Annual Statement by the Chairman of Trustees Regarding DC Section Governance

For the Year Ended 31 March 2019

Summary

I, along with my fellow Trustees, am responsible for looking after the money you and other members have invested in the Scheme in respect of Defined Contribution ('DC') benefits. This Statement sets out how the Trustees have managed the DC benefits for the 12 months to 31 March 2019 in respect of the benefits administered under the defined contribution section (the "DC Section") of the Scheme and additional voluntary contributions (the "AVCs") paid on a DC basis.

This Statement contains a Summary and a Detailed Section, which expands on the Summary. An explanation of some of the terms used in the Summary, such as "default arrangement" is contained in the Detailed Section

Summary

This Statement relates to the 12 month period to 31 March 2019 and is appended to the Trustees' Report and Accounts for the same period.

This Statement confirms that for the last year:

(a) The default arrangement remained suitable for most members

No full review of the default investment strategy and default investment arrangement in respect of the Trustees' adopted strategy and the impact of that strategy in particular on the return on members' DC investments was due to be undertaken during the year. The last review was undertaken in March 2017. However, during 2018, the Trustees and the Company carried out a review of the administration of the DC assets in the Scheme as a whole with regards to the DC Section, it was agreed that in order to provide members with greater flexibility, better tools and communication and a more future-proofed arrangement, a decision was made to undertake a bulk transfer of members' accrued pots to the Legal & General Master Trust ("L&G Master Trust"). The initial transfer for the first tranche of members took place in March 2019 and the second and final transfer is expected to be completed in August 2019. Once the second transfer is complete, a small amount of DC assets will remain in the Scheme (relating to AVCs and DC benefits used to top-up members' benefits accrued on a defined benefit basis). The Trustees plan to undertake a review in future to determine the most appropriate provision for these remaining DC assets going forwards.

(b) The charges and costs borne by members

The charges paid by members for the DC Section's default investment arrangement were in a range from 0.13% to 0.67% p.a. (£1.30 to £6.70 per £1,000 fund value).

The charges for the DC Section's other investment options were in a range from 0.12% to 0.86% (or £1.20 to £8.60 per £1,000 fund value).

The charges for the DC Section's unit-linked AVC investment options were in a range from 0.12% to 0.86% (or £1.20 to £8.60 per £1,000 fund value).

The charges for the DC Section's With-Profits AVC investment options were in a range from 0.50% to 1.50% (or £5.00 to £15.00 per £1,000 fund value).

Annual Statement Regarding DC Section Governance (continued)

(c) The Scheme gave good value for members

With the help of their advisers, the Trustees carried out their annual assessment of how the services for the DC Section and for members with AVCs, that members pay for compare to other similar schemes. The Trustees looked at both the quality of these services as well as the costs and charges members pay.

(d) The action taken by the Trustees to improve value for members

Over the last 12 months the Trustees have undertaken the following actions to improve value for members.

- Fees, suitability and performance of all fund has been regularly assessed through input from the Scheme's DC adviser.
- Worked with the Company to review the DC Section as a whole and considered (taking advice from the Scheme's DC adviser) the merits of the transfer of legacy assets to the L&G Master Trust having regard to investment, governance oversight, member charges, administration, retirement support and communications.
- Agreed to transition the first tranche of DC Section assets to the L&G Master Trust arrangement in March 2019. This earlier transition of assets was in order to meet specific requirements in respect of certain members. The overall move for remaining DC Section assets to the master trust is expected to benefit from improved fund choice along with better member communications and support. The Trustees have worked hard in conjunction with the Company and its advisers to negotiate very competitive charges with L&G and an appropriate suite of funds for members to which their assets have been mapped. In addition, it was agreed that any transactions costs arising from the bulk transfer will be covered by L&G (up to a pre-agreed limit) and topped-up if required by the Company.

In the next 12 months; the Trustees will:

- Communicate the results of the value for members assessment and arrange for the publication of the Chair's Statement in a publicly searchable location on the internet. A note of this location will be included in the annual benefit statements;
- Update the statement of investment principles ("SIP") to reflect the September 2018 Regulations on Responsible Investment which come into force on 1 October 2019; and
- Plan to complete the bulk transfer to the L&G Master Trust in terms of the second tranche scheduled for August 2019.

(e) Financial transactions were carried out promptly, accurately and efficiently

The Trustees monitor the performance of the Scheme's administration against the agreed service levels. There have been no material issues with the Scheme's day-to-day administration for DC benefits in the last year. Core financial transactions for all DC assets were generally processed promptly, accurately and efficiently for the year to 31 March 2019.

(f) How the Trustees have kept their knowledge of pension matters up-to-date

The Trustees have in place a programme of training to update their knowledge of pension matters, which they consult on with their advisers as and when necessary. The Trustees have completed all training on the programme for the Scheme year ending 31 March 2019 and this has enabled the Trustees to maintain their knowledge of pensions matters up-to-date.

The Trustees are satisfied that the combination of their knowledge and understanding, together with access to suitable advice enabled them to properly exercise their duties over the period covered by this Statement.

Annual Statement Regarding DC Section Governance (continued)

Questions

We hope this Statement helps you understand how the Scheme is run. If you have any questions on its contents, please contact Capita (the Scheme administrator).

Telephone: 0114 289 3044
Email: awgpensions@capita.co.uk

For the record
This Annual Statement regarding governance has been prepared in accordance with:

Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (SI 2015/879); and

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 (SI 2018/233).

Signed on behalf of the Trustees by:

Stephen Yandle
Chair of the Trustees of the DC Section of the Anglian Water Group Pension Scheme

September 2019

Annual Statement Regarding DC Section Governance (continued)

Detailed Section

(a) The default arrangement

Members of the DC Section who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement. The default arrangement is a “lifestyle strategy” which invests contributions in funds according to how far each member is from retirement (a chart showing the lifestyle strategy for the DC Section is given on page 75, which shows how contributions are invested according to the time a member is from retirement). There is no default arrangement in respect of the AVC benefits – members with AVC benefits may optionally “self-select” the funds detailed in Appendix 2c.

The Trustees believe it is in the best interests of members to operate a default investment arrangement which manages the principal investment risks members face in respect of the benefits invested on a DC basis. In addition, the default investment arrangement is a lifestyle strategy which automatically moves members from higher risk investments to lower risk investments as they approach retirement. The Trustees believe this to be appropriate to meet the needs of the majority of the membership. Members who choose not to invest in the default investment arrangement can choose their own investment fund on a “self-select” basis (the funds within the default option are also available in the self-select fund range).

The main investment principles governing the default arrangement are in outline:

- To manage the principal investment risks faced by an average member during their membership of the Scheme.
- To target the majority of members who are expected to use Flexible Access Income Drawdown during their retirement.
- To invest in funds which are expected over the long-term to deliver strong returns relative to inflation for members up to 25 years from retirement.
- To progressively invest in funds which are expected over the long-term to deliver good returns relative to inflation, while seeking to control the level of volatility in fund values compared to equities, for members between 10 and 25 years from retirement whose DC pots are expected by then to have grown to a size where the value at risk is material.
- During the last 10 years before retirement, to increasingly invest in lower risk funds which are expected to help mitigate fluctuations in the sizes of both members’ fund values and the benefits members are likely to take at retirement.

The Statement of Investment Principles for the default arrangement is appended to this Statement. Please note that the Statement of Investment Principles covers all the DC Section’s investments – the principles guiding the design of the default arrangement are set out on pages 87 to 93.

The Trustees believe that the default arrangement is appropriate for the majority of the DC Section’s members because:

- The majority of members are expected to have broadly similar investment needs. The Trustees chose a lifestyle strategy targeting drawdown at retirement as it reflects the option that is considered most likely to be appropriate for the majority of members who are unable to decide how they wish to take their retirement benefits or might take their benefits in a combination of ways and at different points in time;
- It is believed that a significant proportion of the membership are either unengaged or unable to decide where their pension pot should be invested;
- Its design continues to meet the principal investment options;

Annual Statement Regarding DC Section Governance (continued)

Detailed Section (continued)

(a) The default arrangement (continued)

- The Trustees have taken into account the age and salary profile of members, the likely size of pension pots at retirement and the level of income that members are likely to need at retirement when designing the default option; and
- The demographic profile of the membership has not changed materially.

The Trustees regularly review the performance of the underlying funds in the default investment arrangement against their objectives. All funds have performed in line with expectations during the year.

(b) Charges and transaction costs

The Trustees are required to calculate the charges and, in so far as the they are able to do so, the transaction costs borne by members of the Scheme.

The charges and transaction costs borne by members and / or the Company for the services are:

Service	By members	Shared	By the Company
Investment management	Yes	-	-
Administration and Communications	-	-	Yes
Governance	-	-	Yes
Investment transactions	Yes	-	-

The presentation of the charges and transaction costs, together with the projections of the impact of charges and costs, have taken into account the statutory guidance issued by the Department for Work and Pensions ("DWP").

Charges

The charges quoted in this Statement are the funds' Total Expense Ratios ("TERs"). The TER consists of a fund's Annual Management Charge ("AMC"), Operating Costs and Expenses ("OCE") and the platform fee. OCEs include, for example, the fund's custodian costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day.

Transaction costs

The funds' transaction costs are in addition to the funds' TERs and can arise when:

- The fund manager buys or sells part of a fund's portfolio of assets; or
- The platform provider or fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs can include: custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes).

Transaction costs are taken into account when the funds' unit prices are calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance.

Annual Statement Regarding DC Section Governance (continued)

Detailed Section (continued)

(b) Charges and transaction costs (continued)

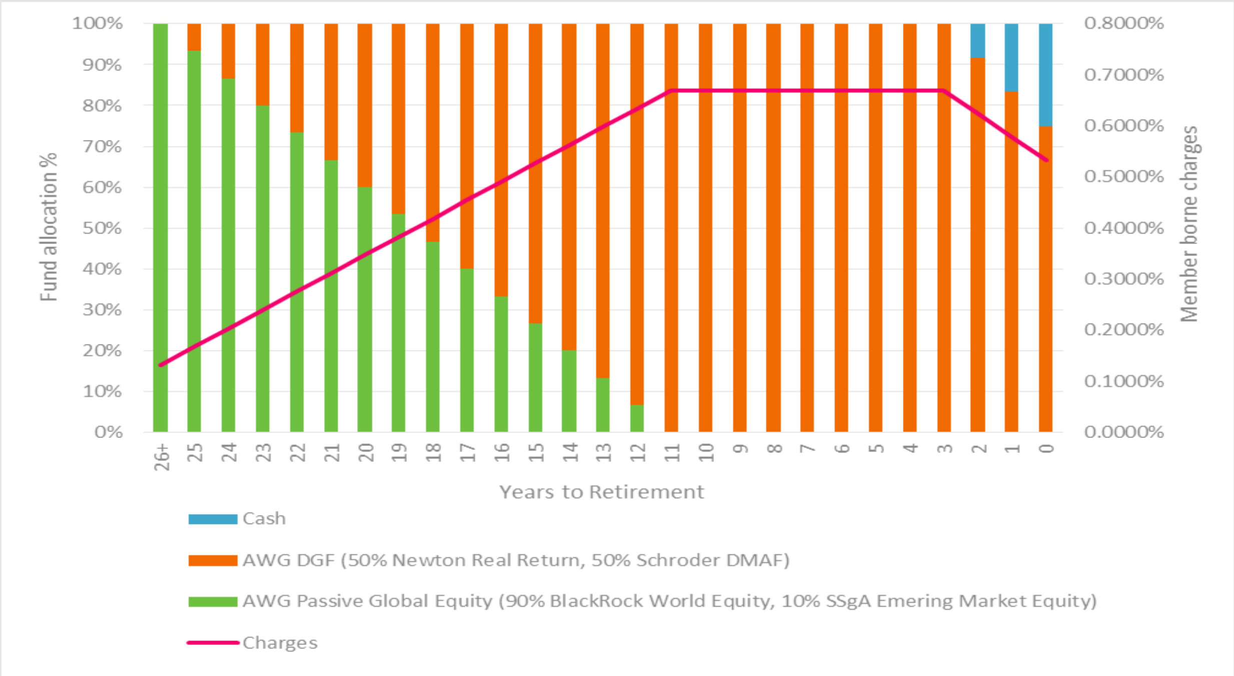
The Financial Conduct Authority ("FCA") requires fund managers and providers to calculate transaction costs using the “slippage method”, which compares the value of assets immediately before and after a transaction has taken place. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission).

The transaction costs shown in this statement do not include any costs members may incur from buying or selling units in the provider’s funds as a result of the fund manager’s fund price moving from a “bid” to “offer” basis (or vice versa).

The Trustees request reports on transaction costs from the investment platform provider – Phoenix Corporate Investment Services ("Phoenix CIS"). The Trustees expect an explanation from the fund manager should there be a larger than expected variance in the transaction costs.

Charges for the default arrangement

As the default arrangement is a "lifestyle strategy", charges borne by each member can vary from one year to the next. The chart below shows the glidepath for the default arrangement as well as the charges borne by members each year.



Annual Statement Regarding DC Section Governance (continued)

Detailed Section (continued)

(b) Charges and transaction costs (continued)

During the year covered by this Statement the member-borne charges for the default arrangement were in a range from 0.13% to 0.67% of the amount invested or, put another way, in a range from £1.30 to £6.70 per £1,000 invested:

Period to retirement	Charge	
	% p.a.	£ p.a. per £1,000 invested
Over 25 years (when charges are at their lowest)	0.13	1.30
10 to 25 years	0.13 to 0.67	1.30 to 6.70
3 to 10 years (when charges are at their highest)	0.67	6.70
Less than 3 years	0.53 to 0.62	5.30 to 6.20
At retirement	0.53	5.30

Source: Phoenix CIS

Over a 40-year saving period the average charge is 0.38% p.a.. The Trustees note that the average charge per the DWP pensions charge survey (published 2017) is 0.41% p.a. for an unbundled trust based qualifying scheme. The DC Section's charges are below this average figure.

The table in Appendix 2a gives the charges for each fund used in the default arrangement.

The DC Section is a qualifying scheme for auto-enrolment purposes and the member borne charges for the default arrangement complied with the charge cap during the year covered by this Statement.

Transaction costs for the default arrangement

The transaction costs borne by members in the default arrangement during the year were in a range from 0.01% to 0.34% of the amount invested or, put another way, in a range from £0.10 to £3.40 per £1,000 invested.

The table in Appendix 2a gives the transaction costs for each fund used in the default arrangement.

Charges for the investment options outside the default arrangements

Self-select funds

The DC Section offers members a choice of 21 self-select funds.

During the year the charges for the self-select funds were in a range from 0.12% to 0.86% of the amount invested or, put another way, in a range from £1.20 to £8.60 per £1,000 invested.

The table in Appendix 2b gives the charges for each self-select fund.

Annual Statement Regarding DC Section Governance (continued)

Detailed Section (continued)

(b) Charges and transaction costs (continued)

Transaction costs for the investment options outside the default arrangement

Self-select funds

The transaction costs borne by members in the self-select funds during the year were in a range from a saving of 2.47% to a cost of 0.40% of the amount invested or, put another way, in a range from a saving of £24.70 to a cost of £4.00 per £1,000 invested.

The table in Appendix 2b gives the transaction costs for each self-select fund.

Additional Voluntary Contributions ("AVCs")

Charges for AVCs

The Scheme previously offered members who were not in the DC Section, but who were paying AVCs on a DC basis a choice of 21 funds to pay those AVCs into. These 21 funds are closed to new contributions. There are also AVC policies held externally with Equitable Life and Aviva (ex Friends Life) which are also closed to new contributions.

During the year the charges for the AVC funds were in a range from 0.12% to 1.50% of the amount invested or, put another way, in a range from £1.20 to £15.00 per £1,000 invested.

The table in Appendix 2c gives the charges for each AVC fund.

Transaction costs for AVCs

The transaction costs borne by members in the AVC funds during the year were in a range from a saving of 2.47% to a cost of 0.40% of the amount invested or, put another way, in a range from a saving of £24.70 to a cost of £4.00 per £1,000 invested.

The table in Appendix 2c gives the transaction costs for each AVC fund.

AVCs invested in With Profits

Some members are invested in With Profits Funds with Aviva and Equitable Life (instead of the AVC funds described above). The charges and transaction costs for With Profits Funds are deducted from those funds before bonus rates are set for all policyholders. As a result, it is difficult to assess the value for members of With Profits Funds because:

- Investment returns, charges and costs are pooled across all policyholders; and
- Each member will have a different perception of the value of the guarantees.

The collective nature of With Profits Funds means that it is not possible for the Trustees to improve value for members. However, the Trustees are still required to satisfy themselves in respect of each Scheme year that the related charges and transaction costs represent good value for members (see below).

It should be noted that the implicit charges for the With Profits Funds cover the cost of guarantees and reserving as well as investment management and administration.

Annual Statement Regarding DC Section Governance (continued)

Detailed Section (continued)

(b) Charges and transaction costs (continued)

Transaction costs for the investment options outside the default arrangement

Equitable Life

The annual charge for the Equitable Life With Profits Fund is on average 1.5% p.a..

Equitable Life provide a guaranteed minimum investment return of 3.5% p.a. payable on or after the policy's normal retirement date and also currently offer an uplift on transfers out of the policy. Equitable Life is distributing cost savings from the run-down of its business to With Profits policyholders by means of a capital distribution, which currently increases transfer values by 35%.

Therefore, whilst higher charges apply compared to charges of other investment options, the fund provides fair member value in terms of the guarantee and the uplift.

On 15 June 2018, Equitable Life announced plans to transfer its business to Utmost Life which, subject to Policyholder and High Court approval, will take place on 1 January 2020. Equitable Life has said it currently expects that this transfer will enable the capital distribution to be increased to 60-70% for members in the With Profits Fund at that time. The With Profits Fund and its guarantees would then close and members transferred to unit linked funds with Utmost.

Aviva

Members are invested in the Aviva With Profits Fund (NGP Pre Demutualisation) and Aviva With Profits Fund (NGP Series 1). The annual charge for both funds is 0.65% p.a.. The Trustees note that only two members are invested in the Aviva policy, with a total fund value of c.£1,750.

Missing information, regulatory information, reliances and limitations

The Trustees have been unable to obtain information on:

- The transaction costs from Phoenix CIS up to 31 March 2019. The Trustees have received transaction cost information up to 31 December 2018.

This means that for the 12 month Scheme year covered by this Statement, some information on transaction costs for that fund is missing. This means that the Trustees have not been able to compare all of the fund's transaction costs against other pension schemes. For the purposes of this Statement (including the requirement for the Trustees to calculate, so far as they are able to do so, transaction costs and to assess the extent to which those costs represent good value to members), the transaction costs stated are for the 12 months period supplied by providers (as referred to immediately above), without adjustment.

The following steps are being taken to obtain the missing information for the future:

- The Trustees requested more recent transaction cost information from Phoenix CIS, who were unable to provide these in the required timescales.

The Trustees will continue to request transaction cost data up to 31 March 2019 from Phoenix CIS.

The Trustees also note the following limitations:

- The Trustees acknowledge that limited data is available on industry-wide comparisons and they have therefore relied heavily on the market knowledge of their advisers; and
- There is limited transaction costs data available to provide industry-wide comparisons.

These issues currently affect many pension schemes and pension providers, but are being resolved by providers. So, the amount of comparative information available should improve over the next few years.

Annual Statement Regarding DC Section Governance (continued)

Detailed Section (continued)

(b) Charges and transaction costs (continued)

Impact of costs and charges

The Trustees have asked the Scheme's DC adviser, Hymans Robertson, to illustrate the impact over time of the costs and charges borne by members.

These illustrations show projected fund values in today's money before and after costs and charges for a typical member at the current average age (age 40) and the average age at the date of joining the DC Section (age 34).

The tables in Appendix 3 to this Statement show these figures for the default arrangement, the most popular self-select funds, self-select funds with differing levels of investment risk and the most popular AVC fund, together with a note of the assumptions used in calculating these illustrations.

As an example, for a member who joined the default arrangement at age 34, the level of charges and costs seen in the last year would reduce their projected pot value at retirement in today's money from £298,600 to £265,014 (12.7%).

Please note:

- These illustrated values are not guaranteed and may not prove to be a good indication of how a member's savings might grow;
- These illustrations have been calculated using the funds' charges as at 31 March 2019 and transaction costs as at 31 December 2018, as the Trustees have been unable to obtain transaction costs data as at 31 March 2019.

c) Value for Members

The Trustees are required to annually assess the extent to which charges and transaction costs for the default arrangement and other investment options, which are borne by members of the Scheme represent good value for members.

Value is not simply about low cost – the Trustees also consider the quality of the services which members pay for. With the help of their advisers the Trustees compare the charges and costs as well as the quality of the services against other similar schemes.

Assessment

The Trustees adopted the following approach to assessing value for members during the last year:

1. Considered the DC Section's features in four areas where costs are potentially borne by members: Investment, Communications, Scheme management and governance, and Administration;
2. Considered the DC Section's membership characteristics and weighted each of the areas according to its likely impact on member outcomes;
3. Gathered information and evaluated how the services perform against the agreed metrics, taking into account cost, quality and scope of provision against any available external benchmarking assessment; and
4. Agreed an action plan with clear timescales where the Trustees believes the DC Section is not providing value for members, is missing information, or areas which should be improved.

Annual Statement Regarding DC Section Governance (continued)

Detailed Section (continued)

c) Value for Members (continued)

Member borne charges

Members bear the charges for investment (including management and transaction costs). The Employer bears the costs of governance, Administration and Communications.

Results

The Scheme has been assessed as offering **GOOD** value for members in the year ending 31 March 2019. The results and rationale of the Scheme's Value for Members assessment is summarised below along with the rating definitions used.

Category Weighting	Rating	Key Rationale
Investment 100%	**GOOD**	The default investment arrangement was under the 0.75% p.a. charge cap requirement and moved from 0.13% p.a. (during the growth phase), to a range of 0.17% p.a. and 0.67% p.a. (during the consolidation phase) through to 0.53% p.a. (at the end of the de-risking phase). Over a 40-year saving period the average charge was 0.38% p.a.. The Trustees noted that this compared well to the DWP pensions survey average charge of 0.41% p.a. for a trust based qualifying scheme with more than 1,000 members. The transaction costs for the DC Section funds ranged from -2.47% p.a. 0.40% p.a.. The Trustees were therefore satisfied that the default investment arrangement remained broadly appropriate for the majority of members.

Annual Statement Regarding DC Section Governance (continued)

c) Value for Members (continued)

Results (continued)

		The Trustees provided 21 funds for the membership to self-select from (including Ethical and Sharia compliant funds) and the total charges for these "self-select" funds range from 0.12% p.a. to 0.86% p.a. The Trustees considered that this was a suitable range of self-select funds given the membership profile. The points made above are also relevant to AVCs which are invested in the same funds - the Value for Members is therefore also rated as "good". The Trustees have not explicitly considered members' views on environmental social and governance matters. Performance for most funds remained competitive against respective benchmarks (after fees). The Trustees continue to monitor charges and receives quarterly detailed investment reports from its DC adviser which includes monitoring of fund performance (underlying and blended) for all funds, fund ratings, and performance of the Lifestyle strategy (vs underlying benchmarks and RPI). The SIP was regularly reviewed by the Trustees and remained appropriate. The SIP was last updated in September 2018 and will be updated for the new Responsible Investment regulations coming into force on 1 October 2019. The Trustees ensured that members were regularly made aware of their current investment strategy by providing fund fact sheets and an investment guide to members which is updated after any changes in the investment arrangements.

Value Rating	Definition
Excellent	The Trustees consider the Scheme offers excellent value for members; providing services within a top 20% quality/cost range compared with other options or similar schemes.
Good	The Trustees consider the Scheme offers good value for members providing services at better quality/cost compared with other typical options or similar schemes.
Average	The Trustees consider the Scheme offers average value for members providing similar services at similar quality/cost compared with other typical options or similar schemes.
Below average	The Trustees consider the Scheme offers below average value for members; providing similar services at higher cost for similar quality compared with other typical options or similar schemes.
Poor	The Trustees consider the Scheme offers poor value for members providing services within the bottom 20% quality/cost range compared with other options or similar schemes.

Annual Statement Regarding DC Section Governance (continued)

c) Value for Members (continued)

Additional benefits in respect of DC assets which are outside the value for members' assessment

In addition to investments solely funded by members with DC benefits, the following services / benefits exist which are fully funded by the Employer;

- The **management and ongoing governance** carried out by the Trustees. The Trustees provide effective, independent oversight and management of the DC benefits in the Scheme to ensure regulatory compliance, security of assets and that members' interests are considered appropriately;
- The Employer finances suitable quality administration support ensuring the efficient processing of core financial transactions, good record keeping and that members' instructions are carried out within agreed service standards.
- Providing a range of communications to help inform members about their pension and the key choices available.

(d) Action plan

Over the next 12 months the Trustees will undertake the following actions to improve value for members.

- Communicate the results of the value for members assessment and arrange for the publication of the Chair's Statement in a publicly searchable location on the internet. A note of this location will be included in the annual benefit statements;
- Update the SIP to reflect the September 2018 Regulations on Responsible Investment which come into force on 1 October 2019; and
- Complete the bulk transfer to the L&G Master Trust in terms of the second tranche scheduled for August 2019.

(e) Processing financial transactions and administration

The Trustees have a specific duty to secure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to DC benefits are processed promptly and accurately.

These transactions are undertaken on the Trustees' behalf by the Scheme's administrator, Capita, and the investment platform provider, Phoenix CIS.

The Trustees monitored core financial transactions during the year including:

- The receipt and investment of contributions to the Scheme (including inward transfers of a member's funds);
- Switches between investment options within the Scheme; and
- Payments of benefits relating to members (including retirements and outward transfers of a member's funds).

Annual Statement Regarding DC Section Governance (continued)

(e) Processing financial transactions and administration (continued)

The Trustees have a service level agreement in place with the Scheme's administrator covering:

- New joiner and regular contributions files and the allocation of contributions are processed within 3 working days;
- Provision of retirement pack and quotation of benefits within 5 working days;
- Payments of benefits are made within 2 working days;
- Provision of drawdown quotation within 5 working days;
- Payment of benefits to a drawdown arrangement within 2 work days;
- Provision of transfer value quotation within 5 working days;
- Payment of transfer value within 5 working days;
- Provision of leaver option pack within 5 working days;
- Processing individuals transferring in to the DC Section within 3 working days;
- Response to members enquiries within 5 working days;
- Provision of statements upon request within 5 working days; and
- Processing of investment switches within 3 working days.

The Scheme's administrator aims to ensure that 95% of all these processes are completed within these service levels.

- Running daily reports to establish that the agreed service levels were being met;
- Further training is undertaken and additional resource applied to improve performance where necessary;
- Monitoring daily transactions;
- Monitoring daily workflow items;
- Regular internal audits of administration procedures;
- Reviewing the level, causes and resolution of complaints; and,

Maintaining compliance with ISO 9001, ISO 14001, ISO 20000, ISO 22301, and ISO 27001.The Trustees monitored core financial transactions and administration service levels during the year by:

- Checking that contributions deducted from members' earnings have been paid promptly to the Scheme by the Employer;
- Receiving quarterly reports from the administrator on the processing of financial transactions and other administration processes against the agreed service levels;
- Considering the reasons for and resolution of any breaches of service standards;
- Reviewing the competitiveness and standards of the Scheme's administrator against other scheme administrators;
- Tracing addresses of members for whom addresses were not hold as part of the bulk transfer to the L&G Master Trust;
- Receiving reports from the Scheme's Auditor, who independently tests sample transactions for accuracy and timeliness; and
- Considering member feedback including any complaints and member surveys.

Annual Statement Regarding DC Section Governance (continued)

(e) Processing financial transactions and administration (continued)

Overall, the Trustees are satisfied that during the year:

- Core financial transactions were processed accurately, promptly and efficiently; and
- The wider administration of the Scheme achieved the agreed service standards.

During the year there was a one-off transition for a group of members as part of the first tranche of the bulk transfer of assets to the L&G Master Trust.

The Trustees reviewed the manner in which the transfer was to be conducted and received reports on the transaction costs incurred during the transfer.

The transition costs and risks were mitigated by a combination of pre-funding and the Master Trust provider agreeing to cover the costs up to a pre-agreed limit.

The Trustees are satisfied that this first tranche was conducted efficiently to mitigate the costs and risks for members as far as practicable. The second and final transfer is expected to be completed in August 2019.

To facilitate the move to the L&G Master Trust there was also a restructure of funds within the AWG Property Fund in August 2018.

Security of assets

The situation regarding the security of where pension contributions are invested is complex. It can vary from scheme to scheme and from fund to fund within each scheme. To-date there have only been a few instances where members of schemes such as ours have seen their benefits reduced as a result of a financial failure of a provider or fund manager.

The Trustees have reviewed the structure of the funds used within the default arrangement and other investment options. The Trustees believe that the current structures are appropriate for members when compared to other possible structures.

The changes made by the Trustees in the last year (i.e. the transfer of the first tranche of assets from the DC Section out of the Scheme to the L&G Master Trust) would have improved the security of those transferred assets. The transfer of said assets to the L&G Master Trust would not have materially impacted the security of the DC assets remaining in the Scheme.

The Trustees have in the past received training on the security of assets and will continue to keep this under review. The Trustees have an expectation that the security of assets is an area that is taken into account by the platform provider when making available funds on its investment platform.

Annual Statement Regarding DC Section Governance (continued)

(f) Trustees knowledge and understanding

The Trustees' current practices to maintain and develop their level of knowledge and understanding of matters relating to the Scheme (in accordance with sections 247 and 248 of the Pensions Act 2004) are:

- Ongoing training is provided to ensure that Trustees have a working knowledge of the Scheme's Trust Deed and Rules and the SIP as well as the funding and investment concepts and principles relevant to the Scheme, policy documents in relation to administration of the Scheme and the law and legislation relating to pension schemes and trusts;
- The Trustees have a programme of training to help maintain their knowledge of pension matters.
- There is an induction process for newly appointed Trustees, who are asked to complete the Pensions Regulator's "Trustee Toolkit" within 6 months of becoming a Trustee;
- Trustees are expected to check regularly for new modules on the Pensions Regulator's "Trustee Toolkit";
- There is an induction process for newly appointed Trustees who:
  - have a one-to-one meeting with the Anglian Water Group pension team;
  - are asked to complete the Pensions Regulator's "Trustee Toolkit" within 6 months of becoming a Trustee;
  - are provided with details of relevant upcoming external seminars; and
  - receive scheme specific trustee training from the scheme's advisers.
- The Trustees also receive quarterly "hot topics" from their advisers covering technical and legislative / regulatory changes affecting DC (and additional voluntary contribution) schemes in general; and
- The Trustee Board includes professional trustees who receive additional individual training.

The Trustees applied these practices throughout the Scheme year ended 31 March 2019.

The Trustees received the following training during the last year:

Date	Topic	Aim/benefit	Trainer
5/4/18	DC Bulk Transfer	To help the Trustees understand the process and requirements of a Bulk Transfer	Squires Patton Bloggs (SPB) (Legal advisers)
4/6/18	SMPI Assumptions	Trustees to understand what changes will be required to the SMPI Assumptions	Hymans Robertson (Hymans) (DC and investment advisers)
18/7/18	DC Bulk Transfer	Further training on the requirements of a Bulk Transfer	Hymans / SPB
24/9/18	DC Bulk Transfer	Further training on the requirements of a Bulk Transfer and Balance of Powers	Hymans / SPB
8/10/18	DC Bulk Transfer	Further training on the requirements of a Bulk Transfer	Hymans / SPB
8/10/18	Chair's Statement and Value for Money	Training on requirements.	Hymans
20/11/18	DC Bulk Transfer	Further training on DC Bulk Transfer communication requirements.	SPB
17/1/19	DC Bulk Transfer	Transition Risks and Compensation	SPB / Hymans
12/3/19	DC Bulk Transfer	Further training on the requirements of a Bulk Transfer	SPB / Hymans

Annual Statement Regarding DC Section Governance (continued)

(f) Trustees knowledge and understanding (continued)

The Trustees, with the help of their advisers, review the SIP at least every three years. The last review of the SIP in respect of DC investments was carried out in September 2018 and will be updated for the new Responsible Investment regulations coming into force on 1 October 2019.

To ensure that the Trustees are compliant with their duties they reviewed the performance of DC investments on a quarterly basis with their investment advisers as part of their Board meetings which may include an assessment of the administration of DC benefits in the Scheme against the Pensions Regulator's DC Code of Practice criteria or other legislative requirements as needed. The Trustees also receive quarterly updates in regulatory matters at their Board meetings.

The Trustees have appointed suitably qualified and experienced legal advisers, investment consultants and benefit consultants to provide advice on the operation of the Scheme in accordance with its Trust Deed and Rules, legislation and regulatory guidance.

The Trustees review the effectiveness of their advisers annually on a desktop basis and also periodically review their advisers in more detail if necessary, including the terms on which advisers are appointed.

The Trustees undertook the following reviews during the last year:

Date / frequency	Review
Annually	The Business Plan which identifies training needs, sets out the actions to be taken and helps monitor process.
Annually	The effectiveness of the Trustee Board and training requirements.
On a rolling basis	Effectiveness of advisers
2018/19	Scheme administrator

As a result of these reviews, the Trustees are satisfied that during the last year they have:

- Taken effective steps to maintain and develop their knowledge and understanding; and
- Ensured they received suitable advice.

The Trustees are satisfied that the combination of their knowledge and understanding together with access to suitable advice enabled them to properly exercise their duties during the Scheme year covered by this Statement.

The Anglian Water Pensions Team is currently reviewing existing practices to maintain and develop Trustee knowledge and understanding, the effectiveness of the training programme and training plans for the coming year.

Appendix 1 – Statement of Investment Principles - Defined Contribution Section

The following extracts have been taken from the Anglian Water Group Pension Scheme Statement of Investment Principles for the Main Section, effective from 10 September 2019.

2. Defined Contribution Section

Introduction

Following the bulk transfer of accrued pots to the Legal & General (L&G) Master Trust in 2019, the remaining assets in the Defined Contribution (DC) Section of the Anglian Water Group Pension Scheme relate to DB AVCs (Defined Benefit Additional Voluntary Contributions) and DC top-up benefits. The remaining holdings invest in funds underlying the default strategy and other funds in the self-select range.

No further contributions are being paid into the DC Section.

The level of pension benefit will depend on two factors:

(i) The return on a member's accumulated fund over the period to their selected date of retirement

(ii) The cost of turning the accumulated fund into pension benefit (i.e. cash, income drawdown or annuity purchase) at retirement.

Investment Objective

The Trustees' aim is to provide members of the DC Section with a range of investment options that meet their different investment needs and attitudes to risk.

The Trustees' objectives in selecting the component funds are as follows:

The Trustees retain the responsibility for selecting and monitoring the underlying investment managers of each fund, in such a way that changes to these can be implemented easily (including existing investments) without affecting members' recorded unit holdings.

The Trustees' Investment Objective is implemented using a range of active and passive investment options as set out in the Scheme's Investment Manual.

The Lifestyle strategies used within the DC Section are defined and reviewed by the Trustees in conjunction with their Investment Adviser. Details of the current strategies are held in the Investment Manual.

The Trustees carried out a detailed review of the DC Section's default Lifestyle strategies and self-select fund range following Freedom and Choice and implemented substantive changes with a view to delivering better outcomes for members and their beneficiaries at retirement.

The Trustees believe it is in the best interests of members to operate a Default Option which helps to manage the principal investment risks members may face over the savings period. In addition, the Default Option is a lifestyle strategy which automatically moves members' accumulated funds from higher risk investments to lower risk investments

Appendix 1 – Statement of Investment Principles - Defined Contribution Section (continued)

as the selected retirement age nears. This is designed to be appropriate to meet the needs of a majority of the membership. Members who choose not to go into the Default Option can invest on a "self-select" basis (the funds available within the Default Option are also available in the self-select fund range).

In designing the default lifestyle strategy – the 2015 Lifestyle Option – the Trustees took into account a number of factors including (but not limited to) members' projected pot sizes at retirement, contribution levels, risk and return profile of the investments within the default Lifestyle strategy and the DC charge cap. The analysis of projected pot sizes informs a view as the likely form of benefits members will take at retirement. The Trustees continue to keep the default and self-select investment strategies under review in light of changes to the membership profile.

2.1 Objectives of the Default Option

The main objective of the 2015 Lifestyle Option is to provide good member outcomes at retirement while subject to a level of investment risk which is appropriate to the majority of members who do not want to make active investment choices.

The principal objectives of the 2015 Lifestyle Option are:

- To manage the principal investment risks faced by an average member during their membership of the Scheme.
- To target the majority of members who are expected to use Flexible Access Income Drawdown during their retirement.
- To invest in funds which are expected over the long-term to deliver strong returns relative to inflation for members up to 25 years from retirement.
- To progressively invest in funds which are expected over the long-term to deliver good returns relative to inflation, while seeking to control the level of volatility in fund values compared to equities, for members between 10 and 25 years from retirement whose DC Pots are expected by then to have grown to a size where the value at risk is material.
- During the last 10 years before retirement, to increasingly invest in lower risk funds which are expected to help mitigate fluctuations in the sizes of both members' fund values and the benefits members are likely to take at retirement.

The self-select fund range is provided for members who want to take an active part in choosing where their accumulated fund is invested and complements the 2015 Lifestyle Option. The self-select fund range covers a spectrum of investment risk levels and investment approaches, so that members can tailor their investments more closely to their personal needs and attitude to risk, although it cannot be expected to cover all the investment needs of all members.

Appendix 1 – Statement of Investment Principles - Defined Contribution Section (continued)

2.2 Risk Measurement and Management

The Trustees recognise the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustees consider this risk when setting the investment options and strategy for the DC Section. The Trustees' policies in respect of risk measurement methods and risk management processes are set out below.

The Trustees consider the following sources of risk:

- Risk of not meeting the reasonable expectations of members, taking into account their contributions to date. The Trustees consider the risks to members in terms of the possibility of low pensions, volatility of their funds in the medium-term and the volatility in the run-up to annuity purchase at retirement. The fund options and communication plans are set following consideration of which risks are most important to the majority of members.
- Risk of fund managers not meeting their objectives ("manager risk"). This risk is considered by the Trustees and its adviser both upon the initial appointment of the fund manager and on an ongoing basis thereafter. The Trustees' Investment Adviser researches the fund managers and reports the findings back to the Trustees on a quarterly basis, or more often if there are significant developments. The Trustees monitor the managers' performance and adviser's views quarterly.
- Risk of the funds being unsuitable for the requirements of some members. Advice is taken from the Investment Advisor to mitigate this risk.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk associated with the investment platform (held with Phoenix Life Corporate Investment Services), which the Trustees monitor on a regular basis as part of its governance process.
- The risk that the relative market movements in the years just prior to retirement, for members wishing to purchase an annuity, will lead to a substantial reduction in the pension and cash lump sum secured ("pension conversion risk").
- The risk that funds which invest in more illiquid assets will not be able to accept investments or disinvestments requested by the Trustees and/or members ("liquidity risk"). The Trustees are satisfied that the pooled funds in which the DC Section is invested usually have sufficient liquidity and may be realized quickly if required.

Due to the complex and interrelated nature of these risks, the Trustees consider these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustees' policy is to review the

Appendix 1 – Statement of Investment Principles - Defined Contribution Section (continued)

range of funds offered on at least a three year basis or more frequently if required.

These risks are considered as part of any strategy review. In addition, the Trustees measure risk in terms of the performance of the assets, compared to the benchmarks on a regular basis, usually quarterly, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustees.

2.3 Expected Return on Investments

The Trustees believe it is important to balance investment risks with the likely long term returns from different types of investment funds (taking the charges into account).

The expected returns on the principal asset classes and fund types within the DC Section are:

- Equities (i.e. company shares) – should achieve a strong positive return relative to inflation over the longer-term, but tends to be the most volatile asset class over the shorter-term.
- Property (e.g. offices, shops and warehouses) – should achieve a positive return relative to inflation over the longer-term which is lower than that for equities, but with a lower level of shorter-term volatility than equities.
- Multi-Asset (e.g. investing in a mix of asset classes) – should deliver positive returns relative to inflation over the longer term, with lower short term volatility than equities.
- Corporate Bonds (i.e. debt issued by companies) – should achieve a positive return relative to inflation over the longer-term which is lower than that for equities and property, but with a lower level of shorter-term volatility than equities or property.
- Fixed Interest Government Bonds (Gilts) – should deliver a positive return relative to inflation over the longer-term which is lower than that of equities, property and corporate bonds, but with a lower level of shorter-term volatility than equities, property and corporate bonds.
- Index-linked Government Bonds (Index-Linked Gilts) – should deliver a return in line with inflation over the longer-term, but with a lower level of shorter-term volatility than equities, property and corporate bonds.
- Cash (and cash-like instruments) – should deliver a positive return which may not always keep pace with inflation (net of fees), while normally providing a minimal level of volatility and high degree (but not complete) of capital security.
- Long-dated Government Bonds (Gilts) and long-dated Corporate Bonds – values should move broadly in line with the financial factors influencing annuity rates.
- Diversified Growth/Multi-Asset Funds – invest in a varying mix of asset classes with an objective of delivering a target level of positive returns relative to inflation over the longer-term, with a target level of shorter-term volatility lower than equities.

Appendix 1 – Statement of Investment Principles - Defined Contribution Section (continued)

The Trustees believe that both active and passive management have a place in defined contribution arrangements. Some asset classes or investment approaches (such as property, cash and diversified growth strategies) are only available as actively managed funds.

2.4 Types of funds used

The Trustees make available pooled funds through a direct contract with the investment platform. The Trustees have delegated the day-to-day investment decisions including the management of financially material considerations (see next section) to the investment managers responsible for the various investment funds.

The Trustees expect that the fund managers will normally be able to sell assets within a reasonable timescale to meet withdrawals. There may, however, be occasions where the manager needs to impose restrictions on the timing of sales and purchases of funds (most notably for funds investing in property) in some market conditions to protect the interests of all investors in that fund. Nonetheless, the Trustees recognise that most members' pensions have a long investment timeframe, during which assets which are less easily traded (such as property or infrastructure) can be managed to deliver good long-term returns while avoiding the impact of liquidity issues at retirement.

Overall the Trustees believe that the DC Section's investment options cater to members with varying risk and return requirements and appropriately manage the risks faced by most members.

2.5 Responsible Investment

2.5.1 Financially and non-financially material considerations

The Trustees recognise that financially material considerations, including environmental, social and governance (ESG) factors, affect risk and returns over the medium to long term but will have varying important for different types of assets invested by the DC Section. As such these considerations take precedence in fulfilling the Trustees' primary objectives for the DC Section and translate to the development, selection, retention, realisation and monitoring of the investment options.

The Trustees will give due consideration to ESG risks when making investment decisions.

The Trustees incorporate financially material considerations through the investment managers, so far as possible. The Trustees expect its investment managers will take all financially material factors into account where relevant.

Appendix 1 – Statement of Investment Principles - Defined Contribution Section (continued)

In passive mandates, the Trustees recognise that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal discretion to take account of factors that may be deemed to be financially material. The Trustees accept that the role of the passive manager is to deliver returns in line with the market and believe this approach is in line with the basis on which their current strategy has been set.

In active mandates, the Trustees recognise that the manager has freedom to exercise discretion as to the choice of assets held. The Trustees expect the manager to take into account all financially material factors in the selection of assets within their portfolios and to be able to demonstrate their approach when challenged.

Non-financially material factors are the views of members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the DC Section. The Trustees have not sought to consider non-financially material factors in developing the current strategy.

Members have the ability to invest their accumulated funds in an 'ethical' investment option, where the selection, retention and realisation of investments are made with particular regard to ESG issues.

Climate Risk

The Trustees have signed up to the A4S taskforce, a working group committed to supporting the implementation the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The Trustees are committed to furthering their understanding of climate risk within the investments and to consider climate risk when making investment decisions.

2.5.2 Stewardship

The Trustees recognise that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies.

The Trustees have adopted a policy of delegating voting decisions on stocks to their investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The investment manager is expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where appropriate, the Trustees will engage with and seek further information from their investment manager on how portfolios may be affected by a particular issue.

Appendix 1 – Statement of Investment Principles - Defined Contribution Section (continued)

When selecting investment managers, the Trustees' investment adviser assesses the ability of each investment manager in engaging with underlying
companies in order to promote the long-term success of the investments. When selecting, monitoring and de-selecting asset managers, engagement is factored into the decision-making process to the appropriate level for the specific asset class in question.

The Trustees do not engage directly, but believe it is sometimes appropriate for its investment manager to engage with key stakeholders, which may including corporate management, regulators and governance bodies, relating to their investments to improve corporate behaviour, performance and mitigate financial risks. The Trustees will review engagement activities undertaken by its investment manager where appropriate as part of its broader monitoring activity.

2.6 Implementation

An Investment Adviser will advise the Trustees in relation to the DC Section. They operate under an agreement to provide a service which ensures the Trustees are fully briefed to take decisions themselves and to monitor those they delegate. The Investment Adviser is paid on the basis of a pre-agreed fee which includes all services needed on a regular basis to support the requirements of the DC Section. Some one-off projects fall outside the scope of services and the fees for these are agreed separately. This structure has been chosen to ensure that cost-effective, independent advice is received.

Appendix 2 – Table of funds and Charges

2a Default arrangement

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the default arrangement were:

Fund	Charges **		Transaction costs (1 January 2018 – 31 December 2018)		Underlying Fund	ISIN *
	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested		
AWG Passive Global Equity	0.13%	£1.30	0.007%	£0.07	BlackRock Aquila Life World Equity Index Fund	GB00B4X12W39
					SSgA MPF Emerging Markets Equity Index Fund	GB00BDCLHD32
AWG Diversified Growth	0.67%	£6.70	0.341%	£3.41	Newton Real Return Fund	GB00B01XJC27
					Schroder Life Dynamic Multi-Asset Fund	GB00B433JR39
L&G UK Treasury Bills	0.12%	£1.20	0.083%	£0.83	L&G UK Treasury Bills	GB00B6V66884

Source: Phoenix CIS. TER includes the platform fee of 0.07% p.a.

Appendix 2 – Table of funds and Charges (continued)

2b Self-select funds outside the default arrangement

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year for the self-select funds were:

Fund	Charges **		Transaction costs (1 January 2018 – 31 December 2018)		Underlying Fund	ISIN *
	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested		
AWG Passive Global Equity	0.13%	£1.30	0.007%	£0.07	BlackRock Aquila Life World Equity Index Fund	GB00B4X12W39
					SSgA MPF Emerging Markets Equity Index Fund	GB00BDCLHD32
AWG Diversified Growth	0.67%	£6.70	0.341%	£3.41	Newton Real Return Fund	GB00B01XJC27
					Schroder Life Dynamic Multi-Asset Fund	GB00B433JR39
L&G UK Treasury Bills	0.12%	£1.20	0.083%	£0.83	L&G UK Treasury Bills	GB00B6V66884
AWG Active Global Equity	0.86%	£8.60	0.214%	£2.41	Morgan Stanley Global Brands	GB0032482498
					Schroder Life QEP Global Active Value Fund	GB00BOZ4X717
AWG Overseas Equity	0.15%	£1.50	-0.005%	-£0.05	L&G World (ex UK) Equity Index Fund	GB00B6V5QW96

Appendix 2 – Table of funds and Charges (continued)

2b Self-select funds outside the default arrangement (continued)

	Charges **		Transaction costs (1 January 2018 – 31 December 2018)			
Fund	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested	Underlying Fund	ISIN *
AWG Active UK Equity	0.63%	£6.30	-0.012%	-£0.12	Baillie Gifford UK Equity Core Pension Fund	GB00BZ3G2258
					Artemis UK Equity Income Fund	GB0032567926
					Schroder Institutional UK Smaller Companies Fund	GB0007893984
AWG European Equity	0.15%	£1.50	-0.031%	-£0.31	L&G Europe (ex UK) Equity Index Fund	GB00B6V5Q522
AWG North American Equity	0.15%	£1.50	-0.043%	-£0.43	L&G North American Equity Index Fund	GB00B6V5Q290
AWG Japan Equity	0.15%	£1.50	-0.071%	-£0.71	L&G Japan Equity Index Fund	GB00B6V5PZ52
AWG Pacific Equity	0.15%	£1.50	-0.104%	-£1.04	L&G Asia Pacific (ex-Japan) Developed Equity Index Fund	GB00B6V5Q852

Appendix 2 – Table of funds and Charges (continued)

2b Self-select funds outside the default arrangement (continued)

Fund	Charges **		Transaction costs (1 January 2018 – 31 December 2018)		Underlying Fund	ISIN *
	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested		
AWG Socially Responsible Equity	0.27%	£2.70	0.060%	£0.60	L&G UK Equity Ethical Index Fund	GB00B6V5VF74
L&G Global Equity Index Fixed Weights 50:50 Fund	0.15%	£1.50	0.005%	£0.05	L&G Global Equity Index Fixed Weights (50:50) Fund	GB00B6V5TH50
L&G UK Equity Index	0.12%	£1.20	0.348%	£3.48	L&G UK Equity Index Fund	GB00B6V5PW22
AWG Property*†	0.79%	£7.90	0.403%	£4.03	L&G Managed Property Fund	GB00B6V62131
					Aviva Investors Property Pooled Fund	TBC

Appendix 2 – Table of funds and Charges (continued)

2b Self-select funds outside the default arrangement (continued)

Fund	Charges **		Transaction costs (1 January 2018 – 31 December 2018)		Underlying Fund	ISIN *
	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested		
AWG Balanced	0.13%	£1.30	0.113%	£1.13	L&G Asia Pacific (ex-Japan) Developed Equity Index Fund	GB00B6V5Q852
					L&G Japan Equity Index Fund	GB00B6V5PZ52
					L&G AAA-AA Fixed Interest Over 15 Years Fund	GB00B6V5S452
					L&G UK Equity Index Fund	GB00B6V5PW22
					L&G Over 5 Year Index-Linked Gilts Fund	GB00B6V5RL56
					L&G Over 15 Year Gilts Index Fund	GB00B6V5QZ28
					L&G North American Equity Index Fund	GB00B6V5Q290
					L&G Europe (ex UK) Equity Index Fund	GB00B6V5Q522
AWG Bond	0.14%	£1.40	-0.043%	-£0.43	L&G AAA-AA-A Corporate Bonds Over 15 Year Index Fund	GB00B6V5TW02
					L&G Over 15 Year Gilts Index Fund	GB00B6V5QZ28
L&G AAA-AA-A Corporate Bond All Stocks	0.15%	£1.50	-0.018%	-£0.18	L&G AAA-AA-A Corporate Bond All Stocks Fund	GB00B6V5TD13

Appendix 2 – Table of funds and Charges (continued)

2b Self-select funds outside the default arrangement (continued)

Fund	Charges **		Transaction costs (1 January 2018 – 31 December 2018)		Underlying Fund	ISIN *
	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested		
L&G Over 15 Year Gilts Index	0.12%	£1.20	-0.018%	-£0.18	L&G Over 15 Year Gilts Index Fund	GB00B6V5QZ28
L&G Over 5 Year Index-Linked Gilts	0.12%	£1.20	0.045%	£0.45	L&G Over 5 Year Index-Linked Gilts Fund	GB00B6V5RL56
AWG Emerging Market Equity	0.24%	£2.40	-0.203%	-£2.03	SSgA MPF Emerging Markets Equity Index Fund	GB00BDCLHD32
AWG Shariah Equity	0.37%	£3.70	-2.474%	-£24.74	HSBC Amanah Global Equity Index Fund	LU1092475968

Source: Phoenix CIS. TER includes the platform fee of 0.07% p.a.

†This fund invests directly in property. As a result, in addition to the fund's Total Expense Ratio, members also bear the cost of items such as property management and maintenance. The fund's "Property Expense Ratio" was 0.35%. In September 2018, underlying funds in the AWG Property Fund were changed such that assets in the Aviva Investors Property Pooled Fund were switched into the L&G Managed Property Fund and the AWG Property Fund was subsequently invested 100% in the L&G Managed Property Fund.

Appendix 2 – Table of funds and Charges (continued)

2c Additional Voluntary Contributions for members

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year for the AVC funds were:

Fund	Charges **		Transaction costs (1 January 2018 – 31 December 2018)		Underlying Fund	ISIN *
	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested		
AWG Passive Global Equity	0.13%	£1.30	0.007%	£0.07	BlackRock Aquila Life World Equity Index Fund	GB00B4X12W39
					SSgA MPF Emerging Markets Equity Index Fund	GB00BDCLHD32
AWG Diversified Growth	0.67%	£6.70	0.341%	£3.41	Newton Real Return Fund	GB00B01XJC27
					Schroder Life Dynamic Multi-Asset Fund	GB00B433JR39
L&G UK Treasury Bills	0.12%	£1.20	0.083%	£0.83	L&G UK Treasury Bills	GB00B6V66884
AWG Active Global Equity	0.86%	£8.60	0.214%	£2.41	Morgan Stanley Global Brands	GB0032482498
					Schroder Life QEP Global Active Value Fund	GB00B0Z4X747

Appendix 2 – Table of funds and Charges (continued)

2c Additional Voluntary Contributions for members

Fund	Charges **		Transaction costs (1 January 2018 – 31 December 2018)		Underlying Fund	ISIN *
	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested		
AWG Overseas Equity	0.15%	£1.50	-0.005%	-£0.05	L&G World (ex UK) Equity Index Fund	GB00B6V5QW96
AWG Active UK Equity	0.63%	£6.30	-0.012%	-£0.12	Baillie Gifford UK Equity Core Pension Fund	GB00BZ3G2258
					Artemis UK Equity Income Fund	GB0032567926
					Schroder Institutional UK Smaller Companies Fund	GB0007893984
AWG European Equity	0.15%	£1.50	-0.031%	-£0.31	L&G Europe (ex UK) Equity Index Fund	GB00B6V5Q522
AWG North American Equity	0.15%	£1.50	-0.043%	-£0.43	L&G North American Equity Index Fund	GB00B6V5Q290
AWG Japan Equity	0.15%	£1.50	-0.071%	-£0.71	L&G Japan Equity Index Fund	GB00B6V5PZ52

Appendix 2 – Table of funds and Charges (continued)

2c Additional Voluntary Contributions for members

Fund	Charges **		Transaction costs (1 January 2018 – 31 December 2018)		Underlying Fund	ISIN *
	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested		
AWG Pacific Equity	0.15%	£1.50	-0.104%	-£1.04	L&G Asia Pacific (ex-Japan) Developed Equity Index Fund	GB00B6V5Q852
AWG Socially Responsible Equity	0.27%	£2.70	0.060%	£0.60	L&G UK Equity Ethical Index Fund	GB00B6V5VF74
L&G Global Equity Index Fixed Weights 50:50 Fund	0.15%	£1.50	0.005%	£0.05	L&G Global Equity Index Fixed Weights (50:50) Fund	GB00B6V5TH50
L&G UK Equity Index	0.12	£1.20	0.348%	£3.48	L&G UK Equity Index Fund	GB00B6V5PW22
AWG Property†	0.79%	£7.90	0.403%+	£4.03	L&G Managed Property Fund	GB00B6V62131
					Aviva Investors Property Pooled Fund	TBC

Appendix 2 – Table of funds and Charges (continued)

2c Additional Voluntary Contributions for members

Fund	Charges **		Transaction costs (1 January 2018 – 31 December 2018)		Underlying Fund	ISIN *
	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested		
AWG Balanced	0.13%	£1.30	0.113%	£1.13	L&G Asia Pacific (ex-Japan) Developed Equity Index Fund	GB00B6V5Q852
					L&G Japan Equity Index Fund	GB00B6V5PZ52
					L&G AAA-AA Fixed Interest Over 15 Years Fund	GB00B6V5S452
					L&G UK Equity Index Fund	GB00B6V5PW22
					L&G Over 5 Year Index-Linked Gilts Fund	GB00B6V5RL56
					L&G Over 15 Year Gilts Index Fund	GB00B6V5QZ28
					L&G North American Equity Index Fund	GB00B6V5Q290
					L&G Europe (ex UK) Equity Index Fund	GB00B6V5Q522

Appendix 2 – Table of funds and Charges (continued)

2c Additional Voluntary Contributions for members

Fund	Charges **		Transaction costs (1 January 2018 – 31 December 2018)		Underlying Fund	ISIN *
	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested		
AWG Bond	0.14%	£1.40	-0.043%	-£0.43	L&G AAA-AA-A Corporate Bonds Over 15 Year Index Fund	GB00B6V5TW02
					L&G Over 15 Year Gilts Index Fund	GB00B6V5QZ28
L&G AAA-AA-A Corporate Bond All Stocks	0.15%	£1.50	-0.018%	-£0.18	L&G AAA-AA-A Corporate Bond All Stocks Fund	GB00B6V5TD13
L&G Over 15 Year Gilts Index	0.12%	£1.20	-0.018%	-£0.18	L&G Over 15 Year Gilts Index Fund	GB00B6V5QZ28
L&G Over 5 Year Index-Linked Gilts	0.12%	£1.20	0.045%	£0.45	L&G Over 5 Year Index-Linked Gilts Fund	GB00B6V5RL56
AWG Emerging Market Equity	0.24%	£2.40	-0.203%	-£2.03	SSgA MPF Emerging Markets Equity Index Fund	GB00BDCLHD32

Appendix 2 – Table of funds and Charges (continued)

2c Additional Voluntary Contributions for members

Fund	Charges **		Transaction costs (1 January 2018 – 31 December 2018)		Underlying Fund	ISIN *
	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested		
AWG Shariah Equity	0.37%	£3.70	-2.474%	-£24.74	HSBC Amanah Global Equity Index Fund	LU1092475968
Equitable Life With Profits Fund	1.50%[×]	£15.00	0.041%	£0.41	N/A	
Equitable Life Managed Fund	0.75%	£7.50	0.0193%	£0.19	Aberdeen Asia Pacific Equity Enhanced Index Fund	GB00BRJL7V21
					Aberdeen European Equity Enhanced Index Fund	GB00BRJL7X45
					Aberdeen North American Equity Enhanced Index Fund	GB00BRJL8192
					Aberdeen UK Equity Enhanced Index Fund	GB00BRJL8531
					Aberdeen Global Emerging Markets Fund	GB0033309757
					Scottish Widows UK All Share Tracker Fund	GB0031905119
					Aberdeen World Equity Enhanced Index Fund	GB00BRJL7Z68
					Aberdeen Japan Equity Enhanced Index Fund	GB00BRJL8317
					Aberdeen Liquidity Fund (Lux) - GBP Fund	LU0966092990
					Aberdeen Sterling Government Bond Fund	GB00BWK26S93

Appendix 2 – Table of funds and Charges (continued)

2c Additional Voluntary Contributions for members

Fund	Charges **		Transaction costs (1 January 2018 – 31 December 2018)		Underlying Fund	ISIN *
	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested		
Equitable Life Gilt & Fixed Interest Fund	0.50%	£5.00	-0.000%	£0.00	Aberdeen Sterling Government Bond Fund	GB00BWK26S93
Equitable Life Money Fund	0.50%	£5.00	0%	£0.00	Aberdeen Liquidity Fund (Lux) - Sterling Fund	LU0966092990
Aviva With Profits Fund (NGP Pre Demutualisation)	0.65%	£6.50	The transaction costs for this fund are not incurred by members		N/A	TBC
Aviva With Profits Fund (NGP Series 1)	0.65%	£6.50			N/A	TBC

Source: Phoenix CIS, Equitable Life, Aviva

†This fund invests directly in property. As a result, in addition to the fund's Total Expense Ratio, members also bear the cost of items such as property management and maintenance. The fund's "Property Expense Ratio" was 0.35%. In September 2018, underlying funds in the AWG Property Fund were changed such that assets in the Aviva Investors Property Pooled Fund were switched into the L&G Managed Property Fund and the AWG Property Fund was subsequently invested 100% in the L&G Managed Property Fund.

×This is made up of 1.00% p.a. fund annual management charge as well as 0.50% p.a. for the cost of guarantees.

* ISIN = the International Securities Identification Number unique to each fund.

** Charge = the funds' Total Expense Ratio ("TER"), which includes the funds' Annual Management Charge ("AMC") and Operating Costs and Expenses.

*** Underlying Fund = the fund in which the DC Section's top level Fund invests.

Appendix 3 – Tables illustrating the impact of charges and costs

3a For the default arrangement

These illustrations show projected fund values in today's money before and after costs and charges for a typical member at the current average age (age 40) and the average age at the date of joining the DC Section (age 34). The Trustees note the default arrangement is the most popular fund.

Current average age – age 40

Years to retirement	Before costs and charges £	After costs and charges are taken £
1	£212,757	£190,749
3	£189,691	£171,643
5	£167,951	£153,548
10	£120,704	£113,563
15	£81,958	£79,350
20	£50,163	£49,564
25	£24,544	£24,544

Source: Hymans Robertson, using Capita administration information and Phoenix CIS costs and charges

Appendix 3 – Tables illustrating the impact of charges and costs (continued)

3a For the default arrangement (continued)

Average age at date of joining – age 34

Years to retirement	Before costs and charges £	After costs and charges are taken £
1	£298,600	£265,014
3	£269,373	£241,398
5	£241,711	£218,967
10	£181,378	£169,326
15	£131,520	£126,497
20	£90,114	£88,491
25	£56,254	£55,827
30	£29,216	£29,174
31	£24,544	£24,544

Source: Hymans Robertson, using Capita administration information and Phoenix CIS costs and charges

Appendix 3 – Tables illustrating the impact of charges and costs (continued)

3b For a selection of the self-select funds:

These illustrations show projected fund values in today's money before and after costs and charges for a typical member at the current average age (age 40).

Years to retirement	AWG Emerging Market Equity (A higher risk fund)		AWG Balanced Fund (A commonly used self-select fund)		LGIM UK Treasury Bills (A low risk fund)	
	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £
1	£225,001	£223,928	£211,028	£204,637	£147,196	£143,874
3	£199,114	£198,278	£187,544	£182,227	£133,637	£130,777
5	£175,336	£174,612	£165,867	£161,492	£120,839	£118,403
10	£124,136	£123,729	£118,764	£116,253	£91,835	£90,300
15	£83,069	£82,872	£80,446	£79,205	£66,522	£65,683
20	£50,364	£50,296	£49,449	£49,010	£44,271	£43,940
25	£24,554	£24,554	£24,544	£24,544	£24,544	£24,544

Source: Hymans Robertson, using Capita administration information and Phoenix CIS costs and charges

The assumptions used in these calculations were:

- The average age of members joining the DC Section is age 34
- The average age of members as at 31 March 2019 is 40
- The average DC pot size is £24,544, which was the average pot size for members age 40 at 31 March 2019;
- The average salary of £28,054 p.a., which was the average salary for members at 31 March 2019;
- A contribution in current day terms of £4,208 p.a., which was the average contribution for members at 31 March 2019, which is equivalent to 15% of the average salary;
- The rate of increase in costs and charges is 0% p.a.

Appendix 3 – Tables illustrating the impact of charges and costs (continued)

3b For a selection of the self-select funds:

The assumptions as used in the Statutory Money Purchase Illustrations included with members' benefit statements have been used in particular, the investment return allowing for inflation for each fund above was:

Fund	Gross return % p.a.
AWG Passive Global Equity	4.5%
AWG Diversified Growth Fund	4.0%
LGIM UK Treasury Bills	1.0%
AWG Balanced	4.0%
AWG Emerging Market Equity	4.5%

Please note that these illustrated values:

- Are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- The assumptions used may be different in the future to reflect changes in regulatory requirements or investment conditions;
- Will be affected by future, and as yet unknown, changes to the DC Section's investment options;
- Are not guaranteed;
- Depend upon how far members in the default lifestyle option are from retirement as the funds used change over time;
- May not prove to be a good indication of how your own savings might grow;
- Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.

Appendix 3 – Tables illustrating the impact of charges and costs (continued)

3c For the most popular AVC fund:

The table below shows projected pension pot values in today's terms, and do not need to be reduced further for the effect of future inflation.

Time since joining the DC Section	With-Profits Fund	
	Before costs and charges £	After costs and charges £
1	1,010	995
3	1,030	984
5	1,050	974
10	1,102	948
15	1,157	923
20	1,214	899
25	1,275	875
30	1,338	858
35	1,405	900
40	1,475	945

Source: Equitable Life

The assumptions used in these calculations were:

- The starting pot size is assumed to be £4,000 for a Male aged 50
- Inflation is assumed to be 2.5% p.a.
- The projected growth rate for the With-Profits fund is 3.5% p.a.

Please note that:

- Values shown are estimated and are not guaranteed
- The DC Section has a guaranteed roll-up rate of 3.5% p.a. for With-Profits