



Hargreaves Lansdown

**Independent
Governance
Committee**







Report

2022

YOUR WORKPLACE PENSION DASHBOARD FOR 2022

A committee of independent professionals (the “IGC”) has assessed whether your workplace pension plan gives you value for money. The key factors the IGC considered are summarised below, together with the IGC’s rating of each factor and calls to actions for members.



	VALUE FOR MONEY COMPONENT	RATING	CALLS TO ACTION
Investment strategy and performance	Are investment strategies appropriate and reviewed?		If you're getting close to retirement you should check the lifestyling approach set up by HL is right for you.
	Are investments performing well?		It's important to check your pension investments are right for your circumstances and goals. If you're holding a lot of cash in your pension, think carefully about whether this is right for you and ask for guidance or advice if you're not sure. You can get help by speaking to a financial adviser.
Communications, engagement and support	Are communications to members clear, appropriately targeted and accessible?		
Administration and service	Are financial transactions processed promptly and accurately?		
Other features	We considered other features that we thought relevant to value for money.		<p>Review how much you have in pension savings and make sure you (a) have enough to pay for the standard of living you want in retirement and/or (b) are paying in enough to fill any gap. You can speak to a financial adviser to help you do this.</p> <p>Before you take your pension, we strongly recommend you understand the options and check your chosen option is right for your circumstances. Take advice or guidance if you're unsure. The government provides a free and impartial service to help you understand your retirement options. Pension Wise is available online (www.moneyhelper.org.uk), by calling 0800 138 3944 or face-to-face.</p>
Costs and charges	Are the charges reasonable for the product?		







The IGC is satisfied that most members are receiving value for money from their workplace pension. The IGC has found a number of areas of strength in the Hargreaves Lansdown proposition, however, we have also found several areas for improvement. More detail can be found in our full report.

Saving to provide for retirement is one of the most important financial decisions you'll make. Good planning, the amount you contribute and the product and fund choices you make will all make a big difference to your retirement income. It's important to bear in mind when deciding how best to prepare financially for retirement that saving in a pension scheme offers valuable tax benefits to most of us that can considerably boost our retirement income.

YOUR INVESTMENT PATHWAYS DASHBOARD FOR 2022

A committee of independent professionals (the “IGC”) has assessed whether the Hargreaves Lansdown **Investment Pathways** give you value for money. The key factors the IGC considered are summarised below, together with the IGC’s rating of each factor and calls to actions for members.



	VALUE FOR MONEY COMPONENT	RATING	CALLS TO ACTION
Investment strategy and performance	Are investment strategies appropriate and reviewed?		Review the investment pathway you are in to make sure it is right for your circumstances. You can speak to a financial adviser to help you do this.
	Are investments performing well?		
Communications, engagement and support	Are communications to members clear, appropriately targeted and accessible?		
Administration and service	Are financial transactions processed promptly and accurately?		
Other features	We considered other features that we thought relevant to value for money.		
Costs and charges	Are the charges reasonable for the product?		

The IGC is satisfied that most members are receiving value for money from the **Investment Pathways**. The IGC has found a number of areas of strength in the Hargreaves Lansdown proposition, however, we also found several areas for improvement. More detail can be found in our full report.

Making choices at retirement is one of the most important financial decisions you'll make. These determine your future, and some decisions cannot be changed once they have been implemented. **Investment Pathways** have been created as a default option for people who have or want to choose drawdown without firstly obtaining financial advice.

CONTENTS

- 7** Introduction
- 8** Our conclusion on value for money
- 9** Workplace pensions: what we considered
- 22** Investment Pathways: what we considered
- 26** What we considered when doing the investment policies assessment
- 28** Understanding your views
- 29** HL and us
- 29** Limitation of our VFM assessment

- 30 APPENDICES:**
- 31** Why we're here
- 32** The members of the IGC
- 34** Value for money (VFM) framework
- 36** Costs and charges information

- 38 JARGON BUSTER**

Introduction

Hello and welcome to our 2022 report, which covers the 2021 calendar year. We'll tell you whether we think your workplace pension scheme and Investment Pathways give you value for money and our opinion on Hargreaves Lansdown's investment policies.



My name is Richard and I chair the committee (the Independent Governance Committee, or "IGC") that's written this report. Our main job is to assess whether you get value for money from your workplace pension schemes, and separately, on Investment Pathways. You can find how we did this and much more information on the background and role of the committee by reading the rest of this report. It's enough to say for now, though, that we're here to act only in your interests and that we're independent of Hargreaves Lansdown (who from now on I'll call "HL").

The report includes some important "calls to action". These are things you need to do to make the most of your pension scheme.

We've written the report for you, but we recommend you talk about it with a financial adviser.

Sometimes we've had to use industry jargon. Where we've done this, we've put the words in bold and given a definition in the jargon buster which you can find at the very back of the report.

We'd love to hear your views or comments on this report or your pension scheme. You can email us on IGC@hl.co.uk

Or write to us at;

FAO: IGC
Freepost HARGREAVES LANSDOWN

Thank you for reading this report.

A handwritten signature in black ink, appearing to be 'Richard Butcher', written in a cursive style with a long horizontal flourish extending to the left.

Richard Butcher
Independent Chair

Our conclusion on value for money

Our overall conclusion is that your workplace pension scheme and the Investment Pathways give most members value for money.

While the costs you pay aren't the lowest available on the market, our assessment is that they are, in our view, reasonable particularly when all the benefits provided to you are considered.



Workplace pensions: what we considered when doing our value for money assessment

In this section I'll tell you how we went about assessing value for money, the factors we considered and why we arrived at the conclusion.

VALUE IS MORE THAN JUST COST

Value for money has been defined by the National Audit Office as "The optimum combination of whole-life costs and quality". This is the definition we've worked to.

Because, however, there is a lack of perfect information about what's available and at what price and because some parts of the proposition are qualitative, what's "optimum" can only be theoretical.

Nevertheless, a value for money assessment must take account of the quality of the proposition as well as its cost and consider how that compares to what's available for equivalent schemes from other providers in the marketplace.

We've created a framework to analyse the value for money ("VFM") you get.

The framework helps us to make sure we consider the factors that contribute to **VFM** in a robust and consistent way. You can find more information on this framework, along with a full list of the factors we considered in Appendix 3.

Ultimately, the real value from your pension will be measured by you, based on what you receive when you need or want to start taking money out of it. Two of the most significant factors that'll influence that, however, are out of our control. They are what you and your employer pay into the scheme and the decisions you make just before you take the money – and that's why there are two calls to action here:

CALLS TO ACTION

- Review how much you have in pension savings and make sure you (a) have enough to pay for the standard of living you want in retirement and/or (b) are paying in enough to fill any gap. You can speak to a financial adviser to help you do this.
- Before you take your pension, we strongly recommend you understand the options and check your chosen option is right for your circumstances. Take advice or guidance if you're unsure. The government provides a free and impartial service to help you understand your retirement options. Pension Wise is available online (www.moneyhelper.org.uk), by calling **0800 138 3944** or face-to-face.

INVESTMENT STRATEGIES AND PERFORMANCE

Investment markets continued to be buffeted by the effects and economic impact of the COVID-19 pandemic. Despite market swings and a more prolonged path to the pandemic's economic impact, markets returned a solid performance in 2021. Except for a few sell offs, world markets rose 20% in 2021.

You'll be invested in either a "Default fund", one or more of the many other funds on offer or possibly holding your pension money as cash. Like many others, you may have selected funds from the "ABC fund range". In our Value for Money assessment, we looked at both the **Default funds** and the ABC range.

You can find out which fund you're invested in by logging in to your on-line account, or by calling or writing to HL.

THE DEFAULT FUNDS

The **Default funds** are:

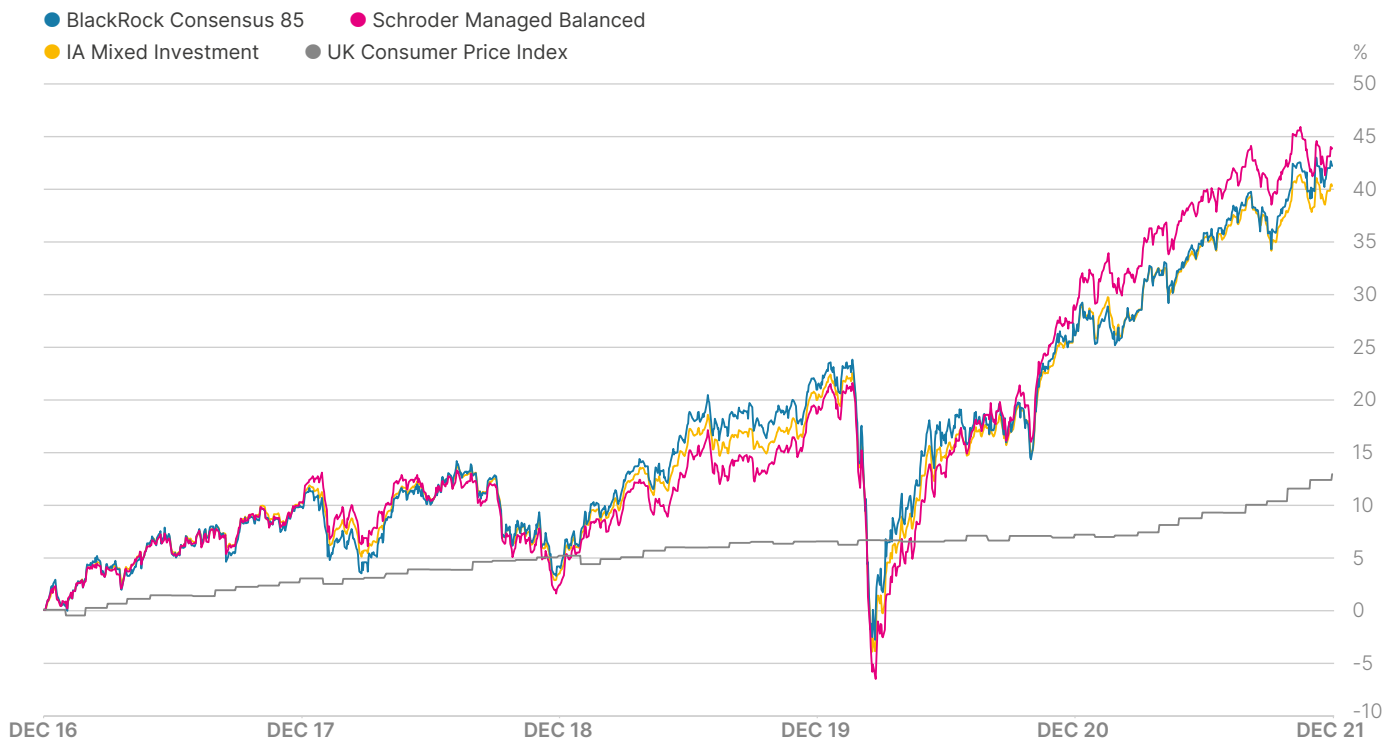
- **BlackRock Consensus 85** which aims to mirror the investment strategy of the average pension fund, specifically, the average fund in the 'ABI Mixed Investment 40-85% Shares Pension' sector. The rest is invested in bonds and cash.
- **Schroder Managed Balanced** which invests in a balance of shares, bonds, and cash. The fund is actively managed, trying to beat the markets it invests in. The fund can invest up to 85% in shares but has typically held less than this.

- **HL Growth Fund** is the new **Default fund** launched by HL on 15 Dec 2021. From April 2022 onwards, members' future contributions will be directed to this fund unless they have made an active investment choice previously. The fund invests across different assets such as shares, bonds, property, commodities, and cash. Shares make-up 70-85% of the fund, mostly in collective investments which track global markets. **ESG** is integrated into the process and at least 70% of the fund will be invested in indices with **ESG** requirements. The fund aims to deliver long term growth over rolling 10-year periods.

The **Default funds** aim to achieve a balanced investment outcome across shares, bonds and cash to lower the overall fund risk in relation to returns.

Cash has also historically been selected as a default option for a minority of you. It's important you review whether holding cash is appropriate to your long-term investment needs. Holding cash may be suitable if you intend to access the money from your pension in the short term but is highly unlikely to be suited if this is not the case.

DEFAULT FUND PERFORMANCE



Source: Lipper IM 31/12/2021

Past performance is not a guide to future returns



CALL TO ACTION

It's important to check your pension investments are right for your circumstances and goals. If you're holding a lot of cash in your pension, think carefully about whether this is right for you and ask for guidance or advice if you're not sure. You can get help by speaking to a financial adviser.

Fund performance

When reviewing fund performance, we looked at a number of measures, the funds against their benchmarks, how they have performed against competitors, our own test (see below) and output from a study conducted by a firm called Redington (see the Comparisons section later in this report). Redington were commissioned by a group of nine IGCs to conduct a comparative data study. They focused on key areas IGCs will use when assessing VFM, including member engagement, investments, access, service, and charges. We have used the study as part of our own VFM assessment to assist with drawing comparisons between the HL workplace pension scheme and others available in the market.

The graph on page 10 shows the performance of both the Blackrock and Schroder's **Default funds**. We have not included the new HL Growth fund as it launched at the end of 2021. Both **Default funds** performed well over the last five years compared to their benchmark (the IA Mixed Investment Sector 40-85%).

Turning to how the funds performed compared to the **Default funds** of other workplace pension schemes, we used performance data to 31 December 2021 produced by the independent company Lipper for a selection of providers we believe represents a good peer group for comparison. As you can see from the graph below, both **Default funds** performed broadly in line with their peers.

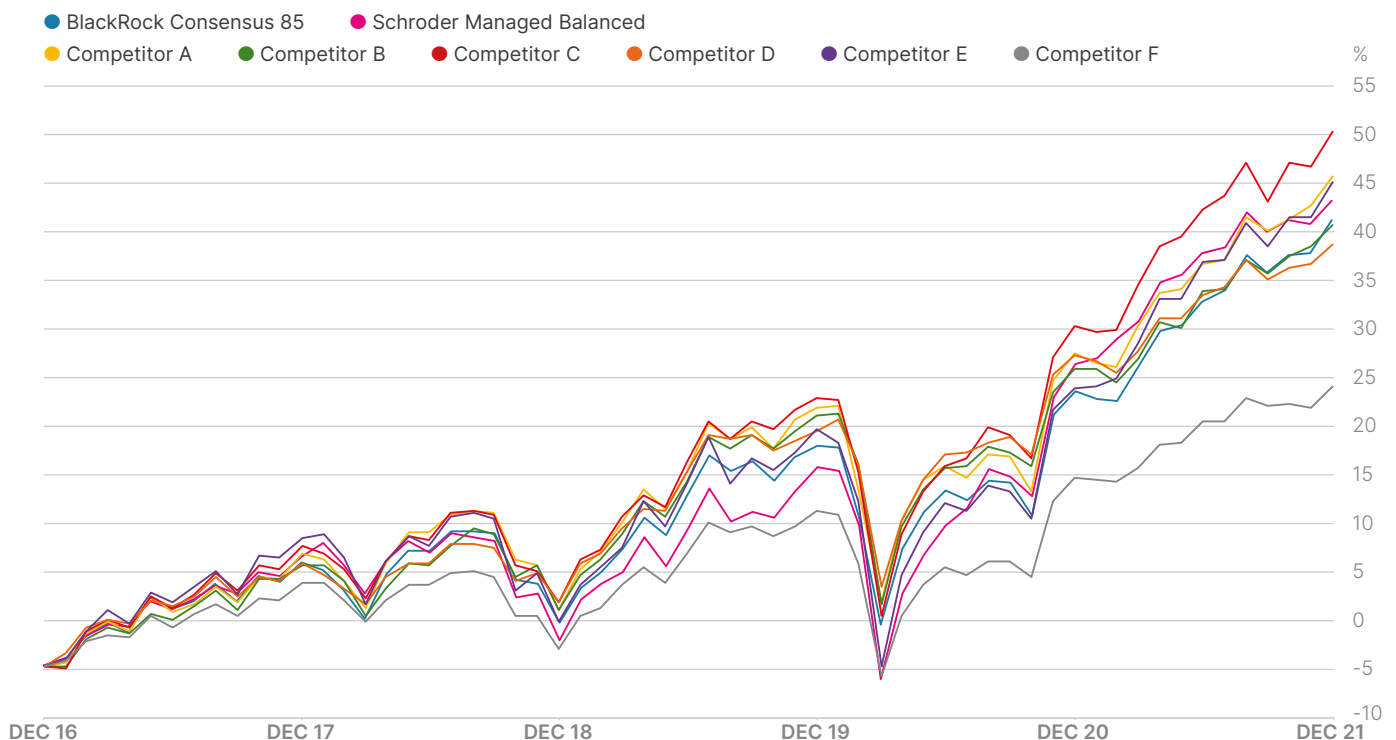
In addition, we assessed the output of the Redington study which reviewed the default funds and investment strategies across the nine participating firms. Against this measure HL funds performed well.

In last year's report we told you we had challenged HL to review its **Default funds** and proposition. We are pleased to report that HL has completed its default strategy review with the launch of the HL Growth Fund. The new **Default fund** will allow greater flexibility in how assets are allocated, provides improved de-risking (see later) in addition to making adjustments to the level of investment risk easier. We welcome the enhancements being made to the **Default fund** proposition.

We have however continued to challenge HL on the clarity of the aims and objectives of the **Default funds**, we believe these can be improved. We've challenged HL again to review these statements holistically and will report back to you on this next year.

In summary, we believe the **Default funds** are designed and executed in the interest of the members.

DEFAULT FUNDS vs COMPETITORS



Source: Lipper IM 31/12/2021

Past performance is not a guide to future returns

INVESTMENT STRATEGIES: ABC FUNDS

The HL A, B and C funds are designed with reference to the level of investment risk each can take: “A” stands for adventurous; “B” stands for balanced and “C” for conservative. In broad terms, the idea of the funds is that A is higher risk, C is lower risk and B is in the middle of the two.

- The **A** fund is the **Rathbone Global Opportunities fund**. This invests almost completely in company shares, including those of higher-risk smaller companies. Presently, the fund mainly invests in developed markets, such as the US, the UK and Europe.
- The **B** fund is the **Baillie Gifford Managed fund**. This invests between 40% and 85% of its value into company shares, although the managers of the fund are prepared to change where it invests depending on the economic outlook.
- The **C** fund is the **Troy Trojan fund**. This fund aims to grow ahead of inflation over the longer term, with less volatility than the broader global stock market or portfolio that’s mainly invested in shares.

The risk level typically indicates the chance that an investment’s actual return will differ from its expected return. This includes the possibility of losing some or all your original investment. Typically, the greater the investment risk taken, the greater the potential gains but also the greater the potential losses. By “gains” and “losses”, we mean the amount you see your pension investment increase or fall in value.

ABC FUND PERFORMANCE

The A and B funds have performed in line with their objectives, delivering returns after charges above their benchmarks. The charges are in line with our expectations for funds of each type. Do note that charges for these funds are higher than the Default funds (see Appendix 4 for information on Charges).

HL has reviewed the relevance and value of the ABC range. They replaced the previous C Fund (the BNY Mellon Real return fund) as part of their regular fund review process in December 2021 with the Troy Trojan fund which they felt was a better fit.

We, however, continue to challenge HL whether the names Adventurous, Balanced, Conservative were appropriate and whether the risk descriptions from these funds are accurate and clear, particularly in relation to the C fund.



RATHBONE GLOBAL OPPORTUNITIES vs SECTOR



BAILLIE GIFFORD MANAGED vs SECTOR



TROY TROJAN vs BENCHMARK



% GROWTH	DEC 16-17	DEC 17-18	DEC 18-19	DEC 19-20	DEC 20-21	DEC 16-21
Rathbone Global Opportunities	19.19	-1.28	25.22	30.28	19.25	128.92
IA Global Equity	13.80	-5.59	22.11	14.84	17.96	77.73
Baillie Gifford Managed	14.95	-2.61	21.27	33.87	4.34	89.64
Mixed Investment 40 - 85%	10.18	-6.11	15.96	5.22	11.17	40.31
Troy Trojan	4.14	-2.97	10.68	7.45	12.14	34.76
UK Retail Price Index	4.12	2.7	2.21	1.2	6.4	17.67

Source: Lipper IM 31/12/2021

Past performance is not a guide to future returns

INVESTMENT STRATEGIES: LIFESTYLING

As you approach retirement the scheme may automatically switch your investments in a phased way over a period to align them with how you'll take your benefits in retirement. This is a process called "lifestyling".

HL's approach to **lifestyling** has changed as part of its Default fund strategy review. If you have the Lifestyling option switched on, your pension will gradually be moved into BlackRock MyMap4 fund during the ten years approaching your selected retirement age.

BlackRock's MyMap4 aims to grow your money over a 5-year period, while also keeping the risk below that of the **Default fund**. The purpose is to try and limit the risk of your investment falling in value compared to when investing in the **Default fund**, although there are no guarantees. Blackrock invest less of the fund in the stock market compared to the approach taken by the **Default funds**. Typically, around half of the fund is invested in company shares, with the remainder invested in lower risk assets such as bonds issued by companies and governments. Blackrock will change the exposure to higher risk investments depending on stock market conditions, adding more protection when things are less certain, and increasing exposure to shares when conditions allow.

The previous HL **lifestyling** strategy moved your investments into cash five years before your selected retirement age. If you have less than 5 years to retirement currently and have already moved into the previous **lifestyling** strategy of cash, this will continue unless you actively choose to move into BlackRock MyMap4.

You do also have the flexibility to increase or reduce the ten-year timescale and switch into other funds instead of cash or BlackRock MyMap4.



CALL TO ACTION

If you're getting close to retirement you should check the **lifestyling** approach set up by HL is right for you.

We welcome the improvements and enhancements to the **lifestyling** options.

We meet regularly with the investment team and we're satisfied the characteristics and net performance of the funds are regularly reviewed by HL to ensure alignment with your interests and that they take action to make any necessary changes.

We're happy the review process is effective although actions that follow the reviews are still not carried out quickly enough. We've continued to challenged HL about this.

In summary, we believe the **lifestyling** options are designed and executed in the interest of the members.

COMMUNICATIONS, ENGAGEMENT AND SUPPORT

During your life you'll have some very important decisions to make about retirement saving and HL has an equally important role to play in helping you to make those decisions and, more generally, in raising your awareness on pension matters.

The decisions you'll need to make include:

- whether to join or remain in the pension scheme offered by your employer
- how much money to pay into your scheme
- where to invest your savings
- what to do as you get close to retirement and
- what to do when you choose to take your retirement benefits

Our focus has been on whether HL's approach is based on promoting better retirement outcomes for you.

HL tells us it's solution is designed to deliver significantly higher member engagement than what's on offer elsewhere in the pension industry and we wanted to test that.

As part of our VFM assessment we looked specifically at the process HL follows to prepare the communications sent to you. We also considered several aspects of communications, engagement and support:

- HL's Workplace Financial Education programme
- the [key communications you'll receive](#) at various times from HL
- the support given to vulnerable customers

Communications process

We reviewed HL's three-stage process for producing member communications which HL calls "discovery", "control" and "measurement".

In the first stage – discovery – HL says it's guiding principle is that, for you to achieve a good outcome in retirement, it's necessary for you to engage in the retirement planning process. We agree wholeheartedly with this as a principle and have been pleased to see evidence that HL has invested significantly in initiatives to support you to engage in your retirement planning. HL quantifies this by considering several factors indicating the extent to which you're actively engaging, such as whether you have logged in to your account in the last year. HL's latest statistics show 80% of you are currently engaging in some way. We're particularly pleased to see that, in 2021, more than half of you are paying contributions above the required minimum. This is very encouraging – the contribution you pay is the single most important decision you make about retirement saving.

In the second stage – control – HL seeks to follow a process which ensures that all the content is relevant, concise and compliant. Our review of this process showed it to be both robust and thorough.

In the third stage – measurement – HL carries out tracking, for example of response rates, to monitor communications for their effectiveness. HL often tests different versions to learn from the findings as to what works best in terms of engagement.



We also reviewed the multiple channels and communication tools used by HL to communicate with you. These may be emails, postal mailings, web pages, videos, factsheets, articles and onsite meetings (where HL specialists may attend sessions at your place of work).

Finally, we looked at the communication between HL and your employer. Your employer has a potentially important role to play in supporting you, and research shows they are often the most trusted source of pension information, so the material provided to them by HL is an important part of the whole process.

In summary, our assessment was that, in the main, the communications to you are fit for purpose and properly consider your likely characteristics, needs and objectives.

Workplace Financial Education programme

HL has developed a wide range of tools to help educate and engage you. At the heart of this is HL's "financial wellbeing" programme where a team of specialists deliver live group presentations (albeit these were necessarily suspended during Covid lockdowns), webinars and one-to-one meetings. HL's aim is to see most people on a one-to-one basis to allow them to discuss their own personal financial circumstances.

During 2021, just short of 15,000 members attended a Financial Wellbeing webinar. And, in 2021, over 4,700 attended an individual one-to-one session.

HL's own feedback is that this programme is highly valued.

We believe that initiatives such as this go a long way to explaining why HL is achieving the levels of engagement at 80% noted earlier and so significantly contributes to the value you get from your scheme.

Key communications

The communications from HL are many and varied. In 2021, for example, 645 bespoke ad-hoc member communications were created for employer distribution. We noted that around 80 of the standard communications were amended in 2021 to improve the "tone of voice" and simplify the language used. We also recognised that HL made several changes in 2021 to improve the accessibility of communications – these included the likes of a change in font (to improve readability) and the use of strong contrast colour palettes (to make it easier for visually impaired users).

We've focused here on those communications which relate directly to the important decisions you need to take. We've assessed whether the communications to you are fit for purpose and properly consider your likely characteristics, needs and objectives. We've focused on the clarity of the communication including its visual appearance.

Default fund

The way that HL describes the **Default funds**, and in particular their aims, objectives and the risks, is extremely important in helping you to choose where your money is invested.

We've had some reservations in the past about how this was being done. We noted in last year's report that HL was reviewing the **Default funds** and so we would return to this in this report.

The new **Default fund** was launched in 2021. All of you were contacted advising of the change. And we noted that HL conducted several user experience testing sessions prior to creating the communications about the change to the **Default fund**.

We do however continue to harbour some concerns in this regard and believe that more could be done by HL to help you. This is something that we will continue to press HL on.

Lifestyling

Another important aspect is **lifestyling**.

We're satisfied with the way that **lifestyling** is communicated to you, both in the welcome pack you receive when you join the scheme and when you're approaching retirement.

Periodic communication

HL sends you communications periodically. You'll, for example, receive an annual illustration setting out how your savings are performing, what their estimated value is at your retirement and monthly newsletters and investment reports.

HL also sends communications to you to highlight the importance of specific aspects of your pension – such as getting online, logging in to keep track of your savings and transferring previous pension policies.

As you approach retirement, there are some important decisions you need to make. We therefore specifically assessed the support provided to you at this time by HL: a Fifties Retirement Planning guide together with a series of letters; a turning 50 letter; reminders; a six months to retirement letter; and a two months to retirement letter.

Finally, we looked at the communications sent to you around the time you make decisions on how you'll access your savings.

Overall, we considered the periodic communications sent to you by HL to be comprehensive and fit for purpose.

Website

HL's website has become an increasingly important medium for communicating with and supporting you. As well as the main website, HL also delivers scheme microsites which contain bespoke content for your specific pension arrangement. HL launched 133 new scheme microsites in 2021.

Our VFM assessment focused on the functionality provided on the website, including the range of online tools and calculators available to assist you with your decision making.

We considered that the quality of the website and the online functionality was good.

Vulnerable customers

A vulnerable customer is someone who, due to their personal circumstances, is especially susceptible to harm, particularly if HL does not act with appropriate levels of care. The characteristics of vulnerability can include poor health (such as mental impairment), a significant life event (such as a bereavement or taking on new caring responsibilities), a low ability to cope with financial or emotional shocks and low or poor literacy or numeracy skills.

It's important that vulnerable customers are protected and treated fairly.

The evidence we saw confirmed that this was the case.

Comparative data study

One of the areas assessed in the comparison with other product providers was that of engagement. The principal focus was a review of core communication material.

The Redington study found that HL's communications were easy to follow and well designed.

We think it is important that product providers track the actions taken by members in order to measure the impact of communications, and we were pleased to see that HL was one of the few providers to confirm that they do this. HL's ability to measure actions was seen to be a clear strength, and the evidence pointed to HL's communications having a positive impact on engagement.



Future development

HL has shared with us their plans for how they intend to further develop their offering around communications, engagement and support. These include testing new ways of communicating – for example videos, podcasts and social media. We will continue to monitor and evaluate these developments and cover them in future reports.

CONCLUSION

Our overall assessment of the communications, engagement and support provided by HL is that they're fit for purpose and properly consider your likely characteristics, needs and objectives.

The continuing reservations we have about how the default fund is described have been shared with HL and they have said they will consider these concerns.

We've been particularly impressed by HL's investment in the important area of engagement, and the evidence points to the delivery of some very real benefits.

ADMINISTRATION AND SERVICE

Your pension savings are one of your most important and largest assets. When you need to interact with your scheme, it's critical you achieve what you've come to do smoothly, efficiently and securely, whether you choose to use the website or to speak to someone, whether you're adding money, changing your address or taking your benefits.

We all know poor administration and service when we experience it. Our terms of reference require us to assess whether HL processes core financial transactions promptly and accurately. To help us make this assessment we consider a wide range of factors, including:

- the accuracy of their service,
- whether they complete activities in an appropriate timeframe,
- whether administration is automated or requires intervention by a person – which increases the risk of human error and
- whether HL independently assesses the controls they have in place to ensure their administration is working correctly

We also assessed more generally the quality of the service they provide to you. To help us make this assessment we considered, amongst other factors:

- how well HL protects you against fraud and scams
- how happy people say they are with HL's service
- whether your data is kept secure
- the support given to members being auto enrolled into a pension scheme, and
- the level of complaints HL receives about their service

CONCLUSION

Our assessment is that HL provides good administration and service, but there are clear areas of strength and areas where improvement is required.

HL was able to evidence that where they hold or receive money that is to be transferred, invested, or paid out, they process these transactions promptly and effectively. However, we noted that the "end-to-end" experience you may have can appear different. This is because some processes rely on other parties (for example, another insurance company or provider) who may not be as prompt or efficient as HL.

We specifically want to call out the effort HL goes to protect you from fraud and scams. HL has a strong set of internal measures to protect you including a dedicated fraud strategy. HL participates in several industry initiatives such as the Investment Association's Brand Cloning Working Group and Financial Crime Committee.

In response to a new regulation that came into effect in November 2021, HL has revised their approach to performing checks on pension transfers, with a pre-approved list of providers which have been assessed as presenting a very low risk of fraud. Transfers to pension providers not on this list are subject to a much higher level of scrutiny to protect clients.

HL also provides an Online Security Centre for clients (and non-clients) which provides information on existing threats, red flags and actions that you should take to protect yourself from fraud.

HL receives generally positive feedback from clients, but there is room for improvement. 83% of clients would recommend HL's services, and 68% of clients said their overall experience of their HL workplace pension was good or excellent.

HL has experienced a very low number of data protection incidents which have had minimal impact on clients. Alongside this, HL is increasing the resources dedicated to monitoring their data protection controls and outsourcing more client contact and mailing activities to specialist providers to improve efficiency and reduce risk.

We reviewed how HL carries out the administration of your savings. Many of the more commonly used processes are carried out in a fully automated way (known as "Straight Through Processing" or "STP") which increases effectiveness and efficiency but there are significant numbers of other processes which rely on manual intervention increasing the risk of human error and increasing the costs of providing these services. HL has announced a significant investment into the business (discussed further below), promising to improve the level of automation in administrative processes. We'll continue to monitor this to ensure progress is made.

HL has an internal audit function to monitor the effectiveness of controls within the business. This team focus on the areas which HL believes represent the greatest risk to the business and you their clients. The work of the internal audit team has been reviewed by an external independent provider and found to be effective. Additionally, there is direct external independent checking of some controls, including cyber security and keeping your assets safe.

CHOICES AT RETIREMENT

When you come to access your savings, you'll likely have a wide range of needs. HL offers all the main retirement options which are available, both with and without financial advice.

If you're looking for some or all of your income to be guaranteed, then you will want to consider an "annuity" (an annuity is an insurance policy that will guarantee to pay you an income for life. You can buy annuity policies that increase year on year and or include minimum payment guarantees). HL offers an annuity service where they shop around all the providers in the market on your behalf. An important part of the service involves encouraging you to provide health and lifestyle information to see if you qualify for a higher rate of income. The active support that HL provides in this regard meant that in 2021 more than 90% of applications did receive a higher rate of income. This is a very welcome result which is significantly higher than the market average.

If you wish to consider a higher risk retirement option, then HL also provides flexible income options called drawdown. We are satisfied that HL communications in general appropriately reflect this risk. To help protect people moving into drawdown without the benefit of financial advice, the regulator introduced Investment Pathways with effect from February 2021. Investment Pathways are a very important development and are covered in detail in a separate part of this report.

OTHER FEATURES

There are some features of what HL provide that don't fit neatly into the other categories listed above but are essential to the smooth running of your savings.

Governance

As well as being sustainable, secure businesses, pension providers like HL can safeguard against things going wrong in the first place by ensuring they have robust governance and risk frameworks in place as well as the right people managing and overseeing their operations.

Our assessment was HL does have robust governance and risk frameworks in place as well as the right people managing and overseeing their operations.

Other benefits

HL is a large business offering a wide range of services. By being a workplace pension member, you can also benefit from a variety of other features and benefits.

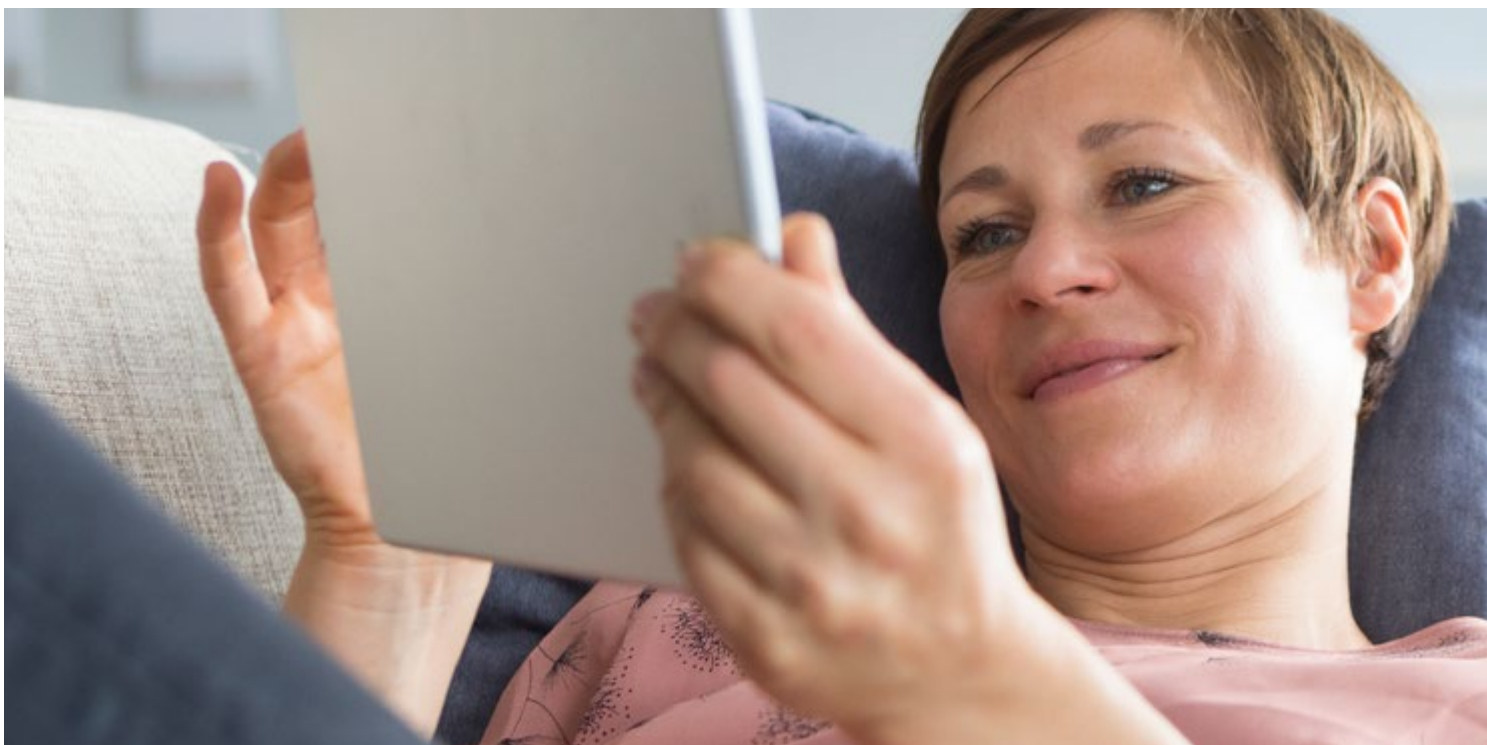
Our assessment was HL provided other benefits that may be of use to you.

Sustainability and ongoing investment into developing the proposition

The sustainability of HL as a business is crucial as you're trusting them to look after your savings for years to come. HL's financial stability also impacts on its ability to invest in improvements to the service you get and to ensure your savings keep pace with whatever changes occur in the future.

Our assessment was HL is a sustainable and stable business.

In last year's report we set out that although we had seen evidence of investment in developing the proposition and of a strategy for the wider proposition, they didn't appear to have a strategy for investing in improving the proposition. We had challenged HL to develop a proposition investment strategy.



They have done this, announcing a £175m 5-year investment, and our assessment is that, providing they see the strategy through, we should see the VFM you get improve further. We'll continue to monitor the implementation of this investment to ensure it delivers the promised benefits.

Reputation

Reputation is important when considering value for money as it impacts on your likelihood to contribute to your pension; you're more likely to feel comfortable contributing to a firm with a good reputation.

This being the case, we considered whether there are any negative or positive aspects of HL's reputation that members should be aware of.

HL has a robust approach to managing its reputation. It regularly reviews and considers a number of measures that impact its reputation, including:

- investor confidence
- how likely clients are to recommend HL (known as the Net Promoter Score)
- performance of client service teams
- how satisfied clients are with HL's service
- how satisfied employees are working at HL
- traditional press
- social media, and
- review websites such as Trustpilot and Google

In most areas HL has seen considerable improvement since the challenges faced involving the closure of the Woodford Equity Income fund in 2019, but some measures haven't returned to the levels seen before the closure.

Overall, our assessment was that HL has a good reputation and has an effective internal process to manage its reputation.

Cyber Security and Robustness of IT Systems

HL needs to provide secure IT infrastructure to keep your savings and the administration processes they use safe from cyber-attacks.

We were provided with a variety of evidence to show the robustness of HL's approach to cyber security, such as adhering to external standards and external reviews of HL's approach. This external assessment has been reviewed at the most senior level of HL's management, showing the seriousness with which they take cyber security.

We're confident HL manages cyber security well, but this is a complex area and HL is unable to be as transparent with us as they are on some areas, reducing the scrutiny we are able to provide. We are considering whether to ask an independent external expert to review HL's approach to cyber security on behalf of the IGC to gain additional assurance next year.

We were only provided with limited evidence on HL's approach to ensuring the robustness of their IT systems. This makes it difficult to assess the appropriateness of this approach. The limited number of incidents give us comfort that this is not a significant risk to you, but we are again considering whether to ask an independent external expert to review HL's approach on behalf of the IGC next year.

HL also needs to provide robust IT systems so that your savings can be managed in an efficient and timely way.



In last year's report we set out that HL had suffered a significant problem with its IT systems on 9 November 2020 following the announcement of the success of trials of a vaccine that was effective against coronavirus. That issue was resolved, but we'd not received sufficient evidence to show how many smaller incidents had occurred and what preventative measures were in place to stop issues occurring again. Since then, HL has been providing us with quarterly IT reporting on incidents and how they are resolved. We are now satisfied HL has robust IT systems.

COSTS AND CHARGES

Every investment, including an investment within a pension, has a cost.

There are many kinds of cost and charge, but they'll have one thing in common: the money is coming out of your savings.

What you're paying for is the management of your savings and the underlying investments. These charges can include platform fees, investment management fees and other expenses.

Why are costs and charges important?

Costs and charges can add up, compounding along with your investment returns. This means you aren't just losing the amount of money you have paid, but also any growth that money might have had if it had stayed in your savings into the future.

The UK Government has set a cap on charges for all **Default funds** within workplace pension schemes of 0.75% of the value of an individual's pension savings each year. HL's **Default funds** are subject to this charge cap. It's important to note that **transaction costs** aren't included within the calculation of the charge cap.

We've analysed the costs and charges applicable to the **Default fund** and ABC funds.

The costs and charges for all the funds and investments offered through HL, including for the Default fund and ABC funds are available on their website here: www.hl.co.uk/funds

You can find information on the costs and charges in Appendix 4.

Although it's important that you understand what you're paying in costs and charges, it's equally important to know the returns achieved by each of the funds after costs and charges have been taken out. Ultimately, this "net return" is one of the key determinants of value for money.

Our assessment was that the costs and charges were, in our view, reasonable. We have however rated this as amber as the addition of the platform charge makes the overall charges relatively high compared to other workplace schemes in the market.

COMPARISONS WITH OTHER PENSION SCHEMES

During 2021 the Financial Conduct Authority (or FCA) changed their rules requiring us to compare what you have with other similar arrangements.

Before doing this comparison, we considered whether it would also be appropriate to compare your pension with one you could buy for yourself. We decided against this as the comparison wouldn't be entirely valid (the individual and workplace markets are quite different, not least in relation to the charges that apply), would require a disproportionate amount of work and, probably, produce little useful data.

Across the market there are around 30 providers of schemes like this one, and about a dozen of them are large enough to have an IGC.

Nine of these providers, including HL, participated in a research study, carried out by a firm called Redington, which analysed data across their schemes. We thought this was a robust, useful, reasonable and proportionate way to satisfy the new rules. In particular, taking part in this study meant all of the providers had to disclose qualitative data that would not have otherwise been available to us.

Our aim was to assess whether what you and your employer were getting from HL was good value for money compared to what could have been obtained elsewhere.

To ensure we could do this, where relevant we looked at data from the survey for other pension schemes similar in size to yours, by reference to the number of members and the total asset size (referred to as "comparable cohorts"). We did this because scheme size is the key determinant of the price you pay.

The study gathered data on how they engage with their members, investment performance, how you can access your savings when you want to, their administration service and their charges, i.e. various components that contribute to value for money. To be clear the study did not capture or use any member data.

The output of the study was a report which allowed us to compare your scheme and how it performed against similar sized schemes provided by those who took part in the study and we used that data to inform our conclusions.

Who are Redington?

Redington are the firm we, along with nine other IGCs, commissioned to carry out the comparative data study. They are independent of all of the IGCs and insurance companies who took part in the survey. Their particular expertise is in investment consultancy but, over the last number of years, they have gained significant knowledge of workplace pension providers through supporting IGCs with this sort of analysis.



Investment Pathways: what we considered when doing our value for money assessment

In this section I'll tell you how we went about assessing value for money, the factors we considered and why we arrived at the conclusion.

The pathways are four investment strategies (see below) that can be used for those starting to drawdown their benefits. Investment Pathways were launched by HL on 29 January 2021.

We've created a framework to analyse the value for money ("VFM") you get.

The framework helps us to make sure we consider the factors that contribute to VFM in a robust and consistent way. You can find more information on this framework, along with a full list of the factors we considered in Appendix 3.

Ultimately, the real value from your pension will be measured by you, based on what you receive when you need or want to start taking money out of it. One of the most significant factors that'll influence that, however, is investment performance and particularly so as you get close to retirement – and that's why there is a call to action here:

CALL TO ACTION

Review the Investment Pathway you are in to make sure it is right for your circumstances. You can speak to a financial adviser to help you do this.

WHAT ARE INVESTMENT PATHWAYS?

Investment Pathways ("pathways") are a set of investment options launched by HL in January 2021 to help you make investment decisions close to when you draw or when you're drawing your benefits. There are four pathways depending on what you intend to do:

Pathway 1: for people who have no plans to touch their money within the next five years.

Pathway 2: for people who plan to take a guaranteed income (an "annuity") within the next five years.

Pathway 3: for people who plan to start taking a long-term income within the next five years.

Pathway 4: for people who plan to take out all of their money within the next five years.

INVESTMENT STRATEGIES

We thought the pathways have been designed and are managed in your interests. We also thought they had clear statements of **aims and objectives**.

The pathways were designed based on a set of assumptions about the **aims and objectives**, risk appetite and the capacity for loss of those who would invest in them. Following the launch of HL's pathways, HL has spoken with a sample of clients who have used them, and all confirmed they understood the pathway they had selected in terms of its **aims and objectives** and the risks associated with it. This is a positive outcome and, while the volume of users is presently low, this is evidence that the assumptions made by HL at the development stage of their pathways have been proven appropriate.

Part of our VFM assessment included comparisons with a range of reasonably comparable pathways offered by other investment platforms and pension providers (referred to here as “comparators”). We selected a small number that we deemed sufficiently similar to make the comparison useful, including those which could potentially offer better value for money. Throughout the following sub-sections, we have drawn out our findings with regards this comparison exercise.

REVIEW OF PERFORMANCE AND ALIGNMENT WITH YOUR INTERESTS

We reviewed the performance of the pathways in this reporting period, taking into account the following:

- Gross (before charges) and net (after charges) performance, including risk-adjusted performance
- Consistency with underlying investment/asset’s objectives
- Performance relative to benchmark and peers

Net performance against the respective benchmarks is shown in the table below:

INVESTMENT PATHWAY	% GROWTH 31/12/2020 TO 31/12/2021
Pathway 1 – BlackRock MyMap 4 (note 1)	7.93%
Pathway 2 – Fidelity Pre-Retirement Bond Fund (note 2) ICE BofA Sterling Non-Gilt TR	-3.93% -3.03%
Pathway 3 – Baillie Gifford Multi Asset Income Fund UK Consumer Price Index	9.98% 5.39%

Notes:

1. Blackrock MyMap 4 does not have a benchmark.
2. Fidelity describes the benchmark for the Pre-Retirement Bond fund as a “comparative index”, which effectively means there is no benchmark as it will tend to go down when annuity rates go up, and still meet its primary objective.

During our comparison exercise, where possible, we looked at longer term returns over 3 and 5 years, however this was not available for many of the pathways.

One of the key challenges with the comparison exercise was that, while we sought to select relevant comparators, we found there was significant variation between the pathway providers’ investment strategies for each of the individual pathways, including the investment objectives and targeted risk and volatility levels. This made it almost impossible to compare on a like-for-like basis.

However, having assessed all the data points specified above, we thought the HL pathways performed as expected and compared well to the selected comparators.

Additionally, we are satisfied that HL regularly reviews the characteristics and net performance of the investment strategies of each pathway. Within HL’s review and governance processes is the ability for them to make changes to any of the strategies if required, however the outcome of the primary round of reviews did not necessitate this.

CORE FINANCIAL TRANSACTIONS

We reviewed the administrative performance of the pathways for the reporting period and found it to be satisfactory. They achieved all their Service Level Agreements (the performance targets set for processing core financial transactions).

CHARGES AND INVESTMENT COSTS

We thought the level of charges for each of the pathways reasonable.

HL also compared favourably with other pathways. HL’s and the highest and lowest comparators are shown here:

INVESTMENT PATHWAY	CHARGE POSITIONING	TER
Pathway 1 – BlackRock MyMap 4	Lowest charge:	0.10%
	Highest charge:	0.50%
	HL’s charge:	0.14%
Pathway 2 – Fidelity Pre-Retirement Bond Fund	Lowest charge:	0.07%
	Highest charge:	0.88%
	HL’s charge:	0.15%
Pathway 3 – Baillie Gifford Multi Asset Income Fund	Lowest charge:	0.10%
	Highest charge:	0.42%
	HL’s charge:	0.30%
Pathway 4 – Cash (note 1)	Lowest charge:	0%
	Highest charge:	0.50%
	HL’s charge:	0%

Notes:

1. Pathway 4 had the greatest variance on charges, largely due to HL’s selection of cash, versus other providers utilising investment funds. For those using the latter, the second lowest charge in this group was 0.10%.

The comparison was made using the Total Expense Ratio (“TER”). The TER represents the annual costs relating to the management of an investment fund. These costs consist primarily of management fees and additional expenses, such as trading fees, legal fees, auditor fees, and other operational expenses. However, the TER excludes transaction costs (the expenses incurred when buying, selling, borrowing or lending the underlying assets within an investment fund) and any costs associated with the provider’s infrastructure, namely a platform fee. Not all providers will charge a platform fee, but HL does.

HL's platform fee is tiered as shown in this table:

TIER	PLATFORM FEE
Savings up to £250,000	0.45%
Savings between £250,000 and £1m	0.25%
Savings between £1m and £2m	0.10%
Savings above £2m	No fee

This tiering means, for example, someone with £50,000 invested will be charged 0.45%, someone with £400,000 will be charged the equivalent of 0.375%, someone with £1.25 million will be charged the equivalent of 0.26%, and someone with £2.5 million will be charged the equivalent of 0.16%.

When the platform fee is added to the TER of each pathway, the result is a higher cost in each case, with the exception of pathway 4, as HL does not charge the platform fee on cash. We completed our comparison using publicly available information and it was not always clear how a provider's charges were broken down. Some of the comparators we used charged platform fees in addition to the TER and some did not. This created one of several challenges in completing our comparison exercise. However, we felt that HL's charges were competitive on the whole.

Details of HL's platform fee can be found in appendix 4, along with the charges and transaction costs for the pathways.

COMMUNICATIONS

We reviewed the communications to assess whether they were fit for purpose and properly considered the characteristics, needs and objectives of the pathway investor. Broadly, we found they met these requirements.

We reached this conclusion based on HL providing their clients with the following:

- Relevant communications to clients targeted at specific points in their retirement journey.
- Useful tools and support on the HL website, including:
 - A drawdown calculator which helps someone determine how much they can afford to take as income from their pension.
 - Signposting throughout the retirement pages, including a comparison of the main options for accessing a pension, outlining the pros and cons of each.
 - Detailed information on the pathways covering how they work, the risks associated with each, and links to the technical documents and charges.

We were not able to compare client communications with those of other pathway providers because these were not publicly available. We were however able to directly compare the information available on each of the providers' websites, which showed a large variance in how information is being displayed and what tools are being made available to potential pathway investors to help them with their decision-making.

There was also a big difference between the ease of locating the pathway pages in the first instance, with some having pathways as a link from their website home page (often in a drop down from the top bar/menu) and others having buried it deeper in their retirement pages. HL's pathways page is accessed via their drawdown page. However, in most instances (and in the case of HL), a search for "Investment Pathways" in the home page search bar located it immediately.



More important was the ability to obtain the relevant information on the pathways once they had been located on the website. This proved surprisingly challenging in the case of some of the providers, where there were no obvious links to the investment strategy, risk, or charges information from the headline descriptions of each of the pathways. This was not an issue for HL as all the information was on one webpage.

Risk messages are an important element of any product or investment strategy description, and we found this was an area with the greatest divergence across the pathway providers. The aim should be to provide a general overview of the risks associated to those financial products so that investors are reasonably able to understand their nature and associated risks and, consequently, make informed investment decisions. What we saw was evidence of an over-reliance on standardised risk descriptions, for example those found in the key investor information document, and statements such as “The market may fall as well as rise which means you could lose some or all of your investment”. The difficulty with these descriptions is they are used to excess across investment marketing and therefore risk being overlooked by investors. In some cases they were also under a heading of “Things to consider”, rather than a more obvious and meaningful title including the word “Risks”. We felt HL’s descriptions were more useful than many of the comparators, offering a breakdown between risk and volatility (a measure of how much an investment is likely to experience periods of unpredictable, and sometimes sharp, positive and negative price movements) for each pathway.

COMPARISONS WITH OTHER INVESTMENT PATHWAYS

During 2021 the Financial Conduct Authority (or FCA) changed their rules requiring us to compare what you have with other similar arrangements.

Pathways are a new concept, with most providers launching theirs late in 2020 or early in 2021. HL launched in January 2021. As a result, at this stage, there is little public information on how they operate or are performing. Additionally, although one or two commercial data studies were proposed nothing has been launched to market to help IGCs carry out this comparison.

For this reason and accepting the resultant limitations, we decided to commission HL to carry out a survey on our behalf. We’ll revisit this decision before we carry out next year’s value for money assessment.

Our aim was to assess whether what you were getting from HL was good value for money compared to what could have been got elsewhere from a provider with a similar proposition.

The study gathered data on how they engage with their members, investment performance and charges, i.e. various components that contribute to value for money. To be clear the study did not capture or use any member data.

The output of the survey was a report which helped us to compare the HL pathways and how they performed against propositions provided by the other similar firms and we used that data to inform our conclusions.



CONCLUSIONS

Our conclusion was that HL’s Investment Pathways give you value for money.

LIMITATIONS OF OUR ASSESSMENT

While we’ve assessed the value for money provided by the pathways, we haven’t, unless you’re invested in an HL workplace pension, assessed the value for money of your pension policy – that is the pension you were invested in immediately prior to choosing an Investment Pathway.

If you’re in a workplace pension, you should read the rest of this report which sets out our assessment of its value for money.

If you’re in a non-workplace pension, you can speak to a financial adviser to help you do this.

What we considered when doing the investment policies assessment

In this section we'll tell you how we went about assessing the quality and adequacy of HL's investment policies on Environmental Social and Governance (or "ESG") matters, Non-financial matters and Stewardship.



We were given additional responsibilities in 2020, which included a duty to consider and report on the adequacy and quality of HL's policies on Environmental, Social and Governance (or "ESG") financial considerations, non-financial matters, stewardship and other financial considerations, as well as how these policies have been implemented. If they don't have these policies, we need to examine the reasons for that.

Let's start by first looking at what these terms mean.

ESG

ESG financial considerations are factors related to the way companies operate. This is important because your savings are invested in funds which invest in companies and those companies need to operate in a sustainable way if they are to give you a good return over time. Examples of ESG criteria include:

- Environmental factors: a company's impact on climate change, its carbon emissions and its conservation efforts
- Social factors: a company's attitudes to human rights, equal employment opportunities and community development
- Governance factors: a company's anti-corruption policies, the diversity of its board members and approach to executive remuneration.

NON-FINANCIAL CONSIDERATIONS

Non-financial matters are factors which might influence investment decisions that are motivated by ethical concerns, such as improving quality of life or showing disapproval of certain industries. Although the financial case for making an investment is a vital part of the decision-making process, non-financial factors can also be important to some people.

STEWARDSHIP

Stewardship relates to the way a pension provider or fund manager engages with the companies in which they're investing to encourage positive change, such as on matters involving corporate strategy and culture, their efforts on reducing climate change and workplace policies and practice.

OTHER FINANCIAL CONSIDERATIONS

When saving into a pension it's likely you'll be invested for a long time and so will be exposed to longer-term financial risks. References to other financial considerations may include risks in relation to interest rates, liquidity, concentration, exchange rates, politics and counterparties.

CONCLUSIONS

Throughout 2020 and 2021 we spent time discussing HL's policies. As at the end of 2021, however, they had not been finalised in writing and so, we were unable to complete an assessment on their quality and adequacy. Therefore, we conclude that in 2021 HL didn't have formalised policies in place for ESG financial considerations, non-financial matters, stewardship and other financial considerations.

HL has told us the reasons these policies aren't yet in place which can be summarised as follows:

- Different parts of the HL group have been operating separate policies, or where no policy exists, under separate principles, in relation to these considerations and matters. For example, Hargreaves Lansdown Fund Managers (the part of HL which manages its own funds) has its own responsible investment policy and an engagement policy that incorporates stewardship.
- In respect of ESG financial considerations, there's no policy because HL has been assessing ESG as part of its wider research, due diligence and review processes.
- In respect of non-financial matters, there is no policy because HL has been assessing non-financial matters as part of its wider research, due diligence and review processes on the external fund managers it uses for the default and ABC funds.
- In respect of stewardship, there is no policy because HL has no control over the stewardship of the external funds used in your workplace pension. However, it does review the stewardship policies of the external fund managers it uses for the default and ABC funds as part of its fund manager research, due diligence and review processes.
- In respect of other financial considerations, there is no policy because HL has been assessing other financial considerations as part of its wider research, due diligence and review processes on the external fund managers it uses for the default and ABC funds.

HL has now, during 2022, put into writing an all-encompassing ESG policy for the business (thus covering the workplace pensions and Investment Pathways). We expect to assess the adequacy and quality and the implementation of this policy and include our findings in our next IGC report.

Understanding your views

We are continually assessing value on your behalf. In doing this we rely a lot on our own knowledge and experience. But we also plug into the research capability that HL possesses so that we can better understand what's important to you.

HL's research team have provided us with what they know about your perception of value for money for your workplace pension.

What we have understood from HL's research is that the three most important factors to you are: performance, communication, and security. Aspects around the product's features and the tools available are generally less important. These high-level findings are consistent with industry-wide research published several years ago on customers' perception of value for money.

To those of you who are less engaged with your workplace pension, HL's research shows that the group presentations and one-to-one meetings which they provide are highly valued. Some of you have noted though that such seminars are not frequent enough. And, for those of you who are more engaged, the self-service journeys which are provided appear to be particularly valued.

Security emerges as a particularly important attribute to you. In response to a question in HL's research covering what is most important to you, "security" was the most mentioned word. Associated with security is peace of mind, and HL's research indicates that HL represents a strong brand and one that you place trust in.

HL's research indicates that some of you have found charges to be higher than you expected and that the clarity and presentation of charges could be improved.

One aspect that we are particularly interested in is the access you have to a very wide range of investment funds. Given that the provision of such a wide range naturally has a cost associated with it, we are particularly interested in the extent to which you value this amount of choice. We have been pressing HL to do some more research in this area so that we can better understand what you think.

Despite this research we'd still love to hear directly from you on what you think. You can let us know your views by emailing us on IGC@hl.co.uk.

Or by writing to us at;

FAO: IGC
Freepost HARGREAVES LANSDOWN

Please note we cannot deal with complaints or general enquires. These should be raised with HL.

HL and us

You'll have seen from earlier in this report that we're independent of HL. That said, we could not have carried out our VFM assessment without their support. As well as acting as our secretary, HL has constructively and openly answered the questions we've asked and responded to the challenges we raised.

Limitation of our VFM assessment

Our conclusions are based on performing analysis on features, benefits, service and costs and charges of the workplace pension administered by and investment strategies designed and managed by HL. It hasn't been possible to look on a member-by-member basis. As a result, you may have a different experience of value for money compared to other members.



APPENDICES



Appendix 1

Who the committee is and why we are here.

We are an Independent Governance Committee (or “IGC”).

WHAT IS AN IGC?

An IGC is a committee whose purpose is to represent the interests of members of workplace pension schemes, including members who are still in the scheme and those who have left.

Your IGC is made up of five individuals, four of whom (including the chair) are independent of HL. The fifth is an employee of HL but he still has a duty to represent your interests.

Each of us has extensive knowledge, insight and experience within the pensions and finance industry; and of working with and for members, acting in their best interests and championing good member outcomes.

WHAT DOES THE IGC DO?

Our primary objective is to ensure members of workplace pension schemes managed by HL receive ‘value for money’ from their pension scheme.

We’re committed to assessing value for money in a member-focused way, and with an emphasis on ensuring you have the best possible chance of achieving good outcomes at retirement.

As a minimum, we have a duty to:

- act solely in the interests of workplace pension members;
- operate independently from HL, in accordance with our **Terms of Reference**;
- assure ourselves that core financial transactions are processed promptly and accurately;
- assess and, where necessary, challenge HL on whether its workplace pensions provide value for money for members;
- report on HL’s policies on environmental, social and governance (ESG) issues, member concerns and stewardship and
- to oversee the value for money of Investment Pathway solutions.

This report documents our assessment of value for money during 2021.

You can find a copy of our IGC Terms of Reference and reports for previous years online at: www.hl.co.uk/igc

WHO SITS ON THE IGC?

You can find information on the current members of the IGC in Appendix 2.

Appendix 2

Who is on the committee?

The current members of the committee are shown below.



RICHARD BUTCHER
Zedra Governance Ltd
(formerly PTL),
Independent chair

Richard is Managing Director of Zedra Governance Ltd (ZGL) a market leading and award winning professional independent pension trustee company. Richard has been involved in pension scheme governance since 1985. He is a Fellow of the Pensions Management Institute (PMI). Richard is the immediate past Chair of the Pension and Lifetime Savings Association (PLSA), the industry association for pension schemes. He has sat on various working groups and committees for the industry, the regulators, the Bank of England and others in relation to, amongst other things, the disclosure of investment costs and charges, Productive Finance, policy development and **ESG** investment matters. He has also sat on the Council of the PMI, the PLSA DC Council (which he chaired for two years), the Pension Regulators DC Practitioners Panel and the Department of Work and Pensions Trustee Panel. He is a regular contributor to the trade press and has won several awards and accolades.

Richard is qualified to be a member of an IGC by merit of his significant experience in and knowledge of the pensions industry, his expertise in assessing the value for money of arrangements such as this (gathered from his role on similar boards) and his knowledge of **ESG** and underlying investment costs and charges. He is qualified to chair the IGC by merit of his significant experience of and positive track record in chairing similar arrangements as well as other boards and committees.



HELEN CAREY
Independent member

Helen is Compliance & Operations Director at AV Trinity. She has over 20 years' experience working in a variety of roles in the pensions industry, including workplace pensions. This includes supporting employers when making important decisions for their members and directly advising scheme members pre and post retirement. Helen is passionate about good member outcomes and financial education, having played an active role in improving financial understanding in schools and in the workplace. Helen is a Chartered Financial Planner and Fellow of the Personal Finance Society.

Helen is qualified to be a member of an IGC by merit of her extensive knowledge and experience of pensions and investments, her in-depth technical understanding of how these products work, **ESG** risks and opportunities and the regulations applying to workplace pensions, and her hands-on experience of advising consumers on their retirement planning and in-retirement needs.



RITA BAJAJ
Independent member

Rita is an independent Non-Executive Board Director for several financial services companies and has over 25 years' broad financial services experience. She has held senior investment positions at Global and UK asset managers, such as Royal London and Invesco Perpetual. She served as EMEA CAO at State Street and is a former Financial Conduct Authority regulator. Currently, Rita serves on the Boards of Ecclesiastical Insurance PLC, Wesleyan Assurance, Columbia Threadneedle OEIC Boards, London Pension Fund Authority (LPFA), and is a Senior Advisor to Sheffield Haworth. Rita is passionate about improving retirement outcomes and value for money for members, including sustainable investing and ESG considerations.

Rita is qualified to be a member of an IGC by merit of her significant direct Global Equity markets investment & **ESG** expertise and knowledge of the asset management/custody industry, her risk & controls management experience both as a former **FCA** regulator supervising asset management firms and as a controls executive.



IAN COSTAIN
Independent member

Ian is a qualified actuary with more than 25 years' experience in the pensions industry. In the early part of his career he worked for various insurers and the UK's largest network of financial advisers. His roles covered product development, pricing, marketing, and distribution. From 2003 to 2009 Ian was Head of Policy & Public Affairs for AXA UK. At an industry level he was a founding member of the Association of British Insurers' Consumer Engagement Committee. Ian has been an independent consultant since 2009 with a strong focus on the regulation of pensions. He has spent a year at The Pensions Regulator leading their strategic thinking on the regulation of the pensions market, and over a year at the Financial Conduct Authority as a special adviser on pension policy.

Ian is qualified to be a member of an IGC by merit of his wide-ranging experience in the pensions industry extending from consumer protection – he has worked specifically on pensions for several regulators – to the technical design and pricing of pension products themselves.



MARK WALTER
HL employed member

Mark joined Hargreaves Lansdown in 2010. He is responsible for managing HL's relationships with the fund management companies available through the HL platform. He has extensive experience of HL's operational, commercial, and client-facing functions, enabling him to bring a rounded view to assessing value for money within workplace pensions and Investment Pathways, as well as how **ESG** is integrated into investing. Mark is passionate about expanding access to financial services. Mark holds the Diploma in Regulated Financial Planning.

Mark is qualified to be a member of an IGC by merit of his experience of the investment and platform industry – bringing a deep understanding of the operation of an investment platform and the performance of investments offered to individual investors in the UK.

NOTES

Our **terms of reference** state that all members of the IGC must act solely in the interests of workplace scheme members and pathway investors. This applies to HL members, who are free to participate in the IGC without it conflicting with the other terms of their employment.

The members of the IGC were appointed after a robust recruitment process. For the HL employed member this included advertising the role to all HL staff. For the external members, HL advertised the position on their website and other channels. For all positions, multiple rounds of interviews took place which were conducted by panels independent of each other. Richard Butcher, the independent chair, was involved in the interview and selection process for all the new members appointed in 2020 (Mark, Rita and Ian). The recruitment process was also overseen by HL's human resources and talent acquisition team. Our respective histories mean that together, we've sufficient expertise and experience to act in your interest.

In addition, we're sufficiently independent to act in your interest. This is because four of us are independent of HL and the one who is an employee is contractually able to be and has demonstrated his independence during our meetings.

There were no changes to the IGC during the year.

Appendix 3

Our value for money framework.

We've created a framework to analyse the value for money ("VFM") you get.

The framework helps us to make sure we consider the factors that contribute to **VFM** in a robust and consistent way. The framework was developed over several stages. The key stages were as follows:

- We agreed our approach to the assessment
- We developed a "scorecard"
- We agreed the features to be scored in the scorecard
- We individually scored the features based on information given to us by HL
- We compared and, in some cases, amended our individual scores during a moderation meeting
- We aggregated our scores to arrive at group conclusions
- We agreed our result

A full list of the features we considered is below.

Benefits: Investments and performance:

- Whether default investment strategies are designed and executed in the interests of relevant policyholders
- Including the approach to **de-risking** (i.e. whether the approach to de-risking is designed and executed in the interests of relevant policyholders)
- Adaptability of default arrangements (not limited to AE) to changing circumstances
- Gross risk adjusted investment performance (especially default funds)/risk metrics/diversification – consistency with objectives and portfolio volatility
- Net investment performance
- Appropriate range of choice of accumulation funds
- Whether the characteristics and net performance of investment strategies are regularly reviewed and that action is taken to make any necessary changes
- Do HL consider **ESG** when selecting, retaining, or operating a fund?
- Do HL consider other financial considerations when selecting, retaining, or operating a fund?
- Do HL consider stewardship when selecting, retaining, or operating a fund?
- Do HL consider non-financial matters when selecting, retaining or operating a fund?
- On-going fund governance
- Interventions and actions relating to poor performing funds

Benefits: Communications, engagement and support

- Default strategies: clear statements of aims and objectives
- Overall member communications fit for purpose/quality (including education) clarity, visual appearance etc
- Range of comms tools
- Tactical approach i.e. comms at points of susceptibility.
- Real time access and functionality
- Online functionality (update, contribute, transact)
- Online tools (tax planner, modeller etc)
- Additional member support on pension saving (e.g. on-line support, telephone helpline etc.)
- Support through workplace
- Support at retirement – communications
- Vulnerable customers - robust approach
- Alternative form (e.g. brail)/language communications
- Member education tools
- Website quality

Benefits: Administration and service

- Whether core financial transactions are processed promptly and accurately
- Performance against SLAs
- Level of automation (STP)
- Scam protections
- Customer satisfaction measures (e.g. NPS)
- Choices at retirements – the range of decumulation choice available
- Independent assurance of controls
- GDPR
- Auto-enrolment and re-enrolment support
- Levels of complaints

Benefits: Additional factors

- Additional governance structures for the benefit of members (e.g. governance/supervision committees with external/independent members/Operation risk controls/Internal audit function)
- Additional (financial or other) benefits available to members by virtue of being a workplace pension policyholder (such as discounts on other products from the insurer)
- Sustainability of product/provider
- HL's willingness and ability to invest in the proposition
- HL reputation
- IT robustness including management of cyber risk

Costs and charges

- Platform charges
- Investment costs
- Transaction costs
- Exit charges
- Other costs (non-elective)
- Other costs (elective)
- Total cost (aggregate cost)

INVESTMENT PATHWAYS

Benefits: Investments and performance:

- Whether pathway investments are designed and executed in the interests of relevant policyholders
- Gross risk adjusted investment performance/risk metrics/diversification – consistency with objectives and portfolio volatility
- Net investment performance
- Whether the characteristics and net performance of investment strategies are regularly reviewed and that action is taken to make any necessary changes
- Do HL consider ESG when selecting, retaining or operating a fund?
- Do HL consider other financial considerations when selecting, retaining or operating a fund?
- Do HL consider stewardship when selecting, retaining or operating a fund?
- Do HL consider non-financial matters when selecting, retaining or operating a fund?
- On-going fund governance
- Interventions and actions relating to poor performing funds

Benefits: Communications, engagement and support

- Pathway investments: clear statements of aims and objectives
- Overall member communications fit for purpose/quality (including education) clarity, visual appearance etc and properly consider the characteristics, needs and objectives of pathway investors
- Range of comms tools
- Tactical approach i.e. comms at points of susceptibility.
- Real time access and functionality
- Online functionality (update, contribute, transact)
- Online tools (tax planner, modeller etc)
- Additional member support on pension saving (e.g. on-line support, telephone helpline etc.)
- Support at retirement – communications
- Vulnerable customers - robust approach
- Alternative form (e.g. brail)/language communications
- Website quality

Benefits: Administration and service

- Whether core financial transactions are processed promptly and accurately
- Level of automation (STP)
- Customer satisfaction measures (e.g. NPS)
- Independent assurance of controls
- GDPR
- Levels of complaints

Benefits: Additional factors

- HL's willingness and ability to invest in the proposition
- IT robustness including management of cyber risk

Costs and charges

- Platform charges
- Investment costs
- Administration charges
- Transaction costs
- Other costs (non-elective)
- Other costs (elective)
- Total cost (aggregate cost)

Appendix 4

Costs and charges information.

DEFAULT AND ABC FUND CHARGES

The following charges applied to the investments and cash used as a default and the ABC funds as at 31 December 2021.

	ANNUAL CHARGE	TRANSACTION CHARGE	TOTAL
HL Growth Fund	0.10%	0.00%	0.10%
Blackrock Consensus 85	0.10%	0.07%	0.17%
Schroder Managed Balanced (SMB)	0.33%	0.28%	0.61%
Cash	No interest paid and no charge (HL retain some interest)		
Rathbone Global Opportunities	0.52%	0.12%	0.64%
Ballie Gifford Managed	0.27%	0.12%	0.39%
Troy Trogan	0.61%	0.06%	0.67%

Further information about these funds and the others available in the scheme can be found here – www.hl.co.uk/funds.

HL ANNUAL PLATFORM FEE

HL applies an annual charge to the value of funds you hold in your pension as follows:

VALUE OF FUNDS	CHARGE
On the first £250,000	0.45%*
On the value between £250,000 -£1m	0.25%
On the value between £1m - £2m	0.1%
On the value over £2m	No charge

No platform fee is applied to cash. Full details of charges are in the tariff of charges on the last page of [HL's Terms and Conditions](#).

* Some schemes are on a lower charge for this tier. This table shows the number of schemes at each fee level:

PLATFORM FEE ON FIRST TIER OF FUND HOLDINGS	DEFAULT INVESTMENT OPTION	NUMBER OF SCHEMES	PERCENTAGE OF TOTAL
0.45%	HL Growth	533	82.51%
0.42%	HL Growth	1	<1%
0.40%	HL Growth	27	4.18%
0.35%	HL Growth	24	3.72%
0.30%	HL Growth	6	0.93%
0.25%	HL Growth	45	6.97%
0.45%	Cash	4	0.62%
0.40%	Cash	0	0%
0.35%	Cash	4	0.62%
0.30%	Cash	1	<1%
0.25%	Cash	1	<1%

FIND YOUR ILLUSTRATION

How much your pension is worth will depend on a number of factors. The most important one is usually how much you and your employer pay in. How your investments perform, and the impact of charges make a significant difference too. All investments have their own charges. The level of charges will vary in different investments and this will affect your pension value.

Hargreaves Lansdown are required to publish illustrations to help you understand how charges can affect what your pension might be worth in future. They're not a prediction of what might happen – instead they're illustrations based on assumptions that the Financial Conduct Authority requires HL to use.

HL will email you with confirmation of which platform fee applies to your scheme and send you a link to the illustration that applies to your scheme too. Links to all of the illustrations can be found below:

PLATFORM FEE ON FIRST TIER OF FUND HOLDINGS	DEFAULT INVESTMENT OPTION	LINK TO ILLUSTRATION
0.45%	HL Growth Fund	Download Illustration (PDF)
0.42% (on SMB, 0.45% on all other funds)	HL Growth Fund	Download Illustration (PDF)
0.42% (on all default funds)	HL Growth Fund	Download Illustration (PDF)
0.40%	HL Growth Fund	Download Illustration (PDF)
0.35%	HL Growth Fund	Download Illustration (PDF)
0.30%	HL Growth Fund	Download Illustration (PDF)
0.25%	HL Growth Fund	Download Illustration (PDF)

INVESTMENT PATHWAYS

	FUND	ANNUAL CHARGE*	TRANSACTION CHARGE*	TOTAL
Pathway 1	Blackrock MyMap 4	0.14%	0.09%	0.23%
Pathway 2	Fidelity Pre-Retirement Bond Fund	0.15%	-0.35%	-0.20%
Pathway 3	Baillie Gifford Multi Asset Income	0.30%	0.57%	0.87%
Pathway 4	Cash	Tiered interest applies. See rates here. No charges for holding cash (but HL retain some interest)		

*Source: Morningstar 27/05/2022.

NB. The negative transaction cost figure on Fidelity is an occasional result of the standardised calculations where trading performance is factored in.

JARGON BUSTER

Glossary of certain terms used in this report

Aims and Objectives (Investment)

An investment fund's Aims and Objectives should set out what the fund intends to achieve and how it intends to achieve it; for example, to grow at x% a year measured over a x year cycle, by taking no more than x risk. The Aims and Objectives allow you to choose a fund that matches your own aims and objectives.

Bold

When a thicker typeface is used to give the word or words more prominence.

Default fund

How your savings are invested if you or your financial adviser (if you had or have one) didn't tell HL otherwise.

De-risking or lifestyling

De-risking or lifestyling is a process where, as you approach taking your benefits, the scheme automatically switches your investments in a phased way over a period to align them with how you'll take those benefits. This process generally reduces the risk balance of your investments helping shelter them from stock market falls.

ESG (Environment, Social, Governance)

ESG refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business. These criteria help to better determine the future financial performance of companies (return and risk).

FCA

The Financial Conduct Authority, a regulatory body for financial services companies.

Flexible access

This describes you taking your benefits directly from your savings in regular or irregular and varying amounts at any time. This is available to you after you reach age 55 (57 from 2028).

Investment Pathways

Investment Pathways ('pathways') are a set of investment options to help you make investment decisions if you decide to access your pension using a method known as drawdown. They're there to help you if you're unsure how to invest, but you don't have to use them.

Secure income

This describes using all or part of your savings to buy an insurance policy (an "annuity") that'll continue to pay a regular and perhaps increasing amount of pension for the rest of your life. This is available to you after you reach age 55 (57 from 2028).

Terms of reference

The IGC's terms of reference set out what we will do. Our terms of reference can be found here www.hl.co.uk/IGC

Transaction Costs

Transaction costs are part of the total costs of managing investment funds and are reflected in the return you receive from your fund. They are incurred when investment managers buy, sell, borrow or lend investments. Transaction Costs include such items as tax, stamp duty and dealing commission and custodial fees.

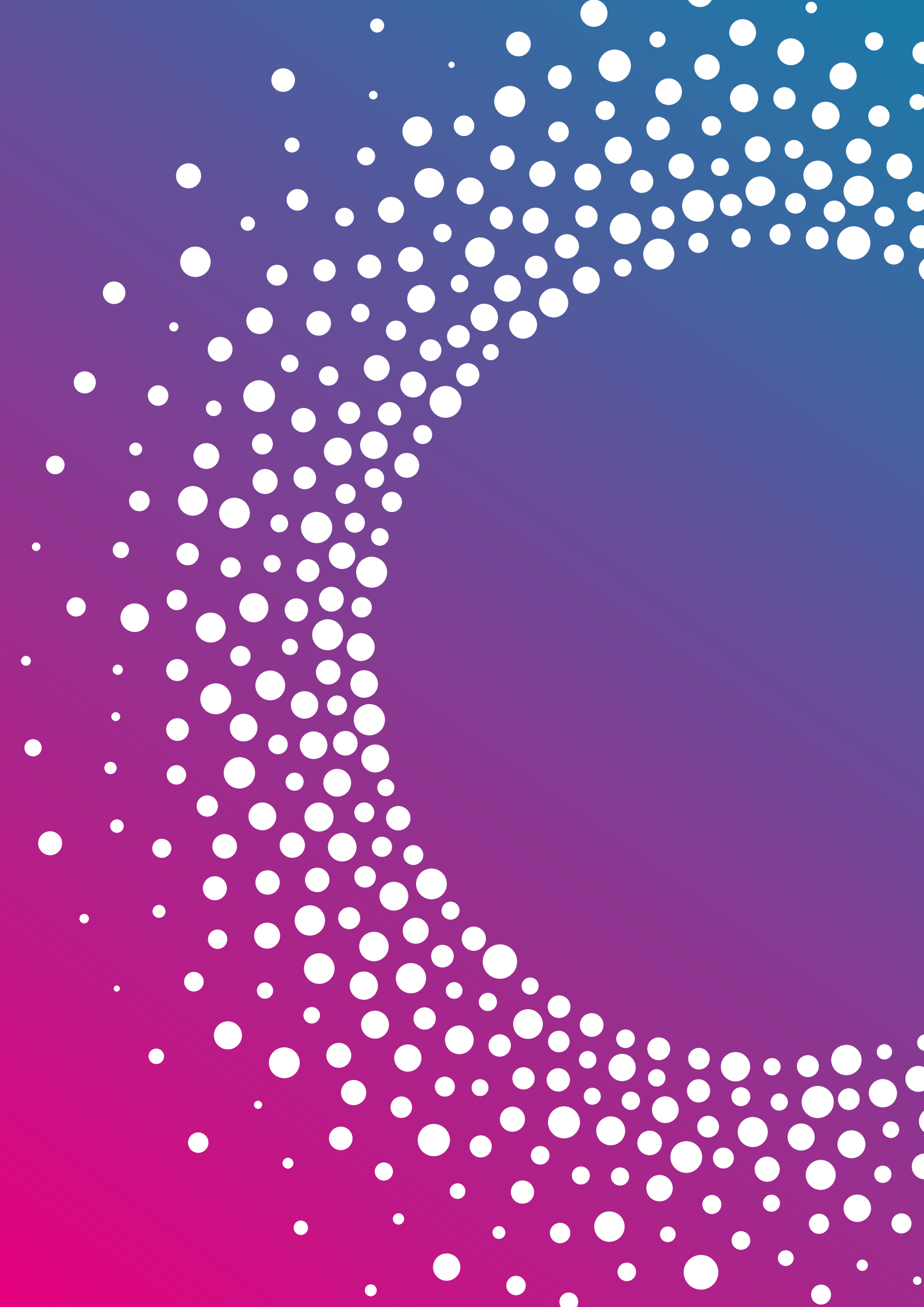
Value for Money

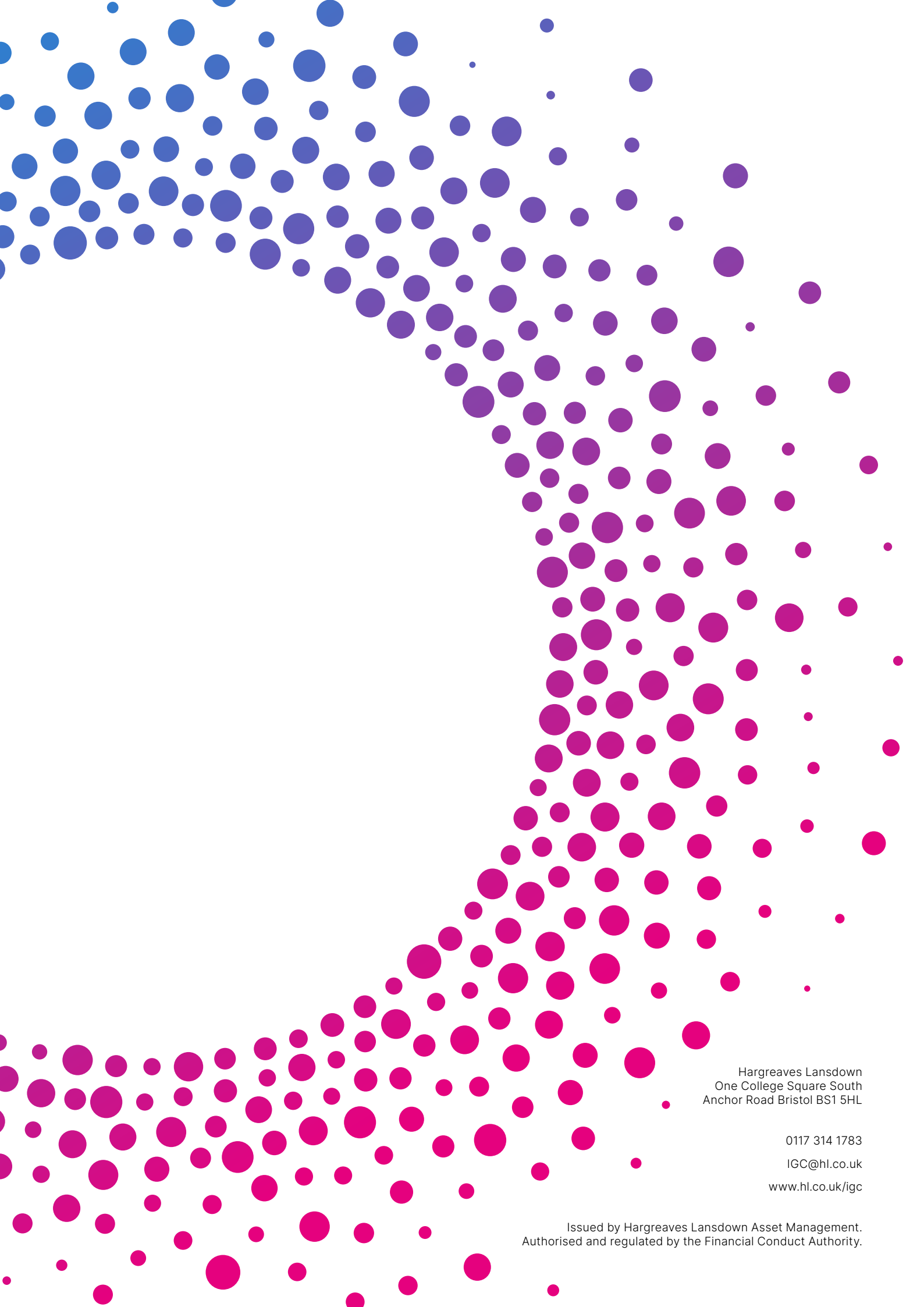
The balance of cost versus benefits.

Value for money has been defined (by the National Audit Office) as "The optimum combination of whole-life costs and quality".

Because, however, there is a lack of perfect information about what's available and at what price and because some parts of the proposition are qualitative, what's "optimum" can only be theoretical

Nevertheless, a value for money assessment must take account of the quality of the pension proposition as well as its cost and consider how that compares to what's available for equivalent schemes from other providers in the marketplace.





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Issued by Hargreaves Lansdown Asset Management.
Authorised and regulated by the Financial Conduct Authority.