

# Value for money

Delivering what matters most for you

Independent Governance Committee of Aegon  
Annual Summary Report for the year 2020

# Chairman's statement



## I am pleased to share with you the sixth annual report from Aegon's Independent Governance Committee (IGC) for the year 2020.

As we all know, the spread of Covid has impacted our society in a way no-one could have imagined. Living through a global pandemic has been, and remains, a deeply unsettling time for us all, and therefore a critical time for the IGC to ensure that Aegon continues to offer you value for money.

While this report is focused on the impact of the pandemic and our assessment of what Aegon has done to continue to serve and support you, there are a number of other key developments which have taken place during 2020.

In particular, we have overseen the design of Investment Pathways solutions which are the funds Aegon is required to make available for customers who want to draw income from their fund in retirement and do not have their own financial adviser to help them. As an IGC we have reviewed the structure and price of these funds, the communication and literature which helps you make choices, and ensured that Aegon has carried out appropriate research into what customers need. We will keep these under regular review.

We have also seen Aegon accelerate work on Environment, Social and Governance (ESG) issues and set out its strategy for responsible investment. The IGC has noted Aegon's commitment to make further progress in this critical area, with concrete targets and the structured approach and measurement that will be needed to get there.

Finally, in the area of investments, our previous concerns over the quality of data on Transaction Costs supplied by fund managers have now been addressed. The structured analysis and monitoring that has been put in place give the IGC confidence in the level of costs as well as how they are tracked and challenged.

However, the impact of the pandemic has been our main focus during the year. During the initial lockdown period we sought regular updates and discussions with Aegon to understand the actions being taken to provide you with the service you required following the temporary closure of the Aegon offices on 24th March, as required by Governments, and the move to working from home.

### There were a number of areas we sought assurance on:

- The maintenance of all key processes and timely interactions with all customer enquiries.
- The developments put in place by Aegon to enhance its online presence and increase the contact options customers have.
- The financial strength and stability of Aegon, particularly during periods of market volatility.
- The actions Aegon was taking to protect all those customers who are increasingly vulnerable during times of investment market volatility or who are less familiar with engaging digitally.

We detail our findings later in the report, in the relevant value for money sections, and although the future remains uncertain, we are satisfied that Aegon is working hard to make sure it continues to have all the right measures in place to support you during and beyond this crisis.

In June 2020 the Financial Conduct Authority (FCA) concluded their review of the effectiveness of IGCs and highlighted some areas for our IGC to consider. These included our governance, the value for money framework we use to review Aegon's performance and sharing with you more of the detail we see on a regular basis around investment performance and transaction costs. We have addressed these findings during the year and together with Aegon, have been considering how best to develop our collective oversight of value for money. As a result we have challenged ourselves and Aegon to develop a stronger strategic focus on measurably improving customer outcomes, and this new value for money framework will be used and reported on in the next year. You will see in Appendix 2 the various challenges we have issued to Aegon during 2020, their response, and what this means for you.

The FCA also finalised their rules and guidance on requiring IGCs to report on the impact that costs and charges have on the funds you invest in over time. We explain more about this in the report and provide a link to example illustrations so you can see the impact.

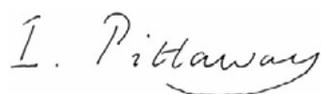
**Overall our IGC believes that Aegon is working on the right areas to further improve value for money and customer outcomes. There are a number of areas we will continue to focus on during 2021, in particular:**

- Implement our new value for money framework and continue to challenge Aegon to demonstrate how its actions are improving the outcomes for you.
- Closely monitor the impact of Investment Pathways solutions following their launch, seeking feedback from customers on the communications of the funds and reviewing the options offered in the market to ensure Aegon is offering value for money.
- Continue to assess, monitor, and report on Aegon's ESG policy as part of its fund range and also more generally what Aegon is doing as a company to deliver on ESG.
- Challenge Aegon to better demonstrate the impact of its communications and what actions you take after receiving or reading something.

Alongside our full report we have produced a [short video](#) where we summarise the IGC activities during the year, discuss the Investment Pathways solutions and outline what our new value for money framework will achieve.

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 use these to drive a better outcome for you. You can share these by emailing us at [igc@aegon.co.uk](mailto:igc@aegon.co.uk). We are also always interested in meeting workplace customers or employers to improve our understanding.



**Ian Pittaway**

Chairman of Aegon's  
Independent Governance Committee

# Challenging Aegon to meet our Value for Money principles – overview

Over the last six years, we've established 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 review of the product charges paid by the 1.95m workplace customers Aegon has, testing them against the charges disclosed in other IGC reports and the Department for Work and Pensions (DWP) Pension Charge survey. We believe that the product charges made by Aegon are in line with others in the market and offer workplace customers value for money.</p> <p><b>Outcome – GREEN – We believe the charges you pay on your Aegon plan are reasonable and in line with terms available in the wider workplace market.</b></p>
Valuable Investment Solutions	 	<p>We have seen evidence of strong fund governance and the work done to address the concerns raised in our previous report. Our previous concerns over the quality of data on Transaction Costs have also been addressed and the structured analysis and monitoring gives us confidence in how these are now tracked and challenged. We believe the introduction of Investment Pathways gives you clear investment solutions for taking income from your pension pot even if you choose not to take advice. Aegon has accelerated its work on ESG and set in action the promised strategy for responsible investments. It has also committed to make further progress in this area, with stretching targets and a structured implementation plan for how they will be achieved.</p> <p><b>Outcome – Amber – We believe the investment options you have as part of your Aegon plan provide you with valuable investment solutions and that Investment Pathways have been implemented in an appropriate way. There is further work required to apply ESG fully across the funds available to you.</b></p>
Quality Benefits and Services	 	<p>We have closely monitored the service levels provided by Aegon throughout 2020 and the impact of the pandemic, as well as the potential impact Brexit could have had, on the service you receive. Although customer experience measures confirm you appreciate the support provided by Aegon there are areas of underperformance which need to be addressed. These are around telephone calls and in particular, the number of customers hanging up before their call is answered.</p> <p><b>Outcome – AMBER – Overall the service provided has held up, however there are areas that need to be improved and we continue to challenge Aegon to ensure action is taken to address these hotspots.</b></p>
Communication and Engagement with customers	 	<p>We continue to see significant improvements made to the communications Aegon provides to customers to promote active engagement with your pension plan and support your financial wellbeing. We acknowledge the work carried out to support vulnerable customers through the pandemic and the launch of the security hub to raise awareness of scams and what you need to do to protect your data and savings.</p> <p><b>Outcome – GREEN – Aegon has continued to make improvements in this area over the last 12 months. In future, we will challenge Aegon to provide more evidence that its communications are having a measurable impact on member outcomes and our value for money rating will take that into account.</b></p>
Security of Customer Information and Money	 	<p>We are satisfied that Aegon is taking the steps required to keep your information and money secure. In particular we acknowledge the internal training and controls in place combined with the proactive customer engagement and collaborative approach to sharing good practice and intelligence across the industry.</p> <p><b>Outcome – GREEN - We are satisfied that Aegon is taking the steps required to keep your information and money secure.</b></p>

Overall our IGC believes that in this unprecedented year Aegon has delivered value for money to its workplace customers, and has the right focus and strategy to further improve your experience as a customer. We explore each of these findings in more detail throughout the report.