC considers these members to be independent, has taken into account COBS 19.5.12G;

(i) 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

(j) 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 30 September 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 within the application of the relevant scheme and qualifying or prospectively qualifying for benefits under the relevant scheme.

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. The IGC will retain copies of any evidence used in their assessment of ongoing value for money for a minimum of six years.

13. The scope of the IGC may be altered by either the LGAS or PMS Board following consultation with and the agreement of the IGC, but never to the exclusion of the scope of the relevant provisions of COBS. 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 about the matters in 2.2:
   (a) before LGAS or PMS offers the pathway investment; and
   (b) promptly, for any pathway investment they already offer.
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;
9. Make available these terms of reference and the three most recent annual reports, in a way appearing to LGAS and PMS to be best calculated to bring them to the attention of relevant policyholders and their employers and to the attention of pathway investors; 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 any firm within the Legal & General Group or paid by them for any role other than that which they will fulfil on the IGC;

- Having been an employee of any firm within the Legal & General Group within the five years preceding their appointment to the IGC, and
- Having, or having had within the last three years, a material business relationship of any description with any firm within the Legal & General Group, 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 Chief Risk Officer of Legal & General Retail; 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 representatives of LGAS and PMS 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 member of the Boards of LGAS and PMS has a corresponding right to seek appropriate access to any IGC member.

IGC and LGAS and PMS will work collaboratively in order that each of them 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 setting out why 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 must consider the recommendation. 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 Conflicts 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 are 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.

Approved April 2026