

## **TERMS OF REFERENCE:**

### **The PTL Governance Advisory Arrangement (“GAA”) – Investment Pathways**

#### **1. Duties and Responsibilities**

- a) The GAA shall act solely in the interests of Pathway Investors in assessing and raising concerns about the value for money of the Pathway Investment of the appointing Firm.
- b) The GAA will be independent of the Firm.
- c) The GAA chair will be independent of the Firm.

#### **2. Value for money**

The GAA will assess the ongoing value for money for Pathway Investors provided by the 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 the 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, the GAA 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 GAA to produce a value for money assessment that is the most useful for Pathway Investors, but which is also appropriate and proportionate in the circumstances;
- e) as part of the ongoing value for money assessment in 2.a) i., b) and c) the GAA 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 the GAA selects cohorts of Pathway Investments as part of its Pathway Investment comparators, the GAA will select sufficiently similar Pathway Investments that enable the GAA 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.a) i., b) and c) above;
  - iv. use reasonable endeavours to obtain and compare the relevant data that it needs to carry out useful assessments in respect of the factors in 2.a) i., b) and c) in a manner which is proportionate to the likely Pathway Investor benefits that will result from the GAA assessing the data;
  - v. assess the Pathway Investment by reference to the Pathway Investment comparators based on factors 2.a) i., b) and c) (to the extent 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.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.c), the GAA will need to assess whether the Pathway Investment offered by the Firm:
- 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 the quality of services in 2.c), the GAA will need to assess whether the characteristics and net performance of the Pathway Investment are regularly reviewed by the Firm to ensure alignment with the interests of Pathway Investors and that the Firm takes action to make any necessary changes;
- h) The GAA should assess whether all the investment choices available to Pathway Investors are regularly reviewed to ensure alignment with the interests of Pathway Investors.

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

### **3. Independent consideration of policies**

- a) Where a Firm has an investment strategy or makes investment decisions which could have a material impact on the Pathway Investors' investment returns, the GAA will consider and report on:

- i. the adequacy and quality of the Firm's policy (if any) in relation to Environmental, Social and Governance (ESG) financial considerations;
  - ii. the adequacy and quality of the Firms' policy (if any) in relation to non-financial matters;
  - iii. how the considerations or matters in a) and b) are taken into account in the Firm's investment strategy or investment decision making; and
  - iv. the adequacy and quality of the Firm's policy (if any) in relation to stewardship.
- b) Where the Firm does not have a policy in relation to ESG financial considerations, non-financial matters or stewardship, the GAA will in each case consider and report on the Firm's reasons for not having a policy.
- c) Where the Firm 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 Pathway Investors, the GAA will also:
  - i. consider and report on the adequacy and quality of the Firm's policy (if any) in relation to those other financial considerations, and whether and how those considerations are taken into account in the Firm's investment strategy or investment decision; or
  - ii. consider and report on the Firm's reasons for not having a policy in relation to those considerations.
- d) The GAA will consider and report on the extent to which the Firm has implemented its stated policies in relation to the considerations and matters in Section 3 above.
- e) When the GAA is considering the adequacy and quality of a Firm's policies regarding ESG financial considerations, non-financial matters, stewardship or other financial considerations, the GAA should form a view as to whether:
  - i. the policy sufficiently characterises the relevant risks or opportunities;
  - ii. the GAA considers that a policy seeks to appropriately mitigate those risks or take advantage of those opportunities;
  - iii. a Firm's processes have been designed to properly take into account those risks or opportunities;
  - iv. the policy is appropriate in the context of the expected duration of the investment; and
  - v. the policy is appropriate in the context of the main characteristics of the actual or expected Pathway Investors.
- f) When the GAA is considering whether a Firm has adequately taken other financial considerations into account for the purposes of 3. a) above it should also take into account the factors in 3. e) above, whether or not contained in a policy.

#### **4. Raising and Escalation of Concerns**

- a) In relation to the GAA's remit of review, the GAA will raise with the Firm's governing body any concerns it may have:
- i. in relation to any of the matters it has assessed or considered; or
  - ii. where the GAA is unable to obtain or has difficulties obtaining from the Firm the information it requires;
  - iii. about the information or resources that the Firm provides, or arrangements that the Firm puts in place to ensure that the views of Pathway Investors are directly represented to the GAA; and
  - iv. where any of the Investment Pathway comparators offer better value for money for Pathways Investors than the Pathway Investment based on the factors set out in 2a) to c), together with an explanation and relevant evidence.
- b) Once a decision has been made by a Firm to offer a Pathway Investment, the GAA must raise any concerns under a):
- i. in good time to give the Firm's governing body a proper opportunity to consider and address the GAA's concerns, before the Pathway Investment is offered to retail clients; and
  - ii. on an ongoing basis in relation to the Pathway Investment it offers.
- c) The GAA will escalate concerns as appropriate where the Firm has not, in the GAA's opinion, addressed those concerns satisfactorily or at all. Where appropriate, the GAA Chair will escalate concerns to the FCA and the GAA may alert Pathway Investors and make its concerns public.

#### **5. Duties of the Firm in relation to the GAA**

- a) The Firm must:
- i. take reasonable steps to ensure that the GAA acts and continues to act in accordance with its terms of reference;
  - ii. take reasonable steps to provide the GAA with all information reasonably requested by the GAA in good time for the purposes of carrying out its role;
  - iii. provide the GAA with sufficient resources as are reasonably necessary to allow it to carry out its role independently;
  - iv. have arrangements to ensure that the views of the Pathway Investors can be directly represented to the GAA;
  - v. take reasonable steps to address any concerns raised by the GAA under its terms of reference before the Firm offers the Pathway Investment and promptly for any Pathway Investment it already offers;

- vi. provide written reasons to the GAA as to why it has decided to depart in any material way from any advice or recommendations made by the GAA to address any concerns it has raised;
  - vii. take all necessary steps to facilitate the escalation of concerns by the GAA; and
  - viii. make available the GAA's terms of references and the three most recent annual reports, in a way appearing to the Firm to be best calculated to bring them to the attention of Pathway Investors.
- b) The Firm should:
- i. consider allocating responsibility for the management of the relationship between the Firm and its GAA to a person at the Firm holding an FCA Significant-Influence Function or Designated Senior Management Function;
  - ii. fund independent advice for the GAA if this is necessary and proportionate;
  - iii. not unreasonably withhold from the GAA information that would enable the GAA to carry out its duties in the GAA's remit of review;
  - iv. provide the GAA with sufficient support and resources so that the GAA is properly able to carry out its duties in the GAA's remit of review;
  - v. have arrangements for sharing confidential and commercially sensitive information with the GAA;
  - vi. use best endeavours to obtain, and should provide the GAA with, information on the costs incurred as a result of managing and investing, and activities in connection with the managing and investing of, the assets which could impact a Pathway Investment, including transaction costs. Information about costs and charges more broadly should also be provided, so that the GAA can properly assess the value for money of a Pathway Investment and the funds held within these;
  - vii. provide additional resources and support to the GAA where the Firm asks the GAA to take on responsibilities in addition to those listed above, such that its ability to act within its terms of reference is not compromised;
  - viii. provide secretarial and other administrative support to the GAA. The nature of the support, including how it is provided and by whom, should not conflict with the GAA's ability to act independently of the Firm; and
  - ix. make the GAA's terms of reference and the GAA's three most recent annual reports available in a way designed to bring them to the attention of Pathway Investors by placing them in an appropriately prominent and relevant position on its website and by providing them on request to Pathway Investors.
- c) The Firm must take reasonable steps to ensure that the GAA has sufficient collective expertise and experience to be able to make judgements on the matters in the GAA's remit of review.
- d) The Firm should review the continued appropriateness of the GAA over an IGC, having regard to the complexity and nature of the size of the take-up, or expected size of the take-up, complexity and nature of the Pathway Investment.

## **6. Conflicts of Interest**

- a) The GAA is expected to act in the interests of Pathway Investors both individually and collectively. Where there is the potential for conflict between individual and collective interests, the GAA should manage this conflict effectively. The GAA is not expected to deal directly with complaints from Pathway Investors.
- b) The primary focus of the GAA should be the interests of Pathway Investors. If the Firm asks the GAA also to consider the interests of other members or clients, the Firm should provide additional resources and support to the GAA such that the GAA's ability to act in the interests of Pathway Investors is not compromised.

## **7. Membership of the GAA**

- a) Members of the GAA shall be appointed and removed by the board of PTL entirely at its discretion.
- b) The board of PTL will appoint the Chair of the GAA.
- c) One member of the GAA will always be independent of PTL and the Firm.
- d) The board of PTL will take reasonable steps to ensure that the GAA has sufficient collective expertise and experience to be able to make judgements on the value for money for Pathway Investors delivered by Pathway Investments.

## **8. Quorum**

- a) The quorum necessary for meetings shall be three members, the majority of which must be independent of the Firm.
- b) The quorum necessary for the GAA to make decisions to discharge its duties shall be three members.
- c) All decisions relating to the discharge of its duties shall be made by the GAA, whether at meetings or by other instrument, will be made by majority.

## **9. Meetings**

- a) The GAA shall meet as necessary, and normally no less than three times a year, on dates to be determined in advance. Additional meetings may be convened if necessary, with 14 days' notice.
- b) Only GAA members shall have the right to attend meetings.
- c) Non-members are able to attend meetings by invitation only.
- d) In absence of the Chair, the GAA has the power to appoint a meeting chair.
- e) The GAA will appoint a secretary.

- f) The secretary shall minute the proceedings and resolutions of all meetings of the GAA.
- g) Minutes of each GAA meeting shall be circulated as soon as practicable to all members of the GAA. They shall be approved (with updates on previously agreed actions provided) within four weeks of the meeting and relevant extracts sent to the Firm.
- h) Meetings of the GAA shall be summoned by the secretary at the request of any of its members, in each case with the agreement of the Chair.
- i) Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the GAA and any other person required to attend.
- j) Meetings of the GAA may take place in person or by telephone or video conference.

## **10. Annual Report**

The Chair of the GAA will be responsible for the production of an annual report for each Firm by 30 September each year, in respect of the previous calendar year, which will set out:

- a) the GAA's opinion on the value for money delivered by the Pathway Investment, particularly against the matters listed in Section 2 of these terms of reference, and a statement setting out the GAA's overall assessment of whether the Pathway Investment provides values for money;
- b) the GAA's opinion on the adequacy and quality of the Firm's policies, or reasons for not having policies, in relation to the considerations and matters listed under Section 3 of these terms of reference;
- c) the extent to which the Firm has implemented its stated policies in relation to the consideration and matters in Section 3 of these terms of reference;
- d) an explanation of how the GAA carried out its assessment of ongoing value for money. This must include demonstrating how the factors set out in 2.a) to c) have been fully and properly considered;
- e) the reasons for the GAA's overall assessment of whether the Pathway Investment provides value for money;
- f) the reasons, where the GAA assessed the Pathway Investment using cohorts of Pathway Investments for the purposes of its general assessment in 2d) or used cohorts as part of the Pathway Investment comparators in 2e), why the GAA considers it appropriate and proportionate to use cohorts of Pathway Investments and the GAA's reasons for using the characteristics that it used to select the cohorts;
- g) the reasons why the GAA considers that the Pathway Investment comparators it selected for the purposes of its assessment under 2e) provided a reasonable comparison against the Pathway Investment;
- h) how the GAA has considered the Pathway Investors' interests;

- i) any concerns raised by the GAA within the Firm's governing body and the response received to those concerns;
- j) how the GAA has sufficient expertise, experience and independence to act in Pathway Investors' interests;
- k) the arrangements put in place by the Firm, to ensure that the views of Pathway Investors are directly represented to the GAA; and
- l) where the GAA is unable to obtain from the Firm, and ultimately from any other person providing relevant services, the information it requires to assess or to consider and report on matters in the GAA's remit of review, why it has been unable to obtain the information and how it will take steps to be granted access to that information in the future.

The annual report detailed above shall be sent to the Firm for review and comment before it is finalised. However, the GAA shall not be obliged to follow these comments.

### **11. Power to Appoint**

The GAA shall have the power to appoint their own advisers, as it deems appropriate in relation to the execution of its functions.

### **12. Policies**

The GAA shall develop and document policies on:

- a) assessing value for money;
- b) raising and escalating concerns to the Firm, the FCA and beyond; and
- c) managing conflicts of interest.

### **13. Review of Performance**

- a) The GAA members will regularly review their performance and their Terms of Reference. The GAA shall produce a business plan and report on its progress to the Firm on a regular basis.

### **14. Amendment**

The GAA may decide to amend its Terms of Reference at any time provided:

- a) such change shall not at any time render the Terms of Reference inconsistent with FCA rules relating to GAAs; and
- b) three months' notice is given to the Firm unless it is urgent or there has been or will otherwise be a breach of law or regulation.

## 15. Definitions

In this document, the following terms have the following meanings:

**“ESG Financial Considerations”** means environmental, social and governance factors (including climate change) that are material to the sustainability of an investment.

**“FCA”** means the Financial Conduct Authority

**“Firm(s)”** means a/the Investment Pathways provider(s) who has/have appointed the PTL GAA

**“Non financial matters”** means factors which may influence a firm’s investment strategy or decision, and which are based on the views (including ethical concerns regarding environmental, social and governance issues) of the firm’s clients or relevant policyholders.

**“Other financial matters”** means factors (other than ESG financial considerations) that are material to the financial performance of an investment or investment strategy.

**“PTL”** means PTL Governance Limited

**“Pathway Investor”** means a non-advised retail client investing in the Firm’s Pathway Investment

**“Pathway Investment”** as defined by the FCA and outlined in the FCA’s policy statement PS19/21

The GAA and the Firm agree to observe and adhere to these Terms of Reference:

GAA Signature: .....

Name: .....

Position: .....

Date: .....

[Name of Firm] Signature: .....

Name: .....

Position: .....

Date: .....

