



ZEDRA

DO MORE. ACHIEVE MORE.

# Chair's annual report

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## Fundment Workplace Personal Pension Plans

- | Year ended 31 December 2021
- | The ZEDRA Governance Advisory Arrangement (GAA)

September  
2022



## Executive summary

**This report on the workplace personal pension plans provided by Fundment Limited ('the Firm') for advised clients ('the Advised Client Plans') and for its own staff ('the Staff Plan'), has been prepared by the Chair of the ZEDRA Governance Advisory Arrangement ('the GAA') and sets out our assessment of the value delivered to policyholders and our view of the adequacy and quality of the Firm's policies in relation to Environmental, Social and Governance ('ESG') risks, non-financial considerations and stewardship.**

Further background on the activity of the GAA and details of the credentials of the GAA can be found in Appendices C and D respectively. The GAA works under Terms of Reference, agreed with Fundment, the latest version of which is dated 29 March 2022, and these are publicly available (see Appendix D).

This is our second annual report.

As Chair of the GAA, I am pleased to deliver this value assessment of the Fundment workplace personal pension plans. The GAA has conducted a rigorous assessment of the Value for Money delivered to policyholders over the period 1 January 2021 to 31 December 2021. The GAA has developed a Framework to assess Value for Money which balances the quality of services provided to advised and sophisticated policyholders against what they pay for those services. In the case of advised policyholders, less weighting is placed on investment strategy and performance than other criteria, since the Firm has no role in setting or managing investment strategies. Further details are set out on page 6.

### A COLOUR CODED SUMMARY OF THE GAA ASSESSMENT

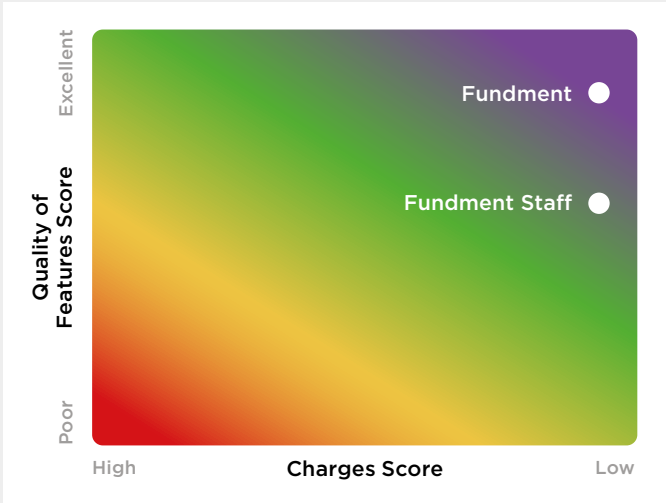
	Weighting toward VfM assessment*	Advised Client Plans	Weighting toward VfM assessment*	Staff Plan
1. Product strategy design and investment objectives	7%	●	13%	●
2. Investment performance and risk	7%	●	10%	●
3. Communication	20%	●	17%	●
4. Firm governance	7%	●	7%	●
5. Financial security	7%	●	7%	●
6. Administration and operations	17%	●	10%	●
7. Engagement and innovation	3%	●	3%	●
8. Cost and charge levels	33%	●	33%	●
<b>Overall value for money assessment</b>	<b>100%</b>	●	<b>100%</b>	●

\* May not add to 100% due to rounding

<p><b>Quality and investment features (1-7)</b></p> <p>● Excellent   ● Good   ● Satisfactory   ● Poor</p>	<p><b>Cost and charge levels (8)</b></p> <p>● Low   ● Moderately Low   ● Moderately High   ● High</p>
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The Overall Value for Money rating is determined on a rating scale based on the product of the overall scores for the individual Features and the weightings shown in the above table. The Investment and Quality Features combined representing two-thirds of the overall score and the Cost and Charge Level representing one-third of the overall score. It is visually represented by the heatmap below.

### VALUE FOR MONEY SCORING



## The overall conclusion is that the Fundment Advised Client Plans provide **excellent** value for money and the Fundment Staff Plan provides **good** value for money.

There are no specific areas identified where the GAA has challenged Fundment to make improvements, however, the GAA has made the following observations:

- | Fundment may wish to consider including a quantitative investment return target in the stated objectives of the Fundment fund range.
- | Fundment should seek to record more detailed minutes of Investment Committee meetings to evidence the monitoring and decision making processes.
- | Fundment should develop retirement guidance and support for the benefit of policyholders of the Staff Plan.
- | Fundment should look to formalise its proactive engagement with advisers and policyholders as the business grows.
- | **ESG** is a rapidly and constantly evolving area and so the GAA would expect to see ongoing developments in this area.

In the case of the Advised Client Plans the Firm does not have a role in setting the investment strategy or making investment decisions and, as such, the GAA is not required to consider and report on the Firm's policies in relation to Environmental, Social and Governance ('ESG') risks, non-financial considerations and stewardship for these policyholders. The GAA has therefore only considered these policies in the context of the Staff Plan and has concluded that these policies are adequate and of good quality.

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

The FCA has introduced new requirements this year. One of these new changes require us to undertake a comparison with other similar options available in the market. If an alternative scheme(s) would offer better value, we must inform the pension provider. I can confirm that we have not considered it necessary to make this notification this year. Our view on each Feature we are required to make a comparison on is included in the relevant section of the report. Details of how we selected the comparator group, and a consolidated view of our comparator findings is set out in Appendix B.

The GAA has not raised any concerns with Fundment during the year. In our previous report we identified two specific potential areas for further improvement, namely, the development of a more formal process for obtaining feedback from policyholders and advisers, and the extension of the support available to members of the Staff Plan around their retirement options. The GAA continues to encourage the Firm to address these areas as the business continues to grow.

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

### Clare James

Chair of the ZEDRA Governance Advisory Arrangement

September 2022



**If you are a policyholder or pathway investor and have any questions, require any further information, or wish to make any representation to the GAA you should contact:**

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Telephone **0203 637 9210**  
[support@fundment.com](mailto:support@fundment.com)

Alternatively, you can contact the GAA directly at [ZGL.gaacontact@zedra.com](mailto:ZGL.gaacontact@zedra.com)



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# Overview of the value assessment

**The GAA has assessed the Value for Money delivered by Fundment to its workplace personal pension policyholders in the Advised Client Plans and the Staff Plan by looking at costs versus investment and service benefits. More detail about how we have done this is set out below.**

## Regulatory changes

The Framework used for this year's assessment has been updated to reflect changes to the Conduct of Business Sourcebook ([COBS](#)) in effect from the 2021 assessment year. This includes a requirement for an explicit assessment of [net investment performance](#), and the assessment of any charges the policyholders might need to pay in operating their policy which are in addition to any [annual management charges](#) and [transaction costs](#). Our framework already included assessment of communications and processing of [core financial transactions](#). These changes have been reflected in the assessments reported on in sections 2. Investment Performance and Risk, 3. Communication, 6. Administration and Operations and 8 Cost and Charge Levels.

In carrying out these assessments we have taken into account where the Firm's workplace personal pension plans are provided to advised clients, as is the case with the Advised Client Plans. As a result, we have not placed any weighting on the investment performance outcomes or the costs directly payable to the underlying investment manager (including transaction costs) or to the IFA who provides advice in the case of policyholders

in the Advised Client Plans. Policyholders in the Advised Client Plans are all advised and the policyholders in conjunction with their Independent Financial Adviser ('IFA') are directly responsible for making the choice of investment and monitoring how it performs. We recognise that this is a variation from the COBS requirement, but feel it is appropriate given the scope of what is within the control of the Firm.

In addition, the regulatory changes introduced a requirement to undertake comparisons of the Firm's product offering against a suitable comparator group of providers products across net investment performance, communications, processing of core financial transactions, and costs and charges. We have included comments on these comparisons in each relevant section of the report. For the reasons already set out, in the case of the Advised Client Plans, we have not undertaken a comparison of the net investment performance. Details of how the comparator group was selected and a consolidated view of the comparison outcomes are included in Appendix B.

## Our approach

The GAA believes that value for money is subjective and will mean different things to different people over time, depending on what they consider important at that time.

What is clear is that it is always a balance of cost versus investment and service benefits. Our fundamental approach has therefore been to compare all the costs paid by policyholders against the quality of investment and other services provided to policyholders.

The key steps for the GAA in carrying out the Value for Money assessment are:

- | Issuing a comprehensive data request to the Firm, requesting information and evidence across a wide range of quality features, including full information on all costs and charges, including transaction costs.
- | Attending a number of formal meetings with representatives of the Firm to interrogate the data provided and to enable the GAA to question or challenge on any areas of concern. All such meetings have been documented by formal minutes and a log is also maintained containing details of any challenges raised, whether informally or through formal escalation.
- | Once the Firm has provided all information and evidence requested, the GAA has met to discuss and agree provisional Value for Money scoring using the Framework developed by the GAA.
- | The provisional Value for Money score, including a full breakdown, has then been shared and discussed with the Firm.

The Framework developed by the GAA to assess overall Value for Money for policyholders involves rating the Firm against eight different Features covering Quality of Service, Investment Performance and Strategy, and the Costs and Charges borne by the Policyholders. This assessment is undertaken of the Firm's product(s) relative to the GAAs view of good practice.

The Quality of Service Features and Investment Features have been determined based directly on the FCA requirements for assessing ongoing Value for Money set out in COBS 19.5.5, in particular services relating to communications with policyholders and processing of core financial transactions. The Quality of Service features considered has been expanded to include other aspects the GAA considers important based on the GAA's experience of conducting Value for Money assessments over the past several years, such as the Firm's governance structure, the financial security for policyholders, the Firm's approach to engagement and innovation, and a wider overview of the administration quality and processes.

Within each of the Quality of Service Features and in the assessment of Investment Features are several sub-features. These sub-features are each scored using a numerical scoring system of 0 to 4, where 4 is 'excellent', 3 is 'good', 2 is 'satisfactory', 1 is 'poor' and 0 is 'non-compliant or insufficient information has been provided'. Scoring is aided by means of score descriptors, developed for each sub-feature, ensuring the GAA adopts a consistent approach to scoring across clients. Each set of score descriptors outline what the GAA would expect to see in order to achieve each numerical score. The scores for each sub-feature are then aggregated to the Feature level based on the GAAs view of the relative value of the sub-feature to the policyholders.

The GAA then went on to consider the value represented by the Cost and Charge Levels which policyholders have to bear. The assessment of Cost and Charge Levels is primarily driven by the level of ongoing charges for investment management, administration, and platform fees. The GAA also considers the transaction costs and how they are controlled, and any additional costs the policyholders pay in the investment and management of their policies. The Cost and Charge Levels are rated on a numerical scale of 1 to 4 where 4 is 'low' charges, 3 is 'moderately low' charges, 2 is 'moderately high' charges and 1 is 'high' charges. This assessment takes into account information available to the GAA on general levels of costs and charges for pension providers in the marketplace.

The scores for each Feature are then combined using the weightings set out in the table in the Executive Summary to determine an Overall Value for Money rating. The weightings used are based on the GAA's views of the relative importance to the policyholders of each Feature. The weightings are tilted towards the Features and sub-features which have been identified in the regulations relevant to forming this assessment of value. Where possible, the GAA has taken into account the likely needs and expectations of this group of policyholders, based on the information made available by the Firm.

## Value for money assessment framework for Workplace personal pension plans for advised policyholders (the Advised Client Plans)

The FCA has prescribed specific features that the GAA must assess, as discussed in the framework described above. However, some of these do not directly apply in the SIPP environment, where the policyholder is advised or sophisticated, and are only relevant to the GAA due to the classification of Group SIPPS as workplace pensions. In isolation, the SIPP regulations do not require that providers consider these aspects, and we explain this below.

The FCA requires the GAA to assess whether:

- 1 “default investment strategies are designed and managed taking the needs and interests of **relevant policyholders** into account”
- 2 “default investment strategies have clear statements of aims and objectives”
- 3 “all investment choices available to relevant policyholders, including default options, are regularly reviewed to ensure alignment with the interests of relevant policy holders”

Under the rules of the Advised Client Plans, the policyholder directs the investment strategy, guided by their FCA authorised IFA. The SIPP provider does not have a role in designing or managing investment strategies nor in setting their aims and objectives. These roles are fulfilled by the FCA authorised IFA, the policyholder or, in some cases, potentially by the employers.

For some Group SIPP providers there are policyholders who choose this type of pension because they are “certified high net worth” or “sophisticated” investors as defined in FCA Handbook COBS 4.12.6/7/8 R. In these cases, our interpretation is that the provider can assume that the policyholder is able to design the strategy and evaluate whether they are obtaining value for money over time from their investments.

For unsophisticated and non-advised policyholders, the GAA assesses the provider’s process of reviewing the characteristics and performance of the investment strategies. In the case of the Advised Client Plans, we understand that all policyholders are advised.

By their nature, SIPPs can invest in “non-standard” assets such as the unquoted shares or business premises of the employer. In such cases, it is likely that the policyholder themselves will be much better placed to obtain information on, and understand the characteristics and net performance of, such strategies, rather than the Firm. The Firm is not able to make changes to the investments because, as described, it has no role in setting or managing investment strategies. The Firm can raise concerns but cannot require action to be taken.

Nearly all Group SIPPs, including those offered by the Firm, do not have default funds in operation because each member is choosing their own investments. This removes the first two areas of assessment in the bullet points above.

Accordingly, the GAA has not assessed the Firm in relation to the first two areas highlighted above. Further, the GAA would only carry out an assessment of the third area where there are unsophisticated or non-advised policyholders. In cases where the policyholder is “certified high net worth” or “sophisticated” or advised by an FCA authorised IFA, the GAA has focused on ensuring this is evidenced.

Similarly, the GAA has not assessed the Firm in relation to transaction costs and the charges paid directly to the underlying investment managers over which they have no control or influence, instead focussing on ensuring that such charges are appropriately disclosed to policyholders.



## Value for money assessment framework for Workplace personal pension plans for non-advised policyholders (the Staff Plan)

For the Staff Plan, Fundment has confirmed that policyholders are not provided with independent financial advice, nor are all the policyholders deemed sophisticated investors. As such, rather than the modified framework above adopted for the Advised Client Plans, the GAA considers it appropriate to assess the value for money for these policyholders under the full workplace value for money assessment framework described above.

In the sections on the following pages, we have described the Firm's approach to delivering each of the Features, and the rating the GAA has awarded, together with any areas for improvement we have identified.

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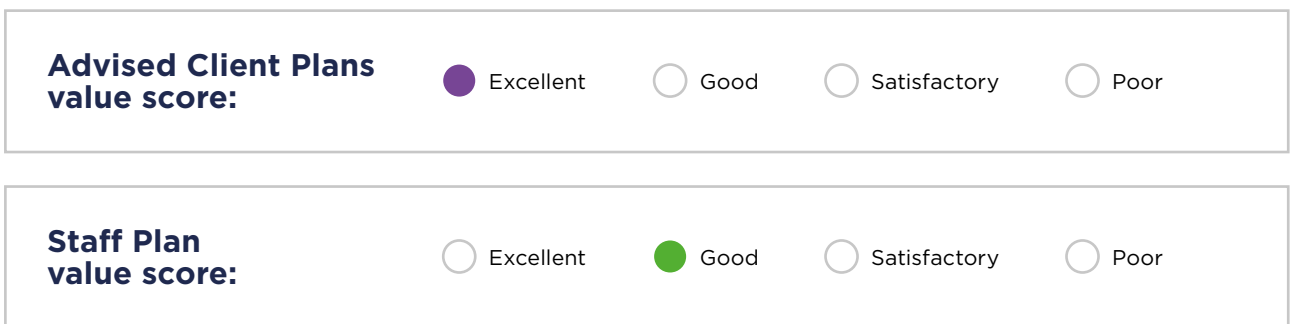
In addition, there is a section setting out the GAA's views on the adequacy and quality of the Firm's policies on ESG financial considerations, non-financial considerations, and stewardship, where applicable. Whilst this is a largely qualitative assessment, the GAA has considered the Firm's policies in comparison to others the GAA has knowledge of.

An assessment has also been made of the investment performance relative to an appropriate benchmark (only in the case of the Staff Plan), quality of the communications and the quality of the administration service, including the processing of core financial transactions, and costs and charges (limited to those under the control of the Firm in the case of the Advised Client Plans) relative to a suitable comparator group of product providers.

Comments on the outcome of these assessments is included in the sections for the relevant Features. We have also considered whether an alternative provider would offer better Value for Money so that we can inform the Firm if we believe this to be the case. Details of the comparisons, including how the comparator providers and products were determined is set out in Appendix B.



# 1. Product strategy design and investment objectives



## What are we looking for?

In the case of the Advised Client Plans, given the limited involvement of the Firm in designing investment strategies, we seek confirmation that policyholders can be considered as fully advised or sophisticated investors.

Our assessment is therefore focussed on how policyholders are supported when exploring their investment options. We expect to see that all investment options have clear statements of aims and objectives – in particular that as well as qualitative objectives, there are quantitative objectives in place, that investment performance outcomes can objectively be measured against. Ideally, we would like to see evidence that policyholders are reminded to review their investments regularly.

We look for evidence of a robust decision process on the suitability for adding new investment funds onto the platform.

For policyholders in the Staff Plan, who do not receive independent financial advice and who are not sophisticated investors, as well as clear statements of aims and objectives, we look for evidence of a robust ongoing review process

for all investment options, including the default, and evidence that the Firm has taken steps to implement changes to investment options, where appropriate, to ensure alignment with policyholders’ interests. In addition, whilst policies on [ESG](#) financial considerations and non-financial matters are considered separately on page 26, we expect to see evidence of how these matters are taken into account in the design of the investment strategy and in investment decision making.

## The Firm’s approach

After an extensive period of engagement with advisers, Fundment designed and launched its workplace personal pension plans for clients in March 2020 (referred to in this report as the Advised Client Plans). At the same time, Fundment launched a plan for its own staff (referred to in this report as the Staff Plan).

Policyholders in the Advised Client Plans all have FCA regulated advisers paid for by their employers and receive advice from their advisers on an appropriate investment strategy to suit their individual needs and objectives.

Policyholders in the Advised Client Plans have access to a universe of 2,000–3,000 retail client funds, including Fundment’s own investment range. Fundment carry out a limited due diligence process on external funds when an IFA requests a new fund is added to the platform. The investment range provided by Fundment comprises 16 model portfolios, across 3 different ranges: standard, ethical and income. There are 9 standard, 5 ethical and 2 income funds. Each fund range provides different fund choices to suit varying risk appetites, ranging from a target allocation to equities of 20% to 100%, as well as holdings in long term bonds, cash, gold and short-term bonds. The majority of assets are passively managed, with the only exception being the infrastructure allocation in the income portfolios.

In the case of the Staff Plan, policyholders are not provided with IFA advice, but policyholders are required to complete an online risk questionnaire, which is used to assess each policyholder’s risk profile and capacity for loss. The responses to the questionnaire lead to a fund choice suggestion, but policyholders are free to choose higher or lower risk options within a specified range of the suggested fund. Fundment intends that policyholders will complete a similar questionnaire annually, to help them review if their investment choices remain appropriate. In the case of policyholders in the Staff Plan, only the Fundment standard fund range is available for investment.

Fundment has no default funds.

## The Firm’s strengths

In the case of the Advised Client Plans, Fundment has evidenced a robust due diligence process it conducts on IFAs and Fundment has also evidenced how it monitors that all policyholders have IFAs in place on an ongoing basis and the process in the event a policyholder were to become non-advised. During 2021, there were no unadvised policyholders in the Advised Client Plans.

Fundment send regular communications to policyholders in the Advised Client Plans reminding them to review their investment choices with their IFA.

Fundment have evidenced that their Investment Committee carry out regular reviews of the Fundment fund range and make changes to the investment strategy where appropriate. During 2021 a number of changes were made to the model portfolios including a reduction in exposure to US equities in favour of European and Japanese equities, and a reduction in exposure to gilts and sterling corporate bonds.

Fundment have evidenced that they take ESG into account across their entire fund range in their selection of the underlying investment managers and review their ESG processes and engagement activity on an ongoing basis. Fundment offer a specific ethical range of funds, however these are not currently available to policyholders in the Staff Plan.

## Improvements since last year

The GAA is pleased to see ongoing evidence that the investment strategies are regularly reviewed to ensure alignment with policyholder interests and that changes are made where appropriate.

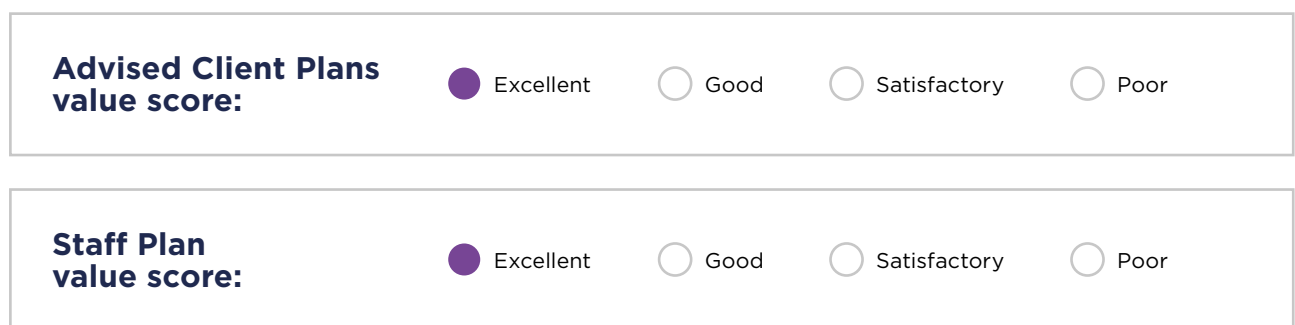
## Areas for improvement

### GAA observations

Whilst the Fundment fund range investment performance and risk levels are regularly monitored against specially constructed benchmarks and risk metrics, the objectives of the funds as stated in the factsheets do not currently specify a quantitative investment return objective. The GAA has suggested that Fundment consider incorporating a suitable quantitative investment return objective.



## 2. Investment performance and risk



### What are we looking for?

Acknowledging the limited role that the Firm plays in respect of the Advised Client Plans in that they make available investment options but do not assess the performance of those funds, we focus on the processes the Firm has to monitor IFAs remain in place on an ongoing basis and look for evidence that the Firm regularly reminds policyholders to review their investment choices with their IFA.

In the case of the Staff Plan we would expect to see a robust governance framework under which investment performance is monitored on a regular basis. Performance should be measured against investment objectives, including against a measurable and stated benchmark. Performance should be net of fees. In addition to the stated benchmark comparison, risk adjusted returns should also be considered.

Where there are any concerns over investment performance, we expect to see evidence of appropriate action being taken, which may include engagement with investment managers and/or implementing changes to fund options. We also expect to see evidence that the strategies are

effective and take into account the policyholders' attitudes to risk.

### The Firm's approach

Policyholders in the Advised Client Plans all have FCA regulated advisers paid for by their employers. Fundment monitors that all policyholders have IFAs in place on an ongoing basis and has a clear process in the event a policyholder were to become non-advised.

For the benefit of policyholders in the Staff Plan, Fundment has a comprehensive governance framework in place for regularly monitoring investment performance and risk. Fundment monitors their portfolios on a daily basis, rebalancing when volatility measures exceed specified risk levels and when asset allocations deviate outside specified asset allocation tolerances. Investment performance of the funds is monitored against Index Industry Association ('IAA') benchmarks. Fundment's Investment Committee is responsible for the governance of the investment fund ranges, including oversight of investment performance and risk monitoring. The Committee meets on a quarterly basis.

## The Firm's strengths

In the case of the Advised Client Plans, Fundment has evidenced a robust due diligence process it conducts on IFAs and Fundment has also evidenced how it monitors that all policyholders have IFAs in place on an ongoing basis and the process in the event a policyholder were to become non-advised. During 2021, there were no unadvised policyholders in the Advised Client Plans.

Fundment send regular communications to policyholders in the Advised Client Plans reminding them to review their investment choices with their IFA.

Fundment have evidenced that their Investment Committee carry out regular reviews of the Fundment fund range and make changes to the investment strategy where appropriate. During 2021 a number of changes were made to the model portfolios including a reduction in exposure to US equities in favour of European and Japanese equities, and a reduction in exposure to gilts and sterling corporate bonds.

In the case of Staff Plan members, Fundment make available an online risk questionnaire on an annual basis, which is used to assess each policyholder's risk profile and capacity for loss to ensure that policyholders' fund choices reflect their attitudes to risk.

All 9 Fundment funds available to policyholders of the Staff Plan outperformed their benchmark in 2021.

## Net investment performance

The [net investment performance](#) of the funds available to policyholders in the Staff Plan and, where available, the performance of the benchmarks against which those funds are measured by the Asset Manager are set out in the following table for the period 1 January 2021 to 31 December 2021.

Fund Name	Net Investment Performance	Benchmark
Fundment 20% Equity	3.09%	2.28%
Fundment 30% Equity	4.64 %	2.28%
Fundment 40% Equity	6.57%	5.92%
Fundment 50% Equity	8.64%	5.92%
Fundment 60% Equity	10.48%	5.92%
Fundment 70% Equity	12.06%	9.13%
Fundment 80% Equity	14.04%	9.13%
Fundment 90% Equity	14.96%	9.10%
Fundment 100% Equity	16.15%	9.10%

## Comparator results

We have assessed how the net investment performance provided to the Firm's policyholders in the Staff Plan compares to other sufficiently similar employer pension arrangements. This takes account of both the nature of the provider and the performance of the investments being offered relative to an appropriate benchmark.

This assessment identified that the one year net investment performance for the Firm's policyholders over 2021 was above average for the comparator group.

## Improvements since last year

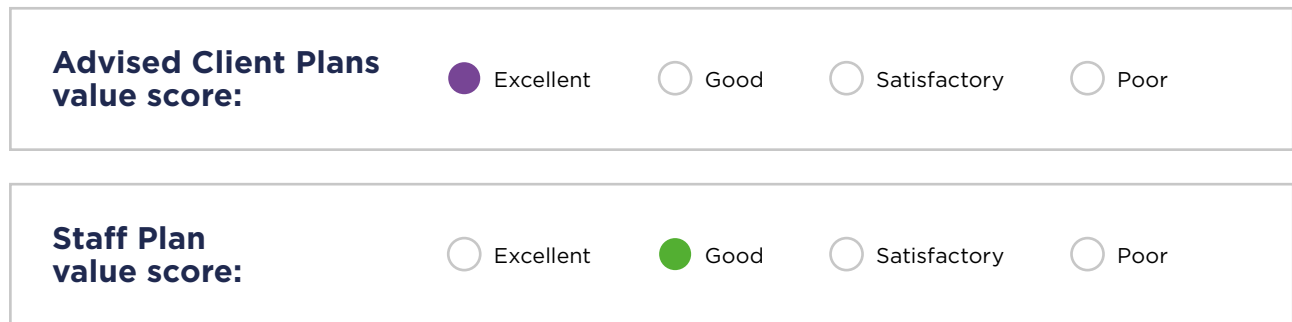
The GAA is pleased to see ongoing evidence that the investment performance and risk is regularly reviewed and that changes are made where appropriate.

## Areas for improvement

### GAA observations

The GAA will continue to seek ongoing evidence that investment performance and risk is regularly reviewed by the Investment Committee. Currently the detail captured in Investment Committee minutes is limited and the GAA has recommended that Fundment keep more detailed minutes to evidence their monitoring and decision making processes going forwards.

### 3. Communication



#### What are we looking for?

As a minimum we expect communications to be fit for purpose, clear and engaging and to be tailored to take into account policyholders’ characteristics, needs and objectives.

Where the Firm is communicating directly with policyholders, we would expect to see a comprehensive suite of communications including annual benefit statements, pre-retirement wake-up letters and retirement option packs.

Information on administration and investment charges, and **transaction costs** should be made available to policyholders on a publicly available website annually, including illustrations of the compounding effect of the administration and investment charges and transaction costs on an annual basis.

Although an advised policyholder would expect to get most of their support from their independent financial adviser, in a high-quality communication service offering we would expect the Firm to offer substantial additional support, with a range of materials such as online calculators to enable personalised calculations with various selectable options although these may be made available via the policyholder’s IFA rather than to the policyholder directly. We would expect telephone

support to be available, with good evidence of telephone scripts, call monitoring and staff training.

Additionally, we would expect policyholders or their IFAs to be able to switch investment options online and for non-advised policyholders to have support available to help them make appropriate decisions. In particular, we would expect there to be appropriate risk warnings built into the process.

We would expect the provider to be able to offer a range of different retirement options for policyholders, as well as clear signposting to policyholders on where they can obtain guidance and advice on their retirement options.

#### The Firm’s approach

Fundment provides a range of routine communications directly to policyholders in the Advised Client Plans and to members of the Staff Plan, including benefit illustrations and retirement wake-up letters with accompanying risk warnings.

All members of the Staff Plan have access to an online risk questionnaire which is used to assess each member’s risk profile and capacity for loss, guiding the member to a suggested fund choice. The risk questionnaire can also be made available to the policyholders in the Advised Client Plans if their adviser or employer requests this.

Communications are predominantly through the online portal. However, in addition, policyholders can communicate with Fundment by telephone or e-mail. Communications can also be sent by post, on request.

For the Advised Client Plans, policyholders are advised by FCA regulated advisers paid for by their employers. The adviser, rather than the policyholder, tends to be the main point of interface with Fundment, and adviser feedback is obtained on an ongoing basis, informing the development of the Fundment product offering.

## The Firm's strengths

The GAA has been provided with a range of sample communications to review including pensions illustrations, quarterly pensions statements and retirement wake-up communications. Communications are clear and contain appropriate risk warnings, and pensions terminology is explained in a glossary. The GAA was also given a demonstration of the online portal.

Full online functionality is available to switch investment options.

Fundment provide an advised drawdown facility and the ability to take benefits in the form of an Uncrystallised Funds Pensions Lump Sum ('UFPLS') at retirement.

## Comparator results

We have assessed how the communication materials provided to the Firm's policyholders compare to other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the communication materials provided to the Firm's policyholders over 2021 were above average in the case of the Advised Client Plans and average in the case of the Staff Plan within their respective comparator groups.

## Areas for improvement

### GAA observations

Fundment should look to develop the retirement guidance and support available to policyholders in the Staff Plan who currently do not benefit from having an IFA to advise them.





## 4. Firm governance

**Advised Client Plans value score:**



Excellent



Good



Satisfactory



Poor

**Staff Plan value score:**



Excellent



Good



Satisfactory



Poor

### What are we looking for?

We would expect to see a comprehensive governance structure in place for appointing and monitoring service providers, including a clear process for monitoring whether all policyholders in the Advised Client Plans either continue to have an independent financial adviser in place or remain classified as a “sophisticated investor” with evidence of regular reviews being completed and appropriate steps being taken, as required.

### The Firm’s approach

Fundment has put in place a governance framework for appointing and monitoring internal and external service providers.

This includes an investment process for reviewing and selecting investment portfolios available on retail platforms, which Fundment use to construct their model portfolios.

Fundment’s Risk and Compliance Committee oversee the formal due diligence process to check that IFAs are FCA regulated and appropriately qualified, the management of data security and cyber-risk and an annual review of banks and custodians.

## **The Firm's strengths**

Fundment has provided the GAA with documentary evidence of the due diligence process for checking advisers are FCA regulated and has clearly explained its monitoring process to ensure IFAs remain in place on an ongoing basis and the process it would follow in the event any policyholders within the Advised Client Plans are no longer advised. During 2021 all policyholders in the Advised Client Plans had an IFA in place.

Fundment has provided evidence of regular monitoring of external investment managers and custodians. Fundment has developed their own tools to monitor investment performance and risk and have provided the GAA with screen shots to evidence the information the Investment Committee has available to refer to in regular meetings.

Administration is in-house with automated straight through processing.

## **Areas for improvement**

### **GAA observations**

Currently the detail captured in Investment Committee minutes is limited and the GAA has recommended that Fundment keep more detailed minutes to evidence their monitoring and decision making processes going forwards.

## 5. Financial security

### Advised Client Plans value score:

Excellent  Good  Satisfactory  Poor

### Staff Plan value score:

Excellent  Good  Satisfactory  Poor

### What are we looking for?

We look for information about the financial position of the Firm supported by evidence such as accounts as well as ratings from third party rating agencies, where available.

We also look for information about how the assets are protected, for example in the event of fraud or bankruptcy, at both Firm and manager level. This could relate to FCA or PRA protection, ringfencing or the structure of the underlying product.

We are looking for evidence of a clear process to warn policyholders about fraud and scams and for Firms to be actively monitoring for possible scamming activity.

### The Firm's approach

Fundment is a start-up business that is currently investing significantly in the development of its platform and investment offering.

Policies are set up under trust with the assets segregated from the Firm. Policyholders can expect to receive Financial Services Compensation Scheme ('FSCS') protection up to the cap of £85,000.

Fundment take appropriate steps to protect policyholders against fraud and scams. There is a formal process required to be followed where a policyholder wishes to access funds, for example in drawdown. New bank accounts need to be verified and other security checks are carried out before a payment is made. Transfer packs include scam literature and appropriate warnings and signposting. Fundment staff undertake regular online training courses on fraud and scams. Policyholders in the Advised Client Plans have an additional layer of protection as Fundment would also liaise with their FCA regulated advisers.

## **The Firm's strengths**

Fundment was shown to have made a loss in its most recent set of audited accounts as at 31 July 2021 as a result of the fact it is currently investing significantly in the development of its proposition. During 2021 Fundment successfully secured a further £2m investment to support its future development.

## **Areas for improvement**

### **GAA observations**

The GAA notes that Fundment is a start-up business that is dependent on securing funding to invest in the development of the business. The GAA will monitor progress and growth of the business as part of its annual review.

## 6. Administration and operations

### Advised Client Plans value score:



Excellent



Good



Satisfactory



Poor

### Staff Plan value score:



Excellent



Good



Satisfactory



Poor

### What are we looking for?

We expect Firms to have robust administration processes in place with appropriate service standard agreements and regular monitoring and reporting around adherence to those service standards. In particular, we are seeking evidence that [core financial transactions](#) are processed promptly and accurately, such as processing contributions, transfers processing and death benefit payments.

We look for evidence of regular internal and external assurance audits on controls and administration processes. In particular, we are looking for a robust risk control framework around the security of IT systems, data protection and cyber-security. We would expect to see evidence that cyber-security is considered as a key risk by the Firm's relevant risk governance committee and that appropriate monitoring, staff training and penetration testing is put in place.

We expect Firms to have a comprehensive business continuity plan and evidence of its effectiveness through appropriate testing or in maintaining continuity of business during the COVID-19 pandemic.

We would expect to see a low level of substantive complaints and demonstration of a clear process for resolving complaints.

### The Firm's approach

Fundment has straight through end-to-end processing for core financial transactions, such as investment of contributions.

Risk management, including security of IT systems, is the responsibility of the Risk and Compliance Committee. Measures are in place to ensure data is held within systems securely, with restricted staff access, and that any transfer of data is encrypted. Fundment adopts a policy that no e-mail communications can contain links or personal data. Annual penetration testing is carried out.

Fundment has a business continuity plan in place.

Fundment has a clear, formal process for handling complaints.

## The Firm's strengths

Fundment has supplied the GAA with a copy of its business continuity plan and was able to evidence that COVID-19 had not caused any significant issues for the operation of the business, with business continuity being maintained during 2021.

Fundment received no complaints during 2021. Fundment was able to demonstrate the process it has in place for resolving any future complaints, with provision to provide appropriate redress in the event of financial loss if a complaint is upheld.

## Comparator results

We have assessed how the quality and timeliness of the administration services, including the core financial transaction processing, provided to the Firms policyholders compare to other sufficiently similar employer pension arrangements.

This assessment identified that the administration services provided to the Firm's policyholders over 2021 were above average for both the Advised Client Plans and the Staff Plan within their respective comparator groups.

## Areas for improvement

The GAA did not identify any specific areas for improvement.

## 7. Engagement and innovation

**Advised Client Plans value score:**



**Staff Plan value score:**



### What are we looking for?

We expect to see evidence that the product is reviewed at least annually, with new products or services being launched on a regular basis, that have been developed taking into account policyholders' characteristics, needs and objectives, including direct feedback from policyholders.

We are looking for evidence of regular, proactive engagement with policyholders or their advisers to obtain feedback and for this feedback to be taken into account when reviewing the product offering.

### The Firm's approach

Fundment has a culture of encouraging feedback from advisers on an ongoing basis and this feedback informs product development. Staff are also encouraged to give feedback on the Staff Plan.

The Investment Committee has formal responsibility for the ongoing review and sign off on new product developments.

### The Firm's strengths

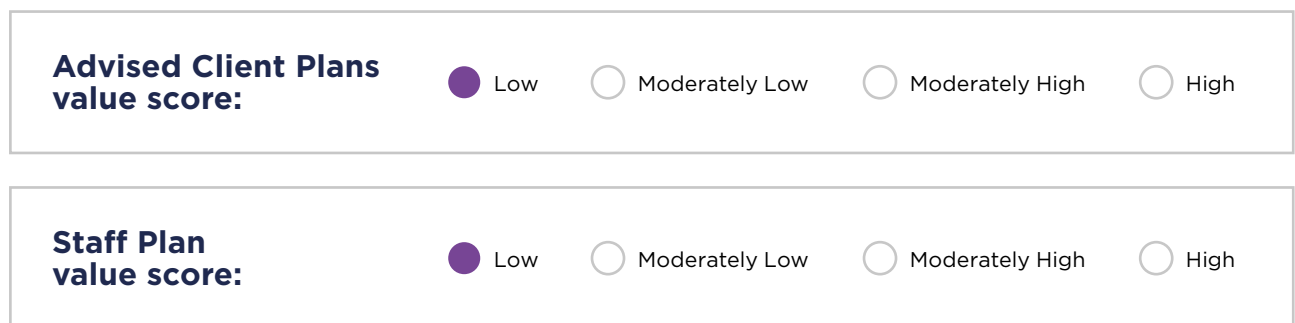
Fundment only launched their workplace personal pension plans in March 2020 and so evidence of ongoing reviews is necessarily limited. However, Fundment was able to demonstrate ongoing regular engagement with advisers, leading to a number of new developments and innovations over 2021, including a new monthly advised drawdown functionality.

## Areas for improvement

### GAA observations

Fundment should consider how to extend and formalise its proactive engagement with IFAs and policyholders as the business grows.

## 8. Cost and charge levels



### What are we looking for?

The GAA has considered the overall level of charges borne by policyholders over the year that are within the control of the Firm. This included assessing:

- | the annual account administration charges being borne by policyholders;
- | any other charges being paid to the Firm by policyholders to manage and administer their workplace pensions;
- | the process for collecting and monitoring overall member charges, including [transaction costs](#);
- | whether the overall level of charges within the control of the Firm is reasonable, bearing in mind the nature of the services provided by the Firm; and
- | the distribution of charges across policyholders.

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

Where policyholders are advised as is the case with policyholders in the Advised Client Plans, we do not include charges which policyholders will incur specifically in relation to the underlying investment funds, nor the charges which a policyholder may incur in relation to obtaining advice since both are outside the control of the Firm.

In the case of policyholders in the Staff Plan, the assessment of costs and charges is widened to include all costs the policyholder incurs, including the underlying investment costs.

Further details on the required disclosures relating to costs and charges payable by the Firm's policyholders can be found in Appendix A.

### The Firm's approach

Fundment's approach is to use technology to automate processes and by using mainly passive investments Fundment is able to reduce costs and create efficiencies for its policyholders.

The Investment Committee actively monitors all costs, including transactions costs. There is a best execution policy to manage spreads on Exchange Traded Funds ('ETFs').



In the case of policyholders in the Advised Client Plans the average charge levied by Fundment is a product fee of 0.17% per annum and the maximum charge is 0.25% per annum.

In the case of the Staff Plan Fundment charges a product fee of 0.15% per annum and policyholders also pay underlying fund charges ranging from 0.09% to 0.11% per annum.

Transaction costs during 2021 were generally low and were within the expected range for each type of fund.

There are no other charges levied on policyholders.

We believe that the Firm offers low charges to policyholders of the Advised Client Plans and to policyholders in the Staff Plan.

### **Risk of high charges for legacy products**

As this is a relatively new and evolving product, there is no legacy of older policies with higher charges.

### **The Firm's strengths**

The GAA was provided with comprehensive details of policyholder charges including transaction costs calculated on the DC workplace methodology.

### **Comparator results**

We have assessed the overall cost and charge levels payable by the Firm's policyholders in comparison to policyholders of other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the overall cost and charge levels paid by the Firm's policyholders over 2021 were lower than the average charges both for the Advised Client Plans and the Staff Plan when compared with their respective comparator groups.

### **Areas for improvement**

The GAA did not identify any specific areas for improvement.



# ESG financial considerations, non-financial matters and stewardship

## What are we looking for?

Where the Firm has an investment strategy or makes investment decisions which could have a material impact on policyholders' investment returns, the GAA will assess the adequacy and quality of the Firm's policy in relation to ESG financial considerations, non-financial matters, how these are taken into account in the Firm's investment strategy or investment decision making. We will also form a view on the adequacy and quality of the Firm's policy in relation to stewardship.

These considerations do not apply in the case of policyholders of the Advised Client Plans on the basis that the Firm is not making any investment decisions on behalf of these policyholders. We have however applied these considerations in the case of policyholders in the Staff Plan.

## The Firm's approach

Fundment believes that ESG is fundamental to delivering sustainable, long-term returns to policyholders. Fundment constructs its portfolios through fund-of-fund multi asset solutions,

supporting the UN development goals and the 2015 Paris Climate Change Agreement. Fundment's fund range seeks to invest in companies that embrace best practices in areas such as sustainability, energy efficiencies, gender equality and clean water. Fundment's investment selection process evaluates how each of the underlying funds are constructed and their alignment with Fundment's goals. Fundment applies specific exclusions to investment in companies involved in arms and gambling.

## The Firm's strengths

Fundment has provided details of its policies on ESG financial considerations, non-financial matters and stewardship to the GAA.

Fundment also provided the GAA with details of its approach to stewardship, including evidence and examples of how it monitors ongoing engagement and voting activity of underlying managers.

The GAA considers the policies to be adequate and of good quality.

## Areas for improvement

### GAA observations

ESG, non-financial matters and stewardship is an area that is rapidly and continually evolving. The GAA will therefore continue to monitor developments in this area.



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## Appendix A: Cost and charge disclosures

The FCA has introduced requirements that the administration charges and transactions costs information, in relation to each relevant scheme must be published by 30 September, in respect of the previous calendar year. These disclosures must include the costs and charges for each default arrangement and each alternative fund option that a policyholder is able to select. They should also include an illustration of the compounding effect of the administration and investment charges and [transaction costs](#), on a prescribed basis and for a representative range of fund options that a policyholder is able to select. Fundment has no default funds.

Disclosures in respect of all non-default fund options in respect of the period 1 January 2021 to 31 December 2021 are provided on a publicly accessible website at [www.fundment.com/info/gaa/](http://www.fundment.com/info/gaa/)



## Appendix B: Comparison report

This section describes the work that the GAA has done over the year and also covers the other matters which we are required to include in our annual report.

### How the comparators were selected

The GAA has selected a number of comparator products that we determined are sufficiently similar products so as to be comparable to those provided by the Firm for this purpose. The selection was based on the following broad criteria:

- | Type of product i.e. whether accumulation or pathways, and within accumulation whether the product is a SIPP or workplace group personal pension.
- | Products where Firms provide similar services, for example in the case of a SIPP whether the provider has responsibility for setting and monitoring the investment strategy.
- | Similar membership cohort, for example staff schemes for staff of the provider.

Based on these criteria we believe that the comparator products chosen will provide a reasonable comparison for the policyholders of the Advised Client Plans and the Staff Plan respectively.

### Comparison of net investment performance

This section is only relevant for policyholders in the Staff Plan. We have assessed how the [net investment performance](#) provided to the Firm's policyholders in the Staff Plan compares to other sufficiently similar employer pension arrangements. This takes account of both the nature of the provider and the performance of the investments being offered relative to an appropriate benchmark.

This assessment identified that the one year net investment performance for the Firm's policyholders over 2021 was above average for the comparator group.

### Comparison of communication provided to policyholders

We have assessed how the communication materials provided to the Firm's policyholders compare to other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the communication materials provided to the Firm's policyholders over 2021 were above average in the case of the Advised Client Plans and average in the case of the Staff Plan within their respective comparator groups.

## Comparison of administration services

We have assessed how the quality and timeliness of the administration services, including the core financial transaction processing, provided to the Firm's policyholders compare to other sufficiently similar employer pension arrangements.

This assessment identified that the administration services provided to the Firm's policyholders over 2021 were above average for both the Advised Client Plans and the Staff Plan within their respective comparator groups.

## Comparison of costs and charges

We have undertaken the comparison of cost and charge levels considering three categories of charges:

- | Annual Administration Charge
- | Transaction Costs
- | Other Costs & Charges

In the case of policyholders in the Staff Plan our assessment has included all the above costs, whereas in the case of policyholders in the Advised Client Plans the GAA has only assessed those charges made by the Firm itself and not the underlying investment charges.

We have assessed the relevant overall cost and charge levels payable policyholders in comparison to policyholders of other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the overall cost and charge levels paid by the Firm's policyholders over 2021 were lower than the average charges both for the Advised Client Plans and the Staff Plan when compared with their respective comparator groups.



## Appendix C: GAA activity and regulatory matters

This section describes the work that the GAA has done over the year and also covers the other matters which we are required to include in our annual report.

### GAA engagement and actions this year

We prepared and issued a request for data on all the relevant workplace pension policies in late 2021.

Members of the GAA had a meeting with representatives of Fundment to kick off the Value for Money assessment process for the 2021 calendar year and to discuss and agree timescales.

Members of the GAA had a meeting with representatives of Fundment to discuss the information that had been provided in response to the data request. This was an opportunity for members of the GAA to meet key personnel with responsibility in the various different areas including investment strategy and how this has evolved, the fund range, investment governance, approach to **ESG**, non-financial matters and stewardship, administration and communications and risk management. In some cases, given COVID 19 considerations, this meeting was virtual.

Members of the GAA had a meeting with representatives of Fundment to discuss the GAA's provisional scoring of Value for Money of the in-scope workplace pensions and the approach for meeting the cost and charges disclosure requirements in **COBS** 19.5.13.

As part of the Value for Money assessment process, Fundment has provided the GAA with all the information that we requested, including evidence in the form of minutes and other documentation to support areas of discussion at the site visit.

The GAA held several meetings during the year to review and discuss the information we received and to develop and improve the way that we assess Value for Money and report on this.

Over the last year the GAA reviewed and evolved our Value for Money assessment framework to include a broader range of evaluation criteria, which is reflected in this report. Some of these changes were made in response to regulatory amendments relating to the Value for Money assessment criteria and what must be disclosed to workplace pension fund members.

The GAA documents all formal meetings with Fundment and maintains a log which captures any concerns raised by the GAA with Fundment, whether informally or as formal escalations. The key dates are:

Item	Date
Issue data request	15/12/21
Kick off meeting	3/12/21
Site visit	16/3/22
GAA panel review meeting	16/5/22
Discuss provisional scoring	23/5/22

## Concerns raised with the Provider by the GAA and their response

The GAA has not raised any concerns with Fundment during the year covered by this report.

## The arrangements put in place for policyholders' representation

The following arrangements have been put in place to ensure that the views of policyholders can be directly represented to the GAA:

- | The role of the GAA and the opportunity for policyholders to make representations direct to the GAA has been and will continue to be communicated to policyholders via their financial advisers or directly if they are unadvised.
- | Fundment will receive and filter all policyholder communications, to ensure that this channel is not being used for individual complaints and queries rather than more general representations which may be applicable to more than one policyholder or group of policyholders. Where Fundment determine that a communication from a policyholder is a representation to the GAA, it will be passed on in full and without editing or comment for the GAA to consider.

In addition, the GAA has established a dedicated inbox at [ZGL.gaacontact@zedra.com](mailto:ZGL.gaacontact@zedra.com) so that policyholders can make representation to the GAA direct. Fundment will include details of this contact e-mail address on their website [www.fundment.com/info/gaa/](http://www.fundment.com/info/gaa/)



## Appendix D: ZEDRA GAA credentials

In February 2015 the Financial Conduct Authority (FCA) set out new rules for providers operating workplace personal pension plans (called relevant schemes) to take effect from 6 April 2015. From that date, providers had to have set up an Independent Governance Committee or appointed a Governance Advisory Arrangement whose principal functions would be to:

- | Act solely in the interests of the **relevant policyholders** of those pension plans, and to
- | Assess the 'value for money' delivered by the pension plans to those relevant policyholders.

These requirements were then extended to Firms providing investment pathways in respect of **pathway investors** from 1 February 2021.

The FCA rules also require that the Chair of each Independent Governance Committee and Governance Advisory Arrangement produce an annual report setting out a number of prescribed matters.

The ZEDRA Governance Advisory Arrangement ('the GAA') was established on 6 April 2015 and has been appointed by a number of workplace personal pension providers and investment pathways providers. ZEDRA Governance Ltd is a specialist provider of independent governance services primarily to UK pension arrangements. Amongst other appointments we act as an independent trustee on several hundred trust-based pension schemes and we sit on a number of IGCs. We have oversight or responsibility for in excess of £120bn of pension assets.

More information on ZEDRA Governance Ltd can be found at [www.zedra.com/pension-schemes](http://www.zedra.com/pension-schemes)

The members of the GAA are appointed by the Board of ZEDRA Governance Ltd. The Board is satisfied that individually and collectively the members of the GAA have sufficient expertise, experience, and independence to act in the interests of relevant policyholders or pathway investors.

The Board of ZEDRA Governance Ltd has appointed ZEDRA Governance Ltd to the GAA, including as Chair. All of ZEDRA Governance Ltd's Client Directors act as representatives of ZEDRA Governance Ltd on the GAA and Clare James currently represents ZEDRA Governance Ltd in the capacity of Chair. More information on each of ZEDRA Governance Ltd's Client Directors, their experience and qualifications can be found at [www.zedra.com/zedra-team](http://www.zedra.com/zedra-team)

Dean Wetton, acting on behalf of Dean Wetton Advisory UK Ltd, is also appointed to the GAA. Dean Wetton and Dean Wetton Advisory UK Ltd are independent of ZEDRA Governance Ltd. Information on Dean's experience and qualifications can be found at [www.deanwettonadvisory.com](http://www.deanwettonadvisory.com)

The GAA has put in place a conflicts of interest register and maintains a conflicts of interest policy with the objective of ensuring that any potential conflicts of interest are managed effectively so they do not affect the ability of ZEDRA Governance Ltd or Dean Wetton Advisory Ltd to represent the interests of relevant policyholders or pathway investors.

The terms of reference agreed with the Firm can be found at: [www.fundment.com/info/gaa/](http://www.fundment.com/info/gaa/)





# Appendix E: Glossary

## Active management

The investment of funds where the skill of the fund manager is used to select particular assets at particular times, with the aim of achieving higher than average growth for the assets in question

## Annual management charge (AMC)

A deduction made by the pension provider or investment manager from invested assets, normally as a percentage of the assets. The AMC is generally how the pension provider or investment manager is paid for their services.

## Annuity

A series of payments, which may be subject to increases, made at stated intervals, usually for life. If the annuity is 'joint life', it will continue to a spouse (usually at a lower rate) after the death of the original person receiving the payments ('the annuitant').

## COBS

The Conduct of Business Sourcebook prepared by the Financial Conduct Authority (FCA). In particular when we use COBS in this report we are referring to Chapter 19 of the COBS which sets out the provisions relevant to the Value for Money Assessment of workplace pensions.

## Core financial transactions

The essential processes of putting money into a pension policy or taking it out, namely:

- | Investment of contributions.
- | Implementation of re-direction of future contributions to a different fund.
- | Investment switches for existing funds, including life-styling processes.
- | Settlement of benefits – whether arising from transfer out, death or retirement.

## Decumulation

The process of converting pension savings to retirement income.

## Environmental, social and governance (ESG)

These are the three main factors looked at when assessing the sustainability (including the impact of climate change) and ethical impact of a company or business. ESG factors are expected to influence the future financial performance of the company and therefore have an impact on the expected risk and return of the pension fund investment in that company.

## Flexible access

This refers to accessing pension savings in the form of income and/or lump sums. Pension savings that are not being accessed immediately will generally remain invested.

## Life-styling

An automated process of switching investment strategy as a policyholder approaches retirement, in a way that is designed to reduce the risk of a policyholder's retirement income falling.

## Net investment performance

The investment performance of the fund after deducting all asset management charges, administration charges, taxes and fees for managing the fund including any transaction costs.

## Pathway investor

A retail client investing in a Firm's pathway investment offering.

## Pathway investment

A drawdown fund which is either a capped drawdown pension fund or a flexi-access drawdown pension fund.

## Relevant policyholder

A member of a relevant scheme who is or has been a worker entitled to have contributions paid by or on behalf of his employer in respect of that relevant scheme.

## Transaction costs

A combination of explicit and implicit costs included within the price at which a transaction (i.e. buying or selling an asset) takes place.

## With profits

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



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