

# Chair's Statement

## Annual Chair's Statement for the DC Section of the RWE Group of the Electricity Supply Pension Scheme

The RWE Group (the "Group") of the Electricity Supply Pension Scheme ("ESPS") is established within a trust and is governed by a trust deed and rules that set out the way in which the Group operates. The Group is managed by a board of Trustees, whose role is to ensure that the Group is operated both in accordance with the trust deed and rules and in compliance with current legislation and regulations.

The Group Trustees believe that good governance is key to delivering better outcomes for Group members. The Group Trustees regularly review and update their governance processes and procedures to make sure that these continue to meet industry best practice.

From 6 April 2015, the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (the "Regulations") introduced minimum governance standards that apply to all trust-based Defined Contribution ("DC") schemes, including DC schemes with Additional Voluntary Contribution ("AVC") arrangements where the AVCs are not the only money purchase benefits.

The Regulations include ensuring that schemes:

- meet the required governance standards,
- explain how they have done so in an annual statement (i.e. this "Chair's Statement") which must be included with the Group Trustees' Report and Financial Statements,
- have an appointed Chair who signs the annual statement, and
- are compliant with the charge controls for this type of arrangement.

This Chair's Statement covers the period from 1 April 2020 to 31 March 2021 for the Group's DC and DB money purchase AVC arrangements. Specifically, it addresses governance and charge disclosures, as they apply to the following:

1. The Group's Lifestyle and default investment strategies
2. Processing of core financial transactions
3. Member-borne charges and transaction costs
4. The Group Trustees' assessment of how the charges and transaction costs represent good value for members
5. The Group Trustees' knowledge and understanding.

### **Group Structure and Governance**

The RWE Group comprises four sections: the RWE Section, the Innogy Section, the Former E.ON Section and the DC Section. This Chair's Statement relates to the DC Section, which includes money purchase AVCs for DB members in the other three sections.

In June 2020, the Group Trustees established a new DC Committee (the "DCC") with responsibility for all DC matters apart from long-term strategic objectives that continue to be set by the overarching board of Trustees.

### **Transfer of members and assets from the innogy Group of the ESPS**

As the final part of a corporate transaction between RWE AG and E.ON SE, on 30 June 2020 RWE acquired from E.ON the Innogy renewable energy business, including Innogy Renewables UK Limited and E.ON's own renewables business. At the same time, members of the Innogy Section of the innogy Group of the ESPS were

transferred to the RWE Group; DB members were allocated to the Innogy Section of the RWE Group and DC members were allocated to the DC Section.

For the DC Section, members' existing assets were bulk transferred without member consent from the innogy Group to the RWE Group in September 2020. These assets included a number of Legal & General and Threadneedle funds (the "Legacy DC funds") that were added to the fund range available to all members of the DC Section.

The Group Trustees are comfortable that appropriate steps were taken to ensure robust Group governance throughout the transfer process.

### **Summary of DC Section assets and membership at year end**

As at 31 March 2021, the DC Section had 2,659 DC members, with total assets under management worth £98.8m, and 234 DB members with money purchase AVCs, with total assets under management worth £9.6m.

The current DC arrangement, including all DC members and the majority of DB members with AVCs, is administered by Scottish Widows. However, a small number of DB members continue to hold AVCs with Utmost Life and Pensions, Prudential and Clerical Medical – collectively, the "closed arrangements". Where differences exist between the current DC arrangement and the closed arrangements, these are highlighted in this Statement.

### **Company proposal to move to a Master Trust arrangement**

Following the completion of the corporate transaction between RWE and E.ON, RWE Generation UK plc (the "Principal Employer") put forward a proposal to move the Group's current DC arrangement with Scottish Widows to a Master Trust arrangement with an expectation to complete the move during the Scheme year from 1 April 2021 to 31 March 2022. This proposal has been considered by the Group Trustees in their actions taken during the Scheme year to 31 March 2021.

### **Update on Covid-19**

During the period covered in this Statement, the Group Trustees have considered the possible impact of the Covid-19 pandemic on the Group and have taken appropriate steps to ensure that the Group continues to operate effectively during this time.

Specifically, the Group Trustees introduced a crisis resilience workstream with their advisers, which included a review of the key risk areas and current protocols in place and suggested actions in order to mitigate further risks related to areas such as administration, communications, the investment strategy and approvals and decision-making processes. This process has allowed the Group Trustees to ensure business continuity and appropriate Group governance during the pandemic.

Overall, the Group Trustees are confident that all requirements of the Regulations, as they apply, are being met and, in many areas, exceeded.

Approved and signed for and on behalf of the Group Trustees of the RWE Group of the Electricity Supply Pension Scheme.

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Chairman of the Group Trustees

Date of signing \_\_\_\_\_

The following sections of the Chair's Statement cover in detail each of the five areas listed on page 1.

## 1. Lifestyle Investment and Default Strategies

The Group is not used for auto-enrolment and all members have actively chosen to join the Group. In addition, the trust deed and rules prohibit the Group Trustees from nominating a default investment option for members' retirement savings. Therefore, all members have made their own investment decisions, including whether to invest in any of the lifestyle strategies.

The Group currently has three lifestyle strategies available to members:

- The RWE Lifestyle Strategy
- The RWE Pre-2015 DC Lifestyle Strategy
- The RWE Pre-2015 DB AVC Lifestyle Strategy

The two Pre-2015 lifestyle strategies, which pre-date pensions freedom and choice introduced from April 2015, were carried over when the Group was split out of the former RWE npower Group of the ESPS (the "old Group") in 2016. The Group Trustees are constrained by the trust deed and rules from moving members' savings into different funds or strategies without their consent. As a result, many members have remained invested in the Pre-2015 lifestyle strategies.

As at 6 April 2015, when the Regulations came into force, more than 80% of members in the DC Section of the old Group had actively chosen to invest in the RWE Pre-2015 DC Lifestyle Strategy. Therefore, this strategy is deemed to be the Group's primary "default arrangement" as defined in the Regulations and continues to be monitored accordingly.

The most popular option for new joiners to the Group is currently the RWE Lifestyle Strategy. The RWE Lifestyle Strategy is not a default arrangement under the Regulations but details of it are included in this Chair's Statement for completeness.

An additional default arrangement was created in January 2021: the Threadneedle Pensions Sterling Fund. This default arrangement was created when the existing Threadneedle Pensions Adventurous Pathway Fund was closed, meaning that all member assets in this fund had to be transferred elsewhere. The Group Trustees decided that, in the absence of any member instructions, the Threadneedle Pensions Sterling Fund would be the most appropriate fund to hold member assets. As a result, this fund is now deemed the Group's additional default arrangement.

### **The RWE Lifestyle Strategy**

The RWE Lifestyle Strategy is designed to address the different ways in which members may choose to take their benefits in the future (aligned with the pensions freedom and choice introduced from April 2015) while striking an appropriate balance of risk and reward depending on members' time to retirement. The RWE Lifestyle Strategy comprises two phases: a growth phase and a pre-retirement phase.

In each phase, the RWE Lifestyle Strategy invests in a number of underlying funds. The allocation of members' savings to each fund varies depending on time to the members' Selected Retirement Age ("SRA") and the choice of retirement options:

- During the growth phase – the period in which members are looking to build up the value of their retirement savings – the RWE Lifestyle Strategy invests in a diversified mix of growth assets such as equities with the aim of long-term capital growth. In this phase, it is assumed that members have a greater capacity for risk as there is more time to recover from swings in the value of their savings that may be caused by short-term market volatility.

- In the 15 years prior to a member's SRA, the RWE Lifestyle Strategy gradually switches to assets with lower investment risk to protect the member's accumulated retirement savings against the effect of potential falls in the value of assets held.
- During the pre-retirement phase – the final five years prior to a member's SRA – the RWE Lifestyle Strategy aligns the underlying investments with how members plan to use their pension savings at their SRA. The three retirement options offered (Pearl, Jade, Opal) target benefits payable in different forms (cash, annuity or drawdown) and the investment strategy differs for each form of benefit.

### **Primary default arrangement – The RWE Pre-2015 DC Lifestyle Strategy**

The Group Trustees' Statement of Investment Principles (SIP), which is appended to this Statement, sets out the objective of the RWE Pre-2015 DC Lifestyle Strategy as follows:

- During the 'growth phase' – the period in which members are looking to build up their pension savings – the strategy aims to beat the potentially adverse impact of inflation on the value of the pension savings by investing in a diversified mix of growth assets such as equities.
- As members move towards their SRA and get closer to retirement – the 'pre-retirement phase' – the strategy gradually switches to lower investment risk assets with the aim of providing some protection for their accumulated savings against the effect of falls in the stock market.
- It does this by automatically switching the pension savings from higher risk, more volatile funds such as equity funds, which provide potential for high growth, into lower risk alternatives to help protect the value of members' DC accounts as they approach their SRA.

### **Additional default arrangement – Threadneedle Pensions Sterling Fund**

As set out above, the Threadneedle Pensions Sterling Fund became a default arrangement in January 2021 following the transfer of member assets from the closed Threadneedle Pensions Adventurous Pathway Fund. The Group Trustees communicated with members regarding the fund closure; however, in the absence of any member instructions, the Trustees were required to choose a suitable destination fund for a transfer without consent.

The Threadneedle Pensions Sterling Fund was put forward by Threadneedle as the proposed option. The Group Trustees took advice from their investment and legal advisers in deciding that this should be used as the destination fund for assets following closure of the original Adventurous Pathway Fund.

The Group Trustees remain comfortable that this fund is the most suitable option for the member assets transferred out of the now closed Threadneedle Pensions Adventurous Pathway Fund given its low cost and low risk nature.

### **Governance**

The Group Trustees are responsible for the Group's investment governance, which includes setting and monitoring the investment strategy for the options available to members.

The performance of all investment funds available to members, including those funds that underpin the lifestyle strategies, is monitored at least quarterly against the funds' respective benchmarks and performance targets to ensure they continue to meet their performance objectives. There were no major concerns related to performance of the Group's investment funds over the year versus their benchmarks. However, given prior performance concerns regarding the underlying fund of the RWE

Global Equity (including Emerging Markets) Actively Managed Fund, the Group Trustees agreed to consider potential replacements for this fund as part of the strategic investment review.

A strategic review of the range of funds offered to members and the suitability of the lifestyle strategies (including the primary default arrangement) is carried out at least every three years or immediately following any significant change in investment policy or the Group's member profile.

The Group Trustees commenced a strategic review of the investment strategy on 22 October 2020. This was broadly in line with the requirement to review the strategy at least every three years given the last review was completed on 23 February 2017, with changes implemented on 26 February 2018. The Group Trustees postponed their strategic review from February 2020 to October 2020 so that they could take into account the changes to the Group's membership as a result of the corporate transaction between RWE and E.ON.

In particular, the review included:

- A review of the 'growth phase' of the lifestyle strategies.

The Group Trustees used deterministic modelling to assess projected risk and return characteristics for the current RWE Growth Fund, which is used within the growth phase of the lifestyle strategies, compared to alternative options. The modelling results indicated that some changes could be made to the Growth Fund to improve potential future returns. However, given the possible move to a Master Trust arrangement in the near future, the Group Trustees decided not to make any changes at this time as these would have led to members incurring additional costs of switching funds as well as higher ongoing costs with likely minimal improvements in risk adjusted returns in the short term.

- A review of potential replacements for the fund underlying the RWE Global Equity (including Emerging Markets) Actively Managed Fund.

Over the year to 31 March 2020, the Group Trustees reviewed the fund underlying the RWE Global Equity (including Emerging Markets) Actively Managed Fund following underperformance versus the set performance target but decided against taking any immediate action. As part of the October 2020 strategic review, the Group Trustees revisited this and considered potential alternative fund options. Performance of the current fund was considered to be acceptable overall in the context of the current market cycle and, to avoid members potentially incurring additional costs with little expectation of short-term benefit, the Group Trustees decided not to make any changes to the RWE Global Equity (including Emerging Markets) Actively Managed Fund at this time.

- A review of whether a property/infrastructure fund should be added to the range of self-select funds available.

The Group Trustees considered whether to add property and/or infrastructure funds – or a blend – to the range of self-select options to provide members with access to a broader range of asset classes. Following an investigation of funds available through the Group's investment platform, Scottish Widows, and taking into account trading costs, liquidity issues and a possible move to a Master Trust arrangement in the near future, the Group Trustees decided not to add a property/infrastructure fund at this time.

The strategic review was completed after the Group's year end on 31 March 2021, including a review of the Group's wider self-select range and the membership. The membership review included analysis of members' ages, salary, fund value and choices to determine if the overall strategy remains appropriate. Further details will be provided in next year's Statement.

As the Threadneedle Pensions Sterling Fund has only recently been classified as an additional default arrangement, no formal review has yet taken place for this fund, although the Group Trustees

are comfortable that it remains suitable to hold member assets following the due diligence carried out and advice received in January 2021 prior to its selection.

The Group Trustees updated the Group's Statement of Investment Principles ("SIP") on 22 September 2020 to reflect new regulatory disclosures for trust-based schemes related to stewardship of assets, arrangements with investment managers and cost transparency. A copy of the current SIP is appended to this Statement.

## 2. Processing of Core Financial Transactions

The Group Trustees have a specific duty to ensure that core financial transactions are processed promptly and accurately. These transactions include, but are not limited to:

- investment of contributions received by the Group
- transfer of member assets into and out of the Group
- transfers between different investments within the Group
- payments to and in respect of members.

### **Current DC arrangement**

In 2017, the Group Trustees appointed Zurich Financial Services as provider of both administration and investment platform services for the Group's DC arrangement. In 2018, Zurich was acquired by Scottish Widows, part of the Lloyds Bank group of companies.

The Principal Employer is responsible for ensuring that contributions are paid over to the Group promptly, and the timing of such payments is monitored through reports submitted regularly by Scottish Widows to the Group Trustees.

To enable the Group Trustees to monitor the processing of core financial transactions, quarterly governance reports are received from Scottish Widows on key aspects of the administration, which includes:

- performance against agreed service levels
- membership movements and analysis
- web analytics
- asset valuations
- fund governance
- investment performance
- contributions and single and transfer in payments monitoring.

The agreed service levels cover time-critical processes (claims and non-claims; target of 100% for completing processes within the agreed service level), manual administration activities (target of 95%) and handling of calls (target of 97%). The turnaround times set within the service level agreement vary depending on the criticality of the activity ranging from 1 business day for time-critical processes to 10 business days for more complex member enquiries. The full report is reviewed in detail by the Defined Contribution Committee of the Group at its regular meetings to monitor and ensure that the agreed service level standards are consistently met.

Over the year, the majority of these activities were completed within the agreed service levels. There were periods however, where the agreed service levels were not met; for example in Q2 2020, only 50% of time critical processes were completed within the agreed service level times. The Group Trustees have sought reassurances from Scottish Widows on actions taken to address any issues that resulted in missed targets as well as actions taken to minimise future recurrences. This information is also detailed within the quarterly governance reports received. Taking the example of missed SLA on time critical activities in Q2 2020, this has been attributed to the impact of the Covid-19 pandemic and a pause on recruitment that was in place at Scottish Widows until August 2020 meaning there was limited capacity within the team to resolve time critical processes within the agreed service level. Scottish Widows detailed steps taken to minimise the impact of this issue as well



as the actions being taken to resolve this issue (for example, re-starting recruitment in August, introducing policies to make sure no members were disadvantaged from any time critical processes that were not processed within the agreed SLA, and setting up a dedicated bereavement team), and the Group Trustees were comfortable with the action being taken to ensure an improvement in service levels going forward. The Group Trustees have continued to monitor the administration closely throughout the Covid-19 pandemic and are comfortable that SLAs have improved as a result of the actions taken by Scottish Widows.

There have been no other significant issues over the Group year and there are no outstanding unresolved issues to report related to core financial transactions.

Scottish Widows has provided the Group Trustees with their Pensions Administration Report on Internal Controls, which details relevant internal controls in place relating to core financial transactions. Contributions are processed via a bulk payroll upload, with systems in place to invest these contributions as per individual member instructions. Scottish Widows has confirmed that there is daily monitoring and reconciliation of all bank accounts within the Group, with two team members reviewing this reconciliation. Separately, Scottish Widows' platform supplier, FNZ, has confirmed that a daily reconciliation takes place of units purchased and sold at an aggregate level, with any differences investigated and corrected in line with the Financial Conduct Authority's rules regarding client assets. In addition, Scottish Widows carries out periodic internal audits to review and assess its controls and performance. Finally, the Group's financial statements are subject to an annual audit by independent statutory auditors, Pricewaterhouse Coopers LLP.

The Group Trustees are pleased to confirm that there have been no reportable administration service issues with respect to core financial transactions.

In light of the above, the Group Trustees are satisfied that there are processes and audit procedures in place to ensure that all core Group transactions are processed in an accurate and timely manner.

### **Closed AVC arrangements**

The Group also has AVC assets invested with Utmost Life and Pensions (previously Equitable Life), Clerical Medical and Prudential. These funds are closed to new contributions; core financial transactions are therefore restricted to 'transfers out' or 'payments in respect of members'.

Utmost Life and Pensions have confirmed that they have a set of service level standards in place across all of their policies, including those held by the Group Trustees. Utmost aim to reply to most requests within 10 working days, and for financial transactions specifically as quickly as possible and within 5 working days. Over the 12 months to 31 December 2020, 95% of payments were completed within 5 working days. The Group Trustees have also received statements from Utmost on their business continuity and disaster recovery plan. From the information received, the Group Trustees are satisfied that there are processes and audit procedures in place to ensure that all core Group transactions relating to the AVC arrangements with Utmost are processed in an accurate and timely manner, and that there were no service issues with respect to the core financial transactions carried out by Utmost that need to be reported.

The Group Trustees have repeatedly requested specific information from Prudential and Clerical Medical relating to core financial transactions. However, at the time of writing, the requested information was still awaited from these providers. The Group Trustees understand this is not uncommon across the wider industry. Clerical Medical have provided the Group Trustees with their internal controls report, which includes information on the systems of internal controls and risk management in place. Prudential previously provided a similar report in 2018. The Group Trustees, along with their advisers, are continuing to request management information relating to the core financial transactions from the providers, although the internal control reports do confirm that the



providers have established processes and procedures in place to ensure that these transactions are processed promptly and accurately.

The Group Trustees have not received any feedback from members on issues or errors in the processing of core financial transactions by the providers of the closed AVC arrangements.

### 3. Member Borne Charges and Transaction costs

This section sets out the levels of costs incurred by the Group's members and provides example illustrations of the cumulative impact of costs and charges on member fund values over time. An assessment of the extent to which these costs represent value for members can be found in Section 4.

The costs and charges associated with the Group are shared between the employer and members. The contribution towards costs from the employer reduces the costs to members. The Group Trustees are required to monitor the member costs associated with the Group which are deducted from members' funds and comprise charges and transaction costs.

**Charges** consist of costs such as the Annual Management Charge ("AMC" – the annual fee charged by the investment manager for investing in a fund), as well as additional expenses. Together these comprise the Total Expense Ratio ("TER"), which is the total explicit cost of investing in a fund.

The TER information is readily available as these charges are explicit and are deducted as a percentage of members' funds. Members are signposted to this information on the Scottish Widows microsite as part of the member investment guide, which is available here:

<https://adviser.scottishwidows.co.uk/assets/literature/docs/rwe-dcfund.pdf>

**Transaction costs** are costs which are incurred within the day-to-day management of the assets by the fund manager. These cover such things as the cost of buying and selling securities within the fund. Transaction costs are incurred on an on-going basis in addition to the TER and are included within the performance of the fund.

The requirement for fund managers to calculate and disclose transaction costs using a method prescribed by the Financial Conduct Authority (FCA) was introduced on 3 January 2018. As defined by the FCA, transaction costs are categorised as 'explicit' or 'implicit':

- Explicit transaction costs are the costs that are directly charged to or paid by the fund and may include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker in order to buy and sell investments) and costs of borrowing or lending securities;
- Implicit transaction costs are calculated as the difference between the actual price paid (execution price) and the quoted "mid-market price" at the time the order was placed (arrival price). This method, although reasonable if observed over a long period of time, can result in a volatile measure from one year to another and can even result in a profit, known as "negative costs". This can happen, for example, when buying an asset if the actual price paid ends up being lower than the mid-market price at the time of placing the order – perhaps as the result of a sudden market event that pushes down the price of the asset, such as some negative publicity or a big sell order by another party.

Fund managers calculate transaction costs at fund-level not scheme-level therefore the Group Trustees requested details of transaction costs for the period 1 April 2020 to 31 March 2021 from the Group's fund managers via Scottish Widows. The transaction costs calculated, using the method prescribed by the FCA, has resulted in negative costs (i.e. a profit) for some funds held by members during the period of review.

#### Current DC arrangement

The table below shows the TERs and transaction costs applicable to the funds available to members via the Scottish Widows platform between 1 April 2020 to 31 March 2021. As well as the three lifestyle strategies, the Group Trustees offer members a range of 12 alternative self-select funds.

The data in the table is reliant on information provided by the fund managers and reflects the most up to date information held on transaction costs.

The table shows that the primary default arrangement, the RWE Pre-2015 DC Lifestyle Strategy, has levied a TER that ranges from 0.280% p.a. to 0.412% p.a. (as at 31 March 2021) of assets under management, depending on the member's period to retirement. Importantly, this is below the charge cap set by the Regulations of 0.75% p.a. Information on how the level of charges varies for the lifestyle strategies can be found in the Appendix of this statement.

Similarly, the secondary default arrangement, the Threadneedle Pensions Sterling Fund has a TER of 0.19%, again below the 0.75% charge cap.

<b>Fund</b>	<b>TER (% p.a. as at 31st March 2021)</b>	<b>Transaction Costs (%)</b>	<b>Total Charge (%)</b>
<b>RWE Pre-2015 Lifestyle Strategies*</b>			
RWE Pre-2015 DC Lifestyle Strategy (primary default)	0.28% - 0.41%	0.02% - 0.12%	0.30% - 0.53%
RWE Pre-2015 DB AVC Lifestyle Strategy	0.16% - 0.41%	0.01% - 0.12%	0.17% - 0.53%
<b>RWE Lifestyle Strategy options*</b>			
Pearl	0.16% - 0.30%	0.01% - 0.05%	0.17% - 0.35%
Opal	0.28% - 0.32%	0.04% - 0.08%	0.33% - 0.40%
Jade	0.28% - 0.32%	0.03% - 0.05%	0.33% - 0.35%
<b>Self-select options</b>			
RWE Annuity Target Fund	0.32%	0.03%	0.35%
RWE Corporate Bond Fund	0.18%	0.00%	0.18%
RWE Ethical Global Equity Fund	0.37%	0.00%	0.37%
RWE Global Equity (excluding Emerging Markets) Passive Fund	0.17%	0.00%	0.17%
RWE Global Equity (including Emerging Markets) Actively Managed Fund	0.79%	0.08%	0.87%
RWE Global Equity (including Emerging Markets) Passive Fund	0.24%	0.00%	0.24%
RWE Growth Fund	0.30%	0.04%	0.34%
RWE Long Gilt Fund	0.17%	0.00%	0.17%
RWE Long Index Linked Gilt Fund	0.17%	0.00%	0.17%
RWE Money Market Fund	0.16%	0.01%	0.17%
RWE Multi-Asset (Diversified Growth) Fund	0.74%	0.37%	1.10%
RWE Pre-2015 Growth Fund	0.41%	0.12%	0.53%

Fund	TER (% p.a. as at 31st March 2021)	Transaction Costs (%)	Total Charge (%)
<b>Lifestyle Strategy Only Funds</b>			
RWE Multi-Asset (Capital Preservation) Fund	0.70%	0.32%	1.02%
RWE Index-Linked Gilt Fund	0.16%	0.01%	0.17%
BlackRock DC Pre-Retirement Fund	0.32%	0.03%	0.35%
BlackRock Sterling Liquidity Fund	0.16%	0.01%	0.17%
<b>Legacy DC Funds</b>			
Threadneedle Pension Property Fund	0.79%	0.00%	0.79%
Threadneedle Pensions Adventurous Pathway Fund	0.51%**	Unavailable	Unavailable
Threadneedle Pensions UK Equity Fund	0.53%	0.09%	0.62%
Threadneedle Pensions Global Select Fund	0.62%	0.30%	0.92%
Threadneedle Pensions Sterling Fund (additional default)	0.19%	0.02%	0.21%
L&G Ethical UK Equity Fund	0.29%	0.02%	0.31%
L&G Global Equity Fund	0.19%	0.01%	0.20%
L&G Over 15 Year Gilts Index Fund	0.18%	0.04%	0.22%
L&G Over 5 Year Index Linked Gilts Index Fund	0.18%	0.10%	0.28%
L&G Money Market Fund	0.16%	0.00%	0.16%

Source: Scottish Widows.

\* Members in the Growth phase of the lifestyle strategies would typically be at the higher end of the ranges provided.

\*\* Reflects TER at the time of fund closure on 11 January 2021. Scottish Widows were unable to provide transaction cost information at the time of writing this statement for the Threadneedle Pensions Adventurous Pathway Fund following its closure. The Group Trustees and their investment advisers are continuing to request this information from Scottish Widows with the aim of making it available once received.

## Closed AVC arrangements

The table below shows charges for the closed arrangement funds held by members. The table includes all the required cost and charge information requested from the providers of the closed arrangements.

Provider	Fund	TER (% p.a.)	Transaction Costs (%)	Total Cost (%)
Utmost Life and Pensions	Multi-Asset Cautious <sup>1</sup>	0.75	0.50	1.25
	Multi-Asset Moderate <sup>1</sup>	0.75	0.41	1.16
	Multi-Asset Growth <sup>1</sup>	0.75	0.24	0.99
	Money Market <sup>1</sup>	0.50	0.00	0.50
	Sterling Corporate Bond	0.75	0.00	0.75
	UK Government Bond	0.50	0.02	0.52
	Managed	0.75	0.13	0.88
	UK Equity	0.75	0.54	1.29
	UK FTSE All Share Tracker	0.50	0.11	0.61
	Asia Pacific Equity	0.75	0.43	1.18
	European Equity	0.75	0.47	1.22
	Global Equity	0.75	0.28	1.03
	US Equity	0.75	0.18	0.93
Prudential	With Profits Cash Accumulation	-	0.11	-
Clerical Medical <sup>2</sup>	Balanced	0.495	0.44	0.94
	UK Equity Income <sup>3</sup>	0.495	0.25	0.75
	Retirement Protection	0.495	0.08	0.58
	Japanese	0.495	0.24	0.74
	Far Eastern	0.495	0.58	1.08
	Smaller Companies <sup>4</sup>	0.495	0.00	0.50
	Halifax	0.495	0.00	0.50
	Lifestyle International Growth	0.495	0.36	0.86
	Lifestyle Balanced	0.495	0.25	0.75
	Lifestyle Cautious	0.495	0.24	0.74
	Lifestyle UK Growth <sup>3</sup>	0.495	0.39	0.89

Source: Utmost Life and Pensions, Prudential and Clerical Medical

1. Forms part of the Investing By Age Lifestyle Strategy

2. Clerical Medical only provide AMC and do not use TER

3. Transaction costs shown cover 12 months from 1/2/2020 to 31/1/2021

4. Transaction costs shown cover 12 months from 1/3/2020 to 28/2/2021

There are no explicit costs and charges for the Prudential With Profits fund. Charges are inherent within the annual bonus declarations, which is a standard market practice for With Profits funds. The transaction cost information provided by Prudential relates to the period from 1 October 2019 to 30 September 2020, which is the most recent 12-month period for which information is available. The Group Trustees are continuing to request this information and expect to be able to include this in future statements.

The cost data for the majority of the Clerical Medical funds cover the 12 months to 31 March 2021. However, for some funds, the transaction cost data shown covers a slightly different period (detailed in the table footnotes above). The Group Trustees and their advisers are continuing to request information as at 31 March 2021 and will provide an update when received.

### **Illustrations of costs and charges**

From 6 April 2018, the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 requires trustees and fund managers of a relevant scheme to disclose and publish charges and transaction costs in order to improve transparency on costs. As part of this, the Group Trustees are required to illustrate the cumulative effect over time of the application of transaction costs and charges on the value of members' benefits.

The next few pages contain illustrations of the cumulative effect of costs and charges on the value of member savings within the Group over a period of time. The illustrations have been prepared with regard to statutory guidance.

As each member has a different amount of savings within the Group and the amount of any future investment returns and future costs and charges cannot be known in advance, the Group Trustees have had to make a number of assumptions about what these might be. The assumptions are explained in the notes section below the illustrations. Members should be aware that such assumptions may or may not hold true, so the illustrations may not reflect what could happen in the future.

Each of the charts and tables below illustrates the potential impact that costs and charges might have on different investment options provided by the Group. The Group Trustees have chosen the following illustrations:

- Charts showing the potential impact that costs and charges might have for two example members who have assets invested in the RWE Pre-2015 DC Lifestyle Strategy (the default arrangement) and one example member who has assets invested in the RWE Lifestyle Strategy (Opal);
- Under each chart, a table showing the potential impact that costs and charges might have if the example member were invested in a higher risk profile fund that has a higher level of costs and charges compared to the one illustrated in the chart (the RWE Global Equity (including Emerging Markets) Actively Managed Fund) and a lower risk profile fund that has a lower level of costs and charges compared to the one illustrated in the chart (the RWE Money Market Fund).

The Group Trustees have determined the three example members for whom illustrations have been provided as the youngest active member, an active member of average age and a deferred member of average age (ages determined using data for the Group). The current fund values chosen for the illustrations are the average pot sizes held by members in the Group.

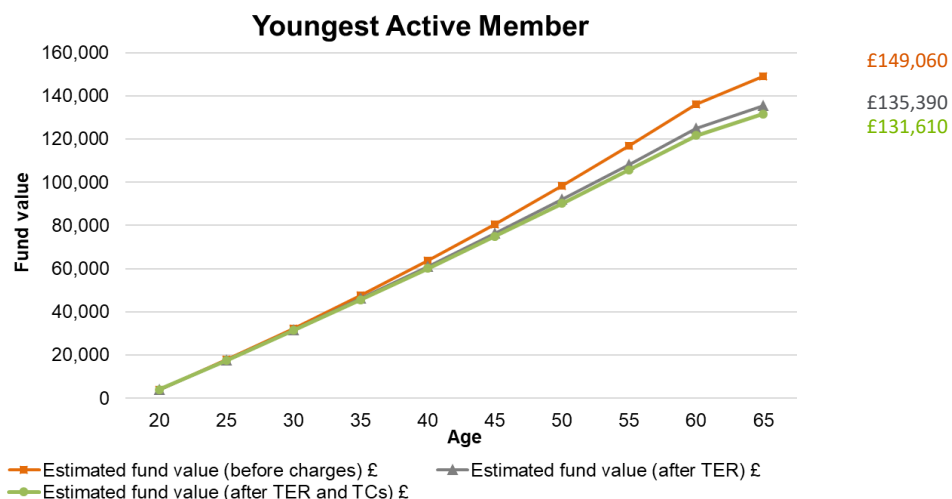
The following illustrations demonstrate the effect of the costs and charges set out above for investment funds and strategies available through Scottish Widows on three different combinations of terms to retirement, accumulated fund value, and both actively contributing and deferred members.

Members are also offered a range of other lifestyle strategies (for example, the RWE Lifestyle Strategy (Jade) or (Pearl)) and self-select funds which are not shown in the below illustrations. These different options carry a variety of TERs and transaction costs as the tables above show.

(i). Primary default arrangement – RWE Pre-2015 DC Lifestyle Strategy

The majority of members invest in the RWE Pre-2015 DC Lifestyle Strategy which automatically transitions members’ funds from the underlying RWE Pre-2015 Growth Fund (comprised of 75% RWE Growth Fund and 25% of the RWE Multi-Asset (Diversified Growth) Fund) into the BlackRock DC Pre-Retirement Fund and the BlackRock Sterling Liquidity Fund as members approach their Selected Retirement Age (SRA).

The illustration below is based on an active member invested in the RWE Pre-2015 DC Lifestyle Strategy, and the estimated impact of charges on accumulated fund values is shown in the table and chart. The amounts shown relate to a member aged 20, current fund value of £4,000, salary of £18,000, ongoing contributions of 15% and an SRA of 65. Projections are shown in current money terms.

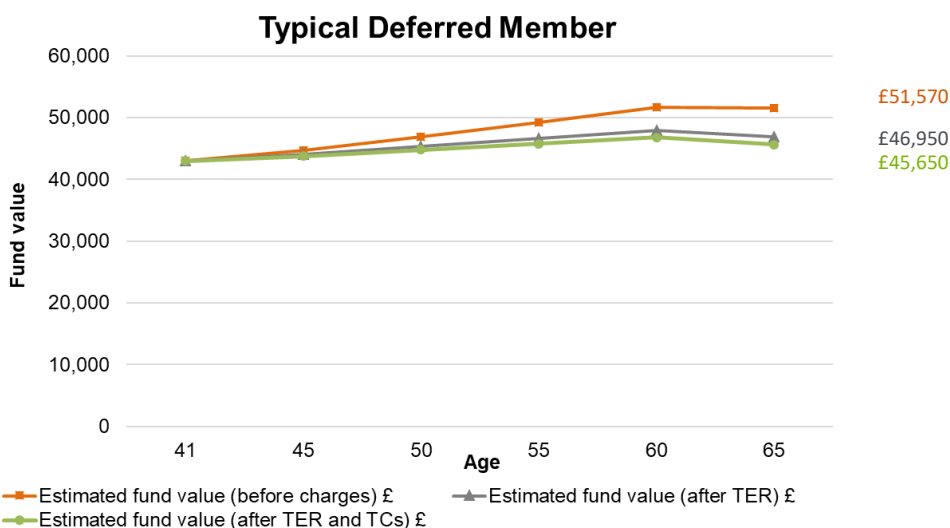


As the projected fund values above are dependent on investment returns as well as the level of costs and charges, we have also included some comparison illustrations below. For comparison purposes, we have demonstrated the effect on the projected values if the member were invested in a lower risk profile fund (the RWE Money Market Fund) which has a lower cost and lower expected return as well as the RWE Global Equity (including Emerging Markets) Actively Managed Fund, which has a higher risk profile and higher cost.



Age	RWE Money Market Fund			RWE Pre-2015 DC Lifestyle Strategy			RWE Global Equity (including Emerging Markets) Actively Managed Fund		
	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £
	20	4,000	4,000	0	4,000	4,000	0	4,000	4,000
25	16,320	16,240	80	17,860	17,570	290	18,410	17,950	460
30	27,490	27,230	260	32,410	31,460	950	34,270	32,710	1,560
35	37,610	37,110	500	47,690	45,650	2,040	51,750	48,320	3,430
40	46,780	45,980	800	63,720	60,170	3,550	71,000	64,840	6,160
45	55,090	53,950	1,140	80,560	75,010	5,550	92,200	82,310	9,890
50	62,620	61,110	1,510	98,230	90,190	8,040	115,550	100,800	14,750
55	69,440	67,540	1,900	116,780	105,720	11,060	141,270	120,360	20,910
60	75,620	73,320	2,300	136,250	121,590	14,660	169,600	141,050	28,550
65	81,230	78,510	2,720	149,060	131,610	17,450	200,810	162,940	37,870

For a deferred member invested in the RWE Pre-2015 DC Lifestyle Strategy, the estimated impact of charges on accumulated fund values is shown in the table and chart below. The amounts shown relate to a member aged 41, current fund value of £43,000 and an SRA of 65.



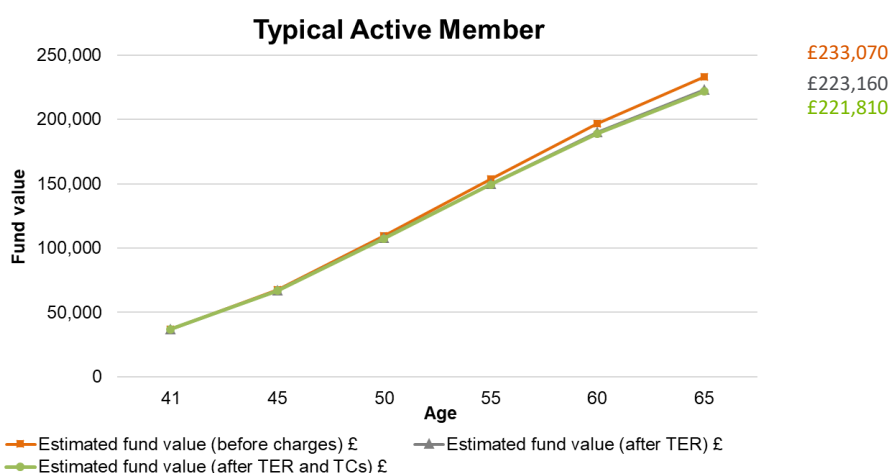
As the projected fund values above are dependent on investment returns as well as the level of costs and charges, we have also included some comparison illustrations below. For comparison purposes, we have demonstrated the effect on the projected values if the member were invested in a lower risk profile fund (the RWE Money Market Fund) which has a lower cost and lower expected return as well as the RWE Global Equity (including Emerging Markets) Actively Managed Fund, which has a higher risk profile and higher cost.

Age	RWE Money Market Fund			RWE Pre-2015 DC Lifestyle Strategy			RWE Global Equity (including Emerging Markets) Actively Managed Fund		
	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £
	41	43,000	43,000	0	43,000	43,000	0	43,000	43,000
45	39,740	39,470	270	44,700	43,780	920	46,460	44,980	1,480
50	36,010	35,450	560	46,930	44,770	2,160	51,170	47,590	3,580
55	32,630	31,850	780	49,260	45,780	3,480	56,360	50,350	6,010
60	29,570	28,610	960	51,710	46,810	4,900	62,080	53,270	8,810
65	26,800	25,710	1,090	51,570	45,650	5,920	68,370	56,350	12,020

(ii) RWE Lifestyle Strategy (Opal)

Within the RWE Lifestyle Strategy, the Opal option (targeting drawdown at SRA) is the most popular choice with members. For a typical active member invested in the RWE Opal Lifestyle Strategy, the estimated impact of charges on accumulated fund values is shown in the table and chart below. The amounts shown relate to a member aged 41 (the average age of members within the Group), current fund value of £37,000, salary of £45,000, ongoing contributions of 15% and an SRA of 65.

The RWE Lifestyle Strategy (Opal) gradually moves members' funds into different types of investments, with a view to reducing some of the investment risk (volatility). Some exposure to higher risk investments which have the potential for longer-term growth is retained through to their SRA. Opal is designed for members who may wish to keep their funds invested in a mix of assets through retirement. When reaching SRA, if a member does not access their pension savings, in the absence of an instruction from the member, they will be moved out of the Opal Lifestyle Strategy. They will remain invested in the underlying funds until they provide an investment instruction or access their pension savings. Further details of the funds that the Opal Lifestyle Strategy invests in can be found in the Statement of Investment Principles, which is appended to this statement.



As the projected fund values above are dependent on investment returns as well as the level of costs and charges, we have also included some comparison illustrations below. For comparison purposes,

we have demonstrated the effect on the projected values if the member were invested in a lower risk profile fund (the RWE Money Market Fund) which has a lower cost and lower expected return as well as the RWE Global Equity (including Emerging Markets) Actively Managed Fund, which has a higher risk profile and higher cost.

Age	RWE Money Market Fund			RWE Lifestyle Strategy (Opal)			RWE Global Equity (including Emerging Markets) Actively Managed Fund		
	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £
	41	37,000	37,000	0	37,000	37,000	0	37,000	37,000
45	59,840	59,520	320	67,700	67,000	700	67,700	65,980	1,720
50	85,970	85,080	890	109,570	107,330	2,240	109,570	104,100	5,470
55	109,650	108,040	1,610	153,900	149,320	4,580	155,680	144,430	11,250
60	131,110	128,670	2,440	196,510	188,920	7,590	206,470	187,090	19,380
65	150,550	147,200	3,350	233,070	221,810	11,260	262,420	232,230	30,190

The following assumptions have been made for the purposes of the above illustrations:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Inflation is assumed to be 2.5% each year.
3. Contributions are assumed from current age to 65 and increase in line with assumed earnings inflation of 2.5% each year
4. Values shown are estimates and are not guaranteed
5. The assumed growth rates (gross of costs and charges) are as follows:

RWE Pre-2015 Growth Fund 3.5% p.a.

RWE Growth Fund 4.5% p.a.

RWE Multi-Asset (Capital Preservation) Fund 1.5% p.a.

RWE Money Market Fund / BlackRock Sterling Liquidity 0.5% p.a.

RWE Corporate Bond Fund 1.0% p.a.

RWE Index-Linked Gilt Fund 0.5% p.a.

RWE Annuity Target / BlackRock DC Pre-Retirement 0.5%

RWE Global Equity (including Emerging Markets) Actively Managed Fund 4.5%

The transaction costs should be based on an average of the previous 5 years' transaction costs or, where data is available for fewer than 5 years, an average of transactions costs over the years for which data is available. Currently, less than 5 years of transaction cost information is available from providers, however we expect data provision to improve over time.

Currently, three years of transaction cost information is available and as such, the transaction costs listed below reflect the average over the last three years. Where there have been negative costs in any year, a floor of 0% has been applied.

The transaction costs used in the illustrations are as follows:

RWE Pre-2015 Growth Fund 0.1291% p.a.

RWE Growth Fund 0.0353% p.a.

RWE Multi-Asset (Capital Preservation) Fund 0.2853% p.a.

RWE Money Market Fund / BlackRock Sterling Liquidity 0.0140% p.a.

RWE Corporate Bond Fund 0.0053% p.a.

RWE Index-Linked Gilt Fund 0.0042% p.a.

RWE Annuity Target / BlackRock DC Pre-Retirement 0.0117% p.a.

RWE Global Equity (including Emerging Markets) Actively Managed Fund 0.0485% p.a.

## 4. Value for Members Assessment

In addition to the requirement to assess the charges and transactions costs paid by members, the Group Trustees are also required to consider the extent to which those charges and costs represent good value for money for members ("value for members"). The Regulations do not prescribe how trustees are to assess value for members – it is left to the respective trustee body to develop their own assessment framework.

In conjunction with their DC investment advisers, the Group Trustees have established a cost-benefit analysis framework in order to assess whether the member-borne charges deliver good value for members. The assessment is relevant to the current membership. The cost part of the analysis considers the cost and charges members pay, as described in Section 3 above. The benefit side of the analysis considers the following areas where the Group Trustees believe there is a benefit derived by members. These benefits can be financial or non-financial in nature.

The benefits identified are as follows.

### (i) Quality of Group communications

- The Group provides effective communications that are accurate, clear, informative and timely.
- The Group Trustees use a variety of communication media.
- Members have access to the Scottish Widows infosite:  
<https://www.scottishwidows.co.uk/save/rwe/>  
On this site, members have access to:
  - a Member Guide to the Group and a glossary to aid members understanding of their pension
  - a detailed Fund Guide and Fund factsheets to provide details of the investment options available to members
  - daily price information for funds that members can invest in directly, reflecting any changes to underlying funds where applicable
  - retirement planning tools to project future savings and aid members in the savings process, including monitoring and managing their savings and retirement expectations.

Communications are issued both by Scottish Widows on behalf of the Group Trustees (e.g. regular retirement communications and benefit statements) and also directly from the Group Trustees via the Group Administrator. The Group Trustees publish a quarterly newsletter and other general communications that they feel are of benefit to all members as well as targeted communications to specific sub-groups of the membership.

### (ii) Quality of investment choices

- The Group offers a variety of lifestyle strategies and self-select funds covering a range of member risk profiles and asset classes. The investment options available have been designed with advice from the Group's DC investment adviser and with reference to the Group's membership profile and the retirement objectives members may have.
- The self-select funds take the form of a "white-label" wrapper – e.g. the RWE Growth Fund – which contains one or more proprietary funds that most appropriately meet the specific fund objective. This enables the Group Trustees to switch between underlying funds within the white-label wrapper when it is in members' interests to do so while still retaining the overall fund objective.

- The performance of all funds is monitored regularly to ensure they continue to meet their performance objectives. Where the Group Trustees have concerns about a fund's performance, they consider a range of options, including switching to an alternative fund.
- As well as monitoring the performance of funds, the Group Trustees also measure the relative impact of this performance on the projected retirement outcome for members in terms of changes to their estimated replacement ratio.
- In 2020 the Group Trustees commenced a strategic review of the investment choices available to members to ensure the continued quality of these investment choices. The review was completed shortly after the writing of this Statement, but the work done up to 31 March 2021 accounted for both the benefits and costs of the current strategy and potential alternatives, with the Group Trustees remaining comfortable that the current investment strategy provides good value for members and doesn't require any significant changes. Further detail on this review can be found in Section 1 of this Statement.
- Over the year, the Group Trustees were notified that the Threadneedle Pensions Adventurous Pathway Fund would be closing on 27 January 2021. Following receipt of this information, the Group Trustees reviewed alternative investment options for members invested in this fund with the support of their investment advisers. The Group Trustees decided to use the automatic investment option put forward by Threadneedle, the Threadneedle Pensions Sterling Fund, given that this fund would offer a low volatility, low cost investment option for members in the absence of any other fund choice. The members impacted by this event received written communication from the Group Trustees explaining the situation and the actions that were taken, as well as the option to make an alternative investment choice should they prefer.

(iii) Quality of administration

- The Group Trustees are satisfied that Scottish Widows has sufficient checks in place to monitor and report on the standard of the administration service and to ensure that if administrative errors do occur, members are not disadvantaged as a result.
- Over the year, the majority of all time-critical processes (claims and non-claims), manual administration activities and handling of calls were completed within the agreed service levels. Where service levels were missed the Group Trustees are comfortable that appropriate action was taken to ensure an acceptable level of administration service was still provided to members and improvements would be made going forwards – further detail can be found in Section 2 of this Statement.
- The costs for the above benefits are part funded by members through the costs and charges deducted from the members' funds and partly through payments made by the employer to Scottish Widows, which have the effect of reducing the charges paid by the members. The Group Trustees are comfortable that these services represent value for members and believe costs to be competitive with the wider market, validated by their DC investment advisers.

(iv) Quality of governance and management of the Group (how the Group is run by the Group Trustees)

- The Group Trustees believe that the key to good governance is ensuring that a framework exists and is actively in use to help deliver better member outcomes. The Group Trustees regularly review and update their governance processes and procedures to make sure that these meet industry best practice.
- The Group Trustees maintain an Objectives document, formalising the high-level aims for the Group Trustees in relation to the DC and AVC arrangements of the Group. This covers a number of areas including investment matters, communication and administration. The overall

objective of the DC and AVC arrangements is to help members achieve a good outcome at the point of retirement by offering them a range of options designed to help them meet their individual objectives in terms of their retirement benefits.

- The Group Trustees have a committee focused on DC-related matters. Prior to the corporate transaction between RWE and E.ON, this committee was known as the DC Sub-Committee ("DCSC") and was focused purely on DC investment matters, with other sub-committees looking at communications and administration. Following the completion of the transaction and subsequent changes to the Group Trustees' governance arrangements, a new DC Committee (the "DCC"), has been set-up to focus on all DC-related matters (investment, administration and communication). The DCC reports to the full Group Trustee board. Across the DCSC and DCC, the DC specific committees met on seven occasions during the year with their investment and legal advisers attending all meetings. These meetings enable the continuous monitoring and evaluation of various aspects of the DC and AVC arrangements, including investment matters and administration, in order to ensure the Group continues to provide good value for members whilst helping them achieve a good outcome at the point of retirement.
- As well as the DCC, the Group Trustees have a number of other specific committees and working groups which consider, among other things, the design, systems, security, risk management, investment, advisers and governance of the Group. Each of the committees and working groups reports back to the full Group Trustee meetings. Separate project groups are also created as needed to deal with larger scale matters. Over the year to 31 March 2021, this included a group focused solely on the impact of the RWE/E.ON corporate transaction.
- The costs relating to the governance and management of the Group are borne entirely by the employer.

Under the assessment framework, the Group Trustees believe that the charges and costs, as far as these can be identified, represent good value for members. All of the charges that apply to the funds are of a reasonable level, with the charges on the lifestyle strategies being well below the charge cap for defaults of 0.75%.

In September 2020, the Group Trustees and their investment advisers reviewed the level of charges on individual funds versus wider market expectations; the majority of funds fell within the expected range for their asset class. Only the RWE Annuity Target Fund was identified as being outside of the expected range of charges, and only by a very small amount – the Group Trustees have flagged this in previous years and have investigated the possibility for a fee reduction, although this has not yet been possible. The RWE Annuity Target Fund is a unique fund in the range of investment options, designed to track changes in annuity prices. Given the above, the Group Trustees are comfortable retaining this fund in the investment strategy.

The levels of charges for the closed arrangements are generally higher than the main Group fund options. The Group Trustees continue to provide communications to members who are invested in the closed arrangements, highlighting the range of options available to them under the Group and the features of those, so that the members can choose the options most suited to their particular needs.

Given the level of charges and transaction costs, and the other benefits identified above regarding communications, investment choices, administration and governance of the Group, the Group Trustees have concluded that the member-borne costs and charges currently represent good value for members.

## 5. Group Trustees' Knowledge and Understanding

The Pensions Regulator sets out in its Code of Practice (No. 7) the requirement for the Group Trustees to have appropriate knowledge and understanding of relevant topics to enable them to run the Group effectively.

### **Structure of the Group Trustee Board**

The Group Trustee board consists of four company appointed trustees and eight member nominated trustees who are elected from both the active and retired member population. This structure brings together a diverse range of skills and experiences. The current board includes three Group Trustees with a professional background in finance and others with various areas of expertise; all have a number of years' experience serving on the Group Trustee Board and running a DC section. No new Group Trustees were appointed to the board over the twelve months to 31 March 2021.

Member nominated Group Trustees normally serve a term of 4½ years. When a vacancy is due to arise, nominations are requested from the relevant member population, statements received from prospective candidates are reviewed by the Group Administrator and, if there is more than one nominee, nominees are put up for election by the membership. Elections for two member-nominated trustees are generally held every 18 months; there were no elections held during the reporting year.

In addition to the skills within the Group Trustee board, the Group Trustees work closely with and challenge their appointed professional advisers throughout the year to ensure that they run the Group and exercise their functions properly. Their professional advisers also attend the DCC meetings and relevant sections of regular Group Trustees' meetings.

### **Training and Development**

Prospective Group Trustees undergo an induction process, meeting some of the existing Group Trustees and their advisers for a training session. New Group Trustees undertake training through adviser organised training sessions and through the Pensions Regulator's online training toolkit. New Group Trustees also participate in training sessions with the wider Group Trustee Board. The Group Trustees recognise the importance of training and development and a record is kept of the training completed by each Group Trustee. This training record is reviewed annually by the Group Trustees to identify any gaps in the knowledge and understanding of the Group Trustee board as a whole, with the last review taking place in 1 September 2020. The next full review is planned for September 2021.

The Group Administrator presents annual proposals for future training, which are then confirmed and undertaken by the Group Trustees over the year. Regular DC-specific training ensures that all of the Group Trustees have broad-based knowledge and understanding of issues relating to the governance of the DC and AVC arrangements. Ad-hoc training is arranged as required, which allows the Group Trustees to work with their professional advisers to fill any gaps. All training gaps identified over the year were addressed.

Over the year to 31 March 2021, the Group Trustees have, in addition to wider pensions training, undertaken training relating to the DC Section of the Group on:

- The process of transferring DC assets to a DC master trust
- Regulatory changes required to be made to the Group SIP;
- TPR guidance on supporting members during the Covid-19 pandemic
- Regular DC market updates, provided by the Group Trustees' investment advisers at each DCC meeting.

In addition to collective training sessions, Group Trustees take personal responsibility for keeping themselves up to date with relevant developments and undertaking a self-assessment of training



needs. The Group Trustees are conversant with the trust deed and rules of the Group, documents setting out the current policies of the Group, the SIP, pension/trust law and funding and investment principles in relation to DC Schemes.

### **Exercising knowledge and understanding**

The Group Trustees maintain an annual business plan with specified annual objectives, which the Group Trustees set themselves. This includes (but is not limited to):

- Training/learning objectives, including keeping training logs up to date and reviewing annual proposals for training as set out above
- Objectives around reviewing advisers, including reviewing advisers on a five-yearly basis; this is done via a working group with the last review carried out in December 2020
- Administration objectives, including the requirement for Scottish Widows to present quarterly administration reports at each DCC meeting.

At each full Group Trustee meeting, the Group Trustees review the objectives in the business plan and evaluate themselves against them. Where appropriate, objectives are updated, and additional objectives are added.

During the accounting year, the Group Trustees have, amongst other things:

- Reviewed a Security of Assets report that assessed the resilience of the Group's DC arrangements in a time of crisis
- Reviewed the Group's legacy arrangements to ensure that they remained suitable for members to hold their retirement savings with
- Reviewed the Group's arrangements with Utmost Life and Pensions to ensure that the arrangement was suitable for members to hold their retirement savings with
- Overseen the successful transfer of members and assets into the Group as a consequence of corporate transactions undertaken by the corporate group of the Principal Employer over the year
- Reviewed the stewardship activities of the Group's investment managers, including high level voting activity and their environmental, social and governance ("ESG") commitments, resources and credentials
- Reviewed investment advice regarding the closure of the Threadneedle Pensions Adventurous Pathway Fund, as discussed in Sections 1 and 4 of this statement
- Commenced a strategic review of the investment strategy, as discussed in Section 1 of this statement.

The Group Trustees have also considered the impact of the Covid-19 pandemic on the Group and have taken appropriate steps to ensure that the Group continues to operate effectively throughout the scheme year. Specifically, the Group Trustees undertook a crisis resilience planning session with their advisers, which comprised a review of the key risk areas, current protocols in place and suggested actions in order to mitigate further risks related to areas such as administration, communications, the investment strategy and approvals and decision-making processes. This process allowed the Group Trustees to ensure business continuity and appropriate Group governance during the pandemic.

Taking into consideration the training activities completed by the Group Trustees and the professional advice available to them, the Group Trustees consider that they continue to meet the Pensions Regulator's requirements for trustee knowledge and understanding. The Group Trustees remain

confident that their combined knowledge and understanding, together with the input from their specialist advisers, has enabled them to properly exercise their functions as the trustees of the Group during the reporting year.

[END OF STATEMENT]

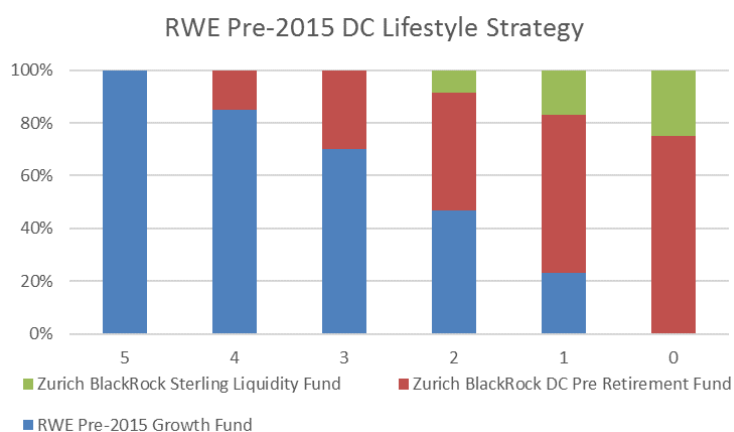
## Appendix – Costs and Charges for the Lifestyle Strategies

### RWE Pre-2015 DC Lifestyle Strategy (Primary Default Arrangement)

The level of charges and transaction costs applicable to the RWE Pre-2015 DC Lifestyle Strategy vary depending on the number of years left until a member's selected retirement age, as shown in the table below.

As required, the TER of the default strategy remained well below the regulatory charge cap of 0.75% for all terms to retirement.

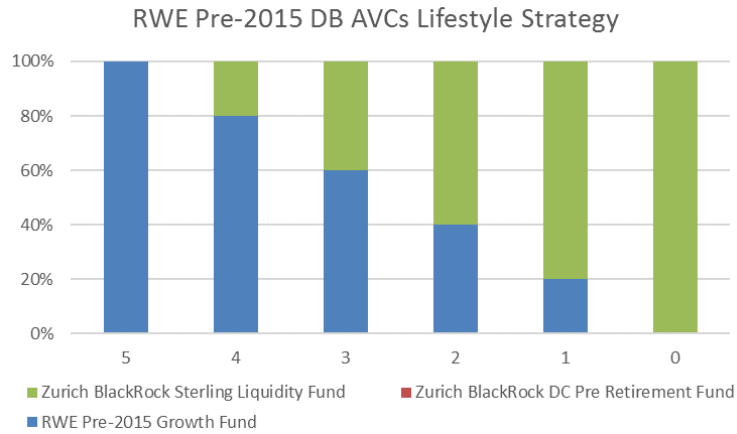
The chart below displays the allocation of funds that make up the RWE Pre-2015 DC Lifestyle Strategy, while the table provides a breakdown of the charges and transaction costs applicable to a member each year up to retirement. Please note that due to rounding it is possible that the total cost value displayed below may not be equal to the sum of the TER and transaction cost.



Years to retirement	5+	4	3	2	1	0
<b>TER % p.a.</b>	0.41	0.40	0.38	0.35	0.31	0.28
<b>Transaction Costs %</b>	0.12	0.11	0.09	0.07	0.05	0.02
<b>Total Cost %</b>	0.53	0.51	0.47	0.42	0.36	0.30

### RWE Pre-2015 DB AVC Lifestyle Strategy

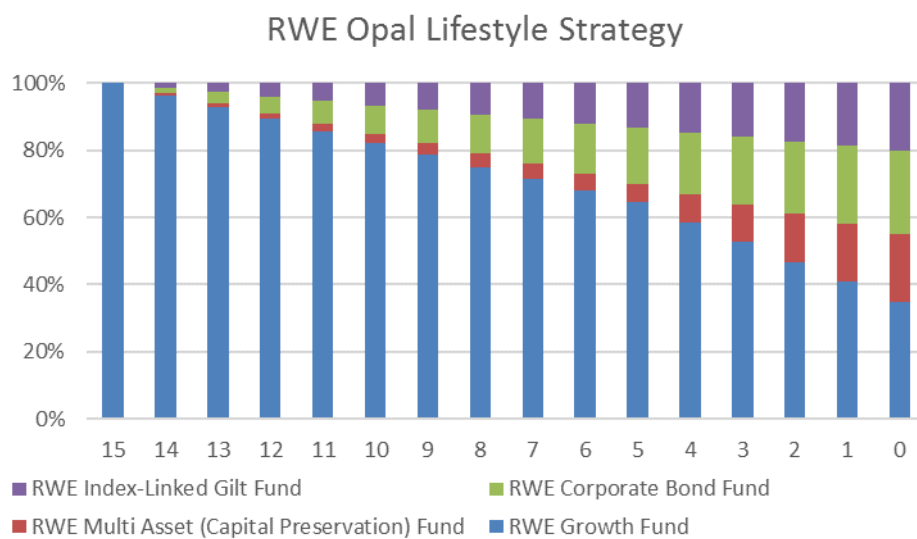
The chart below displays the allocation of funds that make up the RWE Pre-2015 DB AVC Lifestyle Strategy, while the table indicates the varied level of charges and transaction costs applicable to the RWE Pre-2015 DB AVC Lifestyle Strategy across each year until a member's selected retirement age. Please note that due to rounding it is possible that the total cost value displayed below may not be equal to the sum of the TER and transaction cost.



Years to retirement	5+	4	3	2	1	0
<b>TER % p.a.</b>	0.41	0.36	0.31	0.26	0.21	0.16
<b>Transaction Costs %</b>	0.12	0.10	0.08	0.06	0.03	0.01
<b>Total Cost %</b>	0.53	0.46	0.39	0.32	0.24	0.17

### RWE Opal Lifestyle Strategy

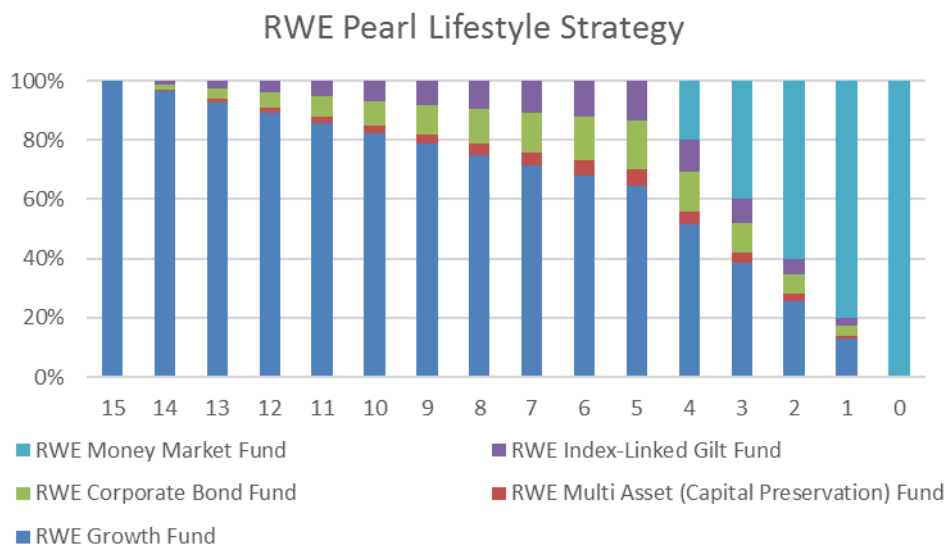
The chart below displays the allocation of funds that make up the RWE Opal Lifestyle strategy, while the table indicates the varied level of charges and transaction costs applicable to the RWE Opal Lifestyle strategy across each year until a member's selected retirement age. Please note that due to rounding it is possible that the total cost value displayed below may not be equal to the sum of the TER and transaction cost.



Years to retirement	15+	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0
TER % p.a.	0.30	0.30	0.30	0.30	0.30	0.29	0.29	0.29	0.29	0.29	0.28	0.29	0.30	0.31	0.31	0.32
Transaction Costs %	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.05	0.05	0.05	0.05	0.05	0.06	0.07	0.07	0.08
Total Cost %	0.34	0.34	0.34	0.34	0.34	0.33	0.33	0.34	0.34	0.34	0.33	0.34	0.36	0.38	0.38	0.40

### RWE Pearl Lifestyle Strategy

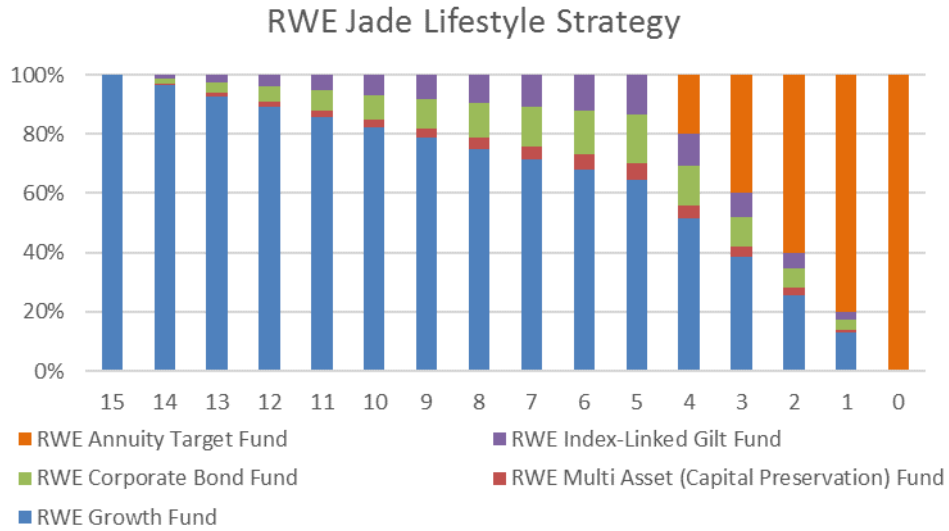
The chart below displays the allocation of funds that make up the RWE Pearl Lifestyle strategy, while the table indicates the varied level of charges and transaction costs applicable to the RWE Pearl Lifestyle strategy across each year until a member's selected retirement age. Please note that due to rounding it is possible that the total cost value displayed below may not be equal to the sum of the TER and transaction cost.



Years to retirement	15+	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0
TER % p.a.	0.30	0.30	0.30	0.30	0.30	0.29	0.29	0.29	0.29	0.29	0.28	0.26	0.23	0.21	0.18	0.16
Transaction Costs %	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.05	0.05	0.05	0.05	0.04	0.03	0.03	0.02	0.01
Total Cost %	0.34	0.34	0.34	0.34	0.34	0.33	0.33	0.34	0.34	0.34	0.33	0.30	0.26	0.24	0.20	0.17

### RWE Jade Lifestyle Strategy

The chart below displays the allocation of funds that make up the RWE Jade Lifestyle strategy, while the table indicates the varied level of charges and transaction costs applicable to the RWE Jade Lifestyle strategy across each year until a member's selected retirement age. Please note that due to rounding it is possible that the total cost value displayed below may not be equal to the sum of the TER and transaction cost.



Years to retirement	15+	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0
TER % p.a.	0.30	0.30	0.30	0.30	0.30	0.29	0.29	0.29	0.29	0.29	0.28	0.29	0.30	0.31	0.31	0.32
Transaction Costs %	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.05	0.05	0.05	0.05	0.04	0.04	0.04	0.03	0.03
Total Cost %	0.34	0.34	0.34	0.34	0.34	0.33	0.33	0.34	0.34	0.34	0.33	0.33	0.34	0.35	0.34	0.35