

## **TERMS OF REFERENCE:**

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

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

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.

The GAA will be independent of the Firm.

The GAA chair will be independent of the Firm.

#### **Value for money**

The GAA will assess the ongoing value for money for Pathway Investors provided by the Pathway Investment. As part of this the GAA will:

- 1.1.** assess whether the Firm’s Pathway Investment is designed and managed in the interests of Pathway Investors and has clear statements of aims and objectives.
- 1.2.** 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.
- 1.3.** assess whether core financial transactions are processed promptly and accurately.
- 1.4.** assess the level of charges borne by the Pathway Investors.
- 1.5.** assess the direct and indirect 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, including transaction costs.
- 1.6.** assess whether the communications to Pathway Investors are fit for purpose and properly take into account the Pathway Investors’ characteristics, needs and objectives.

#### **Independent consideration of policies**

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 provide an independent consideration of, and report on, the Firm’s policies regarding:

- 1.7.** the adequacy and quality of the Firm's policy (if any) in relation to Environmental, Social and Governance (ESG) financial considerations and how these are taken into account in the Firm's investment strategy or investment decision making.
- 1.8.** the adequacy and quality of the Firms' policy (if any) in relation to non-financial matters and how these are taken into account in the Firm's investment strategy or investment decision making.
- 1.9.** the adequacy and quality of the Firm's policy (if any) in relation to stewardship.
- 1.10.** where applicable, other financial considerations to the extent that they pose a particular and significant risk of financial harm to the pathway investors.

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.

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:

- 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
- consider and report on the Firm's reasons for not having a policy in relation to those considerations.

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 paragraphs 1.7 to 1.10.

- 1.11.** In relation to the GAA's remit of review, the GAA will raise with the Firm's governing body any concerns it may have in relation to any of the matters it has assessed or considered; or where the GAA is unable to obtain or has difficulties obtaining from the Firm the information it requires.
- 1.12.** Once a decision has been made by a Firm to offer a Pathway Investment, the GAA must raise any concerns:
  - 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;
  - on an ongoing basis in relation to the Pathway Investment it offers; and
  - will escalate concerns as appropriate where the Firm has not, in the GAA's opinion, addressed those concerns satisfactorily or at all.

The Firm shall:

- 1.13.** take reasonable steps to ensure that the GAA acts and continues to act in accordance with its terms of reference.
- 1.14.** 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.
- 1.15.** provide the GAA with sufficient resources as are reasonably necessary to allow it to carry out its role independently.
- 1.16.** have arrangements to ensure that the views of the Pathway Investors can be directly represented to the GAA.
- 1.17.** 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.
- 1.18.** 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.
- 1.19.** take all necessary steps to facilitate the escalation of concerns by the GAA.
- 1.20.** 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.
- 1.21.** fund independent advice for the GAA if this is necessary and proportionate.
- 1.22.** not unreasonably withhold from the GAA information that would enable the GAA to carry out its duties in its remit of review.
- 1.23.** provide the GAA with sufficient support and resources so that the GAA is properly able to carry out its duties in its remit of review;
- 1.24.** have arrangements for sharing confidential and commercially sensitive information with the GAA.
- 1.25.** use best endeavours to obtain, and shall 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 and information about costs and charges more broadly.
- 1.26.** 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.

- 1.27. make available the terms of reference for the GAA and the three most recent annual reports of the GAA in a way appearing to the Firm to be best calculated to bring them to the attention of Pathway Investors by placing them in an appropriately prominent and relevant position on its website and providing them on request to Pathway Investors.
- 1.28. 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.
- 1.29. review the continued appropriateness of the GAA over and 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.

## **2. Conflicts of Interest**

- 2.1. The GAA will act in the interests of Pathway Investors both individually and collectively. Where there is the potential for conflict between the individual and collective interests, the GAA should manage this conflict effectively. The GAA is not required to deal directly with complaints from Pathway Investors.
- 2.2. 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.

## **3. Membership**

- 3.1. Members of the GAA shall be appointed and removed by the board of PTL entirely at its discretion.
- 3.2. One member of the GAA will always be independent of PTL and Firms.
- 3.3. 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.

## **4. Quorum**

- 4.1. The quorum necessary for meetings shall be three members, the majority of which must be independent of the Firm.
- 4.2. The quorum necessary for the GAA to make decisions to discharge its duties shall be three members.

- 4.3.** 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.

## **5. Meetings**

- 5.1.** The GAA shall meet as necessary, and normally no less than four times a year, on dates to be determined in advance. Additional meetings may be convened if necessary, with 14 days' notice.
- 5.2.** Only GAA members shall have the right to attend meetings.
- 5.3.** Non-members are able to attend meetings by invitation only.
- 5.4.** In absence of the Chair, the GAA has the power to appoint a meeting chair.
- 5.5.** The GAA will appoint a secretary.
- 5.6.** The secretary shall minute the proceedings and resolutions of all meetings of the GAA.
- 5.7.** 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.
- 5.8.** 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.
- 5.9.** 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.
- 5.10.** Meetings of the GAA may take place in person or by telephone or video conference.

## **6. Chair and Annual Report**

- 6.1.** The board of PTL will appoint the Chair of the GAA.
- 6.2.** The Chair of the GAA will be responsible for the production of an annual report for each Firm by 31 July each year, in respect of the previous calendar year, which will set out:
  - 6.2.1.** the GAA's opinion on the value for money delivered by the Pathway Investment.
  - 6.2.2.** 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 paragraphs 1.7 to 1.10.
  - 6.2.3.** the extent to which the Firm has implemented its stated policies in relation to the consideration and matters in paragraphs 1.7 to 1.10.
  - 6.2.4.** how the GAA has considered the Pathway Investors' interests;
  - 6.2.5.** any concerns raised by the GAA within the Firm's governing body and the response received to those concerns.
  - 6.2.6.** how the GAA has sufficient expertise, experience and independence to act in Pathway Investors' interests.
  - 6.2.7.** the arrangements put in place by the Firm, to ensure that the views of Pathway Investors are directly represented to the GAA.
  - 6.2.8.** 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.
- 6.3.** The annual report detailed in Clause 6.2 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.
- 6.4.** If, having raised concerns with the Firm's governing body about the value for money offered to Pathway Investors by an Investment Pathway, the GAA is not satisfied with the response of the Firm's governing body, the GAA Chair may escalate concerns to the FCA if the GAA thinks that would be appropriate. The GAA may also alert Pathway Investors and make its concerns public.

- 6.5.** The Chair will raise with the Firm's governing body any concerns that the GAA has 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. If the GAA is not satisfied with the Firm's governing body, the Chair may escalate its concerns to the FCA if appropriate, and may make its concerns public.

## **7. Power to Appoint**

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

## **8. Policies**

- 8.1.** The GAA shall develop and document policies on:

- 8.1.1.** assessing value for money;
- 8.1.2.** escalating issues to the Firm, the FCA and beyond; and
- 8.1.3.** managing conflicts of interest.

## **9. Review of Performance**

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

## **10. Amendment**

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

- 10.1.** such change shall not at any time render the Terms of Reference inconsistent with FCA rules relating to GAAs; and
- 10.2.** 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.

## 11. Definitions

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

- “FCA”** means the Financial Conduct Authority
- “Firm(s)”** means a/the Investment Pathways provider(s) who has/have appointed the PTL GAA
- “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:	.....
Embark Corporate Services Limited	Signature:	 .....
	Name:	David Lowe
	Position:	Director
	Date:	8 April 2021