

Prudential UK Terms of Reference – Independent Governance Committee

Introduction

The purpose of this document is to set out the terms of reference for the Prudential Independent Governance Committee ("**IGC**") established as part of the overall governance arrangements as set out in the Financial Conduct Authority's ("**FCA**") Conduct of Business Sourcebook ("**COBS**")¹.

1. Objectives

- 1.1. The objectives of the Committee are to:
 - 1.1.1. act solely in the interests of scheme members;
 - 1.1.2. assess, raise concerns and report on the value for money of the firm's contract-based defined contribution workplace pension schemes on an ongoing basis; and
 - 1.1.3. focus on the quality of their scheme(s) and on-going review of compliance with regulatory and legislative requirements.

2. Constitution

- 2.1. The Committee is constituted by the Board of Directors of The Prudential Assurance Company Limited ("**PAC**").
- 2.2. The scope of the Committee covers both active and deferred members during the accumulation phase of all contract-based defined contribution workplace pension schemes² issued by, or reinsured into, PAC.

3. Duties

The Committee has the following duties:

- 3.1. Assessing the ongoing value for money for members delivered by schemes, particularly, though not exclusively, through assessing:
 - 3.1.1. whether default investment strategies are designed and executed in the interests of members, with clear statements of aims, objectives and structure appropriate for those members;
 - 3.1.2. whether the characteristics and net performance of investment strategies are regularly reviewed to ensure alignment with the interests of members, and action taken to make any necessary changes;
 - 3.1.3. whether core scheme financial transactions are processed promptly and accurately;
 - 3.1.4. the levels of charges borne by scheme members;
 - 3.1.5. 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 members, including transaction costs; and
 - 3.1.6. scheme administration, including communication with members.

¹ COBS - section 19.5

² Relevant schemes are those in which there are at least two relevant policyholders (COBS section 19.5.1)

- 3.2. Raising with the PAC Board any concerns it may have in relation to:
 - 3.2.1. the value for money offered to members; and
 - 3.2.2. the information or resources that the firm provides or the arrangements in place to ensure that the views of the members are directly represented to the Committee.
- 3.3. The Committee will escalate concerns as appropriate where the firm has not, in the Committee's opinion, addressed those concerns satisfactorily. This may be to the FCA, the Pensions Regulator ("TPR"), members and employers and/or the public as appropriate.
- 3.4. The Committee will produce an annual report setting out:
 - 3.4.1. its opinion on the value for money delivered by schemes, particularly against the matters listed in 3.1 above;
 - 3.4.2. how it has considered members' interests;
 - 3.4.3. any concerns raised by the Committee to the PAC Board and the response received to those concerns;
 - 3.4.4. whether the membership of the Committee has sufficient expertise, experience and independence to act in members' interests;
 - 3.4.5. each independent member of the Committee, together with confirmation that the Committee considers these members to be independent³; and
 - 3.4.6. the arrangements put in place by the firm to ensure the views of members are directly represented to the Committee.
- 3.5. An annual review of the Committee's performance and these terms of reference

4. Membership

- 4.1. The Committee will have a minimum of five members, the majority of whom, including the Chair, will be independent⁴ of Prudential.
- 4.2. Members will be recruited by PAC through an open and transparent recruitment process and appointed for a fixed term of no longer than five years, with a cumulative maximum duration of ten years.
- 4.3. The Committee may invite any individual, whether internal or external, to attend all or part of any meeting in whatever capacity as the Chair of the Committee deems appropriate.
- 4.4. The Members of the Committee are detailed in Appendix B.

5. Quorum

- 5.1. A quorum is at least three members⁵, the majority of whom must be independent.

³ Having taken account of COBS section 19.5.11R and section 19.5.12G

⁴ Independence as per COBS section 19.5.12G

⁵ In accordance with COBS section 19.5.5 R (5)

6. Support

PAC will provide the Committee with sufficient resources, as are reasonably necessary, to allow it to carry out its duties, including:

- 6.1. Information requested or relevant to its terms of reference, and:
 - 6.1.1. Providing independent advice to the Committee if this is necessary and proportionate. This may include investment and legal advice.
 - 6.1.2. Putting in place arrangements to ensure that the views of members can be directly represented to the Committee.
 - 6.1.3. Taking reasonable steps to address concerns raised by the Committee and providing written responses as to why it has decided to depart in any material way from any advice or recommendations made by the Committee to address concerns it has raised.
 - 6.1.4. Secretariat and other administrative support.

7. Meetings

- 7.1. The Committee will meet at least quarterly.
- 7.2. Potential conflicts of interest will be declared and managed in accordance with policy.

8. Reporting

- 8.1. The Chair shall determine, at the end of each Committee meeting, what, if any, matters of significance need to be reported to the PAC Board or to the FCA.

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

Appendix B – Membership of the Prudential UK Independent Governance Committee (UK-IGC)

Member's Role	Members	Rationale for Membership
Independent Chair	Lawrence Churchill	Independent Member
Independent Member	Lesley Alexander	Independent Member
Independent Member	John Nestor	Independent Member
Member	Jennifer Owens	Prudential Member
Member	Michael Payne	Prudential Member