Aviva Independent Governance Committee

2023 Annual Report for the year to 31 December 2022

Contents

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 2022 to 31 December 2022, and looks forward to future developments.

The essential task of the Independent Governance Committee is to assess value for money for your workplace pension with Aviva. Everyone is facing considerable challenges in relation to inflation and the cost of living, interest rates and investment volatility. As a result, receiving good value for money from your pension provider is as important as ever. Alongside that sits appropriate and good quality investment funds, competitive charges, good service and the ability to engage with your provider. We look at these matters in our report.

Costs and charges

Costs and charges have been highly competitive for modern policies as has been the case for some time. We are pleased to note this continues. Average charges are significantly below the charge cap, which is set at 0.75% per year for default funds. Our challenges in previous years have concentrated on older employer arrangements (often referred to as legacy arrangements), which have higher charges. To place this in context, this relates to less than 10% of workplace pension policies. Changes made by Aviva in previous years had led these to be capped at 1% a year, which is a similar position to other large pension providers.

Last year, we challenged Aviva to further improve the value for money for these policyholders. We are pleased to note that following this challenge Aviva has agreed to reduce charges to a maximum of 0.75% a year for most of these policies. There are some exceptions for policies with specific features such as with-profits investments or an option to invest in with-profits funds.

The IGC appreciates this is a significant challenge, which Aviva has risen to. As far as we are aware, Aviva is ahead of other similar pension providers in implementing this change. This is a benefit to members. We note there are some policies outside of this change because of particular features, and we will continue to review these. You can find further details later in this report.

Managing investment risk

Rather like we noted last year, investment market turbulence remains due to a number of causes. This may be through:

- higher inflation
- higher interest rates
- geopolitical risks, and
- high levels of debt and risk of insolvencies in developed economies (including the UK).

We've seen steep falls in the prices of government bonds, other bonds and some assets such as commercial property. Equities have been reasonably stable in price, which can mask significant volatility over short periods.

The main Aviva default investment funds did see falls in value in 2022, which was a difficult year for investment markets. These falls were moderate compared to similar pension providers' funds. We show the details and comparisons in the investment section. So far, 2023 has been steadier than 2022.

Overall, we have concluded that the funds failed to provide good value over the year due to market conditions. It's important to remember that pensions are a long-term investment, and short-term fluctuations are generally not representative of overall performance. We believe the funds have been well managed through this period. The investment funds are designed to be well diversified in a range of asset classes to spread investment risks.

Environmental, social and governance (ESG) considerations

ESG factors include terms such as sustainable investing and responsible investing. The FCA has given the IGC the task of commenting on "the adequacy and quality of Aviva's policy in relation to both ESG financial and non-financial matters". We've also looked at how these feed through into investment strategies, decision making and, finally, the adequacy of Aviva's stewardship policy.

Your pension invests in companies from many sectors and many parts of the world. This means issues like climate change or pandemics could pose a big risk to its long-term value. Aviva's appointed investment managers engage at a macro-level with global institutions like governments, as well as at a micro-level with individual companies, to reduce these risks and to create sustainable investment opportunities. Because of this, ESG policies and the impact on investment strategies are important for your investment funds.

Aviva remains one of the leaders within the financial world on ESG matters and its policies are strong. The challenge is always bringing the targets and pledges to life to achieve them. Aviva's commitment to its targets is notable. One section of our report considers this in more detail.

Aviva's commitment to reaching net-zero by 2040 and to reach a target of 60% reduction in carbon emissions (compared to 2019 levels) by 2030 is amongst the most ambitious of pension providers. It has made good progress so far but it will be challenging to achieve this commitment. We are pleased to note Aviva has achieved most of the 2025 target already, although the process of assessing carbon emission data is still developing. Aviva is grappling intensely with how to progress further towards the 2030 interim target.

Aviva Investors handles the stewardship of the majority of assets in the two main default investment funds on behalf of Aviva. Ranked 3rd out of 77 asset managers in a comprehensive external report for this work, Aviva Investors is a leader.

In the last year, we've seen the expected level of progress on ESG integration into the My Future default investment fund. We continue to challenge Aviva on the pace of further integration for this fund. However, we agree substantial progress has been made so far.

There is always more which can be done in the area of ESG, and this will continue to be one of our key focus areas in the coming year.

Our remit from the Financial Conduct Authority

The Independent Governance Committee (IGC) 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, and
- servicing for members

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

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

You can read the summary of our assessment in the next section of this report and more detailed commentary on individual areas in further sections.

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.

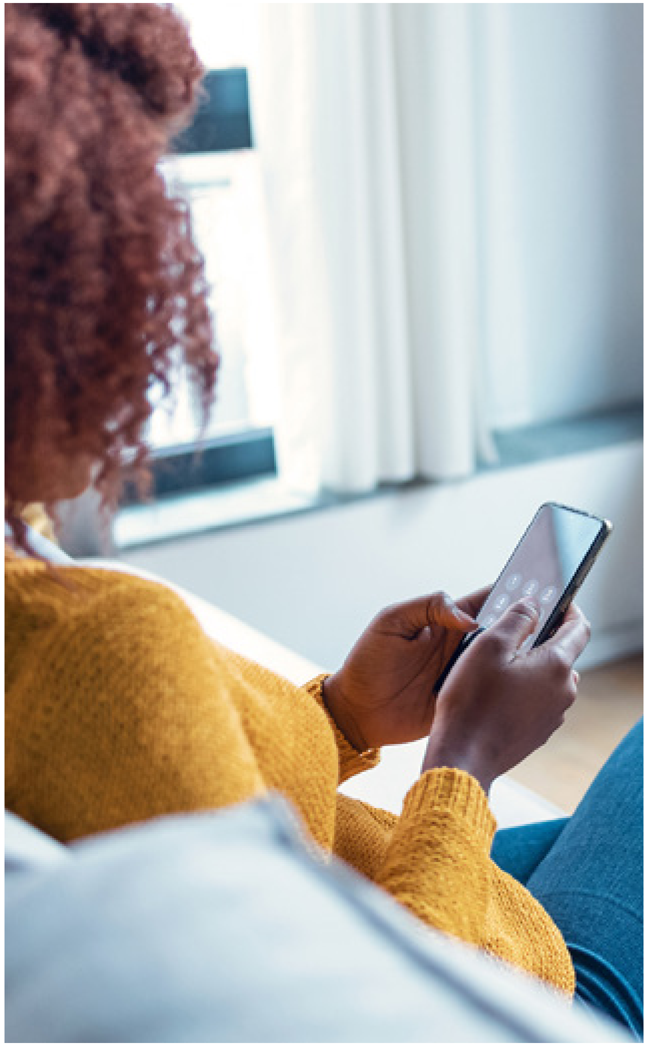
Servicing and communications

We commissioned a new independent research report to assess how Aviva's servicing compared against the other largest similar pension providers. This was extensive and covered around 70% of the total UK defined contribution comparable market.

The results were positive as outlined in the relevant section of our report, with results at least equal to or ahead of the other providers assessed. We were particularly pleased that those of you in older products saw an improved level of servicing and experience, making the service more consistent among different products and servicing platforms. We visited servicing teams and attended some financial education seminars, which were very well received by attendees.

Aviva places great emphasis on engagement. Because of this, you can find details of videos, webinars and other information sources online by logging in to the MyAviva website or app. Alternatively, you can contact Aviva to find out more.

We recommend you explore what is available to help you with managing your pensions, making decisions and learning about your options. If you provide Aviva with your email address, it makes it easier for Aviva to contact you to provide further helpful pension information and ideas. Please take a look if you think these would be helpful.



To conclude

Finally, I would like to thank all members of the IGC for their work this year, and also the Aviva team which has supported us with information, co-ordination and by responding to our considerable information requests. The committee membership has been unchanged from last year. You can find details of the IGC members on our website **Independent Governance Committee | High value pensions - Aviva**.

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.

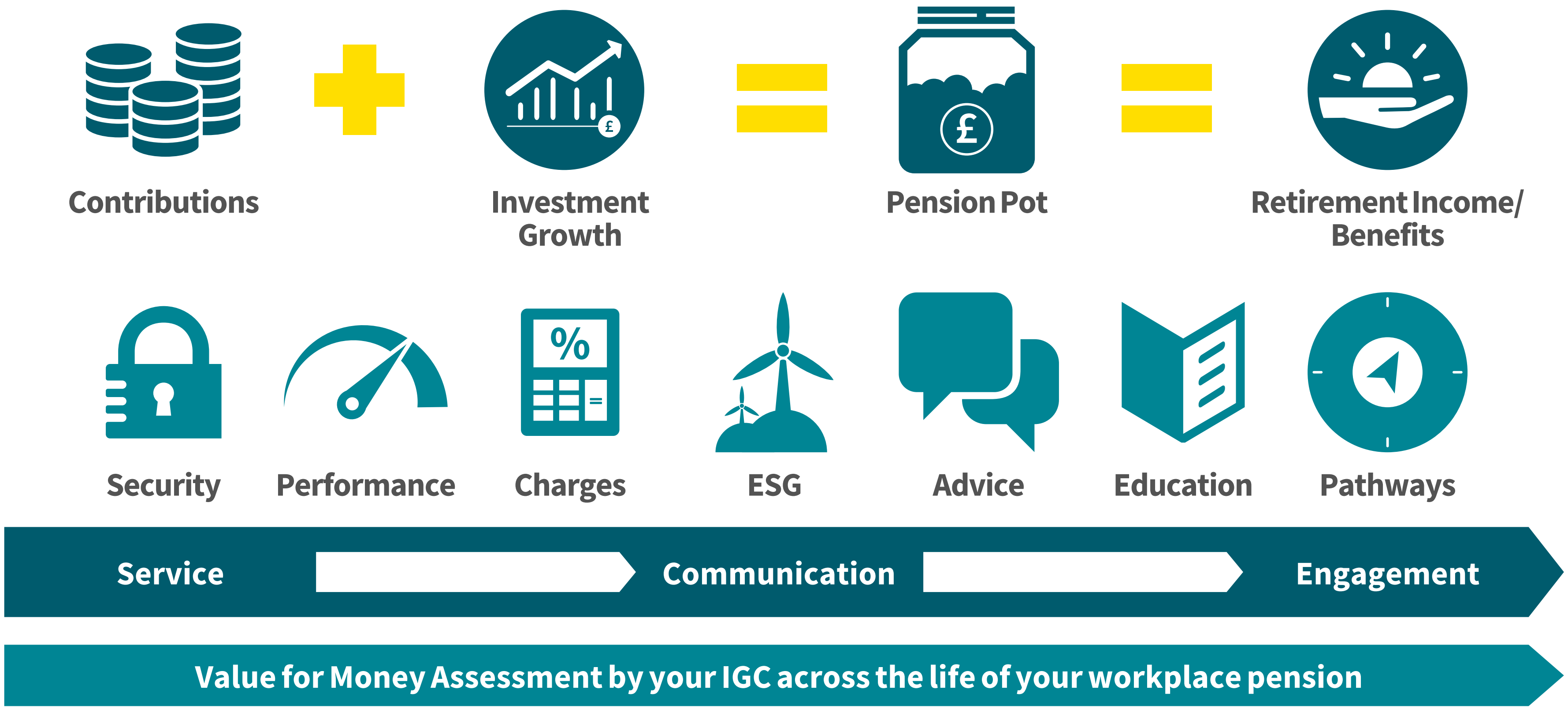
I hope all readers stay safe and well through the year ahead.

Colin Richardson
Independent Chair – Aviva IGC

Summary report

Summary report

Better member outcomes
The role of the IGC



This is a brief summary of our findings in relation to value for money. You can read more detail in the main body of the report for each of the areas of our assessment.

This year, we have again assessed value for money in line with three main criteria specified in the FCA rules:

- The charges you pay for your Aviva workplace pension or Investment Pathway
- The performance of the main Aviva funds
- The service you receive, and the communications Aviva send to you

In addition, we consider the policies Aviva has in place in relation to environmental, social and governance (ESG) matters. We also consider the value received by members who have chosen an Investment Pathway.

In last year's report, we set out three key priorities for our work in 2022:

- Continuing to challenge Aviva on charges where we felt more could be done to reduce costs for members
- Monitoring service levels, expecting to see an improvement against 2021
- Working with Aviva to understand how it measures progress against its ESG targets, and how it is increasing the ESG allocation in its default funds

Costs and charges

Last year, we challenged Aviva to reduce charges for members in older policies. We did not feel that a charge above 0.75% a year represented good value, particularly in an environment when new customers benefitted from the 0.75% a year charge cap for auto-enrolment.

Subject to a number of exclusions, we are delighted to be able to report this year that Aviva will meet this challenge. Over a quarter of a million members will have their charges reduced to 0.75% a year by July 2024. The work has already started, and over 120,000 members have already seen a reduction in charges, which ultimately will improve their retirement outcome.

Members with such older policies who have chosen to invest in a more expensive fund, and those who have more than 50% of their investment in a With-Profits fund are excluded from this exercise. Aviva will be writing to members who can invest in With-Profits to remind them they have this feature available to them and to consider their investment options. The IGC will be monitoring responses to this mailing and discussing outcomes with Aviva.

Overall, we remain satisfied that most members benefit from the auto-enrolment charge cap – many paying significantly less than the 0.75% a year. This is also the case for members saving for retirement and those taking out an Investment Pathway.

Our conclusion

For those of you protected by the auto-enrolment charge cap, you will never pay more than 0.75% for your Aviva workplace pension. Many of you – particularly those in larger employer arrangements –will pay much less. That same protection will now apply to around a quarter of a million of you over the next 12 months as a result of Aviva accepting the IGC's challenge to cap charges in older policies to 0.75% (noting the exclusions above).

The IGC is satisfied that charges are now being brought down for members in older policies and feel that Aviva has risen to our challenge. With the added features you have with Aviva, we feel charges now offer good value for money. We will continue to monitor progress in completing this exercise. We will also look to understand the behaviour of members receiving communications to tell them how they can take steps to improve their retirement outcomes.

Investment performance

2022 was a very difficult year for investment markets. Global inflation reached a 40-year high, central banks raised interest rates and the war in Ukraine coupled with the sanctions imposed on Russia led to higher food and energy costs. All these factors contributed to a fall in the values of global equities. The Autumn 2022 UK Government's mini-Budget and the announcement of unfunded tax cuts created significant volatility in the bond market, which impacted pension funds in the UK.

Almost all asset classes suffered losses in 2022 leading to falls in all providers' default investment funds. We understand people worry when they see sudden drops in the value of their pension or any other investments they may have, but pensions, in particular, should be viewed as a long-term investment. While short-term falls may have an impact on those closer to retirement, most of you will have plenty of time to see a potential recovery.

Overall, we feel that, when viewed over a longer period, members have benefitted from growth in their investments. We believe Aviva's default investment funds are well designed and well managed to provide good outcomes for members. The design changes Aviva is making to their My Future Focus default fund are being made to improve potential for growth and we will be working with Aviva's investments team during the months ahead to understand further, planned changes.

Our conclusion

In summary, the IGC has concluded that investments failed to provide good value in 2022. Investment markets were turbulent, and all providers saw falls in the performance of their default funds. Aviva's falls were less severe than others, and we remain of the opinion that longer term performance has compared well with Aviva's peers. The IGC is supportive of the design changes Aviva has made to the My Future Focus default fund.

Service

To help us this year with our assessment of service, we wanted to understand how Aviva compares with other providers.

We asked an independent consultancy firm to undertake benchmarking against a number of Aviva's peers, looking at the time taken to process a number of key tasks, telephony and complaints.

This research showed Aviva in a very good light when compared with the market. The research concluded that Aviva's service was strong compared to others in the market, being the same as or much better than others. Members generally had shorter waiting times and complaint volumes were lower.

We also looked at the experience received by members in older products. In the main, these members have their servicing undertaken by third-party administration firms, often operating overseas. During the pandemic, we saw a drop in the level of service for these members due to overseas staff not being able to work from home as effectively as staff in the UK. It was pleasing to see that 2022 saw a return to or even an improvement on pre-pandemic levels.

Member feedback has been very positive this year, improving on previous years. We set Aviva a target last year of maintain a Net Promoter Score (NPS) above 30, which we consider to be very good. They have exceeded that score consistently across all areas of their workplace business.

We assessed Aviva's Financial Education Team and attended some of the seminars they ran this year. Member feedback for these sessions is very positive. Together with Aviva's Financial Advice service, we continue to see these are areas where Aviva can add value.

Our conclusion

The IGC continues to be satisfied that the service Aviva provides to you is good. The independent research carried out confirms Aviva is equal to or ahead of its peers in terms of the speed and quality of service it provides. Member feedback is positive, and we will be looking for continued improvement in Aviva's service offering in 2023.

Communication and member engagement

We strongly believe that – much like good service – good, clear communications help and encourage you to engage more with Aviva. We've reviewed a selection of communications which Aviva send to you and have found them to be clear and well written. When Aviva are asking you to take action, the instructions they give you are set out well.

We do have a couple of areas this year which we have asked Aviva to look at, and you can find more detail in the main report.

Our conclusion

Aviva's communications are good. They clearly explain options to members in plain English and avoid complicated industry jargon. Aviva continues to develop ways to give members digital access to their pension through MyAviva or MyWorkplace in a straightforward and user-friendly manner. We will continue to work with Aviva to make improvements to some key documents and develop the digital options available to members. We would encourage members to read the correspondence sent to them and take action where necessary.

Environmental, social and governance (ESG) considerations

As an IGC, we are required to report on the adequacy and quality of Aviva's policies in relation to ESG considerations for both financial and non-financial matters, how it takes these into account for investment strategy and decision making, and the adequacy of its stewardship policy. These policies aim to improve the environmental and societal impact of the companies they engage with. Aviva also aims to apply the same or better standards to its own operations as a company.

In our 2022 report (for calendar year 2021), we wrote that Aviva had set the most ambitious net zero timeline among peers in the pensions industry. Aviva has made good progress towards these goals. It has already reached its 2025 carbon reduction target of 25% for customers' credit and equity funds. It is also making good progress towards its 2030 target, of achieving 60% carbon reduction.

It is apparent that Aviva will struggle to reach its targets without a significant change to the policy environment from governments and regulators. We don't believe Aviva is alone in this challenge as we feel all pension providers will struggle to reach their net zero commitments without the necessary policy changes. We are pleased to share that Aviva is leading engagement with global institutions and governments to encourage the required policy change.

Aviva's My Future Focus default fund remains one of the UK's leading default funds with regards to ESG integration. Integration into the My Future default has been slower, but we are pleased to see Aviva met the targets set in 2022 for increased allocation. We challenged Aviva to go further last year, and it confirmed its intention to move to 100% integration in 2023. We will continue to monitor progress in this area.

Our conclusion

We continue to view Aviva as being the market leader on matters relating to ESG and stewardship. Its policies and ambitions are strong and if it can deliver on those policies and ambitions, it will continue to stand apart from and ahead of others. However, while Aviva has made good progress on these ambitions over the last year, continued success in meeting these ambitions may be very difficult without further policy changes from regulators and governments.

Investment pathways

Aviva offers a range of Investment Pathways for non-advised members entering retirement. We again asked an independent firm (Isio) to benchmark Aviva's Pathways against other providers. They looked at:

- Costs and charges to members
- Investment design and performance
- Quality of service and communications

We found charges are reasonable when compared to other firms, although it's disappointing that some firms failed to provide accurate data in this area. The investment design for both Aviva and Mercer was broadly similar to other firms, although we will be discussing the asset allocation further with Aviva.

Investment performance over 2022 was poor across those providers in the survey, Aviva and Mercer included. This reflects the challenging investment environment in 2022.

Aviva's standard target completion time of five days for all servicing tasks puts them in line with other providers who capture this data. The Isio report confirmed Aviva's member communications still compare well with other providers. No providers are committed to meeting processing times of less than five days across all member transactions.

We want to explore how Aviva can increase the number of members choosing to take up a Pathway option. We will discuss this further with Aviva.

Our conclusion

Members will be disappointed with the performance of their Investment Pathway in 2022. With Pathways being new in 2021 there is not yet a longer-term performance and comparison available. We can't say you have received value for money in this area of our assessment, although market conditions are outside of Aviva's control. We do believe, however, that both Aviva and Mercer Pathways are appropriately designed and charges paid by members offer good value.

Costs and charges

Costs and charges

The first area we consider in our value-for-money assessment is the costs and charges you pay for your Aviva workplace pension.

The charges we consider

As part of our value assessment, we need to consider all of the charges you pay. These can be administration charges and the costs linked to your investments, such as fund expenses and transaction costs.

For modern policies, the charges for administration and investment management are wrapped up in an annual management charge. Members with older policies may have other charges. In addition, there are charges incurred in investment transactions which are levied on the investment funds and reflected within investment performance which is net of these transaction charges.

In last year's report, we explained the work undertaken by Redington in an independent study, which considered charges across a number of workplace pension providers. We participated in this study for modern policies which covered a significant proportion of Aviva members.

The study showed Aviva in a good light when looking at modern workplace pensions. Compared to its peers, it had the same proportion of members with charges over 0.75% a year and charges slightly lower than the average for other providers for the remaining members.

We concluded that members in these modern schemes were receiving good value for money in respect of the charges they pay.

While the work undertaken by Redington was useful, we chose not to participate again last year. We consider that the results in relation to costs and charges would only see very marginal differences and our conclusion would be unchanged. We remain of the view this year that those of you with modern policies continue to receive good value for the pension you have with Aviva in relation to costs and charges.

For practical reasons it is not possible for the IGC to assess value-for-money at an individual employer level. For that reason, we assess value at a "cohort" level. Employer arrangements are grouped into suitable charge bands so that we can assess more efficiently. We believe these cohorts are an effective method of assessing value. Our costs and charges report for all auto-enrolment schemes is in the link below.

Costs and charges report

You can also find the charges applicable to your workplace pension on your annual statement. By accessing the following link you can also see the effect of those charges on your pension (you will need your plan number which can be found at the top of your annual statement).

Costs and charges website

Our challenge to Aviva

While members in modern policies are receiving good value, we concluded that members paying more than 0.75% a year were not receiving good value.

In our report last year, we highlighted a challenge we made to Aviva relating to those of you in older products, including members who:

- left employment before the introduction of auto-enrolment, who didn't benefit from the 0.75% a year charge cap introduced by the Government for schemes used for auto-enrolment
- are in schemes which their employer chose not to use as an auto-enrolment vehicle
- are in older policies which traditionally had higher charges and complex features

Aviva has previously taken steps to reduce charges for these members to an effective maximum of 1% a year, but we challenged them to go further and cap charges for all members to a maximum level of 0.75% a year with the exception of members who had other features to their policy which gave additional value in other ways.

We are delighted to be able to tell you that Aviva has accepted this challenge. This will ultimately benefit over a quarter of a million members, most of whom will see a reduction in charges of 0.25% a year down to 0.75% a year.

As an example of what this means, the chart below shows the impact of charges at 1% a year against a 0.75% a year charge. It is based on a member with a £50,000 savings pot with 30 years to retirement, who is contributing £200 a month into their workplace pension. It assumes a 5% annual growth rate and a 2% annual rate of inflation.

Assumed current pension pot	£50,000
Assumed monthly contribution	£200

Duration (years)	Projected fund value assuming 1% a year charge	Projected fund value assuming 0.75% a year charge
5	£67,100	£67,900
10	£84,900	£86,700
15	£103,400	£106,600
20	£122,900	£127,800
25	£143,500	£150,700
30	£165,400	£175,500

Source: Aviva

This work has already started but will take time. At the time of writing, around 125,000 members have had their charges reduced to 0.75% a year with effect from 31 July 2023. A further group of around 70,000 members in open products will have reduced fees backdated to 31 July 2023 to make sure they do not lose out.

The final group of members who are all in closed products will take more time to correct. They are on much older IT systems administered by a number of third-party suppliers. We have agreed with Aviva that the final changes can be made in 2024, with charge reductions to be backdated to 31 July 2024. This is in line with the timescales for newly introduced regulations for pension providers.

Which members with other features of value are excluded from the charge cap exercise?

Some members will continue to benefit from additional features which we have agreed justify a higher charge.
The details are as follows:

Exclusions	Policy count	Rationale for exclusion
Self-selected and external funds	**(c30,000)**	These members have made a conscious decision to select funds that charge more than 0.75% annual management charge but may deliver higher returns. The customer's decision on which fund to select is out of Aviva's control and Aviva considers it would not make sense to rebate the customer for more expensive external funds.
With Profits	**(c40,000)**	This exclusion was recognised in the IGC challenge. Aviva's proposition reviews have historically concluded that investment in With Profits represents fair value and Aviva will continue to assess that position through the new Consumer Duty regulations applying to providers. They will review in further detail for 2024 if decisions introduce a charge differential between With Profits and Non With Profits investments.
Investment choice and flexibility including access to With Profits	**(c120,000)**	All members have access to a wider range of funds and greater flexibility compared to lower cost external benchmarks. Where customers also have access to With Profits, Aviva consider this range to be of sufficient value to follow an alternative approach of writing out to customers to highlight the With Profits feature. We will continue to review with Aviva the progress of this communication and the position of these members.
Policyholders benefitting from the cap	**260,000**	Policyholders who we estimate have none of these exclusions and are charged between 0.75% and 1.00% a year.

Source: Aviva

Aviva has committed to writing to the 120,000 members with access to With Profits reminding them of the options available to them. They will test these communications with customers and give the IGC sight of them before sending them out. We want to make sure the communications are clear and that members will understand what options they have to potentially benefit from enhanced value.

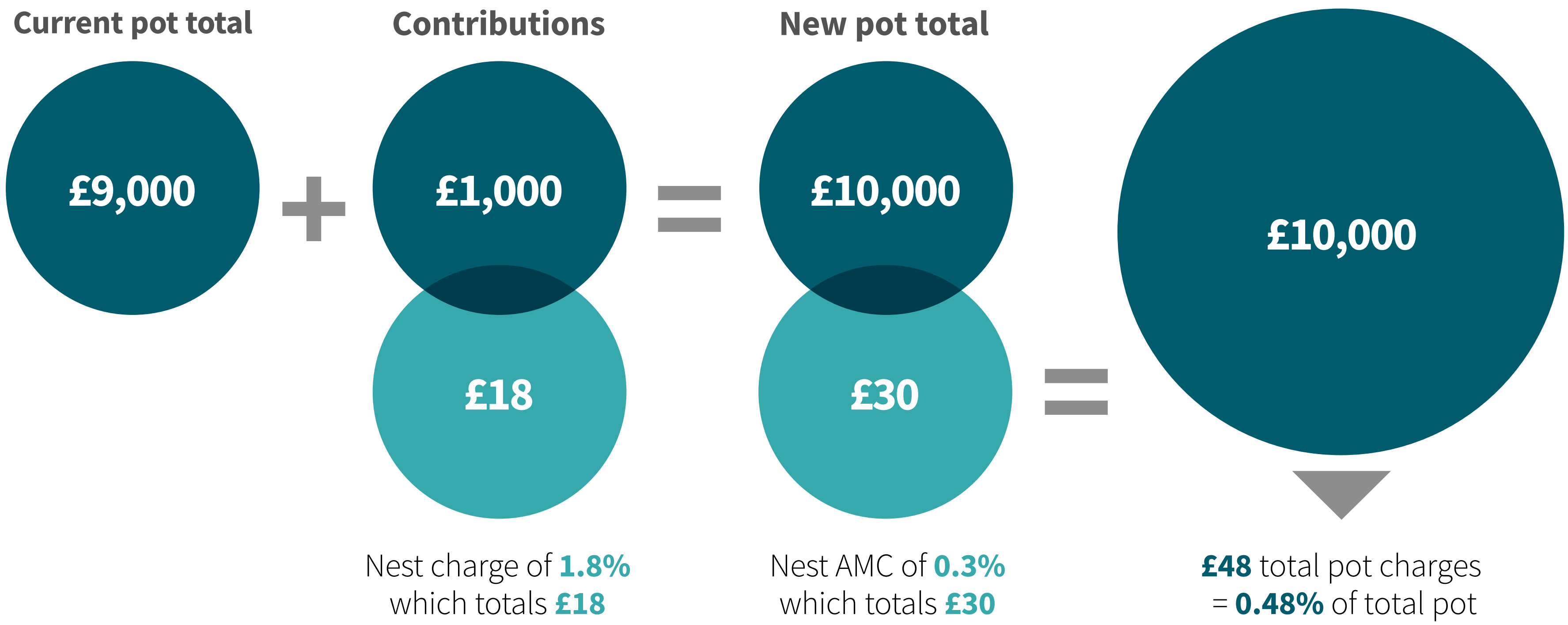
We are grateful to Aviva for its careful consideration of this challenge and are very pleased that around 260,000 members will benefit from this outcome – and that Aviva has taken this step and moved ahead of other comparable pension providers on this issue.

Comparing the charges you pay

The Financial Conduct Authority requires independent governance committees to compare the costs and charges you pay against alternative policies available in the market using publicly available information.

For modern policies the comparison from the Redington study remains valid. We wanted further comparators for both the modern policies and also for members who may leave employment and no longer contribute and for older policies.

This year, we have looked again at NEST as a comparator, which has a simple charging structure. Members will pay a contribution charge of 1.8% on each contribution and an annual management charge of 0.3% a year on the value of their pension. Their website shows how that charge works in reality:



While 0.48% a year looks very good value, it depends upon members building up a savings pot for the investment annual management charge to outway the charge on contributions. Contributions have an overall charge of 2.1% in the first year whenever they are made before reverting to 0.3% a year in subsequent years. NEST is also only open to employees in active employment, and your employer making a decision to move to NEST as an alternative to their current provider. The savings currently held within your employer's workplace pension belong to you. Your employer could not move them to NEST without you providing consent. If your savings remained with the current provider, and you started with a pot of zero when moving to NEST, it would take some time for your charges to fall below that of your current workplace pension.

For example, a member starting from zero would pay an annual charge of 2.1% in their first year with NEST. This means it does not benefit members who are approaching retirement or those who choose not to transfer their existing savings in the first year. The longer you remain with NEST, and the bigger savings pot you build up, the more attractive their charges become.

Members no longer in employment

NEST can't be used for members no longer in employment (leavers). If you have left the service of your employer, you would need to consider different alternatives. This year, we have looked at Pension Bee to compare the charges for leavers.

Pension Bee offers a limited variety of investment options ranging from 0.5% a year to 0.95% a year as a single annual management fee. The cost to administer your plan, together with any investment costs, are included in the fee. It also offers a 50% reduction in fees for values above £100,000. So, for its most expensive fund, for a savings pot of £200,000, you would pay 0.95% on the first £100,000 invested, but 0.475% on the balance. That would be a total charge of £1,430 a year, or 0.715% a year of your total pot. For a £200,000 pot invested in its cheapest fund, you would pay £750 a year in charges, or 0.375% a year.

While you may be able to find lower charges elsewhere, this may be at the expense of other features which Aviva provides. This includes such things as an extensive range of investment options, a strong track record of investment performance, and quality servicing (we look at these areas later in this report). The decision taken by Aviva to cap charges for many more members has significantly closed the gap on charges, particularly for leavers.

Our conclusion

For those of you protected by the auto-enrolment charge cap, you will never pay more than 0.75% for your Aviva workplace pension. Many of you, particularly those in larger employer arrangements, will pay much less. That same protection will now be applied to around a quarter of a million of you over the next 12 months as a result of Aviva accepting the IGC's challenge to cap charges in older policies to 0.75% (noting the exclusions above).

The IGC is happy charges are now being brought down for members in older policies and feel that Aviva has risen to our challenge. With the added features you have with Aviva, we feel that charges now offer good value for money. We will continue to monitor progress in completing this exercise. We will also look to understand the behaviour of members receiving communications to tell them how they can take steps to improve their retirement outcomes.

Transaction costs

This section applies for both modern policies and older policies.

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 2022 in the table. The costs are calculated using the methodology prescribed by the FCA for workplace pensions and are supplied to Aviva by the investment managers.

Despite a turbulent year for investment markets, these costs are, in the main, slightly lower than for 2021.

We consider the costs shown in the table as quite low and consistent with the characteristics of the funds and the marketplace in 2022.

Fund	% a year
My Future Growth	0.12
My Future Consolidation	0.06
My Future Focus Growth	0.04
My Future Focus Consolidation	0.03
Aviva Pension BlackRock (50:50) Global Equity Index Tracker	0.04
Aviva Pension BlackRock (60:40) Global Equity Index Tracker	0.04
Aviva Pension BlackRock World ex UK Equity Index Tracker	0.04
Aviva Pension Global Equity	0.38
Aviva Pension Managed	0.02
Aviva Pension Mixed Investment (40-85% Shares)	0.05
Aviva Pension Multi-Asset Index Growth	0.08
Aviva Pension Stewardship Managed	0.16
Aviva Pension BlackRock Consensus	0.00
Aviva Pension Mixed Investment (0-35% Shares)	0.05

Source: Aviva

Investments

Asset class performance to 31 December 2022

2022 was an extraordinary year for investment markets, with both developed and emerging market equities losing value. After a decent start to the year, markets became more fragile due to high inflation and central banks saying that they would raise interest rates to reduce the price pressures in their respective economies. Geopolitical risk increased amid speculation that Russia would invade Ukraine. The latter became a reality in early February and stock markets fell heavily as a result. Sanctions on Russia - given its role as a major exporter of oil and gas - were introduced. Russia is also a major supplier of nitrate, which is used in the manufacture of fertiliser. The subsequent reduction in energy supplies and the rise in food prices due to the reduction in nitrate supply exacerbated the rise in inflation. Those equity markets with a large commodity component, such as the UK, performed better than other markets in this environment.

At the same time, ongoing bottlenecks in the global supply chain - largely due to China's zero Covid strategy, and the subsequent closure of major manufacturing hubs - added to inflationary pressures.

Global inflation reached its highest level in 40 years in May. Volatility in global stock markets increased as central banks reiterated that they would continue to tighten monetary policy to reduce inflation. The IMF downgraded its outlook for the global economy in July, citing the increased risk of a global recession amid persistent inflation and higher interest rates. Equity market performance then improved during the closing stages of the year on the back of data showing inflation was falling, and the news that the Chinese economy would reopen soon and resilient earnings data.

Against a backdrop of rising inflation and higher interest rate hikes, fixed interest assets such as government and corporate bonds suffered losses in 2022. Emerging market bonds saw minimal losses in sterling terms and outperformed their developed market counterparts, benefiting from central banks in the developing world being further ahead in their fight against inflation, having begun in many cases to raise interest rates in 2021. UK fixed income assets saw the biggest losses in the year. The FTSE A British Government All Stocks Index declined 23.8%* and the ICE Sterling Non Gilts Index declined 17.8%* in 2022. While the sharp rise in inflation and the tightening in monetary policy impacted the asset class, the Autumn mini-Budget and the announcement of unfunded tax cuts also created significant volatility in the bond market, which impacted pension funds in the UK. Sentiment in UK government bonds improved following the abandonment of the tax cuts and the new government's focus on fiscal responsibility. Technical pension fund instruments had to sell UK bonds to meet liquidity requirements increasing the problem.

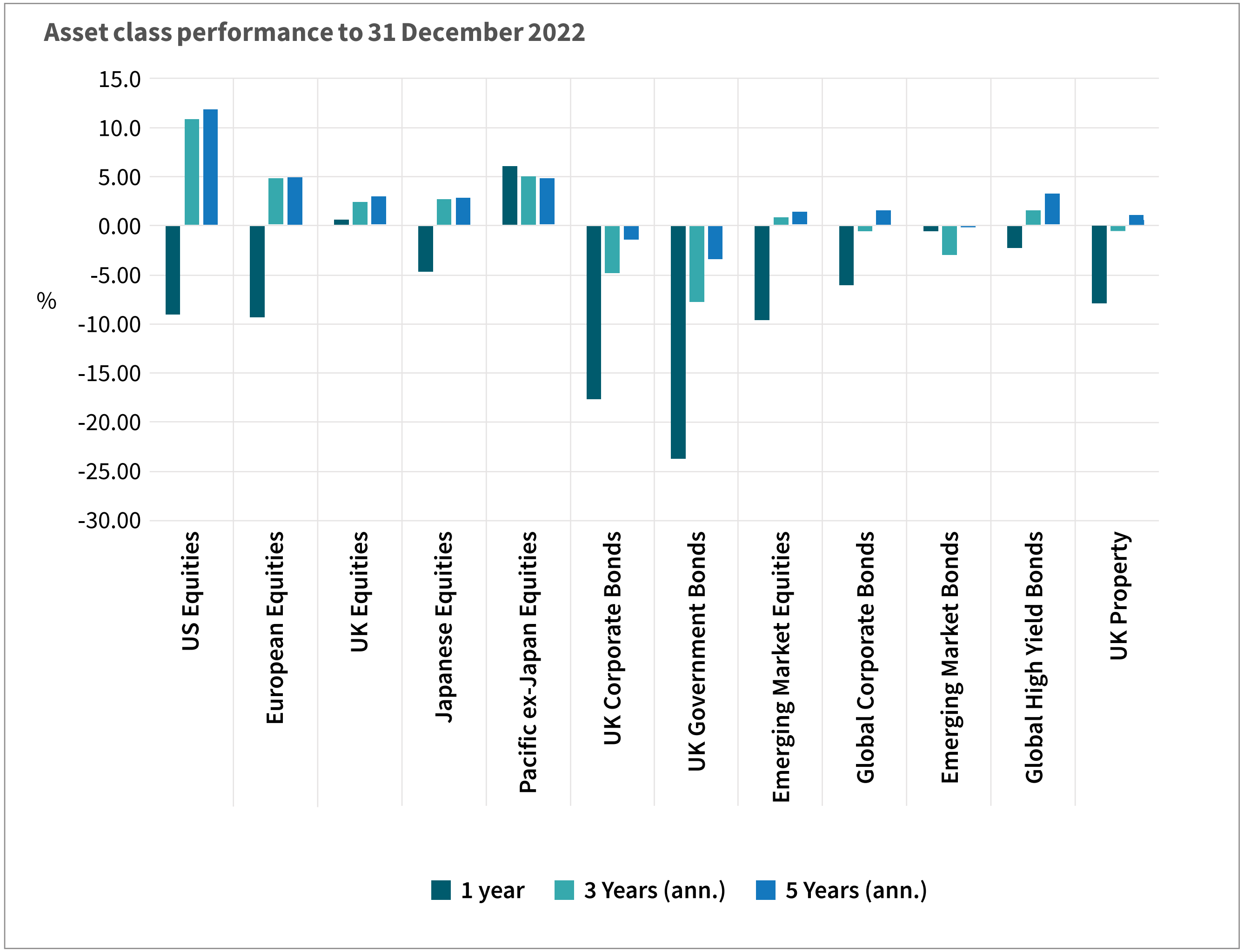
The US Federal Reserve took an aggressive approach to reducing inflation and increased interest rates at each meeting in 2022, signalling that it would raise borrowing costs until the data showed inflation was falling. The European Central Bank also confirmed its commitment to fighting inflation, and in July, eurozone interest rates were taken out of negative territory, where they had been since 2014.

*Source: FE. Returns in Sterling.

UK commercial property suffered losses for the year as a whole. After starting 2022 positively, sentiment turned more cautious given the growing uncertainty in the UK economy and higher interest rates. September was an especially challenging month because of the mini-Budget. Confidence improved in October following the appointment of a new government. At a sector level, industrials saw the biggest losses, while the retail and office sectors also registered negative returns.

The following graph shows the performance of the different asset classes across different geographies. As highlighted above, this shows that one-year performance was negative across most global equities, government/corporate bonds and commercial property.

In summary, 2022 was not a good year for investment markets as a whole. Pension savings are long term, so it's important to consider the medium to long term when assessing investment performance and whether or not the asset mix remains appropriate. Because of this, the graph also shows performance over three and five years, which has delivered positive returns for members.



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 default funds

Many people will not have made an active decision on how their pension savings are invested, so they are likely to be invested in one of Aviva's default funds. The two main default funds are:

- **My Future** invests in passively managed funds, with Blackrock Investment Management Limited responsible for deciding the allocation between the different types of investments within the funds.
- **My Future Focus** invests in both passively and actively managed funds, with Aviva Investors Multi-Asset investment team responsible for deciding the allocation between the different types of investments.

Both these funds aim to achieve growth over the long term but with a controlled level of volatility. My Future Focus underwent a strategic review in 2021, with changes aimed at providing more diversification completed in May 2022.

The performance of the My Future Growth and My Future Focus Growth are shown in the following table.

These relate to funds for members who are many years from retirement so they seek to achieve growth over the long term. The My Future Consolidation and My Future Focus Consolidation funds relate to members who are much closer to retirement, so they aim to invest with lower risk and volatility.

We've shown comparisons against a mix of indices to highlight how Aviva's default funds performed relative to the broader investment market. These show that while one-year performance is negative for the reasons outlined earlier, three-year and five year investment returns compare favourably against the relevant indices.

The difference between the one-year performance of My Future Growth and My Future Focus Growth is down to the different asset allocations particularly in terms of assets held in the US (both equities and bonds) and the UK. My Future Focus is more diversified (it invests in more sectors to spread investment risk), which enables it to better manage volatility in difficult markets like 2022. This is the reason why it did not fall as much as My Future Growth.

Aviva's default fund performance to 31 December 2022

Fund	1yr (%)	3yr return (% annualised)	5yr return (% annualised)
My Future Growth	-8.4	6.1	6.3
My Future Focus Growth	-6.9	2.5	3.6
75% FTSE Developed World Index and 25% ICE BofA Sterling Broad Market Index	-10.4	5.2	5.7
My Future Consolidation	-9.1	0.4	1.3
My Future Focus Consolidation	-7.2	-1.2	1.3
25% FTSE Developed World Index and 75% ICE BofA Sterling Broad Market Index	-18.1	-2.8	-0.3

Source: FE, as at 31 December 2022

Comparison of performance with other providers' default funds

It's important to compare the Aviva default funds with relevant indices to see how the funds are performing. However, the IGC is also interested in how the Aviva default funds compare with other pension providers. We carry out this review every year. The table above shows how Aviva compares against some of their competitors. It is important to note the asset splits between types of assets under each pension provider's default will vary and this will lead to some difference in investment returns for members. However, the comparison does show us whether Aviva is in the top, middle, or bottom of the pack across the market.

The table highlights that the Aviva My Future Growth and Aviva Stewardship default funds performed very well against their competitors over the three-year period to 31 December 2022, featuring near the top of the pack over this period.

The My Future Focus Growth is lagging behind the market average over the three-year period. This is due primarily to the 2021 market conditions where the equity markets rose sharply and non-diversified funds with higher equity risk benefitted more than diversified funds. As highlighted earlier, this fund was reviewed in 2021 and some changes were implemented by May 2022 to seek to improve returns. However, the difficult market conditions and short period since making the changes mean it is too soon to see if the changes will improve the returns achieved. We outline the key changes made in the diagram below. The IGC will review the impact of these changes over the next few years to see whether member returns improve for those in these funds.

Performance to 31 December 2022

Default	3-year return to 31/12/2022 (% annualised)	3-year volatility* to 31/12/2022 (% annualised)
My Future Growth	**6.10**	**12.83**
Aviva Stewardship Default Growth	**5.50**	**14.40**
Aegon BlackRock LifePath Flexi 2070-2072	4.61	17.24
NEST 2040 Retirement	3.78	11.19
Royal London Governed Portfolio 4	3.02	11.54
Aegon Default Equity & Bond Lifestyle	2.93	12.13
My Future Focus Growth	2.50	10.77
Mercer Growth/Balanced Risk fund	2.19	12.47
L&G Pension (PMC) 2065-2070 Pathway	2.12	12.15
The People's Pension Global Investments (up to 85% shares)	1.94	13.71
Scottish Widows Pension Portfolio Two	1.60	14.56
L&G Multi Asset fund	0.93	10.70
Fidelity Diversified Markets	-2.91	10.03

Source: FE, as at 31 December 2022

*Volatility is a measure of the risk associated with a fund based on the spread of investments held within the fund. The higher the volatility figure, the more likely it is that the fund will experience ups and downs in value, but the aim is to seek to produce better returns through taking more risk.

Desired impact

- Increase return expectation
- Increase diversification
- Improve ESG integration and carbon intensity reduction

Key changes

- Increase in allocation to growth assets (for example, equities) and reduction in allocation to defensive assets (for example, bonds and cash)
- Reduction in UK bias in equities and corporate bonds
- Introduction of global investment grade and global sovereign debt
- Enhance integration of ESG, including climate consideration

Performance of 10 largest funds by asset size(excluding default funds)

Equity fund performance to 31 December 2022

In previous annual reports, we've shown the performance of the 10 largest Aviva funds measured by asset size. These are shown in the tables below over different time periods and against different performance comparators.

Fund	1yr (%)	3yr return (% annualised)	5yr return (% annualised)
Aviva Pension BlackRock (50:50) Global Equity Index Tracker	-2.84	4.5	5.01
Aviva Pension BlackRock (60:40) Global Equity Index Tracker	-2.01	4.04	4.67
Aviva Pension BlackRock (10:80:10) Currency Hedged Global Eq (Aq C)	-10.98	4.22	4.76
Aviva Pension BlackRock (40:60) Global Equity Index Tracker	-4.67	6.08	6.78
Aviva Pension Stewardship UK Equity	-6.03	0.4	3.94
Comparator			
Sector : ABI Global Equities GTR in GB	-9.06	5.54	5.86
Index : Bank Of England Base Rate + 4% TR in GB	5.49	4.61	4.65

Source: Aviva

Performance of 10 largest funds by asset size(excluding default funds) (continued)

Multi asset funds to 31 December 2022

Fund	1yr (%)	3yr return (% annualised)	5yr return (% annualised)
Multi Asset Funds to 31st December 2022	-6.09	2.32	2.99
Aviva Pension Managed	-10.77	2.29	2.78
Aviva Pension Multi-Asset Index Growth fund	-8.28	5.79	5.76
Aviva Pension Stewardship Managed	-12.79	4.18	6.39
Aviva Pension BlackRock Consensus	-6.21	3.41	4.17
Comparator			
Sector : ABI Mixed Investment 4085% Shares GTR in GB	-9.99	1.33	2.46
IIndex : Bank Of England Base Rate + 4% TR in GB	5.49	4.61	4.65

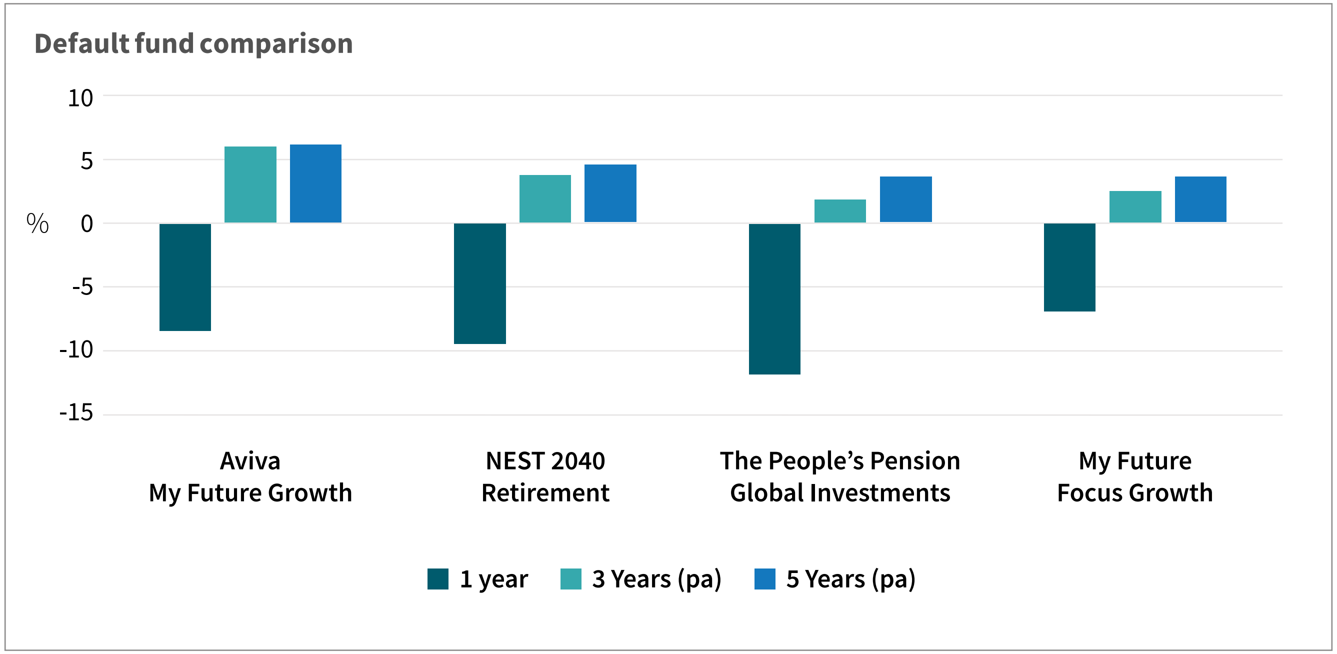
Source: Aviva

Value for Money assessment (investment performance)

The IGC has an ongoing responsibility to assess value for members and compare this to two or more comparator schemes in the market place.

All the areas in this report are included in our overall assessment of value for members, but in this section we look at investment performance. Wherever possible, the IGC wants to maintain consistency in its annual report. For this reason, we have again selected NEST and The People's Pension as suitable comparators that employers could choose to provide pensions for their employees.

We have already highlighted that asset allocation (eg mix of different investments and sectors) can vary between pension providers, so any comparisons can only be a general guide, particularly since past performance cannot be a guarantee of future performance. The graph to the right shows a comparison of Aviva's default funds vs NEST and The People's Pension.



Source: Financial Express

In our 2022 Annual Report, we highlighted that the general investment allocation (amounts in equities, bonds and other assets) was broadly similar between Aviva's default funds, NEST and The People's Pension, so it was reasonable to make comparisons between the three defaults.

The graph highlights that over the year to 31 December 2022, the Aviva default funds suffered less in terms of investment return loss compared to NEST and The People's Pension. This needs to be considered against the background to the volatile markets in 2022 we mentioned earlier.

Aviva's My Future growth default compares very positively against both NEST and The People's Pension over the three-year period exceeding their performance by some 2% a year (NEST) and around 4% a year better than The People's Pension. This represents very good value from an investment perspective for policyholders invested in the My Future Growth default fund.

The position for Aviva's My Future Focus Growth default fund is much more balanced when compared to NEST and The People's Pension. Over three years, NEST delivered about 1% a year more than My Future Focus Growth, but The People's Pension returned about 0.5% a year less. Over five years, My Future Focus Growth and The People's Pensions delivered the same return (3.6% a year) but NEST produced 4.6% a year. This comparison is fairly consistent across the broader pension provider market when looking at how My Future Focus Growth compares to others.

As highlighted earlier, Aviva has undertaken a strategic review and implemented some changes to My Future Focus Growth in 2022, which they hope will improve returns in future. The IGC will keep this under review. In addition, Aviva is currently considering further changes as part of its strategic review undertaken in 2023. At the time of writing, proposed changes are going through the final stages of internal governance, and we will report further on these changes in next year's report.

Conclusion

In summary, the IGC has concluded that investments failed to provide good value in 2022. Investment markets were turbulent, and all providers saw falls in the performance of their default funds. Aviva's falls were less severe than others, and we remain of the opinion that longer term performance has compared well with Aviva's peers. It's important to remember that pensions are a long-term investment, and short-term fluctuations are generally not representative of overall performance. The IGC is supportive of the design changes Aviva has made to the My Future Focus default fund.

Investment governance

Aviva operates a robust investment governance process when reviewing whether:

- to add funds to the platform
- funds are not performing as anticipated
- any other changes that may affect future investment performance.

The table below highlights the number of funds closed in 2022 and the reasons Aviva removed them from its platform.

Number of closures	Reason for closure
3	Governance reasons
3	Fund manager closed underlying
10	Client led, change of investments
5	Very low/zero AUM

An IGC representative attends Aviva's main investment committee periodically to observe the process of reviewing the funds and fund removal decisions. The view of the IGC is that this process is rigorous and effective.

Service and communications

Service and communications

The last of the three areas we must consider in our value-for-money assessment is the quality of service you receive as an Aviva customer. This includes the suitability of the communications Aviva sends to you.

Quality of service

As a customer, it is reasonable for you to expect the highest level of service from everyone you deal with. Your experience with your pension provider should be no different. In this section of the report, we look at how Aviva has performed over the year when dealing with their customers.

Following the pandemic, we have seen a steady improvement in service. Turnaround times are now back to, or better than, pre-pandemic levels for general enquiries, financial transactions and telephony. The time it took on average for Aviva to deal with requests during 2022 reduced from the 2021 levels, with calls being answered more quickly, continuing the trend towards the end of 2021. It is particularly pleasing to see that members in older products, mainly serviced by third parties, saw a greatly improved servicing experience.

How Aviva compares with the market

To see how Aviva compared with their peers, we asked Willis Towers Watson (WTW), an independent consultancy firm, to undertake some research across the market. It is important that WTW maintain their independence within the market and, for that reason, they have not shared any specific details about Aviva's peers. We are aware, however, that their coverage of the market represents providers who between them have over £362bn of assets and over eight million members (or around 70% of the total DC market).

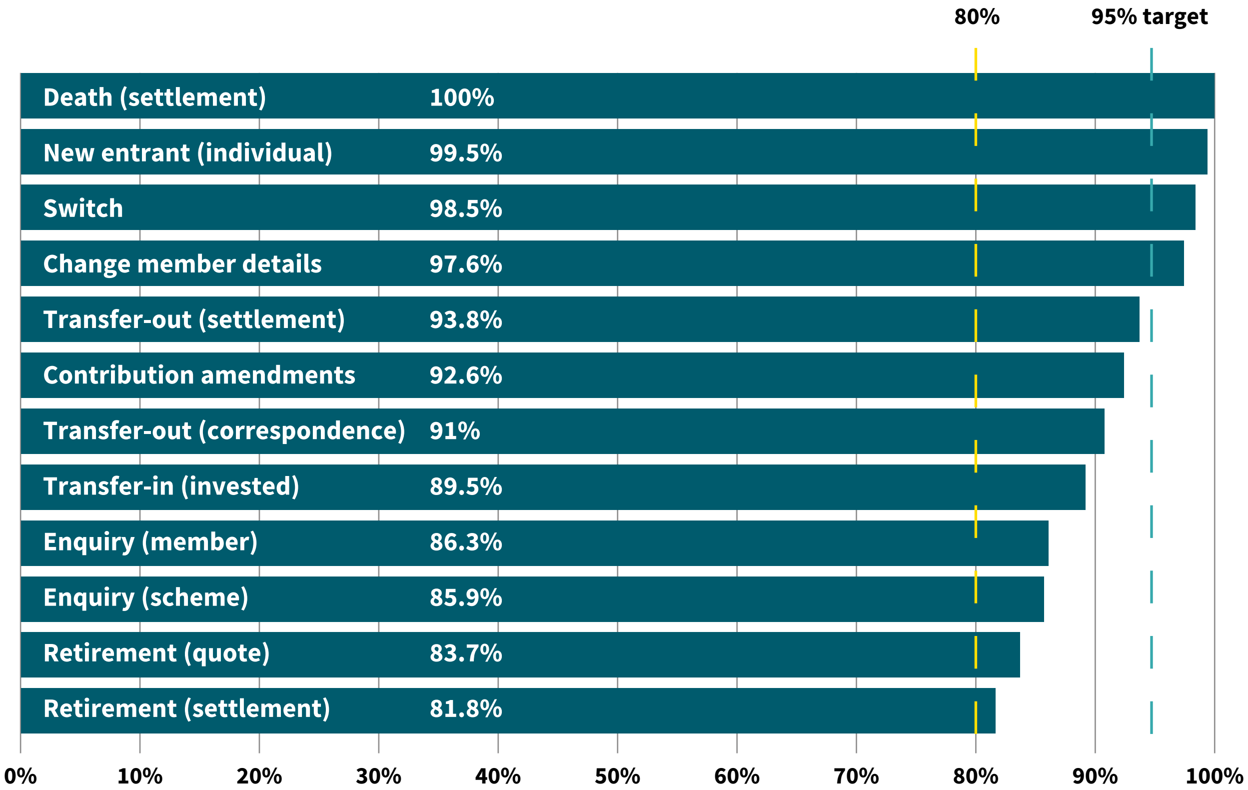
The research covered a significant proportion of Aviva's modern products and looked at telephony, servicing across various transactions, and complaints. We look at this in more detail below.

Performance against targets

The table below shows the average completion time across a number of tasks, together with some commentary from WTW.

No tasks below 80% average completion within 5 day target which is a good achievement considering internal and external headwinds*

- A number of tasks failed to achieve the 95% within five day average for 2022.
- Most tasks that missed deadlines were completed within 10 working days, a critical timeframe due to an increased expectation of chasers or repeat requests after this time horizon.
- Commendable achievement that 100% of Death (settlement) tasks throughout the year appear to have been completed within the target deadline.
- No tasks fell below an 80% average in a particularly challenging year in terms of restructuring, staff attrition and recruitment with materially increased member demand, for example increased requests to access to pension pots.
- We note that some of the retirement underperformance will be attributable to the NGP outsourcing project, but also due to increasing volumes.



Source: WTW

*WTW has observed unfavourable headwinds impacting on all service providers during 2022. These are higher than typical levels of staff turnover, higher than expected member demand relating to stock market volatility and cost of living increases and significant business change resulting from new Regulatory requirements. Aviva appears to have been able to navigate these challenges better than most, although they have impacted on some areas.

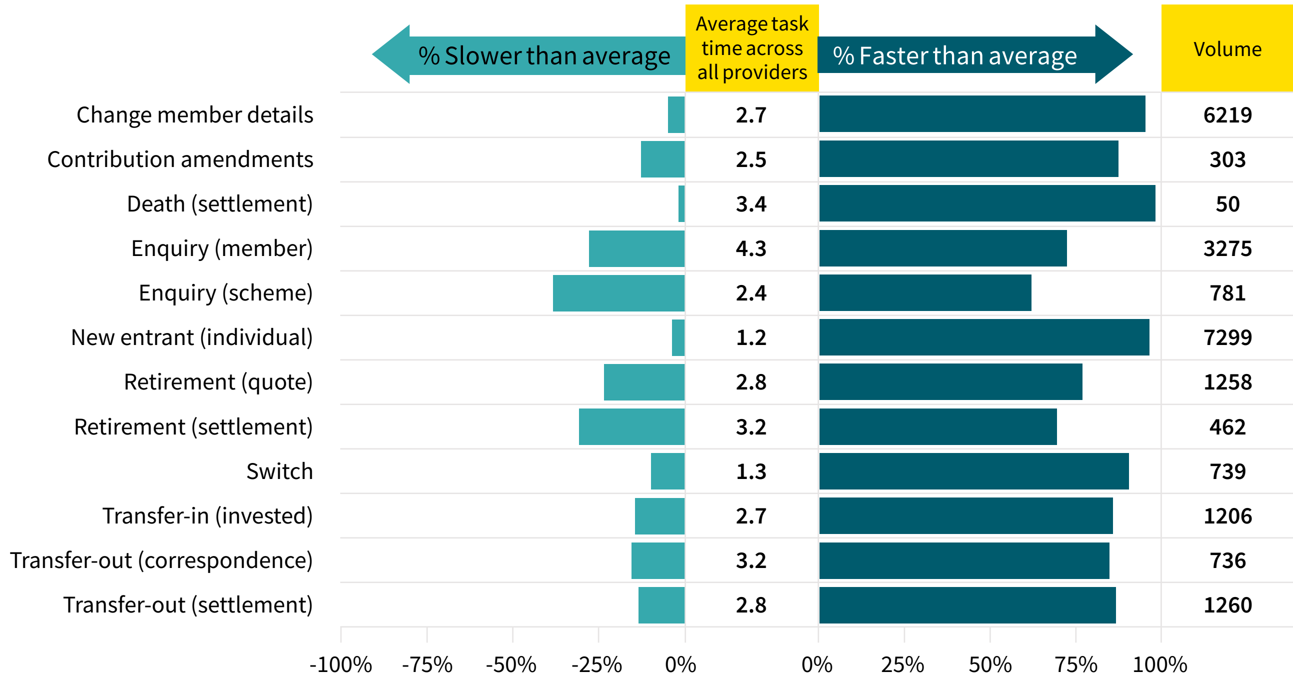
When we look at this as a wider comparison between providers, Aviva is shown to be ahead of competitors in the majority of tasks.

Two thirds or more of tasks completed within a faster time frame than the peer group average which is competitive.

- The annual performance shows as being more competitive than that of the average service provider for the majority of tasks completed by the team on a SLA 'touch time' basis.
- This includes all claims tasks for deaths, retirements and transfers away from Aviva which suggests that the underlying processes are likely to more efficient than the market average provider.
- This conclusion also seems to be supported by the external data publicly available from Origo*. Twelve month data to 31 December 2022 shows that the average time Aviva takes to complete its obligations is 8.9 days for all transfer types, compared with an industry average of 14 days.
- By comparison, the government backed scheme, Nest, takes 21.8 days.

Comparing Aviva's task performance to the average across all providers

The average is comprises data for over 4.5 million transactions in respect of 10 distinct group pension products administered by eight providers



Source: WTW

Although we have observed that some tasks did not meet the IGC's 95% within five days SLA target over the year, we can see from this chart that the majority are completed in a faster time frame than the market average over 2022 which is competitive.

*Origo is a third party industry money and data clearing solution for pension transfers
https://origo.com/assets/components/hero/Origo-Transfer-Index-1-January-2022-to-31-December-2022.pdf

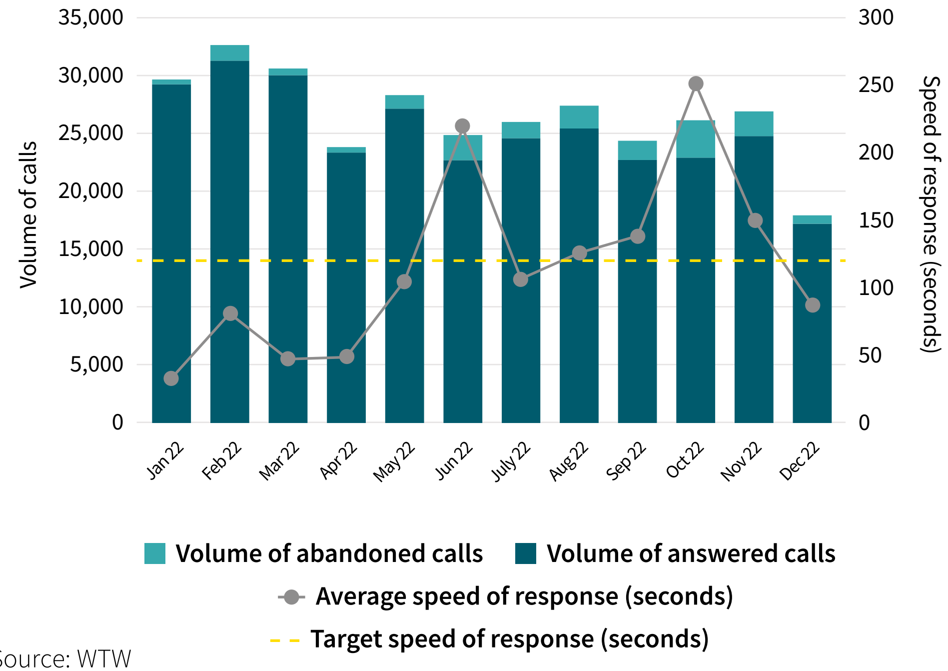
Telephony

WTW also looked at the time taken to answer calls to Aviva's helpline, which is summarised below.

The helpline data supplied on the combined NGP and My Money WTW book suggests that resources came under pressure in two separate months but recovered quickly.

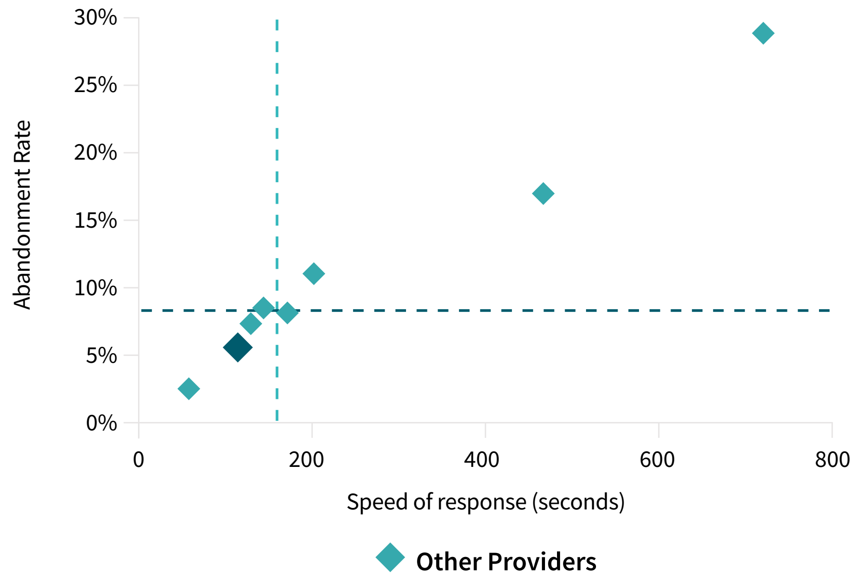
The Aviva helpline performance ranks as competitive over 12 months

Monthly performance tracking and benchmarking



Source: WTW

NGP and My Money helpline performance data combined for WTW schemes



Source: WTW

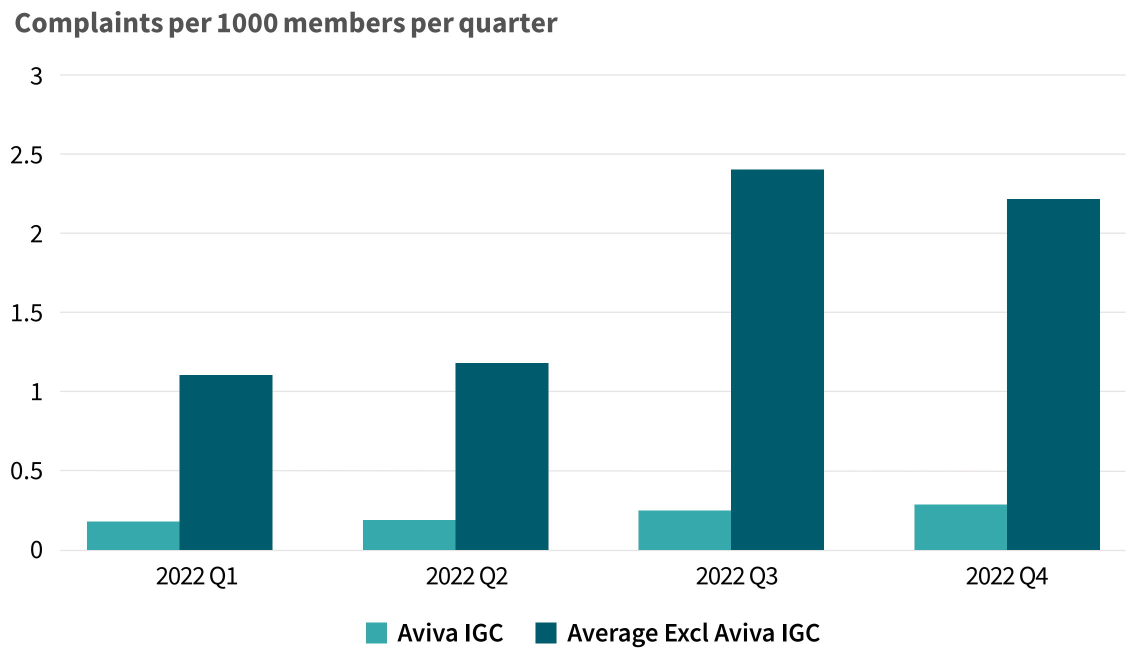
Despite blips during June and October, Aviva's helpline falls within the fast response low abandonment area of the chart with only one provider ahead over the 12-month period

Complaints

When members complain, Aviva will look to resolve their issue quickly and fairly. Certain factors are out of Aviva's control, particularly market volatility. We suspect all providers saw an increase in complaints towards the end of the year when market conditions took a downturn. WTW has assessed how Aviva performed across the year for all its workplace pensions.

The comparatively low number of complaints per one thousand members seems to supports that Aviva has fewer complaints per member relative to the peer group

- The IGC contract-based complaints appear to be well below the market average when considered per one thousand members, which allows for the differences in scale between service providers.
- This data set includes Unisure complaints which allows for a fair comparison based on the total membership within the contract-based book.
- We note that there is likely to be some variation in the way that service providers capture and report on complaints which makes a direct comparison more difficult at this time.



The lighter bar shows that Aviva complaints per one thousand members appears to be much lower than the peer group average in each quarter.

Source: WTW

In summary, the WTW research shows Aviva in a favourable light in terms of the service provided to members. Their key findings were:

"We consider Aviva's contract-based administration capabilities on My Money and NGP to be fit for purpose and, in general, strong relative to the peer group with some areas of significant strength." (My Money and NGP are two platforms which cover most, but not all members)."

"Service performance over the 12 months was sufficiently within the set service tolerances, appearing to be market competitive and comparatively more efficient based on key indicators and peer group benchmarking."

"Most of the key indicators in this report show that contract-based service performance is equal to or much better than the average service provider."

"Aviva's pension customers appeared to have shorter waiting times than most other helplines."

Site visit

Members of the IGC visited Aviva's offices in Sheffield this year to meet with servicing teams. We spent time with the team learning about the:

- tasks they undertake
- servicing improvements they have made, and
- steps they are taking to retain and recruit staff in an area with strong competition for customer service roles.

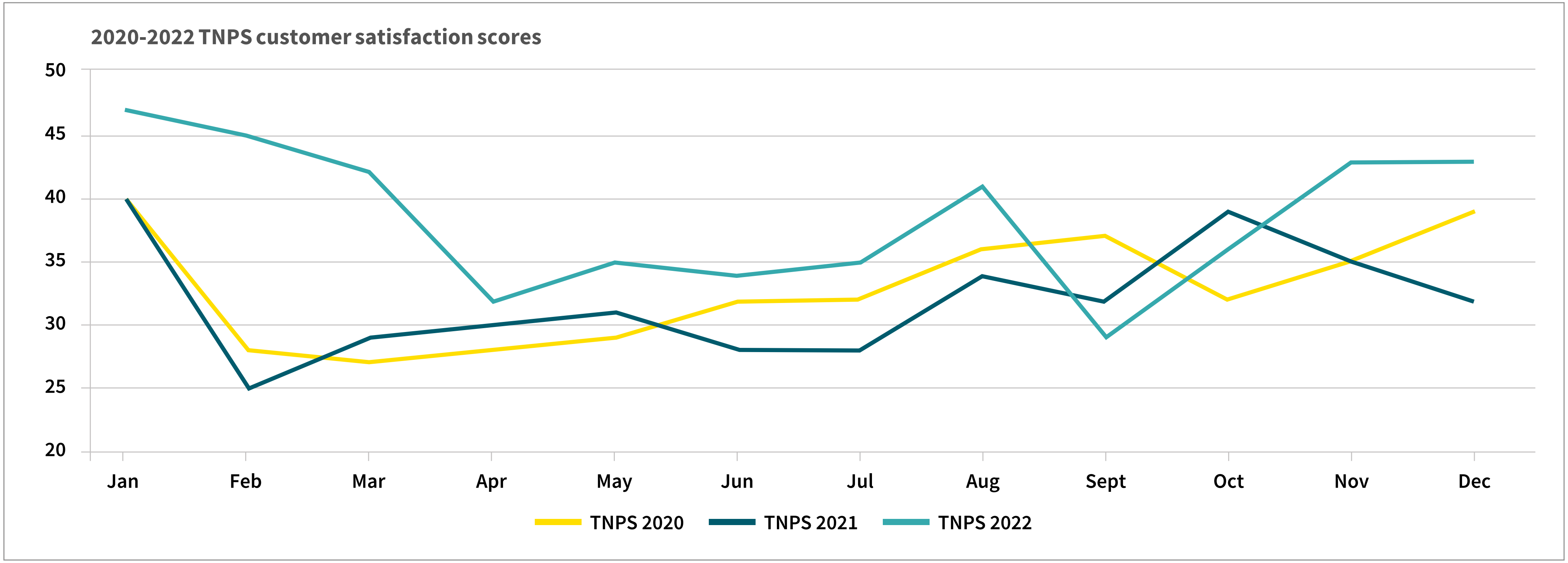
Staff turnover has reduced as a result of the measures put in place to improve opportunities for career progression and this helps with continuity of knowledge and service.

During the visit, we spent time listening to customer calls, which provided us with a rare opportunity to hear how Aviva staff deal with customers on a daily basis. We were very impressed not only with the knowledge of staff answering customer questions, but also how they took extra steps to make sure the customer was given additional information which could help with their decision-makings. It was good to see the genuine empathy shown by the call handlers when dealing with customers who might need reassurance during challenging times.

We also spoke to the team who had recently visited one of the outsourcer operations in India. This is a regular opportunity for Aviva operations staff to meet with their colleagues, learn more about what they do and implement any training or improvements. It was very clear from this session that the teams in Sheffield and India enjoy a close relationship which helps to maintain an excellent end-to-end servicing experience.

Transactional Net Promoter Score (TNPS)

Customer feedback is a good indication of how members feel about their service experience. Each year, Aviva gathers feedback from customers about the service they received during their contact with Aviva. Last year, the IGC set a benchmark of 30 for “good”, 30-60 for “very good” and above 60 as “excellent” and challenged Aviva to maintain a very good position.



Source: Aviva

The position for Aviva’s outsourced providers is measured separately, and this year they maintained an average TNPS for the year of 40.

Other areas we consider

Service is not just about the direct engagement you have with Aviva – there are additional areas we consider important to improve the member experience.

Financial education

Aviva continues to develop and expand its member engagement plans through various campaigns and tailored prompts, which help members understand various aspects of pension savings and encourages them to better manage their pension. Aviva has a team of consultants, who prepare and deliver educational material to workplace members. Their sessions are well attended with over 60,000 members joining presentations in 2022. Topics covered include:

- **Career stage sessions**
- My retirement, my way
- Mid-Life MOT
- Your Financial Future

- **Subject-based sessions**
- Pension basics
- Managing your account online
- Consolidating pensions
- Understanding investments

- **Hot topics**
- Gender Pension Gap
- Realising your early retirement dreams
- ESG
- Cost of Living
- Market volatility

The feedback received from these sessions is generally very good with 95% of attendees saying they found the seminars useful, and 93% saying they would recommend it to a colleague. More importantly, 86% of attendees said they felt motivated to take action after attending a seminar which shows a very high degree of engagement.

During these difficult times, the seminar on cost of living has proved popular, and the feedback has been strong. Members were driven to make informed decisions about budgets, household bills and advice on debt. The IGC attended this seminar and particularly liked the section on the impact of reducing pension contributions. It was good to show that short-term ‘fixes’ might be at the expense of long-term detriment.

We feel that these seminars are important and provide an opportunity for members to learn more about the complex landscape of pensions. They are free to join, and we would encourage as many of you as possible to attend a seminar if offered the opportunity.

Aviva has its own advice team providing financial advice to members who need it. We feel that access to advice is important, and that it should offer good value.

All Aviva advisers are salaried – they receive no incentive to provide advice, and so there is no risk of a “hard sell”.

The first meeting with an adviser is free, with no obligation to proceed, and the fee structure is fixed as follows:

Pension fund size from	To	Report fee	Advice fee
£0	£100,000	Either: Without defined benefit advice £625	2.00%
£100,001	£300,000		1.75%
£300,001	£500,000		1.25%
£500,001	£1,000,000	or	0.25%
£1,000,000+		With defined benefit advice £1,525	0.00%

Source: Aviva

We have compared these fees against Aviva’s competitors who offer their own advice service and they remain competitive.

Feedback from customers about the advice they have received is very positive.

94% of customers feel the correspondence Aviva sends out is clear, with 64% of those saying it couldn't be clearer.

10%
above industry average

93% of customers understand the fees for their advice and how they are paying for this service.

6%
above industry average

96% of customers feel at least quite confident that they are on track to achieve their goals.

4%
above industry average

Aviva has recently expanded its advice network with the acquisition of Succession Wealth, and its integration within Aviva will be completed in 2023. This will lead to a review of the fee structure, and the IGC will look again at the value offered by these services in next year's report. In the meantime, we remain comfortable that the current model offers good value.

Product governance and controls

Aviva has strong internal controls in place to identify issues which have the potential to cause customer detriment. Where this happens, they have dedicated resource to put things right and ensure customers are compensated to make sure they are no worse off than if the issue had not arisen.

During 2022, Aviva identified 20 new issues, although most of these were low to medium in their severity. One very high-risk event occurred in 2022 related to the payment of With Profits final bonus, which potentially impacted 93,000 customers. Work is underway to correct the issue and pay remediation to those customers (12,000 complete). We will give an update on progress over 2023 in our report next year.

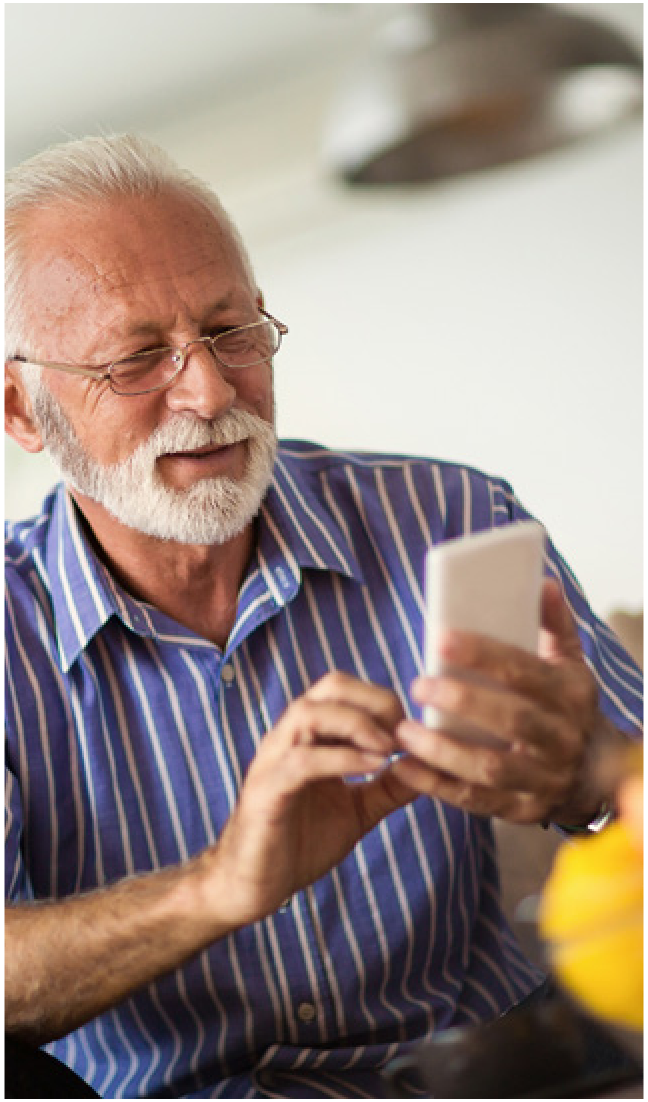
In light of new rules from the regulator, Aviva is reviewing its product governance principles to make sure they remain fit for purpose and fully protect customers against harm.

The IGC has reviewed Aviva's assurance report on internal controls (AAF 01/20 report). This was the first year Aviva had strengthened controls in relation to information technology. An independent external auditor tests the controls, and where any issues are identified, Aviva needs to make sure it strengthens any control weaknesses.

The report did not identify any material concerns this year, and we are confident the minor issues raised in the report do not present any material risk to Aviva's ability to operate safely and effectively.

Our conclusion

The IGC continues to be satisfied that the service Aviva provides to you is good. The independent research carried out by WTW confirms that Aviva is equal to or ahead of its peers in terms of the speed and quality of service it provides. Member feedback is positive, and we will be looking for continued improvement in Aviva's service offering in 2023.



Communication and engagement

Like good service, good communications should encourage a greater degree of engagement. If you don't understand the information you receive, it is unlikely you will take any appropriate actions to improve your retirement experience.

We have again reviewed key communications which Aviva sends to you at various points of your retirement journey. These include the information you receive when you join your employer's workplace pension, investment guides, your annual benefit statement, information you receive on leaving employment, and documentation sent to you in the run up to your retirement.

We have found Aviva's communications to be well designed and well written. Where options are open to you, these options are clearly explained, for example for customers reaching retirement who may wish to consider an Investment Pathway.

The high degree of investment volatility in 2022 together with the financial challenges facing many members resulted in a large increase in complaints. While most of these complaints were not upheld, and the overall complaint levels still compare favourably with other pension providers, we feel this increase in complaints highlights many members' poor understanding of how their pension savings are invested together with the options and risks involved.

Accordingly, we have asked Aviva to consider the following:

- Highlight in all communications that members have flexibility on when they can draw their pensions, ie just because they have reached a set age, it doesn't mean they have to take their pension at that time.
- Continue to target members approaching retirement to attend seminars and webinars, so they can better understand their pensions and specifically the options and risks involved.

Over the years, we have assessed the value received by you, and on the whole, we feel that Aviva has delivered value. However, at times of market volatility when members can see thousands wiped off the value of their pension, we do not feel some of the wording in your annual benefit statement is appropriate. Because of this, we have asked Aviva to remove it.

In last year's report, we highlighted an exercise being undertaken to contact members with small pots of pension savings (under £3,500 in investment fund value). We reviewed these communications and found them to be clear, setting out options for customers to consider (consolidation or taking benefits if members were over 55).

Response rates were low, although significantly higher for members aged over 55 than for younger members.

Overall Small Pots Call Results:	Total	Under 55 Result	Over 55 Result
Volume mailed	9,482	6,228	3,283
No. of Calls to date	709	198	511
Response Rate %	**7.5%**	**3.2%**	**15.6%**

Source: Aviva

Of the members who contacted Aviva to discuss their options, many chose to either move their money or access their small pot. While this in itself is encouraging, it was disappointing to receive such a low response rate from members, particularly when there was a potential benefit for them.

Our conclusion

Aviva's communications are good. They clearly explain options to members in plain English and avoid complicated industry jargon. Aviva continues to develop ways to give members digital access to their pension through MyAviva or MyWorkplace in a straightforward and user-friendly manner. We will continue to work with Aviva to make improvements to some key documents and develop the digital options available to members. We would encourage members to read the correspondence sent to them and take action where necessary.

Environmental, social and governance (ESG) considerations

Areas considered

In relation to ESG, the FCA requires the Committee to comment on:

1. The adequacy and quality of Aviva's policy in relation to both ESG financial and non-financial matters
2. How Aviva takes these considerations into account for investment strategy and decision making
3. The adequacy of Aviva's policy in relation to stewardship.

We cover each of these areas in this section of the report.

The adequacy of Aviva's policies

Aviva has a suite of policies on environmental, social and governance (ESG) factors and stewardship. These policies aim to improve the environmental and societal impact of companies. Aviva also aims to apply the same or better standards to its own operations as a company.

ESG Leadership

Aviva established the Aviva ESG Leadership Team (ESG LT) to co-ordinate its approach to ESG. It is chaired by the Aviva Investors Chief Executive Officer with the UK Life Chief Investment Officer and other senior management as members.

Responsibility for ESG isn't restricted to the leadership team. During 2022, all of Aviva's employees were required to complete training on climate change.

Within UK Life, Aviva has enhanced ESG expertise across its investment teams. The Sustainable Investments team increased from nine to 17 during 2022, with the introduction of new roles or expertise, such as climate and nature investment risk management and modelling. Within the whole of Aviva Investors, there are 40 ESG specialists, up from 23 in 2021.

Aviva's ESG goals

Here is an overview of Aviva's goals for its own business operations, supply chain and customer/shareholder investments.

2021 | 2022 | 2025 | 2030 | 2040

By the end of 2021

- Aviva stopped underwriting insurance for companies making more than 5% of their revenue from coal or unconventional fossil fuels, unless they have signed up to Science Based Targets

By the end of 2022

- Divest from companies which make more than 5% of their revenue from coal unless they have signed up to Science Based Targets
- Expected to invest a further £10bn of assets from auto-enrolment default fund and other policyholder funds into low carbon strategies (of which £5bn has already been announced)

By the end of 2025

- 25% cut in carbon intensity of investments
- 100% renewable electricity for all offices, which total 230,231m2
- 100% electric/hybrid vehicles new leases for our 1,540-strong motor fleet
- Aviva will invest £6bn in green assets, including £1.5bn of policyholder money into climate transaction funds
- Aviva investors will invest £2.5bn in low carbon and renewable energy infrastructure and deliver £1bn of carbon transaction loans

By the end of 2030

- 60% cut in carbon intensity of investments
- Net Zero operations
- Net Zero supply chain
- £100m committed to nature-based solutions

By the end of 2040

- Net Zero company with Net Zero carbon investments

Source: Aviva

In our 2022 report, we wrote that Aviva had set the most ambitious net zero timeline among peers in the pensions industry. Aviva has made good progress towards these goals. It has already reached its 2025 carbon reduction target of 25% for customers' credit and equity funds. It is also making good progress towards its 2030 target, of achieving 60% carbon reduction.

Now and in the near future, Aviva and the IGC consider the progress for carbon reductions within customer investments to be in line with customers' financial interests. However, Aviva believes the policy environment needs to change to achieve true decarbonization. Without the required policy change, Aviva admits it is unlikely to reach net zero itself as it needs to balance net zero aims with customers' financial interests. Those interests are the central principle.

We challenged Aviva to articulate its level of dependency on policy change compared with commitments fully within their control, but Aviva told us this is very difficult to quantify. Naturally, we feel Aviva is at risk of failing to achieve their 2040 net zero target.

We don't believe Aviva is alone in this challenge as we feel all pension providers will struggle to reach their net zero commitments without the necessary policy changes.
We are pleased to share that Aviva is leading engagement with global institutions and governments to encourage the required policy change.

A small selection of achievements to date for Aviva's own business

a) Aviva is making good progress towards achieving its 2030 carbon reduction targets

b) Aviva co-led the work-stream for the Financial Institution Transition Plans and launched a set of best practice principles for transition plans ahead of COP26

c) Aviva Investors has already achieved 78% of its 2025 £1 billion sustainable lending target

d) Aviva is seeing an increased amount of new customer investment into sustainable, impact or net zero aligned funds

Aviva achievements which directly impact customers' investments

a) Aviva has reached its 2025 target of 25% carbon intensity reduction in customers' equity and credit investments

b) Aviva has committed to invest £100m into nature-based solutions by 2030

c) By June 2022, Aviva had exceeded its 2022 goal of £10 billion of auto-enrolment assets placed into low carbon equities and climate transition strategies

d) As for its 2025 goal to invest £6bn in green assets, by the end of 2022, Aviva had already invested £5.1 billion in sustainable assets, of which £1.3 billion related to policyholder money in climate transition funds

e) By 2025, Aviva Investors aims to invest £2.5bn in low carbon and renewable energy infrastructure – at the end of 2022, Aviva Investors had invested a total of £2.1 billion

Investment strategy and decision-making for your pension

Within your pension, Aviva's net zero strategy will be delivered through a combination of stewardship, portfolio integration, selective divestment and solutions (for example, nature-based investments).

Actively managed funds

ESG analysis considered alongside traditional financial metrics to support portfolio manager's decision-making process

Passively managed equity funds

Optimised to have a higher ESG score than their respective benchmarks combined with a carbon intensity reduction pathway:

- 25% reduction by 2025

- 60% reduction by 2030

- 100% reduction by 2040

Exclusion policies

Controversial weapons and civilian firearms; thermal coal producers; unconventional fossil fuels (arctic oil, tar sands); tobacco producers and distributors; and companies that fail to meet UN Global Compact principles

Engagement and voting

Engaging meaningfully with companies to encourage them to develop good corporate practice and governance

Source: Aviva

My Future Focus

We reported Aviva's strategic review of My Future Focus in our 2022 report. This review aimed to improve outcomes for members while integrating ESG considerations further and the committee was supportive of the asset allocation changes.

My Future Focus remains one of the UK's leading pension default funds with regards to ESG integration.

My Future

For My Future, ESG integration has been slower. Last year, we reported that Aviva intended to increase ESG integration by gradually increasing allocation to the BlackRock World ESG Insights Equity strategy (50% of the equity allocation of My Future Growth (40.5% overall) and My Future Consolidation (12.5% overall). This year, we are pleased to report Aviva met this target date.

With the future firmly in mind, last year we challenged Aviva to increase the target percentage of My Future equity funds beyond the 50% level. Aviva has stated that this is their intention, and we will monitor their progress over 2023 and hope that there is a planned timetable to get to 100% integration.

Similarly, we are awaiting an update before the end of this year on whether BlackRock's new Global Corporate ESG Insights Fund is fit for purpose for Aviva's My Future corporate bond proposition.

Crucially, the My Future default fund, managed by Blackrock, abides by Aviva Investors' own voting policy – as opposed to Blackrock's. The IGC believe this is positive given Aviva's leading position on stewardship.

Using BlackRock

This year, we questioned the extent to which Aviva is actively reviewing its use of BlackRock as a manager given its pace and approach to ESG integration and how Aviva is challenging BlackRock regarding this.

We learned that Aviva takes a holistic approach to monitoring BlackRock in terms of their ESG integration and regularly challenges them, including on their level of corporate and policy engagement. For example, Aviva is challenging BlackRock to understand how climate risk is embedded into the capital market assumptions that inform their asset allocation decisions.

Aviva uses collaborative initiatives such as the Net Zero Asset Owners Alliance to make engagements with BlackRock as impactful as possible. They also meet BlackRock 1-2-1 for deep dive sessions – more of these are scheduled for the second half of 2023.

Stewardship

Aviva's presence in the financial services industry – and especially their role as a significant shareholder of many companies through their asset management business – allows them to influence the actions of large companies. They use their voting rights at shareholder meetings to vote for or against issues relating to ESG and other matters.

In line with the UK Stewardship Code, we believe Aviva has a responsibility to:

a) understand its pension members' best interests, including views on ESG, and

b) make sure through engagement and voting that fund managers are driving towards outcomes in the best interests of pension members.

Aviva Investors ranked third out of 77 leading asset managers in the **ShareAction report** published in February 2023, demonstrating their leading credentials in responsible investing and stewardship policies. In 2022, Aviva voted on over 73,000 resolutions at over 6,500 shareholder meetings. 80% of votes were in favour of climate and social shareholder resolutions, usually proposed by shareholders to management (we note that this number has decreased by 2% from 82% in 2021). 27% of Aviva's votes were cast against resolutions proposed by company management.

Director and chair election votes are some of the most powerful levers at Aviva Investors' disposal. So, this year, we challenged them on the number of times they have voted against the directors of companies that continue to invest in new fossil fuel extraction infrastructure. They told us they voted against 174 directors for climate concerns. However, most of these concerns were not publicly disclosed, which decreases transparency and accountability.

The IGC aims to hold Aviva Investors accountable to voting in line with their strong policy. For example, this year Aviva Investors supported the Chair of the Board at a company which has pared back its 2030 carbon reduction targets – where according to its policy, a vote against the Chair would usually be warranted. However, we learned that Aviva's continued support is conditional on better climate reduction progress in the future, including the re-positioning of excess capital towards technologies such as hydrogen and biofuels. Therefore, we are satisfied that Aviva is implementing its voting policy effectively.

Linked to this, Aviva Investors is completing its engagement escalation process for the 30 largest carbon emitters globally. It has also engaged at a macro-level with finance ministers and central bank governors for countries whose sovereign debt it holds. Giving customers visibility of ESG matters.

Member understanding and engagement are important if we are to help pension scheme beneficiaries secure the best possible retirement. It is also important that members understand the impact their investments have on the world around them to be able to make informed decisions on how and where to invest their money.

During 2022, Aviva launched the ESG hub, which is an education tool for members. It is developing this further to include interactive quizzes. Aviva has also made commitments to ESG-centric awareness, targeted content, and triggered communications for 2023.

In 2023, Aviva's ESG member engagement strategy has considered learnings from 2022 including the Tumelo pilot, the DWP Green Nudge trial and the cost-of-living crisis. They also completed member research in March 2023 specifically around ESG and investments, which showed that 68% of under-40s discovery hub users would like to learn more about ESG. Overall, Aviva has found a very low level of engagement from members when responsible investment is mentioned; and that only a small segment of the membership is interested. Because of that, it has decided more foundational pension education and better segmentation is needed before diving in with ESG content.

We have challenged Aviva on ESG awareness among the membership. We want to make sure *all* members know investments in renewables, for example, could be in their long-term best interests to mitigate future climate or energy security crises like that of 2022/23.

Conclusion

On the questions forming the FCA remit, the IGC concludes:

1. Aviva's policies in relation to both ESG financial and non-financial matters are ambitious and strong among the peer group of pension providers.
2. The policies are well embedded in Aviva's investment strategy and decision making.
3. Aviva's policy in relation to stewardship is strong and the IGC welcomes the effective use of Aviva Investors in exercising voting rights.

Aviva is under no illusion that a transition to a net zero carbon business will be easy. We will be working closely with Aviva's leadership and ESG team to understand how they are overcoming the challenges. And we continue to believe they are leading the way among pension providers.

We will continue to press for a speedier and deeper ESG integration for My Future; for engaging ESG-focused member education; and for insightful stewardship reporting.

We rate Aviva very highly in this area of our assessment versus competitors; although note that all providers have a long way to go if they are to protect beneficiary outcomes over the long-term.

Our conclusion

We continue to view Aviva as being the market-leader on matters relating to ESG and stewardship. Its policies and ambitions are strong and if it can deliver on those policies and ambitions, it will continue to stand apart from and ahead of others. However, whilst Aviva has made good progress on these ambitions over the last year, continued success in meeting these ambitions may be very difficult without further policy changes from regulators and governments.

Investment pathways

Investment pathways

In our annual reports for 2021 and 2022, we highlighted the introduction of investment pathways which are available to members who start to draw their pension benefits.

The FCA introduced these in 2021 to help those individuals who do not seek financial advice on their pension options or who want simpler packaged solutions that fit their needs and circumstances. Many members do not know the pros and cons of different retirement options, so investment pathways were intended to simplify the process.

The diagram shows the four investment pathway solutions required by the FCA and available to Aviva policyholders. You will see how each pathway is described based on what policyholders may be looking to do.

In this section, we look at the Aviva investment pathways and how they compare to the market more generally. Aviva also operates a partnership with Mercer Workplace Savings, who created their own investment pathways, and these also fall under the IGC's remit. When pathways were launched in 2021, we reviewed both the Aviva and Mercer pathways pre-launch. This highlighted that while there were some minor differences in the allocations to different asset classes, the asset design, objectives and risk levels associated with these pathways were broadly comparable.

Last year, we commissioned an independent benchmarking review on investment pathway solutions available across the major providers in the market. We commissioned a similar review again this year from Isio (an independent pension consultancy). For confidentiality reasons, we have again had to anonymise the names of other providers in the market but can confirm that they are comparable major providers in the pensions market.

The key comparison areas in the benchmarking are:

- costs and charges to members
- investment design and performance
- quality of services provided including communication support and member take-up experience.

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 Consilidation)
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)

Costs and charges

The table below sets out a summary of the charge information gathered by Isio based on completed returns from different providers. The information returned from providers varies considerably and disappointingly some providers did not, provide full and clear information. The charges that typically apply to investment pathways fall into three parts:

- Fund management charge – for investment management
- Platform charge – charge for the administration platform used by a provider
- Additional expenses – expenses related to investment trading eg buying and selling investments, custodian fees etc

The total of all these charges is normally referred to as the Total Expense Ratio (TER). The table below shows TER where this information was provided or the FMC where this was the only information provided to Isio. **It is important to note that where only FMC is shown, there will be additional charges levied by the provider but, these were not disclosed by some providers**.

Aviva and Mercer are shown in the following tables as a separate item, but other providers have been anonymised.

It is clear from this table that the level of charges levied by providers varies both in terms of type of charges and the approach adopted by each provider. As last year, Pathway 4 is generally the lowest charged option because of the low risk investments held. Pathway 1 and 3 in some cases have higher charges because of their allocations to growth assets.

Making comparisons on charges on a like-for-like basis is difficult given the discrepancy of information provided to us. Furthermore, a number of providers offer scheme-specific discounts for their clients and so actual TERs to members are not available. However, where a fund management charge only is shown, it is clear that this is not the total charge applicable to the pathway option – this applies to providers C,D and F.

Aviva offers a different charging structure dependent on how and through which platform members access pathways. Unlike some providers, Aviva also offers the same charge for all pathways rather than a lower charge for Pathway 4. We will discuss this aspect with Aviva to help us understand the reasons for adopting the approach.

While it is very difficult to compare costs, even at the TER level, Aviva's charges are well within the range of all other providers, so we can conclude that Aviva is competitive in the marketplace.

Costs and charges to members

Provider	Pathway 1 - TER (%)	Pathway 2 - TER (%)	Pathway 3 – TER (%)	Pathway 4 – TER (%)
Aviva – Workplace***	Up to 0.75	Up to 0.75	Up to 0.75	Up to 0.75
– Legacy	0.75	0.75	0.75	0.75
– OIS(Retail)	0.55	0.55	0.55	0.55
Provider E	0.41	0.41	0.40	0.40
Provider C	0.10	0.20	0.10	0.11
Provider I*	0.45	0.45	0.55	0.25
Provider B	Up to 0.59	Up to 0.60	Up to 0.75	0**
Provider D	0.16 (FMC only)	0.14 (FMC only)	0.31	0.12 (FMC only)
Mercer	Up to 0.75	Up to 0.75	Up to 0.75	Up to 0.75
Provider G	1.00	1.00	1.00	1.00
Provider F	0.10 (FMC only)	0.10 (FMC only)	0.10(FMC only)	0.10 (FMC only)
Provider A	1.01	1.01	1.01	1.01

Source: Isio benchmarking report 2023

*Provider I has a bespoke fee structure so examples of typical client fees have been provided. TER – Total expense ratio. FMC – Fund Management Charge.

** Provider B retain some interest on client balances (so returns given is the client share of interest), so no explicit fee is provided.

*** For Aviva workplace customers, members will pay the same TER for their pathway as they were paying during accumulation.

Investment design and performance

When investment pathways were launched in early 2021, we worked with Aviva looking at the design and investment objectives for each pathway which will differ according to what members are aiming to achieve. The Isio review once again looked at the design and investment allocation of each Aviva investment pathway and compared these to what is available across the market. The key findings from the Isio report for the year ending 31 December 2022 were as follows:

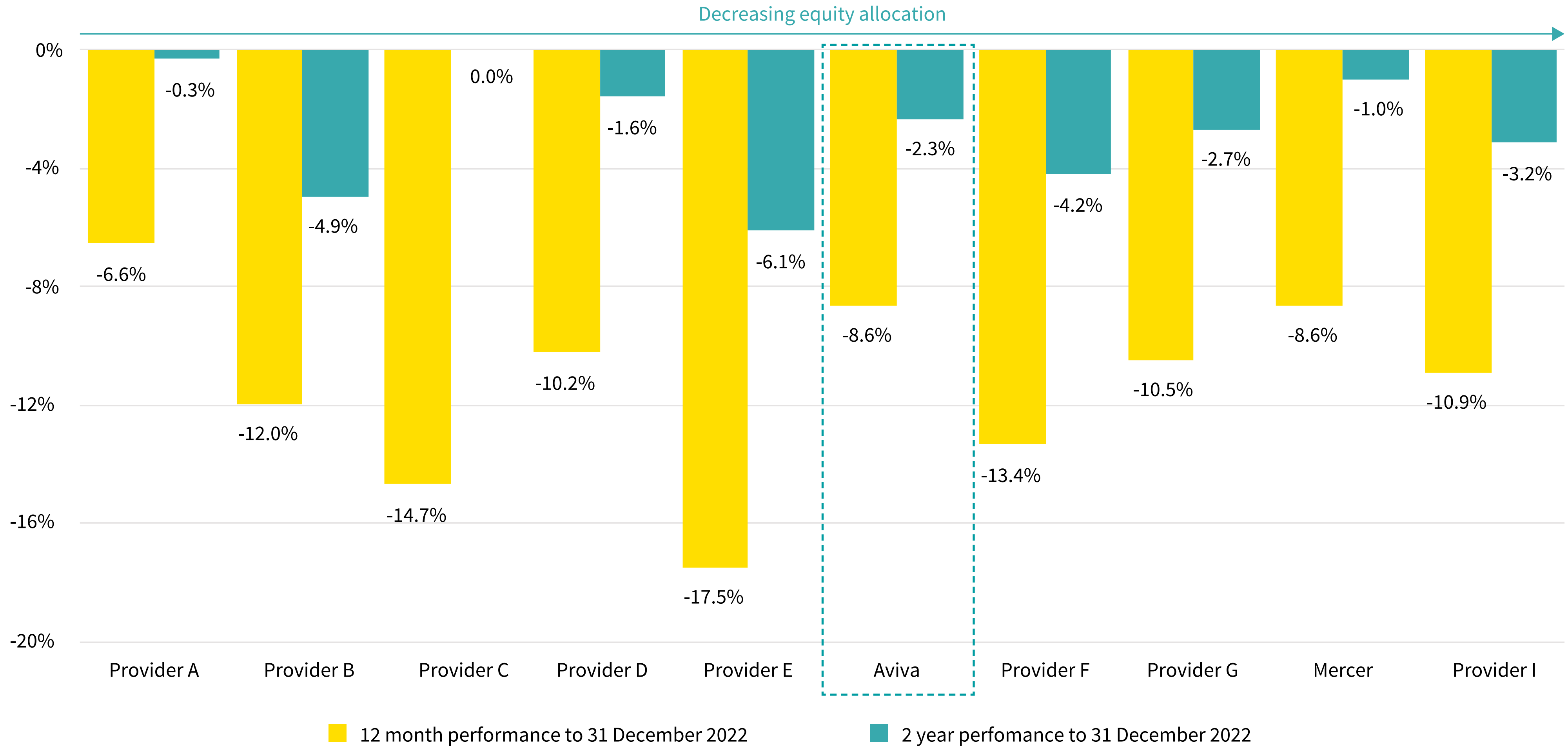
- The design and asset allocation of the Aviva pathways options have not materially changed since pathways were introduced in 2021 and this is consistent with other providers.
- For the reasons highlighted earlier in this report, investment returns from all pathways across the market have been negative which is due to the significant volatility in the markets over 2022. Those providers who had higher allocations to bonds/gilts and less diversification delivered the worst returns over the last 12 months and two years. However, there have been minimal changes to the providers' approaches to investment design over the last year.
- For Pathway 1, there is a mix of diversified strategies typically aiming for capital growth with moderate risk levels (equity content between 20% and 60%). For Pathway 2, the majority of providers target change in annuity prices and so invested in corporate bond/gilt assets. The gilt crisis in the autumn of 2022 had a significant impact on the returns for Pathway 2 which saw the worst returns over 12 months.
- The investment strategy for Pathway 3 remains largely similar to that of Pathway 1 (with some providers choosing to use the exact same allocations).
- For Pathway 4, most providers aim for capital preservation and so invest in very low risk assets (that is, fixed income and cash). Some providers aim for CPI + returns and so have a small allocation to higher risk, growth assets.

Aviva's and Mercer Workplace Savings performance

- Aviva and Mercer asset allocation is generally in line with the other providers in the study, being close to the average point for Pathways 1, 2 and 4. For Pathway 3, Aviva has the highest equity allocation, which is significantly higher than its Pathway 1 allocation. This is slightly unusual compared to the majority of the market, and when considering Aviva's objectives for Pathways 1 and 3 are the same. We will look to discuss this point with Aviva on an ongoing basis.
- Despite the negative returns delivered by all pathways in the last 12 months, on a relative basis , both Aviva and Mercer were in the top three for Pathway 1 and broadly in the middle of the pack for Pathways 2,3 and 4.
- We will look to discuss with Aviva whether they should revisit the decision to have a large allocation to gilts vs corporate bonds in light of recent events. This is something that we expect to be happening across the market more widely.

Performance to 31 December 2022
I have no plans to touch my money in the next five years

Pathway 1

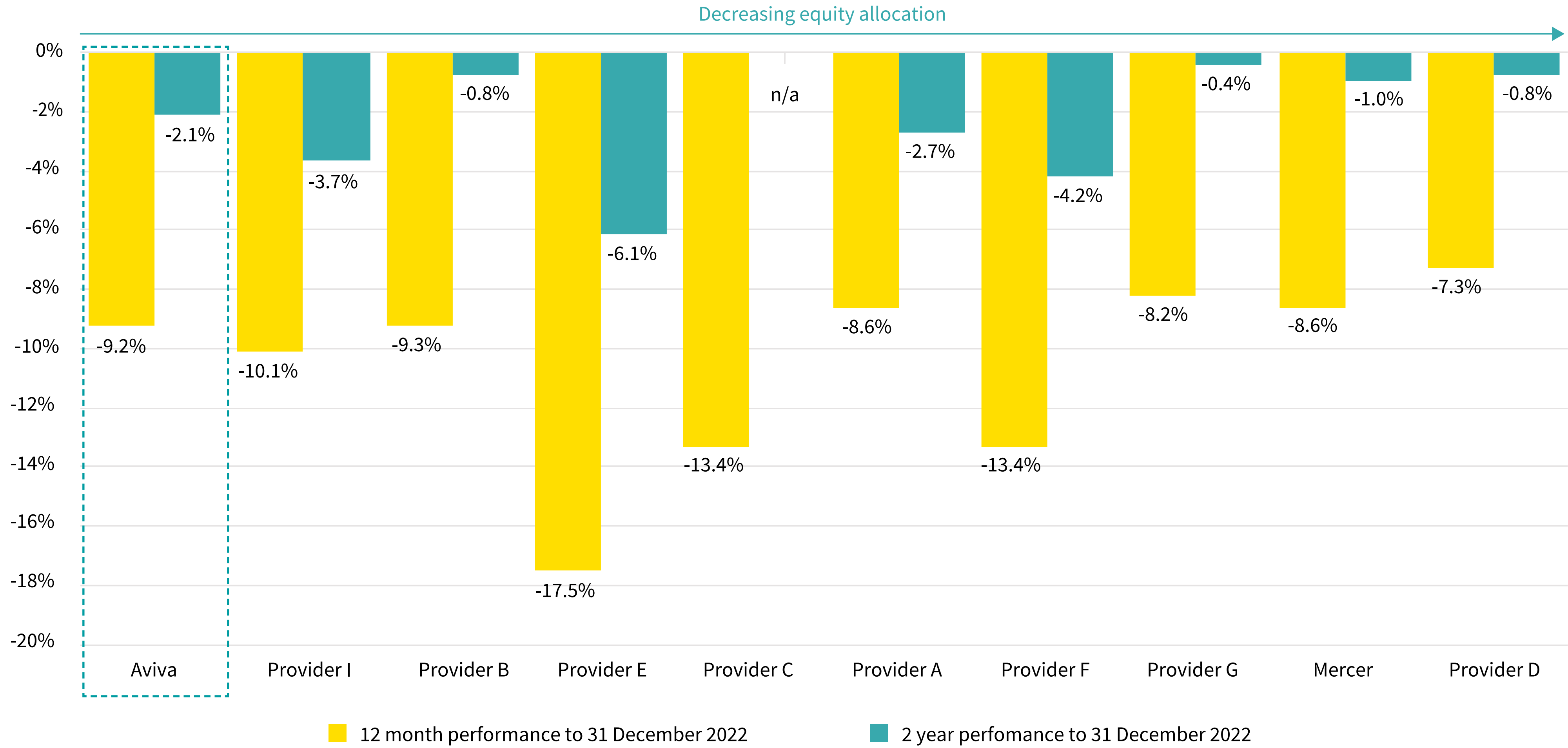


Source: Isio benchmarking report 2023
Notes: Data as at 31 December 2022. Performance shown gross of fees.

Performance to 31 December 2022 – Pathway 3

I plan to start taking my money as a long-term income within the next five years

Pathway 3



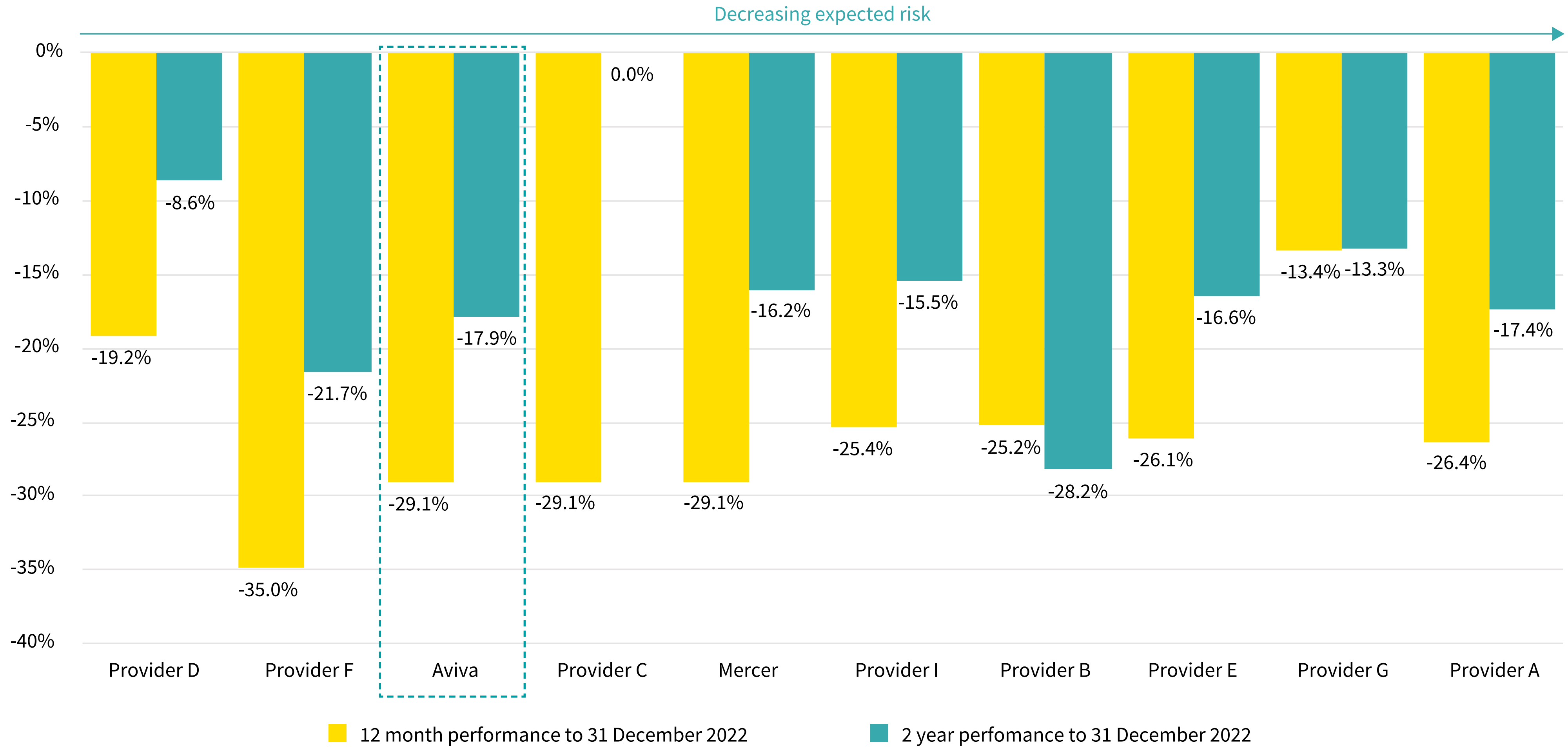
Source: Isio benchmarking report 2023

Notes: Data as at 31 December 2022. Performance shown gross of fees.

Performance to 31 December 2022 – Pathway 2

I plan to use my money to set up a guaranteed income (annuity) within the next five years

Pathway 2



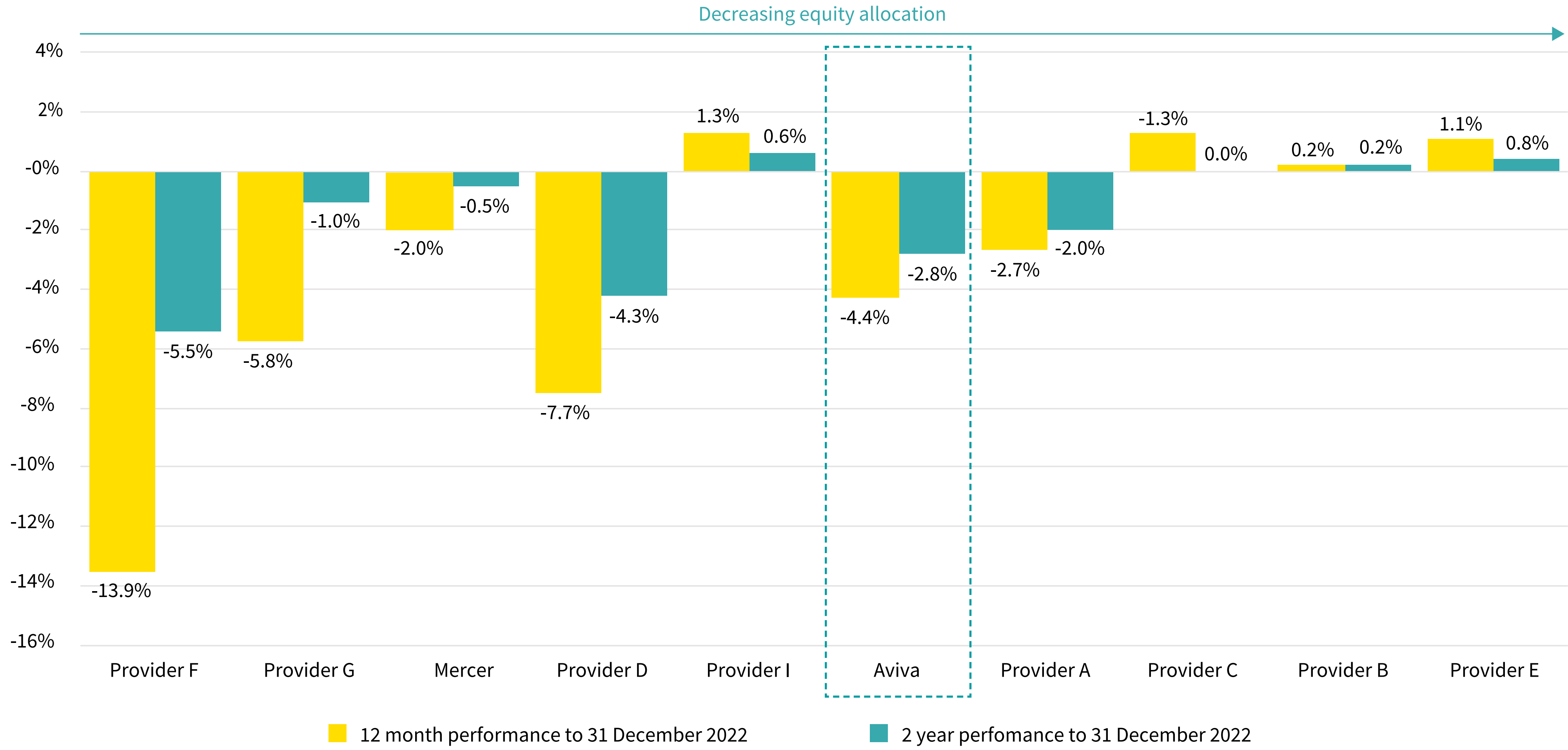
Source: Isio benchmarking report 2023

Notes: Data as at 31 December 2022. Performance shown gross of fees.

Performance to 31 December 2022 – Pathway 4

I plan to take out all of money within the next five years

Pathway 4



Source: Isio benchmarking report 2023

Notes: Data as at 31 December 2022. Performance shown gross of fees.

Cash returns are given for the average Hargreaves Lansdown Pathways 4 balance. Interest is tiered, so the actual return could be lower or higher depending on the client's cash balance.

Quality of service and support

The majority of providers do not operate specific service level standards (SLAs) for pathways on a standalone basis. Most monitor service levels on a company wide basis and aim to process member transaction requests within five working days with some exceptions made for more sizable requests, for example, setting up a pathway or paying out in cash.

There is a mixture of approaches to governance and member behaviour oversight.The majority of providers review pathways at least annually through a formal governance committee review process to make sure that the products remain suitable. Some providers also support this with regular ongoing monitoring metrics, which includes member behaviour.

This year's Isio report showed that the split of member take-up between Pathway 1, 3 and 4 is fairly even with Pathway 1 being the most popular, closely followed by 3 and then 4. Very few members have selected Pathway 2 – approximately 4% of each providers' total members. This is as expected and consistent with the latest FCA data on retirement income decisions chosen by members, where fewer members choose to purchase an annuity at retirement nowadays.

Aviva's standard SLA of five days for all servicing tasks puts them in line with the other providers who capture this data and the Isio report confirmed that Aviva's member communication still compares well with other providers. No providers are committed to meeting processing times of less than five days across all member transactions.

Aviva is one of the top four biggest providers based on total Investment Pathway assets under management. Of those Aviva members who select a Pathways option, Pathway 1 is the most popular Pathway with just over 40% of members selecting this product. Pathway 2 is in line with the market average and Pathway 3 and 4 take a similar proportion of the remaining allocation.

During 2022, some 23,000 Aviva policyholders looked to start drawdown. Of these, about 5,000 took a Pathway option, which represents some 22%. While this is an increase over 2021 and comparable to other providers, it is still behind where the market expects take up rates to be. Aviva operates different steps when helping members decide on drawdown options. There are three steps in the member journey, but nearly 70% of members don't progress beyond step 1 – this is where Aviva highlights pathway options in addition to members choosing self-select or remaining invested as they were before retirement.

We will be looking to explore this behaviour pattern with Aviva over the next year to see what more can be done to support member understanding and take-up of pathways.

Appropriateness of pathway design

We continue to review the ongoing design of pathways with Aviva each year to assess whether they remain appropriate. As highlighted in our previous annual reports, Aviva also commission a report each year from eValue (an independent third party), who carry out an impartial review on the design of each pathway solution against its objectives, both investment risk and expected returns. The last review was completed earlier in 2023 and it highlighted no particular issues with the design of Aviva's pathway solutions, which are considered to be appropriately designed.

These findings were supported by the Isio benchmarking report which also showed that there had been minimal changes to the design and asset allocation of the Aviva pathways and their expected returns were generally in line with other providers in the market. The IGC is therefore comfortable that Aviva's pathways are appropriate for those members who want to take up these options.

It is clear from our commentary on investment returns in this report that the year to 31 December 2022 was a very difficult one for all policyholders, both those still saving and those using pathway solutions. Members will obviously be disappointed when they see negative investment returns and their pot values falling as a result. However, as is often highlighted by Aviva and independent financial advisors, investing in pensions should always be seen over a medium to long time period meaning there will be some good years and some bad ones along the way where negative returns are achieved This reality equally applies to pathways options albeit the timelines involved may be shorter and therefore the important point is whether the mix of assets remains appropriate for generating good outcomes for members.

Our conclusion

Members will be disappointed with the performance of their Investment Pathway in 2022. With Pathways being new in 2021 there is not yet a longer-term performance and comparison available. We can't say you have received value for money in this area of our assessment, although market conditions are outside of Aviva's control. We do believe, however, that both Aviva and Mercer Pathways are appropriately designed and charges paid by members offer good value.

Thank you for reading

Aviva Independent Governance Committee (IGC) 2023

Contact us at IGC@aviva.com