

Hargreaves Lansdown

Independent Governance Committee Report

Investment Pathways

2025

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Introduction

Hello and welcome to our 2025 report, which covers the 2024 calendar year. We'll tell you whether we think your **investment pathways** give you value for money and our opinion on Hargreaves Lansdown's investment policies.



My name is Kim, and I chair the committee (the Independent Governance Committee, or "IGC") that's written this report. Our main job is to assess whether you get value for money (VFM) from your **investment pathways**. You can find how we did this and much more information on the background and role of the committee by reading the rest of this report. It's enough to say for now, though, that we're here to act in your interests and that we're independent of Hargreaves Lansdown (who from now on I'll call "HL").

The report includes some important "calls to action". These are things you need to do to make the most of your **investment pathways**.

Sometimes we've had to use industry jargon. Where we've done this, we've put the words in **bold** and given a definition in the jargon buster which you can find at the very back of the report.

We'd love to hear your views or comments on this report or your **investment pathways**. You can email us on IGC@hl.co.uk

Or write to us at;

FAO: IGC
Freepost
HARGREAVES LANSDOWN

Thank you for reading this report.

YOUR INVESTMENT PATHWAYS DASHBOARD FOR 2025

A committee of independent professionals (the “IGC”) have assessed whether the Hargreaves Lansdown **investment pathways** give you **value for money**. The key factors the IGC considered are summarised below, together with the IGC’s rating of each factor.



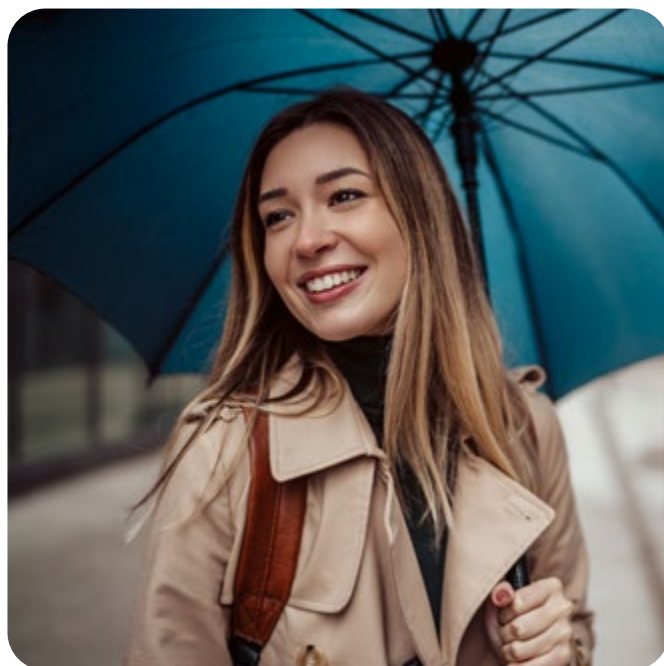
Our conclusion on value for money

The IGC is satisfied that most investors are receiving value for money from their investment pathway solutions. The IGC has found a number of areas of strength in the HL proposition, however, we have also identified some areas for improvement. This is represented by the combination of amber and green ratings in 2024. More detail can be found in our full report.

Key:

The IGC uses a traffic-light system to assess value for money. Both **green** and **amber** ratings indicate that investors are receiving value for money, with the distinction reflecting the scale or nature of any issues identified. A **red** rating highlights areas where value for money is not being achieved.

Making choices at retirement is one of the most important financial decisions you'll make. These determine your future, and some decisions cannot be changed once they have been implemented. **Investment pathways** are a set of pre-defined investment options introduced to assist individuals who are entering **drawdown** and may not have the expertise or confidence to make investment decisions. These pathways match your retirement goals with appropriate investment strategies, allowing you to select an option that aligns with your plans for the next five years and beyond.



GREEN – Meets or exceeds the IGC's expectations. Some areas for improvement may be noted, but these do not affect overall value for money.



AMBER – Represents value for money, but the IGC has identified more significant areas for improvement, or issues linked to emerging risks or regulatory changes, which need ongoing attention.



RED – Does not represent value for money. The IGC has identified material issues that have not been addressed and/or may significantly impact value for money.

VALUE FOR MONEY COMPONENT		RATING	CONCLUSION
Investments and performance	<p>For example, are investment strategies appropriate and reviewed?</p> <p>Are investments performing well?</p> <p>How adaptable are they?</p> <p>Do HL consider ESG, stewardship and other financial and non-financial matters?</p>		Overall, we have rated investment amber due to some mixed performance of the pathway investment options against their objectives and the impact of interest retention for pathway 4 on net return. HL have confirmed they still have conviction in the investment solutions and overall approach, and we will continue to keep performance under review.
Communications, engagement and support	<p>For example, are communications to investors clear, appropriately targeted and accessible?</p> <p>Is there robust support for vulnerable Investors?</p>		Overall, we have rated Communications, engagement and support green and see this as a strength of the HL proposition. Over the year HL has implemented tactical support for investors for whom behaviour does not align to their pathway, and we will monitor the automation of this in 2025.
Administration and service	<p>For example, are financial transactions processed promptly and accurately?</p>		Overall, we have rated Administration amber. We moved the rating of administration and service from green to amber due to a fall in SLA performance for drawdown applications in Q4 2024 and the continued pause in planned investments in automation off the back of the Pensions Investment Review . We will be monitoring the implementation of planned automation, the process for drawdown and performance against SLAs in 2025.
Other features	<p>We considered other features that we thought relevant to value for money.</p>		Overall, we have rated Other features amber. We have moved the rating from green to reflect the need for continuous evolution of controls around internal governance as well as the potential impact of Pensions Investment Review and new owners on HL's strategic priorities. We will engage with HL on the impact of the Pensions Investment Review and new owners' priorities in 2025.
Costs and charges	<p>Are the charges reasonable for the product?</p>		Overall, we have rated Costs and charges amber. Pathways 1, 2 and 3 have costs and charges broadly consistent with the wider market but the impact of retaining a proportion of the interest on Pathway 4 lacks transparency and makes the value for money assessment more difficult hence the amber rating. We will continue to liaise with HL on this approach.
Investment Policies	<p>Are the policies adequate and of sufficient quality to deliver good consumer outcomes?</p>		Overall, we have rated the adequacy and quality of the Investment policies green. HL has made some changes to the policies over 2024 based on our feedback and we will continue to monitor their evolution in 2025.



Acquisition of HL by a private equity consortium

Hargreaves Lansdown Limited (“HL”) is now owned by Harp Bidco Limited, a company ultimately controlled by a consortium. Harp BidCo Ltd (the consortium) has been formally renamed as Hargreaves Lansdown Group Limited, effective 11th September 2025.

As part of the acquisition, Hargreaves Lansdown PLC was re-registered as Hargreaves Lansdown Limited, and its shares were delisted from the London Stock Exchange on 25 March 2025.

The consortium comprises CVC Private Equity Funds, Nordic Capital, and Platinum Ivy (a wholly owned subsidiary of ADIA). It has committed to significant investment in a technology-led transformation, aimed at strengthening HL’s offering and supporting its mission to “make it easy to save and invest for a better future.”

The IGC looks forward to understanding the business’s strategic priorities and the potential impact this has on investment pathways investors. We will provide an update on any changes to their approach in our 2026 IGC report.



Investment pathways: what we considered when doing our value for money assessment.

In this section I'll tell you how we went about assessing **value for money**, the factors we considered and why we arrived at our conclusion.

Investment pathways help you choose the right investment strategy for your pension; there are four objectives with suggested investment options to choose from (see below) that can be used for those starting to draw their benefits

We've created a framework to assess the **value for money** ("**VFM**") you get.

The framework helps us to make sure we consider the factors that contribute to **VFM** in a robust and consistent way. You can find more information on this framework in Appendix 3.

Ultimately, the real value from your pension will be measured by you, based on what you receive when you need or want to start taking money out of it. One of the most significant factors that'll influence that, however, is investment performance and particularly so as you get close to taking money out – and that's why there is a call to action here:



CALL TO ACTION

- Review the **investment pathway** you are in to make sure it is right for your circumstances. You can speak to a financial adviser to help you do this.



What are investment pathways?

HL's **Investment Pathways** ("pathways") are a set of four investment solutions, intended to help you make investment decisions close to when you draw, or when you are drawing, your pension, without necessarily having to speak to a financial adviser.

The four pathway solutions have different objectives depending on what you intend to do:

Pathway 1: for people who have no plans to touch their money within the next five years.

Pathway 2: for people who plan to take a **guaranteed income** (an annuity) within the next five years.

Pathway 3: for people who plan to start taking a long-term income within the next five years.

Pathway 4: for people who plan to take out all of their money within the next five years.

Investment strategies and performance

In order to select each investment fund, HL had to make assumptions about the characteristics of the people likely to choose each of the four pathways. These assumptions included, for example, the attitude to risk of the people that would choose them. HL has recently extended their considerations to specifically take into account the needs of vulnerable Investors who have selected one of the four investment solutions they considered most appropriate.

We reviewed the performance of the pathways taking into account the following:

- gross (before charges) and net (after charges) performance, including risk-adjusted performance,
- consistency with underlying investment objectives,
- performance relative to benchmarks (where available) and, in relation to Pathway 4, performance relative to a peer group

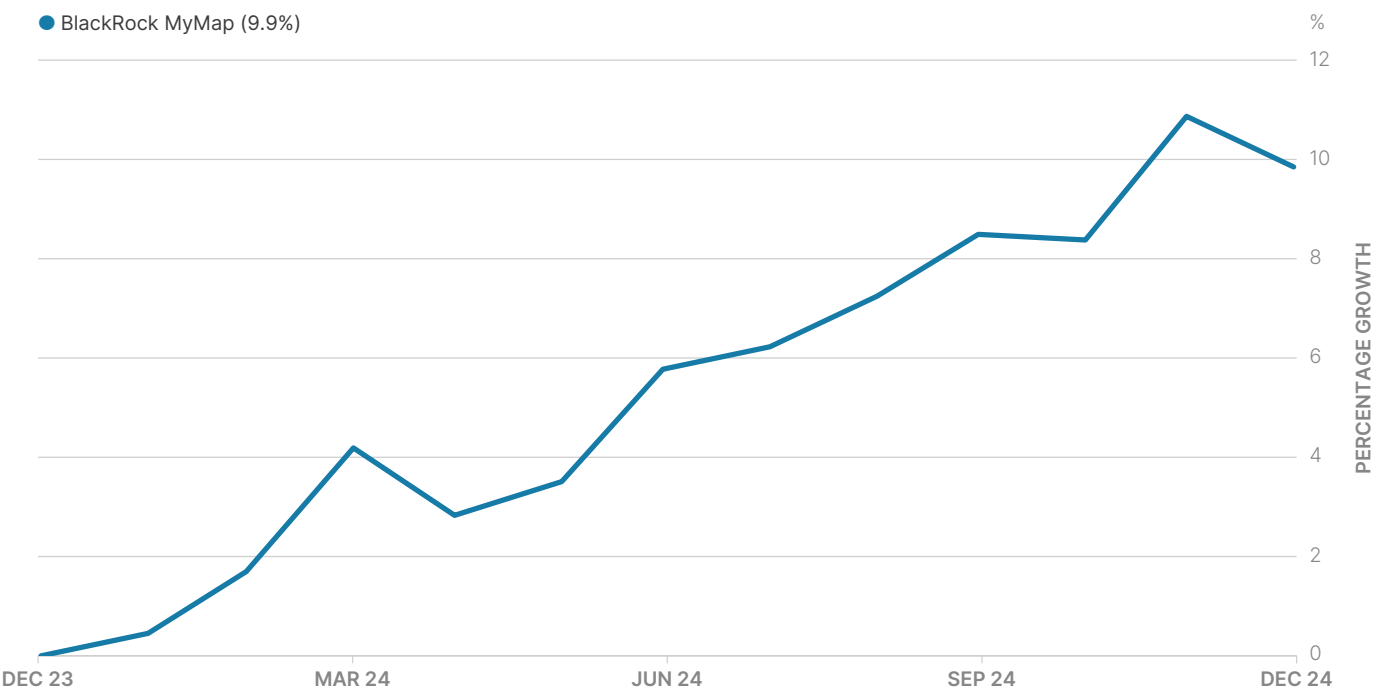
Investment pathways were introduced in February 2021. Because of this, not all the funds used by providers across the market have a five-year track record, so we have shown performance of HL's Investment Pathway solutions over the last 1 year as well as the last three years. Where HL's fund choices do have a longer track record, we have assessed their performance over the longer periods in reaching our conclusions.

The IGC reviews the performance of each of the **investment pathway** funds and asks HL to comment on the performance against expectations. We wish to see HL considering whether the Investment Solutions still meet the objectives for investors selecting them. Off the back of this review there have been no changes made to the **Investment Pathways** investment solutions in 2024.

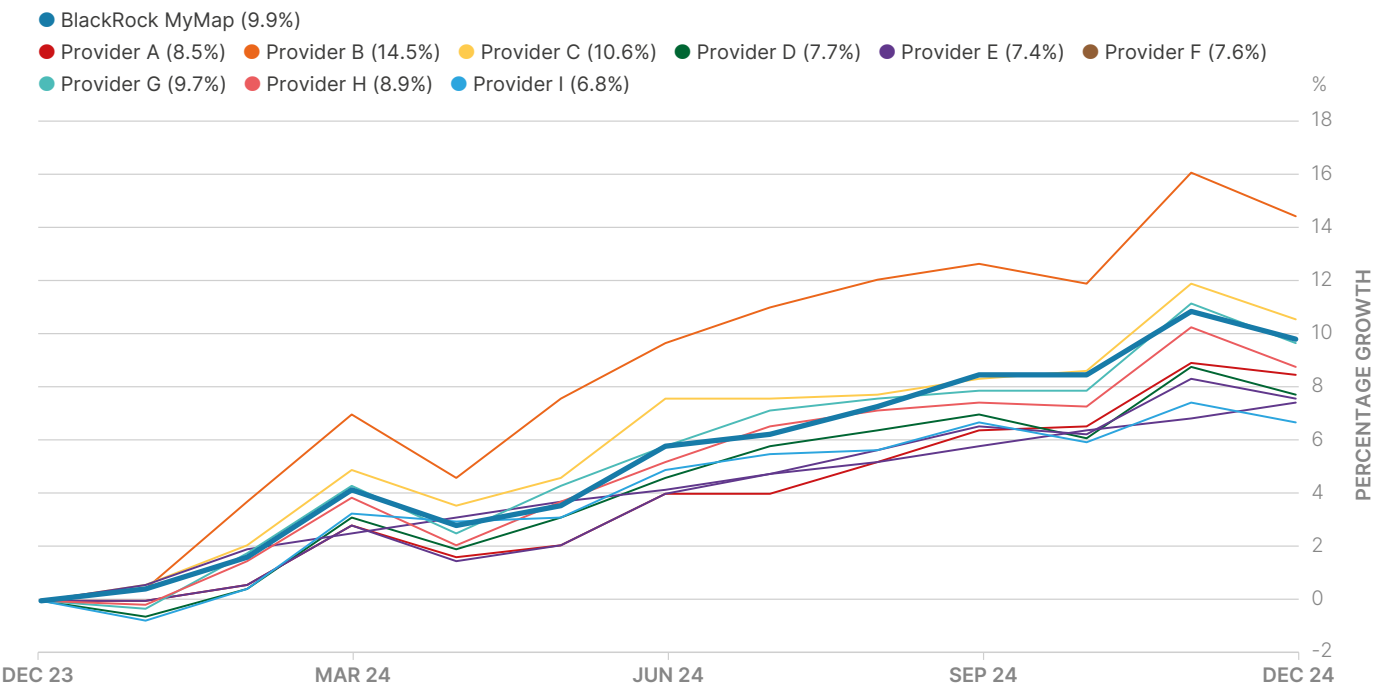


Pathway 1 Performance

PATHWAY 1 – 1 YEAR



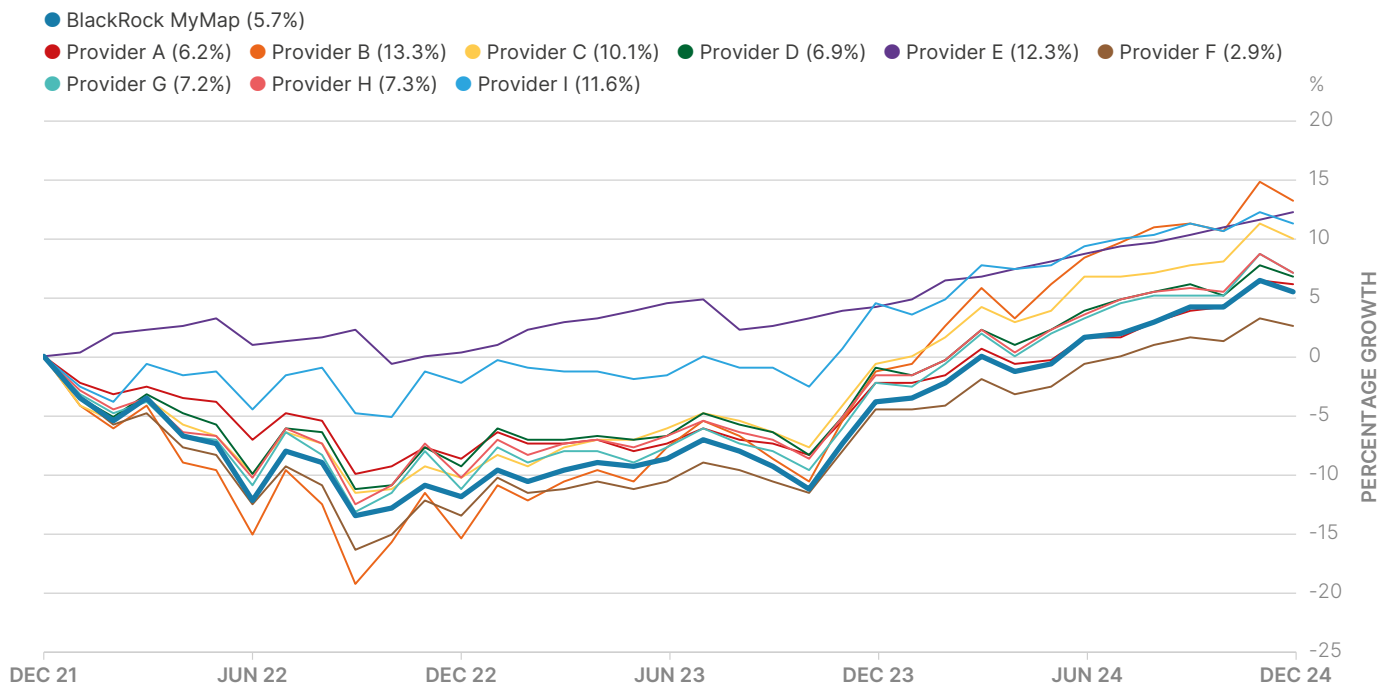
PATHWAY 1 vs COMPETITORS – 1 YEAR



PATHWAY 1 – 3 YEAR



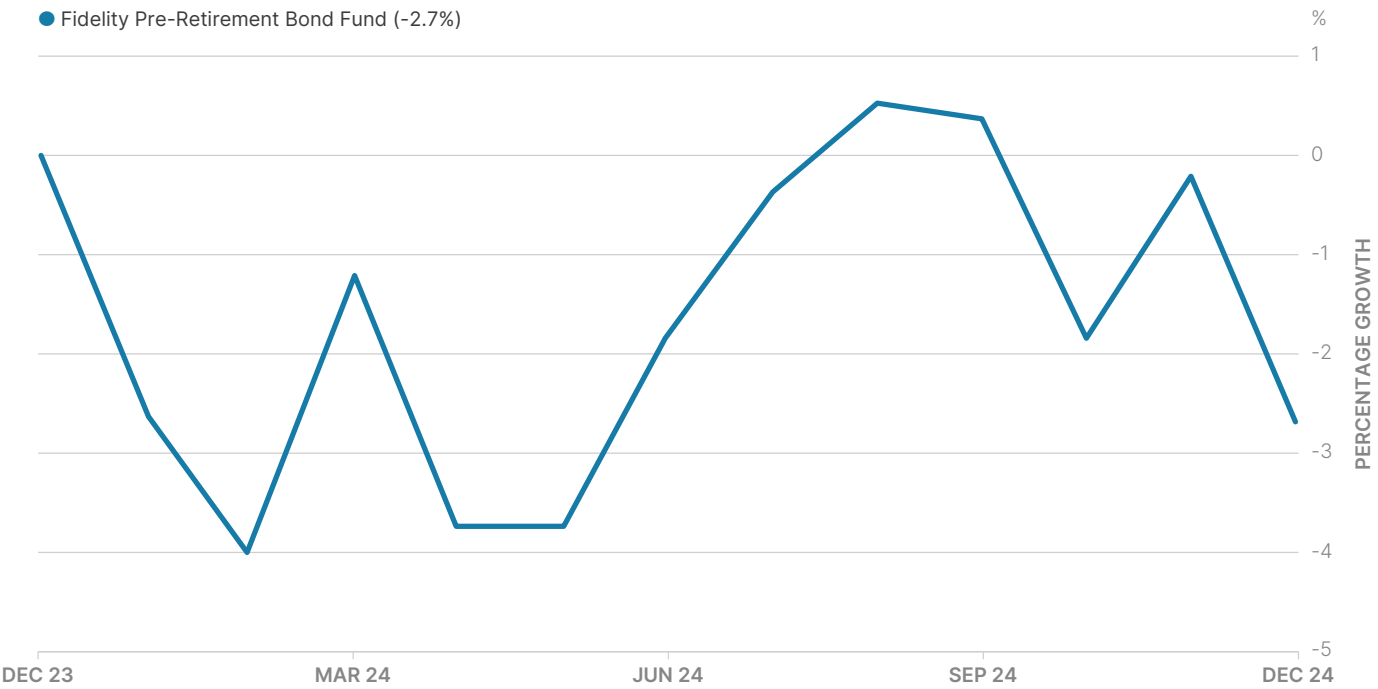
PATHWAY 1 vs COMPETITORS – 3 YEAR



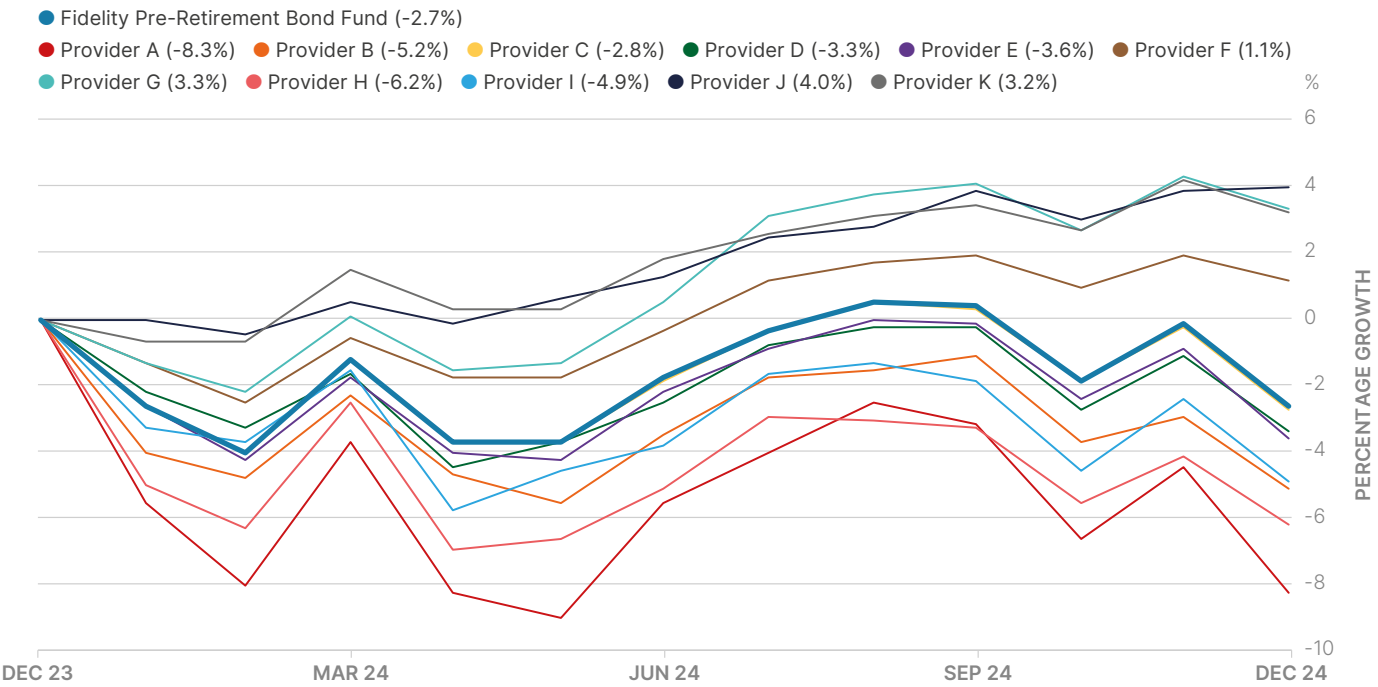
The IGC have reviewed the performance of Pathway 1 (Blackrock Mymap 4) and note it has broadly performed in line with expectations, although the longer-term performance has been challenged compared to its peers, due to the differing levels of risk. When we discussed performance with HL they are comfortable with the risk adjusted returns and view them as positive.

Pathway 2 Performance

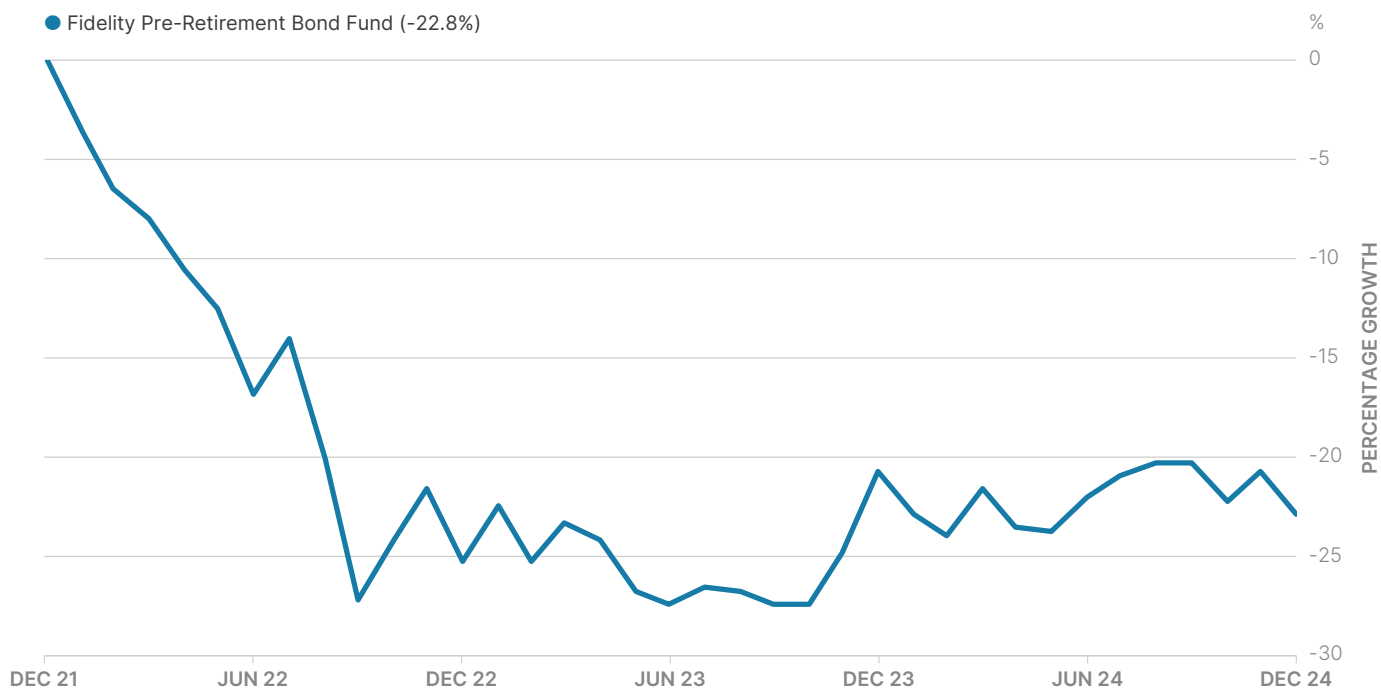
PATHWAY 2 – 1 YEAR



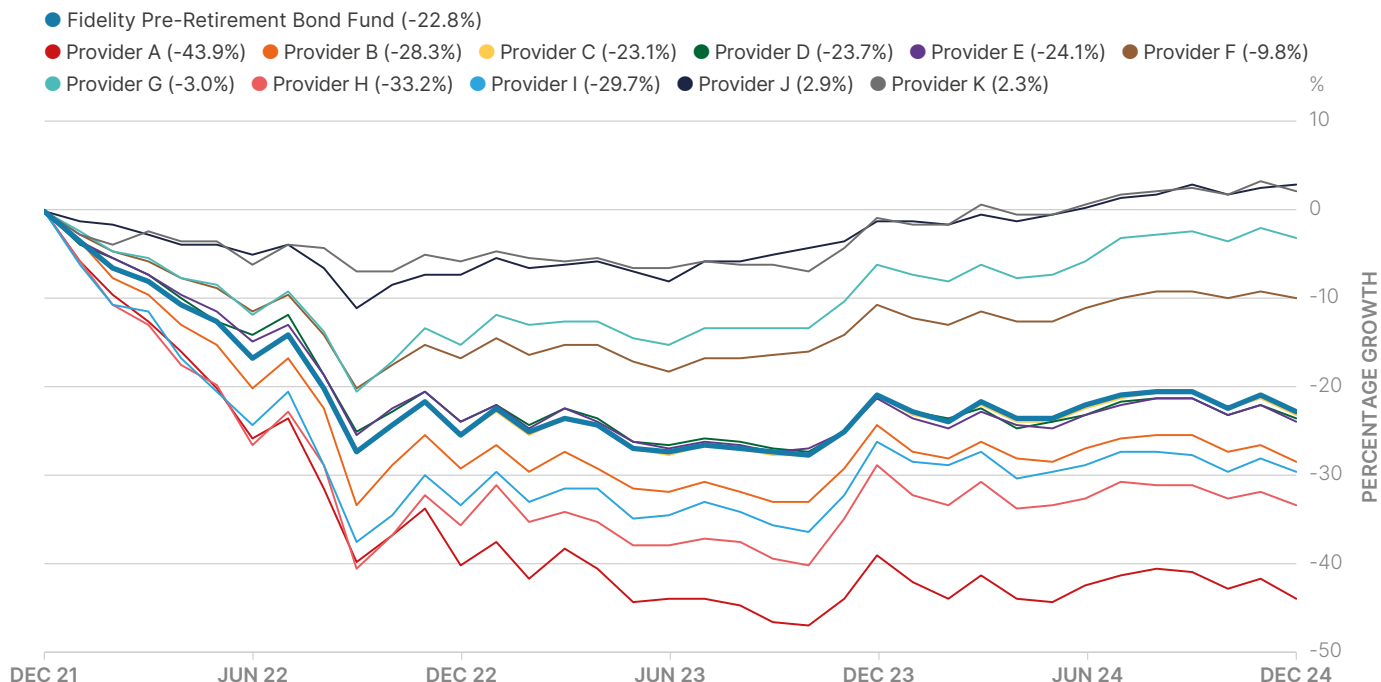
PATHWAY 2 vs COMPETITORS – 1 YEAR



PATHWAY 2 – 3 YEAR



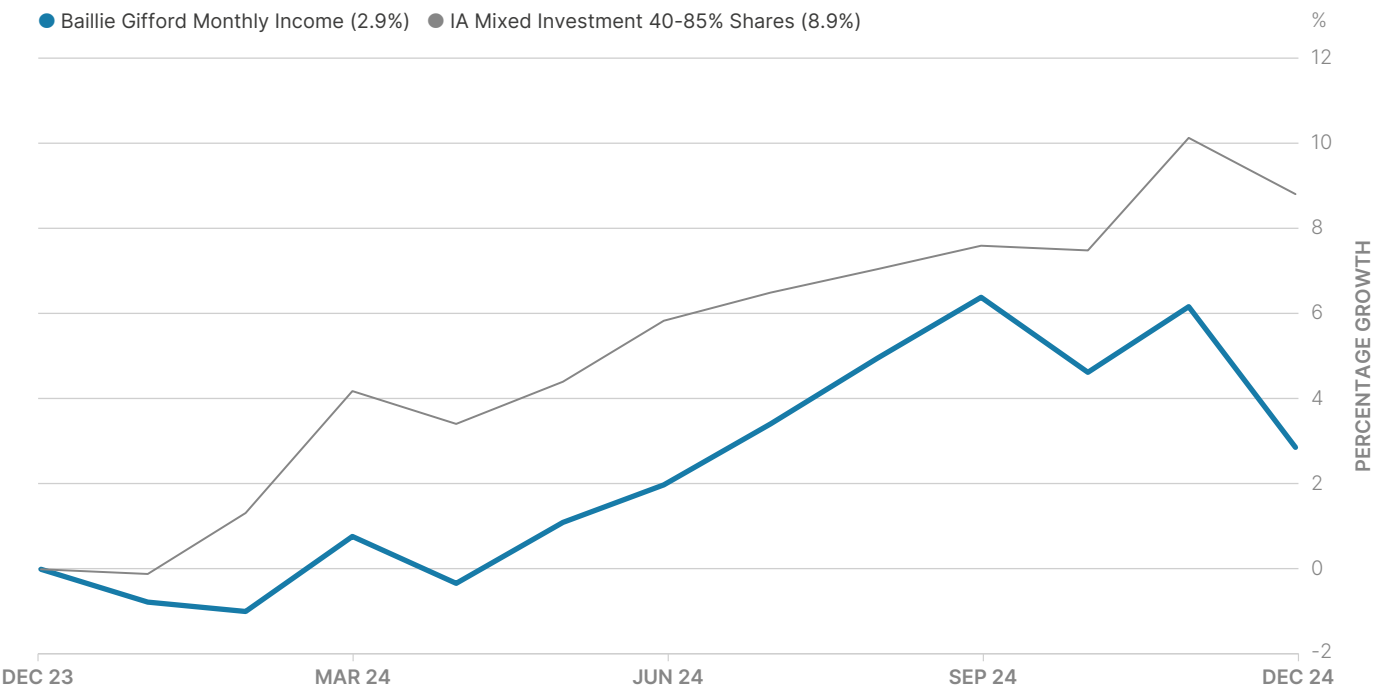
PATHWAY 2 vs COMPETITORS – 3 YEAR



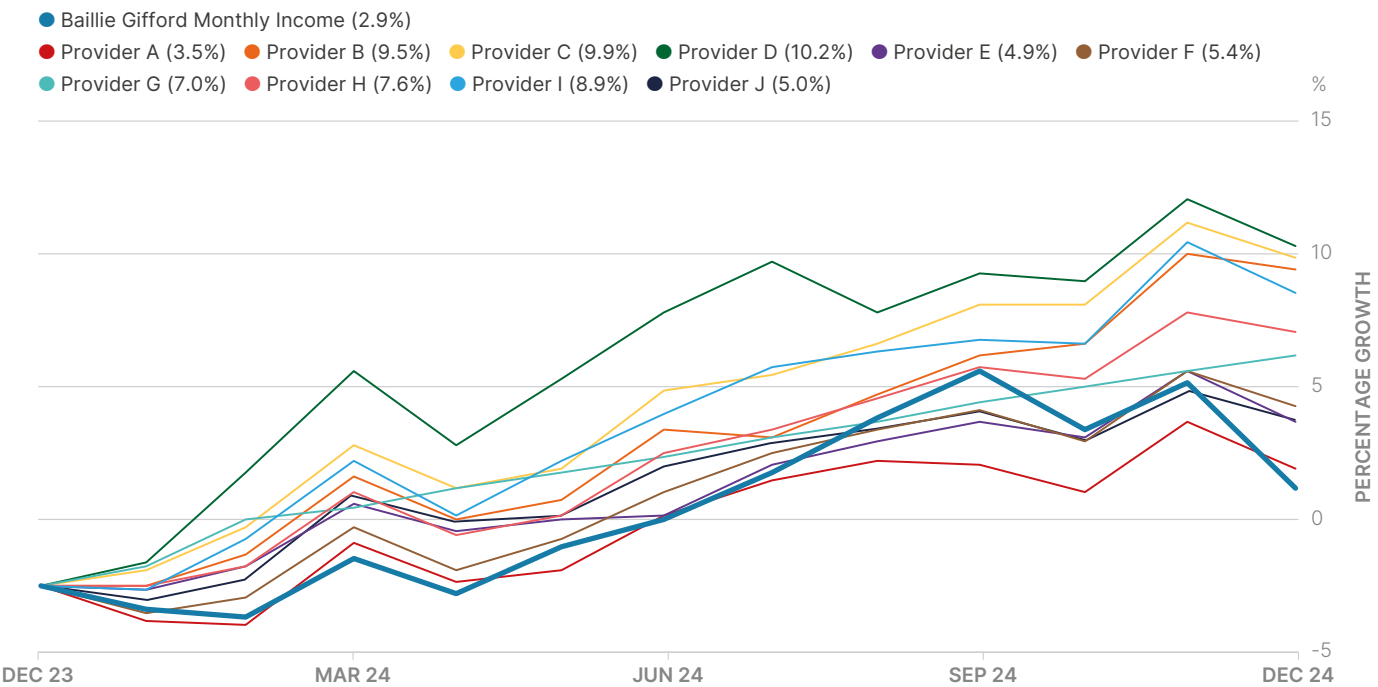
Pathway 2 (Fidelity Pre-retirement Bond) underperformed its peer group. Pathway 2 objective is to support members who wish to buy an annuity within the next five years. HL recognises that not all peers target direct annuity matching and has challenged the overall objective for the fund. We have discussed absolute performance and performance compared to peers with HL. They are comfortable with their decision to protect against annuity pricing, and no changes were made to the fund. Performance against similar funds has been good. The IGC will continue to monitor performance against the objective and against peers.

Pathway 3 Performance

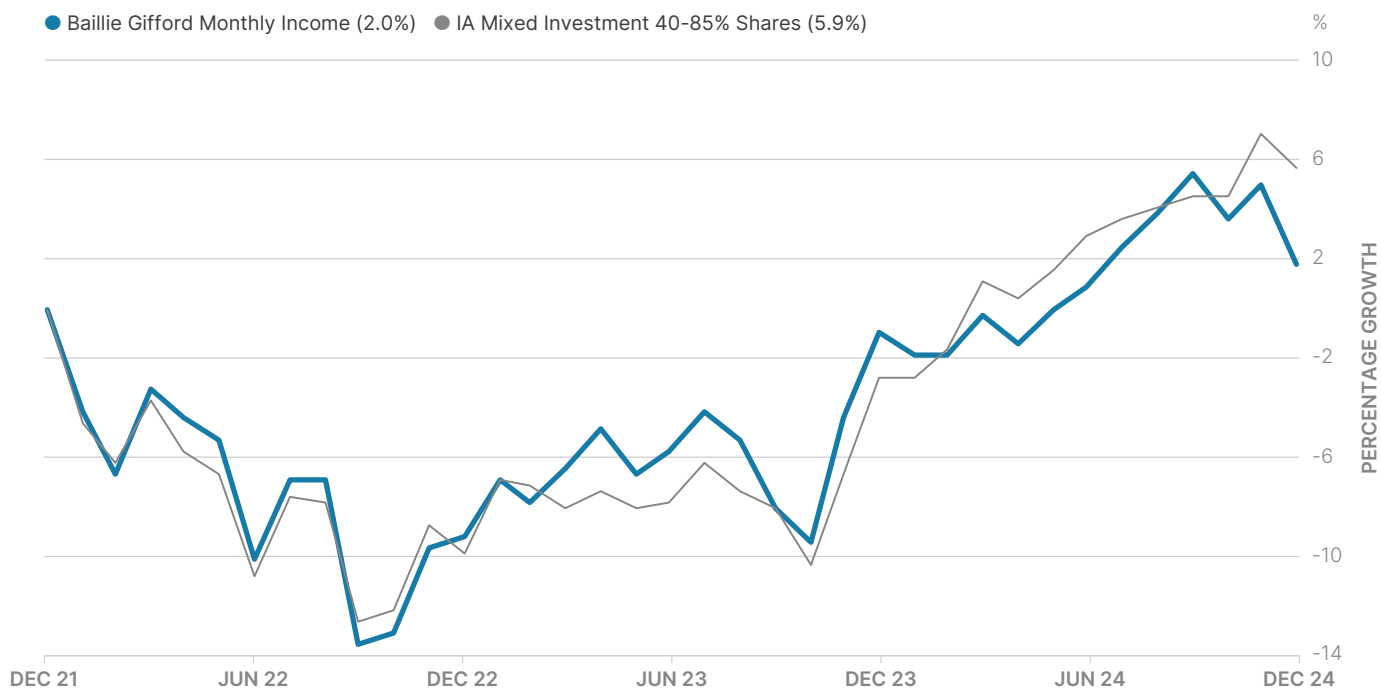
PATHWAY 3 – 1 YEAR



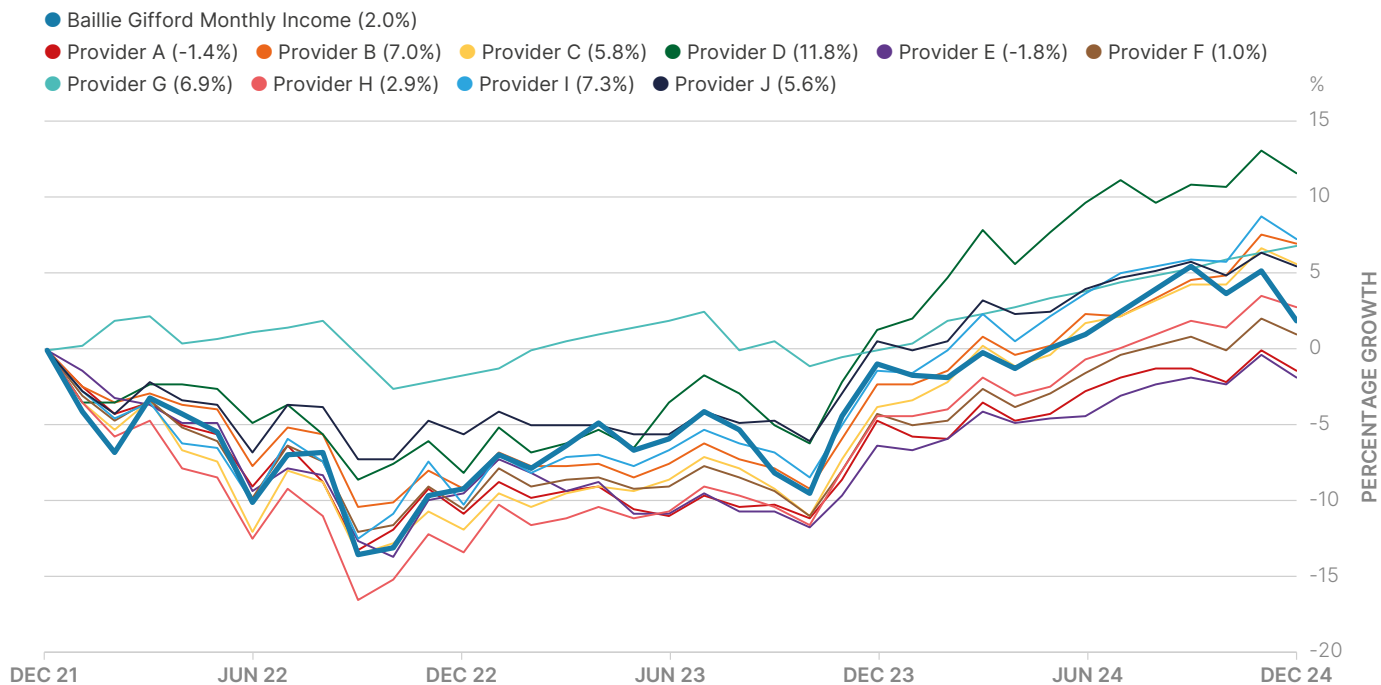
PATHWAY 3 vs COMPETITORS – 1 YEAR



PATHWAY 3 – 3 YEAR



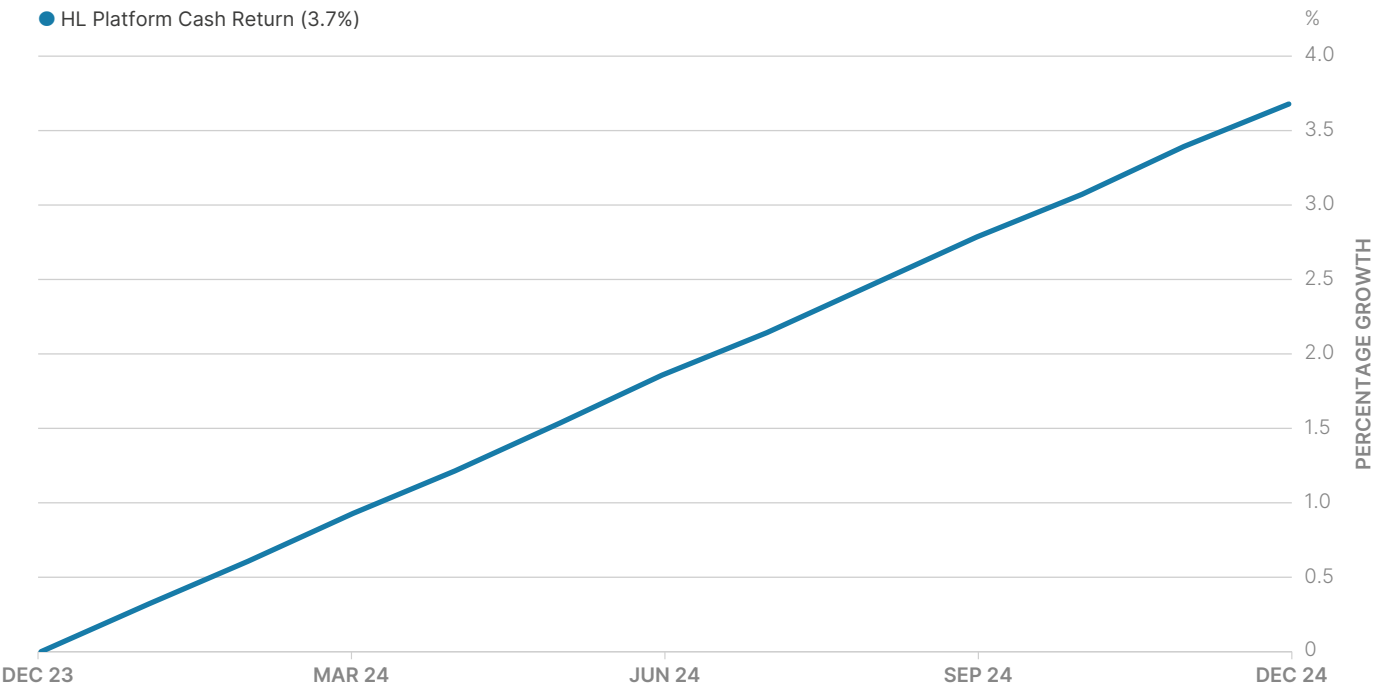
PATHWAY 3 vs COMPETITORS – 3 YEAR



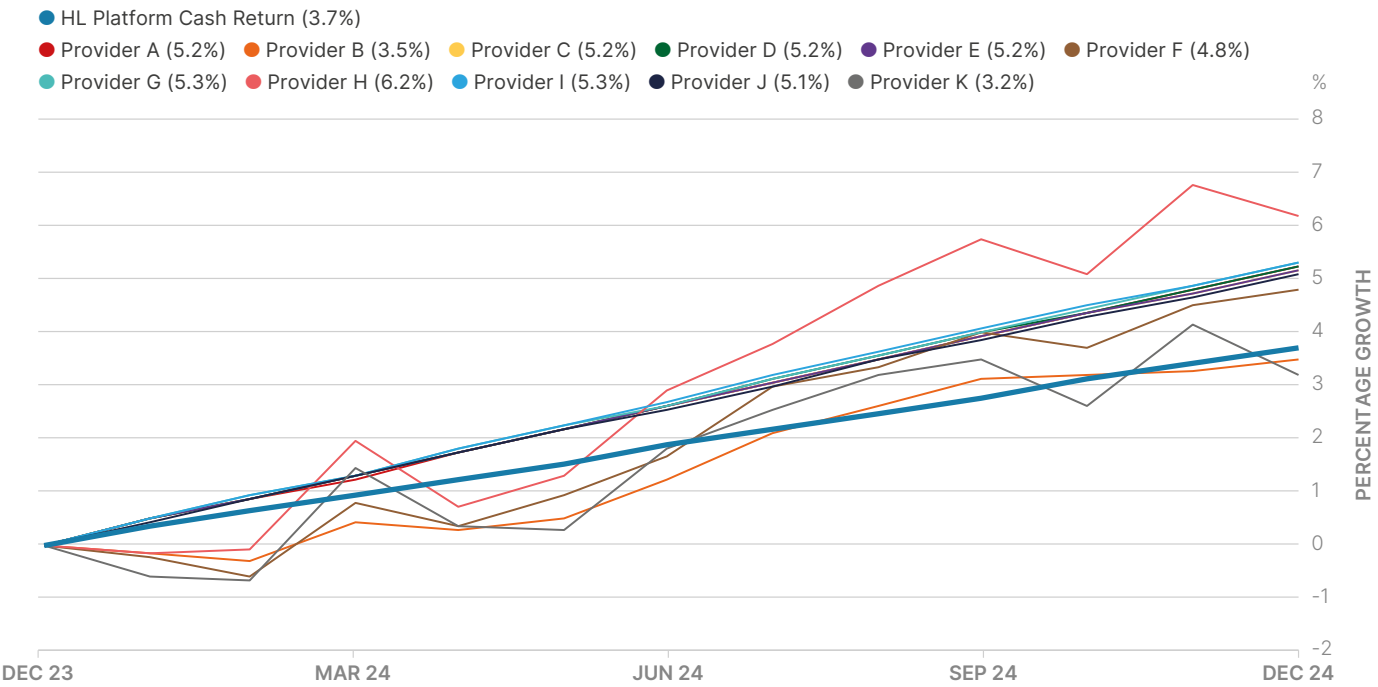
Pathway 3 (Baillie Gifford Monthly Income) underperformed the competitor average but performed well versus funds with an income objective. Market conditions around interest rates and US growth detracted from performance, which was challenged in 2024. The IGC challenged HL to consider the performance of the fund. HL considered this and determined the fund performed in line with expectations when taking into account income yield.

Pathway 4 Performance

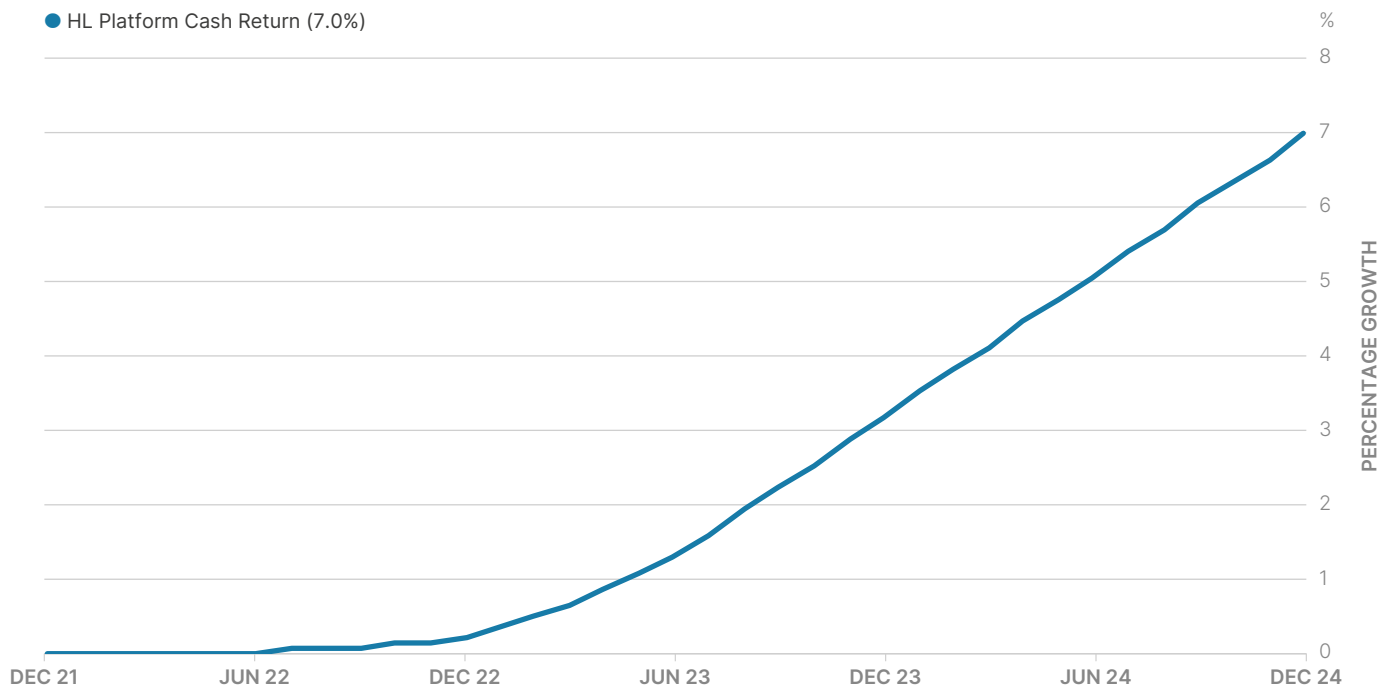
PATHWAY 4 – 1 YEAR



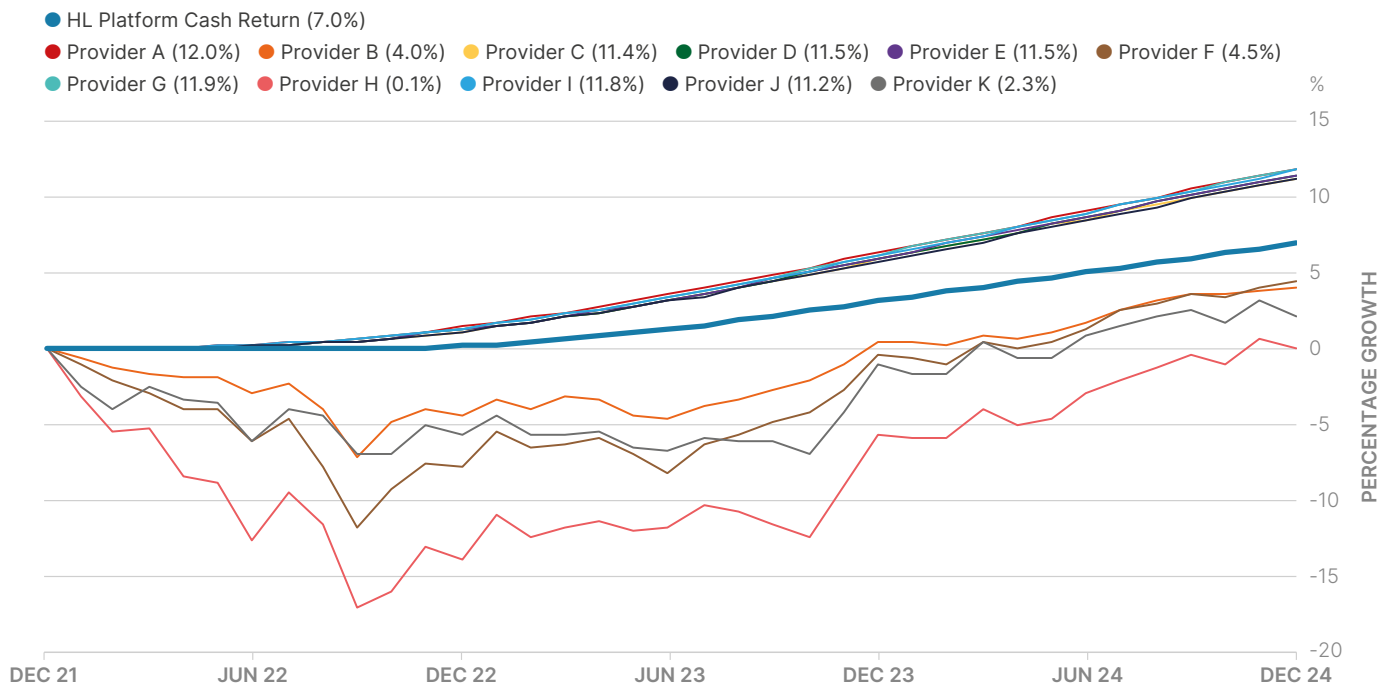
PATHWAY 4 vs COMPETITORS – 1 YEAR



PATHWAY 4 – 3 YEAR



PATHWAY 4 vs COMPETITORS – 3 YEAR



Pathway 4 (cash) holds cash rather than money market funds or more growth focused funds used by other providers. HL has considered this approach and is comfortable with lower returns given shorter timeframes for investors to be holding Pathway 4 and aversion to a reduction in fund value. The IGC have asked HL to consider the approach taken for investment pathway 4 and will continue to keep this under review with HL in 2025.

Conclusion

We believe the **investment pathways** have been designed and managed in your interests. We also believe the investment solutions selected by HL have clear statements of **aims and objectives**.

Overall, we have rated investment amber due to some mixed performance of the pathway solutions against their objectives and the impact of interest retention for Pathway 4 on net return.

We are satisfied that HL regularly reviews the characteristics and net performance of the investment strategies of each pathway. Within HL's review and governance processes is the ability for them to make changes to any of the strategies if required; however, the outcome of the reviews they have carried out to date have not necessitated any changes. HL has confirmed that they still have conviction in the investment solutions and overall approach, and we will continue to keep their performance under review.

Communications, engagement and support

As previously mentioned, pathways are designed to assist you in making investment decisions around the time you access your pension, or while you are drawing it, without necessarily requiring you to consult with a financial adviser. We, therefore, recognise quite how important HL's communications are in supporting you in your decision-making.

We reviewed the communications to assess whether they were fit for purpose and properly considered the characteristics, needs and objectives of those investing in pathways. Broadly, we found they met these requirements.

We reached this conclusion based on HL providing the following:

- relevant communications to investors targeted at specific points in their retirement journey,
- useful tools and support on the HL website, including:
 - a drawdown calculator which helps people determine how much they can afford to take as income from their pension,
 - signposting throughout the retirement pages, including a comparison of the main options for accessing a pension, outlining the pros and cons of each,
 - detailed information on the pathways covering how they work, the risks associated with each, and links to the technical documents and charges.
- the process of consumer testing that HL has carried out.

HL's pathways were launched in 2021 and in last year's report, we talked about HL considering how they can communicate with investors based on the actions they were taking. HL has considered the various scenarios which would need to trigger a communication (for example a member has been in a pathway for five years or taking an income whilst in Pathway 1) and the content for these communications. These communications are currently being issued on a semi-automated basis with plans to convert these to fully automated over 2025.

The evidence we saw confirmed that HL does protect and is fair to those investors identified as vulnerable, however, we feel there is more HL can do to identify potentially vulnerable investors.

We have continued to discuss with HL how risk is communicated to investors acknowledging that investment risk is a difficult concept to explain.

The main webpage for **investment pathways** was reviewed and updated at the start of 2025 as part of an annual review process. The description of objectives and risks was simplified and readability scores improved.

Comparative data study

In previous years, we've taken part in a study conducted by Redington, an independent pension consultancy to compare HL's workplace pension and Investment Pathways with other providers. We chose not to take part in the same study this year as we concluded that much of the data collected by Redington does not change on an annual basis. Instead, we chose to engage an alternative independent pension consultancy – Willis Towers Watson (WTW) – and asked them to complete a research and comparison project focusing on HL's retirement journey, including the support available throughout, and their approach to digital member engagement.

There were a few areas which WTW commented HL performed strongly against peers:

- Non-digital support provided to members through the retirement decision-making process
- Annuity broking and drawdown offerings are strong, with competitive fees and accessibility
- Investment information and transactional functionality of the app and online portal are market leading

WTW also flagged some areas for improvement, which we've raised with HL:

- Introduction of an online journey for those wishing to take one-off or ad-hoc ("UFPLS") payments as well as widening the capabilities of the online drawdown proposition
- Consider key communications for members within drawdown, and which triggers would be needed for these communications (such as fund depletion risk and letting members know when their depletion date would be)
- Lack of non-investment capability within the app, such as expression of wish form and changing policy details – something many other providers facilitate
- Ability for tools to be used within member accounts, so data can be pulled from their accounts and details stored (rather than having to input personal information every time a tool is used)

It should be noted that WTW completed their assessment in 2025, so some of their conclusions were based on data they gathered outside the period this report covers (2024). However, we felt it was important to include this summary in this report given the positive areas highlighted and more importantly, the areas for development, which we will be encouraging HL to work on in the coming months. We will provide an update in next year's report.

Conclusion

Overall, we have rated communications, engagement and support green and see this as a strength of the HL proposition. We believe the communications were fit for purpose and properly considered the characteristics, needs and objectives of those investing in pathways. Over the year HL has implemented tactical support for investors whose behaviour does not align to their pathway.

We will be monitoring the following in 2025:

- the effectiveness of changes to how investment risks are communicated to investors
- the identification and additional support provided to vulnerable investors
- The automation of tactical support for investors whose behaviour does not align to their pathway.

Administration and service

Your pension savings are among some of your most important and substantial assets. When you need to interact with your pension, it's critical that the process is smooth, efficient and secure, particularly when you're taking your benefits.

We all know poor administration and service when we experience it. Our **terms of reference** require us to assess whether HL processes core financial transactions promptly and accurately. To help us make this assessment we consider a wide range of factors, including:

- the accuracy of service,
- timeliness of activities (which we assess by comparing performance against **SLAs**),
- whether administration is automated or requires intervention by a person – which increases the risk of human error and
- whether HL independently assesses the controls they have in place to ensure proper administration.

We also evaluate the quality of the service they provide to you. Factors considered included:

- how well HL protects you against fraud and scams,
- how happy people say they are with HL's service,
- whether your data is kept secure,
- the level of complaints HL receives about their service.

HL demonstrated that they process most transactions whether transferring, investing or paying out money, promptly and accurately. Most of HL's commonly used 'bulk' processes such as fund switches and retirement payments are automated via Straight Through Processing (STP). However, compared to peers, HL has generally lower percentage levels of automation with transfers in and contribution processing being particularly cumbersome and manual.

A number of these HL administrative processes use checklists and secondary checks to reduce errors rather than being fully automated.

HL sets and monitors Service Level Agreements (**SLAs**) internally for its core transaction processes, which overall are being met. Within the industry, there remains a lack of consistency in how **SLAs** are measured. Some pension providers measure service standards on an end-to-end basis, while others adopt a step-by-step approach within each process.

HL measures **SLAs** on an end-to-end basis, which provides a fuller picture of the member/investor experience.

In addition to **SLAs**, HL operates Processing Completion Targets (PCTs) for some of its processes, which represent HL's expected timescales for transactions. These vary depending on market conditions and operational demand and are published on HL's website, providing transparency for members and investors. However, PCTs can differ significantly from SLAs, and this distinction is not always clear to investors. While the publication of PCTs offers visibility, there is a risk that they act as a shield from scrutiny of **SLA** performance, as investors may assume the PCT represents the formal service standard. During 2024, HL experienced a fall in performance against its **SLA** for drawdown applications, driven by a significant increase in demand. This resulted in extended PCTs, which were reflected on the website. Performance stabilised in early 2025 as demand reduced and HL allocated further resource to the drawdown team. HL also made improvements in transfer processing times over the course of 2024.

The IGC believes HL could do more to help investors understand how long they can reasonably expect processes to take, and where timescales are extended, the reasons behind this. We consider that investor experience should be a key factor in setting appropriate **SLAs** and in determining how expectations are managed. In an increasingly digital environment, investors expect transactions to be near-instantaneous. A poor experience risks undermining HL's ambition to create "customers for life" and its ability to broaden the services it provides.

HL carries out surveys to find out what you think of the service you receive. Net Ease was 4.05 in 2024, down on 4.19 in 2023. Net Promoter Score 41.9 in 2024, an increase from 38.2 in 2023.

The number of complaints is very low. However, with the number of people in **investment pathways** also remaining very low, care needs to be taken in drawing firm conclusions.

HL's approach to protecting you from fraud and scams is noteworthy. HL has a strong set of internal measures to protect you including a dedicated fraud strategy. HL participates in several industry initiatives such as the Investment Association's Brand Cloning Working Group and Financial Crime Committee. They perform checks on pension transfers, with a pre-approved list of providers which have been assessed as presenting a very low risk of fraud in line with DWP pension transfer regulation. Transfers to pension providers not on this list are subject to a much higher level of scrutiny. HL provides an Online Security Centre for members (and non-members) which provides information on existing threats, red flags and actions that you should take to protect yourself from fraud. HL is improving the Centre further by connecting its internal expertise from its Fraud, Information Security and Cyber Security teams to help provide clear and effective information for you.

Conclusion

Overall, we have rated administration amber. Our assessment is that HL provides good administration and service, but there are areas where improvement is needed, and whilst progress has been made on these albeit slowly.

We moved the rating of administration from green to amber due to a fall in **SLA** performance for drawdown applications in Q4 2024 and the continued pause in planned investments in automation off the back of the **Pensions Investment Review**.

We will be monitoring the following in 2025:

- HL's progress on automaton of administration processes through the implementation of STP
- How HL will ensure their **SLAs** are fit for purposes relative to your reasonable expectations and other providers
- How HL looks to simplify the **drawdown** journey and ensure it is completed in a timely way

Other features

There are some features of what HL provides that don't fit neatly into the other categories listed above but are essential to the smooth running of your savings.

Governance

As well as being sustainable, secure businesses and pension providers like HL can safeguard against things going wrong in the first place by ensuring they have robust governance and risk frameworks in place as well as the right people managing and overseeing their operations.

HL's internal audit function monitors the adequacy and effectiveness of controls within, and the governance model and risk management framework of, the business. The team focus on the areas which HL believes represent the greatest risk to the business and their customers. The work of the internal audit team has been reviewed by an external independent provider and found to be effective. We recognise that controls and frameworks need to continuously evolve to meet changing market expectations and we're improving our relationship with the risk and audit functions.

There is direct external independent checking of controls, including cyber security and keeping your assets safe.

We continue to discuss with HL the merits or otherwise of achieving wider external accreditation. In this regard, they are currently consulting with the Pensions Regulator and other industry experts to ensure their systems and processes reflect best practice and regulatory expectations.

Our assessment is HL does have sufficient governance and risk frameworks in place, but these need to continue to evolve as you would expect.

Vulnerable customers

A vulnerable customer is someone who, due to their personal circumstances, is especially susceptible to harm, particularly if HL does not act with appropriate levels of care. The characteristics of vulnerability can include poor health (such as mental impairment), a significant life event (such as a bereavement or taking on new caring responsibilities), a low ability to cope with financial or emotional shocks and low or poor literacy or numeracy skills. It's important that vulnerable customers are protected and treated fairly.

The evidence we saw confirmed that HL does protect and are fair to those members they have identified as vulnerable, however, we feel there is more HL can do to identify potentially vulnerable members. HL is aware of this and changes are already underway to ensure identification of members with characteristics of vulnerability is improved.

HL is a large business offering a wide range of services. By being an **investment pathways** Investor, you can also benefit from a variety of other features and benefits.

Our assessment is HL provides other benefits that may be of use to you.

Business sustainability and ongoing investment into developing the proposition.

The sustainability of HL as a business and their commitment to the Retirement Market, are crucial as you are trusting them to look after your savings for years to come. HL's financial stability also impacts on its ability to invest in improvements to the service you receive and to ensure your savings keep pace with whatever changes occur in the future. This has been brought into greater focus in 2024 and 2025 with the **Pensions Investment Review** and the change in ownership. Over the coming year, the IGC will assess the new owners' strategic priorities and how **investment pathways** fit into their priorities and growth plans.

Last year we talked about the five-year investment plan and obtaining further details on how this money would be spent to support Investors. Given the announcement of the **Pensions Investment Review** in 2024, many of the planned investments were put on hold until further details had been provided on the future regulatory environment. The IGC appreciate the rationale behind pausing the investment but want to ensure that momentum is established once we have sufficient clarity on longer term requirements.

Reputation

If a provider has a good reputation, you are more likely to trust it. If you trust a provider, you're more likely to feel comfortable saving and investing with them. This means HLs reputation is important when we are considering **VFM**.

This being the case, we considered whether there are any negative or positive aspects of HL's reputation that investors should be aware of.

HL has a robust approach to managing its reputation. It regularly reviews and considers a number of matters that might impact it, including:

- investor confidence in the overall market
- how satisfied investors are with HL's service
- how likely investors are to recommend HL based on their interactions with the Helpdesk (known as the Client Service Net Promoter Score)
- how satisfied employees are working at HL
- third-party recognition and awards
- coverage in the traditional press
- social media, and
- review websites such as Trustpilot and Google

Overall, our assessment is that HL has a good reputation and has an effective internal process to manage it.

Cyber Security and Robustness of IT Systems

HL needs to provide secure and resilient IT infrastructure to keep your savings and the administration processes they use safe from cyber-attacks.

We were provided with a variety of evidence to show HL's approach to cyber security, such as adhering to external standards and external reviews of HL's approach. This external assessment has been reviewed at the most senior level of HL's management, showing the seriousness with which they take cyber security. However, this is a complex area and is fast moving and we expect HL to continue to evolve their approach to cyber security. We will be monitoring the focus on this risk and how HL mitigates it as far as possible.

Security of your funds

HL is regulated by the **FCA** and have to comply with strict rules on how they look after your money and investments. HL holds more reserve capital than they are required to and maintain a conservative and prudent approach to accounting. They submit regular financial reports to the **FCA**.

If HL were to cease trading, what you would get back would depend on the financial position of HL. Further details can be found here [by visiting HL's website](#) and also on the [FSCS website](#).

Conclusion

Overall, we have rated other features amber. We have moved the rating from green to reflect the need for continuous evolution of controls around internal governance as well as the potential impact of the **Pensions Investment Review** and the change in ownership, that may impact HL's strategic priorities.

We will be monitoring the following in 2025:

- The new owners strategic priorities and approach taken to **Pensions Investment Review** and how this impacts **Investment pathways** investors.
- Continuous evolution of controls around internal governance and regulatory compliance



Costs and charges

	Fund	HL Platform Management Charge*	Fund Annual Charge**	Fund Transaction Charge**	Total
Pathway 1	Blackrock MyMap 4	0.45%	0.14%	0.06%	0.65%
Pathway 2	Fidelity Pre-Retirement Bond Fund	0.45%	0.15%	0.00%	0.60%
Pathway 3	Baillie Gifford Monthly Income Fund	0.45%	0.30%	0.09%	0.84%
Pathway 4	Cash	Tiered interest applies. See rates here. No charges for holding cash (but HL retain some interest)			
*HL Platform Management Charge for holding a fund with a value under £250,000 – this is the highest charge investors will pay as some may receive a discount from headline rate.					
**Source: Broadridge, 31 December 2024					

HL use what can be considered to be low-cost funds for pathways 1,2 and 3. For Pathway 4 HL has selected cash as being appropriate. While there is no explicit charge on cash, HL do take some of the interest earned, which is, in our view, a charge.

Our assessment is that the pathway costs and charges are reasonable for pathways 1, 2 and 3.

Pathway 4 is cash and held in a variety of banks. The management of this money prioritises the security of client money first, followed by liquidity so money is always available to investors, and then the yield received. HL keep some of that interest to cover their costs, to contribute towards their profits or to strengthen their balance sheet. The amount they keep, the difference between the interest the cash earns and what they pay you, is called the net interest margin. The net interest margin will alter to reflect the varying underlying interest rates.

The number of investors in Pathway 4 as of 31 December 2024 (with a non-zero balance) was 318. The average client in this population, as of 31 December 2024, had a cash balance of £55,193. During 2024, cash balances received interest of up to 4.65%, after HL had received an average net interest margin of 1.44%.

The FCA has said: “We did not set a charge cap for **investment pathways** but suggested that firms use the charge cap on qualifying schemes for pension accumulation of 0.75% as a point of reference”.

In the context of the **FCA's** point of reference of 0.75% we do not believe that an effective charge of 1.44% represents **VFM**. We have pressed HL hard on this point. HL’s response is that the 0.75% cap is not mandated by regulation, that the client interest rates are highly competitive when compared to other providers and high-street-bank easy access accounts and that the 1.44% meets the criteria that HL applies within its ‘Client Interest Fairness Policy and Framework’ which was established as part of HL’s recent work on **Consumer Duty**. HL has committed to looking at this again by the end of 2025.



We recognise the importance to you in obtaining a good outcome with both the level of costs and charges but also how appropriate the selected pathway meets your objectives. HL regularly review the appropriateness of the investment solutions, with no changes being made in 2024.

Conclusion

Overall, we have rated costs and charges amber. Pathways 1, 2 and 3 have costs and charges broadly consistent with the wider market but the impact of retaining a proportion of the interest on Pathway 4 lacks transparency and makes the **value for money** assessment more difficult hence the amber rating.

We will be monitoring the following in 2025:

- HL’s consideration on the appropriateness of Pathway 4 given net interest margin implications for overall costs and charges

Comparison with other providers of investment pathways

The rules set out by the regulator require us to compare HL's pathways with similar arrangements offered by other providers of **investment pathways**.

We've undertaken several activities to fulfil this requirement. We have:

- conducted some of our own research into the market,
- undertaken external research with WTW on communications and engagement,
- reviewed market surveys produced by HL at our request

While we believe this has all been helpful in drawing some high-level comparisons, we are mindful that more work needs to be done in this area to make the analysis more meaningful and directly comparable.

As noted above, to select each investment fund, HL has had to make assumptions about the characteristics of the people likely to choose each of the four pathways. Other providers of **investment pathways** have had to make similar assumptions. The evidence indicates that different providers have used different assumptions. This is not surprising given pathways are a relatively recent development and, so, limited real data is available on which assumptions can be based.

This being so, any comparison of investment strategies and performance cannot be based solely on the investment fund selected by each pathway provider. Account also needs to be taken of the assumptions they have made around the characteristics of the people likely to choose each pathway, and this is not easily accessible or, indeed, necessarily publicly available. This has made it almost impossible to compare pathways on a like-for-like basis.

For similar reasons any comparisons of costs and charges across providers of **investment pathways** have to be treated with some caution.

We very much recognise the importance of communications in supporting you in your decision-making process. We compared the information available on other providers' websites, and our findings in this respect are as follows:

- there is a large variance in how information is being displayed and what tools are being made available to potential investors in pathways to help them with their decision-making,
- there is a big difference between the ease of locating the pathway pages in the first instance with some having pathways as a link from their website home page and others having buried it deeper in their retirement pages,
- the ability to obtain the relevant information on the pathways once they had been located on the website proved surprisingly challenging in some cases with no

obvious links to the investment strategy, risk, or charges information from the headline descriptions of each of the pathways and

- the area of greatest divergence is in how the risks related to each pathway are communicated in order to support investors in making informed decisions – there is evidence of over-reliance on standardised risk descriptions (for example those found in the key investor information document) and statements such as "The market may fall as well as rise which means you could lose some or all of your investment" which appear to go little way in helping investors make a proper informed decision.

We also undertook external research with WTW on communications and engagement to consider how the information and support provided to you by HL compared to other providers.

Overall, based on the high-level comparisons we have been able to make, there is nothing to suggest that HL is significantly out of step compared to other providers of **investment pathways**.

Limitations of our assessment

While we have assessed the **VFM** provided by the pathways we have not, unless you are invested in a HL workplace pension, assessed the **VFM** of your pension policy (that is the pension you were invested in immediately prior to choosing an investment pathway).

If you are in a workplace pension, you should read the corresponding report which sets out our assessment of its **VFM**.

[Read our 2025 report on the HL workplace pension](#)

What we considered when completing the investment policies assessment

In this section we'll tell you how we went about assessing the quality and adequacy of HL's investment policies on Environmental Social and Governance (or "**ESG**") matters, non-financial matters and Stewardship.

We have a duty to consider and report on the adequacy and quality of HL's policies on Environmental, Social and Governance (or "**ESG**") financial considerations, non-financial matters, stewardship and other financial considerations, as well as how these policies have been implemented. If HL don't have these policies, we need to examine the reasons for that.

Let's start by first looking at what these terms mean.

ESG

ESG financial considerations are factors related to the way companies operate. This is important because your savings are invested in funds which invest in companies and those companies need to operate in a sustainable way if they are to give you a good return over time. Examples of **ESG** criteria include:

- Environmental factors: a company's impact on climate change, its carbon emissions and its conservation efforts.
- Social factors: a company's attitudes to human rights, equal employment opportunities and community development.
- Governance factors: a company's anti-corruption policies, the diversity of its board members and approach to executive remuneration.

Non-financial considerations

Non-financial matters are factors which might influence investment decisions that are motivated by ethical concerns, such as improving quality of life or showing disapproval of certain industries. Although the financial case for making an investment is a vital part of the decision-making process, non-financial factors can also be important to some people.

Stewardship

Stewardship relates to the way a pension provider or fund manager engages with the companies in which they're investing to encourage positive change, such as on matters involving corporate strategy and culture, their efforts on reducing climate change and workplace policies and practice.

Other financial considerations

When saving into a pension it's likely you'll be invested for a long time and so will be exposed to longer-term financial risks. References to other financial considerations may include risks in relation to interest rates, liquidity (how easy it is to buy and sell the asset or investment), concentration (avoiding having too many eggs in one basket), currency exchange rates, politics and counterparties (the other parties invested with or through and whether they can deliver what is expected of them).

HL has two ESG-related investment Policies:

- An **ESG** Investment Policy and
- A Stewardship and Engagement Policy

We have assessed each policy for its adequacy and quality in line with the **FCA**'s requirements. These requirements include us forming a view as to whether:

- the policy sufficiently characterises the relevant risks or opportunities,
- the policy seeks to appropriately mitigate those risks and take advantage of those opportunities,
- the firm's processes have been designed to properly take into account those risks or opportunities,
- the policy is appropriate in the context of the expected duration of the investment,
- the policy is appropriate in the context of the main characteristics of the actual or expected relevant policyholders or pathway investors,
- in relation to **ESG** financial considerations, non-financial matters and other financial considerations, the policy is clear how these are considered in the firm's investment strategy or investment decision making,
- the policy is sufficiently robust to achieve good consumer outcomes and
- the extent to which the policies have been implemented.

During 2024, there were some changes made to the **ESG** policy based on our feedback. Statements covering non-financial matters and other financial considerations are now included in the ESG Investment Policy. Over 2024 HL created and integrated a new Climate score into the investment process, expanded the scope of HL engagement activities, tightened their net zero requirements covering the fund management groups they work with, and bolstered their decarbonisation commitments. These changes were reflected in HL's PRI assessment report (UN Principles for Responsible Investment), which showed improved scores across several modules, with an 'above average' rating in the 'Policy Governance & Strategy' module.

The IGC is pleased to see the policies reviewed annually and changes made to strengthen the approach. We also want to ensure that policies are taken into account during the investment process and HL has provided us with evidence of this implementation.

During 2024, HL undertook a client survey to understand their engagement priorities and deforestation was a key theme that clients did not want to be invested in. Although 47% of HL clients were prepared to invest in funds which didn't meet their values as long as HL were pushing for change, there was a significant minority who wanted to avoid investing in funds which didn't meet their values. We recognise there will be a divergence of views with regard to **ESG**, but the survey shows the importance of continuing to engage with companies and also to provide clients with the information they need to make an informed decision about their investments.

HL publishes information on **ESG** within the annual fund update to keep investors informed of how the funds consider **ESG**. There were no changes to the approach for 2024

The responsible investment hub gives investors access to information at varying complexity levels on sustainability and the approach taken by HL.

Conclusion

Our conclusion of HL's 2024 **ESG** Investment and Stewardship and Engagement policies is that they are adequate and of sufficient quality to deliver good consumer outcomes. We have therefore rated this area green. We will monitor future iterations of HL's policies during 2025 and how these are communicated to Investors.



Understanding your views

Previously, we outlined that the IGC commissioned a piece of research, undertaken by HL, to understand which elements of the workplace pension, members specifically value. Whilst the research was not aimed directly at our investment pathways policyholders, we do think the results are applicable to you.

The top items elements you told us you value were:

- "Seeing my pension grow"
- "A reputable financially strong pension provider"
- "Controls and safeguards for my pension"

We have continued to engage with HL on our expectations in these areas and believe these elements can be grouped into one overarching heading of 'peace of mind' for your pension and retirement. The IGC's focus is to further explore how HL is delivering on these key attributes and where they can be improved. An additional important part of **value for money** (VFM) is Cost & Charges. From our research survey, whilst VFM is a consideration for you, it is only one element with policyholders also valuing the fund range, the quality and delivery of service, as well as peace of mind. We'll continue to reflect on the research findings and encourage HL to enhance both their Pension and Retirement offerings.

You can let us know your views by emailing us on IGC@hl.co.uk

Or by writing to us at;

FAO: IGC
Freepost
HARGREAVES LANSDOWN

Please note we cannot deal with complaints or general enquires. These should be raised with HL.



“Consumer duty”

The **FCA** has introduced “Consumer Duty”, which took effect from 31 July 2023. It introduced a new requirement that all financial services firms (and any firms who distribute financial products) “act to deliver good outcomes for retail customers”. In recognition of the barriers many consumers face to pursuing their financial objectives, the **FCA** wants to see firms deliver a higher standard of customer care and protection, and to go further to equip consumers to make effective decisions in their interests. More information on the Consumer Duty can be found on the **FCA**’s website:

www.fca.org.uk/publications/policy-statements/ps22-9-new-consumer-duty.

We have seen the programme that HL has established to comply with their obligations under Consumer Duty. They have established seven separate “frameworks” including an overarching one on Client Outcomes. As your IGC we have been monitoring these developments very closely and inputting our own thoughts. We will continue to do so, given the importance of not only meeting the requirements but also ensuring that HL continue to remain compliant and make any necessary changes.

HL and us

You’ll have seen from elsewhere in this report that we’re independent of HL. That said, we could not have carried out our **VFM** assessment without their support. As well as acting as our secretary, HL has constructively and openly answered the questions we’ve asked and responded to the challenges we raised.

Limitation of our VFM assessment

Our conclusions are based on performing analysis on features, benefits, service and costs and charges of the **investment pathways** administered by and investment strategies designed and managed by HL. It hasn’t been possible to look at an individual Investor level basis. As a result, you may have a different experience of **VFM** compared to others.



APPENDICES



Appendix 1

Who the committee is and why we're here.

We're an Independent Governance Committee (or "IGC").

What is an IGC?

An IGC is a committee whose purpose is to represent the interests of **investment pathways** investors.

Your IGC is currently made up of four individuals (including the Chair), three of whom are independent of HL. The fourth is an employee of HL but they still have a duty to represent your interests. We are currently undergoing a rigorous recruitment process and will have 2 new independent members join later in 2025.

Each of us has extensive knowledge, insight and experience within the pensions and finance industry; and of working with and for members, acting in their best interests and championing good member outcomes.

What does the IGC do?

Our primary objective is to assess the '**value for money**' (VFM) pathways investors get from their pension scheme.

We're committed to assessing **VFM** in a investor-focused way, and with an emphasis on ensuring you have the best possible chance of achieving good outcomes at retirement.

As a minimum, we have a duty to:

- act solely in the interests of pathway investors,
- operate independently from HL, in accordance with our **terms of reference**,
- assess and, where necessary, challenge HL on whether its **investment pathways** provide **VFM** for investors,
- report on HL's policies on environmental, social and governance (**ESG**) issues, investor concerns and stewardship.

This report documents our **VFM** assessment for 2024.

You can find a copy of our IGC **Terms of Reference** and reports for previous years online at: www.hl.co.uk/igc

Who sits on the IGC?

You can find information on the current members of the IGC in Appendix 2.

Appendix 2

Who is on the committee?

The current members of the committee are shown below.



Kim Nash
Independent chair

Kim Nash is the Managing Director of Zedra Governance Limited. Kim is a qualified Actuary and been a professional Trustee for 13 years. As an experienced Professional Trustee with a proven track record in DB, DC, DCMT, IGC, GAA, Registered and Excepted Group Life Master Trust roles, Kim is adept at overseeing pension schemes. She retains a commitment to member outcomes and maintaining the highest standards of governance. Kim is able to bring her significant DC experience both as a Trustee and a member of governance committees to lead the IGC to evolve the **Value for Money** framework and make comparisons on Hargreaves Lansdown's performance against the wider industry.

Kim is qualified to be a member of an IGC by her experience of pensions, investments, member communications and comparisons she can bring across the market from working with a number of pension providers. Kim has experience of working as a member of an IGC for the last decade and understands the regulatory requirements.



Rita Bajaj
Independent member

Rita is an independent Non-Executive Board Director for several financial services companies and has over 25 years' broad financial services experience. She has held senior investment positions at Global and UK asset managers and is a former Financial Conduct Authority regulator. Currently, Rita serves on the Boards of Fidelity International Life Insurance Ltd, Benefact Group PLC, Wesleyan Assurance, Columbia Threadneedle ACD Boards. Rita is passionate about improving retirement outcomes and **value for money** for members, including sustainable investing and **ESG** considerations.

Rita is qualified to be a member of an IGC by merit of her significant direct Global Equity markets investment & **ESG** expertise and knowledge of the asset management/custody industry, her risk & controls management experience both as a former **FCA** regulator supervising asset management firms and as a controls executive.



Helen Carey
Independent member

Helen is Compliance & Operations Director at AV Trinity. She has over 25 years' experience working in a variety of roles in the pensions industry, including workplace pensions. This includes supporting employers when making important decisions for their members and directly advising scheme members pre- and post-retirement. Helen is passionate about good member outcomes and financial education, having played an active role in improving financial understanding in schools and in the workplace. Helen is a Chartered Financial Planner and Fellow of the Personal Finance Society.

Helen is qualified to be a member of an IGC by merit of her extensive knowledge and experience of pensions and investments, her in-depth technical understanding of how these products work, **ESG** risks and opportunities and the regulations applying to workplace pensions, and her hands-on experience of advising consumers on their retirement planning and in-retirement needs.



Ellen Powley
HL-employed member

Ellen joined Hargreaves Lansdown in 2003. She is responsible for managing client assets invested within HL's Multi-Manager portfolios, specialising in portfolios designed for income as well as ensuring **ESG** is fully integrated into the investment process. Outside of Hargreaves Lansdown, Ellen chairs the Advisory Committee of Bristol and Bath Regional Capital, a Community Interest Company.

Ellen is qualified to be a member of an IGC by merit of her extensive experience of the fund management industry (including markets, investments and custodian) and a deep passion for ensuring clients are empowered to make suitable financial decisions.

Notes

Our **terms of reference** state that all members of the IGC must act solely in the interests of workplace scheme members and pathway investors. This applies to HL members, who are free to participate in the IGC without it conflicting with the other terms of their employment.

The members of the IGC were appointed after a robust recruitment process. For the HL employed member this included advertising the role to all HL staff. For the external members, HL advertised the position on their website and other channels. For all positions, multiple rounds of interviews took place which were conducted by panels independent of each other. The recruitment process was also overseen by HL's human resources and talent acquisition team.

Our respective histories mean that together, we've sufficient expertise and experience to act in your interest.

In addition, we're sufficiently independent to act in your interest. This is because three of us are independent of HL and the one who is an employee is contractually able to be independent during our meetings.



Appendix 3

Our value for money framework.

Our Value for Money (VFM) Assessment Framework

We have developed a robust framework to assess the **value for money ("VFM")** delivered by HL's **investment pathways**. This framework ensures we consistently evaluate the key factors that contribute to **VFM**, enabling a balanced and evidence-based view.

Over time, the framework has evolved as our understanding of what drives **VFM** has deepened. A summary of the framework is set out below.

1. Investments and Performance

We assess whether investment strategies are designed and managed in investors' best interests. This includes evaluating short- and long-term performance and the effectiveness of investment governance and oversight including approach to sustainability.

2. Communications, Engagement and Support

We examine the clarity and relevance of the communications you receive, the tools available to help you engage with and manage your investments, and how effectively HL supports investors, including those in vulnerable circumstances.

3. Administration and Service

We consider whether core financial transactions (such as withdrawing lump sums or a regular income) are processed promptly and accurately. We also assess the level of automation, the efficiency of processes, and investor satisfaction with the service provided.

4. Costs and Charges

We review the fees associated with administration, platform, and investment management, as well as the overall cost to investors.

5. Other features

We review other areas of the product design which adds value to members including how data is kept safe and the internal governance structures.



Benchmarking Against Peers

Across all relevant areas, we compare HL's performance against other **investment pathways** providers. This helps us understand HL's relative position in the market and identify areas for improvement or reinforcement.

Jargon buster

Glossary of certain terms used in this report

Aims and Objectives (Investment)

An investment fund's aims and objectives should set out what the fund intends to achieve and how it intends to achieve it; for example, to grow at x% a year measured over a x year cycle, by taking no more than x risk. The aims and objectives allow you to choose a fund that matches your own aims and objectives.

Annuity

See **Guaranteed income** below.

Bold

When a thicker typeface is used to give the word or words more prominence.

Consumer Duty

A set of rules from the Financial Conduct Authority (FCA) designed to ensure that financial firms put customers' needs first.

Consumer Duty means that pension providers (and other financial services firms) must deliver good outcomes for customers - including clear communication, fair value, helpful customer support and products that meet customers' needs. It aims to raise standards across the industry and ensure customers are treated fairly at every stage.

Drawdown (sometimes called flexible access drawdown)

This describes you taking your benefits directly from your savings in regular or irregular and varying amounts at any time. This is available to you after you reach age 55 (57 from 2028).

ESG (Environment, Social, Governance)

ESG refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business. These criteria help to better determine the future financial performance of companies (return and risk).

FCA

The Financial Conduct Authority, a regulatory body for financial services companies.

FSCS

The [Financial Services Compensation Scheme](#), an independent and free to use body set up by the government to provide compensation if a financial firm has gone out of business and can't pay everything it needs to its policyholders.

Guaranteed income

This describes using all or part of your savings to buy an insurance policy (an "**annuity**") that'll continue to pay a guaranteed regular and perhaps increasing amount of pension for the rest of your life. This is available to you after you reach age 55 (57 from 2028).

Investment Pathways

Investment pathways ('pathways') are a set of investment options/solutions to help you make investment decisions if you decide to access your pension using a method known as drawdown. They're there to help you if you're unsure how to invest, but you don't have to use them.

Pensions Investment Review

The Pensions Investment Review, launched in July 2024, supports legislation to implement reforms that will form part of the forthcoming Pension Schemes Bill. The reforms will deliver a major consolidation in the Defined Contribution (DC) workplace pensions market. [Read the Pensions Investment Review final Report](#).

SLAs or Service Level Agreements

HL's SLAs set out how quickly and accurately they will complete items of work.

Terms of reference

The [IGC's terms of reference](#) set out what we will do.

Transaction Costs

Transaction costs are part of the total costs of managing investment funds and are reflected in the return you receive from your fund. They are incurred when investment managers buy, sell, borrow or lend investments. Transaction Costs include such items as tax, stamp duty and dealing commission and custodial fees.

VFM or Value for Money

The balance of cost versus benefits. Value for money has been defined (by the National Audit Office) as "The optimum combination of whole-life costs and quality".

Because, however, there is a lack of perfect information about what's available and at what price and because some parts of the proposition are qualitative, what's "optimum" can only be theoretical.

Nevertheless, a value for money assessment must take account of the quality of the pension proposition as well as its cost and consider how that compares to what's available for equivalent schemes from other providers in the marketplace.

