

Royal & Sun Alliance UK Pension Scheme 2002

Statement regarding DC Governance for the year ended 31 December 2020

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustee of the Scheme to prepare a statement showing how it has met certain minimum governance standards in relation to defined contribution benefits.

In preparing this Statement, consideration has been given to the Pensions Regulator's 'A quick guide to the chair's statement' and to the Department for Work and Pensions guide on 'Reporting of costs, charges and other information'.

A copy of the Scheme's latest Statement of Investment Principles ('SIP') is available at '<https://www.dalriadatrustees.co.uk/scheme/ras2002/>'. The SIP governs decisions about investments and explains the aims and objectives of the Trustee.

This statement covers four key areas:

1. The Scheme's default arrangement
2. The processing of core financial transactions
3. Charges and transaction costs within the Scheme, and Value for Members
4. The Trustee's compliance with the statutory knowledge and understanding ('TKU') requirements.

DEFAULT ARRANGEMENT

There is no default arrangement as defined in the Occupational Pension Schemes (Charges and Governance) Regulations 2015 because the Scheme closed to future contributions in 2005.

Employee core contributions are Trustee controlled assets and are invested in accordance with the SIP.

Members' additional contributions are invested in line with member choices. There is no default or life-styling option for these assets and so they are invested in accordance with the member's choice until retirement.

PROCESSING CORE FINANCIAL TRANSACTIONS

The Trustee has a specific duty to ensure 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) are processed promptly and accurately.

These transactions are undertaken on the Trustee's behalf by the Scheme administrator, Deloitte, and its investment manager, L&G. Deloitte and L&G carry out regular banking and investment reconciliations.

The Trustee has reviewed the processes and controls implemented by those organisations and consider them to be suitably designed to achieve the above objectives.

The Trustee has also agreed service levels and regular reporting of performance against those service levels. These controls are reviewed at each Trustee meeting through the consideration of the service level agreements. The service level agreement lists the various tasks associated with the running of the Scheme and the intended turnaround time in working days.

Overall, the monitoring and reporting activities undertaken allow the Trustee to be confident that core financial transactions were processed promptly and accurately during the Scheme year.

COSTS AND CHARGES AND VALUE FOR MEMBERS

The Administration Regulations require the Trustee to assess charges borne by Scheme members and the extent to which those charges and costs represent good value for members.

The annual level of charges and costs applicable to funds in which assets in the Scheme were invested, for the year ending 31 December 2020, are shown in the table below:

Fund Name	Annual Management Charges	Total Expense Ratio	Transaction Costs
Equity: Bond 50:50 Index Fund*	0.150%	0.1580%	0.0770%
Global Equity Market Weights (30:70) Index Fund	0.200%	0.2121%	0.0538%
Over 5 Year Index-Linked Gilts Index Fund	0.100%	0.1000%	0.1020%
Over 15 Year Gilts Index Fund	0.100%	0.1001%	0.0381%
Multi-Asset (formerly Consensus) Fund	0.250%	0.2561%	0.0443%
Cash Fund	0.125%	0.1249%	-0.0007%

**Please note that there may be additional costs associated with the rebalancing of this fund, however these costs are not readily available/identifiable.*

The Total Expense Ratio ('TER') is the total of the Annual Management Charge ('AMC') and any additional charges such as operating/administration costs incurred in the fund.

The transaction costs shown in the table above are those incurred within the funds in the course of their day-to-day management (e.g. through the buying and selling of securities). These costs will impact fund performance rather than being seen through an explicit charge.

Additional transaction costs will be incurred should a member move their assets between funds. These costs incurred will be dependent on the specific transaction (i.e. which funds are being bought and sold) and the bid/offer spreads which apply to these funds at the point of transfer. These costs will be member specific and depend on the amount of activity, and so are not shown in the above table.

The Trustee has assessed the extent to which the charges set out above represent good value for members. They have taken into account the level of service provided by the Scheme administrator, the nature of the linked service to the defined benefit (DB) assets, the performance of the funds, the regular professional reviews of the investment strategy and the layer of governance provided by the Trustee.

The Trustee monitors investment and administration performance on a quarterly basis as part of its ongoing governance process.

Based on all the above, the Trustee is of the view that the charges represent good value for members.

ILLUSTRATIVE EXAMPLE OF THE CUMULATIVE EFFECT OVER TIME OF COSTS AND CHARGES ON THE VALUE OF A MEMBER'S BENEFITS

The following illustrative example shows the cumulative effect over time of the relevant costs (the Total Expense Ratio and the transaction costs) on the value of a pot size of £3,000 with no further contributions being paid into the fund.

The illustration uses the assumption of being invested in the Equity:Bond 50:50 Index Fund. The costs for this fund are 0.234% p.a.

Year	Value including all charges	Value excluding all charges
1	£3,000.29	£3,007.32
3	£3,000.88	£3,022.00
5	£3,001.48	£3,036.76
10	£3,002.95	£3,073.98
15	£3,004.43	£3,111.65
20	£3,005.90	£3,149.78
25	£3,007.38	£3,188.38

The example above assumes an investment growth rate of 2.75% p.a. and is shown in today's terms after allowing for inflation at the rate of 2.50% p.a. The rate of actual investment growth is not guaranteed. This illustration has been produced in line with the relevant statutory guidance.

TRUSTEE'S KNOWLEDGE AND UNDERSTANDING

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 07.

As the Trustee is a Professional Trustee, this helps to ensure that there is a high level of trustee knowledge and understanding in place.

The Scheme also has dedicated Trustee Representatives who have an in-depth knowledge of the Scheme and its governing documentation.

At the point of becoming an Independent Trustee to the Scheme, a prescribed take-on process was followed. This included an assimilation and review of all the relevant scheme documentation, including the Trust Deed and Rules. The Trustee is familiar with the SIP and current policies which relate to the Scheme.

As the sole Trustee of the Scheme, Dalriada Trustees Limited will naturally be aware of any Scheme-specific changes to policies or documentation and will record and share that information appropriately.

The Trustee's representatives are members of professional bodies, including being accredited as Professional Trustees by the Association of Professional Pension Trustees. The Trustee Representatives are obliged to self-evaluate on annual basis and comply with their respective training requirements in order to maintain a required level of continuing professional development (CPD) and to provide evidence of courses, seminars and other types of professional development to satisfy their respective professional bodies' CPD requirements. The process identifies where the Trustee's representatives can develop their knowledge and understanding, as well as where they can share their expertise in order to best support the Scheme. The Trustee's representatives attend both internal and external courses.

Every Trustee Representative is required to undertake a minimum number of hours training in a year. This is recorded centrally by Dalriada's HR Team and, where appropriate, forms part of staff personal development plans. This training can include internal and external courses and attendance at industry events as well as a degree of self-learning by way of subscriptions to professional publications and electronic information channels.

Every Trustee Representative is required to complete the Pensions Regulator's Trustee Toolkit periodically and subscribes to the updates issued by the Pensions Regulator. Trustee representatives also belong to Dalriada's knowledge management network which keeps them up to date with the industry thinking, as well as access to a team of in-house pensions experts who inform the team about changes to pensions legislation and practices.

The Trustee has access to Pendragon Perspective and Aries, both industry leading tools, giving access to pensions legislation. The Trustee also has its own in-house legal specialists to provide support and guidance around legislation and the interpretation of Scheme documentation.

The Trustee has assessed the skill set and experience of each trustee representative providing professional trusteeship to the Scheme since Dalriada's appointment, taking into account the development activities already mentioned, along with the internal resources made available to staff, supplemented, where required, by professional external advice. The Trustee can therefore properly exercise its duties to the Scheme.

The Trustee believes that this Trustee Knowledge and Understanding framework, combined with appropriate advice, allows the Trustee to act properly in the best interest of members.

DEFINED CONTRIBUTION SCHEME GOVERNANCE

As Trustee, I have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in The Pensions Regulator's Code of Practice 13: Governance and administration of occupational defined contribution trust-based schemes.

Based on my assessment I believe that I have adopted the standards of practice set out in the DC code, which I believe will help deliver better outcomes for members at retirement.

COVID-19

At the time of preparing this statement, the Trustee continues to work closely with their advisers and service providers to assess the impact of Covid-19 on the Scheme. This work has included:

- Ensuring that core financial transactions are processed promptly.
- Considering the immediate impact on the investment funds and what actions may be required in the short and longer term.
- Ensuring that members have been advised about the potential impacts of Covid-19 and heightened risk of pension scams.

APPROVAL

The Statement regarding DC governance was approved by Vassos Vassou of Dalriada Trustees Limited, the sole independent Trustee of the Scheme.