

Chair's Annual Report

LV= Investment Pathways

Year ended 31 December 2025

The ZEDRA Governance
Advisory Arrangement (GAA)

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Executive Summary

This report covers the Investment Pathways policies provided by LV= (the “Firm”). It has been prepared by the Chair of the ZEDRA Governance Advisory Arrangement (the “GAA”) for pension policyholders. It explains our independent view of the value delivered to policyholders and whether the Firm’s policies and approach to Environmental, Social and Governance (ESG) risks, non-financial considerations and stewardship are adequate and of good quality.

As Chair of the GAA for this Firm, I am pleased to present this value assessment of the LV= Investment Pathways. The GAA has carried out a detailed review of the Value for Money (“VfM”) delivered to [pathway investors](#) during the period 1 January 2025 to 31 December 2025. We use a Value for Money framework that weighs the quality of services and investment performance against the costs paid by pathway investors.

This report covers Investment Pathways i.e. the [decumulation](#) phase of the personal pension plans only (when savings are used to provide retirement income).

A colour coded summary of the GAA assessment

	Weighting toward VfM assessment*	LV= Investment Pathways
1. Product strategy design and investment objectives	13%	●
2. Investment performance and risk	13%	●
3. Communication	20%	●
4. Firm governance	7%	●
5. Security of policy holder benefits	7%	●
6. Administration and operations	7%	●
7. Cost and charge levels	33%	●
Overall Value for Money assessment	100%	●

* May not add to 100% due to rounding

Quality of Service and investment features

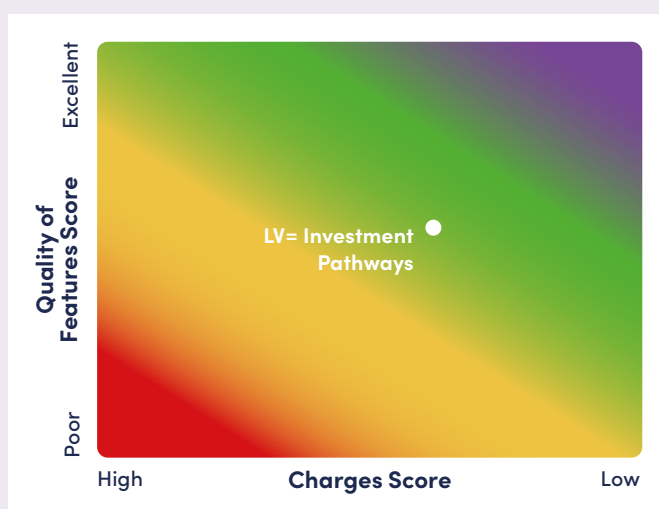
● Excellent ● Good ● Satisfactory ● Poor

Cost and charge levels

● Low ● Moderately Low ● Moderately High ● High

Value for Money scoring

The overall Value for Money score is visually represented by this heatmap.



Our conclusion is that LV= Investment Pathways provide good value for money.

How we decide our Value for Money rating is explained in more detail in Appendix B of this report.

In our previous report we challenged the Firm to make improvements in the following areas:

- Communication: implement support for the first pathway customers approaching their five year anniversary of being invested in pathways.
- Administration and operations: improve performance against Service Level Agreements for processing [core financial transactions](#).

We are pleased to be able to report that the Firm has made progress in addressing the points we raised last year, as commented on in sections 3 and 6 of this report.

We do not have any challenges for the Firm at this year, but have made a number of observations for the Firm to consider.

The FCA requires a comparison of your pathway pension product with other similar options available in the market. If an alternative scheme appears to 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 that we must make a comparison on is included in the relevant section of the report. Details of how we selected the comparator group is set out in Appendix B.

We also concluded that the Firm's policies in relation to [Environmental, Social and Governance \(ESG\)](#) risks, non-financial considerations and stewardship were adequate and well implemented.

If we use technical pensions terms or jargon in this report, we explain them in the glossary in Appendix E.

Details of the numbers of policyholders and their funds were supplied to ZEDRA for the assessment and are summarised in Appendix F.

Future developments

The Financial Conduct Authority (FCA) issued a consultation in August 2024 on the framework for assessing Value for Money. This followed their 2023 joint consultation with the Department for Work and Pensions (DWP) and The Pensions Regulator (TPR). A further joint consultation was issued in January 2026. These consultations set out a framework of metrics and standards to assess value for money across Defined Contribution (DC) pension arrangements, including the workplace pensions reviewed by the GAA. The regulators' overall aim is to improve the value savers get from their DC pension by increasing comparability, transparency and competition across DC pension schemes, whether regulated by the FCA or TPR. The consultation does not affect this year's review or how [pathway investments](#) are assessed, but it is likely to result in changes to how Value for Money for pathway investments is assessed in future. We continue to monitor these developments and will amend our assessment approach when necessary.

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



Phil Clark

Chair of the ZEDRA Governance Advisory Arrangement for
LV= Pathways
September 2026

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:

Address: LV=, Country Gates, Bournemouth, BH1 2NF

Email: investments.governance@lv.com

www.lv.com

Alternatively, you can contact the GAA directly at zgl.gaacontact@zedra.com

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1. Product Strategy Design and Investment Objectives

Value score:



Excellent



Good



Satisfactory



Poor

What are we looking for?

We expect the [pathway investment](#) strategies to be designed and managed with policyholders' needs and interests in mind. This should be supported by suitable risk ratings and by considering how long members are likely to be invested and the age profile of the membership.

We want the pathway investment options to have clear aims and objectives. In particular, we expect quantitative objectives (relative to a defined benchmark that can be independently tracked) to be in place. This helps ensure investment performance can be measured in an objective way. However we recognise that in some cases only qualitative objectives (a description of what the fund is trying to achieve or an assessment relative to a peer group) may be available. Ideally, we also want to see that these objectives link back to what [pathway investors](#) need.

We also look for a strong ongoing review process for all pathway investment options. Where changes are needed, we expect the Firm to make them so the investment options continue to be in pathway investors' interests.

Although we cover policies on [ESG](#) financial considerations and non-financial matters separately in Section 8 of this report, we also expect to see evidence that these factors are considered when the investment strategy is designed and when investment decisions are made.

The Firm's approach

The Investment Pathways have been set up for non-advised customers taking drawdown. There were 8 customers using Investment Pathways during 2025. The investment options have been designed in line with the four financial objectives outlined by the FCA. Having reviewed the customer base, LV= believe the risk appetite of their customers is moderate to low, therefore the Pathways options are designed with regards to this belief.

Investment Pathway 1 (for customers who have no plans to touch their money in the next 5 years) takes into account the fact that individuals are likely to stay invested for the full five year duration and during that time the most important factors when aligning to the specific pathway outcomes are: a) ensuring their fund does not reduce in value. This could be as a result of too high exposure to equities that perform poorly, or too little exposure causing the value to stagnate; and b) over the five year period inflation will cause the value of the fund to be worth less than five years prior, and, as such, protecting against the impact of inflation is also important. The fund used is the L&G Multi Index Income 5 fund, which has the objective of providing a combination of income and growth within a pre-determined risk profile.

Investment Pathway 2 (for customers who plan to use their money to provide a fixed income in the next 5 years) takes into account the protection for individuals from potential loss that might occur from delaying the purchase of an [annuity](#).

As such, the most important metric here is deemed to be reviewing the income potential: a) the balance of assets currently aligns to annuity compositions, however this fund not only needs to match an annuity purchase but will also need to ensure it beats inflation, so that the individual is not disadvantaged by delaying; b) delaying the purchase of an annuity can sometimes be advantageous due to age as well as unforeseen circumstances such as potential ill health, both leading to being able to obtain a higher income for the policyholder purchase price. The fund used is the Vanguard Lifestyle 40% equity fund, which seeks to hold investments that will pay out money and increase in value through a portfolio comprising approximately 40% shares and 60% bonds and other similar fixed income investments.

Investment Pathway 3 (for customers who plan to use their money to start taking a flexible income in the next 5 years) takes into account that individuals are likely to need to continue receiving an income for a significant duration. The most important factors when aligning to the specific pathway outcomes are: a) understanding the age at which funds are likely to run out. Depending on percentage taken each year there is likely to be significant emotional reaction to short term falls and as such it was important to include short term max 1 year loss; b) income sustainability metrics which measure the probability of the fund supporting the required income; c) as with Pathway 1, ensuring investors' funds do not reduce in value. This could be as a result of too high an exposure to equities that perform poorly, or too little exposure causing the value to stagnate; and d) over the five year period inflation could cause the value of the fund to be worth less than five years prior, as such measuring the impact of inflation is also important. The fund chosen was the LV= Balanced Index fund, which invests with the aim of achieving a benchmark allocation of 60% in the Vanguard FTSE Developed World Common Contractual Fund and 40% in the Vanguard Global Bond Index Fund.

Investment Pathway 4 (for customers who plan to take all their money as cash in the next 5 years) aims to provide a 'safe haven' for the fund but ensure that the fund value (less any income taken) is not depleted due to inflation.

The most important factors when aligning to the specific pathway outcomes are: a) understanding and monitoring the impact of inflation; b) there may be emotional reaction to short-term falls and as such it was important to include short term max 1-year loss; this is less so compared to pathway 3 given the assumption that the income is not required as a primary source or an extended period of more than five years. The fund chosen was the L&G Short-dated Corporate Bond fund, which aims to provide a combination of growth and income by tracking the performance of the Markit iBoxx GBP Corporates 1-5 Index (this objective is after the deduction of charges and taxation).

Pathways investment options are monitored by the Firm's investment governance committee on a quarterly basis to ensure they remain appropriate. Thresholds are defined within the risk metric parameters that are defined within the objectives and any of the risk metrics falling outside of the acceptable thresholds are followed up with the fund managers by a representative of the investment governance committee in order to find the cause and/or adapt the parameters to better suited ones.

LV= have outlined a number of risk metrics for each of the Pathways, which they will be assessed against. In 2025, the fixed return benchmark was used for each of the four options and has been communicated to investors, and LV= also has market-related metrics with regards to fund performance and return objectives which it monitors as part of the quarterly review process.

The Firm's strengths

There has been detailed analysis and thought put into designing the risk metrics for each pathway. In designing the Pathway products, the Firm had conducted extensive risk modelling of each of the pathways and had developed metrics which are calculated on an ongoing basis and objectives are compared against. Reports on the funds, which are provided by Moody's and FE Analytics, help the monitoring process, and are used within the review process at the Retail Investment Forum.

Improvements since last year

The fund factsheets for each pathway option include a clear description of which customers the option is designed for, why the fund has been selected, how the fund is invested, the risk rating out of 7, and the fixed benchmark, which was added in 2024 following feedback from the GAA.

Areas for improvement

GAA observations

With the selected funds for each Pathway having been initially selected in 2020, we would like to see LV= review the appropriateness of each fund, to ensure they continue to be aligned with the objective of each pathway and will provide the outcomes expected by members. This review should include reviewing how LV='s focus on ESG, demonstrated in its wider product offering, can be integrated into the Pathways product.

2. Investment Performance and Risk

Value score:



Excellent



Good



Satisfactory



Poor

What are we looking for?

We expect the Firm to have strong governance in place to monitor investment performance regularly. Performance should be checked against the fund's objectives and against a clear benchmark. We expect performance to be assessed net of fees. We also expect the Firm to consider risk-adjusted returns (in other words, what return has been achieved for the level of risk taken).

If there are concerns about investment performance, we expect the Firm to take appropriate action. This could include challenging the investment manager and/or changing fund options.

The Firm's approach

Quarterly performance reviews are undertaken. The review is made against the fixed nominal investment return target LV= have selected and comparator funds that LV= have also selected, together with a sector comparison to consider percentile rankings. The quarterly performance reports are reviewed by the Retail Investment Forum. Detailed monthly reports are provided by Moody Risk Analytics.

Where there is underperformance of a fund for four consecutive quarters, a review of the fund will be escalated with the Firm for action.

Any changes identified in investor behaviour during the quarterly fund performance review will be managed within the investment governance team and tracked at the Retail Investment Forum on a monthly basis. There is also an Annual Risk Assessment and Product Review undertaken at regular intervals.

The Firm's strengths

The Firm has a robust process in place for the quarterly review of investment performance, alongside its other pension products. The performance of each pathway option is reviewed against its peer group for performance, volatility and deviation from objective/sector. Funds that trigger set parameters are monitored more closely and if poor performance continues are subject to a deep-dive investigation.

Net Investment Performance

The [net investment performance](#) of the funds available to [pathway investors](#) over 12 months to 31 December 2025 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:

Investment Pathway	Net Investment Performance	Target return	Performance of comparator fund selected by LV=
Investment Pathway 1	14.3%	5.0%	11.8%
Investment Pathway 2	9.4%	4.0%	8.1%
Investment Pathway 3	10.6%	4.0%	12.0%
Investment Pathway 4	6.7%	2.0%	7.2%

Comparator results

We have assessed how the net investment performance provided to the Firm's pathway investors compares to other sufficiently similar investment pathways arrangements. This takes account of both the nature of the provider and the performance of the investments being offered.

This assessment found that the one-year net investment performance for 2025, when considered against the comparator group for each investment pathway solution is as set out in the table below

Investment Pathway 1	average
Investment Pathway 2	average
Investment Pathway 3	average
Investment Pathway 4	average

Areas for improvement

GAA observations

Alongside the review of the funds used for each Pathway, we recommend LV= review the process used to assess the performance of each fund, including the benchmark used and the comparator funds selected. The review of the fund for each Pathway product should also take into account the policyholders' attitudes to risk.



3. Communication

Value score:



Excellent



Good



Satisfactory



Poor

What are we looking for?

As a minimum, we expect communications to be suitable for their purpose. They should be clear, engaging and designed with pathway investors' characteristics, needs and objectives.

We would expect to see a comprehensive suite of communications in place suitable for pathway investors, and which enable them to choose the relevant investment pathways.

For a high-quality communication service, we expect a strong online offering. This should include helpful tools and support materials, such as calculators that allow members to model different options using their own details. We also expect telephone support to be available. The Firm should monitor calls and ensure staff are trained and supported to give accurate information.

We expect policyholders to be able to switch investment options online. We also expect support to be available to help policyholders make decisions. In particular, there should be clear risk warnings built into the process where appropriate.

Finally, we expect the provider to clearly signpost to pathway investors where they can get guidance and advice about their drawdown and retirement options.

The Firm's approach

Customers can speak to a Retirement Operations Specialist to discuss the most appropriate options available to them. Written communications are then sent to the member with details of their options, the decisions to be made and fact sheets for fund information.

The GAA were provided with example copies of written communications from LV=. They contain appropriate risk warnings and there is signposting to appropriate guidance from MoneyHelper.

Factsheets are available online and there is an online portal available for customers to view their fund value, switch between pathways, request new drawdown or update the amount of income they are taking.

A retirement advice service is provided to customers who enter drawdown on a non-advised basis, free of charge. An adviser has a free format telephone consultation with the customer to talk through what their plans are for their retirement; their appetite to risk; the Investment Pathway funds objectives and risks associated with them to help them decide where their remaining pension fund should be invested. 90% of LV= plans have an independent financial adviser actively advising them, including those that move into drawdown on a non-advised basis; if thought that a customer is really not sure following the consultation, the customer is recommended to contact their own adviser.

The Firm's strengths

The GAA believe the telephone service with the trained Retirement Operations Specialist (ROS) is a good service based on member feedback received via their customer experience and ROS teams.

A customer portal is also available, which allows customers to view the value of their fund, review the investment holdings, change their funds for investment, update their address or bank details, request new drawdown or update the amount of income they are taking. The usage of this portal continues to increase. A web chat facility has been introduced in 2025.

The Firm uses software which tracks the review of all their documentation. It enables compliance, risk, marketing, customer experience and the technical teams to review documents, make changes or add comments when documents are being reviewed. This software also enables the Firm to keep track of when documents need to come up for review so that they are reviewed on a periodic basis (but at least annually).

During 2025, the first Pathways member reached their 5 year anniversary. The communications issued to the member were clear, recommending they review their investments and seek financial advice.

LV= undertook a mailing to customers with pension pots of £13,000 or less during 2025, which included 3 Pathways members. This highlighted the impact of charges on their pension fund and the risk of value erosion.

Comparator results

We have assessed how the communication materials provided to the Firm's pathway investors compare to other sufficiently similar investment pathways arrangements. This takes account of the nature of the provider.

This assessment found that the communication materials provided to the Firm's policyholders over 2025 were average relative to the comparator group.

Areas for improvement

The GAA did not identify any specific areas for improvement.



4. Firm Governance

Value score:



Excellent



Good



Satisfactory



Poor

What are we looking for?

We expect the Firm to have a clear and effective governance structure. This should include key committees with Terms of Reference that set out what each committee is responsible for, and these should be reviewed regularly. We also expect to see evidence that the key committees met during the year. Meeting packs or minutes should show that the committee's responsibilities were properly covered.

We expect a strong oversight framework for the security of IT systems, data protection and cyber-security. Cyber-security should be treated as a key risk. The Firm should monitor this area, train staff appropriately, and carry out testing (for example, penetration testing).

We expect Firms to have a comprehensive business continuity plan. The Firm should be able to demonstrate that the plan works, for example through regular testing.

We also expect a governance process to review product innovation for the workplace pension, including considering [pathway investors'](#) feedback. Any major change projects that affect pathway investors should be properly governed.

There should be a clear and documented process for selecting and monitoring service providers. The Firm should review them regularly and make changes when needed.

The Firm's approach

LV= undertake a full due diligence review and in depth interviews on any prospective investment company before bringing them onto their panel. A due diligence review is then carried out every other year for all appointed fund managers – of the fund manager, the total fund charges, and the annual growth rate. There are quarterly reviews of performance of the Investment Pathways.

The Retail Investment Forum and Wealth Proposition Forum meet monthly, and are attended by a number of senior members of the Firm. A new Wealth Proposition Director was appointed in January 2025. Terms of reference for supporting committees, such as the monthly Retail Investment Forum, are available online. Anyone providing a service to LV=, including the administration and IT service providers, has to undergo a full due diligence review before entering a contract with the Firm. The service being provided will dictate how often the contract is reviewed and how often a review of the service provider occurs.

All of the Firm's business continuity processes are reviewed annually, with controlled simulations carried out at least once a year, using a specialist software to manage the business continuity programme. Processes are in place to monitor and manage the security of IT systems and data protection, with data protection the responsibility of the Chief Risk Officer and IT security the responsibility of the Chief Operating Officer. Penetration testing of the IT systems was carried out in 2025 by a third party, highlighting the security stance was high and they found "little of concern and much of positive note".

Areas for improvement

The GAA did not identify any specific areas for improvement.

5. Security of Policyholder Benefits

Value score:



Excellent



Good



Satisfactory



Poor

What are we looking for?

We expect the Firm to be financially sound, with enough capital to keep operating for the foreseeable future.

We also look for appropriate protections for policyholder assets, for example in case of fraud or bankruptcy (at both the Firm and investment manager level). These protections could come from the FSCS or other regulatory protections, ringfencing, or the structure of the underlying product.

We expect the Firm to have processes to protect policyholder assets from fraud and scams. We also expect the Firm to actively monitor for possible scam activity.

The Firm's approach

The Firm and both of the investment managers used for Pathways are registered with the FCA and are covered under the Financial Services Compensation Scheme (FSCS). Pathways investments are held in a SIPP wrapper, and are subject to their own FSCS protection up to £85,000 per customer if the underlying manager fails. As the Pathways investments are held as a unit linked plan, held as a contract of insurance, they are protected up to a maximum of 100% with no upper limit if the Firm fails. The assets of the unit-linked funds are ring fenced from other financial assets of LV= in order to protect policyholder investments. The Firm complies with the FCA's Client Assets Sourcebooks (CASS) requirements.

The assets of the [unit-linked](#) funds are ring fenced from other financial assets of LV= in order to protect policyholder investments. The Firm complies with the FCA's Client Assets Sourcebooks (CASS) requirements.

Good processes are in place to protect customers from scams, with communications alerting customers to the risk. Receiving companies that are not on an approved list undergo a rigorous review by the Firm's financial crime team before any funds are released. A comprehensive training programme for the Firm's staff is in place, which covers topics like identifying fraud and scams; anti-money laundering; data protection and vulnerable customers.

The Firm's strengths

LV= have been assessed with a B+ (very strong) rating from AKG and a BBB+ insurer financial strength rating from Standard and Poor's (upgraded from BBB in April 2026)..

Improvements since last year

In 2025 LV= reported profit before tax of £43 million and operating capital generation of £370 million under Solvency II. This allowed the Firm to increase its capital coverage ratio to 202%

Areas for improvement

The GAA did not identify any specific areas for improvement.

6. Administration and Operations

Value score:



Excellent



Good



Satisfactory



Poor

What are we looking for?

We expect Firms to have strong administration processes, supported by appropriate service standards and regular monitoring and reporting against those standards. We are looking for evidence that [core financial transactions](#) are processed promptly and accurately. This includes processing contributions, transfers and death benefit payments.

We expect regular internal and external assurance audits of controls and administration processes.

We expect a low level of significant complaints. We also expect a clear process for handling and resolving policyholder complaints.

The Firm's approach

LV= provided information on core transactions for transfers and payments to members which included external investment instructions, for which the Service Level Agreements (SLA) achieved were lower than the target. LV= confirmed there is no member detriment when the internal 5 working-day target is not achieved as they process the work based on the transaction cost of the required date, with the Firm making good any detriment.

There are no Investment Pathways specific SLAs available, owing to the small number of Pathways customers. However, SLAs across the wider book of business show that 65% of drawdown PCLS payments are processed inside the SLA (2024: 49%) and 92% of transfer out requests (2024: 48%).

The GAA is pleased to note that SLA performance improved across all of the measures reviewed when compared with the prior year. The proportion of cases completed within target increased materially in each area, with the most significant improvements seen in transfer out requests and drawdown related payments. While performance has not yet consistently reached the expected target levels, the year-on-year improvement demonstrates positive progress and indicates that the operational issues identified previously have begun to stabilise.

One of the Pathways investors requested a transfer out of their investments during 2025, and this was completed within 6 business days. This gave the first evidence of the level of service for a core transaction for Pathways customers since launch, and in our view is a good level of service.

There were no customer complaints in respect of the Investment Pathways.

LV= have control reports in place, which help to identify any instances where process improvements are required. Complaints data is also reviewed to identify any trends and analyse the root cause.

Tasks are quality controlled and within that an individual will be given a percentage of the amount of work completed right first time. Only experienced processors who have demonstrated that they can perform to a high level of accuracy will quality control work.

LV= set a 90% KPI for this 'right first time' metric, and an individual will not increase in the competency level until they can demonstrate that they can achieve this 90% competency on a consistent basis.

The Firm's strengths

LV= have a dedicated team in Hitchin, who handle all of its personal pension processes. To build robustness into its service levels, LV= have focussed on developing their online portal for customers, which includes allowing fund switches to be carried out online, and utilised robotics for repeat processes.

Improvements since last year

As noted above, the GAA welcomes the year-on-year improvement in SLA performance, with higher completion rates across all measures reviewed. The first evidence of the level of service for a core transaction for Pathways customers since launch, showing a good level of service, is also welcome.

Comparator results

We have assessed how the quality and timeliness of the administration services, including core transaction processing, provided to the Firm's [pathway investors](#) compare to other sufficiently similar investment pathway arrangements.

This assessment found that the administration services provided to the Firm's policyholders over 2025 were average relative to the comparator group.

Areas for improvement

GAA observations

The GAA acknowledges the improvement in SLA performance over the year, but considers that further progress is still required to ensure core financial transactions are processed consistently within target service levels. While current Pathways investors were not directly affected during the year, the GAA would like to see the Firm continuing to improve operational performance across the wider LV= customer base.



7. Cost and Charge Levels

Value score:



Low



Moderately Low



Moderately High



High

What are we looking for?

The GAA has reviewed the overall level of charges paid by [pathway investors](#) over the year. This included assessing:

- the annual fund management and administration charges being borne by pathway investors;
- the [transactions costs](#) incurred by the underlying investment funds which reduce the investment return experienced by pathway investors;
- any other charges being paid by pathway investors to manage, access and invest their drawdown funds;
- the Firm's process for collecting and monitoring overall member charges, including transaction costs.

We expect fund management charges to be in line with charges for similar investments in the wider pensions market. In doing this, we consider whether the fund is actively or passively managed and the type of assets it invests in. We also consider where most relevant pathway investors' assets are invested.

When looking at transaction costs, we also consider market conditions. We recognise that transaction costs can increase when markets are highly volatile.

We assess whether the overall level of administration charges is reasonable, taking into account the services provided to pathway investors.

As well as considering average total costs and charges, we also note where there may be significant outliers (for example, higher charges for small pots).

The Firm's approach

We observed a range of charges across the investment pathways offered with the average investment charge and transaction costs calculated on the DC workplace methodology as follows:

Product	Investment Charge pa	Transaction Costs for the Year
Investment Pathway 1	0.26%	0.14%
Investment Pathway 2	0.24%	0.05%
Investment Pathway 3	0.12%	0.06%
Investment Pathway 4	0.16%	0.00% (fund only £35)

Administration charges are levied in addition, ranging from 0.25% to 0.43%. However a minimum administration charge of £195 applies, and for a number of members with smaller pots it is this minimum fee which applies in practice.

Comparator results

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

This assessment found that the overall cost and charge level paid by the Firm's pathway investors over 2025 was above average relative to the comparator group, due to the level of transaction costs and the minimum administration fee .

Areas for improvement

GAA observations

The GAA considers that the overall charges for the Investment Pathways are moderately high relative to the comparator group. The Firm should continue to review whether the charges remain appropriate, particularly for smaller pension pots where the impact of charges may be more pronounced.

8. ESG Financial Considerations, Non-Financial Matters and Stewardship

What are we looking for?

Where the Firm's investment strategy or investment decisions could materially affect policyholders' investment returns, the GAA will assess the adequacy and quality of the Firm's policies on [ESG](#) financial considerations, non-financial matters and stewardship. We consider how these factors are integrated into the Firm's investment strategy and investment decision-making. We also form a view on the adequacy and quality of the Firm's stewardship policy.

We expect the Firm to have clear policies covering these considerations:

- (a) sufficiently characterises the relevant risks or opportunities;
- (b) looks to appropriately mitigate those risks and take advantage of those opportunities;
- (c) is appropriate in the context of the expected duration of the investment; and
- (d) is appropriate in the context of the main characteristics of the actual or expected [relevant policyholders](#).

We also expect the Firm's processes to be designed so they properly consider the relevant risks and opportunities.

Where ESG considerations are delegated to external investment managers, we expect the Firm to have appropriate oversight and stewardship arrangements in place.

Although this formal requirement sits outside the overall Value for Money assessment, the GAA's Value for Money framework does take it into account where relevant.

For example, when scoring Product Strategy Design and Investment Objectives in Section 1 of this report, we consider how the Firm has integrated ESG financial considerations and non-financial matters into its investment strategy and investment decision-making.

The Firm's approach

LV= have a Responsible Investing Framework, which covers Investment Philosophy, Corporate Strategy, Implementation and Monitoring.

LV= provided its Sustainability Report as at 31 December 2025. While the report does not include specific references to Investment Pathways, it demonstrates that sustainability is an area of focus across LV='s wider product offering.

The ESG scores for each fund underlying the Investment Pathway solutions will be reviewed on an ongoing basis, although this was not considered at inception of the Investment Pathway solutions. The ESG rating by Morningstar given for each of funds underlying the Investment Pathway solutions are looked at and assessed as part of the review process and provided to the GAA.

LV= have stated that in future ESG will become a more integral part of the review of the Investment Pathways solutions as well as subsequent fund selections from these reviews. Aside from their Responsible Investment Policy, LV= have stated that the two fund managers (Vanguard and LGIM) are committed to their ESG approach including non-financial matters and stewardships by giving the descriptions and details of these policies.

The Firm's strengths

As an independent mutual and with profit policy holders, LV= has a responsible investing policy which can play an active part in the decisions the Firm makes. The Firm states that it prides itself on its community and volunteering activities such as working with Surfers Against Sewage, Brownsea Island and local rangers in Exeter and Hitchin to conduct natural habitat preservation work. LV= support accredited projects like Amazon rainforest deforestation prevention and wildlife sanctuary preservation, and offsets its emissions by 110%.

Areas for improvement

GAA observations

The GAA considers that LV= has appropriate policies in place in relation to ESG financial considerations, non-financial matters and stewardship. However, the GAA would like to see clearer evidence that these policies are being applied specifically to the Investment Pathways, including how ESG considerations are reflected in the ongoing review of the pathway funds and in engagement with the underlying asset managers.

Appendix A: Overview of the Value Assessment Approach

The GAA has assessed the Value for Money delivered by comparing what [pathway investors](#) pay with what they receive in return (investment performance and service quality). More detail on our approach is set out below.

Our approach

The GAA believes that Value for Money is not the same for everyone. What people see as “good value” can change over time, depending on what matters most to them at that point.

Even so, it is always a balance between costs and what pathway investors get in return (investment performance and service). Our approach is to compare the total costs paid by pathway investors with the investment performance achieved and the quality of the services provided.

The key steps the GAA follows when conducting the Value for Money assessment are:

- We send the Firm a detailed data request, asking for information about service and quality features. We also ask for full details of [net investment performance](#) and all costs and charges, including [transaction costs](#).
- We hold formal meetings with the Firm to review the data and to question or challenge any areas of concern. We keep minutes of these meetings. We also keep a log of any challenges raised, whether informally or through formal escalation.
- Once we have received the information, the GAA meets to discuss and agree provisional Value for Money scores using the GAA’s framework. We also carry out the required comparisons against a suitable comparator group for certain Quality of Service and Investment Features and for Costs and Charges as required by the regulations.

- We then share and discuss the provisional Value for Money score (including the detailed breakdown) with the Firm before finalising our report.

The GAA’s framework rates the Firm against seven features. These cover Quality of Service and Investment Performance and Strategy (the “Quality of Service and Investment Features”), as well as the Costs and Charges paid by pathway investors. We assess this against what the GAA considers to be good practice.

The Quality of Service and Investment Features are based on the FCA’s requirements for ongoing Value for Money assessments in [COBS 19.5.5](#). This includes communications with pathway investors and the processing of [core financial transactions](#). The assessment also includes other areas the GAA considers important, based on our experience of Value for Money assessments over many years. For example, we consider the Firm’s governance, approach to engagement and innovation, security of IT systems and data protection, financial security for pathway investors, and the quality of administration processes.

Each Quality of Service and Investment Feature is broken down into sub-features. We score each sub-feature using a numeric scale. For each sub-feature we use score descriptors to help apply scores consistently across different clients. We then combine the sub-feature scores to produce an overall score for each feature, which ranges from Poor to Excellent.

We also assess the value of the costs and charges that pathway investors pay. This mainly focuses on ongoing charges for investment management, administration and any platform fees. We also consider the transaction costs within the underlying

funds, how these are controlled, and any additional costs policyholders must pay to manage their policies. We then rate costs and charges on a scale from Low to High, using our knowledge of typical costs and charges in the pensions market.

We combine the scores for each feature using the weightings shown in the Executive Summary to determine the Overall Value for Money rating. The weightings reflect the GAA's view of what matters most to pathway investors. They are weighted more heavily towards the features highlighted in the regulations as most relevant to value. Where possible, we also consider the likely needs and expectations of this group of policyholders.

In each section of the report, we describe the Firm's approach for each feature. We also set out the rating the GAA has given, and any areas for improvement we have identified.

The report also includes a section where the GAA sets out its view on whether the Firm's policies on **ESG** financial considerations, non-financial considerations and stewardship are adequate and of good quality. This is mainly a qualitative assessment, and we compare the Firm's policies with policies we have seen elsewhere.

We also carry out a comparative assessment against a suitable comparator group. This includes net investment performance, the quality of communications, the quality and timeliness of administration (including processing of core financial transactions), and costs and charges. We include the results in the relevant sections of the report. We also consider whether, overall, another provider may offer better Value for Money and, if so, we will inform the Firm. Details of how comparator providers and products were determined are set out in Appendix B.

Appendix B:

Approach to Comparisons

The FCA requires a comparative assessment of certain sub-features of the Value for Money assessment. The GAA must compare the Firm's offering with a selected group of other similar product options available in the market, using publicly available information. If an alternative scheme (or schemes) would offer better value, we must inform the pension provider.

ZEDRA's GAA operates for a number of Firms, all of whom have agreed that the GAA can make use of the data we have gathered on their offerings to conduct the required comparisons this year. This is done on an anonymised basis.

How the comparators were selected

The GAA has selected several comparator products that we believe are sufficiently similar products to be comparable to those provided by the Firm for this purpose. The choice 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 whether the provider has responsibility for setting and monitoring the investment strategy.

Based on these criteria we believe that the comparator products chosen will provide a reasonable comparison for the policyholders of the products covered by this report.

Comparison of Net Investment Performance

We have assessed how the net of fees investment performance provided to the Firm's policyholders compares to other similar employer pension arrangements. This takes account the performance of the investments being offered. Where multiple

investment funds are made available, we have considered the amount invested by [relevant policyholders](#) in each fund.

Comparison of Communication provided to policyholders

We have assessed how the full range of communication materials, including any websites and modelling tools, provided to the relevant policyholders compares to other sufficiently similar employer pension arrangements. This takes account of the type of pension product provided, and whether the communication materials are fit for purpose considering the age profile of the relevant policyholders.

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 Firms policyholders compares to other sufficiently similar employer pension arrangements.

Comparison of costs and charges

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

- Annual Administration and Investment Fund charges
- [Transaction Costs](#)
- Other Costs and Charges

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 type of product provided. The costs of services that are provided directly to the policyholder and paid for separately by the policyholder (for example financial or investment advice) are not included.

Appendix C:

GAA Activities and Regulatory Matters

This section explains what the GAA has done over the year and covers other matters that we must include in our annual report.

GAA engagement and actions this year

In early 2026, we prepared and issued a data request covering all relevant workplace pension policies.

Members of the GAA met with representatives of the Firm to start the Value for Money assessment for the 2025 calendar year and to agree timescales.

We then met with representatives of the Firm to discuss the information provided in response to the data request. This allowed the GAA to meet key staff responsible for areas such as investment strategy (and how it has changed over time), the fund range (including default design), investment governance, approach to [ESG](#), non-financial matters and stewardship, administration and communications, and risk management. In some cases, this meeting was virtual.

We discussed the GAA's provisional Value for Money scoring for the Firm's in-scope workplace pensions. We also discussed the Firm's approach to meeting the costs and charges disclosure requirements in [COBS](#) 19.5.13.

As part of the Value for Money assessment, the Firm provided the GAA with the information we requested. This included supporting evidence such as minutes and other documents for discussion at the site visit.

Over the last year, the GAA reviewed our Value for Money assessment framework and scoring method to ensure it remains suitable and can be applied consistently. The framework is largely unchanged from last year, but we improved the data request and realigned some elements of our assessments to streamline our reporting and made the overall process more efficient.

We keep minutes of all formal meetings with the Firm. We also keep a log of any concerns raised by the GAA, whether informally or as formal escalations.

The key dates are:

Item	Date
Issue data request	13/02/2026
Kick off meeting	26/02/2026
Site visit	31/03/2026
GAA panel review meeting	27/05/2026

The arrangements put in place for policyholders' representation

The following arrangements are in place to ensure that policyholders' views can be represented directly 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: www.lv.com/pensions-retirement/investment-pathways
- The Firm will receive and review policyholder communications, to make sure this channel is not used for individual complaints and queries. It is intended for more general representations that apply to more than one policyholder or group of policyholders. Where the Firm decides a communication is a representation to the GAA, it will pass it on in full, without editing or comment, for the GAA to consider.

In addition, the GAA has set up a dedicated inbox at zgl.gaacontact@zedra.com so that policyholders can make representations to the GAA directly. The Firm has included details of this email address on: www.lv.com/pensions-retirement/investment-pathways

Appendix D: ZEDRA GAA Credentials

In February 2015, the Financial Conduct Authority (FCA) introduced new rules for providers of workplace personal pension plans (called [relevant schemes](#)). These rules took effect from 6 April 2015. From that date, providers had to set up an Independent Governance Committee or appoint a Governance Advisory Arrangement. The main role of either body is 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 extended to firms providing investment pathways from 1 February 2021.

The FCA rules require the Chair of each Independent Governance Committee and each Governance Advisory Arrangement to produce an annual report covering a number of prescribed matters.

The ZEDRA Governance Advisory Arrangement (“the GAA”) was established on 6 April 2015. It has been appointed by a number of workplace personal pension providers and investment pathways providers. ZEDRA is a specialist provider of independent governance services, mainly to UK pension arrangements. We also act as an independent trustee on several hundred trust-based pension schemes, and we sit on several IGCs. More information on the ZEDRA GAA can be found at: www.zedra.com/GAA/

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

The Board of ZEDRA Governance Ltd has appointed ZEDRA Governance Ltd to the GAA. Most of ZEDRA Governance Ltd’s Client Directors represent ZEDRA Governance Ltd on the GAA.

The Board of ZEDRA Governance Ltd has also appointed Dean Wetton, acting on behalf of Dean Wetton Advisory UK Ltd, to the GAA. Dean Wetton and Dean Wetton Advisory UK Ltd are independent of ZEDRA.

For each Firm, the Board of ZEDRA Governance Ltd appoints either a specific named Client Director of ZEDRA Governance Ltd or Dean Wetton of Dean Wetton Advisory Ltd to act as Chair of the GAA.

More information on each of ZEDRA’s Client Directors, their experience and qualifications can be found at: www.zedra.com/people/

Information on Dean’s experience and qualifications can be found at <http://www.deanwettonadvisory.com>

The GAA has a conflicts of interest register and a conflicts of interest policy. The aim is to ensure any potential conflicts are identified and managed effectively, so they do not affect ZEDRA Governance Ltd’s or Dean Wetton Advisory Ltd’s ability to represent the interests of relevant policyholders or pathway investors.

The Terms of Reference for the GAA agreed with the Firm can be found at: www.lv.com/pensions-retirement/investment-pathways

Appendix E: Glossary

Active management

The investment of funds where the skill of the investment 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 or 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). 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)

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

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.

Relevant Scheme

A personal pension scheme or stakeholder pension scheme for which direct payment arrangements are, or have been, in place, and under which contributions have been paid for two or more employees of the same employer.

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 takes part 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.

Unit-linked

A type of investment where the investments of numerous people are pooled together and divided into units of equal value. The value, or price, of each unit depends on the value of the assets of the unit linked fund. The unit price determines the number of units the policyholder receives when they invest money in the fund, and the sum they receive when they sell their units.

Appendix F: Data Table

Pathway Investors	Number of customers during 2025	Assets under management as at 31/12/25
Pathway 1	2	£333,741
Pathway 2	1	£6,640
Pathway 3	4	£229,758
Pathway 4	1	£35
Total	8	£570,174



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