Chair’s DC Governance Statement, covering 1 January 2021 to 31 December 2021

1. Introduction

The TRP UK Retirement Plan (the “Plan”) is an occupational pension scheme providing defined contribution (“DC”) benefits (a DC pension scheme is where employee and employer contributions are paid into it, and the member chooses their investments, but bears the investment risk). Some members also have Additional Voluntary Contributions (“AVCs”) in the Plan and the AVC funds available for members are the same as those available for the DC investments and for the same cost.

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. We, the Trustees of the Plan, are required to produce a yearly statement (signed by the Chair of Trustees) covering:

- the design and oversight of the default investment option (ie where contributions are invested for members that do not wish to choose their own investments);
- processing of core financial transactions (ie administration of the Plan, such as investment of contributions);
- the charges and transaction costs borne by members for the default options and any other investment option members can select or have assets in, such as “legacy” funds;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- how the value members obtain from the Plan is assessed; and
- Trustee knowledge and understanding.

The Statement covers the period from 1 January 2021 to 31 December 2021 (the “Plan year”).

The key points over the Plan year that we would like members reading this Statement to take away are as follows:

- We regularly monitor the investment arrangements, and we are satisfied that the default and other investment options remain suitable for the membership.
- The administrator has processed core financial transactions promptly and accurately during the Plan year. However, the administrator’s performance has been below the agreed service levels so we are continuing to work closely with them to ensure improvements are made to their service to members.
- Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Plan and represent value for the benefits members obtain. A reduction in fees was agreed for the T. Rowe Price managed funds which will be restrospectively applied from 1 October 2021.
- Please note that we are looking after your best interests as members, and we undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to do so effectively.

2. Default arrangements

The Plan is used as a Qualifying Scheme for automatic enrolment purposes. This means that it is used as a pension savings scheme for employees who are eligible for automatic enrolment into a pension scheme.

We have made available a range of investment options for members.

Members who join the Plan and who do not choose an investment option are placed into the TRP Drawdown Lifestyle Investment Programme, (the “Default”). We recognise that most members do not make active investment decisions and instead invest in the Default. After taking advice, we decided to make the Default a lifestyle strategy which targets income drawdown at retirement – this was implemented in 2018. A lifestyle strategy means that members' assets are automatically moved between different investment funds as they approach their target retirement date.

Another strategy is also classified as a Default for some members following past investment changes where members’ funds have been transferred without the members expressing a choice. Following the default arrangement review in 2017, some members closest to retirement were not automatically switched to the TRP Drawdown Lifestyle Investment Programme in Q1 2018, instead they remained in the TRP Annuity Lifestyle Investment Programme. As members did not make a
choice to invest in this strategy, this is considered to be a Default by the Trustees for the purpose of fulfilling legislative requirements. This strategy is designed to target annuity purchase at retirement.

One other fund is also classified as a Default following previous investment changes where members’ funds were transferred without the members expressing a choice. This is the SW BlackRock Sterling Liquidity Fund. Following the suspension of the SW UK Property Fund in March 2020, a decision was taken to redirect contributions into the SW BlackRock Sterling Liquidity Fund until such time as the SW UK Property Fund could reopen. Prior to making this decision, we received advice from our investment adviser confirming this as the most appropriate option for members given the circumstances. As members’ contributions were directed into this Fund without them making an active selection, this Fund was treated as a Default for the purpose of fulfilling legislative requirements over the Plan year.

As such, there are three default arrangements available to members and reference to the “Defaults” and “Default arrangements” in this Statement is applicable to all of these arrangements.

We are responsible for investment governance, which includes setting and monitoring the investment strategy for the default arrangements.

Details of the objectives and our policies regarding the Default arrangements are set out in the SIP. The Plan’s SIP covering the default arrangements is attached to this Statement as an Appendix.

**Strategic triennial review**

We regularly monitor the performance of the Defaults and will formally review these arrangements and their strategies at least every three years, and the last review was carried out in 2020. The first stage of the analysis took place on 3 September 2020, with the second and final stage taking place on 4 December 2020. The next review is intended to take place by September 2023 or immediately following any significant change in investment policy or the Plan’s member profile.

The performance and strategy of the default arrangements were reviewed to check whether investment returns (after deduction of charges and costs) have been consistent with the aims and objectives of the default arrangements as stated in the SIP, and to check that they continue to be suitable and appropriate given the Plan’s risk profiles and membership. This review included an analysis of member demographics and took into account expectations of how members will take their pension at retirement.

As a result of this review, we decided on the following changes to the Default arrangements which were implemented in two phases in March 2021 and September 2021:

- reducing the allocation to the SW BlackRock ACS UK Equity Tracker Fund from 20% to 10% within the SW T.Rowe Price Growth Blend (5% sold in March 2021 and 5% sold in September 2021).
- reducing the allocation to the actively managed SW Baillie Gifford International Fund from 25% to 20% within the T.Rowe Price Growth Blend (in March 2021).
- increasing the allocation to the SW BlackRock ACS World ex UK Equity Tracker Fund from 36% to 41% within the T.Rowe Price Growth Blend (in March 2021).
- introducing a 10% allocation to the SW BlackRock ACS Climate Transition World Equity Fund, a passive market-cap weighted, climate-tilted fund, within the T.Rowe Price Growth Blend (5% purchased in March 2021 and 5% purchased in September 2021).
- within the T.Rowe Price Fixed Income Blend, increasing the allocation to corporate bonds (from 50% to 70%) and reducing the allocation to fixed interest gilts (from 50% to 30%). Changes were made with 10% in March 2021 and 10% in September 2021. These changes are designed to reduce the expected volatility of the blend, whilst improving the correlation with annuity prices as this Fund is also used within the alternative Default arrangement, the TRP Annuity Lifestyle Investment Programme.

As a result of this review and having agreed to the changes outlined, the Trustees are satisfied that the default arrangements remain appropriate.

**Self-select fund range**

The Trustees provide members with access to a range of pooled, self-select funds across the main asset classes, reflecting the changing requirements of members as they progress towards retirement, which they believe are suitable for this purpose and enable appropriate diversification.
The Trustees have also made available an alternative lifestyle strategy which is designed to provide members with access to a different retirement outcomes other than annuity purchase and income drawdown, which is lump sum withdrawal. Details of these lifestyles and the extensive self-select fund range is set out in Appendices A and C of the SIP. The Trustees review the performance of these funds quarterly. The Trustees monitor the take up of the self-select fund range on a formal basis annually and conduct a review of the investment offering every three years. The last self-select fund range review took place on 11 September 2019 and 10 December 2019. The Trustees will conduct the next review of the investment offering in the second half of 2022. The Trustees recognise the importance of regularly reviewing the self-select offering given the proportion of members invested in these funds is high in comparison to the broader DC pension scheme market.

Over the Plan Year the Trustees made the following changes to the self-select fund range, together with the date of the change:

**Funds removed**
- SW Fidelity Moneybuilder Income Fund, 15 February 2021
- SW Property Fund, 7 May 2021
- SW JPM Continental Europe Select Equity Fund, 1 September 2021
- SW JPM Natural Resources Fund, 10 December 2021

**Funds added**
- SW BlackRock ACS Climate Transition World Equity Fund, 15 February 2021
- SW M&G Total Return Credit Investment Fund, 15 February 2021
- SW HSBC Islamic Equity Index Fund, 14 January 2022

The Trustees have reminded members to review their investment holdings and check they are suitable for each individual’s risk tolerances and retirement planning throughout the Plan Year via member presentations, the annual member newsletter and members’ annual benefit statements.

**Regular monitoring**

In addition to triennial strategy review we also review the performance of the Default arrangements against their objectives on a semi-annual basis. This review includes performance analysis to check that the risk and return levels meet expectations. Our reviews over the Plan year concluded that the Default arrangements were performing broadly as expected.

**3. Requirements for processing core financial transactions**

The processing of core financial transactions for the DC and AVC arrangements is carried out by the administrator of the Plan, Scottish Widows. Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Plan, switching between investments within the Plan, and payments to members/beneficiaries.

We recognise that delay and error can cause significant issues for members. They can also cause members to lose faith in the Plan, which may in turn reduce their propensity to save and impair future outcomes. We have received assurance from Scottish Widows that there are adequate internal controls to support prompt and accurate processing of core financial transactions.

The Plan has a service level agreement (“SLA”) in place with the administrator which covers the accuracy and timeliness of all core financial transactions which we monitor on a quarterly basis.

The SLAs for the Plan have a specific timeframe in which to be addressed and completed and include (but are not limited to) the items in the following table:

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Service Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Transfer In</td>
<td>Act on instruction by the end of the following business day</td>
</tr>
<tr>
<td>Investment Switches</td>
<td>Act on instruction by the end of the following business day</td>
</tr>
<tr>
<td>Retirements, Transfers, Short Service Refunds and Death Claims unit sales</td>
<td>Act on instruction to sell units within two business days</td>
</tr>
<tr>
<td>Service Type</td>
<td>Service Level</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>-----------------------------------------------------------</td>
</tr>
<tr>
<td>Retirements, Transfers, Short Service Refunds and Death Claims payments</td>
<td>Payment to follow within a further three business days</td>
</tr>
<tr>
<td>Member enquiries</td>
<td>5 business days for simple enquiries and up to 10 business days for more complex enquiries</td>
</tr>
<tr>
<td>Fund values and illustrations received in writing</td>
<td>5 business days</td>
</tr>
<tr>
<td>Calculation of tax-free cash</td>
<td>5 business days</td>
</tr>
</tbody>
</table>

The Scottish Widows’ workflow system (PEGA) will only begin an instruction to act when Scottish Widows have received all requirements in order to proceed with the transaction.

The key processes adopted by the administrator to help it meet the SLA are as follows:

- A task logging system is in place which is reviewed regularly for forthcoming workloads and tasks are allocated on a daily basis. PEGA is designed to serve staff with the highest priority work based on Time Critical Processes. Staff utilise the workflow system by clicking on ‘Get Next Work’ to be served the next most important task;
- A regular cash reconciliation is carried out by an SLA team;
- In respect of the monitoring of the bank accounts, all balancing queries are dealt with daily;
- Having a dedicated bereavement cases team; and
- There is 100% checking set for all claim cases and there are levels of autonomy for payment authorisation.

To help us monitor whether service levels are being met, we receive quarterly reports about the administrator’s performance and compliance with the SLA. We regularly monitor the administrators’ performance in the Plan year, including the SLAs we have in place, as follows:

- The quarterly reporting provided by the administrator provides a summary of the Plan and its members, as well as information on retirements, contributions and assets. Furthermore, it provides a detailed breakdown of all core administrative procedures, the number of cases received over the period and the percentage of procedures that were completed within the agreed SLAs.
- Reports are initially evaluated by the HR/Payroll teams at T. Rowe Price and the Trustees’ Administration and Communication sub-committee to verify that transactions are performed in line with the SLAs and to determine if there have been any administration errors or unreasonable delays.
- The Trustees’ Administration and Communication sub-committee meets with Scottish Widows on a quarterly basis to discuss service levels and any current issues.

The Plan’s relationship manager at Scottish Widows also attends regular Trustees’ meetings to discuss performance. To supplement this, we receive quarterly updates from their advisers on Scottish Widows’ wiser service standards at a ‘book level’.

In addition, we undertake an annual site visit at Scottish Widow’s offices to assess the ongoing administration quality standards, risk control measures and financial transaction procedures in place. Following a virtual visit in 2020, we were able to attend the Scottish Widows offices in person on 8 December 2021 to carry out the annual visit. We also review Scottish Widows’ annual AAF01/06 report on internal controls and raise any issues as appropriate.

The Plan’s account and internal administration processes are audited annually by the Plan’s appointed auditors. This includes a review of the core payments into and out of the Plan and a reconciliation of member data provided by Scottish Widows.

Based on our review processes, we are satisfied that over the period covered by this Statement:

- the administrator was operating appropriate procedures, checks and controls;
- there have been no material administration issues in relation to processing core financial transactions; and

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Based on our review processes, we are satisfied that over the period covered by this Statement:
• core financial transactions have been processed promptly and accurately to an reasonable level during the Plan year. However, the administrator’s performance has been below the agreed service levels (70% of time critical process cases and 79% of manual cases were completed within SLA versus their target of 95%) so we are continuing to work closely with them to ensure improvements are made to their service to members. We do this via:

• quarterly calls with relationship manager at Scottish Widows to discuss, in detail, their performance SLAs together with the measures in place to improve this performance; and

• the annual site visit to Scottish Widows where any issues are raised and discussed with the wider Scottish Widows team.

We recently became aware of some anomalies during the Plan year with regard to the late payment of contributions by the payroll team at T. Rowe Price. These have been rigorously investigated by us and are being swiftly rectified. We are carefully monitoring the steps which have been taken by T. Rowe Price (including moving the payroll process to London and making improvements to include less reliance on manual processes) to ensure that no further issues arise.

4. Member-borne charges and transaction costs

We are required to set out the on-going charges incurred by members over the Plan year, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio (TER). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges are shown as a per annum (pa) figure and include administration charges, since members incur these costs.

We are also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Plan’s fund managers buy and sell assets within investment funds, but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs have been supplied by Scottish Widows who are the Plan’s platform provider and are applicable for both the DC and AVC arrangements. When preparing this section of the Statement we have taken account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. We have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations we have used zero where a transaction cost is negative to give a more realistic projection (i.e., we would not expect transaction costs to be negative over the long term).

Following the value for members’ assessment carried out during the Plan year, we have negotiated a fee reduction with T. Rowe Price for the SW T. Rowe Price Emerging Markets Equity Fund which is used in the Default. In addition, fee reductions for all T. Rowe Price funds were also agreed. These fee changes came into effect on 1 April 2022, and Scottish Widows and T. Rowe Price have agreed to apply this reduction starting from 1 October 2021.

Default arrangements

As noted earlier, the TRP Drawdown Lifestyle Investment Programme and the TRP Annuity Lifestyle Investment Programme have been set up as lifestyle approaches, which means that members’ assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which funds they are invested.

Annualised charges and transaction costs for these Default arrangements over the Plan year are set out in the following tables.

**TRP Drawdown Lifestyle Investment Programme charges and transaction costs**

<table>
<thead>
<tr>
<th>Years to target retirement date</th>
<th>TER (% pa)</th>
<th>Transaction costs (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 or more years to retirement</td>
<td>0.39</td>
<td>0.06</td>
</tr>
<tr>
<td>10 years to retirement</td>
<td>0.37</td>
<td>0.05</td>
</tr>
<tr>
<td>5 years to retirement</td>
<td>0.35</td>
<td>0.03</td>
</tr>
<tr>
<td>At retirement</td>
<td>0.32</td>
<td>0.02</td>
</tr>
</tbody>
</table>

**TRP Annuity Lifestyle Investment Programme charges and transaction costs**

<table>
<thead>
<tr>
<th>Years to target retirement date</th>
<th>TER (% pa)</th>
<th>Transaction costs (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 or more years to retirement</td>
<td>0.39</td>
<td>0.06</td>
</tr>
</tbody>
</table>
### Years to target retirement date | TER (% pa) | Transaction costs (%)
--- | --- | ---
10 years to retirement | 0.34 | 0.05
5 years to retirement | 0.29 | 0.04
At retirement | 0.24 | 0.03

Annualised charges and transaction costs over the Plan year for the SW BlackRock Sterling Liquidity Fund, which was treated as a Default for the purpose of fulfilling legislative requirements, is shown in the table below.

| Fund | TER (% pa) | Transaction costs (%)
--- | --- | ---
SW BlackRock Sterling Liquidity Fund | 0.21 | 0.02

### Self-select options

In addition to the Default arrangement, members also have the option to invest in one other lifestyle (the TRP Lump Sum Lifestyle Investment Programme), which targets cash withdrawal and several other self-select funds. The annual charges for this lifestyle during the Plan year is set out in the table below:

### TRP Lump Sum Lifestyle Investment Programme

| Years to target retirement date | TER (% pa) | Transaction costs (%)
--- | --- | ---
15 or more years to retirement | 0.39 | 0.06
10 years to retirement | 0.40 | 0.04
5 years to retirement | 0.34 | 0.02
At retirement | 0.28 | 0.01

The level of charges for each other self-select fund (including those used in the default arrangements) and the transaction costs over the Plan year are set out in the following table. The underlying funds used within the Defaults are shown in bold.

### Other self-select fund charges and transaction costs

| Fund name | TER (% pa) | Transaction costs (%)
--- | --- | ---
T.Rowe Price Lifestyle Growth Blend | 0.39 | 0.06
T.Rowe Price Lifestyle Fixed Income | 0.22 | 0.03
SW Legal & General Diversified Fund | 0.43 | 0.00
SW BlackRock Sterling Liquidity Fund | 0.21 | 0.02
SW Baillie Gifford International Fund | 0.54 | 0.09
SW Ardevora Global Long-only Equity Fund | 1.07 | 0.01
SW T.Rowe Price Global Focused Growth Equity Fund | 1.06 | 0.42
SW T.Rowe Price Global Growth Equity Fund | 1.10 | 0.29
SW T.Rowe Price Frontier Markets Equity Fund | 1.45 | 0.19
SW T.Rowe Price Emerging Markets Equity Fund | 1.29 | 0.18
SW Artemis UK Special Situations Fund | 1.03 | 0.27
SW Threadneedle UK Smaller Companies Fund | 1.05 | 0.39
SW T.Rowe Price European Equity Fund | 1.00 | 0.21
SW T. Rowe Price European Smaller Companies Equity Fund | 1.30 | 0.04
SW T.Rowe Price US Large Value Cap Equity Fund | 1.00 | 0.07
SW Threadneedle American Fund | 0.73 | 0.39
SW T.Rowe Price US Smaller Companies Equity Fund | 1.22 | 0.23
SW Stewart Investors Asia Pacific Leaders Fund | 0.94 | 0.14
SW T.Rowe Price Asian Ex-Japan Equity Fund | 1.10 | 0.31
SW T.Rowe Price Global Aggregate Bond Fund | 0.76 | 0.41
SW T.Rowe Price Global High Yield Bond Fund | 0.86 | 0.07
<table>
<thead>
<tr>
<th>Fund name</th>
<th>TER (% pa)</th>
<th>Transaction costs (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SW M&amp;G Total Return Credit Fund</td>
<td>0.67</td>
<td>0.10</td>
</tr>
<tr>
<td>SW T.Rowe Price Global Natural Resources Equity Fund</td>
<td>1.10</td>
<td>0.27</td>
</tr>
<tr>
<td>SW Baillie Gifford Managed Fund</td>
<td>0.51</td>
<td>0.12</td>
</tr>
<tr>
<td>SW BlackRock iShares Corporate Bond Index Fund</td>
<td>0.23</td>
<td>0.00</td>
</tr>
<tr>
<td>SW BlackRock ACS Continental European Equity Tracker Fund</td>
<td>0.23</td>
<td>0.00</td>
</tr>
<tr>
<td>SW BlackRock iShares Index-Linked Gilt Index Fund</td>
<td>0.22</td>
<td>0.01</td>
</tr>
<tr>
<td>SW BlackRock ACS Japan Equity Tracker Fund</td>
<td>0.22</td>
<td>0.00</td>
</tr>
<tr>
<td>SW BlackRock iShares Over 15 Years Gilt Index Fund</td>
<td>0.22</td>
<td>0.00</td>
</tr>
<tr>
<td>SW BlackRock Aquila Pacific Rim Equity Index Fund</td>
<td>0.22</td>
<td>0.00</td>
</tr>
<tr>
<td>SW BlackRock ACS UK Equity Tracker Fund</td>
<td>0.21</td>
<td>0.06</td>
</tr>
<tr>
<td>SW BlackRock US Equity Tracker Fund</td>
<td>0.21</td>
<td>0.06</td>
</tr>
<tr>
<td>SW BlackRock ACS World ex-UK Equity Tracker Fund</td>
<td>0.22</td>
<td>0.02</td>
</tr>
<tr>
<td>SW BlackRock Aquila Emerging Markets Equity Index Fund</td>
<td>0.42</td>
<td>-0.01</td>
</tr>
<tr>
<td>SW HSBC Islamic Equity Index Fund</td>
<td>0.48</td>
<td>0.03</td>
</tr>
<tr>
<td>SW BlackRock ACS Climate Transition World Equity</td>
<td>0.24</td>
<td>0.07</td>
</tr>
<tr>
<td>SW JPM Natural Resources</td>
<td>0.95</td>
<td>0.42</td>
</tr>
<tr>
<td>SW JPM Continental Europe Select Equity</td>
<td>0.54</td>
<td>0.49</td>
</tr>
</tbody>
</table>

Source: Scottish Widows, as at 31 December 2021. These funds
1 These funds were added to the self-select fund range during the Plan year.
2 This fund was added to the self-select fund range shortly after the Plan year end.
3 These funds were removed during the Plan year and the TERs shown are at 31 December 2020 due to the availability of data from Scottish Widows. The transaction costs shown for these funds are at the date closest to the fund removal date after the funds were removed, or earlier if not available. These dates are as follows: 31 March 2021 for the SW JPM Continental Europe Select Equity Fund, 30 September 2021 for the SW JPM Natural Resources Fund, 31 December 2020 for the SW Fidelity Moneybuilder Income Fund, and 31 December 2020 for the SW Property Fund.
Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance.

Projected pension pot in today’s money

<table>
<thead>
<tr>
<th>Years invested</th>
<th>TRP Drawdown Lifestyle Investment Programme</th>
<th>TRP Annuity Lifestyle Investment Programme</th>
<th>SW BlackRock Sterling Liquidity Fund</th>
<th>SW T. Rowe Price Frontier Markets Equity</th>
<th>SW BlackRock ACS Japan Equity Tracker Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Before costs</td>
<td>After costs</td>
<td>Before costs</td>
<td>After costs</td>
<td>Before costs</td>
</tr>
<tr>
<td>1</td>
<td>£17,500</td>
<td>£17,400</td>
<td>£17,500</td>
<td>£17,400</td>
<td>£16,900</td>
</tr>
<tr>
<td>3</td>
<td>£36,100</td>
<td>£35,800</td>
<td>£36,100</td>
<td>£35,800</td>
<td>£33,500</td>
</tr>
<tr>
<td>5</td>
<td>£55,500</td>
<td>£54,900</td>
<td>£55,500</td>
<td>£54,900</td>
<td>£49,400</td>
</tr>
<tr>
<td>10</td>
<td>£107,600</td>
<td>£105,100</td>
<td>£107,600</td>
<td>£105,100</td>
<td>£86,500</td>
</tr>
<tr>
<td>15</td>
<td>£165,000</td>
<td>£159,400</td>
<td>£165,000</td>
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<td>£120,100</td>
</tr>
<tr>
<td>20</td>
<td>£228,400</td>
<td>£218,200</td>
<td>£228,400</td>
<td>£218,200</td>
<td>£150,400</td>
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<tr>
<td>25</td>
<td>£298,500</td>
<td>£281,800</td>
<td>£298,500</td>
<td>£281,800</td>
<td>£177,800</td>
</tr>
<tr>
<td>30</td>
<td>£367,300</td>
<td>£342,900</td>
<td>£365,400</td>
<td>£341,400</td>
<td>£202,600</td>
</tr>
<tr>
<td>35</td>
<td>£424,900</td>
<td>£392,400</td>
<td>£417,100</td>
<td>£386,600</td>
<td>£224,900</td>
</tr>
<tr>
<td>40</td>
<td>£464,100</td>
<td>£424,900</td>
<td>£446,800</td>
<td>£411,900</td>
<td>£245,200</td>
</tr>
</tbody>
</table>
The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.

The transaction cost figures used in the illustration are those provided by the managers over the past three years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past three years as this is the longest period over which figures were available, and should be more indicative of longer-term costs compared to only using figures over the Plan year.

The illustration is shown for the TRP Drawdown Lifestyle Investment Programme and the TRP Annuity Lifestyle Investment Programme (both default arrangements). The TRP Drawdown Lifestyle Investment Programme is the default for new joiners and has the most members invested in it. We have also shown the illustration for the SW BlackRock Sterling Liquidity Fund, which was treated as a Default for the purpose of fulfilling legislative requirements. In addition, we have shown illustrations for two funds from the Plan’s self-select fund range. The two self-select funds shown in the illustration are:

- the fund with highest annual member borne costs (TER plus Plan year transaction costs) – this is the SW T. Rowe Price Frontier Markets Equity Fund.
- the fund with lowest annual member borne costs (TER plus Plan year transaction costs) – this is the SW BlackRock ACS Japan Equity Tracker Fund.

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today’s terms, and do not need to be reduced further for the effect of future inflation.
- Annual salary growth and inflation is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The starting pot size used is £8,400. This is the approximate median pot size for active members aged 25 years and younger (rather than using a whole membership average, we have taken this approach to give a more realistic 40-year projection)
- The projection is for 40 years, being the approximate duration that the youngest scheme member has until they reach the scheme’s Normal Pension Age.
- The starting salary is assumed to be £55,000. This is the approximate median salary for active members aged 25 or younger. Total contributions (employee plus employer) are assumed to be 16.0% of pensionable salary per year. The £ amount of contributions are assumed to increase in line with salary increases.
- The starting pot size used is £8,400. This is the approximate median pot size for active members aged 25 years and younger (rather than using a whole membership average, we have taken this approach to give a more realistic 40-year projection)
- The projection is for 40 years, being the approximate duration that the youngest scheme member has until they reach the scheme’s Normal Pension Age.
- The starting salary is assumed to be £55,000. This is the approximate median salary for active members aged 25 or younger. Total contributions (employee plus employer) are assumed to be 16.0% of pensionable salary per year. The £ amount of contributions are assumed to increase in line with salary increases.
- No allowance for active management outperformance has been made.

5. Investment returns

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the Plan year. The returns have been shown for all funds over 1 and 5 years to 31 December 2021, however, not all funds have been available for Plan members to invest in over this period.

We have taken into account the statutory guidance when providing these investment returns and has not deviated from this.

For the arrangements where returns vary with age, such as for the Default arrangements, returns are shown over the Plan year and over the 5 years to 31 December 2021 for a member aged 25, 45 and 55 at the start of the period the returns are shown over.
### TRP Drawdown Lifestyle strategy net returns over periods to Plan year end

<table>
<thead>
<tr>
<th>Age of member at the start of the period</th>
<th>1 year (2021) (%)</th>
<th>5 years (2016-2021) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>13.8</td>
<td>12.3</td>
</tr>
<tr>
<td>45</td>
<td>13.8</td>
<td>12.3</td>
</tr>
<tr>
<td>55</td>
<td>11.0</td>
<td>9.5</td>
</tr>
</tbody>
</table>

### TRP Lump Sum Lifestyle strategy net returns over periods to Plan year end

<table>
<thead>
<tr>
<th>Age of member at the start of the period</th>
<th>1 year (2021) (%)</th>
<th>5 years (2016-2021) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>13.8</td>
<td>12.3</td>
</tr>
<tr>
<td>45</td>
<td>13.8</td>
<td>12.3</td>
</tr>
<tr>
<td>55</td>
<td>12.3</td>
<td>8.0</td>
</tr>
</tbody>
</table>

### TRP Annuity Lifestyle strategy net returns over periods to Plan year end

<table>
<thead>
<tr>
<th>Age of member at the start of the period</th>
<th>1 year (2021) (%)</th>
<th>5 years (2016-2021) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>13.8</td>
<td>12.3</td>
</tr>
<tr>
<td>45</td>
<td>13.8</td>
<td>12.3</td>
</tr>
<tr>
<td>55</td>
<td>8.4</td>
<td>8.3</td>
</tr>
</tbody>
</table>

### Self-select fund net returns over periods to Plan year end

<table>
<thead>
<tr>
<th>Fund name</th>
<th>1 year (2021) (%)</th>
<th>5 years (2016-2021) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRP Lifestyle Growth Blend</td>
<td>14.3</td>
<td>12.4</td>
</tr>
<tr>
<td>TRP Lifestyle Fixed Income</td>
<td>1.7</td>
<td>3.5</td>
</tr>
<tr>
<td>SW Baillie Gifford International</td>
<td>8.5</td>
<td>17.2</td>
</tr>
<tr>
<td>SW T. Rowe Price Focused Growth Equity</td>
<td>10.7</td>
<td>20.5</td>
</tr>
<tr>
<td>SW T. Rowe Price Global Growth Equity</td>
<td>9.8</td>
<td>17.7</td>
</tr>
</tbody>
</table>
6. Value for members assessment

We are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of ‘good value’ which means that determining this is subjective. Our general policy in relation to value for member considerations is set out below.

We review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Plan. The date of the last review was: 7 June 2022. We note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. Our investment advisers have confirmed that the fund charges are competitive for the types of fund available to members. In particular, the charges borne by members for the passive funds are low when compared with their peer groups. Many of the fees for the Plan’s active funds are above the median when compared with their peer groups, however we believe these funds offer strong expected returns.

This summary sets out our rating and the high-level rationale behind it:

1. Charges – Good - Members bear the cost of administration and investment charges, but fees are competitive compared to schemes of a similar size. We will continue to monitor the fees members pay and the implementation of the new fee agreements.

2. Administration – Fair – the administration services provided by Scottish Widows is of a reasonable standard when compared with other providers. We are working closely with the provider to ensure improvements to their service to members, where appropriate.

3. Governance – Good – The Trustees and pensions team are very committed to the Plan, demonstrated by the dedicated level of resources. Over the Plan year we reviewed and updated the risk register, attended Scottish Widows offices for a due diligence visit and undertook various training sessions.

4. Communications – Good – We issue timely and relevant information to members including the production of an annual newsletter, which included a member survey, and annual member sessions.

5. Default investment arrangements – Good – The default strategy targets drawdown at retirement, and we monitor the strategy’s risk and return profile regularly to ensure it remains appropriate. The strategy delivered positive returns for all members invested over the Plan year. In addition, the TRP Annuity Lifestyle strategy, which is designed to be appropriate for members who are targeting purchasing an annuity at retirement, has delivered performance over the Plan year broadly in line with these types of assets. The SW BlackRock Sterling Liquidity Fund has delivered returns in line its benchmark over the Plan year.

6. Investment range – Good – The self-select fund range provides access to all major asset classes, many specialist options and alternative lifestyle strategies. The ISC, on our behalf, has a robust structure for monitoring these funds. Over the Plan year, two new funds were added and removed four funds.

7. At-retirement services – Good - Support and guidance offered to members are reasonable given the low numbers of members within 5 years of their target retirement dates.

8. Plan design – Good – The Plan design and contribution structure are generous and encourage members to take advantage of the extra matching contributions.

We believe that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches, and expect this to lead to greater investment returns net of costs over time.

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4 This fund’s inception date is August 2020 so five year returns are not yet available.

5 Performance for the funds removed over the year was not available at the time of writing and the Trustees will continue to follow-up with Scottish Widows to obtain this information.
Overall, we believe that members of the Plan received good value for money for the charges and cost that they incurred during the Plan year. We believe this because the fees paid by members are generally competitive for a Plan of this size, the Plan’s contribution structure is generous and encourages members to take advantage of the extra matching contributions, communications have been timely and relevant, and lower fees have successfully been negotiated to come into effect during 2022 (implementation occurred after the Plan year end). We aim to improve this in future through:

- Continuing to monitor SLAs, reporting and pushing for improvement from the administrator, Scottish Widows.
- Review the Single Code of Practice and DWP stewardship requirements which are expected to be released during 2022.
- Continue to monitor the default arrangements to ensure this remains appropriate to members.
- Undertake a review of the self-select fund range during 2022 to ensure the fund range remains appropriate for the Plan’s members.

7. Trustee knowledge and understanding

We are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. We have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the Plan year are set out below.

We, with the help of our advisers, regularly consider training requirements to identify any knowledge gaps. Our investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. Our advisers would typically deliver training on such matters at Trustee meetings if they were material. Over the Plan year, we have ensured our knowledge and understanding is up to date by attending a Trustee training event which covered:

- Implementation and Chair’s statements;
- legal updates, covering the Pensions’ Regulator’s consultation on single code of practice and the Pension Schemes Act 2021;
- platform provider comparisons;
- illiquid assets in DC;
- the diverse and changing experiences of TRP members; and
- responsible investment, including climate change.

In addition, we receive quarterly updates and training on hot topics in the DC market from their investment advisors. During the Plan year, these topics consisted of:

- engaging with asset managers to improve their practices;
- changes to the national minimum pensions age;
- the Pensions Scheme Act 2021, including updates to the TaskForce for Climate-related Financial Disclosures reporting; and
- the draft Single Code of Practice.

Furthermore, we attended external forums and industry conferences throughout the year as appropriate, in order to enhance their knowledge of the DC market. Over the Plan year we attended and/or participated in the following events:

- SG Pensions Income in Retirement Online Conference;
- PLSA Conference;
- DC Strategic Summit; and
- LCP’s DC Conference.

As well as learning, the external forums and industry conferences provide an external perspective of other DC schemes and whether there are learnings which could be taken.

We are familiar with and have access to copies of the Plan’s governing documentation and documentation setting out our policies, including the Trust Deed and Rules and SIP (which sets out the policies on investment matters). In particular, we refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan, and the SIP is formally reviewed annually and as part of making any change to the Plan’s investments. Further,
we believe that we have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil our duties.

All the Trustees, apart from those who have recently joined as Trustees, have completed the Pensions Regulator's Trustee Toolkit (an online learning programme, designed to help trustees of pension schemes meet the minimum level of knowledge and understanding required by law). The new Trustees are working to complete the toolkit within six months of joining the Board. Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Plan year.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. Additionally, the Plan has in place a structured induction process for new trustees, including a requirement to complete the Pensions' Regulator's Trustee Toolkit within six months of their appointment.

Considering our knowledge and experience and the specialist advice received from the appointed professional advisors (eg investment consultants, legal advisors), we believe that we are well placed to exercise our functions as Trustees of the Plan properly and effectively.

________________________ Date: 28/1/22

Signed by the Chair of Trustees of the TRP UK Retirement Plan