



B&CE Insurance Limited

# B&CE Independent Governance Committee Terms of Reference

For people,  
not profit

## **1. Background**

- 1.1 The pensions industry has faced increased regulatory and public criticism over the treatment of, and value for money offered to clients. In light of this, the Department for Work and Pensions and Financial Services Authority (FCA) have launched similar initiatives to improve the customer representation. In February 2015, the FCA published rules governing the introduction of Independent Governance Committees for contract based employer pension schemes and stated that affected firms must have an operational Independent Governance Committee by 6 April 2015.
- 1.2 As previously reported, B&CE Insurance Limited are required to establish an Independent Governance Committee ("the Committee") for its EasyBuild Stakeholder Pension Scheme.

## **2. Purpose**

- 2.1 The purpose of the Committee is to represent the interests of policyholders of EasyBuild Stakeholder Pension Scheme provided by B&CE Insurance Limited.
- 2.2 The scope of the Committee will cover active and deferred members of EasyBuild.

## **3. Membership**

- 3.1 The members of the Committee will consist of the independent professional trustees of the People's Pension, and two members of the senior management team from B&CE group, which will be advertised internally.
- 3.2 The Committee Chair will be the independent Chair of The People's Pension Trustee Limited.

## **4. Member Obligations**

- 4.1 Members of the Committee agree to act in line with and be held accountable to, the rules laid down in the 'Guidance on the Independence Governance Committee'.

## **5. B&CE Obligations**

- 5.1 B&CE Insurance Limited agree to act in line with and be held accountable to, the rules laid down in the 'Guidance on Independence Governance Committee' on the duties to the Committee.

## **6. Meetings and Quorum**

- 6.1 The Committee shall meet regularly at least four times in each financial year, or more frequently as circumstances dictate. The Chairman or any member of the Committee may call meetings of the Committee.
- 6.2 A quorum for meetings of the Committee shall be any three members with a minimum of two being independent.
- 6.3 The Committee has explicit authority to investigate any matters within these Terms of Reference, to obtain the resources which it needs to do so and to have full access to information from internal and external sources. It may also obtain outside professional advice and, if necessary, invite external representatives with relevant experience to attend meetings.
- 6.4 The agenda and meeting papers shall be issued to members and all those attending prior to the meeting.
- 6.5 Minutes of every Committee meeting shall be circulated to all members of the Committee.

## **7. Key Duties of the Committee**

- 7.1 The Committee will act in the interests of policyholders.
- 7.2 The Committee will review the ongoing value for money for policyholders particularly, though not exclusively, through assessing:
  - (a) whether B&CE Insurance Limited's default investment strategies are designed in the interests of relevant policyholders with a clear statement of aims, objective and structure appropriate for those relevant policyholders;
  - (b) whether the characteristics and net performance of investment strategies are regularly reviewed by B&CE Insurance Limited to ensure alignment with the interests of relevant policyholders and action taken 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; and (e) the direct and indirect costs incurred in relation to transactions and other activities in managing and investing the pension savings of relevant policyholders;
- 7.3 The Committee will raise with the Board of B&CE Insurance Limited any concerns it may have in relation to value for money offered to policyholders.
- 7.4 The Committee will escalate concerns as appropriate where B&CE Insurance Limited has not in the Committee's opinion addressed those concerns satisfactorily or at all.
- 7.5 The Chair of the Committee will produce an annual report setting out:
  - (a) the Committee's opinion on the value for money delivered by EasyBuild, particularly against the matters listed under 7.2;
  - (b) how the Committee has considered policyholders' interests;
  - (c) any concerns raised by the Committee with the Board of B&CE Insurance Limited and the response received to those concerns;
  - (d) whether the membership of the Committee has sufficient expertise, experience and independence to act in policyholders' interests;
  - (e) each independent member of the Committee, together with confirmation that the Committee considers these members to be independent;
  - (f) the arrangements put in place by B&CE Insurance Limited to ensure that the views of policyholders are directly represented to the Committee.

## **8. Review**

8.1 The Committee shall review the relevance and value of its work and the terms of reference annually.

## **9 Reporting**

9.1 The Committee will be invited to report back to the Board of B&CE Insurance Limited on its activities, through an open invite to the Board meetings.

## **10. Powers**

10.1 The Committee will play an advisory role and does not have the powers or responsibilities of a trustee board.

10.2 The Committee will raise concerns with the Board of B&CE Insurance Limited. Where not satisfied with the B&CE Insurance Limited's response, the Committee will have the power to escalate concerns to the FCA, to members and employers, and to make their concerns public.

## **11. Indemnity**

11.1 B&CE Insurance Limited will indemnify the members of the Committee against liabilities arising from their activities on the Committee with the exception of illegal activity.

# Appendix

## Guidance on Independent Governance Committee

### INDEPENDENT GOVERNANCE COMMITTEE

#### 1. Introduction

- 1.1 This guidance sets out the duties and powers of the Independent Governance Committee (“the Committee”) based on the FCA’s final rules for independent governance committees published in February 2015.

#### 2. Key Duties of the Committee

- 2.1 The FCA Conduct of Business Sourcebook (COBS) 19.5.5R highlights the following duties of the Committee;
- (1) They must act in the interests of relevant policyholders;
  - (2) They must assess the ongoing value for money for relevant policyholders delivered by relevant schemes particularly, though not exclusively, through assessing:
    - (a) whether B&CE Insurance Limited’s default investment strategies are designed in the interests of relevant policyholders with a clear statement of aims, objectives and structure appropriate for those relevant policyholders;
    - (b) whether the characteristics and net performance of investment strategies are regularly reviewed by B&CE Insurance Limited to ensure alignment with the interests of relevant policyholders and action taken 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; and (e) the direct and indirect costs incurred in relation to transactions and other activities in managing and investing the pension savings of relevant policyholders;
  - (3) They will raise with B&CE Insurance Limited’s Board any concerns it may have in relation to the value for money offered to relevant policyholders by EasyBuild;
  - (4) They will escalate concerns as appropriate where B&CE Insurance Limited has not, in the Committee’s opinion, addressed those concerns satisfactorily or at all;
  - (5) The Chair of the Committee will produce an annual report setting out:
    - (a) the Committee’s opinion on the value for money delivered by EasyBuild, particularly against the matters listed in (2) above;
    - (b) how the Committee has considered relevant policyholders’ interests;
    - (c) any concerns raised by the Committee with the Board of B&CE Insurance Limited and the response received to those concerns;
    - (d) whether the membership of the Committee has sufficient expertise, experience and independence to act in relevant policyholders’ interests;
    - (e) each independent member of the Committee, together with confirmation that the Committee considers these members to be independent, having taken into account those matters set out at COBS 19.5.12G;
    - (f) the arrangements put in place by B&CE Insurance Limited to ensure that the views of relevant policyholders are directly represented to the Committee

### **3. Duty to act in the interests of relevant policyholders**

- 3.1 The Committee is expected to act in the interests of relevant policyholders both individually and collectively. Where there is the potential for conflict between individual and collective interests, the Committee should manage this conflict effectively.
- 3.2 The primary focus of the Committee should be the interests of relevant policyholders. Should B&CE Insurance Limited ask the Committee to consider the interests of other members, B&CE Insurance Limited should provide additional resources and support to the Committee such that the Committee ability to act in the interests of relevant policyholders is not compromised.
- 3.3 Where the Committee is unable to obtain from B&CE Insurance Limited, and ultimately from any other person providing relevant services, the information it requires in order to assess the matters in COBS 19.5.5R (2) (on page 2), the Committee should explain in the annual report why it has been unable to obtain the information and how it will be granted access to that information in the future.
- 3.4 If, having raised concerns with the Board of B&CE Insurance Limited about the value for money offered to relevant policyholders by a relevant scheme, the Committee is not satisfied with the response of the B&CE Insurance Limited Board; the Committee Chair may escalate concerns to the Financial Conduct Authority if that would be appropriate. The Committee may also alert relevant policyholders and employers and make its concerns public.
- 3.5 The Committee should raise with B&CE Insurance Limited Board any concerns that the Committee has about the information or resources that B&CE Insurance Limited provides or about the arrangements that B&CE Insurance Limited puts in place to ensure that the views of relevant policyholders are directly represented to the Committee. If the Committee is not satisfied with the response of B&CE Insurance Limited Board, the Committee Chair may escalate its concerns to the Financial Conduct Authority if appropriate. The Committee may also make its concerns public.
- 3.6 The Committee should assess whether all the investment choices available to relevant policyholders, including default options, are regularly reviewed to ensure alignment with the interests of relevant policyholders.

### **4. Duty to assess value for money on an ongoing basis**

- 4.1 The Committee should consider in particular the value for money received by members enrolled in default funds because most scheme members are likely to be invested in the default fund and most of these are unlikely to have made any choice.
  - (1) An assessment of value for money involves weighing the quality of the scheme against its cost to members. The key elements of scheme quality include the:
    - (a) design and execution of the investment strategy
    - (b) administration of the scheme including communication with members, and
    - (c) governance of the scheme, including regular assessment of its value for money.
  - (2) The key elements of cost to members include the:
    - (a) costs and charges for scheme and investment administration, and
    - (b) direct and indirect costs of transactions and other activities in the managing and investing of pension assets.
  - (3) The Committee shall have a wide remit to consider all the choices available to scheme members, to help protect against the possibility of members making poor decisions.
  - (4) The Committee must assess whether the characteristics and net performance of all investment strategies (including non-default investment strategies) are regular reviewed by B&CE Insurance Limited, to ensure alignment with the interests of scheme members.
  - (5) The Committee should determine their own priorities, subject to their terms of reference and having regard to the interests of workplace personal pension scheme members.
  - (6) The Committee shall have regard to any common standards developed by government and/or regulators. One example is the voluntary master trust assurance framework, developed by the Institute of Chartered Accountants in England and Wales (ICAEW) in association with TPR.

## 5. Charges and Costs

- 5.1 To assess overall value for money, the services provided must be weighed against all costs and charges borne by scheme members. The Committee will need to obtain from B&CE Insurance Limited the costs and charges associated with EasyBuild.
- 5.2 Disclosure of charges will include member borne deductions relating to scheme and investment administration costs, and transaction costs associated with buying and selling investments held within EasyBuild.
- 5.3 Although some costs will be predictable, many costs are expected to vary, especially costs incurred for transactions and other activities in managing and investing pension assets. These will include, but are not limited to:
- (a) dealing charges, such as brokerage commission and fees
  - (b) bid-offer spreads
  - (c) transaction taxes (including stamp duty)
  - (d) research costs,
  - (e) foreign exchange commissions
  - (f) fees relating to stock lending or stock borrowing
  - (g) initial charges, and entry and exit fees for investment in underlying funds (for funds of funds), and
  - (h) transaction costs relating to investments held in underlying funds (for funds of funds).

## 6. Duties of B&CE Insurance Limited to the Committee

- 6.1 B&CE Insurance Limited must
- (1) take reasonable steps to ensure that the Committee acts and continues to act in accordance with its terms of reference;
  - (2) take reasonable steps to provide the Committee with all information reasonably requested by the Committee for the purposes of carrying out its role;
  - (3) provide the Committee with sufficient resources as are reasonably necessary to allow it to carry out its role independently;
  - (4) put arrangements in place to ensure that the views of relevant policyholders can be directly represented to the Committee;
  - (5) take reasonable steps to address any concerns raised by the Committee under its terms of reference;
  - (6) provide written reasons to the Committee as to why it has decided to depart in any material way from any advice or recommendations made by the Committee to address any concerns it has raised;
  - (7) take all necessary steps to facilitate the escalation of concerns by the Committee under COBS 19.5.5R(4) and COBS 19.5.6G(5); and
  - (8) make the terms of reference and the annual report of the Committee publicly available.

## 6.2 B&CE Insurance Limited will

- (1) fund independent advice to the Committee if this is necessary and proportionate;
- (2) not unreasonably withhold from the Committee information that would enable the Committee to carry out a comprehensive assessment of value for money;
- (3) ensure arrangements are in place for sharing confidential and commercially sensitive information with the committee;
- (4) provide the Committee with information on the costs incurred in relation to transactions and other activities in managing and investing the assets of relevant schemes, as well as information about costs and charges more broadly, so that the Committee can properly assess the value for money of EasyBuild and the funds held within these. B&CE Insurance Limited should use best endeavours to obtain information about the costs incurred in relation to transactions and other activities in managing and investing the assets of relevant schemes so that it can provide this information to the Committee;
- (5) provide secretarial and other administrative support to the Committee. The nature of the support, including how it is provided and by whom, should not conflict with the Committee's ability to act independently of B&CE Insurance Limited.
- (6) If B&CE Insurance Limited asks the Committee to take on responsibilities in addition to those set out in COBS 19.5.5R, B&CE Insurance Limited should provide additional resources and support to the Committee such that its ability to fulfil its responsibilities as set out in COBS 19.5.5R is not compromised.
- (7) B&CE Insurance Limited can make the terms of reference for the Committee and the annual report of the Committee publicly available by placing them on its website and by providing them on request to relevant policyholders and their employers.

## 7. Appointment of Committee members

- 7.1 B&CE Insurance Limited must take reasonable steps to ensure that the Committee has sufficient collective expertise and experience to be able to make judgments on the value for money for EasyBuild.
- 7.2 B&CE Insurance Limited must recruit independent Committee members through an open and transparent recruitment process.
- 7.3 B&CE Insurance Limited must appoint members to the Committee so that:
  - (1) the Committee consists of at least five members, including an independent Chair and a majority of independent members;
  - (2) The Committee members are bound by appropriate contracts which reflect the terms of reference in COBS 19.5.5R, and on such terms as to secure the independence of independent members;
  - (3) independent Committee members who are individuals are appointed for fixed terms of no longer than five years, with a cumulative maximum duration of ten years;
  - (4) individuals acting as the representative of an independent corporate member are appointed to the Committee for a maximum duration of ten years;
  - (5) independent Committee members who are individuals, including those representing independent corporate members, are not eligible for reappointment to the Committee until five years have elapsed, after having served on the B&CE Insurance Limited's Committee for the maximum duration of ten years;
  - (6) appointments to the Committee are managed in such a way that continuity in terms of expertise and experience of the Committee is maintained.

- 7.4 An individual may serve on more than one Committee.
- 7.5 B&CE Insurance Limited should replace any vacancies that arise within the Committee as soon as possible and in any event within six months.
- 7.6 B&CE Insurance Limited should involve the Committee Chair in the appointment of other members, both independent members and employees of B&CE Insurance Limited.
- 7.7 B&CE are indemnifying the Committee members against any liabilities incurred while fulfilling their duties as Committee members.
- 7.8 B&CE Insurance Limited in appointing independent Committee members, has determined that such a member is independent in character and judgment and there are no relationships or circumstances which are likely to affect, or could appear to affect, that member's judgment.
- 7.9 A Committee member is unlikely to be considered independent if any of the following circumstances exist:
- (1) the individual is an employee of B&CE Insurance Limited or of another company within B&CE group or paid by them for any other role other than as Committee member, including participating in the firm's share option or performance related pay scheme;
  - (2) the individual has been an employee of B&CE Insurance Limited or of another company within the B&CE's group within the five years preceding his appointment to the Committee;
  - (3) the individual has, or has had within the three years preceding his appointment, a material business relationship of any description with the firm or with another company within the firm's group, either directly or indirectly.
- 7.10 B&CE Insurance Limited may appoint a corporate person to the Committee, including as Chair.
- 7.11 The corporate member should notify the firm of the individual who will act as the member's representative on the Committee. B&CE Insurance Limited should consider the circumstances of a corporate Committee member and any representative of the corporate member with the objective of ensuring that any potential conflicts of interest are managed effectively so that any conflicts do not affect the corporate Committee's member's ability to represent the interests of relevant policyholders.
- 7.12 There may be benefits to an independent Committee member also being a trustee of a mastertrust, should the B&CE Insurance Limited or another company within the B&CE group operate a master trust. If such circumstances exist, an individual or a corporate member might still be suitable to be an independent Committee member.
- 7.13 B&CE Insurance Limited should review on a regular basis whether its independent Committee members continue to be independent and take appropriate action if it considers that they are not.

## 8 Glossary of definitions

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independent Governance Committee	An independent governance committee (in COBS 19.5) established by a firm with terms of reference which satisfy COBS 19.5.5R whose purpose is to represent the interests of <b>relevant policyholders</b> in the <b>firm's relevant schemes</b> .
relevant policyholder	(in COBS 19.5) is a member of a relevant scheme who is or has been a worker entitled to have contributions paid by or on behalf of his employer in respect of that relevant scheme.  'Worker' has the same meaning as in section 88 of the Pensions Act 2008, that is, in summary, an individual who has entered into or works under (a) a contract of employment, or (b) any other contract by which the individual undertakes to do work or perform services personally for another party to the contract.
relevant scheme	(in COBS 19.5) a personal pension scheme or stakeholder pension scheme in respect of which direct payment arrangements are, or have been, in place, under which contributions have been paid in respect of two or more employees of the same employer.  'Direct payment arrangements' has the same meaning as in section 111A of the Pension Schemes Act 1993, that is, arrangements under which contributions fall to be paid by or on behalf of the employer towards the scheme (a) on the employer's own account (but in respect of the employee); or (b) on behalf of the employee out of deductions from the employee's earnings.

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