



ZEDRA

DO MORE. ACHIEVE MORE.

Chair's annual report

Embark Investment Pathways

- | Year ended 31 December 2023
- | The ZEDRA Governance Advisory Arrangement (GAA)

September
2024



Executive summary

This report on the Investment Pathways policies provided by Embark Corporate Services Ltd (Embark (“the Firm”)), has been prepared by the Chair of the ZEDRA Governance Advisory Arrangement (“the GAA”) for pathway investors. It sets out our independent 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 an agreed Terms of Reference, the latest version of which is dated 8 April 2022 and is publicly available (see Appendix C).

As Chair of the GAA for this Firm, I am pleased to deliver this value assessment of the Embark Investment Pathways. This report covers Investment Pathways and is our third annual report on the product that was originally set up on 1 February 2021.

The GAA has conducted a rigorous assessment of the Value for Money (“VfM”) delivered to [pathway investors](#) over the period 1 January 2023 to 31 December 2023. 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 on page 7.

A COLOUR CODED SUMMARY OF THE GAA ASSESSMENT

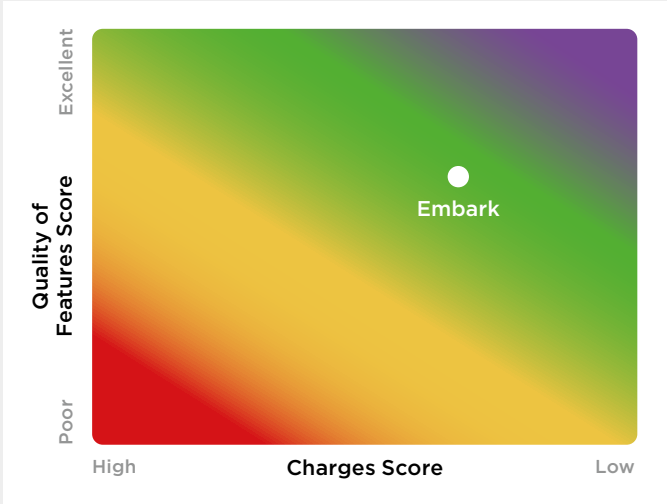
	Weighting toward VfM assessment*	Investment Pathways
1. Product strategy design and investment objectives	13%	●
2. Investment performance and risk	13%	●
3. Communication	20%	●
4. Firm governance	3%	●
5. Security of policyholder benefits	7%	●
6. Administration and operations	7%	●
7. Engagement, innovation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

* May not add to 100% due to rounding

<p>Quality of service 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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How we determine our Value for Money rating is set out on page 7 of this report. The overall Value for Money is visually represented by the heatmap below.

VALUE FOR MONEY SCORING



Our conclusion is that Embark Investment Pathways provides **good** value for money.

The GAA has challenged the Firm to make improvements for the next assessment in the following areas:

- | **Investment Performance and Risk:** to review what actions it can put in place to actively monitor the risk metrics of the Investment Pathways, such as assessing volatility; and the GAA would encourage the Firm to consider alternative measures of risk, that may be more material or tangible for investors, and aligning such measures to any known investor preferences.

The GAA has also made a number of observations this year which have been shared with the Firm:

- | **Product Strategy Design and Investment**

Objectives: The Firm should consider if sufficient data is available to adequately capture customer behaviours and preferences within Investment Pathways to help future development of the Pathways product, and this could be extended to consider attitudes on [ESG](#) and sustainable investing.

- | **Investment Performance and Risk:** Pathway 2 has undergone a change in underlying fund, using the iShares UK Gilts All Stocks Index for new investors. The existing customers of Pathway 2 are being allowed to remain in the fund they originally invested in, the iShares Over 15 Years Gilt Index Fund. The GAA encourages the Firm to actively engage with these existing customers to explain the options they have to invest into the replacement fund, especially if the Firm considers it to be more appropriate.

- | **Investment Performance and Risk:** to consider the current performance benchmark for Pathway 2, noting the use of different funds depending on when investors commenced.

- | **Communication:** The GAA repeat last year's observation that although the quality of communications was generally good, there could be more specific tailoring for Investment Pathways customers.

- | **Security of Policyholder Benefits:** There are policies and processes in place for scam warning communications and pension transfer requests. However, the GAA encourages the Firm to do more signposting, including highlighting scam cases studies, to provide more protection and financial security for customers.

In our previous report there were no specific areas identified where the GAA challenged the Firm.

I can also confirm that there are no formal concerns raised.

We also concluded that the Firm's policies in relation to [Environmental, Social and Governance \(ESG\)](#) risks, non-financial considerations and stewardship were adequate and well implemented but noted the limitations of implementing such considerations within the Investment Pathways framework. We do, however, anticipate the continued evolution of thinking in this area and working towards more sustainable investment options and working practices. We would like to see the Firm continue discussions in this area and consider implementing sustainable investment options where appropriate.

The FCA requires a comparison of your investment pathways product with other similar options available in the market. If an alternative scheme appears to 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 is set out in Appendix A.

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

Details of the numbers of pathway investors and their funds were supplied to ZEDRA for the assessment and are summarised in Appendix E.

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

Alan Greenlees

Chair of the ZEDRA Governance Advisory Arrangement
for Embark Investment Pathway

September 2024



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:

Jennifer Findlay, Embark Group
7th Floor, 100 Cannon Street, London, EC4N 6EU

service@embarkplatform.co.uk
www.embarkmyretirement.co.uk

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 the 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 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](#), including services relating to communications with pathway investors and processing of [core financial transactions](#). The assessment also includes other aspects the GAA considers important based on our experience of conducting Value for Money assessments over many years, such as the Firm's governance structure, the financial security for pathway investors, the Firm's approach to engagement, innovation and service improvement 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 numeric scoring system. 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 outlining what the GAA would expect to see to achieve the relevant numeric score. The scores for each sub-feature are then aggregated to the feature level based on our view of the relative value of the sub-feature to the pathway investors ranging from Poor to Excellent.

The GAA will then consider the value represented by the cost and charges which pathway investors bear. The assessment of cost and charges is primarily driven by the level of ongoing charges for investment management, administration, and any platform fees. The GAA also considers the underlying transaction costs incurred by the funds invested in and how they are controlled, and any additional costs the pathway investors have to pay in managing their policies. The costs and charges are also rated on a scale from Low to High. This rating 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 GAAs 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, we have taken into account the likely needs and expectations of this group of pathway investors.

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.

A comparative assessment of the Firm's Investment Pathways product 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, overall, 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 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 23, 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 investment strategies and objectives for Investment Pathways were in line with the requirements.

Embark's Investment Pathways Governance Framework sets how the situations where changes are proposed to the Investment Pathways.

- | The Pathway 1 design (for customers who have no plans to touch their money in the next 5 years) takes into account that customers had not yet decided on their retirement pathway. The return benchmark is in line with CPI +1%pa, with a risk target to deliver a return profile with less than 40% of the equity volatility, both over a rolling five year period. This is a somewhat cautious investment profile, reflecting the uncertainty that investors may not view this as their optimal long term retirement option. It is also why the Firm check in with policyholders each year to ask if this remains appropriate or if an alternative pathway is better suited for their needs.
- | The Pathway 2 design (for customers planning to set up a guaranteed income ([annuity](#)) within the next 5 years) targets the tracking of annuity pricing, with a risk target to minimise the deviation from this pricing.

From August 2023 Investment Pathway 2 fund offered the iShares UK Gilts All Stocks Index

Fund as a new fund for any new customers. Current investors in Investment Pathway 2 remained in the original fund iShares Over 15 Years Gilt Index Fund Annuity. As at the date of this Report there were no new customers in the new Investment Pathway 2 fund.

- | The Pathway 3 design (for customers who plan to start taking their money as a long-term income over the next 5 years) intends to deliver returns in line with CPI + 1.5%pa, with a risk target of less than 50% of equity volatility, both over a rolling five year period.
- | The Pathway 4 design (for customers who plan to take all of their money out within the next 5 years) anticipates the customers need for a low risk approach and looks to deliver returns in line with the Bank of England cash rate over a rolling 3 year period.

Embark undertake a review of the expected outcomes compared to the return objective on a quarterly basis to ensure the strategy remains in line with the expectations. An annual review of Investment Pathways solutions is carried out.

The Firm's strengths

The Firm reviews the ongoing appropriateness of the performance objectives for each Pathway on a quarterly basis. This review is conducted by an external party for added robustness. The return and risk objectives for each Pathway are clearly stated for customers.

The reviews are thorough and check criteria against longer term objectives, as well as against fund benchmarks. The reviews also comment on risk and include commentary on the ongoing suitability of the underlying funds within each Pathway.

ESG considerations are beginning to feature within Investment Pathway 1 and Investment Pathway 3 using the BlackRock MyMap 4 fund, but not the full Pathways range. There are quarterly reviews of ESG policy by Embark Investment Services (EIL) for the pathways funds. The Firm's investment consultants monitor the funds used in Pathway 1, 3 and 4 for ESG developments. However, there are currently no plans proposed by BlackRock (the asset manager) to launch an ESG version of MyMap4 fund (used in Pathway 1 and Pathway 3).

Areas for improvement

GAA observations

The Firm should consider if sufficient data is available to adequately capture customer behaviours and preferences within Investment Pathways to help future development of the Pathways product, and this could be extended to consider attitudes on ESG and sustainable investing.



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

Embark undertake quarterly fund performance reviews, including assessment of fund performance in light of recent market movements, and against long term objectives (once a sufficient track record has been established). This review is provided by an external third party and discussed

with the Investment Committee and underlying fund manager, BlackRock.

Performance is evaluated net of investment fees (but not all fees) compared to the benchmark.

The reviews also include analysis of the volatility of Pathway performance.

The Firm's strengths

The Firm uses an external provider for the performance measurement, ensuring that there is a level of independence and robustness in the reporting. The Firm meets quarterly with both this party and the fund manager, BlackRock, to discuss market developments and continued appropriateness of the funds. As a result of such reviews, the Firm was prepared to replace an existing investment pathway fund, Investment Pathway 2, in August 2023.

Net Investment Performance

The [net investment performance](#) of the investment pathways strategies over 12 months to 31 December 2023 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/Comparator
1	9.30%	5.0%
2	1.40%	1.6%
3	9.30%	5.5%
4	4.60%	4.9%

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 relative to an appropriate benchmark.

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	Average
2	Below average
3	Average
4	Average

Areas for improvement

GAA challenges

The GAA expects the Firm to review what actions it can put in place to actively monitor the risk metrics of the Investment Pathways; and the GAA would encourage the Firm to consider alternative measures of risk, that may be more material or tangible for investors, and aligning such measures to any known investor preferences.

GAA observations

Pathway 2 has undergone a change in underlying fund, using the iShares UK Gilts All Stocks Index for new investors. The existing customers of Pathway 2 are being allowed to remain in the fund they originally invested in, the iShares Over 15 Years Gilt Index Fund. The GAA encourages the Firm to actively engage with these existing customers to explain the options they have to invest into the replacement fund, especially if the Firm considers it to be more appropriate.

The Firm should consider the choice of performance benchmark used for Pathway 2, noting the use of different funds depending on when investors commenced.



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

The communications provided cover a good level of information, including signposting for assistance on pension matters outside of Embark.

A risk questionnaire is available to those investors who wish to review their selection.

The Firm's strengths

The Firm have a full suite of online communications. Literature and documents are reviewed at least annually as part of the Document Management Process. A high-level review was completed in December 2022. Online content and navigation continue to improve for customers with the launch of Ready Made Pensions in March 2024.

Pathway investors have access to an Investment Pathways tool, which was developed in conjunction with LikeMinds, a specialist 'Direct to Customer' financial services marketing agency. One aspect of this planning and decision-making tool enables investors to review how much they have saved, what might be need in retirement and how long their money might last. LikeMinds worked with the Firm to create a series of customer personas, and then used these customer personas to undertake customer testing of various aspects of the site which led to a series of recommendations adopted during the development of the website. Switching online is available. A risk questionnaire is available to those investors who wish to review their selection.

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 policyholders over 2023 were average, i.e. relative to the comparator group.

Areas for improvement

GAA observations

The GAA repeat last year's observation that although the quality of communications was generally good, there could be more specific tailoring for Investment Pathways customers.

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

Product governance is managed for the Embark Corporate Services Limited Board through three Board committees:

- | Group Risk Committee;
- | Executive Customer Committee; and
- | Group Change Committee.

These are supported by three Proposition Ownership Groups for Pensions, Investments and Platform each with their own sub-committee/group for development and customer fair value analysis.

The Firm has a supplier management framework when using external providers, including new asset managers.

A formal Document Management Process is in place to ensure that all investor communications are reviewed regularly and remain fit for purpose.

EIL undertake all monitoring of the Firm's Investment Pathways managers together with other managers outside of pathways. Investment performance is discussed by the Investment Committee and any proposed changes are taken to the Executive Committee for formal review.

The Firm's strengths

The Investment Committee meets both quarterly and annually. In depth annual reviews are provided by an independent third party which with the Investment Committee will make recommendations to the Firm's Executive Customer Committee for decision making.

The Executive Committee Terms of Reference require it to meet at least ten times a year.

The Supplier Management framework is used when appointing external providers. Appointment of internal service providers is done through the corporate governance structure and intergroup agreements.

Areas for improvement

The GAA did not identify any specific areas for improvement.

5. Security of policyholder benefits

Value score:

Excellent

Good

Satisfactory

Poor

What are we looking for?

We expect to see that the Firm is in a sound financial position with sufficient capital backing to enable it to continue to operate for the foreseeable future.

We also look for information about how the assets are protected, for example in the event of fraud or bankruptcy, at both the Firm and investment manager level. For example, this could relate to Financial Services Compensation Scheme or other regulatory protections, ringfencing or the structure of the underlying product.

We are looking for evidence that the Firm has processes in place for protecting policyholder assets against fraud and scams and for Firms to be actively monitoring for possible scamming activity.

The Firm's approach

Embark Investment Services was acquired by Lloyds Banking Group in 2022. All [Pathway investments](#) are ring-fenced from the Firm's assets.

Customers are provided with information with regards to pension scams in wake-up communications and there are signposts to the FCA facilities on the website. On receipt of a pension transfer out request the customer is sent an acknowledgement letter which also

includes scams warnings and advice on where the customer should go if they have any concerns over the legitimacy of a scheme.

Staff undertake annual training to identify and warn customers of potential scams where these are identified. Staff also receive training on identifying and engaging effectively with vulnerable customers.

The Firm has implemented the requirements of the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 so that any new request to transfer is subject to the enhanced due diligence and checks required to comply with the regulations.

The Firm's strengths

Embark Investment Services have a AKG rating of B+, which is one of the highest possible financial security ratings available.

Investors are covered under the Financial Services Compensation Scheme, capped at the standard £85,000 level.

If any new fraud methods or areas of required development are identified, then the Financial Crime team will conduct ad hoc bespoke training for staff.

Areas for improvement

GAA observations

There are policies and processes in place for scam warning communications and pension transfer requests. However, the GAA encourages the Firm to do more signposting, including highlighting scam cases studies, to provide more protection and financial security for customers.

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 service provided to customers is predominantly an online service where customers can access all the information and service accounts through an online portal. The majority of actions that a customer will undertake in relation to their accounts will be processed automatically via 'straight through processing'. In terms of the retirements journey for non-advised customers, this process is accessed via a dedicated website.

If a customer decides to proceed with applying to take benefits and invest in an investment pathway, they will need to complete an application form and email it to our servicing teams that will process this within 24 hours of receipt.

Core scheme financial transactions are fully automated.

The Firm has a robust risk control framework around IT security. This includes policies on Encryption, Wireless Network Access, Remote Access, Information Security Incidents and Information Security.

The Firm's strengths

There is comprehensive reporting of all transactions where service levels are applicable for non-automated processes which are assessed by senior management on a monthly basis, with a KPI Results Scorecard detailing monthly KPIs with targets being met in green or amber indicators.

There were no data breaches identified in 2023 and no complaints for the Pathways customers during 2023. The Firm's current version of the complaints process policy was last reviewed in February 2023.

Business Continuity and Disaster Recovery plans are also assured by external third-party under the Continuous Assurance Programme.

Improvements since last year

The GAA has received evidence from the Firm of the review and testing of the effectiveness of the Business Continuity Plan and its tech/admin provider during the year.

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 policyholders over 2023 were above average, i.e. relative to the comparator group.

Areas for improvement

The GAA did not identify any specific areas for improvement.

7. Engagement, innovation and improvements for policyholder experience

Value score:

Excellent

Good

Satisfactory

Poor

What are we looking for?

We expect to see evidence that the investment pathways product is reviewed on a regular cycle of not more than every three years, with new product features or service innovations being launched when appropriate and in line with relevant improvements being made to other similar products offered by the Firm. We expect these changes to have been developed taking into account [pathway investors'](#) characteristics, needs and objectives, including direct feedback from pathway investors.

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 has continued to evolve its customer offering, including the online facilities and use of an Investment Pathways tool.

No customer satisfaction surveys were completed during the period mainly due to the relatively low number of customers. However, usual practise is to include customer research as part of the annual

review process done on the Firm's behalf by an external partner. As these external parties own the client relationship, then there is no guarantee that feedback is actively sought nor shared with the Firm. The limited feedback that has been reported confirms that there are no concerns with the Firm's platform.

The Firm's strengths

Products, including Investment Pathways, are reviewed on annual basis in line with the Product Governance Framework and consider development opportunities for further innovation.

Improvements since last year

The Firm has considered how to develop its proactive engagement with pathway investors in order to obtain broader feedback on its product, for example through the use of pathway investors' surveys, and made progress through the Usability Review conducted by its advisers in 2023. This Usability Review highlighted possible enhancements to the website screens and improvements to the online customer journey and website, which will be considered during 2024.

Areas for improvement

The GAA did not identify any specific areas for improvement.

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 annual fund management and administration charges being borne by pathway investors;
- | the transactions costs incurred by the underlying investment funds which reduce the investment return experienced by pathway investors;
- | any other charges being paid by pathway investors to manage, access and invest their drawdown funds;
- | the Firm's process for collecting and monitoring overall member charges, including [transaction costs](#).

We expect fund management charges to be comparable to charges for similar investment products in the wider pensions market after considering the active or passive nature of the investment and the type of assets involved. We take into account where the majority of relevant pathway investors' assets are invested.

In looking at transaction costs we also consider the overall level of volatility in the markets, recognising that in highly volatile markets transaction costs may increase.

We assess whether the overall level of administration charges is reasonable, bearing in mind the types of services provided to pathway investors.

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

The Firm's approach

Investment charges are relatively modest and applied as relevant for each pathway.

The platform administrative charge is determined by assets held by the customer in the Pathway and is therefore variable, with smaller pots paying higher fees.

The Firm's strengths

There are no additional or hidden charges paid by customers.

The Firm do utilise their external party to monitor member charges across the market, to ensure that fees remain competitive.

Transaction charges are paid by members, but the GAA's analysis has considered these to be reasonable given the asset allocations used in the Pathways.

We observed a range of member charges

across the investment pathways. These include investment charges for the funds as well as a platform/administrative charge. The platform charge is variable and is dependent on the customers pot value.

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.

We observed a range of charges across the investment pathways offered with the average charge applied being as follows:

Investment Pathway	
1	0.74%
2	0.76%
3	0.74%
4	0.79%

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 policyholders over 2023 were average, i.e. 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 and 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. Where ESG considerations have been delegated to external investment managers we expect the Firm to have a suitable oversight and stewardship process in place.

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 9, 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 Firm has an ESG policy which states that ESG issues are important and that as a sign of this commitment Embark has signed up the UN Principles of Responsible Investment.

The Firm has yet to fully characterise the risk and opportunities relevant to ESG. The implementation of the Pathway Funds was limited to off-the-shelf options at launch. The Investment Pathway funds currently provided do not have explicit ESG objectives but are ESG aware and use ESG building blocks where appropriate.

As described earlier in the report, ESG considerations are beginning to feature within Investment Pathway 1,3 and 4 using the BlackRock funds.

There is a specific policy on Stewardship policy issued by Scottish Widows which applies to all investments within the Insurance, Pensions and Investments division of Lloyds Banking Group. and non-financial matters in addition to the ESG Policy. Embark Group have a Corporate Social Responsibility Report issued 2023 and there is an ESG policy that is specifically related to the Investment Pathways.

Improvements since last year

Last year the GAA observed that it would expect to see continued progress on the integration of ESG financial considerations within the investment options and anticipate further discussions with asset managers, appreciating that this continues to be an evolving area.

Areas for improvement

The GAA considers the policies to be adequate.

Appendix A: Approach to comparisons

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 of workplace group personal pension
- | Products where Firms provide similar services, for example, whether the provider has responsibility for setting and monitoring the investment strategy

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 of fees investment performance provided to the Firm's pathway investors compares to other Investment Pathways arrangements. This takes account the performance of the investments being offered. Where multiple investment funds are made available, we have taken into account the amount invested by relevant pathway investors in each fund.

Comparison of Communication provided to pathway investors

We have assessed how the full range of communication materials, including any websites and modelling tools, provided to the relevant pathway investors compares to other sufficiently similar investment pathways arrangements. This takes account of the type of pension product provided, and whether the communication materials are fit for purpose considering the age profile of the relevant pathway investors.

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.

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.



Appendix B: GAA activities 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 met with representatives of the Firm to kick off the Value for Money assessment process for the 2023 calendar year and to discuss and agree timescales.

We subsequently 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.

We discussed the GAA's provisional scoring of Value for Money of the Firm's in-scope [pathway investments](#).

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.

Over the last year the GAA reviewed our Value for Money assessment framework and scoring methodology to ensure this continued to be suitable and can be applied consistently. Whilst the Value for Money assessment framework itself remains largely unchanged from the previous year; work was undertaken to improve the data request to make the overall 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	01/02/2024
Kick off meeting	05/02/2024
Site visit	22/04/2024
GAA panel review meeting	23/05/2024
Discuss provisional scoring	04/06/2024

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 Embark website.
- | 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 directly. The Firm has included details of this contact e-mail address on www.embarkmyretirement.co.uk/making-your-decision/governed-advisory-arrangement-for-investment-pathways

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 is 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 from 1 February 2021.

The FCA rules 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 and [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 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 for the GAA agreed with the Firm can be found at: www.embarkmyretirement.co.uk/making-your-decision/governed-advisory-arrangement-for-investment-pathways



Appendix D: Glossary

Please note that some of the terms referred to in this glossary may not be applicable to your product.

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.

With Profits

An insurance contract that participates in the profits of an insurance company. The insurance company aims to distribute part of its profits to with-profits policy holders in the form of bonuses.

Unit-Linked

A type of investment where the investments of a number of people are pooled together and divided into units of equal value. The value, or price, of each unit depends on the value of the assets of the unit linked fund. The unit price determines the number of units the policyholder receives when they invest money in the fund, and the sum they receive when they sell their units.



Appendix E: Data table

Investment pathway	Number of customers during 2023	Assets under management as at 31/12/23
1	112	£6.07m
2	13	£0.46m
3	546	£32.26m
4	175	£5.63m



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