









Aviva Life & Pensions UK Limited (the ‘Company’)

Independent Governance Committee (‘IGC’)
for Workplace Pensions

Terms of Reference

Contents

Terms of Reference

1	Purpose of the Committee	Page 3	
2	The IGC	Page 3	
3	Membership of the IGC	Page 3	
4	The Scope and Role of the IGC	Page 4	
5	IGC Key Tasks and Responsibilities	Page 6	
6	Operating Principles of the IGC	Page 8	
7	Reporting Requirements	Page 9	
8	Committee Working Practices	Page 9	

1 Purpose of the Committee

The purpose of the Independent Governance Committee (“IGC”) is to provide independent challenge to The Company in respect of the interests of relevant policyholders of workplace pensions and pathway investors. The Committee also meets the requirements of the Financial Conduct Authority (FCA) for IGCs.

Relevant scheme members include employees who are members of their employer’s workplace pension (sometimes referred to as “Active Members”) and former employees who no longer work for the employer (sometimes referred to as “Scheme Leavers” or “Deferred Members”). Pathway investors are those retail clients who are investing in any investment pathway solutions offered by The Company having chosen to take a drawdown option and without taking financial advice.

2 The IGC context

The IGC has been established as a result of Financial Conduct Authority (FCA) Policy Statement 15/3. It was formerly the IGC of Aviva Life & Pensions UK Limited and Friends Life Limited which merged with effect from 1 May 2016. The business of Friends Life Limited was transferred to The Company on 1 October 2017 by way of a Part VII Transfer of the Financial Services & Markets Act 2000

3 Membership of the IGC

Composition of the IGC

The IGC will at all times consist of at least 5 members who are all appointed by the Board of Aviva Life & Pensions UK Limited (the ‘Board’).

The IGC will at all times consist of a majority of independent members. The structure and size of the committee may change according to its needs over time and subject to approval by the Board.

The Company shall appoint one of the independent members as the IGC Chair.

A corporate person, such as a professional pension trustee, may be appointed as an independent corporate IGC member. As an independent member, the corporate person will be eligible to be appointed as the IGC Chair. In the event of the absence of the corporate person’s appointed representative, for whatsoever reason, the corporate person will put forward an alternative representative to attend in his/her place.

Independence of Members

An individual member of the IGC shall not be deemed to be independent if he/she:

- has been an employee of the Aviva Group within the last 5 years;
- had or has either directly or indirectly within the last 3 years a material business relationship with an Aviva Group Company;
- has close family ties with any of Aviva's advisers, directors or senior employees or has significant links with other directors through involvement in other companies or bodies,
- represents a significant shareholder, or
- has served on the Committee for more than 9 years from the date of first election.

Period of Appointment

The independent members and IGC Chair shall be appointed for a period of 3 years, which if The Company and the independent member agree, may be renewed for a further period of 2 years, and thereafter may be extended for further periods of 2 years up to a maximum term of office of 9 years.

Each member must be appointed through a robust selection and appointment process, whereby members demonstrate appropriate skills, knowledge and experience to enable them to exercise independent judgement and challenge to The Company in relation to the management of relevant schemes and pathway investments.

The Company should consult with the IGC on an appointment of a member to the IGC.

Termination of Appointment

Membership of the IGC will automatically cease if a member is made bankrupt, suffers from incapacity or is convicted of a serious criminal offence or anything which by the member's continued membership, in the opinion of The Company or of the IGC, could bring The Company or Aviva into disrepute.

The Company reserves the right to remove any IGC member, including the IGC Chair, if it believes the member is no longer capable of performing their role or hasn't been performing their role to a sufficient standard. The Company will notify the IGC Chair of the reasoning before any member is removed.

If The Company believes the IGC Chair should be removed then it will inform the remaining members of the reasoning before he/she is removed.

The IGC Chair can remove any member of the IGC if he/she believes the member is no longer capable of performing their role or hasn't been performing their role to a sufficient standard. The Chair will notify The Company of the reasoning before any member is removed.

4 The Scope and Role of the IGC

The scope of the IGC is to oversee The Company's workplace pensions for relevant policyholders and also the investment pathways for pathway investors. The role of the IGC is to act solely in the interests of relevant policyholders and pathway investors (or any other members The Company asks the IGC to consider) and to independently challenge, assess, report on, raise concerns and make recommendations on the ongoing value for money delivered by the products, particularly, though not exclusively, through assessing:



Default Investments and Investment Pathways – assessing whether default investment strategies and investment pathways are designed and executed in the interests of scheme members and pathway investors, ensuring they have a clear statement of aims and objectives, and how these are appropriate for their membership. This includes whether the characteristics and net performance of default fund investments and pathway investments are regularly reviewed by The Company to ensure alignment with the interests of relevant policyholders and pathway investors and to ensure that The Company takes action to make any necessary changes;

All Investments – including whether The Company regularly reviews the investment choices available to scheme members and the characteristics and net performance of investment strategies to ensure alignment with the interests of scheme members, and takes action to make any necessary changes;

Charges – including the levels of charges paid by relevant policyholders and pathway investors and 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 scheme members, including transaction costs;

Communications – including whether the communications to relevant policyholders and pathway investors are fit for purpose and properly take into account the relevant policyholder's and pathway investor's characteristics, needs and objectives, and promoting greater policyholder engagement with their pension savings;

Service – including whether core scheme financial transactions are processed promptly and accurately;

Investment Strategies and Investment Decisions – where these could have a material impact on the relevant policyholders' or pathway investors' investment returns, the IGC will consider:

- a) the adequacy and quality of The Company's policy in relation to Environmental, Social and Governance (ESG) financial considerations;
- b) the adequacy and quality of The Company's policy in relation to non-financial ESG matters;
- c) how the considerations or matters at (a) and (b) are taken into account in The Company's investment strategy or investment decision making;
- d) the adequacy and quality of The Company's policy in relation to stewardship.

When considering the adequacy and quality of these policies, the IGC should form a view as to whether:

- a policy sufficiently characterises the relevant risks or opportunities;
- it considers that a policy seeks to appropriately mitigate those risks and take advantage of those opportunities;
- The Company's processes have been designed to properly take into account those risks or opportunities;
- the policies are appropriate in the context of the expected duration of the investment;
- the policies are appropriate in the context of the main characteristics of the actual or expected relevant policyholders or pathway investors.

The IGC will raise concerns with The Company where it identifies a problem with the value for money that a product offers to relevant policyholders or pathway investors and shall make recommendations as it sees fit to the Board in good time. The IGC Chair shall raise with The Company any concerns that the IGC has about the information or resources that it provides, or the arrangements that have been put in place to ensure that the views of scheme members are directly represented to the IGC.

The Company shall consider fully and give due regard to the input of the IGC on matters of referral to ensure the IGC can carry out its duties as set out in these Terms of Reference.

If the IGC is not satisfied with the actions, or inactions, of The Company in response to a recommended action, it may report this to the FCA, and to Scheme members and contributing employers. The IGC will inform the FCA before making any concerns public, including when it proposes to alert relevant policyholders, pathway investors and employers. Where practical The Company will be given the right to respond before the IGC considers taking its concerns further.

The IGC shall act in the interests of scheme members both individually and collectively. Where there is potential for conflict between individual and collective interests, the IGC shall manage this conflict. The purpose of the IGC is not to deal with individual customer complaints or take management decisions with respect to The Company's relevant schemes.

5 IGC Key Tasks & Responsibilities

Key tasks

The IGC will decide on the matters it will consider in order to enable it to carry out its role as described in 4 above. To do so the IGC will give appropriate consideration to the following non-exhaustive list of activities:-

- any significant changes to the risk/investment profile of default investment strategies, investment pathway solutions and all other investments including the management of material illiquid investments and the Companies' obligations in relation to strategic investments;
- the impact of any management actions planned or implemented on relevant policyholders or pathway investors, including different groups of customers;
- relevant management information such as customer complaints data (but not necessarily in relation to individual complaints); and
- Changes and proposed changes in pension and non-pension legislation or the FCA rules for IGC's.

Key Responsibilities

The IGC will, amongst other responsibilities:

- Provide relevant policyholders with an annual report which will be made publicly available;
- Raise concerns and make recommendations, if deemed fit, for changes to the practices and procedures in the management of default investment strategies or pathway investments;
- Consider the investment management arrangements, general investment strategy and the relative performance of The Company's default investment strategies and pathway investments;
- Communicate directly, if the IGC thinks it is appropriate, with relevant policyholders or pathway investors or any group of them;
- Produce an annual business plan which sets out the IGC aims and objectives for the forthcoming year and provide The Company with regular updates of progress made against the business plan;
- Produce an escalation policy which sets out how and when matters will be escalated to the Board of The Company. This policy may be updated from time to time, if required, to allow the IGC to perform their duties;
- Meet with external third parties, including industry bodies and Regulators where required.

In addition the IGC will also:

- Undertake an initial induction programme and Continuing Professional Development (CPD) programme to ensure all IGC members have the necessary up-to-date knowledge and capabilities to carry out their responsibilities;
- Ensure any person appointed as a member of the IGC has the appropriate skills, knowledge and experience to perform the role of an IGC member;
- Oversee the publication of charges and costs information for each default arrangement and alternative fund option relevant to a member; as well as an illustration of the compounding effect of the costs and charges for a representative range of fund options relevant to the member; and
- Ensure the annual report provided to members includes a brief description of the latest published costs and charges information, explains the relevance of that information to the member and how the published information can be accessed with a website link. Such charges information will be made available to spouses, civil partners and any person who qualifies or prospectively qualifies for benefits under a relevant scheme on request.

Annual Report

The IGC Chair will produce an annual report setting out:

- The IGC's opinion on the value for money delivered by a relevant scheme or a pathway investment, particularly with regard to the points listed in section 4;
- The IGC's opinion on the adequacy and quality of The Company's policies on ESG, stewardship, non-financial matters and investment strategy and decision making, and the extent to which The Company has implemented these stated policies;
- How the IGC has considered the interests of relevant policyholders and pathway investors;
- Concerns raised and recommendations made to Board and the response received to these recommendations;
- The administration charges and transaction costs for each default arrangement;

The report will also include:

- How the membership of the IGC as a whole has sufficient independence, expertise and experience to act in the interests of relevant policyholders and pathway investors;
- Details of the arrangements put in place by The Company to ensure that the views of scheme members are directly represented to the IGC;
- How administration charges and transaction costs information for each relevant default arrangement and alternative fund option are disclosed to relevant policyholders and assurance that disclosure of these charges is adequately undertaken;
- The report is to be published annually no later than 31st July and will report on the previous calendar year.

Where the IGC is unable to obtain from The Company the information it requires to assess the matters outlined in Section 4, the annual report shall include an explanation as to why the IGC has been unable to obtain the information it requires and how it will take steps to ensure that it will be granted access to the information in the future.

The report may include other matters which the IGC think are appropriate and relevant to scheme members, or The Company has requested.

The report will be made available to The Company prior to being made available in the public domain.

Key Factors in IGC consideration of fairness

In carrying out its role and in assessing fairness and value for money the IGC will consider all relevant issues and information including practicalities and in particular:-

- The rights, interests or reasonable expectations of different classes and generations of contract-based workplace pension customers;
- The way in which The Company exercises any discretion that may be applied in the conduct of pensions business; and
- The way in which The Company addresses any competing or conflicting rights, interests or reasonable expectations of its customers (or groups of customers).

6 Operating Principles of the IGC

Quorum requirements

The quorum for an IGC meeting shall be 3 members and at all times consist of a majority of independents. The Chair and members need not be physically present at meetings and may attend by telephone or video conference facilities. In the event that a member is unable to attend (whether in person, by telephone or by video conference), he or she may make a written submission to the Chair-person in respect of any item or items on the Agenda for the meeting concerned.

The IGC Chair or his/her named representative shall chair each IGC meeting. However, if the IGC Chair, or his/her named representative, is not present within 15 minutes after the time appointed for holding the meeting or is unable to participate in the business of the meeting and therefore absents himself/herself from the meeting, the IGC members present shall elect one of their number, who must be an independent member, to act as IGC Chair of that meeting or for the relevant Agenda item(s).

Delegated Authorities & Approvals

The IGC has no delegated authority to make decisions or implement change on behalf of The Company. The IGC may make recommendations in relation to The Company's relevant schemes, in line with the rules set out by the FCA and the roles and responsibilities set out in the Terms of Reference, to be considered by The Company's Board.

Working with The Company

The Company will provide the IGC with a Relationship Manager and Company Secretarial support and such additional internal or external professional support as considered reasonable and necessary for the IGC to fulfil its function.

The Relationship Manager will be the initial contact between The Company and IGC and will be responsible for escalating any points raised by the IGC to The Company for resolution. The IGC Secretary will coordinate IGC meetings ensuring that all relevant papers and minutes are issued in accordance with the Terms of Reference.

Annual Budget

The Companies will set aside an appropriate operating budget each year which the IGC can drawdown against to pay for any independent advice which is required.

Management Information

The Company will provide the IGC with regular and ad-hoc management information in respect of its workplace pensions and investment pathways.

The information will be at a level which the IGC deems appropriate to enable it to fulfil its responsibilities. This includes the full disclosure of administration and transaction costs information, setting out the costs and charges for each default arrangement and each alternative investment option which relevant policyholders are able to select.

Certain information provided may be of a confidential, commercial or market sensitive nature and the IGC will be expected to treat the information accordingly.

No information provided by The Company to the IGC may be shared outside of the IGC, with the exception of the standing invitees, without the expressed permission of The Company unless it is necessary to fulfil the legal and regulatory obligations of the IGC's remit.

Working with external organisations

The IGC will develop and maintain a strong working relationship with the FCA and has the ability to notify the FCA of a decision by The Company to depart from the recommendation(s) of the IGC, if the IGC considers that the issue is sufficiently significant.

The IGC Chair and members may attend meetings with the FCA, other regulators or other external organisations formed in response to the formation of IGCs, as requested by the said organisations.

External Advice

The IGC will look to utilise The Company's own in-house resources in the first instance, however they may obtain external investment, actuarial, legal or other independent professional advice where reasonably required at the expense of The Company. The IGC will inform The Company before any significant expenditure is incurred.

7 Reporting Requirements

Any Company nominated IGC member may, subject to approval from the IGC Chair-person, report on its behalf to The Company's Board following each meeting of the IGC, subject to any confidentiality required by the IGC, informing it of matters the IGC has reviewed, decisions taken and making recommendations on matters that require approval or consideration by the Board.

In addition, the IGC Chair shall aim to attend at least one Board meeting of The Company each calendar year to present a report on the operation of the IGC and to receive details of the strategic development of The Company in relation to the in-scope activities of the IGC.

Reports to the Board, other than the Chairman's routine reports on the operation of the IGC, will be subject to the approval of the IGC and the decision will be recorded before such reports are submitted to The Company's Board. Any member of the IGC will be able to submit a minority or dissenting report to The Company's Board.

8 Committee Working Practices

IGC Meetings

The IGC will meet at least 4 times a year at locations agreed by the IGC. Meetings will be fixed for each year by the end of October in the preceding year or, if later, when the Board meetings for the following year have been fixed. Ad-hoc meetings may be necessary at either The Company's or the IGC's request. At least 14 days notice will be given when convening ad-hoc meetings.

At each meeting, members of the IGC will have an equal vote in all matters within the scope of the IGC. Any decisions will be made by a simple majority. In the event that the vote is equal, the IGC Chair will have a casting vote. Any member unable to attend a meeting may submit his/her views on any item for discussion or decision to the Chairman or Secretary.

Ad-hoc / Additional Meetings

The IGC:

- May request a meeting with The Company's Board in connection with any matter within the IGC's Terms of Reference, such meeting to be held within 60 days where possible; and
- Will reply to any questions put to it by The Company within a reasonable time, and will try to do so within 30 days of receiving the request.

The Company:

- May request the IGC to meet at short notice on an occasion other than a scheduled date. The Company will normally give at least 14 days notice of the request, and the IGC will try to do so within 30 days of receiving the request; and
- In appropriate circumstances, should approval be required for any item(s) reserved for the IGC's decision during a period between scheduled IGC meetings, the Secretary with approval from the Chair, will arrange for an IGC meeting to be convened at a time convenient to as many members as possible.

IGC Meeting Papers

All the papers for IGC meetings shall be in the standard Aviva committee template, as revised from time to time. Papers should be written in plain intelligible language so they can be readily understood and all acronyms used in the papers should be defined.

Papers should be distributed to members and attendees 5 working days prior to the meeting date. IGC minutes may be circulated to other individuals at the discretion of the IGC Secretary, subject to the approval of the IGC Chair.

IGC Terms of Reference

The IGC should periodically review the adequacy of its Terms of Reference to ensure it can continue to perform its role.

The IGC Secretary may, with the approval of the IGC Chair, revise the Terms of Reference of the IGC to reflect up to date attendees and standing agenda items.

All other changes to the Terms of Reference other than those referred to above require, in addition to the approval of the IGC, the prior approval of The Company's Board.

All amendments to the Terms of Reference must be advised to the Secretary to the IGC and The Secretary of The Company.

IGC Annual Review & Self Assessment

An annual self assessment should take place which looks at the IGC's operational effectiveness in terms of adherence to these Terms of Reference.



