

Value for money

Delivering what matters most for you,
Aegon's workplace pension customers

Independent Governance Committee of Aegon
Annual Report 2019/2020

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Chairman's statement

“Reflecting on the work carried out by the IGC over the last five years, I am pleased to see the strong foundations we have put in place to help drive value for money for all workplace customers.”



I am pleased to share with you the fifth annual report from Aegon's Independent Governance Committee (IGC).

Reflecting on the work carried out by the IGC over the last five years, I am pleased to see the strong foundations we have put in place to help drive value for money for all workplace customers. The requirements we put in place in the early years to monitor charge levels, investment performance and customer experience have set the standards we expect from Aegon and are now embedded as 'business as usual'. This allows us to spend more time reviewing and challenging the areas which matter most to your retirement outcome. The theme of 'what matters most' is core to what the IGC does and we consider this in each section of our report.

Last year we provided a shorter report alongside our full report which provided an overview of our work and conclusions during the year. We received positive feedback on this approach and this year we have produced a short **video** to explain how the IGC works and the topics we focus on.

Your feedback, and feedback from employers, is very important to us and it helps shape and influence the areas we focus on during the year. We also spend time reviewing and discussing the reports published by other IGCs, to improve our understanding of industry developments and issues, and to identify areas where we can improve to help make sure you receive value for money.

As well as reviewing Aegon's performance against each of our Value for Money principles we have focused on a number of key areas during this year:

- We reviewed again the product charges Aegon applies to policies and analysed the impact they have on customers' potential fund value in the future. With auto-enrolment minimum contributions increasing to 8% in April 2019 we also reviewed the impact on fund values of varying or stopping contributions to plans. As you will see in section 6 of our report, the results are stark and further highlighted to our IGC the importance of engaging workplace customers throughout their savings journey and helping them understand the value of continuing to contribute to their pension, and to make additional contributions if they are able.

- We continue to monitor closely the total costs of the funds Aegon’s customers invest in and the investment returns they receive. The level of information we now receive on transaction costs has improved, allowing us to assess if the total costs offer fair value and to challenge Aegon on any outliers.
- We continue to review the improvements made to how Aegon communicates and engages with employers and advisers, as well as customers. It is critical to us that these activities are joined up and benefit all of Aegon’s customers.
- We have spent time with Aegon, and also customers of Aegon, discussing the key topic of Environmental, Social and Governance (ESG) matters and how this influences the activities within Aegon and the funds they offer.
- We have closely monitored the impact of Aegon’s new partnership with the customer service supplier Atos to ensure ‘Existing Business’ customers receive the level of service expected and that the focus on delivering value for money continues.

We have seen a marked improvement over the last 12 months in the key areas of customer service, investment reporting and communication. Overall our IGC believes that Aegon is delivering value for money to its workplace customers, and is focusing on the right areas to further improve the customer experience, including encouraging you to fully engage with your pension plan.

There are areas that need to be further developed and there is always room for improvement. In particular while we have seen improvements, the provision of timely data by some fund managers to monitor transaction costs remains a source of frustration for the IGC and the industry. We also continue to challenge Aegon to review the effectiveness of improvements made in digital communications and to extend these to all workplace customers, acknowledging that this will take time to implement on its older platforms.

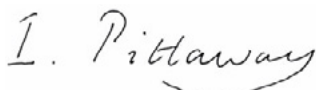
This year has seen a focus by Government and Regulators on ensuring that the investment risks associated with ESG issues are properly taken into account, including climate change in particular. This is a critical area we will continue to focus on as Aegon develops its strategy and plans. The Financial Conduct Authority (FCA) recently announced changes which extend the remit of IGCs to assessing, monitoring and reporting on Aegon’s ESG policy. The other new area we will be overseeing is the design of and value for money offered by the fund options Aegon makes available for customers who want to draw down regular income in retirement and do not have their own financial adviser to help them. These are called ‘investment pathway solutions’ and we will cover this in next year’s report.

In addition to these two key topics we will continue to focus on the areas that matter most to customer outcomes. In particular, we will:

- Continue to push Aegon to make customer communications more engaging and extend these improvements to all workplace customers.
- Review transaction costs and work with Aegon to develop a deeper understanding of these charges. We will challenge Aegon to take action whenever we identify funds with transaction costs that are out of line with the objectives and performance of that fund.
- Make sure Aegon continues to provide the service levels and information you require as its operations grow. In particular we will challenge Aegon to apply learnings from Existing Business and Digital Solutions to give the best outcome to all workplace customers.
- We will also continue to monitor closely the effect of moving the servicing of Existing Business customers to Atos, and the progress with delivering further improvements to the customer experience.

I would like to express my thanks to my fellow IGC members and to the Aegon employees for their ongoing support for our IGC activities and their co-operation in responding constructively to our challenges.

As always we are very keen to hear from Aegon's customers, to understand your needs and opinions, and to drive a better outcome for all Aegon's workplace customers. You can share these by emailing us at igc@aegon.co.uk. We are always interested in meeting workplace customers or employers to improve our understanding.



Ian Pittaway

Chairman of Aegon's
Independent Governance Committee

“Overall our IGC believes that Aegon is delivering value for money to its workplace customers, and is focusing on the right areas to further improve the customer experience, including encouraging you to fully engage with your pension plan.”

1. Aegon's Workplace customers and key developments

To help set the context of our report we start by confirming the workplace population the IGC is responsible for and describing some important developments at Aegon this year.

In last year's report we highlighted that Aegon's business is split into two distinct business areas, Existing Business and Digital Solutions, each with its own IT system and dedicated management. TargetPlan customers are part of Digital Solutions, whose policies are administered on Aegon's newest technology systems. Other customers are administered on the Existing Business systems. You will see us referring to these two parts of Aegon's business in our report.

“Our IGC is now responsible for seeking to ensure value for money for 1.85 million workplace customers written across Aegon's workplace pension schemes.”

Our IGC is now responsible for seeking to ensure value for money for 1.85 million workplace customers written across Aegon's workplace pension schemes. At the time of writing this report there are around 900,000 customers in Existing Business and around 950,000 in Digital Solutions, including 150,000 TargetPlan customers.



Last year we told you that Aegon had announced plans to partner with the customer services company Atos to provide the servicing and administration of Existing Business customers. This partnership went live on 1 June 2019 with the transfer of 850 Aegon employees to Atos. Aegon has kept us fully informed of progress and we are pleased to report this was a smooth transition, with no adverse impact on customer service or customer experience.

At the point of going live with Atos we understand that Existing Business had recorded the strongest results across all their customer service measures. As a result the servicing was handed across to Atos in a very healthy position and has since shown a further improvement, which we cover in further detail in section 5 of this report. This is an encouraging start to the partnership. We continue to monitor closely the customer experience noting that Aegon remains fully accountable and responsible for all the Existing Business customers, and for ensuring these customers receive value for money.

Finally during the year Aegon announced a new Chief Executive Officer (CEO), with Adrian Grace retiring and Mike Holliday-Williams replacing him. We look forward to discussing the plans the new Aegon CEO has and seeing the positive impact they will have on workplace customers.








“We are very pleased to see that the transition of servicing of all Existing Business customers to Atos had no adverse impact on customer service or experience. In fact, key customer metrics, such as Net Promoter Score, continue to improve. We look forward to reviewing how Aegon and Atos work together to further improve your experience.”

– Doug Grant

2. Challenging Aegon to meet our Value for Money principles

Over the last five years, we've established strong standards to monitor closely the key areas which you have told us are of most importance to you when considering value for money. The following summarises our view for our key Value for Money principles across all Aegon workplace customers.

Principle	Overall RAG status	IGC conclusion
Fair Charge for services received		<p>We carried out a further detailed review of the product charges paid by the 1.85m workplace customers Aegon has. Aegon has an average annual charge of 0.55% across all workplace customers which we believe is in line with the terms offered in the workplace market. We believe that the pricing approach taken by Aegon is fair and consistent and offers workplace customers value for money.</p> <p>Outcome – GREEN – We believe the charges you pay on your Aegon plan are fair and in line with terms available in the wider workplace market.</p>
Valuable Investment Solutions		<p>Aegon has provided us with clear evidence of strong governance of investment funds through its Management Investment Committee (MIC) and the process followed to monitor outliers or poorly performing funds. This year has been a positive one for investors with key workplace funds performing strongly. We have been disappointed that some fund managers are still having challenges providing transaction cost data in a timely manner, although that position has improved towards the end of the year. The information we have reviewed confirms the total costs you pay for the funds Aegon offers you are reasonable and in line with what we would expect relative to the market.</p> <p>Outcome – AMBER – Overall we remain satisfied with the governance Aegon has in place. Investment performance has been good over the year, with key funds finishing ahead or in line with the benchmark. In addition we believe the total costs you pay for the funds Aegon offers you are reasonable and in line with what we would expect relative to the market but are developing more sophisticated tools to review this in more detail. One frustration we have is the delay in receiving this information from fund managers. Finally the IGC wants, in line with its new responsibility, to explore more fully how Aegon will deliver on financial risks relating to ESG. As a result we continue to rank this principle as Amber.</p>
Quality Benefits and Services		<p>We carried out a detailed review of the Customer Service areas across Aegon and the arrangements that are in place with Atos to provide services to Existing Business customers. We are satisfied that Aegon is meeting the service standards you expect and pleased to see further improvement in the Net Promoter Score (NPS) which reflect how you feel about the service you are getting.</p> <p>Outcome – GREEN – Overall we are satisfied that Aegon is meeting your service needs and is well positioned to maintain this throughout 2020.</p>
Communication and Engagement with customers		<p>We have seen significant improvements made to the communications Aegon provides to customers and the steps taken to promote active engagement with your pension plan. We are encouraged by the support Aegon offers to customers, employers and advisers to help promote active engagement. We value the ongoing customer research Aegon carries out and the actions taken based on the feedback received.</p> <p>Outcome – AMBER – We are pleased with the improvements made and recognise that achieving best practice across all customer platforms will take time to implement. We want all, not just some, of Aegon's workplace customers to benefit from these improved communications and have challenged Aegon to set out more clearly its strategy for ensuring as many customers as possible receive the right information, guidance or advice to help improve customer outcomes. As a result we continue to rate this as Amber.</p>
Security of customer information and money		<p>We are satisfied that protecting customers' information and money continues to be a key priority for Aegon and with the controls Aegon has in place to keep Aegon's systems secure and to protect customers' data and money.</p> <p>Outcome – GREEN – We are satisfied that Aegon is taking strong steps to keep your information and money secure.</p>

We explore each of these findings in more detail throughout the report.

3. Fair charge for services received

The level of charge set for your pension arrangement is very important as it directly impacts how your fund value grows. During the year we have reviewed the impact that charges have on your pension plan and also considered a variety of other factors to help understand ‘what matters most’ to customer outcomes and what Aegon can do to improve these.

In each of the last five years we have carried out a full review of the charges across Aegon’s workplace pension schemes. Over that period we have seen charging levels reduce.

The average annual charge applied across all Workplace customers currently sits at 0.55%. As we would expect there is a range of charges for active schemes, up to the regulatory charge ‘cap’ of 0.75% and we understand the pricing approach taken by Aegon.

You can see the charge that applies to your pension plan by looking at the statement that Aegon sends to you or the personal illustration you got when you took out your pension plan. Aegon has also provided additional content to help you find and understand your charges. You can view this by clicking on the following link which explains the charges section in your **statement**, or this **link** which explains the charges for digital solution customers. Alternatively, a customer can **contact Aegon** and it will provide the required information.

We have compared these charging levels with those available on similar schemes in the industry and believe Aegon continues to offer a competitive and fair price to workplace customers, reflective of the benefits and services provided.

Our review of the charges being applied across all Aegon workplace customers has shown that around 60,000 customers (or fewer than 3.5% of all Aegon’s workplace customers) still pay an annual charge of more than 1%. We understand that half of these customers have valuable guarantees within their policy. We have reported our findings on the charges paid by these customers in previous years and continue to believe that the level of charges reflects value for money. For the remaining 30,000 customers who do not have valuable guarantees we have challenged Aegon to accelerate the work required to cap charges at 1% and are pleased that plans have been agreed with Aegon’s Board to make this change as part of the modernisation work Aegon is undertaking with Atos.

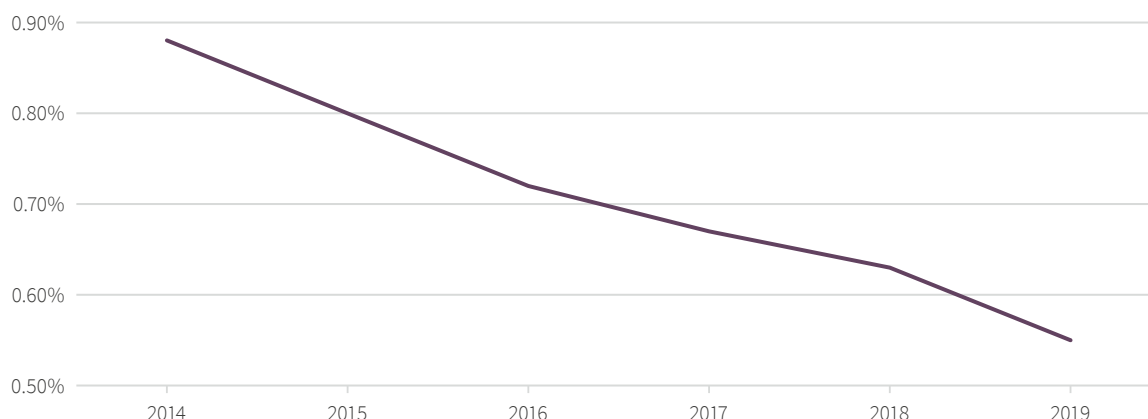
Our review of charges over the last five years has shown a significant reduction in the charges applied to Existing Business workplace customers and a consistent charging level for Digital Solutions workplace customers. We understand the reasons for this as Existing Business holds the longer serving customer base which historically had higher charges, while Digital Solutions is a more modern platform which was launched with lower charges, well within the charge cap set by the regulator.

“We know that the level of charges deducted makes a material difference to retirement outcomes and that is why we continue to challenge Aegon on the charges applied to both new and existing customers.”

– Alison Bostock



Average annual % charge for Aegon workplace customers



We continue to monitor the terms offered to existing customers compared with those offered to new workplace customers and are satisfied that the approach is consistent with Aegon’s pricing methodology and gives a fair outcome to workplace customers.

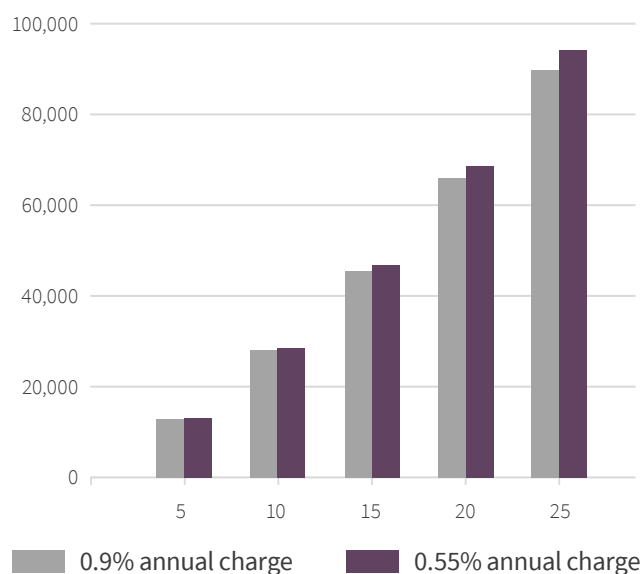
What matters most to customers?

Throughout the year we have reviewed the charges Aegon applies to your pension plan, the performance of the funds you invest in and what Aegon is doing to improve how you engage with your pension plan and help you to achieve the retirement outcome you want. The reason we focus on these areas is because the impact of charges, fund performance and ongoing contributions are critical to growing the value of your pension plan.

To illustrate the impact that charges can have on your fund value we looked at two customers, each paying £200 per month into their pension plan, and the impact if one of them has a plan with the historic average charge of 0.9% and the other has the current average annual charge of 0.55%. In both cases we have assumed a 4% annual fund growth rate before charges.

We see that in the short to medium term there is not a great difference in the overall fund value, but over a 25 year period we see the plan with a lower charge provides a fund value which is £4,500 higher. This additional gain would be greater if the customers’ contributions were higher.

Impact of charges



4. Valuable investment solutions

When it comes to investments, we know from past research that what matters most to customers is the return achieved by the fund(s) in which they invest, the cost of these funds and the risk to which their pension savings are exposed.

In recent years we have seen the emergence of a greater focus on financial risks associated with ESG issues. These risks, and also non financial ESG considerations, are becoming more important for customers, so understanding where funds are being invested and the governance of these funds is of increasing importance.

It is not the role of the IGC or Aegon to provide advice about investment but we strongly encourage customers to think carefully about where they invest. The risks for individuals change over time and understanding your own appetite for investment risk and then investing your money in a suitable fund is critical.

As we cover elsewhere in this report not all customers have a financial adviser to help them choose the right fund and the vast majority of customers remain in their scheme default fund. Scheme default funds will spread risk through investing in different markets and are designed to achieve long term growth ahead of inflation. It is our role to assess if these default funds are robustly governed to ensure they are performing in line with their objectives.

It is important to understand that default funds will typically change the underlying investments in the final few years before retirement to prepare customers' savings for a particular outcome, whether that is to have a guaranteed regular income at retirement, known as an annuity, or to draw down regular income or to take one or more cash payments. The outcomes targeted differ by fund and so it is important that you understand what outcome you are targeting and switch funds if the target outcome is not best suited to your needs. We encourage you to find out more about what each of the **lifestyle funds** that Aegon offers are designed to do.

Aegon's role from an investment perspective is to provide well designed default options, a wide range of other funds you can choose that are well governed and to take action when funds are not performing as expected. During the year the IGC have focused on each of the key areas of governance, fund performance, transaction costs and ESG matters and cover these in more detail throughout this section.

Fund governance

The IGC understands that good governance of investment funds is important so that customers can be confident Aegon monitors the funds available to them and will take action if necessary. The governance process exists to ensure that Aegon can honour its funds promise:

- To offer high quality funds which meet their objectives;
- To monitor funds to check if they perform as expected;
- To take action if funds don't meet expectations; and
- To give customers the facts needed to make decisions.

Aegon has shared with the IGC the process followed during the monthly governance cycle which covers its range of over 800 funds and assesses the performance and risk of funds with the aim of identifying outliers or funds performing poorly. Any funds which are performing behind their 3-year rolling target are added to the watchlist and fully assessed to ascertain the reasons for the poor performance and likelihood of improvement. This may involve discussions with the relevant fund manager and opinion from an independent third party, together with corrective action where necessary including in some cases changing the fund manager.

We believe the process is thorough, enabling a full assessment of any funds which fall behind target and where appropriate identifying the action to be taken.

Investment Performance

2019 saw a continuation of economic uncertainty caused by political impasse in the UK until the December election result, a lack of clarity about Brexit and trade disagreements between the US and China. It was though a positive one for investors with major equity and bond markets making strong gains.

Aegon's funds reflected market conditions delivering good absolute returns for customers. We pay particular attention to the funds which attract the majority of workplace customers' money. The table below shows the performance for the funds where more than 75% of workplace customers' money is invested. We are pleased to see that the vast majority of funds finished the year ahead of or in line with their benchmark.

Fund	Investment approach	Investment performance						Comments
		1 year (%)		3 years (%pa)		5 years (%pa)		
		Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	
Aegon Workplace Default	Passive	18.1	17.9	n/a	n/a	n/a	n/a	Aegon's ARC default, which gains market exposure through indexed (passive) funds and aims to achieve a return close to its benchmark.
LifePath Flexi (2052-2054 year vintage)	Passive with active asset allocation	23.6	23.5	9.8	9.8	n/a	n/a	LifePath Flexi Aegon's TargetPlan default structured as a target date fund. It invests in a wide range of markets through indexed funds, aiming to achieve a return close to its benchmark.
Universal Balanced Collection (all versions) ARC	Active and passive	18.8	15.3	7.3	5.8	8.5	6.7	A blend of active and passive management with the fund aiming to deliver above average returns relative to the sector (ABI Mixed Investment 40%-85% shares). It had a strong 2019.
Growth Tracker (flexible target) ARC	Passive	18.2	17.9	7.6	7.6	n/a	n/a	A default option which gains market exposure through indexed (passive) funds and aims to achieve a return close to its benchmark.
Aegon 50/50 Global Equity Index Lifestyle ARC	Passive	19.5	19.4	8.1	8.0	9.7	9.7	A default option, invested 50% in UK equities and 50% in developed overseas equities via indexed funds and aiming to achieve a return close to its benchmark.

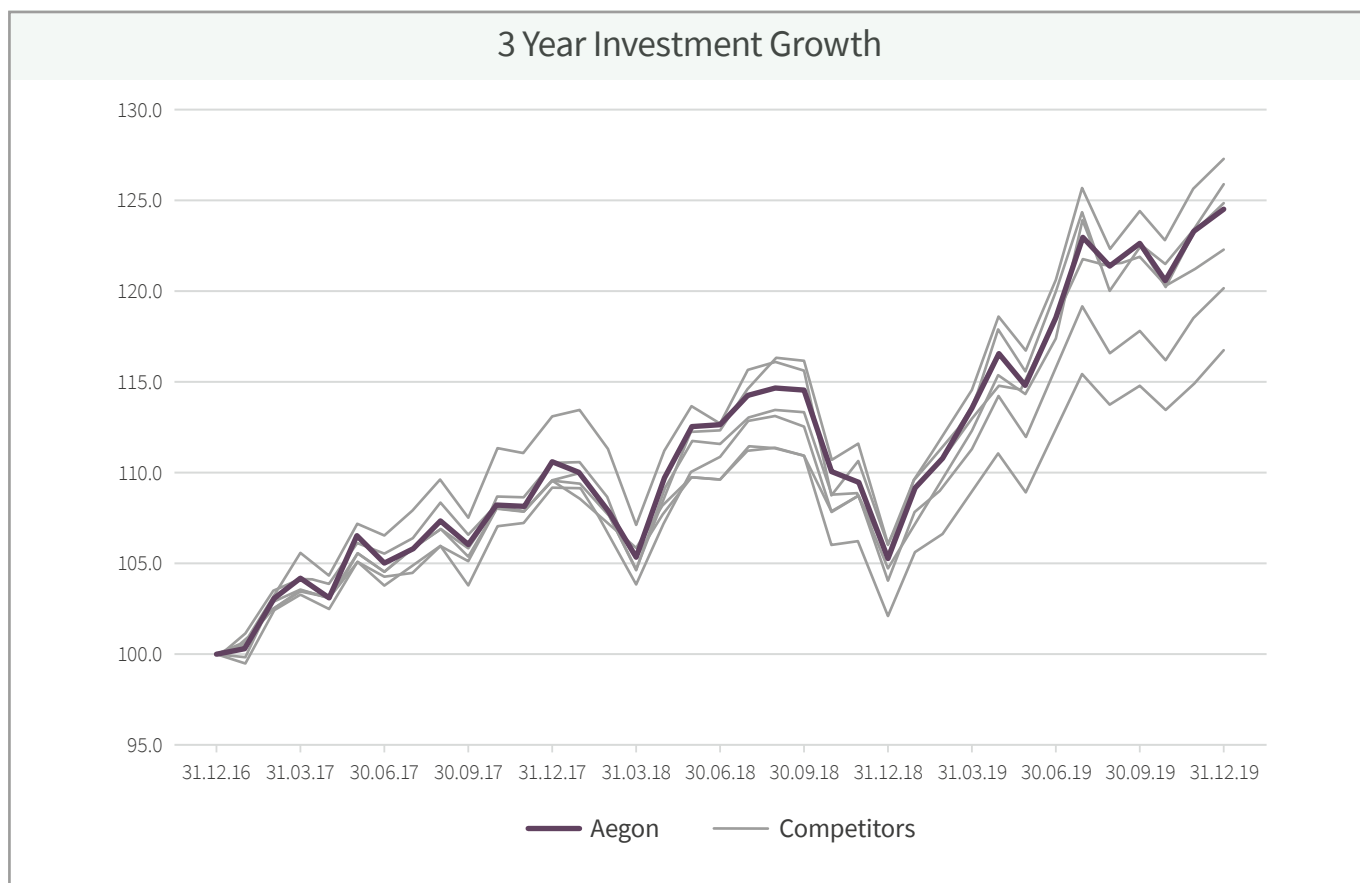
Fund	Investment approach	Investment performance						Comments
		1 year (%)		3 years (%pa)		5 years (%pa)		
		Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	
Balanced Lifestyle ARC	Active	19.8	15.3	7.3	5.8	8.1	6.7	An actively managed fund that aims to achieve above average returns relative to the sector (ABI Mixed Investment 40%-85% shares). It had a strong 2019 due to the companies held and active decisions about the markets.
Ethical ARC	Active	31.5	19.2	8.1	6.9	7.6	7.5	An actively managed fund investing in UK equities that applies strict ethical criteria as to which companies can be considered for the portfolio. The impact of the criteria is that the fund has a bias to smaller and mid-sized UK companies which performed extremely well in 2019 enabling the fund to outperform its benchmark.
Aegon BNY Mellon Multi-Asset Balanced (ARC)*	Active	19.2	15.8	7.3	6.1	7.7	6.7	An actively managed fund that aims to achieve above average returns relative to the sector (IA Mixed Investment 40%-85% shares). It is one of Aegon's most widely-held external fund links which is why it is closely assessed. It had a good 2019 due to its market positioning.
Long Gilt	Active	11.4	12.0	4.5	5.1	6.2	6.6	An actively managed fund that aims to achieve a better return than its benchmark. The fund is used during the later stages approaching retirement for Aegon's default options that target an annuity so is closely assessed.

Source: Performance to 31 December 2019, Aegon fund prices for fund performance, Morningstar Direct for benchmark returns.

*Prior to the 21st of October 2019 this fund was called the Scottish Equitable Newton Balanced Managed fund.

Performance of Aegon's own default fund

All default funds differ in terms of where they're invested, approach to investment and overall objectives. While our primary assessment of Aegon's default fund is its overall performance and how it has performed relative to its benchmark, we also assess its performance relative to its competitors. This is to identify whether Aegon's default is an outlier relative to others. The market conditions in 2019 were beneficial to Aegon's fund which has delivered competitive performance:



The chart shows the performance of Aegon's own default fund compared to the default funds of a number of other leading pension providers who are direct competitors of Aegon, including Aviva, L&G, Royal London, Scottish Widows, Zurich and Standard Life.

Transaction costs

The monitoring of transaction costs is an important element in our overall value for money assessment.

We are confident that Aegon has put in place the right processes to regularly obtain transaction costs from all of its fund managers. However we are disappointed that some managers have continued to have challenges during 2019 in getting the data to Aegon in a timely manner. We understand the complexities and that the required methodology differs from other methods for calculating transaction costs, but we expected that managers would have overcome the challenges earlier in 2019. We have obtained in writing from the two largest fund managers, for Aegon's workplace customers, a summary of the key issues, how they intend to improve delivery, and their targets for reducing delivery timescales to enable Aegon to release the costs within 12 weeks of each quarter end. The IGC will be monitoring this closely throughout the coming year.

At each of our meetings, we review the latest available transaction costs for Aegon's largest funds across its workplace business. We assess total ongoing costs for the key workplace funds alongside the fund performance and seek an explanation for any costs that appear high relative to similar funds, or where the costs are high relative to the returns achieved.

Aegon's own defaults (and the majority of other pension providers' default funds) gain market exposure through passive funds which typically have lower transaction costs than active funds. Transaction costs for these passive defaults are low and have remained broadly stable from one quarter to the next.

Overall we believe that the transaction costs are reasonable for the type of fund, its mandate and relative to the wider market. We are constantly reviewing ways to assess the level and effectiveness of transaction costs and will continue to do so next year. We share more detail on transaction costs and the methodology in Appendix 4 of this report.

Fund closures

In early December, the M&G Property fund was suspended, resulting in customers being unable to pay into or switch out of the fund. We were kept fully informed about how Aegon dealt with the suspension and communicated to customers. We realise the situation is frustrating for those invested in the fund, however we were encouraged by the clear process Aegon has for dealing with such events.

There was also high profile coverage of the difficulties experienced through the suspension and eventual closure of Neil Woodford's Equity Income fund. The fund can be accessed by customers through the wider investment range on the Digital Solutions platform, with 605 customers impacted.

TargetPlan

In last year's report we noted that Aegon became responsible for TargetPlan (previously BlackRock Defined Contribution business) in July 2018. Some transitional issues caused delays with client reporting and factsheets. A number of issues with client reporting continued in the first half of the year, however Aegon has now implemented improved controls to prevent a repeat. We were pleased that Aegon also brought in a third party consultancy to review the process, controls and make any recommendations for changes.

Aegon has confirmed the reporting for the last two quarters has been successful and outlined their plans to further streamline this process. We are encouraged by the progress made and will continue to monitor this next year.



“It is important that customers have access to a range of funds that meet their risk profile and have confidence that these funds are well managed, are performing as they should and are reported on in a clear and consistent manner. As an IGC we consider all these areas and are encouraged by the improvements Aegon has made this year to ensure you receive value for money on the investments you make.”

– Ronnie Taylor

Environmental, Social and Governance (ESG) matters

During the year we have met with a number of employers across a wide variety of industry sectors to discuss the areas that are of most importance to them and their employees. One of the key themes emerging from each meeting was the increasing level of interest in ESG matters and how providers such as Aegon take them into account in their day to day activities, their products and the funds they offer.

More recently the FCA has published a new requirement for IGCs to consider and report on their firm's policies on ESG matters, member concerns and stewardship, for the products that IGCs oversee.

The IGC firmly believes in “sustainable” investment solutions for customers over the long term as these should improve investment returns, increase member engagement and improve the quality of the environment we all live and work in. We have seen the steps Aegon as an employer is taking on ESG matters with a wide ranging programme of events to further enhance its status as a Responsible Business. However our main focus is on the investment options Aegon makes available to you and how they are aligned with key ESG considerations.

ESG considerations include:

- **Environmental** – climate change, water management, waste disposal, pollution and use of natural resources
- **Social impacts** – health and safety, supply chain, labour management and product safety
- **Governance** – Board diversity, executive pay, ownership and control, accounting integrity and tax transparency

As you would expect, climate change is a key focus as it impacts you in both the short and long term. The IGC believes that an ESG-aligned investment strategy is very important to delivering long term returns. We have held a number of meetings with Aegon and its investment team to better understand how ESG factors are taken into account when Aegon selects and governs fund managers, and are encouraged by the rigour and thought being applied to this key topic.

We understand this is an evolving issue and will challenge Aegon over the next year to clarify its ESG policy and the governance of it to improve customer outcomes.



“Understanding and managing the financial risks arising from ESG issues, including climate change, is a complex debate. Investment managers who hold shares in companies on behalf of pension scheme customers are able to influence those companies through their voting rights, and can exert pressure for change. For example, are they doing enough in relation to climate change risks or is their executive pay too high compared to their workers? Sometimes the investment manager may decide it is better to exclude a company from their portfolio altogether, or hold fewer shares, because the financial risks from ESG issues are too great. I think all customers would expect financial risks to be managed, although some customers may themselves prefer to go further and expect their investments to exclude certain companies for non-financial reasons.”

– Alison Bostock

5. Quality benefits and services

Throughout the year we have closely followed the progress of key service measures which enables us to monitor customer satisfaction levels and to challenge Aegon where any service measures show signs of deterioration.

One particular area of focus was the impact of the outsourcing arrangement Aegon put in place in June 2019. As we highlighted in last year's report Aegon announced plans to partner with the customer services company Atos who now provide the servicing and administration to all Existing Business customers. Aegon remains fully accountable and responsible for all Existing Business customers, and for ensuring these customers receive value for money.

This arrangement went live on 1 June 2019, and as well as scrutinising the Customer Service measures on a regular basis, we receive regular reports from the Aegon Oversight team who are accountable for ensuring Atos provides the service expected for the Aegon customers.

We are satisfied that appropriate oversight controls are in place and are pleased to see that the key customer service measures for Existing Business have continued to improve under Atos. We are kept fully informed of the development plans that Aegon and Atos have in place to further improve the customer experience and will closely monitor progress throughout 2020 to ensure that customer service levels continue at their current high levels.

The suite of management information that we review each quarter focuses on the quality and timeliness of the services provided to you, and how you value these services with Net Promoter Score (NPS) and trends in complaints continuing to provide key insight for the IGC as to how you view the service provided from Aegon.

What is NPS?

NPS measures how likely a customer is to recommend Aegon. Customers are asked to rate Aegon on a scale of 0-10 with responses grouped as follows:

Promoter (score 9-10) – I would be extremely positive about Aegon and would recommend their services to friends, relatives or colleagues.

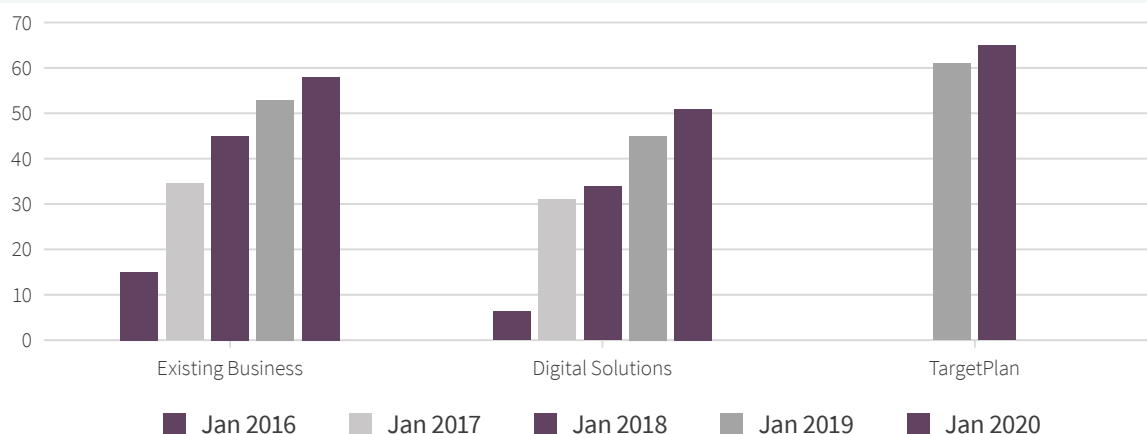
Passive (score 7-8) – I am broadly satisfied with the service I have received from Aegon but am too indifferent to recommend them.

Detractor (score 0-6) - I am not impressed with Aegon and would be more likely to comment negatively on the service they provide than say good things.

NPS is calculated by subtracting the % of detractors from the % of promoters. The scores are closely monitored and Aegon sets targets across key areas of their business with the scores closely monitored and emerging issues identified.

This year we have focused on understanding NPS in the key Front Office area. This is the department in Aegon that you deal with directly when you call with a query so it is vital that they are meeting your expectations. While the results show a positive trend, we recognise that there are significant differences between different customer groups and we continue to challenge Aegon to share and implement best practice across its Customer Service teams.

NPS – Front Office



Each member of the IGC spent time during the year with the Customer Service team in Aegon, listening to calls from customers and seeing first hand how the areas handle your queries. This gave us insight into the process you go through and the areas Aegon needs to further improve. We are impressed with the professionalism of the approach and, in particular, the performance of call-handlers which is measured on the quality of their response not the number of calls they process.

The level, trends and reasons for customer complaints is another key measure we closely monitor. We have seen a consistent strong performance across Existing Business and TargetPlan, with both areas meeting their targets. However we did see fluctuations in complaint levels within Digital Solutions and challenged Aegon to explain the reasons why and outline the actions being taken to improve the position. The information we have reviewed highlighted challenges with the settlement and transfer of customer plans and what can be done using online tools, specifically systems not working as customers expected. These are areas we have challenged Aegon to improve and we will continue to monitor how Aegon resolves these issues and reduces the overall complaint levels.

Last year we highlighted the need for Aegon to have the right levels of resource in place across its various locations and have closely monitored this throughout the year. This has been a challenging area for Aegon, particularly during the early part of the year where increases in new customer numbers and a large project, stretched resource levels across the business. We are pleased to see the position stabilise during the second half of the year and that the measures we monitor have shown no negative impact on the customer service and experience. This is an area we will continue to monitor closely during 2020 as the partnership with Atos develops.



“The consistent and sustained improvements in customer Net Promoter Scores are very encouraging, and show that you are increasingly satisfied with the service being offered. However, the IGC will continue to challenge Aegon on all aspects of this service to ensure that your expectations continue to be met or exceeded.”

– Doug Grant

Vulnerable Customers

Ensuring that benefits and services are developed in response to customer needs and demands is one of our core value for money principles. This principle applies to all customers and is of particular importance when dealing with customers who are vulnerable.

During the year we reviewed the Aegon approach to identifying and assisting vulnerable customers. We discussed the two types of vulnerability; personal (for example long-term illness, age related issues, mental health issues) and event driven (bereavement, financial difficulties, divorce) and the steps Aegon has put in place to train their staff to look out for indicators which help identify and better support customer vulnerability.

Aegon also shared the tools it uses to help frontline staff identify and assist vulnerable customers, with Vulnerable Customer Champions able to offer support and guidance, and a language bank available to help staff engage with customers whose first language is not English.

We understand that Aegon carries out an annual review of its approach and policy, to ensure it captures recent developments and guidance from its regulator the FCA. In addition all staff must complete a vulnerable customer learning course each year so they are aware of what to look out for and how to support vulnerable customers. We discussed this issue with individual call-handlers who demonstrated a good understanding and awareness of the key issues to look for.

Overall we believe Aegon has demonstrated its commitment to ensuring staff are fully aware of their responsibilities when dealing with vulnerable customers and adequately prepared to do so. This is a very important topic and one the IGC will continue to focus on next year, looking at how Aegon considers vulnerable customers in areas such as product design, communications and marketing.

“Overall we believe Aegon has demonstrated its commitment to ensuring staff are fully aware of their responsibilities when dealing with vulnerable customers and adequately prepared to do so.”

6. Communication and engagement with customers

Our main focus this year has been reviewing the improvements Aegon is making to communications to all its workplace customers, and how they support employers and advisers to help improve engagement levels with all customers.

Last year we highlighted the need for Aegon to ensure that all, not just some, of its workplace customers benefit from the improvements being made to communications. Although we were encouraged by the progress being made in Digital Solutions we wanted to see Aegon extend the improvements across all workplace customers. Significant improvements have been made, and we acknowledge achieving best practice across all platforms will take time to implement. This is reflected in our Amber rating for this year, albeit we are witnessing an ever improving position.

What matters most?

As highlighted in section 3 of this report the focus and work carried out to reduce charges for workplace customers clearly makes a difference. However, continuing to make, and where possible increasing contributions to your pension plan is even more critical.

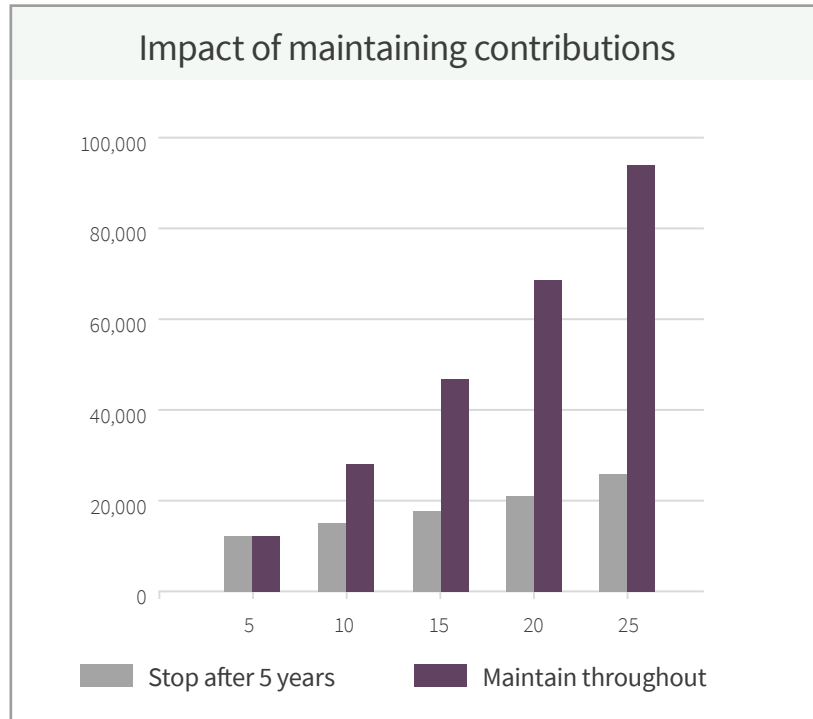
In April 2019 we saw the auto-enrolment minimum contributions increase from 5% to 8% which for a 20% basic rate taxpayer is made up of 3% from employers, 4% from employees and a 1% top up from the Government. The contributions from your employer may be higher than this and we recommend you check with your HR team if you are not sure how much your employer pays. We are pleased to see the initial experience indicate that workplace customers are continuing to make contributions.

Aegon shared the work carried out to promote the importance of continuing with contributions, both directly with its clients and in the wider press with several articles published which highlight the importance of maintaining and where possible, increasing the contributions you make to your plan.

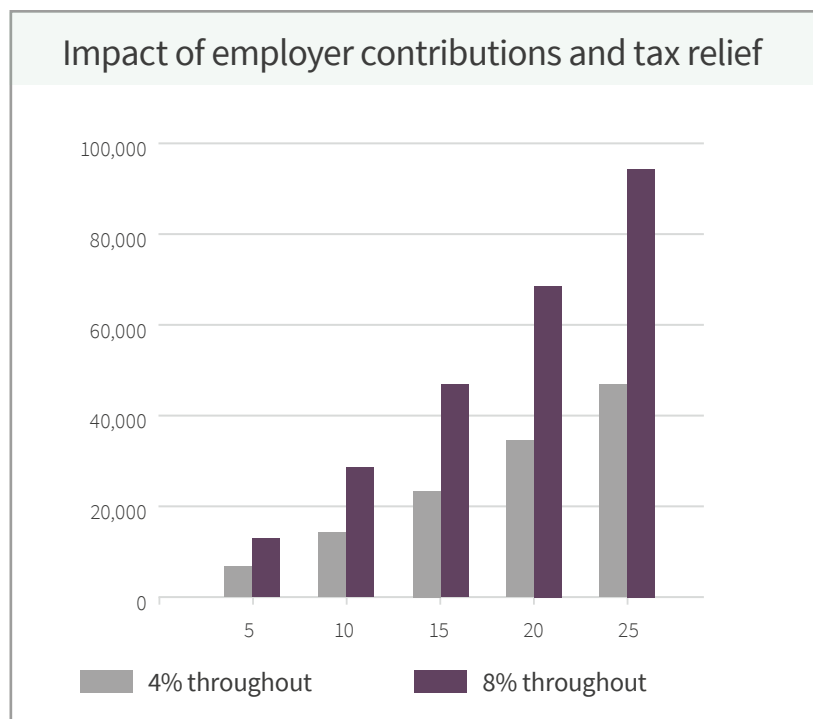
To illustrate this we considered two workplace customers, each paying £200 per month into their pension plan, and the impact if one of them stopped making contributions after 5 years. In both cases we have assumed a 4% annual fund growth rate.

“Significant improvements have been made, and we acknowledge achieving best practice across all platforms will take time to implement.”

The impact over the medium term is significant with the difference in fund value close to £30,000 after 15 years. The gap widens considerably when we look at a 25 year term, with the customer who continues to maintain their contributions having a fund value that is over 3.5 times higher, with the difference in fund value close to £70,000.

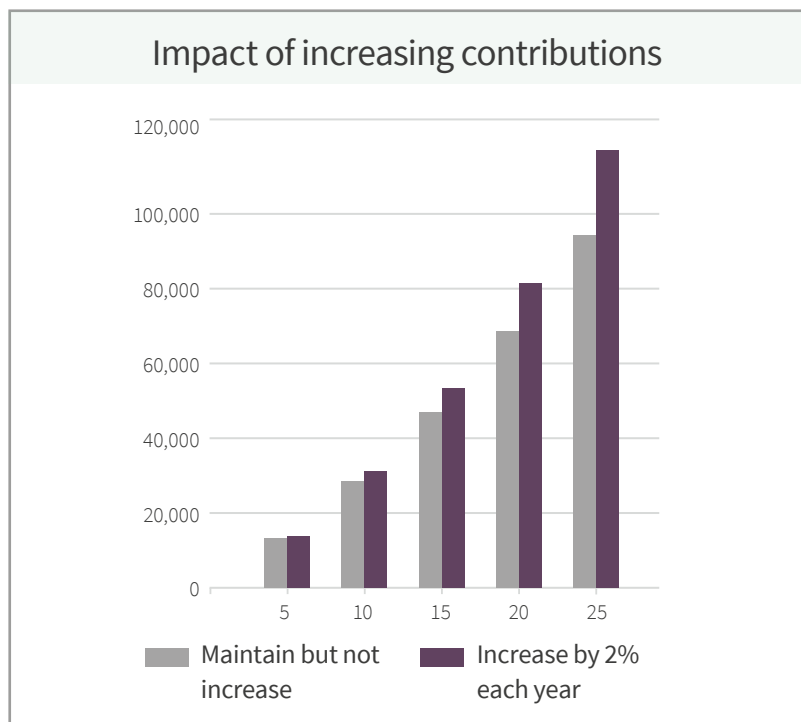


We also considered the value of the contribution made by your employer and the tax relief from the government for a 20% basic rate taxpayer, by looking at the impact of an 8% contribution to a pension plan compared with the scenario where an individual makes a 4% contribution to a savings plan and doesn't benefit in either case from an employer contribution or tax relief on their contribution.



We also considered the impact of increasing contributions when you can, and looked at the difference in projected fund value when one customer maintains contributions at £200 per month and another increases contributions by 2% each year.

Again we see a significant difference in the outcome, with the customer who gradually increases their contribution by 2% each year projected to have a fund value which is £23,000 higher.



All these illustrations reinforce our belief that it is vital for Aegon to find ever more effective ways to help you engage with your pension and understand how you can take full advantage of the contributions made by you and your employer through auto enrolment.

As the above shows it is critical that providers seek to make pensions engaging and straightforward so that customers are encouraged to take an active interest in their savings, make informed decisions and understand the impact their choices can have on their retirement outcomes.

As well as looking at the communications issued directly to workplace customers we have focused on the key role that employers and advisers play and the support Aegon provides to them to aid ongoing discussions and engagement with customers.

Customer journey

Aegon previously shared its communication strategy with us, looking at the key stages of the customer journey. We have spent time this year reviewing the progress and development within each stage and where necessary have challenged Aegon to expand or accelerate its plans.

The welcome journey

We previously challenged Aegon to extend 'best practice' when welcoming new customers to its workplace schemes to all customers across its various platforms and have been encouraged by the progress made. This is a critical point in encouraging customers to engage with their pension and the feedback we have received directly from employers on how Aegon supports this process has been positive.

We have been encouraged by the improvements made to the welcome journey used in Digital Solutions, with 98% of customers welcomed through an online process consisting of a six month programme of emails designed to improve engagement from customers. This has led to approximately 70% of workplace customers activating their online accounts. We will continue to monitor progress in this area and assess what action Aegon takes to maintain these strong engagement levels in Digital Solutions. We have also heard Aegon's plans to apply best practice for TargetPlan and Existing Business customers and will closely monitor the impact they have on customer experience during 2020.

Online access & ongoing engagement

We believe providing customers with online access to statements and online tools is key to improving customer engagement. We are encouraged by the progress made across all the Aegon platforms, with increased numbers of customers using this across Digital Solutions, TargetPlan and Existing Business.



500,000

There are now close to 500,000 Existing Business customers who have registered for online services, with a further 10,000 customers registering each month.

With more customers interacting online, Aegon has the opportunity to provide regular updates and useful, relevant content to help improve customer engagement. We continue to take a keen interest in the information provided, both in terms of content and how many receive these. At each IGC meeting we monitor the number of customers who are reading the articles and those articles of most interest. This gives us additional insight into what is important to you and helps shape the challenge we give to Aegon.

Customer feedback is extremely important to the IGC and to Aegon as it helps shape how Aegon communicates with you. During the year we heard about how Aegon carries out customer testing using their Customer Experience lab facility and the Aegon customer panel with some notable improvements being made to help improve the customer journey:

- Your feedback helped in the re-design of the Contact Us page on the Aegon UK website. Previously customer feedback was that it was very difficult to find contact details for their particular area of the business. This had resulted in many customers contacting the wrong area and frustration from customers unable to get to where they needed to. The page has now been re-designed, so customers now get the correct contact details first time. We have asked Aegon to continue to monitor the effectiveness of this.
- Your feedback was critical in the development of personalised video summaries. During the year Aegon shared with the IGC the video summaries which they made available to 270,000 workplace customers in September 2019. As an IGC we are interested in developments which make pensions more engaging and encourage customers to take action to ensure they are on track to reach retirement savings objectives.

We found the personalised videos to be highly engaging, relevant and easy to understand. You can view an example of the **video summary**. Critically the video summaries are generated in real time, using current values, so you can log in anytime from a desktop PC or mobile device and watch an up to date video of your retirement savings, with suggestions on what your best next step is to improve your retirement outcomes.

We also liked how Aegon has provided a seamless link to online tools to help customers assess the impact of any change they make. These online tools allow customers to explore what they could achieve by making small changes, undertaking ‘what if’ analysis before committing to an action.

Aegon has shared with us the key statistics behind the initial launch of the personalised video summaries and we are encouraged by the take up and engagement rates, and can see first hand the benefit of combining customer feedback with a creative approach to help shape a positive customer experience.

“We found the personalised videos to be highly engaging, relevant and easy to understand. We also liked how Aegon has provided a seamless link to online tools to help customers assess the impact of any change they make.”



82,000

- To help customers get the most out of video summaries, post-launch Aegon deployed a targeted email campaign to 82,000 customers.



10,000

- To date around 10,000 customers have accessed and viewed their video summary.

We will continue to take an interest in how this development is being received by customers and how it is helping improve customer outcomes. We will continue to challenge Aegon to extend access to video summaries for remaining workplace customers in Digital Solutions and to understand what plans Aegon has to introduce this for Existing Business customers.

Approaching retirement

Aegon has shared customer research it carried out which has reaffirmed the need for all providers to support customers as they enter the crucial ‘approaching retirement’ phase. Aegon invited 10,000 customers aged 50-65 to respond to a series of questions about their retirement journey. These were all customers without an adviser and not yet fully retired. The responses from around 2,000 customers confirmed:

- Pension choices still confuse a large number of customers which is likely to make them defer decisions on how to take an income.
- Taking a cash lump sum and buying an annuity are the options customers are most likely to understand. Information campaigns on what the draw down of regular income means will be required to ensure people weigh up all their options and make the right choice for them.
- The majority of customers agree with helping people without advisers make an initial decision and then setting them on a default investment pathway.

While these findings are not a surprise they do reinforce the fact that confidence in making financial decisions is low and that many people find retirement options confusing. Despite this the research showed that 66% of customers prefer to make their own decision after seeking information or help that they do not have to pay for.

This highlights the importance of providing support to you at this critical part of your journey and one the IGC will play a more prominent role in going forward as the FCA is extending the remit of IGCs to oversee the value for money of new ‘investment pathway’ solutions for those using income drawdown in retirement without advice.

Aegon has made changes to its ‘wake-up’ packs from 1 November 2019 aiming to reach customers at the right time to inform their decision on accessing their pension. These packs are designed to help customers understand their options at retirement and we encourage you to take time to read this material and to ask questions of Aegon to see where further guidance can be provided.

Additional support available to you

The additional support provided by Aegon to customers, employers and advisers is an area we have explored in detail this year.

We recognise that the vast majority of customers who we are responsible for ensuring value for money for, rely heavily on support provided from their employer or from Aegon, or advice provided by their Financial Adviser.

As well as reviewing the communication and engagement directly with workplace customers, we also assessed the support Aegon provides to customers without advisers, to employers and how it works with advisers to further enhance the customer experience and help improve outcomes for you.

Aegon has shared the ongoing support it offers to employers. This starts with dedicated implementation support for new clients and for existing clients who want to move to the Aegon Digital Solutions platform. The feedback from employees to us makes clear the positive impact this support has, both to the employer, and to the workplace customers who can access this support.

We also met with key members of the Aegon Workplace Distribution and the Client Service Management team to better understand the key topics that employers and advisers are raising with Aegon. The key themes have been consistent throughout the year with employers focusing on employee engagement, financial wellbeing for employees and concerns around the impact of Brexit. These are very important topics and are aligned with the key areas we regularly discussed with Aegon to understand the actions it is taking to manage risks for customers.

During the year Aegon provided a demonstration of the Member Insight toolkit which is a new scheme governance tool designed to help employers or advisers better understand their scheme and to identify areas where they could take action to help individuals in the scheme achieve a better outcome. This is available to all employers and advisers who have a scheme with over 50 members and the IGC believes it can help further improve employee engagement with their pension arrangement.

To complete our assessment of the support available, we conducted a deep dive of the work carried out by the Aegon Assist team who provide guidance to Aegon's non-advised customers and who work in a complementary manner with intermediary partners. This team provides support and guidance to customers enquiring about their retirement options as well as those wanting to consolidate their pensions. Where required Aegon Assist will direct customers to a Financial Adviser should their query require advice.

“We also met with key members of the Aegon Workplace Distribution and the Client Service Management team to better understand the key topics that employers and advisers are raising with Aegon. The key themes have been consistent throughout the year with employers focusing on employee engagement, financial wellbeing for employees and concerns around the impact of Brexit.”



“We recognise the importance of having a support function in place to provide guidance to customers who do not have an adviser and will continue to monitor how this area and all the support areas detailed in this report perform during 2020 to improve customer outcomes. In particular, we have challenged Aegon to set out more clearly its strategy for ensuring that as many customers as possible receive the right information, guidance or advice to help them make these complex choices.”

– Helen Parker

Press activity

As part of our regular review of customer communications we see the breadth of topics Aegon covers in the wider press and how these highlight important issues and are designed to help improve customer outcomes.

In 2019 there were over 2,200 articles, reaching a monthly audience of 19.5m which covered a breadth of topics which are important for customers to be aware of. The IGC fully supports the work Aegon does to raise awareness of key issues and we encourage you to find the time to read through the ones which may be of interest to you. In appendix 5 we share links to a number of articles covering some key themes for workplace savers.



“We have seen how important it is for customers to fully engage with their pension. To maximise the customer experience and engagement we look at the support Aegon offers to customers, employers and their advisers as all parties have a key role to play in promoting the benefits of a pension plan. We are encouraged by the developments Aegon has introduced for workplace customers and will continue to challenge Aegon to review the effectiveness of its communications and to extend these developments to all workplace customers.”

– Ronnie Taylor

7. Security of customer information and money

The security of your information and money remains a key focus for our IGC. It's important you have comfort that the information you provide to Aegon is protected and the money you invest remains secure.

Throughout the year we assess the processes and measures Aegon has in place to ensure your information and money remain secure.

We consider the areas of governance, financial security, information security and financial crime, with Aegon sharing the processes and controls it has in place to monitor risks. Our value for money dashboard allows us to see the trends in Suspicious Activity Reports, fraud prevention and the due diligence carried out on potential pension scams.

We are satisfied that protecting customers from pension scams continues to be a priority for Aegon. We have seen Aegon enhance its processes to ensure they continue to meet the industry standards published by the Pension Scam Industry Group "Combating Pension Scams: A Code of Good Practice". By aligning with industry standards, we see that Aegon has reviewed the lifecycle of a pension customer and updated messages within key customer journeys to help raise awareness of pension scams. Aegon also remains a member of the Pension Scams Industry Forum, working together with industry peers to share information and good practice to safeguard customers and combat scammers.

The transformation of financial services to a more digital and mobile environment means that Financial Crime is a key and growing threat to customers. Fighting financial crime and protecting customers remains one of the Government's and Regulator's key priorities and we will continue to engage with the Aegon Financial Crime Risk team to ensure that Aegon has appropriate monitoring and controls in place.

While we are encouraged by the rigour Aegon applies to security we also acknowledge that the responsibility to keep our data secure falls on each of us. Last year we highlighted the government ban on companies making unsolicited calls to you about your pension. This ban covers all 'cold-calling' relating to pensions and is intended to target fraudsters. If you do get a call, the advice from the government is to get any information you can, such as the company name or phone number, but be careful not to give the caller any of your personal information. You can then report this to the Information Commissioner's Office via their website or on **0303 123 1113**. Alternatively you can contact Aegon using the details set out in section 8 of this report.

We also highlighted the additional training Aegon provides to its staff to reduce the risks created by targeted spear phishing. We found that many of the areas covered in this training apply to our day to day lives so have shared some of the key points below.

Phishing is when you receive an email that is crafted to look like it has come from a legitimate source but the aim is to get some information from you or download malicious software onto your PC. Phishing campaigns commonly try to get information such as user IDs/passwords, Bank and payment card details. They usually use emails with links to websites (with login pages or data entry forms) both of which are crafted to look genuine.

Spear Phishing is targeted at a specific individual or company and may be more convincing. The attacker will make an effort to personalise the attack – perhaps spoofing an email to come from a department manager, the HR department, the Help Desk or a security administrator.

What should you look out for?

- Poor grammar and/or spelling mistakes.
- The sender highlights any negative consequences of ignoring the email or demands immediate attention.
- The email requires you to provide information such as login credentials or personal identifiable information.

What checks can you complete?

- Check who the sender of the email is. Do you know this individual? If the email address is unknown then treat the email with caution.
- Check if the sender's email address looks suspicious.
- Check the spelling and grammar throughout the email.
- Check any URLs contained within the email by hovering over the URL with the cursor. If the URL looks suspicious then do not open it.

If it looks suspicious:

- Don't open it.
- Don't click on links.
- Don't forward it.
- Report it and delete it!

Overall we are satisfied that Aegon is taking the steps required to keep your information and money secure. Your funds are held by a provider which is regulated by the Prudential Regulatory Authority, so is required to demonstrate financial strength, meaning your pension should be safe even if your employer were to have difficulties.

8. Our contact with Aegon's customers

We continue to value the feedback you provide to the IGC and to Aegon through its customer panel. Your feedback helps give us insight into the issues you are experiencing and to understand any information gaps that should be supported or any propositional shortcoming that Aegon needs to address.

We have seen the results from a wide range of topics you have commented on including the effectiveness of video summaries, the introduction of staff panels to help larger schemes improve employee engagement, the impact the Government's proposed Pensions Dashboards could have on customer behaviour, customer understanding of retirement options and customer understanding of the value of advice.

During the year we met with a number of employers who told us what was important to their workforce and we were then able to feed this back to Aegon and to challenge the plans to address some of the issues raised. Our meetings with clients were very balanced where they shared both positive and negative experiences, raising key topics such as ESG developments and their experience in dealing with Aegon and their systems.

We have followed up on a number of complaints received from customers to understand the underlying issue and to ensure Aegon is resolving these in a timely manner. These issues range from improving the process customers use to change the fund where their money is invested to providing a simpler, clearer explanation of charges and we are satisfied with the actions taken by Aegon to address these issues, for example reviewing and simplifying the letter which helps explain the charges customers have on their pension plan.

We'd be delighted to hear from employers and to discuss the importance they place on their pension scheme. We welcome thoughts on what can be improved to help employees engage more with their pensions.

While we follow the results from Aegon's customer panels and closely monitor the outcome of customer research, we are very keen to hear directly from you. If you would like to share your thoughts on the experiences you have with Aegon and tell us what can be done to improve outcomes for you, then please contact us using the details below.

How to contact Aegon if your query is for them

You can do this by telephone on **03456 10 00 10**, or in writing to
Customer Services, Aegon, Edinburgh Park, Edinburgh, EH12 9SE.

Contact us

Email us: igc@aegon.co.uk

9. Conclusions and focus for next year

In our fifth year as Aegon UK's IGC, we've continued to build on the standards established in previous years, and added a focus on what matters most to your retirement outcomes across the whole range of value for money principles.

We have seen a marked improvement over the last 12 months in the key areas of customer service, investment reporting and communication. Overall our IGC believes that Aegon is delivering value for money to its workplace customers, and is focusing on the right areas to further improve the customer experience, including encouraging you to fully engage with your pension plan.

We have a full agenda for next year and look forward to making sure all Aegon's workplace pension customers continue to receive value for money. We've highlighted our top priorities below:

- To work with Aegon to further understand its policy on ESG and how managing these financial risks can improve customer outcomes.
- Overseeing and reporting on the value for money offered by 'investment pathway solutions' which are the fund options Aegon makes available for customers who want to draw down regular income without the help of an adviser. We'll also be looking closely at the communications around these pathways and how well customers understand their choices.
- Continuing to push Aegon to make customer communications more engaging and more used, and extending these improvements to all workplace customers.
- Reviewing transaction costs and working with Aegon to develop a deeper understanding of these charges and to challenge Aegon to take action when we identify funds with transaction costs that are out of line with the objectives and performance of that fund.
- Making sure Aegon continues to provide the service levels and information you require as its operations grow. In particular we will challenge Aegon to apply their learnings from Existing Business and Digital Solutions to give the best outcome to all workplace customers.
- Challenging Aegon to set out more clearly its strategy for ensuring that as many customers as possible receive the right information, guidance or advice to help them make complex retirement choices.
- We will also continue to monitor closely the effect of moving the servicing of Existing Business customers to Atos, and the progress with delivering further improvements to the customer experience.

We recognise that the needs of customers continue to evolve, so we'll continue to challenge ourselves and Aegon to make sure we maintain a complete picture of performance in all the key areas of Value for Money.

Finally, our role as an IGC is to act on behalf of you, Aegon's customers, to ensure your workplace pension is providing value for money. It is critical that we hear your views and feedback. If you would like to contact us please do so by emailing igc@aegon.co.uk

“Overall our IGC believes that Aegon is delivering value for money to its workplace customers, and is focusing on the right areas to further improve the customer experience, including encouraging you to fully engage with your pension plan.”

Appendix 1

Value for Money principles

Value for money will mean different things to different people and there is no simple definition. The Regulators like the FCA have deliberately not sought to define this. Our priority is to make sure the workplace personal pension products and services you receive from Aegon meet the benchmarks we've set for value for money as set out in our principles. We would like to stress that the principles are not set out to reflect any order of importance.

The value for money principles we measure Aegon against:

Fair charge for services received

- The total charge customers pay while with Aegon represents good value against the nature and quality of benefits and services received.

Valuable investment solutions

- Customers are offered a range of investment solutions which are governed and monitored appropriately.
- Default funds and investment strategies are actively monitored with changes made where necessary to ensure their characteristics and net performance continue to be aligned with the interests of relevant customers.
- Fund transaction costs are monitored to ensure they represent good value.

Quality benefits and services

- Benefits and services are developed in response to customer needs and demands.
- Customer service and interactions are timely, accurate and customer focused.

Communication and engagement with customers

- Communications to customers are clear and straightforward, avoiding jargon, and designed to ensure customers understand the benefits they are receiving for the charges they pay.
- Communications and supporting tools encourage customers to engage with their pension and support key decisions (e.g. investment decisions, retirement transition) to improve customer outcomes.
- Changes, whether internal or external, which significantly affect customers are communicated in a clear and timely manner.

Security of customer information and money

- Data and money provided to Aegon is held and managed securely.

References to 'customers' refer to groups of similar customers rather than to individuals, and cover those within the scope of the IGC remit, namely relevant members of Defined Contribution workplace personal pension schemes.

Customers will receive value for money but will not all receive identical services nor will they all have identical charges. The pooling nature of insurance and pensions mean cross subsidies exist and are often required for practical reasons.

Appendix 2

IGC Focus in 2019

Throughout the year we assess and rank a wide range of key topics that sit in each of the Value for Money principles. This helps us and Aegon focus on the areas that need attention and that make the greatest difference to your pension experience and outcome.

IGC Focus	Value for Money principles				
	Charges	Investment	Customer Service	Communications & Engagement	Security
Review of VfM dashboard**	Understanding impact of charges*	Robustness of Governance**	Service Levels*	Product suitability reviews*	Governance**
Annual Report (review of peers, distribution of ours, feedback)**	Are charges modern?*	Default / key fund objectives and performance*	Customer Satisfaction*	Customer research**	Financial standing*
Independence / Expertise check **	Are charges comparable with the market? How can IGC benchmark charges?*	Financial and non-financial considerations, including ESG, consumer concerns and stewardship**	Initiatives / forward thinking**	Ongoing improvements to communications**	Data security*
Market awareness (Employer / Adviser insight)**	Sufficient detail in the Annual Report to inform customers**	Transaction Costs*	Customer insight (call listening, feedback)**	Auto Enrolment communications and impact (8% conts)*	Financial Crime*
Customer access to IGC		Communication of options**		Employer engagement – Aegon activities**	

Topic covered to IGC satisfaction	IGC has identified areas for development or improvement which are in the process of being addressed / are in relation to emerging risks or regulation	IGC has identified areas for development or improvement which have not yet been addressed / significant progress has not yet been made	Topic yet to be covered
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*Quantitative evidence provided via updates and VfM dashboard.

**Qualitative evidence provided via papers during the IGC year.

Appendix 3

Aegon's IGC members



Aegon's IGC is chaired by Independent Trustee Limited, a wholly owned subsidiary of Sacker and Partners LLP, acting through Ian Pittaway as its nominated representative. Including the Chair, it is made up of five members; three independent members and two Aegon appointed members.

Independent chairman: Ian Pittaway, Senior Partner at Sacker and Partners LLP, nominated representative of Independent Trustee Limited

Ian acts for a number of pension schemes as legal advisor and has gained extensive pensions law experience on a wide range of issues. This includes acting as an arbitrator and as an expert witness in court proceedings.

Ian is an expert on governance and often advises Trustee Boards on the most effective way to approach and take decisions. He is Chairman of his firm's independent trustee company and is chairman of trustees or independent trustee of a number of pension schemes, including, as representative of Independent Trustee Limited, on the Board of the Aegon Master Trust. As independent chairman or trustee of several pension funds, he has gained a good appreciation of the issues faced by trustee boards from a client perspective. He is also a former Chairman of the Association of Professional Pension Trustees (APPT) and a former Chairman and Secretary of the Association of Pension Lawyers. Ian writes extensively for the pensions and national press, and lectures widely.



Independent member: Alison Bostock, Client Director of PTL Governance Ltd (PTL), nominated representative of PTL

Alison joined PTL as a full time professional trustee in 2015, after a 25 year career in pensions consultancy as an actuary. Alison acts as trustee to a number of DB and DC pension schemes, and is a leading member of PTL's Governance Advisory Arrangement, which acts as an IGC to assess value for money for the workplace pension schemes of a large number of smaller providers. Alison holds the PMI Certificate in DC Governance and now serves on the committee that oversees the syllabus and examinations for the qualification. She was also appointed as PTL's representative on the Board of the Aegon Master Trust on 1 December 2018.



Independent member: Helen Parker

Helen Parker has 30 years' experience working on consumer issues, first in executive roles and now as a non-executive. Helen was a member of the senior leadership team of Which?, Europe's largest independent consumer organisation, for more than a decade. This included serving as Editorial Director, responsible for the organisation's independent information and advice services, and later as Policy Director, responsible for the evidence that underpinned its campaigning on behalf of all UK consumers. Helen now has a number of non-executive roles with a focus on consumer engagement and protection. She is a non-executive director of the Financial Services Compensation Scheme which protects consumers when authorised financial services firms fail. She is also a non-executive committee member of Healthwatch England, the independent national champion for people who use health and social care services. She is also a member of the independent Challenge Group established by energy regulator, Ofgem, to challenge the five-year business plans of energy network companies whose costs account for 25 per cent of consumers' energy bills.



Ronnie Taylor – Chief Distribution Officer, Aegon UK

Ronnie is Chief Distribution Officer at Aegon. He's responsible for leading Aegon's growth across both workplace and wealth channels. Ronnie has over 20 years of experience in the industry and is an actuary by profession. He joined Aegon from Scottish Widows where he was responsible for the distribution of their workplace, protection and direct propositions. Ronnie has also held a number of senior sales roles at Standard Life, including time as Managing Director of Workplace.

Having worked in a variety of senior roles across the pensions industry, Ronnie has a wealth of experience of, and insight into, the pensions industry, which he uses to ensure that Aegon is giving you value for money. Ronnie's main focus is on member engagement and communications. He is ensuring that Aegon is devoting sufficient financial and physical resources to understand what is important to workplace customers, and that information is presented to customers in a meaningful way so that they really understand what they have and what their options are.

Ronnie is also a member of the Board of the Aegon Master Trust.



Dougy Grant – Managing Director, Existing Business, Aegon UK

Dougy is an actuary with over 20 years of experience within Aegon, holding leadership roles in finance, marketing, sales, operations, and general management. He has been Managing Director of Existing Business since 2016. Dougy is a member of the Aegon UK Executive Committee and the Aegon UK Customer Committee, which is responsible for ensuring good customer outcomes across all of Aegon's customers.

Dougy brings a deep understanding of Aegon's business and its operations. He takes a customer centric approach and has a proven track record of improving customer outcomes. Dougy's main focus is on driving improved levels of customer satisfaction. He is ensuring Aegon is focused on the right areas of customer service, taking and applying learnings from across different business units and seeking ways to improve the overall customer experience.



Experience and expertise

We have concluded that, through initial and ongoing assessment of our individual experience and expertise, we collectively have sufficient expertise, experience and independence to act in relevant policyholders' interests.

Independence

The independent members of Aegon's IGC fulfil the FCA requirements to be demonstrably independent of Aegon. None are, or ever have been employees of Aegon UK or of a company within the Aegon group. None are or have been paid by them for any role other than as an IGC member or since Independent Trustee Limited and PTL Governance Ltd were appointed to the Board of the Aegon Master Trust on 1 July 2018 and since Helen Parker has been selected to join the Board of the Aegon Master Trust subject to regulatory approval in respect of which their fees are paid by Scottish Equitable as Sponsoring Employer and Scheme Founder of the Aegon Master Trust. (The FCA rules explicitly acknowledge that there may be benefits in a trustee of a master trust operated by a group also being a member of the group's IGC.) They have never had any material business relationship with any company within the Aegon group.

The corporate members, Independent Trustee Limited and PTL Governance Ltd, do not have any actual or potential conflicts of interest and neither do their nominated representatives.

In the interests of transparency, we should highlight that the Chair of the IGC, Independent Trustee Limited, is a wholly owned subsidiary of Sacker and Partners LLP which is appointed as conflict adviser to the Trustees of the BP Pension Fund. BP is also a pension scheme client of Aegon. In the opinion of Independent Trustee Limited and the IGC, no conflict arises between Sacker and Partners LLP's relationship with BP and Independent Trustee Limited's role as the Chair of Aegon's IGC.

The IGC can therefore confirm that it meets the independence requirement, taking into account the relevant Financial Conduct Authority guidance.

Aegon has confirmed it also regards its independent IGC members as meeting the independence requirements and will continue to review this, taking appropriate action if it considers that they are not.

Appendix 4

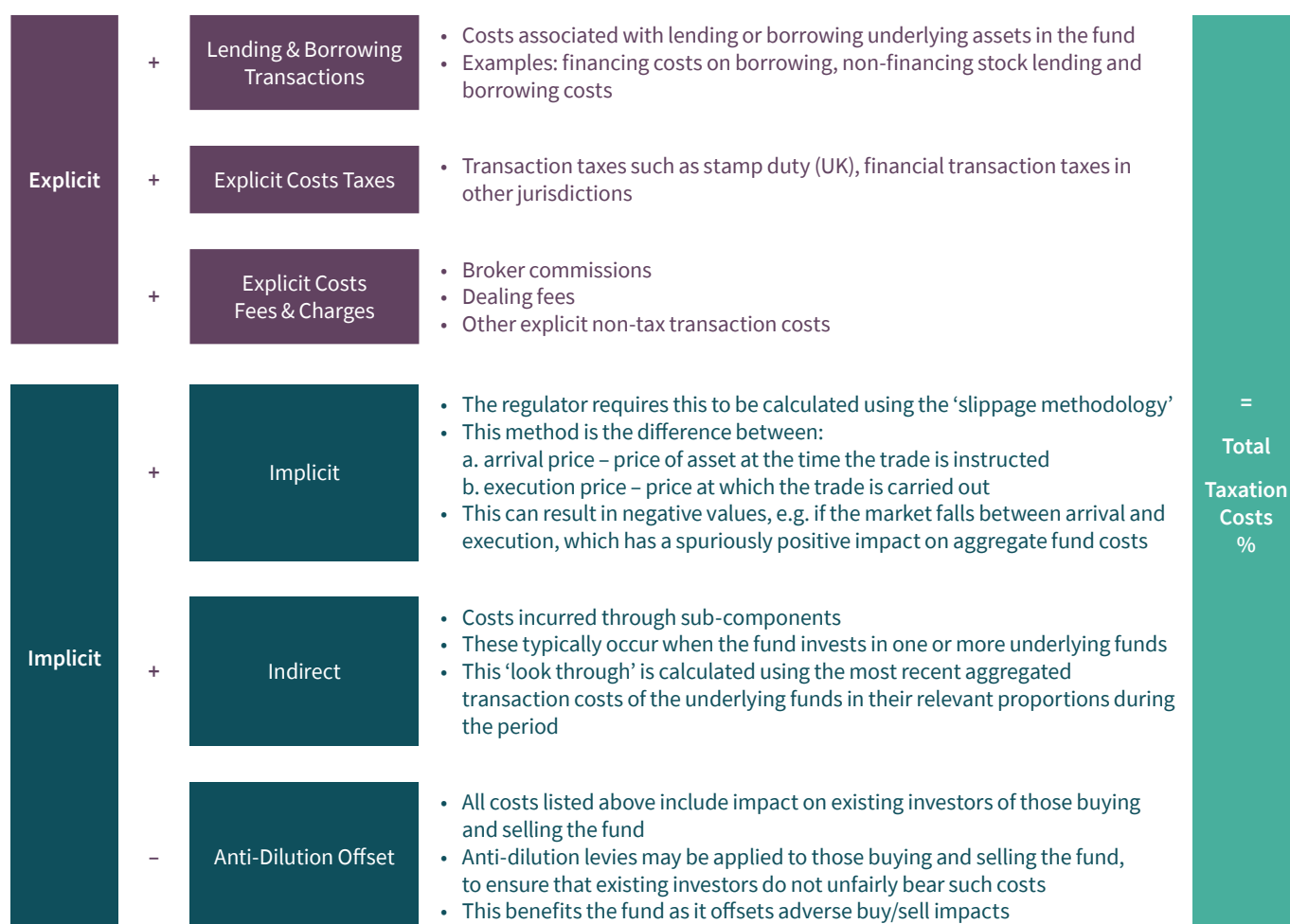
Transaction Costs in detail

All funds have transaction costs because they need to buy and sell investments as money comes into or out of the fund and to implement investment decisions. As we highlighted in last year's report these costs are influenced by a number of factors such as:

- The type of investment that the fund holds – for example fixed income securities and cash have lower costs than equities and other types of investment.
- How frequently the fund manager tends to buy and sell the underlying investments – active funds will tend to trade more frequently than passive funds.
- The fund's overall objective – typically those with a higher performance target will trade more often.

Transaction costs are paid from the fund, so directly impact the net return you receive. There are two categories of transaction costs:

- Explicit costs: where a known monetary amount is paid
- Implicit costs: where the costs need to be derived



Actively managed funds aim to beat a benchmark and, in order to do so, they may need to trade more frequently. Passive funds aim to track a market index and trading is less frequent. From the table below you can see this trend as three of the four largest transaction costs are associated with fully active or partially active funds. Ideally, the additional trading undertaken by active funds is reflected in their performance.

Transaction Costs for key funds – 1 October 2018 – 30 September 2019

	Management Style	Transaction costs (%)					Annual Management Charge & Other Expenses (%)	TOTAL Fund Costs (%)	3 year returns % (annualised to 30.09.2019)	
		Explicit costs	Implicit costs	Indirect costs	Anti-dilution offset	Sub-total			Fund	Benchmark
Default funds										
Aegon Default	Passive	0.042	0.030	0.011	0.001	0.082	0.05	0.132	N/A	N/A
BlackRock LifePath Flexi 2055-2057	Predominantly Passive	0.014	0.000	0.115	0.013	0.116	0.18	0.296	9.12	9.12
Passive funds										
Balanced Passive Lifestyle	Passive	0.007	-0.002	0.062	0.000	0.067	0.10	0.167	7.81	6.02
BlackRock 50/50 Global Equity Tracker	Passive	0.022	0.007	0.000	0.020	0.009	0.06	0.069	9.00	8.77
BlackRock Balanced Index	Passive	0.070	0.041	0.000	0.047	0.064	0.10	0.164	7.32	7.13
BlackRock Consensus Index	Passive	0.045	0.028	0.001	0.030	0.044	0.12	0.164	7.69	7.32
Active funds										
Distribution	Active	0.037	0.040	0.007	0.000	0.084	0.20	0.284	4.14	3.86
Ethical	Active	0.187	0.181	0.004	0.000	0.372	0.31	0.682	3.78	2.51
BlackRock Diversified Growth	Active	0.029	0.165	0.014	0.000	0.208	0.70	0.908	4.33	2.51
BlackRock Balanced Growth	Active	0.002	0.000	0.130	0.028	0.104	0.60	0.704	9.28	7.15

We have also looked at funds with the highest transaction costs, listed in the table below, for the 12 months to 30 September 2019. These funds are all actively managed and the majority have very specific investment objectives. The M&G select fund and Aberdeen UK Mid-Cap funds have high explicit costs. This is due to their investment style focusing on smaller UK companies which incur higher trading fees and higher 'spreads' between the buy and sell price owing to lower market liquidity. The other three funds have high implicit costs associated with the price difference of an asset between a trade being placed and executed.

	Management Style	Transaction costs (%)					Annual Management Charge & Other Expenses (%)	TOTAL Fund Costs (%)	3 year returns % (annualised to 30.09.2019)	
		Explicit costs	Implicit costs	Indirect costs	Anti-dilution offset	Sub-total			Fund	Benchmark
Highest 5 funds										
SE JP Morgan Europe Dynamic ex-UK	Active	0.190	0.610	0.000	0.020	0.780	0.90	1.680	8.14	9.16
SE Fidelity American	Active	0.018	0.541	0.000	0.000	0.559	0.93	1.489	13.19	14.71
SE Baillie Gifford Diversified Growth	Active	0.033	0.313	0.204	0.042	0.508	0.72	1.228	4.33	0.51
SE Aberdeen UK Mid-Cap	Active	0.353	0.070	0.003	0.010	0.416	0.80	1.216	10.07	6.03
SE M&G UK Select	Active	0.301	0.170	0.000	0.058	0.413	0.70	1.113	6.72	6.76

Following its assessment, the IGC has concluded that transaction costs in the fund range are reasonable compared to other similar funds available from competitors and allowing for the investment returns offered by the funds. We continue to be vigilant and assess transaction costs regularly during the year.

Appendix 5

Press articles of interest

Theme: Saving for Retirement

Retirement confidence is on the rise but overconfidence carries risks

– Spokesperson, Steven Cameron

Daily Mail

Automatic enrolment and the state pension won't be enough for most individuals to retain their lifestyle in retirement

– Spokesperson, Steven Cameron

Daily Mirror

With up to £20bn of savings feared lost, here's how to track down your missing pot

– Spokesperson, Steven Cameron

Mail Online

This is Money

Drawdown investors profit in first four years of pension freedoms, but savings fluctuate significantly

– Spokesperson, Nick Dixon

Money Marketing

FT Adviser

Theme: Pension Engagement

Top tips on using workplace interventions to boost pensions engagement

– Spokesperson, Linda Whorlow

Employee Benefits

Aegon brings workplace pensions to life with the launch of video summaries

– Spokesperson, Linda Whorlow

Corporate Adviser

Professional Pensions

Theme: Value of financial advice

Aegon launches guide for consumers on why they should seek advice as research shows peace of mind is biggest benefit

– Spokesperson, Ronnie Taylor

FT Adviser

Pursuing a DIY approach to money matters costs savers in the long run

– Spokesperson, Steven Cameron

Pensions Age

Financial advice can help savers avoid over-caution

– Spokesperson, Nick Dixon

Pensions Age

Nervous retirees seek financial advice on the flexibility offered by pension freedoms

– Spokesperson, Nick Dixon

International Adviser