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We are the Independent Governance Committee (or IGC, for short). We have been in existence from April 2015, but since April 2020 we have been responsible for scrutinising Fidelity's Investment Pathways used by the Self-Invested Personal Pension (SIPP), to see if they provide customers with Value for Money, as well as Fidelity's sustainable investing policies. The document that sets out what we do and how we do it is called a Terms of Reference and ours can be downloaded here.

We always act in customers' best interests, which means we must act independently from Fidelity. This is why we always have a majority of IGC members who are independent of the pension provider. Of our five members, three are independent (including the Chair) and two are representatives from Fidelity.

Our responsibility in this review is to look at the Investment Pathways offered by Fidelity to its customers. These were introduced in October 2020 and we carried out our analysis of Pathways ahead of this date and then monitored performance from 1 October onwards. This report covers the period from launch in October to 31 December 2020.

For more information about anything covered in this report, to ask us questions or provide feedback, please get in touch using the contact details on page 14.



It's almost impossible to talk about 2020 without mentioning the pandemic. From social distancing to lockdowns to furlough to home working, it quite literally changed the world. However, when it comes to pension plans, the effects have not been as significant as many feared.

The markets did fall in the early days of lockdown, but since then they have performed better than expected. During this time our big concern was that customers received the support they needed. It was a real positive that Fidelity's phone lines remained open and operational throughout the period, with email questions answered alongside them. Fidelity also provided communications for customers on market volatility and scams designed to help customers protect themselves.

This led to Fidelity's service receiving a good net promoter score (NPS) – a sign that customers were happy with the support they received. NPS is a globally recognised customer experience indicator that measures how customers view their relationship with Fidelity and it can be used as the basis for continuous improvement. If you'd like to know more about NPS and the principles Fidelity has adopted, please visit the website of its NPS partner, Medallia.

In conclusion to this section, we would like to highlight that our assessment of Fidelity over the following pages does not include any leniency for COVID. Our expectations are that an organisation such as Fidelity will have an appropriate business continuity plan in place that enables operations to continue during difficult times. It will also have investment strategies that are designed to withstand unprecedented market events.

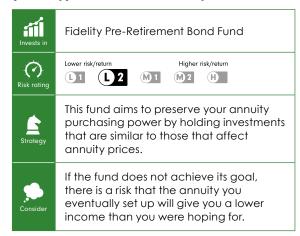


Investment Pathways are an initiative driven by the Financial Conduct Authority (FCA) that aims to ensure anyone who is using income drawdown to take money out of their pension savings has access to simple, good-value investments that broadly match their retirement goals. Fidelity launched Investment Pathways in October 2020, ahead of the FCA's deadline of February 2021. This was very encouraging as it meant more customers could benefit from this support.

Investment Pathway 1 – I have no plans to touch my money in the next five years

Fidelity Diversified Markets Fund Lower risk/return M1 M2 R This fund aims for long-term growth and controls risk by varying the types of investments it holds in response to market conditions. Up to half of the fund can be held in more defensive investments. As with any fund that aims for growth, there is also the possibility of a fall in value, particularly in the short term.

Investment Pathway 2 – I plan to use my money to set up a guaranteed income (annuity) within the next five years



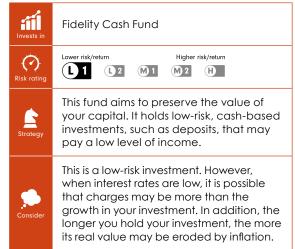
Investment Pathway 3 – I plan to start taking my money as a long-term income within the next five years



To see if customers are receiving Value for Money from Investment Pathways, we monitor Fidelity's performance against certain standards, so we can see where Fidelity is performing well and where it needs to do more. In determining value for money, we assess:

- The suitability of the investment strategy for Investment Pathways, which were introduced by Fidelity in October 2020
- The **costs and charges** that customers pay
- The level and quality of service that customers receive – the customer experience
- The level and quality of benefits that customers receive, compared with the contributions they make (improving inputs for better outcomes)
- The **security** of the investments

Investment Pathway 4 – I plan to take out all my money within the next five years



Following our assessment this year, and after examining each of these criteria, we have concluded that Fidelity has met our expectations and offers customers value for money when using Investment Pathways.

The following pages explain how we have reached our conclusions. When assessing each section, we have looked to provide a view of how Fidelity has done against the expectations we had at the beginning of this review period:

- Not met Where Fidelity has failed to meet our expectations
- Partly met Where Fidelity has met some of our expectations, but we would like to see greater progress
- Met We are happy that Fidelity has achieved the standard we expect
- Exceeded Fidelity has outperformed our expectations



VFM criteria	Score
Investment strategy	Met
A good return on my money	Met
My drawdown funds are aligned to my objectives and inappropriate risk will not erode my fund	Met
Sustainable investment	Met
Costs and charges	Met
Charges in line with the market	Met
Transaction costs	Met
Customer experience	Met
Accurate administration and reporting	Met
Feedback and KPIs feed into continuous improvement for retirement journey	To be assessed once data is available
Fit for purpose – accumulation customers	Met
Fit for purpose – approaching or in retirement	Met
Individualised guidance available to customers when making at-retirement investment decisions	Met
Customers kept informed during regular or one- off drawdown	Met
Phone support	Met
Properly take into account customers' characteristics, needs and objectives at retirement.	Partly met
Improving inputs for better outcomes	Partly Met
Relevant tools and information are available to help set and achieve personal retirement goals	Met
Relevant tools and information are available to help with retirement planning and preparation	Partly met
Simple to transfer other pension savings into this account	Met
Security	Met
A reputable, financially strong pension provider	Met
Controls and safeguards	Met

Investment strategy

We reviewed the process that Fidelity used to select the Pathway funds and received independent advice. Our conclusion is that Fidelity has followed the correct approach, taking into account customers' needs and characteristics, though we would like the risk labelling to be more effective.

While we intend to keep all the funds under review, we will have a particular focus on Pathway 2 and Pathway 3, as these investment funds have limited track records.

Fidelity will monitor the Pathway investments and we will oversee their reporting, as well as monitoring the performance, governance and selection process for the four investment funds.

As sustainable investing is an important topic at the moment, we are covering it in a separate section later on in this document.

Costs and charges

Costs seem reasonable compared with the market as a whole and the charging structure is straightforward and easy to understand. Fees are clearly displayed and are provided in pounds and pence as well as percentages.

Assessment of transaction costs are another challenge that many investment companies face, so we are pleased with the progress that Fidelity has made with its RAG (Red, Amber, Green) rating assessment process. This means we now have an agreed approach to calculating transaction costs and assessing them against comparable funds – and have already been able to check this information for three of the funds used in the Pathways, as they have track records we can review.

We will be monitoring the transaction costs within all of the funds over the next 12 months and will check how they compare with the fees on other providers' Investment Pathways once data is available.

Investment Pathway	Investment fees (fund charge)	Platform costs
Investment Pathway 1 – The Fidelity Diversified Markets Fund	0.25%	Based on entire Fidelity Personal Investing
Investment Pathway 2 – The Fidelity Pre-Retirement Bond Fund	0.25%	platform holdings. Total asset value: Less than £7.5k – 0.35% if regular saving (£45 otherwise) £7.5k-£250k – 0.35% £250k-£1m – 0.20% Over £1m – no charge
Investment Pathway 3 – The Fidelity Multi Asset Balanced Income Fund	0.40%	
Investment Pathway 4 – The Fidelity Cash Fund	0.15%	

Customer experience

We have looked at all the processes that apply to Pathways and have no initial concerns over transfers in, switching or the retirement process. It is encouraging that the majority of transactions are handled on an automatic 'straight-through' basis, with a control framework around all administration activity.

We will continue to monitor performance against service-level agreements with Fidelity and work hard to ensure that customer feedback is used to improve retirement journeys even further – particularly as some elements of the journeys must currently be carried out through phone calls and post.

In addition, we reviewed the initial set of communications that will be provided to customers and are broadly comfortable that these are fit for purpose. In particular, we like that retirement tools and guidance are available in a variety of different media, including 'nudge' letters to encourage people to act in the years leading up to their retirements. There is also clear signposting to external information and guidance alongside Fidelity's feebased advice service.

The process for entering drawdown currently involves phone conversations and printed documents to ensure customers understand the decisions they need to make and the risks of selecting Investment Pathways or alternative funds. Fidelity has plans to make it fully online by 2022, which is something we encourage – though we also note that NPS scores have been good over the period since this service was introduced, which shows customers value the support they receive. We will have more information about the move to an online journey in our next report.

When it comes to improvements, we would like to see more monitoring of customers' behaviour after they make a decision to ensure their choices were correct for their requirements. We would also like more customer support in managing drawdown once it has been started. This needs to cover sequencing risk, appropriate modelling and how to look after money over what could be several decades of retirement. After we raised this issue with Fidelity, they confirmed that they have put in place a retirement tools review project. We will receive the output of the first stage of this project during 2021, so there will be a progress update in our next report.

Improving inputs for better retirement outcomes

We are pleased that the transfer in process is both automated and easy to follow, but we would like to see more development of the online tools and calculators along with even more signposting to encourage people to use all the information that is available online, as we believe this would make a more 'joined up' experience for customers. We have raised these concerns with Fidelity and they are currently reviewing their options for improvement. We look forward to hearing more from them in the second half of 2021 and will tell you about their plans in our next report.

Security

We finish with security and are happy to say we have no concerns over Fidelity's financial strength, brand awareness or focus on this market. Going forwards, we will continue to review Fidelity's strategy and focus on this market on an annual basis.

Of course, cyber-attacks are always a threat, particularly as the security of customers' data is pivotal to Fidelity's work. We are pleased to say we don't have any concerns at the moment about the approach that Fidelity follows – though we do encourage them to continue developing and improving what they do, as this risk looks likely to continue growing in the coming years.



Sustainable investing is an increasingly important topic and something that IGCs are required to monitor closely. When we do this, we look at three key areas: how ESG (environmental, social and governance) factors are integrated, stewardship and non-financial matters. This approach is set out in Fidelity's sustainable investing policy, which can be found at fidelity.co.uk/responsible-investing. These three areas are then reviewed against five criteria.

Adequately characterises the relevant risks and opportunities

We are pleased that Fidelity's policies acknowledge the importance of these issues, with the sustainable investing policy identifying the opportunities and risks to a sufficient level given the current state of the market. We expect this to become more precise in time, as Fidelity is committed to developing its ESG policies and processes.

The stewardship policy covers engagement and voting, and gives adequate description of the relevant risks and opportunities. The policy recognises that engagement has the opportunity to provide a positive outcome for customers and Fidelity will oversee the stewardship approach of managers used in the Investment Pathways.

Appropriately mitigates risks and takes advantages of opportunities

The sustainable investing policy explains how Fidelity integrates sustainable investing into the way it manages its investment solutions to mitigate risk and benefit from opportunities, as well as how it engages with managers to achieve the same goals.

It's still early days for the stewardship policy, so we expect it to gather momentum in the coming years, but it does set out how Fidelity seeks to mitigate risks associated with unsustainable company practices.

Non-financial matters are not part of fund design, as the policy focuses on risk-return objectives.

Properly takes into account the risks and opportunities

Sustainable investing policies are being integrated into Fidelity's investment process to take account of the risks and opportunities and this is also an integral part of the stewardship policies. Fidelity monitors the approach and impact of the policies.

Appropriate for the time period the investment is expected to be held for

We see the sustainable investing policy as a natural fit with customers' long-term investment goals, as sustainable investing is considered to be something that will truly show its worth over the long term.

In the coming years, our review of sustainable investing policies will be embedded in our Value for Money framework and will be part of our ongoing continuous monitorina.

Appropriate for the main characteristics of customers

We are happy that the sustainable investing policy is appropriate for the current market and customers' needs.

From a stewardship perspective, customers are likely to have a long-term investment horizon when they are using the money they have put aside in retirement.

Following our review, we are pleased to say we consider the policies to be adequate.



We are satisfied with the support we receive from Fidelity and they continue to pay the fees when we need external advice.

FCA effectiveness review

The FCA carried out a review of the effectiveness of IGCs and we received their response in 2020. We have reviewed their feedback and made some small changes to our reporting approach so we are in line with their requirements. This includes a formal approach for raising concerns with Fidelity and them responding back to us, alongside monitoring the progress of the commitments they have made against these concerns.

The governance approach

We use three sub-committees to handle oversight of key areas, so we have more time in our full Board meetings to consider strategic issues. There is the Communications Sub-Committee led by Dianne Day, Investment Sub-Committee headed by Gerald Wellesley and the Administration Sub-Committee led by Kim Nash. In addition, we are now in the process of recruiting an additional independent Board member.

For further support, Isio Group Limited have been appointed to provide investment advice. We also carried out a full market review and appointed Allen & Overy LLP as our legal advisers in February 2021 to help with the new requirements for IGCs.

Reviewing our effectiveness

We believe it is important to ensure we are working effectively. That's why we take time at the end of each full board and sub-committee meeting for the members of the IGC to consider how well it went and ask if there are any processes we can put in place to make things work even better. Developments we have introduced recently include:

- A change to the documents received by the IGC, so it's clearer what they contain and if decisions need to be made
- Cross-referencing our Value for Money framework with the FCA's Conduct of Business (COBs) requirements, so we can more easily demonstrate that we have carried out all the necessary checks
- A clear audit trail for the work of our subcommittees and the IGC as a whole, leading to the Value for Money assessment

Every year, we go through a performance assessment process with Fidelity to review our effectiveness. This includes a skills assessment to ensure we have a wide range of complementary skills and experience across the IGC, as well as sufficient expertise and experience to act in customers' interests. Our assessment this year showed we have a broad mix of skills that are complementary. This, alongside our independence, allows us to act in customers' interests. We are working on a succession plan to ensure this is maintained in future years, particularly as Kim has now entered her final term.

During the coming year, we will carry out a Board effectiveness review led by Fidelity's company secretariat team. This will follow the same process that would be used to review a company's Board.



We value the feedback we receive, as it helps us consider the interests of all customers by understanding what is going well and where improvements may be needed.

In addition, Fidelity uses the Net Promoter Score to measure how customers view their relationship with Fidelity, which we review. There is more information about this on page 4.

If there's anything that you would like to tell us, please just:

- Email: FidelityIGCchair@ptluk.com
- Send a letter to: Fidelity IGC Chair, PTL, Park House, Park Square East, Leeds, LS1 2PW



Members of the IGC

Our independent members are appointed for fixed terms of no longer than five years. They are eligible for re-appointment, subject to a maximum duration of ten years (in other words, two terms of service).

We are considering how best to manage succession, particularly as our Chair, Kim Nash, has now entered her second and final term of five years.

Who we are



Kim Nash – Independent Governance Committee Chair

Kim is a Director at PTL Governance Ltd (PTL), joining them in February 2012. Kim is a qualified actuary and previously worked for Willis Towers Watson as an actuarial benefits consultant. Kim is able to bring her significant DC experience both as a Trustee and a member of a governance committee to lead the IGC to develop the Value for Money framework and make comparisons on Fidelity's performance against the wider industry. Kim was reappointed to the Chair in 2020, for her final five-year term.



Dianne Day – Independent Member

Dianne is a Client Director at Independent Trustee Services Ltd (ITS). She joined ITS in 2015, specialising in defined contribution (DC) schemes. Dianne holds the PMI Certificate in DC Governance and is a Fellow of the Financial Services Institute of Australasia. She has worked for major investment firms in senior communications and management roles. Dianne applies her extensive DC governance and communications experience to help with the evaluation of Fidelity's member service, communications and engagement programmes. Dianne was appointed in January 2020 for an initial five-year term.



Gerald Wellesley – Independent Member

Gerald is a Professional Trustee and Client Director of Punter Southall Governance Services Limited. He has over 35 years' experience in the finance industry, 15 years as pension trustee and 3 years in HR management. His current portfolio of trusteeships includes chair, sole trustee and subcommittee positions with DB and DC schemes and DC Master Trusts. He brings strengths in the investment and financial management disciplines, together with more broadly-based trustee skills. He was previously at BNY Mellon where he led the corporate strategy for the UK and European pensions industry. Gerald was appointed in April 2020 for an initial five-year term.



Daniel Smith – Fidelity Representative

Daniel is Head of UK Full Service – Workplace Investing, leading the overall strategic and corporate management of Fidelity's DC businesses in the UK. He joined Fidelity in 2002 and has more than 25 years' experience in the corporate pensions market. Daniel ensures that the Independent Members of the IGC are provided with all the necessary support and information to undertake their roles effectively. In addition, he ensures that the IGC members have full access to Fidelity resources and are consulted on business strategy and change projects.



James Carter – Fidelity Representative

James is Head of Pension Products and Policy with 20 years' experience in the workplace pensions market. He is responsible for the product implementation and management of Fidelity's workplace pension products. James also leads Fidelity's engagement with the government, regulators and industry bodies in the development of pension policy, and the business analysis of the impact and opportunities of new pensions regulations. Prior to joining Fidelity, James was a Director in Willis Towers Watson's pension consulting business, having also worked for KPMG and Aon, advising trustees and employers operating large DC pension schemes.

Independence

PTL, ITS and Punter Southall Governance Services are independent of Fidelity and are satisfied that they continue to meet the independence criteria set by the FCA:

- They or their representatives are not directors, managers, partners or employees of Fidelity, or any company within the groups, or paid by them for any role other than as members of the IGC, nor are they members of the share option or performance related pay schemes of Fidelity, nor have they been within the last five years
- They do not have a material business relationship of any description with Fidelity or any company within their group, and have not done so within the last three years (except as trustee of Fidelity's Master Trust)

We record any potential conflicts of interest in a log and consider them in accordance with our conflicts of interest policy.

