



ZEDRA

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Chair's annual report

AJ Bell Management Limited Investment Pathways

- | Year ended 31 December 2022
- | The ZEDRA Governance Advisory Arrangement (GAA)

September
2023



Executive summary

This report on the Investment Pathways policies provided by AJ Bell Investment Management Limited (‘the Firm’), has been prepared by the Chair of the ZEDRA Governance Advisory Arrangement (‘the GAA’) for AJ Bell Investment Pathways and sets out our assessment of the value delivered to pathway investors and our view of the adequacy and quality of the Firm’s policies in relation to Environmental, Social and Governance (ESG) risks, non-financial considerations and stewardship.

Further background on the activity of the GAA and details of the credentials of the GAA can be found in Appendices B and C respectively. The GAA works under Terms of Reference, agreed with AJ Bell Investment Management Limited, the latest version of which is dated 5th May 2022 and are publicly available (see Appendix C).

This is our second annual report on Investment Pathways policies provided by the Firm. Investment Pathways were launched by the Firm on 1 February 2021 and made available to non-

advised policyholders within their workplace pension solutions when using the drawdown facilities to access their retirement savings.

This report covers Investment Pathways i.e. the **decumulation** phase of the products only; there is a separate Chair’s Annual Report which covers the accumulation phase of the workplace personal pension plans (Investcentre and YouInvest).

As Chair of the GAA for this Firm, I am pleased to deliver this value assessment of the AJ Bell Investment Pathways. The GAA has conducted a rigorous assessment of the Value for Money (‘VfM’) delivered to **pathway investors** over the period 1 January 2022 to 31 December 2022. The GAA has developed a Framework to assess Value for Money which balances the quality of services and investment performance provided to pathway investors against what they pay for those services and investment performance. Further details are set out in the section ‘Overview of the Value Assessment.’

A COLOUR CODED SUMMARY OF THE GAA ASSESSMENT

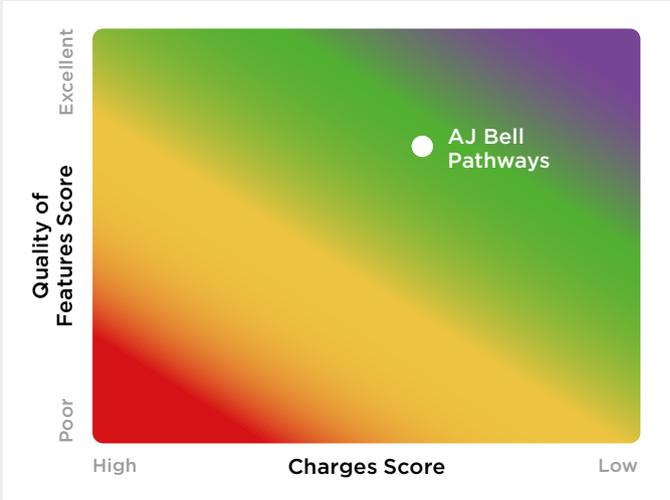
	Weighting toward VfM assessment*	Investment Pathways
1. Product strategy design and investment objectives	13%	●
2. Investment performance and risk	13%	●
3. Communication	20%	●
4. Firm governance	3%	●
5. Financial security	7%	●
6. Administration and operations	7%	●
7. Engagement and innovation	3%	●
8. Cost and charge levels	33%	●
Overall Value for Money assessment	100%	●

* May not add to 100% due to rounding

<p>Quality and investment features (1-7)</p> <p>● Excellent ● Good ● Satisfactory ● Poor</p>	<p>Cost and charge levels (8)</p> <p>● Low ● Moderately Low ● Moderately High ● High</p>
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The Overall Value for Money rating is determined on a rating scale based on the product of the overall scores for the individual Features and the weightings shown in the above table. The Quality of Service and Investment Features combined (i.e. 1 to 7 in the table above) representing two-thirds of the overall score and the Cost and Charge Level (i.e. 8 in the table above) representing one-third of the overall score. It is visually represented by the heatmap below.

VALUE FOR MONEY SCORING



The overall conclusion is that AJ Bell Investment Pathways provide **good Value for Money**.

The GAA has challenged the Firm in the past on the chosen Investment Pathways solutions for Options 2 and 4, which the GAA considers are not optimal in matching the potential objectives of the policyholders selecting those pathways. The Firm has explained the commercial constraints driving these decisions and that they consider a broader interpretation of the four FCA pathways, for which there is some subjectivity. The GAA intends to monitor the appropriateness of these Investment Pathways solutions and will continue to challenge the Firm in this area.

As highlighted last year, the GAA observes that it would expect investment performance to be measured against a quantifiable benchmark. While the GAA notes the nature of the mixed investment profile in several of the Pathway funds it would expect this to be kept under review in future.

The GAA notes that there have been changes at Board level during the year and into 2023. The GAA will monitor whether there is any impact in future years as a result of these changes.

The score for Administration and Operations has been rated 'Excellent' this year, but the GAA notes that data provided in relation to Service Standards relates to the Firm's wider book of business rather than specifically relating to Investment Pathways. In future years it would be helpful to the GAA to understand the Service Standards relating specifically to Investment Pathways.

Similarly, the GAA notes that the annual customer survey is not specifically targeted at Investment Pathways. In future years the GAA would like to see surveys seeking feedback specifically relating to Investment Pathways.

Noting that **ESG** is an area which is evolving, the GAA challenge AJ Bell to develop its ESG policy and consider how ESG principles might be embedded within the investment selection and management process for the fund range.

The GAA has not raised any concerns with the Firm during the year.

The FCA introduced new requirements last year requiring a comparison with other similar options available in the market. If an alternative scheme(s) would offer better value, we must inform the pension provider. I can confirm that we have not considered it necessary to make this notification this year. Our view on each feature that we are required to make a comparison on is included in the relevant section of the report. Details of how we selected the comparator group, and a consolidated view of our comparator findings is set out in Appendix A.

Where we have used technical pensions terms or jargon, these are explained in the glossary in Appendix D.

I hope you find this value assessment interesting, informative and constructive.

Colin Richardson

Chair of the ZEDRA Governance Advisory Arrangement for AJ Bell Investment Pathways

September 2023



If you are a policyholder or pathway investor and have any questions, require any further information, or wish to make any representation to the GAA you should contact:

AJ Bell Management Ltd GAA
4 Exchange Quay, Salford Quays, Manchester M5 3EE
www.ajbell.co.uk/group/workplace-pension-scheme-AJBIC

Alternatively, you can contact the GAA directly at zgl.gaacontact@zedra.com



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Overview of the value assessment

The GAA has assessed the Value for Money delivered by the Firm to its pathway investors by looking at costs versus investment and service benefits. More detail about how we have done this is set out below.

Our approach

The GAA believes that Value for Money is subjective and will mean different things to different people over time, depending on what they consider important at that time.

What is clear is that it is always a balance of cost versus investment and service benefits. Our fundamental approach has therefore been to compare all the costs paid by **pathway investors** against the investment performance and quality of services provided to pathway investors.

The key steps for the GAA in carrying out the Value for Money assessment are:

- | Issuing a comprehensive data request to the Firm, requesting information and evidence across a wide range of quality features, including **net investment performance**, as well as full information on all costs and charges, including **transaction costs**.
- | Attending a number of formal meetings with representatives of the Firm to interrogate the data provided and to enable the GAA to question or challenge on any areas of concern. All such meetings have been documented by formal minutes and a log is also maintained containing details of any challenges raised, whether informally or through formal escalation.

- | Once the Firm has provided all information and evidence requested, the GAA has met to discuss and agree provisional Value for Money scoring using the Framework developed by the GAA and to undertake comparisons of the Firm's product against a suitable comparator group of providers for certain Quality of Service and Investment Features and Cost and Charges.
- | The provisional Value for Money score, including a full breakdown, has then been shared and discussed with the Firm.

The Framework developed by the GAA to assess overall Value for Money for pathway investors involves rating the Firm against eight different features covering Quality of Service, Investment Performance and Strategy (the 'Quality of Service and Investment Features'), and the Costs and Charges borne by the pathway investors. This assessment is undertaken of the Firm's product(s) relative to the GAAs view of good practice.

The Quality of Service and Investment Features have been determined based directly on the FCA requirements for assessing ongoing Value for Money set out in **COBS 19.5.5**, in particular services relating to communications with pathway investors and processing of **core financial transactions**. The Quality of Service and Investment Features considered have been expanded to include other aspects the GAA considers important based on the GAA's experience of conducting Value for Money assessments over the past several years, such as the Firm's governance structure, the financial security for pathway investors, the Firm's approach to engagement and innovation, and a wider overview of the administration quality and processes.

Within each of the Quality of Service and Investment Features are several sub-features. These sub-features are each scored using a numerical scoring system of 0 to 4, where 4 is 'excellent', 3 is 'good', 2 is 'satisfactory', 1 is 'poor' and 0 is 'non-compliant or insufficient information has been provided'. Scoring is aided by means of score descriptors, developed for each sub-feature, ensuring the GAA adopts a consistent approach to scoring across clients. Each set of score descriptors outline what the GAA would expect to see to achieve each numerical score. The scores for each sub-feature are then aggregated to the feature level based on the GAA's view of the relative value of the sub-feature to the pathway investors.

The GAA will then consider the value represented by the Cost and Charge Levels which pathway investors have to bear. The assessment of Cost and Charge Levels is primarily driven by the level of ongoing charges for investment management, administration, and any platform fees. The GAA also considers the transaction costs and how they are controlled, and any additional costs the pathway investors pay in the investment and management of their policies. The Cost and Charge Levels are rated on a numerical scale of 1 to 4 where 4 is 'low' charges, 3 is 'moderately low' charges, 2 is 'moderately high' charges and 1 is 'high' charges. This assessment takes into account information available to the GAA on general levels of costs and charges for Investment Pathways providers in the marketplace.

The scores for each feature are then combined using the weightings set out in the table in the Executive Summary to determine an Overall Value for Money rating. The weightings used are based on the GAA's views of the relative importance to the pathway investors of each feature. The weightings are tilted towards the features which have been identified in the regulations relevant to forming this assessment of value. Where possible, the GAA has taken into account the likely needs and expectations of this group of pathway investors, based on the information made available by the Firm.

In the sections on the following pages, we have described the Firm's approach to delivering each of the features, and the rating the GAA has awarded, together with any areas for improvement we have identified.

In addition, there is a section setting out the GAA's views on the adequacy and quality of the Firm's policies on **ESG** financial considerations, non-financial considerations, and stewardship. Whilst this is a largely qualitative assessment the GAA has considered the Firm's policies in comparison to others the GAA has knowledge of.

An assessment has also been made of the net investment performance, quality of communication, quality of the administration service including processing of core financial transactions, and costs and charges relative to a suitable comparator group of pathway investment providers. Comments on the outcome of these assessments is included in the sections for the relevant features. We have also considered whether an alternative provider would offer better Value for Money so that we can inform the Firm if we believe this to be the case. Details of the comparisons, including how the comparator providers and pathway investment products were determined is set out in Appendix A.

1. Product strategy design and investment objectives

Value score: Excellent Good Satisfactory Poor

What are we looking for?

We expect to see an investment strategy that is designed and managed taking the characteristics of **pathway investors** into account, that there is clear rationale for the selection of each fund used to support the investment pathways, evidenced by appropriately defined risk ratings, and consideration of the investment time horizon and age profile of the pathway investors.

We want to see that all investment options have clear statements of aims and objectives – in particular that, as well as qualitative objectives, there are quantitative objectives in place, that investment performance outcomes can objectively be measured against. Ideally, we would like to see evidence that these objectives link back to the needs of pathway investors.

We are also looking for evidence of a robust ongoing review process for the **pathway investment** options, and evidence that the Firm has taken steps to implement changes to the investment options, where appropriate, to ensure alignment with pathway investors' interests.

Whilst policies on **ESG** financial considerations and non-financial matters are considered separately on page 21, we expect to see evidence of how these matters are taken into account in the design of the investment pathways strategies and in investment decision making.

The Firm's approach

The Firm has selected the Pathway funds from its own range of governed funds. The funds are intended to be low-cost, simple and have investment objectives which closely mirror those of the four investment pathways. As the funds are selected from a relatively small existing fund range, however, the investment objectives will not be identical.

The **Pathway 1** design (for customers who have no plans to touch their money in the next 5 years) assumes that policyholders would like to keep their assets invested (for at least 5 years but potentially much longer than that) and therefore expect continued, risk-controlled growth. The Firm has aligned the Balanced fund with this pathway which aims to “...achieve long-term capital growth with a balanced approach between defensive assets such as cash, fixed interest securities, money-market funds and collective investment schemes following alternative strategies such as property and commodities, and higher risk assets such as equities”.

The **Pathway 2** design (for customers planning to set up a guaranteed income (**annuity**) within the next 5 years) assumes that investors would like to maintain the purchasing power of their assets to buy an annuity, with the possibility of some growth. The Firm has aligned their Cautious fund

with this pathway; the Cautious fund investment objective is to “achieve long-term capital growth with a high level of exposure (often indirect) to defensive assets such as cash, fixed interest securities, money market funds and collective investment schemes following alternative strategies such as property and commodities and a low level of exposure to higher risk assets such as equities.”

The **Pathway 3** design (for customers who plan to start taking their money as a long-term income over the next 5 years) assumes that investors would like to draw an income from their portfolio whilst maintaining its purchasing power over time. The Firm has aligned this pathway with their Moderately Cautious fund (income share class). This fund’s objective is to “achieve long-term capital growth with a preference (often indirect) towards defensive assets such as cash, fixed interest securities, money-market funds and collective investment schemes following alternative strategies such as property and commodities and less emphasis on higher risk assets such as equities.”

The **Pathway 4** design (for customers who plan to take all of their money out within the next 5 years) assumes that investors would like to maintain the purchasing power of their assets in order to draw them down as cash, with the possibility of some growth. They have aligned their Cautious fund with this pathway; the Cautious fund’s investment objective is to “achieve long-term capital growth with a high level of exposure (often indirect) to defensive assets such as cash, fixed interest

securities, money market funds and collective investment schemes following alternative strategies such as property and commodities and a low level of exposure to higher risk assets such as equities.”

The Firm’s investment products are not generally managed with an explicit ESG mandate and therefore ESG issues are not core to the investment selection and management process used within these Pathway funds.

The Firm’s strengths

The GAA has received good evidence of the Firm’s review process.

Investment Pathway solutions are subject to review on an ongoing basis to ensure their continued suitability for pathways investors. The design process for changing the investment pathway solutions would follow AJ Bell PLC’s Product Governance Framework and ultimately be approved via their committee framework.

Since our last report the fund used for Pathway 3 has changed with the AJ Bell Moderately Cautious fund being chosen to replace the AJ Bell Income Fund. This change was made on the grounds of offering more competitive costs and reflecting certain share classes being retired to simplify the overall offering.

The Pathway fund factsheets all have clear statements of aims and objectives. An external risk agency has provided risk profiles for each fund which are used to measure fit against Pathway objectives.

Areas for improvement

GAA observations

As highlighted last year, the GAA observes that it would expect investment performance to be measured against a quantifiable benchmark. While the GAA notes the nature of the mixed investment profile in several of the Pathway funds it would expect this to be kept under review in future.

GAA challenge

The GAA has challenged the Firm in the past on the chosen Investment Pathways solutions for Options 2 and 4, which the GAA considers are not optimal in matching the potential objectives of the policyholders selecting those pathways. The Firm has explained the commercial constraints driving these decisions and that they consider a broader interpretation of the four FCA pathways. The GAA intends to monitor the appropriateness of these Investment Pathways solutions and will continue to challenge the Firm in this area.



2. Investment performance and risk

Value score: Excellent Good Satisfactory Poor

What are we looking for?

We would expect to see a robust governance framework under which investment performance is monitored on a regular basis. Performance should be measured against investment objectives, including against a measurable and stated benchmark. Performance should be net of fees. In addition to the stated benchmark comparison risk adjusted returns should also be considered.

Where there are any concerns over investment performance, we expect to see evidence of appropriate action being taken, which may include engagement with investment managers and/or implementing changes to fund options. We also expect to see evidence that the strategies are effective and take into account the [pathway investors'](#) attitudes to risk.

The Firm's approach

[Net investment performance](#) for the Pathway Funds, against benchmark, are reviewed (alongside the entire range of AJ Bell investment solutions) quarterly by the Portfolio Implementation and Investment Committees. Any actions arising from within this governance structure are tracked and actioned accordingly.

The Firm's strengths

The Firm has a comprehensive governance framework in place for regularly monitoring performance and risk.

Net Investment Performance

The net investment performance of the investment pathways strategies and, where available, the performance of the benchmarks against which those funds are measured by the Asset Manager are set out in the following table.

Investment Pathway	Net Investment Performance	Benchmark
1	-2.03%	-10.12%
2	-5.56%	-10.23%
3	-5.62%	-9.26%
4	-5.56%	-10.23%

We note that Investment Pathway 2 for customers planning to set up a guaranteed income ([annuity](#)) is not invested in assets as closely matching annuity purchase prices as we observe elsewhere. The sharp fall in bond yields in late 2022 had less impact, therefore, on AJ Bell's pathway 2 than for most other Providers and this drove the relative positive investment performance for AJ Bell Pathway 2.

Although Pathway 4 performed significantly better than its benchmark, it's nominal return was below average compared to its comparator group. This illustrates the use of a different type of fund for Pathway 4 compared to that selected by others in the comparator group.

Comparator results

We have assessed how the [net investment performance](#) provided to the Firm's [pathway investors](#) compares to other sufficiently similar investment pathways arrangements. This takes account of both the nature of the provider and the performance of the investments being offered.

This assessment identified that the one year net investment performance for the Firm's pathway investors over 2022 and relative to the comparator group for each investment pathway solution is as set out in the table below.

Investment Pathway	
1	Above average
2	Above average
3	Above average
4	Below average

Areas for improvement

The GAA did not identify any specific areas for improvement.



3. Communication

Value score: Excellent Good Satisfactory Poor

What are we looking for?

As a minimum we expect communications to be fit for purpose, clear and engaging and to be tailored to take into account [pathway investors'](#) characteristics, needs and objectives.

We would expect to see a comprehensive suite of communications in place suitable for pathway investors, and which enable them to choose the relevant investment pathways.

In a high quality communication service offering we would expect a substantial online offering, with a range of online support materials such as online drawdown modellers to enable personalised calculations with various selectable options. We would expect telephone support to be available, with good evidence of telephone scripts, call monitoring and staff training.

Additionally, we would expect pathway investors to be able to switch investment pathways online and to have support available if they wish to leave or switch from their current investment pathway. In particular, we would expect there to be appropriate risk warnings built into the process.

We would expect the provider to ensure there is clear signposting to pathway investors on where they can obtain additional guidance and advice on their drawdown and retirement options.

The Firm's approach

All non-advised policyholders who choose to access their pension and set up a drawdown pot are offered Investment Pathways as an option.

The information explaining the pathway options is clear and simple, explaining the purpose of each of the four pathways, providing fund factsheets and giving clear instructions on how to access the funds (and how to move away at a later date).

The AJ Bell Investments team review the literature on an ongoing basis, with a monthly data review of each document and further enhancements on an ad hoc basis as required. In addition, any formal documentation reviews also involve the Risk and Compliance team.

Pathway investors can implement transactions online. They also have access to tools and educational videos and are signposted to Pension Wise and the Money Advice Service.

Communications are predominantly via the online portal. However, in addition, policyholders can communicate with the Firm by telephone, secure messaging, webchat or e-mail. In addition a mobile app is also available to provide access to account information, documents and trading where applicable.

The Firm's strengths

Communications are clear and include appropriate risk warnings.

The online portal provides step-by-step communications with clear signposting of where to obtain additional information. The process for moving into a Pathway fund online is easy to navigate.

Each Pathway has a clear explanation of purpose with easily accessible details of charges, performance, asset allocation and risk profile.

Comparator results

We have assessed how the communication materials provided to the Firm's pathway investors compare to other sufficiently similar investment pathways arrangements. This takes account of the nature of the provider.

This assessment identified that the communication materials provided to the Firm's pathway investors over 2022 were average relative to the comparator group.

Areas for improvement

The GAA did not identify any specific areas for improvement.

4. Firm governance

Value score:



Excellent



Good



Satisfactory



Poor

What are we looking for?

We would expect to see a comprehensive governance structure in place where, for example, Terms of Reference are provided for key committees, reviewed on a regular basis, with clearly defined scope. We would expect to see evidence of the key committees operating during the year with minutes or meeting packs demonstrating that the key scope elements of the committee remit have been adequately covered.

There should be a transparent and documented process for appointing and monitoring service providers, with evidence of regular reviews being undertaken and changes being made as required.

The Firm's approach

The Firm has put in place a governance framework for appointing and monitoring internal and external service providers.

Pathway funds are selected from the Firm's own internal fund range with oversight from the Investment Committee.

All aspects of administration are provided inhouse. The Operational Management Committee and Executive Management Board receive regular

reporting to monitor the administration service, with the administration function falling under the direct remit of the COO since September 2021.

During the year there have been changes to the Board of AJ Bell plc. In particular, the Founder and CEO, Andy Bell, stepped down as CEO. The FCA approved Michael Summersgill (who previously acted as CFO) to take on the role of CEO with effect from 1 October 2022. Subsequent to the year end, Fiona Clutterbank has replaced Helena Morrissey as the non-executive Chair.

The Firm has appointed various external third parties to provide IT services, and there is a framework for monitoring these providers including a formal annual review meeting with the Board.

The Firm's strengths

The Firm has demonstrated that it has a comprehensive governance framework in place to appoint and monitor internal and external service providers.

Building on the information on how the Firm's governance policies are applied that was provided to the GAA last year, the GAA has also received more evidence this year of how the policies are applied in practice.

Areas for improvement

The GAA did not identify any specific areas for improvement.

GAA observation

The GAA notes that there have been changes at Board level during the year and into 2023. The GAA will monitor whether there is any impact in future years as a result of these changes.



5. Financial security

Value score: Excellent Good Satisfactory Poor

What are we looking for?

We look for information about the financial position of the Firm supported by evidence such as accounts as well as ratings from third party rating agencies, where available.

We also look for information about how the assets are protected, for example in the event of fraud or bankruptcy, at both Firm and manager level. This could relate to FCA or PRA protection, ringfencing or the structure of the underlying product.

We are looking for evidence of a clear process to warn [pathway investors](#) about fraud and scams and for Firms to be actively monitoring for possible scamming activity.

The Firm's approach

The Firm was established over 25 years ago and has grown to be one of the UK's largest investment platforms.

Each Pathway fund is structured as an open-ended investment company (OEIC), with an Authorised Corporate Director and independent

depository. The assets are held with a custodian in accordance with the CASS 7 custody rules. Policyholders are provided protection under the FSCS as retail clients.

The Firm's strengths

The Firm has significant resources backing the business and the accounts for the year ended 30 September 2022 showed a year of strong growth. The Group's balance sheet remained strong throughout 2022, with no significant borrowings, and regulatory capital held increased to 196% of capital resources required.

The Firm provided good evidence of monitoring for fraud and scams. Information is provided to policyholders across the website highlighting the risk of pension scams with links to the FCA ScamSmart website.

A dedicated Financial Crime team investigate any behaviours which are deemed unexpected, and all operational staff are trained to identify signs of fraud.

The new DWP transfers legislation has been implemented appropriately.

Areas for improvement

The GAA did not identify any specific areas for improvement.

6. Administration and operations

Value score: Excellent Good Satisfactory Poor

What are we looking for?

We expect Firms to have robust administration processes in place with appropriate service standard agreements and regular monitoring and reporting around adherence to those service standards. In particular, we are seeking evidence that **core financial transactions** are processed promptly and accurately, such as processing drawdown payments, transfers processing and death benefit payments.

We look for evidence of regular internal and external assurance audits on controls and administration processes. In particular, we are looking for a robust risk control framework around the security of IT systems, data protection and cyber-security. We would expect to see evidence that cyber-security is considered as a key risk by the Firm’s relevant risk governance committee and that appropriate monitoring, staff training and penetration testing is put in place.

We expect Firms to have a comprehensive business continuity plan and evidence of its effectiveness through appropriate testing or in maintaining continuity of business during the COVID-19 pandemic.

We would expect to see a low level of substantive complaints and demonstration of a clear process for resolving complaints.

The Firm’s approach

The Firm’s administration function is carried out in house and is directly overseen by the COO.

The Operational Management Committee receive regular reporting of performance against a comprehensive range of service level standards. The Executive Management Board receives monthly exceptions reporting on any complaints, breaches, or service level issues. Risk indicators are monitored at quarterly Risk Committee meetings.

During the year there have been changes to the Board of AJ Bell plc. In particular, the Founder and CEO, Andy Bell, stepped down as CEO. The FCA approved Michael Summersgill (who previously acted as CFO) to take on the role of CEO with effect from 1 October 2022. Subsequent to the year end, Fiona Clutterbank has replaced Helena Morrissey as the non-executive Chair.

The Firm’s strengths

AJ Bell was able to evidence a good adherence to administration Service Standards throughout the year. Completion of core financial transactions scored highly throughout the year with almost 100% of tasks each month rated as ‘green’, meaning that the percentage of tasks processed in line with the Service Standards met their required objectives. Evidence was provided to the GAA in the form of detailed RAG rated performance information, broken down on a monthly basis, as well as in aggregate over the year.

The Firm has comprehensive Business Continuity plans in place and Business Continuity was maintained throughout the year.

The Firm has provided evidence of a comprehensive Incident Management Framework in place setting out the plans for responding to incidents such as business interruption, physical security, information security, IT incidents, environmental incidents, and third party/supplier issues. We understand that this framework is reviewed annually.

AJ Bell has a designated disaster recovery site with a leading specialist provider, and key personnel from across the business have been selected to form the core business recovery team if needed. Regular disaster recovery training, testing and simulated events are carried out with the team to ensure the plan remains robust.

The Firm have a good process for handling complaints and have shared their internal reporting which is reviewed by Senior Management on a monthly basis. Members can submit complaints by writing in, emailing or by telephone. There were no complaints by Policyholders relating to this report members in 2022.

Comparator results

We have assessed how the quality and timeliness of the administration services, including core transaction processing, provided to the Firm's [pathway investors](#) compare to other sufficiently similar investment pathway arrangements.

This assessment identified that the administration services provided to the Firm's pathway investors over 2022 were above average relative to the comparator group.

Areas for improvement

GAA observations

The score for Administration and Operations has been rated 'Excellent' this year.

The GAA notes that data provided in relation to Service Standards relates to the Firm's wider book of business rather than specifically relating to Investment Pathways. In future years it would be helpful to the GAA to understand the Service Standards relating specifically to Investment Pathways.

7. Engagement and innovation

Value score:

Excellent

Good

Satisfactory

Poor

What are we looking for?

We expect to see evidence that the investment pathways product is reviewed at least annually, with new products or services being developed taking into account [pathway investors'](#) characteristics, needs and objectives.

We are looking for evidence of regular, proactive engagement with pathway investors to obtain feedback and for this feedback to be taken into account when reviewing the product offering.

The Firm's approach

The Firm launched investment pathways as a new product offering on 1 February 2021. It began reviewing the product after around 6 months of operation.

Regular upgrades are applied to internal systems and processes to update functionality, performance and meet any new regulatory measures.

An annual customer survey is carried out, with the latest survey taking place in July 2022. Customer

feedback is also gathered by Customer Facing teams and other feedback received via the website.

The Firm's strengths

The GAA has received evidence of the Pathway funds being reviewed and action taken to make changes to improve the offering.

The GAA has received confirmation that all pathway investors' feedback is reviewed and addressed, with the Customer Service team contacting the policyholder directly to resolve issues. Feedback is escalated to relevant internal governance committees monthly as standard. Feedback is reviewed monthly with the top 10 requested developments added to the product development list.

Improvements since last year

Based on feedback received, a number of improvements have been implemented over the last year, for example a rebrand of the website and app and allowing for electronic signatures within the transfer process.

Areas for improvement

GAA observations

The GAA notes that the annual customer survey is not specifically targeted at Investment Pathways. In future years the GAA would like to see surveys seeking feedback specifically relating to Investment Pathways.

8. Cost and charge levels

Value score: Low Moderately Low Moderately High High

What are we looking for?

The GAA has considered the overall level of charges borne by [pathway investors](#) over the year. This included assessing:

- | The fund [annual management charges](#), administration charges and [transaction costs](#) being borne by pathway investors;
- | Any other charges being paid by pathway investors to manage, access and invest their drawdown funds;
- | The process for collecting and monitoring overall member charges, including transaction costs;
- | How the Firm monitors charges;
- | Whether the overall level of charges is reasonable, bearing in mind the nature of the investment, level of performance, and degree of risk management; and
- | The distribution of charges across pathway investors.

Whilst we have considered the average total costs and charges payable by pathway investors we have noted where there may be notable outliers such as high charges for small pots.

The Firm's approach

The Firm has provided the GAA with the charging structure for [pathway investments](#).

The custody charge will vary from policyholder to policyholder, according to fund size, but wouldn't exceed 0.25% each year (payable monthly).

In addition to this pathway investors meet an ongoing charge of 0.31% per annum for the management of the assets. All four funds are passively invested.

Transaction costs across all four pathways for the year 2022 varied from 0% to 0.06%.

The Firm's strengths

The GAA was provided with comprehensive details of pathway investor charges including transaction costs calculated on the DC workplace methodology.

The GAA was provided with evidence of a robust governance framework for reviewing costs and charges, including transaction costs.

The overall charge paid varies according to fund size (noting the comments around the custody charge depending on fund size). The average charge being applied is 0.56% per annum.

The GAA rating reflects the charges applied for the investment pathways made available by the Firm, and we believe that the Firm offers appropriate charges to pathway investors. The GAA considers the charges to be moderately low.

Comparator results

We have assessed the overall cost and charge levels payable by the Firm's pathway investors in comparison to other sufficiently similar investment pathways arrangements. This takes account of the nature of the provider and each investment pathway solution.

This assessment identified that the overall cost and charge level paid by the Firm's pathway investors over 2022 were average relative to the comparator group.

Areas for improvement

The GAA did not identify any specific areas for improvement.



ESG financial considerations, non-financial matters and stewardship

What are we looking for?

Where the Firm has an investment strategy or makes investment decisions which could have a material impact on **pathway investors'** investment returns, the GAA will assess the adequacy and quality of the Firm's policy in relation to **ESG** financial considerations, non-financial matters and stewardship. The GAA will consider how these are taken into account in the Firm's investment strategy or investment decision making. We will also form a view on the adequacy and quality of the Firm's policy in relation to stewardship.

We expect the Firm's policy in relation to these considerations:

- (a) sufficiently characterises the relevant risks or opportunities;
- (b) seeks to appropriately mitigate those risks and take advantage of those opportunities;
- (c) is appropriate in the context of the expected duration of the investment; and
- (d) is appropriate in the context of the main characteristics of the actual or expected pathway investors.

We also expect that the firm's processes have been designed to properly take into account the risks or opportunities presented.

Whilst this formal requirement falls outside the overall Value for Money assessment, the GAA's Value for Money framework does take into account, where relevant, when scoring the area of Product Strategy Design and Investment Objectives on page 8, how the Firm has integrated ESG financial considerations and non-financial matters in the Firm's investment strategy and investment decision making.

The Firm's approach

The Pathway Funds are not managed with an explicit ESG mandate, and ESG financial considerations and non-financial matters are not core to the investment selection and management process. However, it is the Firm's policy to adhere to the principles of sound, long-term responsible investment governance and stewardship.

Overall, the investment pathways operated by AJ Bell have less explicit ESG integration than some other Firms at this stage as noted in our GAA challenge.

Areas for improvement

GAA challenge

Noting that ESG is an area which is evolving, the GAA challenge AJ Bell to develop its ESG policy and consider how ESG principles might be embedded within the investment selection and management process for the fund range.



Appendix A: Comparison report

The FCA requires that a comparative assessment be made of certain sub-features of the Value for Money assessment. The GAA is required to compare the Firm’s offering against a selected group of other similar product options available in the market based on publicly available information. If an alternative scheme(s) would offer better value, we must inform the pension provider.

ZEDRA’s GAA operates for a number of Firms, all of whom have agreed that the GAA can make use of the data we have gathered on their offerings to carry out the required comparisons this year. This is done on an anonymised basis.

How the comparators were selected

The GAA has selected a number of comparator products that we determined are sufficiently similar products to those provided by the Firm for this purpose. The selection was based on the following broad criteria:

- | Type of product i.e. whether accumulation or pathways, and within accumulation whether the product is a SIPP or workplace group personal pension.
- | Products where Firms provide similar services, for example in the case of a SIPP whether the provider has responsibility for setting and monitoring the investment strategy.
- | Similar membership cohort, for example staff schemes for staff of the provider.

Based on these criteria we believe that the comparator products chosen will provide a reasonable comparison for the [pathway investors](#) of the Firm.

Comparison of Net Investment Performance

We have assessed how the [net investment performance](#) provided to the Firm’s [pathway investors](#) compares to other sufficiently similar investment pathways arrangements. This takes account of both the nature of the provider and the performance of the investments being offered.

This assessment identified that the one-year net investment performance when considered against the comparator group for each investment pathway solution is as set out in the table below.

Investment Pathway	
1	Above average
2	Above average
3	Above average
4	Below average

Comparison of Communication provided to pathway investors

We have assessed how the communication materials provided to the Firm’s pathway investors compares to other sufficiently similar investment pathways arrangements. This takes account of the nature of the provider.

This assessment identified that the communication materials provided to the Firm’s pathway investors over 2022 were average relative to the comparator group.

Comparison of Administration Services

We have assessed how the quality and timeliness of the administration services, including core transaction processing, provided to the Firm's pathway investors compares to other sufficiently similar investment pathway arrangements.

This assessment identified that the administration services provided to the Firm's pathway investors over 2022 were above average relative to the comparator group.

Comparison of costs and charges

We have undertaken the comparison of cost and charge levels considering three categories of charges:

- | [Annual Management Charge](#)
- | [Transaction costs](#)
- | Other costs and charges

We have assessed the overall cost and charge levels payable by the Firm's pathway investors in comparison to other sufficiently similar investment pathways arrangements. This takes account of the nature of the provider.

This assessment identified that the overall cost and charge level paid by the Firm's pathway investors over 2022 were average relative to the comparator group.



Appendix B: GAA activity and regulatory matters

This section describes the work that the GAA has done over the year and also covers the other matters which we are required to include in our annual report.

GAA engagement and actions this year

We prepared and issued a request for data on all the relevant workplace pension policies in early 2023.

Members of the GAA had a meeting with representatives of AJ Bell Investment Management Limited to kick off the Value for Money assessment process for the 2022 calendar year and to discuss and agree timescales.

Members of the GAA had a meeting with representatives of the Firm to discuss the information that had been provided in response to the data request. This was an opportunity for members of the GAA to meet key personnel with responsibility in the various different areas including investment strategy and how this has evolved, investment governance, approach to **ESG**, non-financial matters and stewardship, administration and communications and risk management. In some cases this meeting was virtual.

Members of the GAA had a meeting with representatives of the Firm to discuss the GAA's provisional scoring of Value for Money of the in-scope AJ Bell Investment Pathways.

As part of the Value for Money assessment process, the Firm has provided the GAA with all the information that we requested, including evidence in the form of minutes and other documentation to support areas of discussion at the site visit.

The GAA held several meetings during the year to review and discuss the information we received and to develop and improve the way that we assess Value for Money and report on this.

Over the last year the GAA reviewed our Value for Money assessment framework and scoring methodology to ensure this continued to be applied consistently. Whilst the Value for Money assessment framework itself remains largely unchanged from the previous year, significant work has taken place reviewing and developing the data request and the approach for Firms to provide information in response to the data request, to make the process more efficient.

The GAA documents all formal meetings with the Firm and maintains a log which captures any concerns raised by the GAA with the Firm, whether informally or as formal escalations.

The key dates are:

Item	Date
Issue data request	14/02/23
Kick off meeting	15/02/23
Site visit	21/04/23
GAA panel review meeting	24/05/23
Discuss provisional scoring	22/06/23

Concerns raised, and challenges made with the Provider by the GAA and their response

The GAA has not raised any concerns with AJ Bell Investment Management Limited during the year covered by this report.

The arrangements put in place for pathway investors' representation

The following arrangements have been put in place to ensure that the views of [pathway investors](#) can be directly represented to the GAA:

- | The role of the GAA and the opportunity for pathway investors to make representations direct to the GAA has been and will continue to be communicated to pathway investors via the online platform.

- | The Firm will receive and filter all pathway investor communications, to ensure that this channel is not being used for individual complaints and queries rather than more general representations which may be applicable to more than one pathway investor or group of pathway investors. Where the Firm determines that a communication from a pathway investor is a representation to the GAA, it will be passed on in full and without editing or comment for the GAA to consider.

In addition, the GAA has established a dedicated inbox at zgl.gaacontact@zedra.com so that pathway investors can make representation to the GAA direct. AJ Bell will include details of this contact e-mail address on the online platform.

Appendix C: ZEDRA GAA credentials

In February 2015 the Financial Conduct Authority (FCA) set out new rules for providers operating workplace personal pension plans (called [relevant schemes](#)) to take effect from 6 April 2015. From that date, providers had to have set up an Independent Governance Committee or appointed a Governance Advisory Arrangement whose principal functions would be to:

- | Act solely in the interests of the [relevant policyholders](#) of those pension plans, and to
- | Assess the ‘Value for Money’ delivered by the pension plans to those relevant policyholders.

These requirements were then extended to Firms providing investment pathways in respect of [pathway investors](#) from 1 February 2021.

The FCA rules also require that the Chair of each Independent Governance Committee and Governance Advisory Arrangement produce an annual report setting out a number of prescribed matters.

The ZEDRA Governance Advisory Arrangement (‘the GAA’) was established on 6 April 2015 and has been appointed by a number of workplace personal pension providers and investment pathways providers. ZEDRA is a specialist provider of independent governance services primarily to UK pension arrangements. Amongst other appointments we act as an independent trustee on several hundred trust-based pension schemes and we sit on a number of IGCs. More information on ZEDRA can be found at as www.zedra.com/GAA

The members of the ZEDRA GAA are appointed by the Board of ZEDRA Governance Ltd. The Board is satisfied that individually and collectively the members of the GAA have sufficient expertise,

experience, and independence to act in the interests of relevant policyholders or pathway investors.

The Board of ZEDRA Governance Ltd has appointed ZEDRA Governance Ltd to the GAA. The majority of ZEDRA Governance Ltd’s Client Directors act as representatives of ZEDRA Governance Ltd on the GAA.

The Board of ZEDRA Governance Ltd has also appointed Dean Wetton, acting on behalf of Dean Wetton Advisory UK Ltd, to the GAA. Dean Wetton and Dean Wetton Advisory UK Ltd are independent of ZEDRA.

The Board of ZEDRA Governance Ltd has appointed either a specific named Client Director of ZEDRA Governance Ltd or Dean Wetton of Dean Wetton Advisory Ltd to act in the capacity of Chair of the GAA in respect of each Firm.

More information on each of ZEDRA’s Client Directors, their experience and qualifications can be found at www.zedra.com/people

Information on Information on Dean’s experience and qualifications can be found at www.deanwettonadvisory.com

The GAA has put in place a conflicts of interest register and maintains a conflicts of interest policy with the objective of ensuring that any potential conflicts of interest are managed effectively so they do not affect the ability of ZEDRA Governance Ltd or Dean Wetton Advisory Ltd to represent the interests of relevant policyholders or pathway investors.

The terms of reference agreed with the Firm can be found at: www.ajbell.co.uk/group/workplace-pension-scheme-AJBIC



Appendix D: Glossary

Active management

The investment of funds where the skill of the fund manager is used to select particular assets at particular times, with the aim of achieving higher than average growth for the assets in question.

Annual Management Charge (AMC)

A deduction made by the pension provider or investment manager from invested assets, normally as a percentage of the assets. The AMC is generally how the pension provider or investment manager is paid for their services.

Annuity

A series of payments, which may be subject to increases, made at stated intervals, usually for life. If the annuity is 'joint life', it will continue to a spouse (usually at a lower rate) after the death of the original person receiving the payments ('the annuitant').

COBS

The Conduct of Business Sourcebook prepared by the Financial Conduct Authority (FCA). In particular when we use COBS in this report we are referring to Chapter 19 of the COBS which sets out the provisions relevant to the Value for Money Assessment of workplace pensions.

Core financial transactions

The essential processes of putting money into a pension policy or taking it out, namely:

- | Investment of contributions
- | Implementation of re-direction of future contributions to a different fund
- | Investment switches for existing funds, including life-styling processes
- | Settlement of benefits – whether arising from transfer out, death or retirement

Decumulation

The process of converting pension savings to retirement income.

Environmental, Social and Governance (ESG)

These are the three main factors looked at when assessing the sustainability (including the impact of climate change) and ethical impact of a company or business. ESG factors are expected to influence the future financial performance of the company and therefore have an impact on the expected risk and return of the pension fund investment in that company.

Flexible access

This refers to accessing pension savings in the form of income and/or lump sums. Pension savings that are not being accessed immediately will generally remain invested.

Life-styling

An automated process of switching investment strategy as a policyholder approaches retirement, in a way that is designed to reduce the risk of a policyholder's retirement income falling.

Net Investment Performance

The investment performance of the fund after deducting all asset management charges, administration charges, taxes and fees for managing the fund including any transaction costs.

Pathway investor

A retail client investing in a Firm's pathway investment offering.

Pathway investment

A drawdown fund which is either a capped drawdown pension fund or a flexi-access drawdown pension fund.

Relevant policyholder

A member of a Relevant Scheme who is or has been a worker entitled to have contributions paid by or on behalf of his employer in respect of that Relevant Scheme.

Relevant Scheme

A personal pension scheme or stakeholder pension scheme for which direct payment arrangements are, or have been, in place, and under which contributions have been paid for two or more employees of the same employer.

Transaction costs

A combination of explicit and implicit costs included within the price at which a transaction (i.e. buying or selling an asset) takes place.



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