

Aviva Independent Governance Committee

2025 Annual Report for the year to
31 December 2024 [>](#)





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An introduction from the Chair



Welcome to our report

This report assesses the value for money provided by Aviva for your workplace pension. It covers the 12 months from 1 January 2024 to 31 December 2024 and looks forward to future developments.

Welcome to our report and thank you for taking the time to look at it. We hope you find it interesting and informative. 2024 was a good year for most pension customers across the UK, with strong investment performance for many. This has continued in 2025 up to the time of writing.

The task of the Independent Governance Committee (IGC) as directed by the Financial Conduct Authority (FCA) is to assess value for money for your workplace pension with Aviva. The remit of the IGC has not changed since our last report.

Members will have varying views as to what constitutes value for money from a pension provider. Appropriate and high-quality investment funds, competitive charges, good service for members, and the ability to engage with your provider are all important factors. We consider all of these areas in our report.

Sustainability and environmental, social and governance (ESG) risk management of the investment funds is also part of our value for money assessment. We are tasked by the FCA to comment specifically on the quality and adequacy of Aviva's ESG policies.

Our overall conclusion is that Aviva is providing you with value for money.

Our assessment process

Through the year we meet many times and have many presentations from and discussions with senior Aviva personnel covering particular aspects of your workplace pension. The IGC directs the agendas and the issues and content to be covered and sets out the IGC's information requirements to make our assessment. As in previous years, Aviva has sought to provide all the relevant information requested. Once we have drawn our conclusions, we meet with the Aviva UK Life Board to go over our main findings and any challenges or recommendations while we are preparing our annual report.

As in previous years, our assessment is positive in nearly all areas, reflecting Aviva's responses to previous challenges over the years and its search for continual improvement. You can find a summary of key points below, with the more detailed assessment in the subsequent sections of this report.

Our remit from the Financial Conduct Authority

The Independent Governance Committee receives a remit from the FCA, which remains unchanged from last year. The FCA defines three specific areas of assessment of value for money:

- costs and charges
- investment performance
- servicing for customers

Each of the three headlines covers a number of points within them.

The FCA has also prescribed that the Independent Governance Committee (IGC) selects specific and appropriate comparator pension arrangements against which to compare value for money.

You can read more detailed commentary on individual areas in further sections of this report.

There is also a similar value-for-money assessment of investment pathways. These are four specific investment funds available to members starting to draw benefits at retirement.

Costs and charges

Costs and charges remain highly competitive for newer policies, which are those held by over 90% of customers. We received information from a study of costs and charges for the main UK workplace pension providers. This backs up Aviva's assertion of charges at or below average levels, which are often significantly below the charge cap of 0.75% a year.

Our challenges in previous years have concentrated on older arrangements (often referred to as legacy arrangements), which have higher charges. To place this in context, they represent less than 10% of policies. Aviva had already capped charges at 0.75% a year for most of these policies ahead of other UK pension providers with similar legacy policies.

There were some exceptions for a minority of policies with specific features such as With-Profits investments. Where customers have the option to access With Profits investments but have not done so, Aviva has given them the option to transfer to a different policy with lower charges (but no access to With Profits investments). We are working with Aviva on future action for those customers who did not decide to switch, and this is an area of focus for us. We are satisfied with Aviva's actions to date.

Managing investment risk

Many investment markets performed well in 2024, particularly equity markets, which form the majority of pension investments for those of you with over 10 years to go until your retirement date. The performance of other asset classes was more mixed.

The investment section of the report describes the investment performance of the two main funds most of you are invested in – My Future and My Future Focus – plus the Stewardship default fund and other commonly used funds. Investment returns are shown over different time periods. For the main two default funds, the investment returns were strong in 2024 with significant positive returns. In this section, we compare them against various benchmarks and the main default funds of other large UK workplace pension providers. For My Future Focus, we are pleased to see an improvement from 2023 when compared to other providers.

In the investment section of the report we outline the forthcoming changes to the My Future default fund, which are very similar to the changes made to the My Future Focus default fund in 2024. We support these changes and the review process that led to them.

Aviva recently signed the 2025 Mansion House Accord where the aim is to allocate 10% of investments in Aviva's main default funds to private markets by 2030, 5% of the total being invested in the UK. The Accord states that the target allocation is subject to those investments being in the best interests of the customer and in line with Consumer Duty. The IGC is supportive of Aviva's participation in the Accord.

Environmental, social and governance (ESG)

The FCA has given the IGC the task of commenting on “the adequacy and quality of Aviva's policies in relation to both ESG financial and non-financial matters”, factors sometimes referred to as “sustainability”. We

have looked at how ESG feeds through into investment strategies, decision making and Aviva's stewardship policy.

ESG factors are important in terms of financial risk, as well as for the environment. Aviva's stated ambition to reach net zero by 2040 and to reduce carbon emissions by 60% by 2030 compared to 2019 levels is the most ambitious of all pension providers. We are pleased to note good progress towards this, but both Aviva and the IGC acknowledge that, as time progresses, further reductions become increasingly difficult. Nevertheless, Aviva continues to strive towards this ambition. Our report considers this in more detail.

We also look at Aviva's stewardship of the investments held in the funds through engagement with the companies and entities represented by the assets. Aviva Investors undertakes this for investment fund assets and gives this significant prominence. Nonetheless, we continue to challenge Aviva because, with leading net zero ambition, there is a need to continue to be at the forefront of stewardship.

In our ESG section, we also cover some other related areas and the sustainability position of Aviva PLC as an entity in its own operations. Again, Aviva's ambitions and actions are strong.

Servicing and communications

Once again, we received independent research – this year from Redington and NMG – to assess how Aviva’s servicing compared against other large pension providers. This is in addition to information we receive directly from Aviva. This section of the report shows some of the comparisons based on some of the key metrics for servicing. The performance in 2024 was strong.

There were a couple of areas of slight deterioration in terms of call answering times and calls which drop-off, but this was not material. It related almost entirely to heightened customer interaction in the lead up to the UK government’s Budget in October 2024, before which there was significant speculation about potential changes to pensions taxation and rules.

The IGC considers it important that servicing levels are consistent across all pension products, whether older or newer, and across different systems for administration. We are pleased to note good consistency with positive member feedback across the board.

Several members of the committee visited one of the main servicing sites in Sheffield to meet administration team members and leaders to better understand the service provision. We were impressed by the quality of personnel, management and training and, in particular, noted the very good support for vulnerable customers who contact the servicing teams.

Aviva runs a comprehensive suite of educational and support facilities, including online videos and seminars. We encourage all of you to look at these to see if any would be useful for your own circumstance and topics of interest to you. We recommend you explore what is available to help you with managing your pensions, making decisions and learning about your options. You can log in to the MyAviva website or app. Alternatively, you can contact Aviva to find out more.

If you give Aviva your email address, it makes it easier for Aviva to contact you with helpful pension information and ideas.

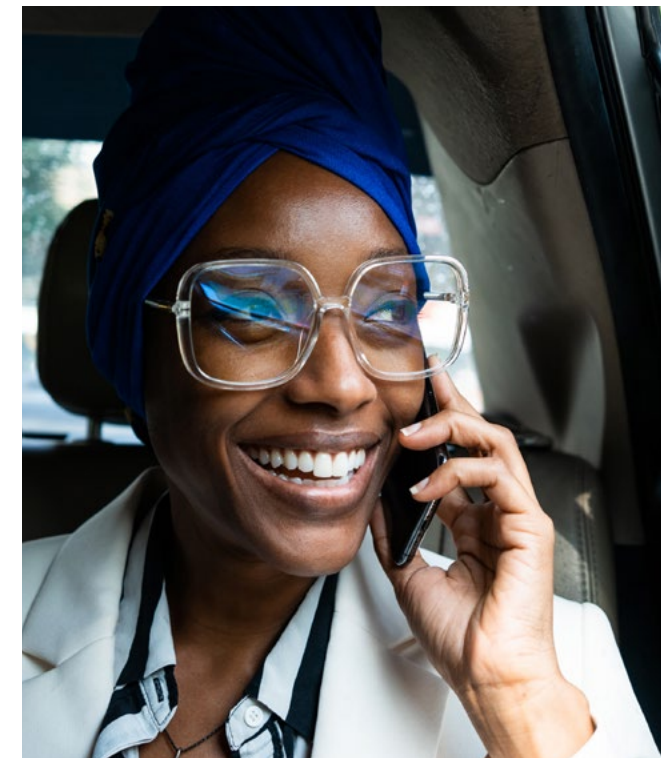
We particularly encourage all of you to make sure you have told Aviva of your nominated beneficiary to receive your pension benefits upon your death. Every year, there are people who pass away without having made such a nomination which can lead to unintended consequences. At our request, Aviva moved quickly to update policy terms and conditions to reduce this risk.

Overall, the IGC considers the quality of servicing and engagement to be providing consistently good value, comparing well against other UK pension providers.

Investment pathways

We are required to report on the value for money received by customers who take out an investment pathway when they are looking to access their pension pot. The take-up across the industry remains relatively low in relation to members taking other retirement options, but the number of such customers is steadily

increasing for Aviva. We are comfortable that those customers who do opt for an Aviva investment pathway receive a well-designed solution, which provides good value. We have, however, challenged Aviva to complete its review of the design of pathway 4 (cash), which has a different design to the same pathway for many other providers. The result of this difference has been lower investment returns in the recent past. Aviva’s review is comprehensive and should be completed soon. We will report on this next year.



To conclude

Finally, I would like to thank the whole IGC for their work this year, and also the Aviva team which has supported us with their co-ordination and by responding to our considerable information requests. In particular, I would like to thank Stuart Gash, who has led Aviva's support work for the IGC since its inception, and who is due to retire at the end of 2025. Stuart's work has been of valuable assistance to us, and we wish him well for the future. Aviva moved quickly to find a suitable replacement for Stuart, who will be joining us for a full handover of responsibilities shortly.

You can find details of each IGC member on our website [here](#).

We will continue to assess the value for money you receive next year. Should you want to get in touch with us, please email us at IGC@aviva.com.

We welcome any feedback or questions you might have. Any questions or comments you raise will reach the IGC and not disappear into a black hole - and we will discuss them with Aviva.

I hope all readers stay safe and well through the year ahead.

Colin Richardson

Independent Chair - Aviva IGC



Costs and charges



Costs and charges

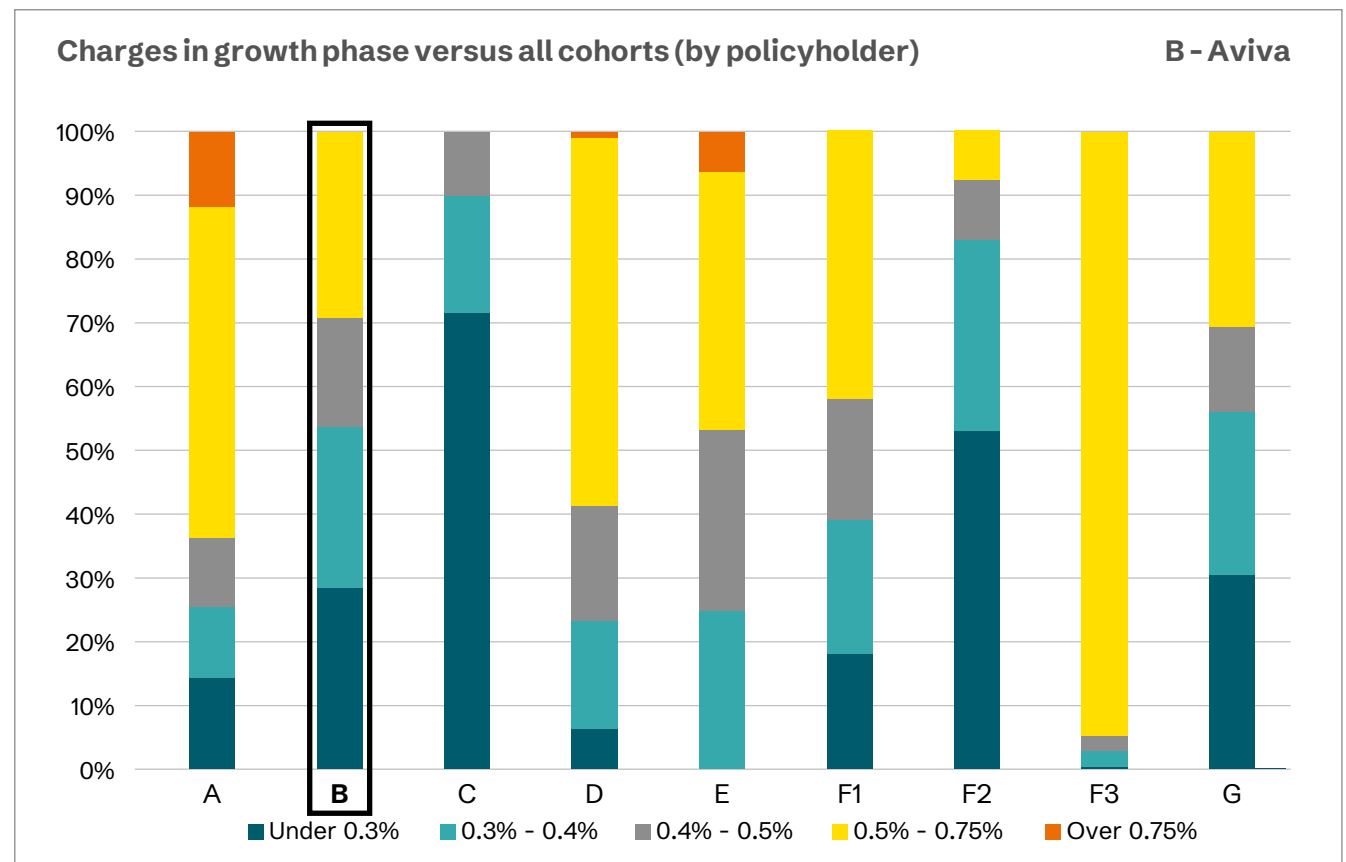
The costs and charges you pay for your workplace pension have a direct impact on the value of your retirement benefits. The higher the charges you pay, the more value you will lose from your pension.

Over the years, due to direct challenges made by the IGC, Aviva has removed many older, outdated charges. These include monthly or yearly policy fees, higher charging initial units and early surrender or exit penalties.

You pay a single charge to Aviva, which covers the administration of your pension and the cost of your investment. In addition, all investments carry transaction costs, which are the costs of dealing in various investment markets. These transaction costs are reflected in the investment performance of your chosen fund.

The IGC considers all these charges as part of their value for money assessment.

This year Aviva took part in the Redington Study together with a number of large UK pension providers covering almost 16 million policyholders and £350 billion of assets. The study showed the percentage of policyholders with overall charges in various ranges as shown in this chart. The study did not break down the charges for groups of schemes of different sizes and assets, nor did it distinguish “all of market” providers such as Aviva from other providers serving niche markets attracting lower charges.



Source - Redington Ltd.

Aviva is shown as provider B, and the chart shows that 54% of Aviva policyholders have a charge of 0.4% a year or less compared to an average of 49% for other providers. If comparing Aviva with the larger providers in the study, the average is 40% versus Aviva's materially better 54%.

Looking at policyholders with charges over 0.5% a year also shows that Aviva has fewer than the average for other providers. Last year, the IGC challenged Aviva to reduce higher charges, and this has led to a significant reduction in members paying above 0.75%. You can read more about this later in this section.

We are comfortable that Aviva's charges remain competitive, in particular for very large schemes.

You can see the charges applicable to all autoenrolment schemes in our annual costs and charges report by clicking [here](#).

You can also see the effect of those charges on your pension by clicking [here](#).

Pricing of modern contracts

To understand how Aviva determines the charges for new contracts, we had a session with the pricing team. This was relevant to 2024 value for money as well as future pricing because it looked back at the pricing of contracts over recent years as well as for new contracts. It also showed the pattern of charges for schemes of different sizes both in the number of members and the amount of assets over time. The variance between schemes was what we had expected to see. Aviva considers a number of factors when pricing its new business, and these are consistent across schemes of similar size, both in terms of member numbers and assets.

Update on our previous challenge on charges over 0.75% per annum

As noted in previous reports, we challenged Aviva in 2022 on member charges over 0.75% a year. Aviva responded positively by capping charges for most of these (around 260,000 members) at 0.75% a year.

In our report last year, we described the remaining members with higher charges as:

- 30,000 policies with more expensive self-selected investment funds
- 40,000 policies in with-profits funds
- 120,000 policies with higher charges but also access to with-profits funds, which the members had not selected.

Our residual concern was the final group of 120,000 policies (held by around 93,000 members) because we viewed the first two groups as receiving value for money through their self-selected funds or the with-profits funds.

Aviva agreed to write to these members to make them aware of the availability of with-profits funds and that they were paying higher charges to access these funds. However, under financial promotion rules, Aviva is not permitted to give advice or to promote With Profits as a better or higher value option. Importantly, these members were also given the opportunity to transfer into another product with lower charges.

Although this communication generated some responses and interaction with Aviva, this was only a small proportion of the members. The majority of those who contacted Aviva to discuss further details chose to remain in the same fund. Nearly all of the 93,000 members remained in the same position they were in before the communication.

Aviva is now considering the next step in this process. Aviva is intending to move members to alternative lower-charging contracts, subject to the final regulations from the Pensions Bill 2025 permitting this and once they come into force. The plans (and the timing) will be confirmed once the regulations are in place. We hope to be able to provide more detail in next year's report.

In the meantime, we are satisfied that Aviva has given these members sufficient opportunity to improve their value for money over the last year.



Transaction costs

This section applies for both newer and older products.

Aviva has provided the IGC with transaction costs for all funds – both default funds and self-selected funds.

We've shown the figures for the default funds and the more commonly used funds as at 31 December 2024 in the following tables. The costs are calculated using the methodology prescribed by the FCA for workplace pensions and supplied to Aviva by the investment managers.

These costs vary greatly depending on market conditions and how frequently investment managers place trades. Actively managed funds which trade on a more regular basis tend to have higher transaction costs.

Aviva Defaults- transaction costs as at 31 December 2024

Default	Transaction cost %
Aviva My Future Focus Long Term Growth	0.050
Aviva My Future Focus Growth	0.044
Aviva My Future Focus Consolidation	0.021
Aviva My Future Focus Consolidation (Pre-2024)	0.032
Aviva My Future Growth (Pre-2025)	0.076
Aviva My Future Consolidation (Pre-2025)	0.038
Aviva Stewardship International Equity	0.039
Aviva Stewardship Managed	0.043
Aviva Stewardship Bond	0.050

Source: Aviva

Top 10 largest funds by AUM – transaction costs as at 31 December 2024

Fund	Transaction cost %
Aviva Mixed Investment (40-85% Shares)	0.084
BlackRock (50:50) Global Equity Index Tracker	0.014
Aviva Managed	0.067
BlackRock Consensus	0.001
BlackRock World ex UK Equity Index Tracker	0.013
BlackRock (60:40) Global Equity Index Tracker	0.030
Aviva Multi-Asset Index Growth fund	0.086
Aviva Multi-Asset Growth Fund	0.067
Aviva Global Equity	0.111
BlackRock (40:60) Global Equity Index Tracker	-0.001

Source: Aviva

We consider the costs shown in the tables to be consistent with the characteristics of the funds and the marketplace in 2024.

Our conclusion

It is clear that members in newer products benefit from very competitive charges. While the charge cap for auto-enrolment schemes is 0.75% a year, almost all of you pay less and, on average, materially less. We are satisfied this represents value for money.

Over a quarter of a million members have benefitted from a reduction in their annual charge in the last two years. We are pleased Aviva implemented such a significant change. The 93,000 members who still pay higher charges have had the opportunity to move to a contract with lower charges. We will continue to work with Aviva regarding these members, nearly all of whom chose not to take up that opportunity.

Investments



An important part of our value-for-money assessment is investment performance; in particular, how default investments and larger funds have performed over the year in absolute terms, relative to inflation and when compared to Aviva's competitors.

Pensions are long-term investments. While the FCA ask us to look at value for money on a year-on-year basis, we also consider longer-term performance and prospects for future returns.

We note that Aviva is one of the signatories of the UK Government's "Mansion House" accord, leading to an aspiration of at least a 10% allocation of default investment funds in various private markets by 2030 and is currently charting the future path to achieve this. The Accord states that the target allocation is subject to those investments being in the best interests of the customer and in line with Consumer Duty. The IGC is supportive of Aviva's participation in the Accord.

Summary of investment markets and performance in 2024

Equities

Global equities achieved positive returns in 2024, helped by falling inflation, interest rate cuts and growth in company earnings. However, with elections taking place in many countries, political risk was never far away and created significant uncertainty. Although interest rates did reduce somewhat, the reductions were fewer and later than expected.

From a regional perspective, US equities were once again the best performers. They were supported by positive economic data, strong company earnings growth and enthusiasm for Artificial Intelligence (AI) and the performance of technology stocks, such as US chipmaker Nvidia. Expectations that interest rates would be lowered in 2024, and therefore a reduced cost of borrowing for households and businesses, supported US company shares early in the year.

The strong performance of Japanese company shares was another highlight. Japan's leading benchmark, the TOPIX Index, closed in early July at its highest level since 1989. Confidence in Japanese equities was supported by foreign investment, improved corporate governance and positive company earnings growth.

The improved performance of emerging market equities stood out. China's announcement of more financial support for the struggling Chinese economy by way of easier lending conditions was well received by investors. With a large position in commodity-related companies, the UK stock market benefited from the renewed focus by investors on China.

There were, however, episodes of stock market volatility, such as in July when equity markets fell heavily in response to softer US economic data. Many investors believed the US Federal Reserve should have cut interest rates earlier in the year to reduce pressure on consumers and businesses.

The fall in equities was exacerbated by the Bank of Japan's hawkish tone and decision in August to raise interest rates. As the first rise in Japanese interest rates for many years, it triggered the unwinding of the 'carry trade' where investors took advantage of Japan's ultra-loose monetary policy – below zero interest rates – to borrow in the Japanese currency, the yen, to buy higher yielding assets. The cut in US interest rates in September helped to calm this situation.

The loosening in US financial conditions also helped US technology stocks and the so-called 'Magnificent Seven' to continue their ascent. The US Federal Reserve's bigger-than-expected cut in interest rates in November, contributed to the US stock market's performance. The election of Donald Trump as US President in November and his pro-growth and pro-business agenda provided further optimism.

However, the mood turned more cautious for all markets in the final stages of 2024, as reflected by the absence of a so-called ‘Santa Rally’ in December. This was triggered by the US Federal Reserve warning that big cuts in interest rates could not be guaranteed in 2025. Global stock markets fell heavily.

Investors also grew concerned about the US government’s plans to add automatic tariffs on imports into the US. This contributed to the decline in Asian and European equities in November and December; both regions were also impacted by weak economic activity. Elevated political risk in France added to the eurozone’s problems. This culminated in December with the ousting of prime minister Michel Barnier after he failed to push through a plan to reduce government borrowing.

Bonds

Following better performance in 2023, thanks to the decline in inflation and the expectation of cuts in interest rates, bond performance was mixed overall in 2024. That said, inflation continued to fall, increasing the likelihood of cuts in interest rates. Although later than many investors had hoped, interest rates were reduced in the UK in August and again in November. In the US, interest rates were reduced in September and in November, again later than expected. Interest rates were also cut several times in the eurozone. Despite the loosening in financial conditions, bond yields – which move inversely to prices – remained elevated due to high levels of government borrowing.

UK government bonds were also negatively impacted by the October Budget and the plans to increase government spending and borrowing. Government bond yields rose, and so prices declined, in response to the government’s fiscal plans. Investors were worried this might lead to higher inflation and reduce the potential for interest rate cuts in 2025.

At their December meetings, central banks warned that with inflation still a risk to the economic environment, large cuts in interest rates could not be guaranteed in 2025. This negatively impacted bonds and longer dated government bonds, in particular.

While impacted by policymakers’ mixed messaging on interest rates, corporate bonds outperformed government bonds. High yield bonds achieved even better returns, benefiting from resilient economic activity and growth in company earnings.

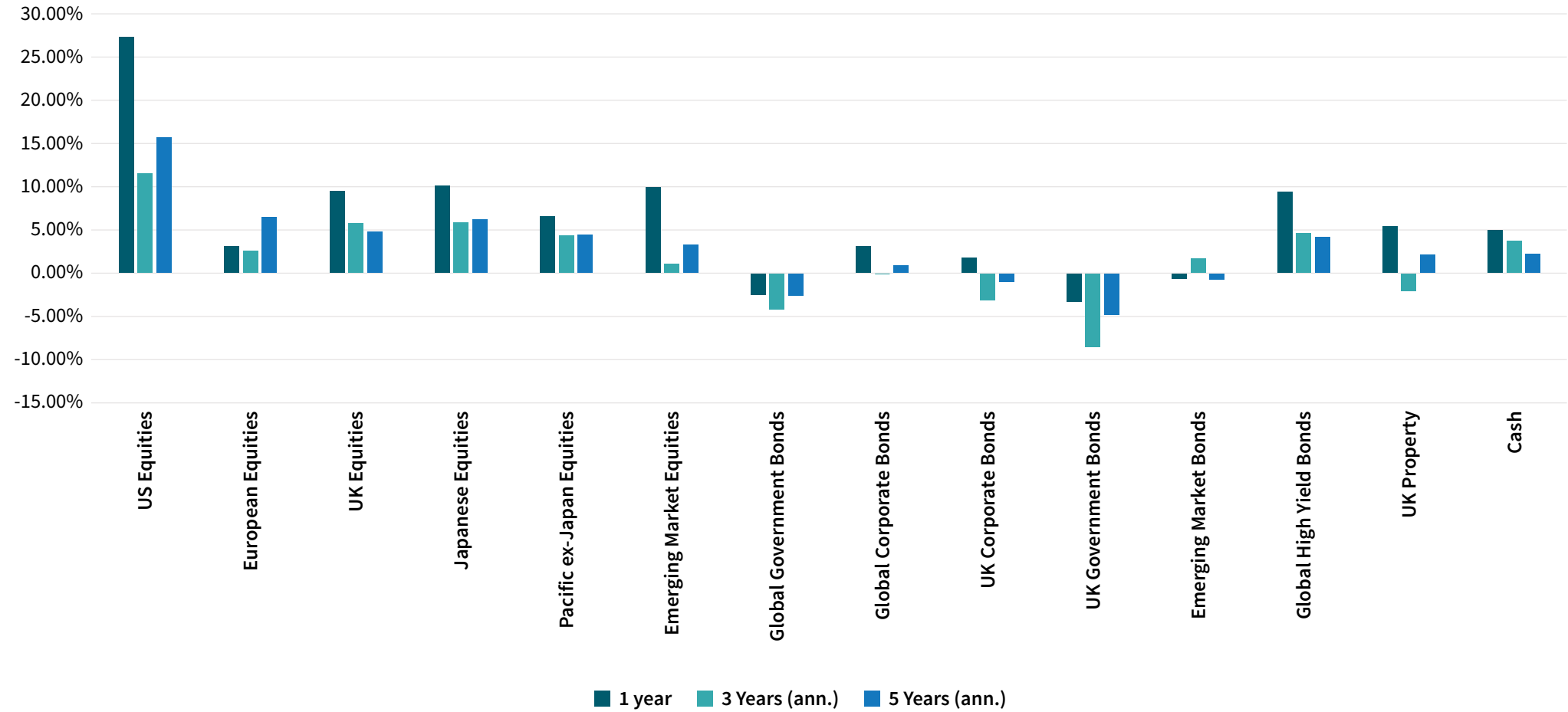
UK commercial property

Sentiment in the UK commercial property sector improved in 2024 following a largely challenging 2023 because of tighter financial conditions and rises in interest rates from December 2021 to mid-August 2023. The Bank of England held Interest rates at 5.25% until August 2024 when it reduced them to 5.00%.

Although it was later than expected, investors welcomed the first cut in UK interest rates since March 2020. A further cut in November 2024 gave further support to the commercial property sector. Interest rates ended the year at 4.75%. At a sector level, industrials continued to benefit from strong structural trends, and demand for warehouses and outperformed offices and retail.

A summary of asset class performance over one, three and five years to the end of 2024 is as follows:

Asset Class Performance to 31 December 2024



Market indices used; FTSE USA, FTSE Europe Ex UK, FTSE All Share, FTSE Japan , MSCI Pacific ex Japan, JPM GBI EM Global Diversified Composite, ICE BofA Sterling Non Gilts, FTSE Actuaries UK Conventional Gilts All Stocks, MSCI Emerging Markets, ICE BofA Global Corporate, ICE BofA Global High Yield, ABI UK Property. This information refers to the past. Past performance is not a guide to future performance. Source: FE.

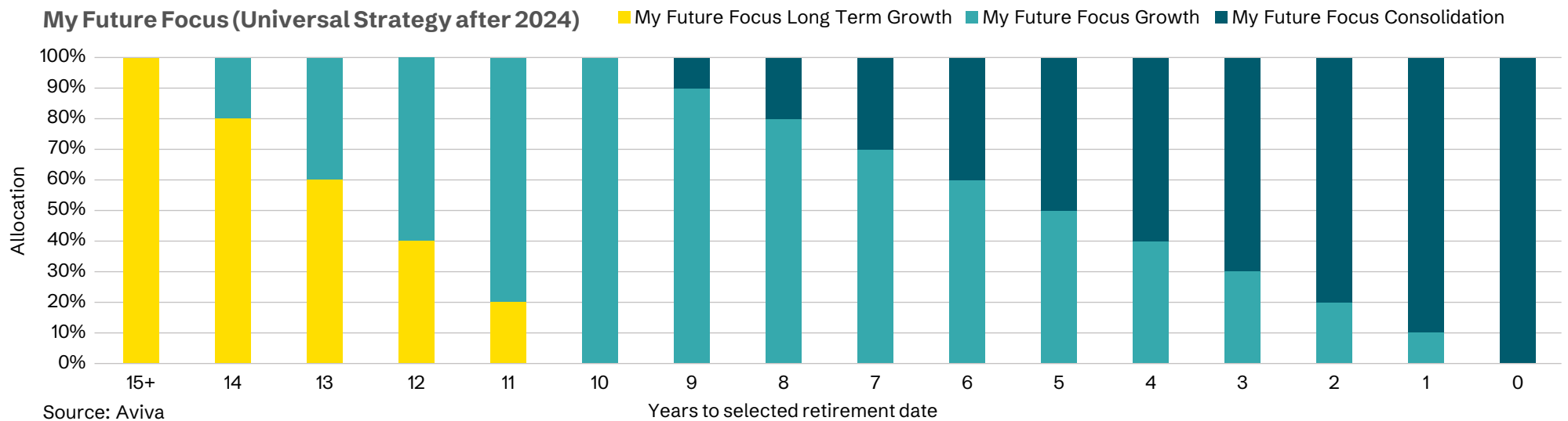
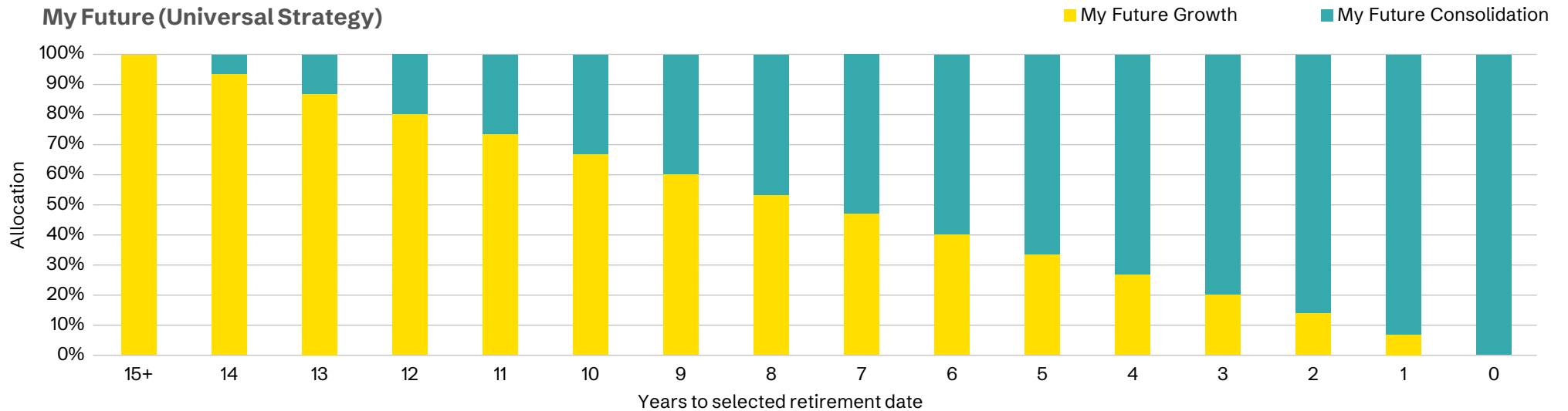
Performance of Aviva's two main default funds

If you don't make an active decision as to how your pension savings are invested, and most of you don't, Aviva will automatically invest your savings in one of Aviva's default funds. Although a small minority of employers use a default fund designed by their employees, a significant majority of them invest in the **My Future** or **My Future Focus** default funds. In both cases, Aviva has designed the blend of assets used in the default funds and Aviva Investors retain and exercise the voting rights on the underlying shares and other assets.

- **My Future** invests in passively managed (or "index-tracking") funds, which deliver the market return at a low cost. Aviva delegates the execution of the strategy to Blackrock Investment Management Limited, within parameters and limitations set by Aviva.
- **My Future Focus** invests in both passively and actively managed funds, with Aviva Investors' Multi-Asset investment team responsible for the allocation between the different types of investments.

Both funds aim to achieve growth over the long term with a controlled level of volatility. They reduce risk in the period leading up to your nominated retirement date by switching increasing percentages of the assets to lower risk funds as shown in the next charts. This is known as a lifestyle strategy. It's very important that you check the nominated retirement date Aviva holds for you and make sure you keep it up to date because the lifestyle profile will be based on that age. If your planned retirement age isn't accurate, it could unfavorably affect your investment outcomes, so it's essential you tell Aviva to adjust this on its systems.





Source: Aviva

The Universal strategies are not specific to targeting annuities, drawdown or cash”

Structure and performance of My Future and My Future Focus

Investment performance is important in our assessment of value for members. We want to emphasise that investment value is delivered over the medium to long term and over economic cycles, and your pension is a long-term investment. Investment decisions must be considered carefully and based over the longer term.

The following tables show the investment performance of the growth funds for the two main default funds over one, three and five years to the end of 2024:

Fund/Comparator	1 year	3 years (ann.)	5 years (ann.)
My Future Growth	15.4	6.5	9.5
Fixed weight comparator	16.3	6.8	9.4
ABI Mixed Investments 40-85% Shares sector	8.1	1.6	3.9
Bank Of England Base Rate + 4%	9.4	7.9	6.4
My Future Consolidation	5.4	1.2	2.9
Fixed weight comparator	6.3	0.7	1.3
ABI Mixed Investments 0-35% Shares sector	3.7	-1.4	0.5
Bank Of England Base Rate + 2%	7.3	5.8	4.3
Consumer Price Index	2.6	5.2	4.7

Source: Aviva

The investment performance of My Future and My Future Focus is not measured against specific target indices. Aviva assesses the growth funds with reference to achieving 4% above Bank of England base rates (which the funds have generally achieved over all periods). However, the IGC consider comparison against fixed weight comparators (broadly, index performance in the same indices as the funds invest) and against inflation to be more meaningful.

The tables show that the My Future Growth fund out-performed the comparators over the last 5-year period to the end of 2024. The My Future Focus growth fund out-performed the ABI comparator but not the performance of “Bank of England base rate plus 4% pa”. The My Future Focus Long Term growth fund out-performed the comparators.

Fund/Comparator	1 year	3 years (ann.)	5 years (ann.)
My Future Focus Long Term Growth	17.3	6.5	9.0*
Strategic asset allocation benchmark	16.3	6.7	n/a
ABI Global Equities sector	14.4	5.5	8.7
Bank Of England Base Rate + 5%	10.4	8.9	7.4
My Future Focus Growth	14.1	5.2	6.2
Strategic asset allocation benchmark	13.7	5.5	n/a
ABI Mixed Investments 40-85% Shares sector	8.1	1.6	3.9
Bank Of England Base Rate + 4%	9.4	7.9	6.4
My Future Focus Consolidation	7.9	2.2	2.0
Strategic asset allocation benchmark	7.7	1.8	n/a
ABI Mixed Investments 0-35% Shares sector	3.7	-1.4	0.5
Bank Of England Base Rate + 2%	7.3	5.8	4.3
Consumer Price Index	2.6	5.2	4.7

Source: Aviva

Also of importance is a comparison against other leading UK workplace pension providers. This is shown for the same time periods in the following table – again for growth funds used until close to retirement age.

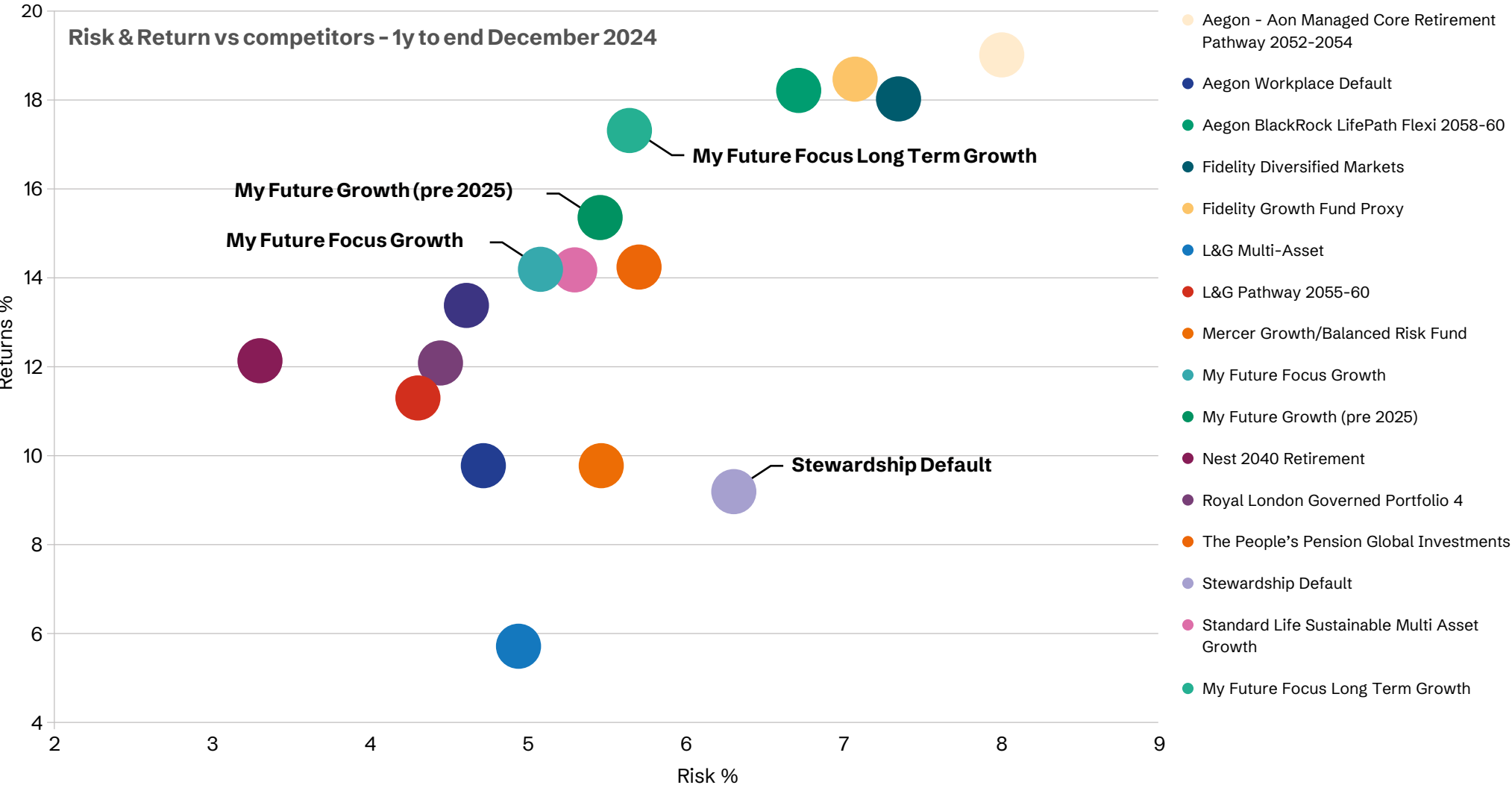
This table also shows the performance of the Aviva Stewardship Default Lifestyle fund. While its performance over the last year is disappointing, the five-year performance has been strong. Pensions should always be viewed as a long-term investment, and the IGC considers longer term performance to be more important than performance over just one year.

End of December 2024	1 year	3 years (ann.)	5 years (ann.)
Aegon Aon Managed Core Retirement Pathway 2052-2054	19.03	8.28	12.04
Fidelity Growth Fund Proxy*	18.46	7.41	8.96
Aegon LifePath Flexi 2058-2060	18.22	6.59	9.78
Fidelity Diversified Markets	18.03	5.32	3.69
Aviva My Future Focus Long Term Growth	17.30	6.53	-
Aviva My Future Growth (Pre 2025)	15.37	6.48	9.5
Scottish Widows Pension Portfolio One Pension Series 1	14.96	5.14	7.05
Aviva My Future Focus Growth	14.24	5.33	6.26
The Peoples Pension Global Investments (up to 85% Shares)	14.23	3.7	6.04
Standard Life - Sustainable Multi Asset Growth	14.12	4.36	-
Scottish Widows Pension Portfolio Two Pension Series 2	13.06	4.05	6.06
NEST 2040 Retirement	12.13	4.39	7.04
Royal London Governed Portfolio Enhanced Pension	12.07	4.42	5.78
L&G PMC 2065-2070 Target Date	11.83	4.36	5.64
Aegon Workplace Default	9.76	3.77	5.72
Mercer Growth/Balanced Risk	9.74	2.47	4.71
Aviva Stewardship Default Lifestyle	9.19	2.30	7.44
L&G Multi Asset	5.69	0.92	3.31

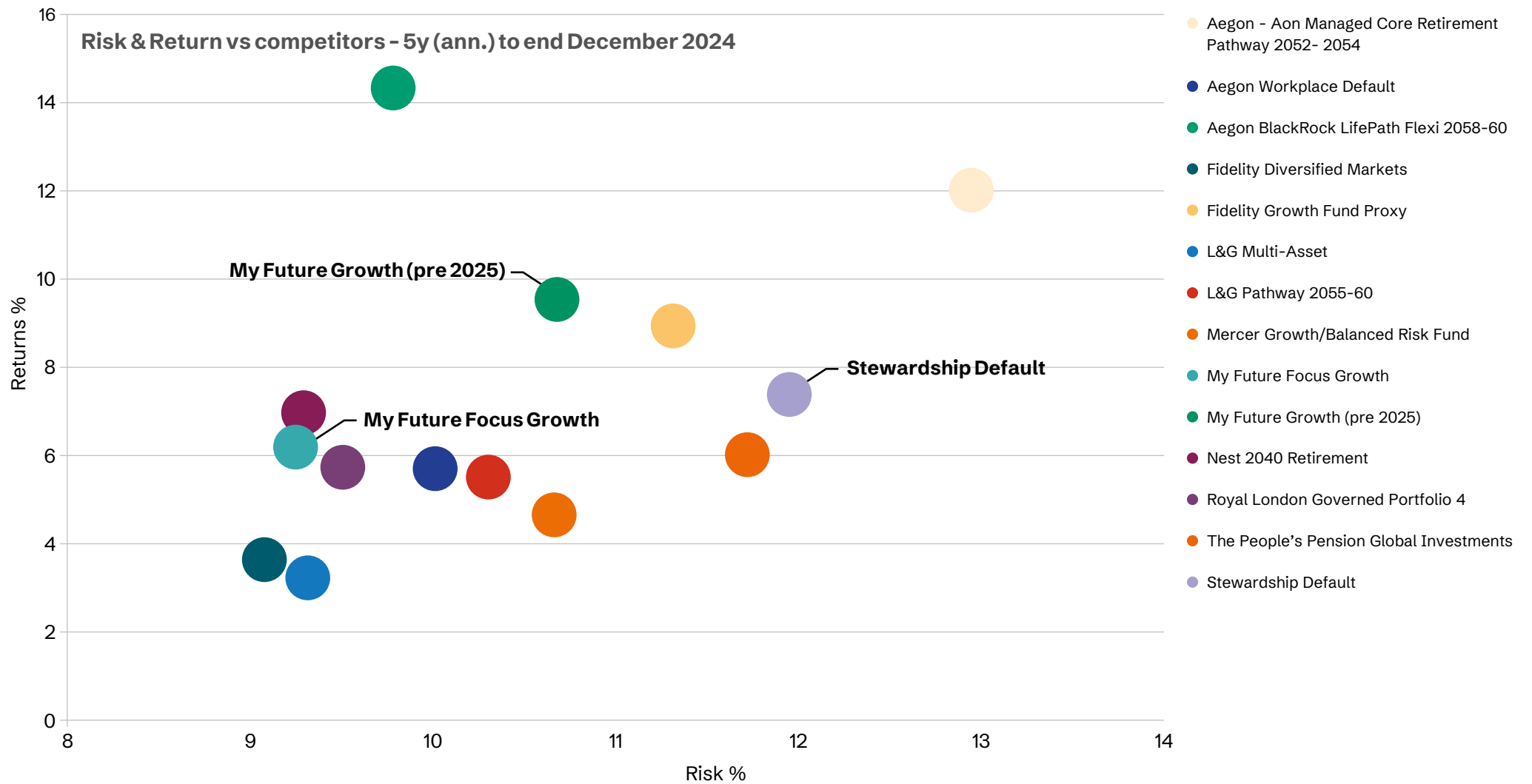
Source FE, returns in % sterling terms

*Fidelity Futurewise performance is unavailable. The Proxy is an approximation based on components of the fund. Fidelity Diversified Markets is a significant component of the Futurewise growth phase.

Aviva places emphasis on managing volatility and risk and it is helpful to see the comparisons between investment return and volatility for various pension providers, as shown on the next charts. The first chart shows the risk and return versus Aviva's main competitors over the year to 31 December 2024; the second over five years to 31 December 2024. These show a reasonable relationship between risk and return as compared against other provider default investment funds.



Source: Aviva



My Future Default Fund – developments

For the last two years, the IGC has challenged the level of environmental, social and governance (ESG) integration for the My Future default fund. We cover this in the ESG section of this report, but the IGC notes increased integration.

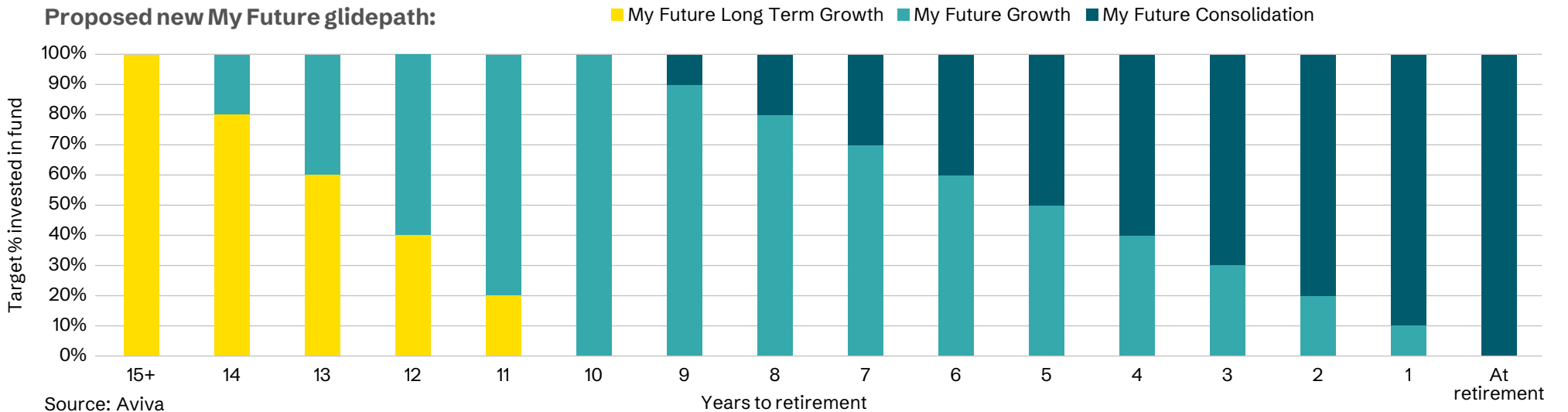
Aviva continues to review My Future and will make several changes in the fourth quarter of 2025, designed to increase its growth potential.

The proposed changes to My Future are as follows:

- Retain the 15-year de-risking period but introduce a new fund, My Future Long Term Growth, as the accumulation fund.
- Introduce the My Future Growth fund 15 years from retirement to start reducing risk while maintaining growth potential.
- In the final 10 years, move money from the My Future Growth fund into the newly created My Future Consolidation fund, which will have a 6% long-term volatility target. The current My Future Consolidation fund targets 4% long-term volatility.

Moving to this glidepath delivers meaningful improvements to expected member outcomes. It also aligns the designs of My Future and My Future Focus, so Aviva employs a consistent ‘One Aviva’ approach across their investment proposition.

To support the enhanced My Future glidepaths, Aviva has implemented new fund objectives across the My Future fund range, which includes adopting benchmarks for both volatility and performance. Aviva is also planning to introduce new versions of the drawdown, annuity and cash programmes, which reflect the same approach.



My Future default fund – IGC comments

My Future has delivered good investment performance in recent time periods – relative to inflation and most other UK workplace pension providers. It has been helped by strong equity markets with its high equity allocations and efficient index tracking. The design has continually evolved, and Blackrock provides detailed ESG integrated passive funds. As a result, the IGC believes the fund has provided good value.

The changes to be introduced to My Future in late 2025 will bring a consistent investment philosophy to both My Future and My Future Focus. While it is too early to be confident of the benefits of the changes made to My Future Focus, early results are promising. The increased risk in the early years, together with a longer glidepath, are intuitively sensible given market data on retirement and retirement choices. The IGC is supportive of adopting the same approach to the My Future range.

My Future Focus default fund – IGC comments

The IGC is pleased to note improved performance in 2024 for the My Future Focus Growth Fund compared to the previous two years. Although not as high as some, the return of 14.24% compares well against many other pension providers. Over three and five years, the figures are more mixed, but this is to be expected as the changes (which the IGC supported) were only introduced in late 2024. This means they are largely not reflected in the figures for 2024 as a whole.

The My Future Focus Long Term Growth performance was strong at 17.30% reflecting the higher equity percentage allocation in what was a strong equity market. This is important for 2025 onwards, because the My Future default is invested in this fund for members until 15 years before retirement but is less relevant for the 2024 performance as, for most members, this change occurred towards the end of the year.

The performance of these funds in 2024 support both the rationale for the changes made to the My Future Focus Growth Fund in 2024 and the re-design of My Future Focus to incorporate the My Future Focus Long Term Growth Fund. We understand the allocation to equities within the My Future Focus Long Term Growth Fund is now as high as almost all the other major UK pension providers.

Stewardship default fund – IGC comments

The IGC notes the lower performance of the Stewardship Default Fund over 2024 compared to other providers, although over a longer term of 5 years to 2024 the comparative performance is stronger. The fund has a lower equity allocation than most default funds and in what was an extremely strong equity market in 2024 this led to other funds having higher returns over the year. Also, the equity market values rose considerably for certain equities which the fund would exclude on principle. Aviva is going to review the structure of the funds in due course, but we would note the factors leading to this comparison in 2024 were quite extreme against what may be expected typically over time.



Other default funds

Some employers offer members different default funds from My Future Focus and My Future. Aviva is undertaking a program to switch members in these funds who have now left their employer to one of the two main Aviva default funds, albeit giving them the option to make an alternative selection if they wish. The IGC supports this streamlining of default funds. Aviva will tell you if you are one of the 500,000 members affected and provide you with full details.

Other largest funds

In the following table, we show the investment performance of the 10 funds most frequently selected by members, aside from the default funds.

Top 10 largest funds by AUM - performance to end December '24

Fund	Members	AUM as at end of Dec '24	1yr	Ann. 3yr	Ann. 5yr
Aviva Mixed Investment (40-85% Shares)	396,681	£7,470,467,827	8.32	3.37	4.73
Aviva Managed	191,475	£3,406,096,145	8.34	1.3	4.51
BlackRock (50:50) Global Equity Index Tracker	83,095	£2,088,536,528	9.78	5.87	6.86
Aviva Multi-Asset Index Growth fund	63,643	£1,161,756,341	15.42	6.58	9.35
BlackRock (60:40) Global Equity Index Tracker	54,156	£831,163,637	9.46	5.84	6.39
BlackRock Consensus	24,662	£803,386,992	9.24	4.05	5.84
BlackRock World ex UK Equity Index Tracker	18,873	£657,421,238	20.75	9.34	13.03
Aviva Multi-Asset Growth Fund	27,427	£567,534,616	8.29	1.29	4.51
Aviva Global Equity	17,700	£557,049,830	23.18	9.41	14.70
BlackRock (40:60) Global Equity Index Tracker	22,245	£543,943,010	16.32	8.09	14.70

Source: Aviva

This shows highly varied performance, which reflects the very different nature and types of funds. Many are not managed by Aviva. We note the default growth funds tended to have higher performance than most of these other funds, showing again that you need to take care if you choose your own funds.

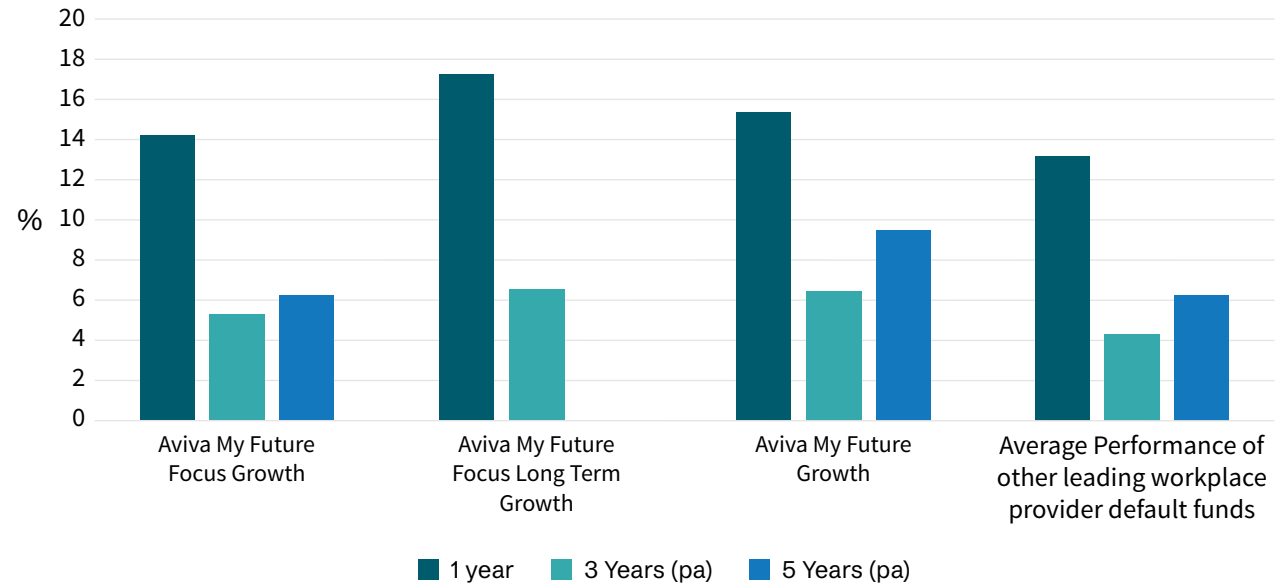
Conclusion

The two main default funds generated good investment returns in 2024, and these are the funds which the vast majority of you invest in. My Future has sustained this over a longer time period. For My Future Focus was more mixed in 2022 and 2023 but improved significantly in 2024. Therefore, for the vast majority of policyholders, the default funds delivered good investment performance in 2024.

The IGC is highly supportive of the changes made to My Future Focus in 2024 and the forthcoming changes to My Future.

The chart opposite compares the performance in the growth phase of the Aviva default funds against the average for other leading workplace providers' main default funds over 1, 3 and 5 years.

VFM Comparison – Aviva main default funds against other leading provider defaults



Service and communications



Service and communications

In this section, we consider whether you have received value for money in the quality of service, communications and engagement you get as an Aviva customer. This includes the suitability and clarity of the communications Aviva sends to you and the support it provides to help you understand and manage your pension.

Quality of service

Consistently providing members with a high level of service continues to be our benchmark for Aviva. This year, we’ve looked at comparison information provided by two consultancies:

- Redington – covering seven large pension providers over 2024 and approximately 75% of the UK market
- NMG – based on structured interviews with employee benefit consultancies and corporate IFAs.

We’ve also had regular meetings with Aviva management and members of their teams, and looked at key management information to see if Aviva has achieved this benchmark.

We’re also looking to see if the standards are similar for members with older types of products no longer marketed as for more modern products.

To help our understanding of the quality of administration and telephone services, some Committee members visited Aviva’s Sheffield office. There, we saw the teams for ourselves and discussed the services with Aviva staff and management, and observed their operations and member interactions.

Performance against targets

Servicing remains strong, and Aviva has in place competitive servicing time targets. This requires all transactions to be completed within five days, with a high proportion completed within this target. The chart below shows the percentage of tasks completed within target for five common financial transactions and compares these with the median for all providers in the Redington study.

The key Redington findings are:

- Aviva’s performance was high in 2024 and comparable to 2023
- Aviva has the highest percentage of transactions meeting target timescales for death claims, and is near the highest for transfers out
- Aviva is towards the average for all other transactions

Task	Volume of transactions		Completed within target		Median 2024
	Aviva 2023	Aviva 2024	Aviva 2023	Aviva 2024	
Fund Switch	52,435	62,281	98%	98%	99.3%
Transfers In	106,121	151,782	93%	94%	94.0%
Transfers Out	163,239	203,284	99%	98%	95.7%
Retirements	102,109	88,600	95%	96%	96.0%
Death Claims	17,289	20,783	94%	95%	90.7%

Source: Aviva

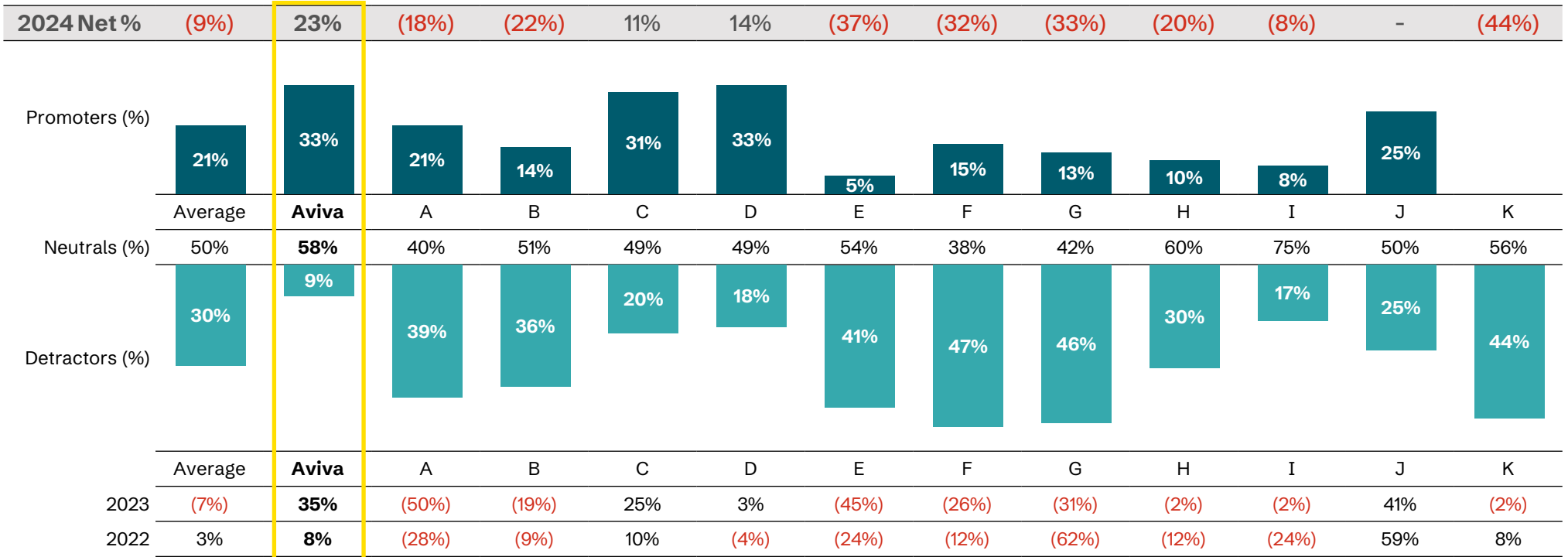
Death claims processing is particularly impressive, being both the fastest in the study and with average processing improving year-on-year.

Total Net Promoter Scores (TNPS)

Customer feedback is a good indicator of how members feel about the service they received. This year, Aviva has maintained its market-leading footprint and is the only provider to score a positive NPS with both employee benefit consultancies and corporate IFAs. While Aviva’s absolute score has decreased since last year, its relative score has increased and they have moved from the number two to the number one ranked provider.

Likelihood to recommend by users - Full market

Question: Using a scale of 1 to 10, how likely would you be to recommend each provider to a business, colleague or acquaintance? (Sample size varies for provider)?



Source: NMG Consulting

Note: Promoters defined as scores of 9 and 10; Neutrals as scores 7 and 8; Detractors are scores of 6 or less. Users defined as those that cited using a provider for workplace business in 2024. Previous years scores have been standardised

What Aviva customers have said

Aviva regularly asks its members to rate their experiences after an interaction. The IGC was very pleased to see an outstanding total Net Promoter Score of +76 for handling death claims, as we feel that supporting members through a bereavement is particularly important.

Examples of positive comments from customers after dealing with Aviva's bereavements team

"We've had nothing but a positive experience of your company and all of your call handlers. They've treated us with the upmost sympathy and respect. You've made a difficult time a bit easier, and everyone else needs to take a leaf out of your book. Your call handlers are the best I've come across and clearly have the best training. Everyone else needs to take your lead."

"We will be forever grateful for what they have done for us. Due to English not being my first language companies have made it very difficult for me to claim. But you have shown kindness, support and quick delivery."

"Considerate, prompt & efficient service. You are streets ahead of a couple of other pension providers that I'm still waiting on payouts from months later."

"The team were respectful, professional, and very supportive during the whole process. I felt supported at all times, and at a pace that allowed me to understand the process."

Telephony

No one likes waiting too long to have their call answered, so we have again looked at the average waiting times for members who call Aviva, as well as the percentage of members who end their call before it is answered. The key Redington findings are:

- Aviva is towards the typical level for average call wait times at 176 seconds, a 20% increase from 148 seconds in 2023
- The Aviva call drop-off rate increased from 8% to 8.5%, the second highest in the range

The IGC questioned Aviva on these increases and heard that the pinch points occurred around the UK Government’s Autumn Statement on 30 October, with an uptick in queries about the tax implications for pensions. Call wait times remain within both acceptable limits and Aviva’s own targets, but Aviva is continuing to monitor its staffing levels month by month to anticipate future surges in call demand.

	Aviva 2023	Aviva 2024	Median 2024
Average call wait time	148	176	172
Call abandonment rate	7%	8.5%	8.1%

Source: Aviva

Aviva has begun to integrate technology into its telephony processes. This will allow member data to be gathered across multiple systems more quickly than a manual search, which means the call-handler can focus attention on the customer. This enables greater efficiency both while on a call and when a client calls back, which should reduce wait times.





Complaints

When members complain, Aviva looks to resolve their issue quickly and fairly. The key Redington findings showed Aviva compared favourably with its peers, with a small decline in complaints received, faster-than-average resolution times, and fewer than one in five cases upheld by the Ombudsman. This last statistic is particularly pleasing to note, as last year Aviva put in place additional training to address an uptick.

Reportable Complaints	Aviva 2023	Aviva 2024	Median 2024
Complaints per 1,000 customers	1.9	1.6	1.6
%age upheld by Aviva	53.2%	55.3%	65.8%
Average time taken to close (days)	29.5	24.9	28
%age escalated to the Ombudsman	3%	2%	1.7%
%age upheld by the Ombudsman	29%	19.3%	44.4%

Source: Aviva

Going forward, the IGC has asked Aviva to share details of any trends identified across member complaints, and how they ensure that complaints are not missed.

Site visit

This year, members of the IGC visited Aviva’s offices in Sheffield and had the opportunity to observe call handlers live as they helped members over the phone and through live chat. The IGC was impressed by the commitment and empathy of the staff who clearly enjoyed their role and were engaged and motivated. They were particularly impressed that staff members were able to nominate callers to receive small tokens, such as a basket of flowers, by writing a brief explanation as to why the gesture would be welcomed and appropriate.

Aviva recognises that many of us will suffer periods of vulnerability and have a dedicated Vulnerable Customer team. The IGC spent time with the team and continue to be impressed with how seriously Aviva takes its responsibilities here. Frontline teams are trained annually to proactively identify, record and respond to vulnerability, and signpost customers to external support services where appropriate. They showed the IGC how reframing sentences in simple language and using straightforward numerical examples improve communication with this group of customers.

Aviva has partnered with external charities, such as the Samaritans and Alzheimer’s Society, to better understand how to provide support and empathetic, responsive care. They have an innovative referral partnership with Citizens Advice through which 10 Aviva employees were seconded one day a week for a year. In one month alone, the knowledge they gained enabled Aviva staff to help members receive £260,000 of unclaimed state benefits.

Examples of vulnerabilities

Research completed with Aviva customers highlighted a wide range of vulnerabilities within our customer base. These vulnerabilities included, but were not limited to...

Physical disability

- Amputee
- Wheelchair dependant
- Chronic back pain
- Partially sighted
- Deafness

Disease & disorders

- Crohn’s disease
- Bowel cancer
- Fibromyalgia

Low literacy and numeracy skills

- Age 8 reading level
- Severe dyslexia

Mental illness

- OCD
- Bipolar
- Anxiety
- Depression
- Chronic stress

Vulnerabiliy is often complex, diverse and rarely occurs in isolation.

Product governance and controls

Aviva has a well-developed and independently audited internal control structure, which identifies issues with the potential to cause customer detriment. Where this happens, it has dedicated resource to put things right and compensate members to make sure they are no worse off than if the issue had not happened.

During 2024, Aviva identified two new high-risk events and one new medium risk. At the end of 2024, two high-risk and six medium-risk events remain open, with the very high severity risk relating to the payment of the With Profits final bonus closed during the year.

The IGC is satisfied Aviva makes considerable efforts to identify any events or errors and then rectifies the situation for customers.

Going forward, the IGC has asked to be kept informed of low-risk events if they relate to a similar theme as this could indicate a systemic problem.

The IGC has reviewed Aviva's assurance report on internal controls (AAF 01/20 report). An independent external auditor tests the controls. This includes at least all those defined in the accounting audit framework for pensions administration. Where it identifies any issues, Aviva needs to make sure it strengthens any control weaknesses. The report did not identify any material concerns this year. Aviva is confident that none of the minor issues raised present a material risk to its ability to manage customer data security. The report does not cover Aviva's third-party administrators so the IGC received additional information on this topic from Aviva and no material concerns were raised.

Modernising policy features

Last year, we noted our discussions with Aviva to understand how it is meeting its Consumer Duty responsibilities for legacy pension products which are no longer marketed and which may include features which need modernising. During 2024, Aviva completed value assessments covering 27 workplace plans and rated 21 as 'fair' and six as 'needs improvement'. Aviva is implementing a charge cap for the affected plans and will be communicating with affected members who are invested in high-risk funds or are near retirement age. We will update you on developments in our report next year.

Our conclusion on service

We continue to believe members receive excellent service from Aviva. This is across the different products both old and new.

The independent research from Redington and NMG continues to confirm that Aviva remains equal to or ahead of its peers in terms of the speed and quality of the service it provides. This is consistent with the independent research received over the last two years, and this consistency adds to our conviction. Nevertheless, we will continue to challenge Aviva to continue improving its service offering.



Communication and engagement

Great service alone is not sufficient to make sure members have a good pension outcome at retirement. It must be coupled with a programme of great communications to support and nudge members at key times to promote a greater degree of engagement. This year, Aviva has achieved success in a number of areas:

- A communication programme helped members to unearth and consolidate old pensions, resulting in a 48% increase in transfers in.
- A detailed analysis of the experience of members in their first 12 months of joining has provided insight into how to streamline the process to reduce and better target the number of communications.
- Increasing the number of customer email addresses held from 43% in 2023 to 57% in 2024.
- Efforts to trace customers were rewarded by very low levels of 'gone aways' (around 5%).

However, despite a simple process, only 20% of members have completed their Nomination Forms for nominations of beneficiaries upon death, with targeted communications achieving a disappointing 3% conversion rate. While this is very typical across most UK pension providers, improvement is important. The IGC has challenged Aviva to include a Nomination Form in every live engagement. Aviva is introducing this to its call centre scripts, targeting a 15% increase in members with nominated beneficiaries in 2025. We will update you on progress next year.

Digital offering

Aviva has an impressive array of pensions tools and was ranked amongst the best in the NMG survey. However, the gap is narrowing and the IGC noted that Aviva is far from complacent, recognising the need to continually improve and expand its offering.

2024 saw the launch of the Discovery Hub to one million members, an online member community that encourages engagement through discussion boards and polls (which members can also initiate themselves) with small gift token incentives. This provides Aviva with valuable insights into the needs of its customers. Currently around 3,000 members have registered, and they are highly engaged with a phenomenal 40-50% response rate to surveys. There are plans to enrol members seamlessly as part of the on-boarding process.

To further enhance member engagement, Aviva has changed its default for new plans. Members will automatically receive targeted communications based on their life stage or "triggers", designed to engage members at the right time. Because this 'Always On' feature was historically an opt-in choice for employers, there are a significant number of plans operating without it. The IGC believes the "Always On" feature is an important tool in encouraging member engagement, so we've challenged Aviva to change its approach and to apply "Always On" to all schemes unless an employer expressly refuses permission. The IGC understands that some employers take that position.

Last year, the IGC challenged Aviva to demonstrate how its enhanced digital offering has driven up further engagement. We're pleased to note usage of Aviva's website, app and online tools has increased by 12%. We will continue to monitor this issue, with a particular focus on Aviva enhancing its offering across all plans.



Financial education

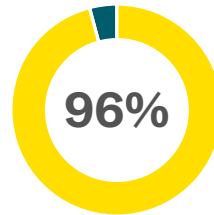
As part of its communication and engagement support to members, Aviva continues to provide educational seminars. These target employees at different stages in their pension savings journey, for example, joining the workplace, mid-career, and on the approach to retirement. While the range is impressive, the IGC challenged Aviva to offer additional topics, for example, why ESG risks and opportunities are important for pensions savings.

Aviva holds 80% of its seminars online and includes members from different employers. The presenters cover pension basics, investments, managing your pension, and so on. In some cases, they also cover topics such as the gender pay gap and the cost-of-living crisis.

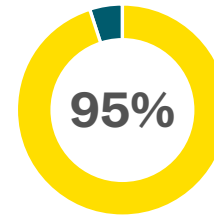
Aviva hosted 1,195 seminars in 2024 (1,126 in 2023) and they were attended by 70,869 members (56,775 in 2023), with 65% of those who registered joining the event. 11% of people attending the 2024 seminars were deferred members, which suggests the service Aviva is providing is still valuable after members have left their employers. Member feedback is excellent, with satisfaction ratings close to 100% across a range of metrics.

Three members of the IGC observed several events during the year and found the subject matter covered and the presenters to be excellent. We continue to feel that these seminars are important and provide an opportunity for members to learn more about managing their pensions and preparing for retirement. They remain free to join, and we would encourage more employees to attend if offered the opportunity and for more employers to make their employees aware of them.

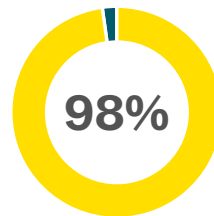
Feedback



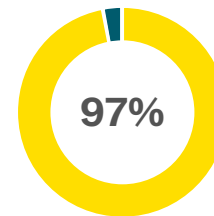
Were happy with the **format** and **style** of the seminars



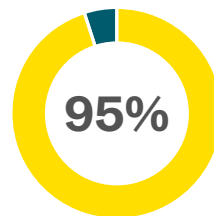
Would **recommend** the seminar to a colleague



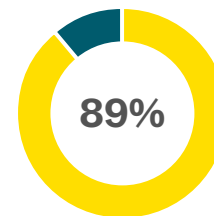
Found the online booking process **simple** and **straight-forward**



Found the presenters **engaging** and **clear** on the delivery of the content



Thought the seminar was **informative** and a **good** use of their time



Felt motivated to **take action** after attending a seminar

“This presentation has made me feel comfortable about my pension options and about forward planning for my future finances.”

“Very clear sessions from Aviva - I like that they are bite size and focused on a specific part of the retirement process so I can jump in on ones that apply directly to me at my age.”

“The seminar was one of the best I have attended. Time was taken to answer all the questions in the chat box. The hour whizzed by. Thank you to everyone in the team who took the time to organise this presentation.”

“The content was informative without being too long. The presenter was very clear and concise, open to answering all questions and welcoming.”

“I love that these Seminars are available to members of the schemes with Aviva - thank you.”

Financial advice

Following its acquisition of Succession Wealth, Aviva is particularly well-placed to provide members with a full range of financial guidance as they approach retirement. Members learn about the range of support options available either reactively or proactively. Reactive engagement comes when they call Aviva about something else. Proactive engagement happens from a communication to policyholders when they turn 50, when Aviva visits their employer onsite or when they use Aviva's online retirement planning tool.

Typically, members are offered a free 20-30 minute retirement preparation call. This might lead to them being invited to a webinar or seeking advice, either restricted to Aviva or a "whole of market" option, if their needs are complex. The IGC was impressed by the proactivity and the breadth of services, and the fees appear to be competitive.

Our conclusion on communications and engagement

We believe Aviva's communications are good. We are supportive of the financial seminars Aviva run and the retirement preparation review offering. More information and support is available to members digitally than ever before and we are impressed at Aviva's efforts to promote member engagement. As competition is fierce, We encourage Aviva to continue its excellent work in this area.





Environmental, social and governance (ESG)



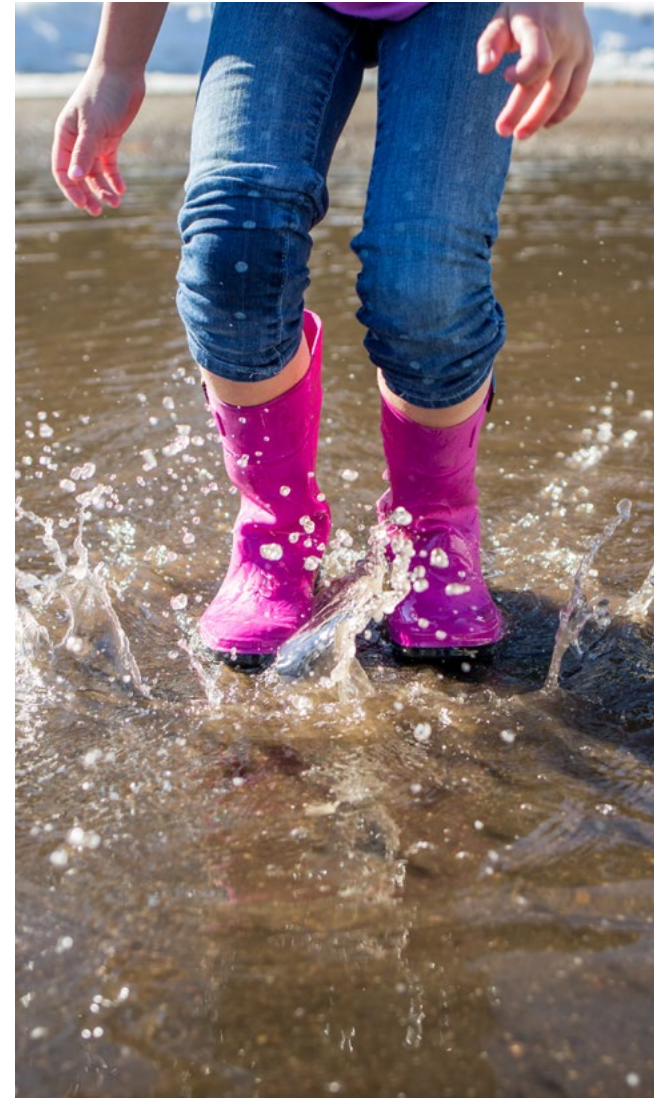
Environmental, social and governance (ESG)

We believe that ESG factors within your investment funds are materially linked to your long-term savings outcomes and should be treated as investment risks. Climate change, in particular, poses systemic threats that affect financial markets, business models, and society at large. Pensions cannot be insulated from these risks, and nor should they be.

In 2024, this belief has only strengthened, given the increasing frequency of climate-related events — from UK flooding to global droughts — that have implications for infrastructure, housing, and corporate value chains. We therefore support investment approaches that incorporate ESG risks and opportunities in a transparent and accountable way and will continue to advocate for this approach.

In this section of the report, in line with FCA requirements, we are commenting on:

- The adequacy and quality of Aviva's policies in relation to ESG financial and non-financial matters
- The adequacy of Aviva's stewardship policy
- How Aviva implements these policies in investment strategy and decision making



Adequacy of Aviva's policies

Aviva and Aviva Investors have a suite of policies on environmental, social and governance factors as well as “stewardship”, which is how investment fund managers interact with the companies and other entities held within your pension fund.

The IGC has reviewed the following documents produced by Aviva:

- 2024 Annual Report and Accounts
- 2024 Climate-related Financial Disclosure Report
- 2024 Modern Slavery Statement, and
- the latest sustainability related reporting from Aviva and Aviva Investors.

Overall, we believe Aviva's policies are among the best in class across pension providers and we're pleased to see Aviva continuously reviewing and improving them.

Net zero

Aviva's ambition is to become carbon net zero for its own operations and supply chain as well as shareholder and customer investments (including your pension) by 2040. This ambition, first declared in 2021, remains the most progressive among major UK pensions providers. Aviva will work towards this through a combination of stewardship, ESG integration, selective divestment and new, nature-based investment solutions.

Aviva is under no illusion that reaching net zero will be easy or is certain to be achieved. Nonetheless, it is committed to this aim. It is made especially difficult by unsupportive global policy from the Trump administration in the United States and energy insecurity caused by the conflicts in Ukraine and the Middle East, which inflate prices of traditional fossil fuels.

The IGC expects that with such a bold ambition should come bold action. We are therefore pleased with the strong backing from Aviva's PLC Board and its continued desire to lead the market.

The 2030 interim target – a 60% reduction in carbon emissions compared against 2019 totals – is viewed as realistic under current strategy. From there, Aviva's continued work to decarbonise portfolios and influence policy is essential. We note that its stewardship team continues to advocate for regulatory clarity, that new funds (such as Climate Transition and Carbon Removals) have been developed, and that ESG-enhanced building blocks are being monitored quarterly.

While ESG integration is viewed as essential to long-term value, we are comfortable that Aviva is taking its fiduciary duty seriously – ensuring it doesn't create undue risk of short-term underperformance along the way. Aviva is confident that performance has not been, and need not be, sacrificed through the ESG integration in investment funds.

We will continue to monitor both ambition and delivery and expect both to remain the highest among peers.

Stewardship

Aviva's presence in the financial services industry – especially its role as a significant shareholder of many companies through its management of pension assets – allows it to influence the actions of large companies. Its engagement with policy makers – encouraging policy that gives those very companies confidence to act – may be even more impactful.

Aviva Investors undertake the engagement with companies for both My Future Focus and My Future default investment funds. We challenged Aviva Investors on its voting activity this year, in light of ShareAction's 2024 Voting Matters report, which ranked them 30th out of 70 for support of environmental and social shareholder resolutions. We believe this result is inconsistent with Aviva's Net Zero 2040 ambition and their leadership elsewhere on ESG.

Aviva Investors explained that its voting approach is deliberate and contextual. It avoids blanket support for shareholder proposals, preferring to assess each resolution on its merits, and emphasise strongly the great and persistent policy engagement work it does around the world.

In 2024, Aviva voted against management on over 1,200 occasions across People, Climate, and Earth themes — including on director re-elections, remuneration practices, and approval of reports and accounts — where they believed progress was insufficient.

It also pointed to its broader stewardship work:

- Over 135 engagements through its Climate Stewardship 2030 programme, covering over 75% of financed carbon emissions.
- Its leadership on biodiversity through the Nature Engagement Programme; and its top five global ranking in ShareAction's broader Responsible Asset Manager Global Ranking (number 1 in the UK).

This last point is particularly impressive. It demonstrates the strength of Aviva's overall sustainability approach and the depth of its stewardship activities, which extend significantly beyond proxy voting. It's an accolade all members and employers should be proud of.

We are grateful for the open and constructive dialogue with Aviva Investors' but maintain that progressive voting is a key signal to the market. With the most ambitious target, Aviva should be among the most progressive voters. We will continue to scrutinise voting on high-profile resolutions and expect greater alignment between ambition and action.

Social factors

We asked Aviva for more transparency on its stewardship of social issues this year. We were pleased to see continued support for the Real Living Wage and engagement on human rights due diligence, including in high-risk geographies and sectors like mining. Aviva Investors is also part of the Good Work Investor Coalition.

We welcomed this. At least one poll of 2,000 UK adults suggests some members may too:

- 88% support the Real Living Wage
- 77% want their pension invested in companies that treat staff well
- 69% reject excessive executive pay.

Social risks – including inequality, poor labour practices, and inadequate corporate oversight – can all impact long-term value.

We encourage Aviva to continue this work and, in some cases, go further to align their voting.

BlackRock

Following BlackRock's withdrawal from the Net Zero Asset Managers Initiative (NZAMI) which, given its scale, renders NZAMI far less effective, we challenged Aviva whether it remains appropriate to retain them as a default investment fund provider. Aviva noted that the BlackRock team continues to deliver best-in-class ESG-aligned mandates according to Aviva's design and instructions, and they also enable Aviva to overlay Aviva Investors' voting policy using BlackRock's Voting Choice programme. Aviva also noted that most new business now chooses the My Future Focus default, which is majority managed by Aviva Investors.

Fund naming

We revisited the naming of the "Stewardship" default fund this year. While the name has historic value, we believe there may still be a risk that the name could be misleading to members. The fund has high ethical exclusions, which may limit opportunities for voting & engagement – a core part of stewardship.

Aviva responded that the name aligns with the Financial Reporting Council definition and they've retained it as part of their Sustainability Disclosure Requirements label application. They acknowledged, however, the risk of misinterpretation and agreed to raise the issue again with Aviva Investors. We welcome this and ask that employer and member communications clearly explain the fund's exclusions and approach to support informed member fund selection.

Education

As you will read in our service and communications section, we believe Aviva offers high-quality education opportunities for members. However, this year we thought the lack of ESG-related member communications was notable. We understand demand for sustainability-related content may have declined, and also that care is needed that communications do not get classified as "promotions" under regulations, but this doesn't negate the risk. Without engagement, members will not understand the issues or support the necessary governmental policy changes that Aviva is hoping for (referenced in the net zero section above). We strongly encourage Aviva to invest in a clear communications plan on ESG and climate going forward.

Aviva Group sustainability

Beyond its role as an asset owner, Aviva PLC continues to demonstrate sector-leading ambition and delivery across its own operations. In 2024, the company made significant strides toward its 2040 net zero goal. Notably, operational carbon emissions were reduced by 12% compared to the 2023 baseline, driven by improvements in building efficiency, increased renewable electricity use, and electrification of its fleet. Aviva now sources 100% renewable electricity across all its UK sites.

Aviva's leadership on biodiversity and nature has also advanced. The company conducted its first comprehensive nature-related risk assessment and published a nature roadmap aligned with the framework for the Taskforce on Nature-related Financial Disclosures. Its community resilience work includes £13 million in new funding for flood-prone regions, delivered through local partnerships and climate adaptation programmes.

The company continues to prioritise diversity, equity, and inclusion (DEI) across the Group. Aviva reached gender parity at senior management level (50% female) and made progress toward ethnic diversity targets, with 14% of UK senior leaders from ethnically diverse backgrounds. Inclusive hiring, pay equity analysis, and mandatory DEI training underpin this work.

We view these actions as an important complement to Aviva's investment strategy. It applies the same principles – sustainability, accountability, long-term value – to both its corporate footprint and stewardship of your pension.

Conclusion

As a Committee, we welcome the steps Aviva has taken over the past year to advance sustainable investment and we believe your pension is set apart from others in this regard. Our role is to continue to scrutinise progress, encourage transparency, and provide constructive challenge where needed. We believe that doing so not only helps Aviva stay ahead – but ensures the best long-term outcomes for our members and society as a whole. We thank Aviva and Aviva Investors for their openness and continued ambition.



Investment pathways



Investment pathways

Since their launch in 2021, we have assessed the value for money provided by the four investment pathway solutions available to Aviva and Mercer policyholders. Each pathway is based on what policyholders intend to do with their retirement pot. We summarise them in the table below.

Our areas of assessment for investment pathways are the same as those we apply when looking at your workplace pension:

- Member charges
- Investment design and performance
- Member engagement and access to pathways, including communication support and member take-up
- Service to members who opt for a pathway solution

Member charges

The charges that apply to each investment pathway follow one of two formats:

- A flat fee applied to the member's fund, which is often determined by the workplace charges the member incurred before drawdown. This charge is capped at a maximum of 0.75% a year but is often significantly lower.
- A tiered fee applied to the member's fund where the size of the member's fund determines the percentage applied. Generally, products using this structure will pay a maximum of 0.55% a year.

The FCA is currently consulting with the industry on a new methodology for assessing value for money. Their current proposals will require providers to break down the charges you pay between the cost of the investment and what you pay for service. We believe this will give greater transparency and create a level playing field across providers.

Aviva has a different charge for investment pathway customers depending on which product they are in or which platform they are serviced on. The cost for the investment element, however, is the same for each pathway. This is a different approach to other pathway providers, who typically have a lower charge for pathway 4. We previously challenged Aviva on the cost of pathway 4 and it has demonstrated to us that the cost to the member is appropriate given the investment manager charges and asset allocation.

Although it continues to be difficult to compare pathway charges, previous Redington studies support our view that Aviva's charges are well within the range of other providers. Because of this, we have again concluded that Aviva remains competitive in the marketplace.

I have no plans to touch my money in the next five years	Aviva Investment Pathway 1 (Blend of My Future Focus Drawdown & My Future Focus Consolidation)
I plan to use my money to set up a guaranteed income (annuity) within the next five years	Aviva Investment Pathway 2 (Blend of My Future Focus Annuity)
I plan to start taking my money as a long-term income within the next five years	Aviva Investment Pathway 3 (My Future Focus Drawdown)
I plan to take out all my money within the next five years	Aviva Investment Pathway 4 (My Future Focus Cash Lump Sum)

Investment design and performance

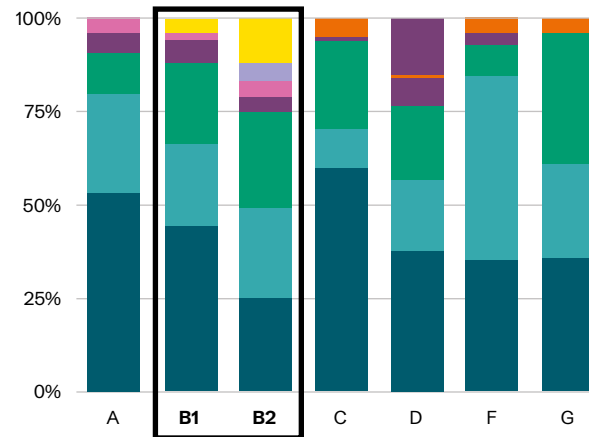
The Redington study this year chose to focus on investment pathway design and performance rather than a wider review. Aviva and Mercer are shown separately in the information and tables below. For confidentiality reasons, we are required to anonymise the names of other providers who participated in the review but can confirm that they are comparable major providers in the market.

The investment objectives and design of each Aviva and Mercer pathway solution have not materially changed since they were introduced in 2021. The Redington review confirmed this is consistent with other providers. This means we can summarise the different strategies adopted by each provider in the bullets below and reflect them in the asset allocations in the charts:

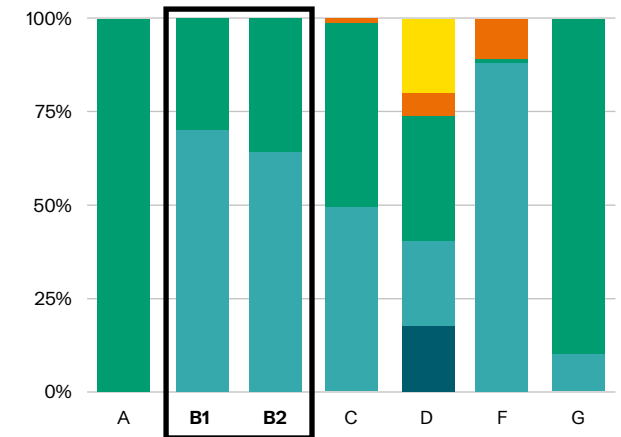
- Pathway 1 – there is a mix of diversified strategies typically aiming for capital growth with moderate risk levels (equity content between 20% and 60%)
- Pathway 2 – the majority of providers target change in annuity rates and so invest in corporate bond/gilt assets
- Pathway 3 – largely similar to Pathway 1, and for some providers the exact same allocation
- Pathway 4 – most providers aim for capital preservation and so invest in low-risk assets, for example, fixed income and cash

The differences in asset allocation adopted by providers stems from the fact that the descriptors of the pathways as defined by the FCA are not precise. These differences across all four pathways have led to a wide range of investment returns over one- and three-year periods to 31 December 2024.

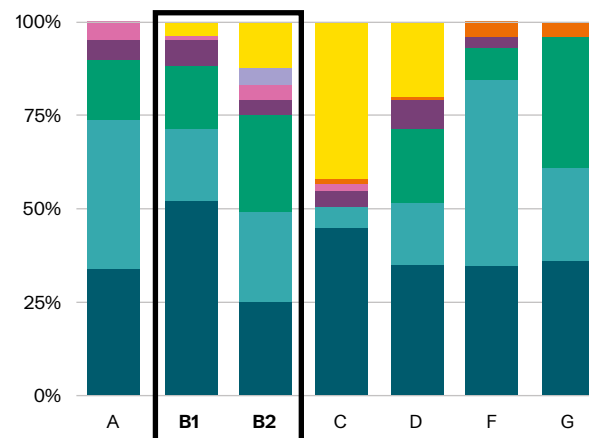
Pathway 1 asset allocation



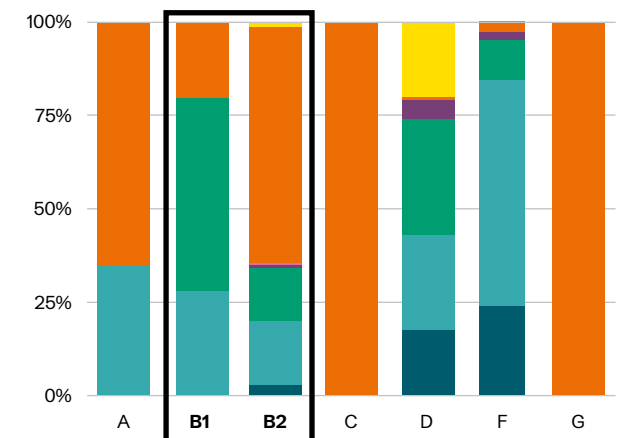
Pathway 2 asset allocation



Pathway 3 asset allocation



Pathway 4 asset allocation



Source: Redington Ltd.

B1 - Aviva
B2 - Mercer

The key findings for the year ending 31 December 2024 were as follows:

Pathway 1

Aviva has one of the highest allocations to equities at 44% (up from 36% in 2023) and performance has been above the median over one and three years. The Mercer solution has the lowest allocation to equities at c25% and performance has been the second lowest in the study over both one and three years.

Pathway 2

Neither Aviva nor Mercer has materially changed their allocation to corporate bonds and gilts. Both delivered positive returns over one and three years. They also closely tracked annuity rates, so achieving the main objective of maintaining the annuity purchasing power.

Pathway 3

Aviva has the highest allocation to equities at 52% (up from 44% in 2023) and the second highest performance over one and three years. Mercer has the same allocation as for pathway 1 and performance was second lowest over one year and just below the median over three years.

Pathway 4

Aviva has the highest allocation to government bonds and one of the lowest cash allocations. Performance was lowest over one year and second lowest over three years. Mercer has a diversified allocation with performance over one year being the second lowest. You can see the challenge we have raised with Aviva in our conclusion below.



Member engagement and access to pathways

Aviva remains one of the largest pathways providers based on assets under management of c£1.2bn and 22,700 members. Pathway 1 remains the most popular choice with just under 43% of members selecting this option, the same proportion as 2023.

We saw an increase in the take-up of Pathways in 2024 although the total number remains relatively low after four years. We can, however, get some insight into the behaviour of members taking out each Pathway, albeit that most have been in their pathway for less than 5 years:

- For Pathway 1, around 77% of customers have taken no action so far. 14% have exited Aviva and the remainder have taken a partial withdrawal.
- Around 22% of members in Pathway 2 have exited Aviva, which could mean they have taken an open-market annuity. 70% have taken no action.
- Actions of members in Pathway 3 are broadly similar to Pathway 1, with 15% exiting Aviva and 72% taking no action.
- For Pathway, 4 designed for members who intend to take their money as cash within 5 years, almost half have taken some or all of their money.

As we are four years on from the introduction of pathways, we asked Aviva to comment on whether its thinking and approach has changed. We've summarised its key comments:

- The number of members in pathway solutions remains relatively small and this remains the case across the market.
- The take up of pathways across the market has not materially changed since their introduction in 2021.
- Aviva is developing alternative solutions, such as Guided Retirement, which it believes may be a better match for member needs than pathways in the longer term
- It is likely that the FCA will review pathways further at some point given pension industry lobbying for consistent retirement regulations.
- Given members in Aviva pathway solutions share the same underlying funds as used for My Future Focus and My Future, they will benefit from any developments in these arrangements.
- It feels too early to draw conclusions on the behaviour of members who have chosen a pathway solution as the majority are less than half-way through their pathway target.
- Some members have taken action which is directly aligned to their pathway goal (for example, buying an annuity, taking cash) but others have taken actions which are not aligned to the expected behaviour of the pathway they are in.

We will continue to discuss with Aviva whether its pathway solutions fit member needs, particularly as more behavioural data becomes available.

Service to members who have opted for a pathway solution

The majority of providers still do not operate specific service level agreements (SLAs) for pathways on a standalone basis and this includes Aviva. Most providers monitor service levels on a company-wide basis, and Aviva aims to process member transaction requests within five working days.

Aviva benchmarked well in the Redington review on servicing members, and this included core processing times, complaint levels and call drop-off levels.

Our conclusion

Investment returns for each pathway solution have been positive and all are well serviced. Aviva's pathway 4 solution has a markedly different asset allocation to other providers and, in addition to the resultant higher charges, this has led to lower returns in recent years.

It is always difficult to judge investment performance over short periods but, nevertheless, we have challenged Aviva on its asset allocation and charging for investment pathway 4. Aviva is reviewing this matter, and we will update you further in next year's report.

We believe the other Aviva and Mercer pathway solutions continue to be appropriately designed and the charges paid by members offer value for money.



Thank you for reading
Aviva Independent Governance
Committee (IGC) 2025
Contact us at IGC@aviva.com