Chair's Statement

Westpac Banking Corporation UK Staff Superannuation Scheme ("the Scheme")

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustees to prepare an annual statement regarding governance, which should be included in the annual report. The governance requirements apply to all defined contribution ("DC") pension arrangements and aim to help members achieve a good outcome from their pension savings. This statement relates to the DC section and the legacy DC AVC arrangements of the Scheme.

This statement issued by the Scheme covers the period 6 April 2019 to 5 April 2020 and is signed on behalf of the Trustees by the Chair.

This statement covers governance and charge disclosures in relation to the following:

- The Default Option,
- Processing of core financial transactions,
- Member borne charges and transaction costs, including illustrations of the impact on members' benefits
- Value for Members assessment, and
- Trustee knowledge and understanding.

The Trustees have also considered actions required to manage the Scheme in light of the COVID-19 pandemic to enable the sustained execution of critical processes and services to minimise the effects of disruptions to the members and the Trustees' obligations to the members. Additional comments have been incorporated into this statement regarding these actions.

1. The Default Option

The Trustees are required to design default arrangements in members' interests and keep them under review. The Trustees will need to take account of the level of costs and the risk profile that are appropriate for the Scheme's membership in light of the overall objective of the default arrangement.

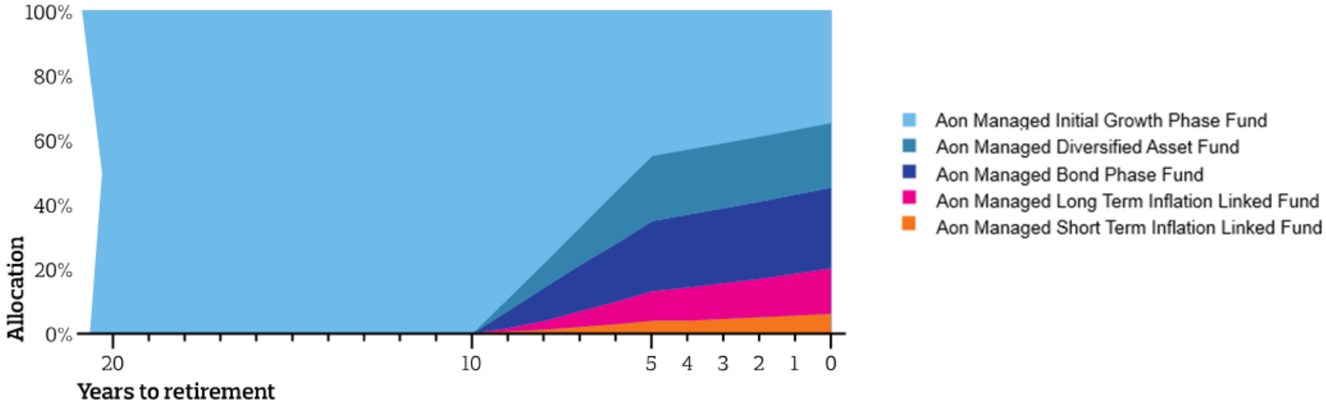
The Scheme is used as a Qualifying Scheme for auto-enrolment. The Trustees are responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default option.

The Trustees have designated the Drawdown Lifestyle Strategy as the default option for the Scheme.

The objective of the default option is to provide members with the potential for higher levels of growth (in excess of inflation) during the accumulation of their retirement savings through exposure to equities, via investment in the Aon Managed Initial Growth Phase Fund until 10 years from retirement. From this point, members' investments are gradually diversified with lower risk investments introduced to reduce volatility and provide a broad base of assets from which members can choose the type of benefits they wish to take. These diversifying investments include the Aon Managed Diversified Asset Fund, the Aon Managed Bond Phase Fund, the Aon Managed Short-Term Inflation Linked Fund and the Aon Managed Long-Term Inflation Linked Fund. At a member's selected retirement age, the Drawdown Lifestyle Strategy invests a member's assets across a range of asset classes with the aim of providing a real income during the post-retirement phase, via purchase of a drawdown product from a third party at retirement, whilst protecting the value of investments.

The asset allocation throughout the default option and the phasing of the gradual switching of investments takes into account members' greater capacity for risk early on and reduced capacity for risk in later years. The change in the asset allocation of the default option as members approach their selected retirement age is shown in the chart below:

Drawdown Lifestyle Strategy (the default option)



The latest Statement of Investment Principles (SIP) for the Scheme, which governs decisions about investments in the Scheme, including the specific requirements of the default option together with the further details of how the Drawdown Lifestyle Strategy is currently invested, is included in the annual report and financial statements.

It is the Trustees' policy to review the Scheme's investment strategy, including the default option, and all fund options on a regular basis. An investment strategy review is undertaken for the Scheme at least every three years or immediately following any significant change in investment policy or in the profile of the membership. The last investment strategy review for the Scheme took place over 2019 and was completed on 27 November 2019 following discussion at a Trustees' meeting. The next investment strategy review is due to take place by 27 November 2022.

The 2019 investment strategy review included a review of both the strategy and performance of the default option, considering the membership profile of the Scheme, returns on investments and expected fund values at retirement, the needs of DC members and the manner in which members take their DC benefits from the Scheme at retirement. The Trustees took advice from their investment adviser, Aon, on all of these aspects. Following the review, the Trustees were satisfied that the performance of the default option in relation to the membership was in line with expectations and with the aims and objectives of the default option, as set out in the SIP, and that the default option remained appropriate.

No changes were made to the default option as a result of the 2019 investment strategy review. The Trustees agreed to retain the current default option, the Drawdown Lifestyle Strategy. We refer below to some changes made to the default option, based on the previous scheme year's review, which were implemented in late 2019.

Performance of the funds available to members (including those underlying the default option) is monitored on a quarterly basis and detailed in the Scheme's quarterly monitoring report. The Trustees were broadly satisfied that the performance of funds underlying the default option over the year was in line with expectations. Since March, the uncertainty surrounding the COVID-19 pandemic has meant that financial markets have been more volatile. However, the default option is especially designed to weather short-term volatility with the long-term in mind and so no immediate decisions have been taken in response to Covid-19 impacts.

The Trustees will continue to monitor the investment strategy quarterly, which will enable them to identify any investment related issues and respond quickly, which the Trustees consider especially important at the current time.

In last year's statement, it was noted that concerns had been raised around the performance of the Aon Managed Diversified Asset Fund. These concerns were discussed with the Scheme's delegated fund manager in the previous accounting period and the fund manager had confirmed that changes were planned for implementation in late 2019 following an extensive review in light of poor performance. These changes comprised of:

- Renaming the Fund (previously known as the Aon Managed Progressive Growth Phase Fund);
- Amending the investment objective from LIBOR+3.5% to SONIA +3.25% p.a. gross of fees over a full market cycle
- Disinvesting from some underlying actively managed funds to replace the allocation with a range of asset classes including passively managed global equities, actively managed absolute return bonds, emerging market debt, passively managed corporate bonds, fixed interest gilts and alternative assets (such as listed infrastructure and real estate investment trusts).

The Trustees have received confirmation that these changes have been put in place, effective November 2019. The Trustees are continuing to monitor performance carefully following these changes in light of the aim that they would improve performance of the fund and the overall default option going forward.

2. Processing of Core Financial Transactions

The Trustees have a specific duty to ensure that core financial transactions relating to the DC section and DC AVC arrangement are processed promptly and accurately.

These transactions include, but are not limited to:

- *Receiving and investing contributions to the Scheme;*
- *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.*

Westpac Banking Corporation ("the Company") is responsible for ensuring that contributions are paid to the Scheme promptly. The timing of contribution payments is monitored on a quarterly basis through reports submitted by the Scheme's administrator, Capita Employee Benefits Ltd ("Capita").

Capita carry out all core financial transactions for the DC section, including monitoring and reconciling the Scheme's bank account on a daily basis, in addition to monthly reconciliations by the Scheme accountant. All core financial transactions undergo a thorough checking process, being initially reviewed by a financial assistant and then the Scheme accountant for further review and authorisation. Quarterly reports produced by Capita set out key aspects on the administration of the Scheme, allowing the Trustees to monitor the accuracy and timeliness of the processing of core financial transactions, including performance against agreed service levels. Service levels are in place to cover various tasks and member requests, with target turnaround times ranging from 2 days to 14 days depending on the criticality of the activity. For example, contributions must be processed within 2 working days of receipt. Capita also provide confirmation to the Trustees regarding the current position on common and conditional data as well as any amendments which may be required to rectify gaps in the data.

To supplement the monitoring provided by the quarterly administration reports, discussions by the Trustees on financial transactions are documented in the Trustees' meeting minutes and controls around administration and the processing of transactions are documented in the Scheme risk register which is regularly reviewed. The annual external Scheme audit also reviews processes for calculations carried out during the year.

The Trustees reviewed the quarterly administration reports for the period and are satisfied that the DC section core financial transactions have been processed promptly and accurately over the year and that there are no administration service issues with respect to core financial transactions which need to be reported. The service levels reported by Capita were consistently high (above 97% on average across the year).

In light of the above, the Trustees consider that the requirements for processing core financial transactions have been met in relation to the DC section.

AVC arrangements

The Scheme also incorporates legacy arrangements held with Utmost Life and Pensions (previously Equitable Life), which are closed to new contributions. Core financial transactions are therefore restricted to 'transfers out' or 'payments in respect of members' only.

Utmost Life and Pensions have confirmed that they have a set of service level standards in place across all of their policies, including those held by the Trustees. Core financial transactions are infrequent due to the legacy nature of the AVC arrangements, and any such transaction would be monitored by Capita on behalf of the Trustees, in their role as administrator of the defined benefit section. Utmost aim to reply to most requests within 10 working days, and for financial transactions specifically as quickly as possible and within 5 working days. Across all Utmost policies over the 12 months to 31 December 2019, 97% of payments were completed within 5 working days. Similarly, Equitable Life have confirmed that over the period 1 January 2019 to 30 June 2019, 98% of payments were completed within 5 working days across their policies. This is the most recent information available from the providers and as service level standards are in place across all their policies, information specific to the Scheme year ending 5 April 2020 is not available.

The Trustees have also received statements from Equitable Life and Utmost Life and Pensions on their business continuity and disaster recovery plans.

From the information received, the Trustees are satisfied that there are processes and audit procedures in place to ensure that all core financial transactions relating to the AVC arrangements are processed in an accurate and timely manner, and that there were no service issues with respect to the core financial transactions carried out during the year which need to be reported.

In light of the above, the Trustees consider that the requirements for processing core financial transactions have also been met in relation to the AVC arrangements.

3. Member Borne Charges and Transaction costs

The Trustees should regularly monitor the level of charges borne by members through investment in fund options. These charges comprise:

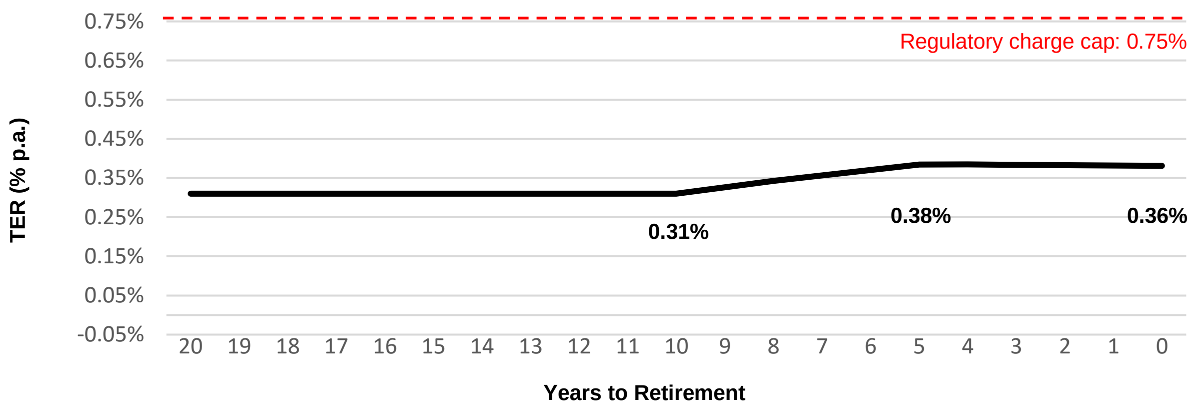
- *explicit charges, such as the Annual Management Charge (AMC), and additional expenses that are disclosed by the fund managers as part of the Total Expense Ratio (TER); and*
- *implicit charges, such as the transaction costs borne within the fund for activities such as buying and selling of particular securities within the fund's portfolio.*

The Trustees are also required to confirm that the charges on the default arrangement have not exceeded 0.75% p.a. (the charge cap) and produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

The charges and transaction costs for the DC section have been supplied by Aon Investments Limited in their role as the Scheme's delegated investment provider and have been produced and provided with regard to the statutory guidance.

Over the year to 5 April 2020, the TERs applicable to the Scheme's default option range from 0.31% p.a. to 0.38% p.a. of assets under management, varying over each member's term to retirement age. The chart below shows how the TER of the Drawdown Lifestyle Strategy (the default option) varies with a member's term to retirement:

Drawdown Lifestyle Strategy: TER



This charge applicable to the default option remained well within the regulatory charge cap of 0.75% p.a. over the period.

In addition to the default option, the Trustees currently offer two additional lifestyle strategy options and ten self-select funds which may be chosen as alternatives to the default option.

The TERs applicable to the Scheme's investment options, including the default option, over the year to 5 April 2020 are listed in the table below. Please note that for lifestyle strategies, the underlying mix of funds will change over time and so a TER range is shown.

The table below also shows the transaction costs incurred for each of the lifestyle strategies and fund options over the year to 31 March 2020, as this is the period over which Aon Investments Limited and the underlying fund managers are able to provide the information. Transaction cost reporting is limited to quarter end dates so information on costs over the period 1 April to 5 April 2020 is currently unavailable. The Trustees' investment advisers are continuing to request this information on behalf of the Trustees and it is expected that provision of this information should improve over time. Transaction costs are largely the result of buying and selling investments in a fund and are reflected in the fund performance. All transaction costs shown below are calculated using the standardised approach prescribed by the Financial Conduct Authority.

The transaction costs calculated by the providers, using the method prescribed, has resulted in negative costs (i.e. a profit) for some funds held by members during the period of review. However, a floor of 0% p.a. has been used for all transaction costs to avoid potentially understating the total level of costs and charges.

Table: DC section fund charges over the reporting year

Default Option	**TER (% p.a.)**	**Transaction Costs[1] (%)**	**Total Cost (%)**
Drawdown Lifestyle Strategy[4]	0.31 - 0.38	0.01 – 0.10	0.32 – 0.48
Other Lifestyle Strategies			
Annuity Lifestyle Strategy[4]	0.30 - 0.38	0.00 – 0.09	0.30 – 0.47
Cash Lifestyle Strategy[4]	0.23 - 0.38	0.01 – 0.09	0.24 – 0.47
Individual Funds			
Aon Managed Initial Growth Phase Fund[2]	0.31	0.01	0.32
Aon Managed Diversified Asset Fund[2,3]	0.60	0.16	0.76
Aon Managed Bond Phase Fund[2]	0.45	0.24	0.69
Aon Managed Short Term Inflation Linked Fund[2]	0.20	0.00	0.20
Aon Managed Long Term Inflation Linked Fund[2]	0.20	0.00	0.20
Aon Managed Pre-Retirement Fund	0.32	0.00	0.32
Aon Managed Liquidity Fund	0.23	0.01	0.24
Aon Managed Global Equity Fund	0.28	0.00	0.28
Aon Managed Property and Infrastructure Fund	0.49	0.12	0.61
Aon Managed Active Global Equity Fund	0.86	0.07	0.93
LGIM Global Ethical Index Fund	0.35	0.00	0.35
HSBC Islamic Fund	0.35	0.04	0.39

[1] *As defined by the Financial Conduct Authority, explicit transaction costs are the costs that are directly charged to or paid by the fund and may include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker to buy or sell investments) and costs of borrowing or lending securities. Implicit transaction costs are calculated as the difference between the actual price paid (execution price) and the quoted 'mid-market price' at the time of the order was placed (arrival price). This method, although reasonable if observed over a long period of time, can result in a volatile measure from one year to another.*

[2] *Funds that form part of the default option*

[3] *In November 2019, the Aon Managed Progressive Growth Phase Fund was re-structured and re-named as the Aon Managed Diversified Asset Fund. Members invested in the fund will have paid charges in line with the Aon Managed Progressive Growth Phase Fund up to 29 November 2019 (e.g. a TER of 0.71% p.a.) and charges in line with the Aon Managed Diversified Asset Fund after this date (e.g. a TER of 0.44% p.a.)*

[4] *The costs and charges for these funds vary depending on the member's term to retirement, therefore a range is quoted.*

AVC arrangements

The legacy AVC arrangements within the Scheme were invested with Equitable Life up until 31 December 2019, with investments held across the With Profits Fund and Managed Fund. These arrangements were transferred to Utmost Life and Pensions effective 1 January 2020. Therefore, the reporting in this statement covers a 9-month period with Equitable Life and a 3-month period with Utmost Life and Pensions.

Unless they elected to choose their own investments, members in the Equitable Life With-Profits Fund were transferred initially to the Secure Cash Fund. Following this, members' funds were gradually transitioned into the Investing By Age Strategy over the following month, so that they were fully invested in this strategy by 1 February 2020. The Investing By Age strategy is a lifestyle strategy designed to help grow a member's assets while they are younger and automatically shifting assets into more conservative investments to protect the value of their savings as they approach normal retirement age of 65. The Investing by Age strategy invests in its underlying funds as follows:

Member's age	**Fund allocation**	**TER* (% p.a.)**
Under age 55	Multi-Asset Moderate Fund only	0.75
Age 55 to 65	Gradual switch to Multi-Asset Cautious Fund	0.75
Age 65 to 75	Multi-Asset Cautious Fund only	0.75
Age 75 to 85	Gradual switch to the Money Market Fund	0.50 – 0.75
Over age 85	Money Market Fund only	0.50

Source: Utmost Life and Pensions
**Costs and charges for each underlying fund are laid out in the table below*

Members with holdings in the Equitable Life Managed Fund have been transferred to an identical fund available through Utmost Life and Pensions.

Following the move to Utmost, members also have access to a range of unit-linked funds. Charges on the investment options that members were invested in both before and after the transition were provided by Equitable Life and Utmost Life and Pensions respectively and are shown in the table below.

Table: AVC fund charges over the reporting year

Provider	Fund	TER (% p.a.)	Transaction Costs (%)	Total Cost (%)
Equitable Life	With Profits	1.50*	1.04	2.54
	Managed	0.75	0.10	0.85
Utmost Life and Pensions	Investing by Age strategy	0.50 – 0.75	0.01 - 0.36	0.51 – 1.11
	Secure Cash Fund	0.50	0.07	0.57
	Multi-Asset Cautious**	0.75	0.36	1.11
	Multi-Asset Moderate**	0.75	0.11	0.86
	Multi-Asset Growth	0.75	0.36	1.11
	Money Market**	0.50	0.01	0.51
	Sterling Corporate Bond	0.75	0.00	0.75
	UK Government Bond	0.50	0.11	0.61
	Managed	0.75	0.10	0.85
	UK Equity	0.75	0.30	1.05
	UK FTSE All Share Tracker	0.50	0.03	0.53
	Asia Pacific Equity	0.75	0.18	0.93
	European Equity	0.75	0.21	0.96
	Global Equity	0.75	0.13	0.88
	US Equity	0.75	0.02	0.77

* *This includes the 0.5% p.a. for cost of guarantees.*
** *Funds form part of the Investing By Age strategy.*

The TERs and transaction costs shown for Equitable Life and Utmost Life and Pensions reflect those incurred over the 12 months to 31 December 2019, except for the Secure Cash Fund, Sterling Corporate Bond Fund and the Multi-Asset Funds (including the Investing By Age Strategy), for which the information shown reflects the period 1 January 2020 to 31 March 2020. The information in the table above reflects the most up to date information that Equitable Life and Utmost Life and Pensions are able to provide. Again, the Trustees' investment advisers are continuing to request this information on behalf of the Trustees. It is expected that provision of this information should improve over time.

Illustrations of costs and charges

Under the Administration Regulations, the Trustees are required to produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values.

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustees have provided the following illustrations of their cumulative effect on the value of typical Scheme members' savings over the period to their retirement.

The illustrations have been prepared with regard to statutory guidance.

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustees must make a number of assumptions about what these might be. The assumptions are explained in the notes section below the illustrations. Members should be aware that such assumptions may or may not hold true, so the illustrations may not reflect what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme they are not a substitute for the individual and personalised illustrations which are provided to members in their annual Benefit Statements.

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

- charts showing the potential impact that costs and charges might have for three example members who have assets invested in the Drawdown Lifestyle Strategy (the default arrangement);
- under each chart, a table showing the potential impact that costs and charges might have if the example member were invested in a higher risk profile fund that has a higher level of costs and charges compared to the one illustrated in the chart (the Aon Managed Active Global Equity Fund) and a lower risk profile fund that has a lower level of costs and charges compared to the one illustrated in the chart (the Aon Managed Liquidity Fund).

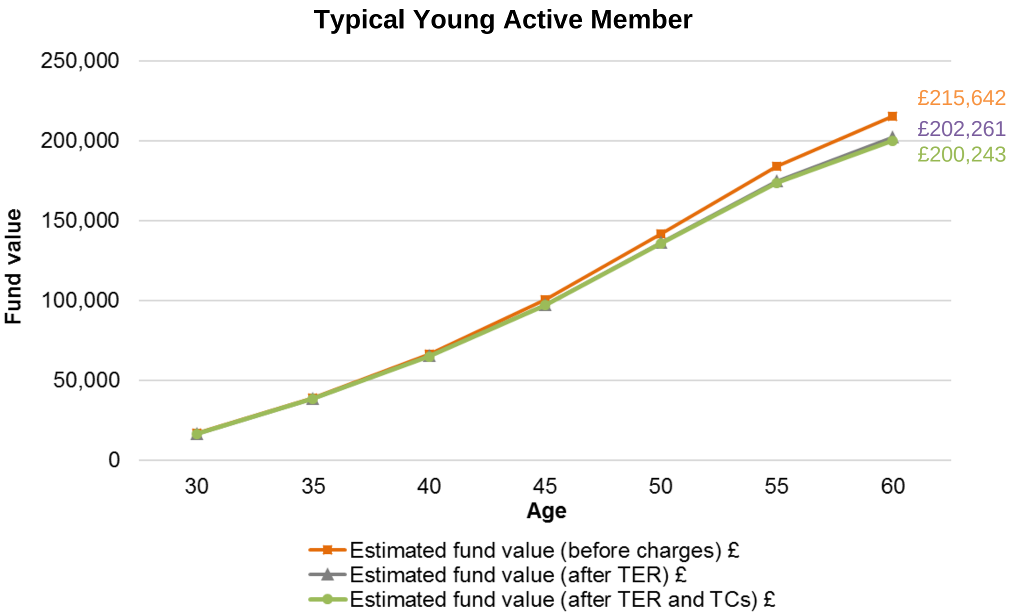
The Trustees have determined the three example members for whom illustrations have been provided as the youngest active member, an active member of average age and a deferred member of average age (ages determined using data for the Scheme, provided by Capita, and average reflects the median value). The current fund values chosen for the illustrations are the median pot sizes held by members in the Scheme and the Trustees are satisfied that the illustrations shown are suitably representative of the member population.

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

Members are also offered a range of other lifestyle strategies and self-select funds which aren't shown in the below illustrations. These different options carry a variety of TERs and transaction costs as the tables above show.

Typical Young Active Member

The illustration below is based on an active member in the Drawdown Lifestyle Strategy and the estimated impact of charges on accumulated fund values is shown in the table and chart. The amounts shown relate to a member aged 26, with a retirement age of 60, a salary of £26,000 and starting fund value of £2,000. Ongoing contributions are assumed to be 13% to reflect the contribution structure for a new joiner. Projections are shown in current money terms.



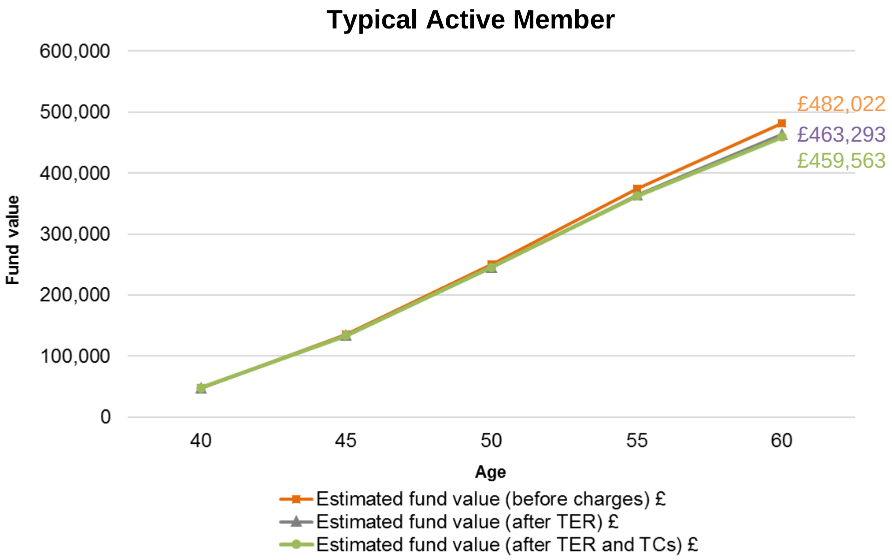
As the projected fund values above are dependent on investment returns as well as the level of costs and charges, we have also included some comparison illustrations below. For comparison purposes, the following table illustrates the effect on projected fund values if the same member were to invest throughout the period in the Aon Managed (AM) Liquidity Fund (reflecting a fund option with lower charges, and with a lower-risk profile and lower long-term expected return) or in the AM Active Global Equity Fund (reflecting the fund option with the highest charge, and with a higher-risk profile and higher long-term expected return).

Table: Typical young active member – Comparative illustrations of the effect of costs and charges

	AM Liquidity Fund			Drawdown Lifestyle Strategy			AM Active Global Equity Fund		
Age	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £
26	2,000	2,000	0	2,000	2,000	0	2,000	2,000	0
30	14,820	14,740	80	16,871	16,750	121	17,279	16,933	346
35	29,752	29,417	335	39,249	38,638	611	41,364	39,568	1,796
40	43,554	42,820	734	66,732	65,105	1,627	72,499	67,588	4,911
45	56,312	55,059	1,253	100,484	97,112	3,372	112,747	102,275	10,472
50	68,105	66,236	1,869	141,936	135,815	6,121	164,773	145,214	19,559
55	79,006	76,443	2,563	184,210	173,969	10,241	232,026	198,369	33,657
60	89,082	85,763	3,319	215,642	200,243	15,399	318,963	264,170	54,793

Typical Active Member

For a typical active member invested in the Drawdown Lifestyle Strategy, the estimated impact of charges on accumulated fund values is shown in the table and chart below. The amounts shown relate to a member aged 40, current fund value of £48,000, salary of £96,000, ongoing contributions in line with the Scheme's current age-related structure* and a retirement age of 60.



**Contribution structure from 1 November 2017 for existing members at that time is as follows:*

- *13% total up to age 39*
- *14.5% total age 40 to 44*
- *16% age 45 and above*

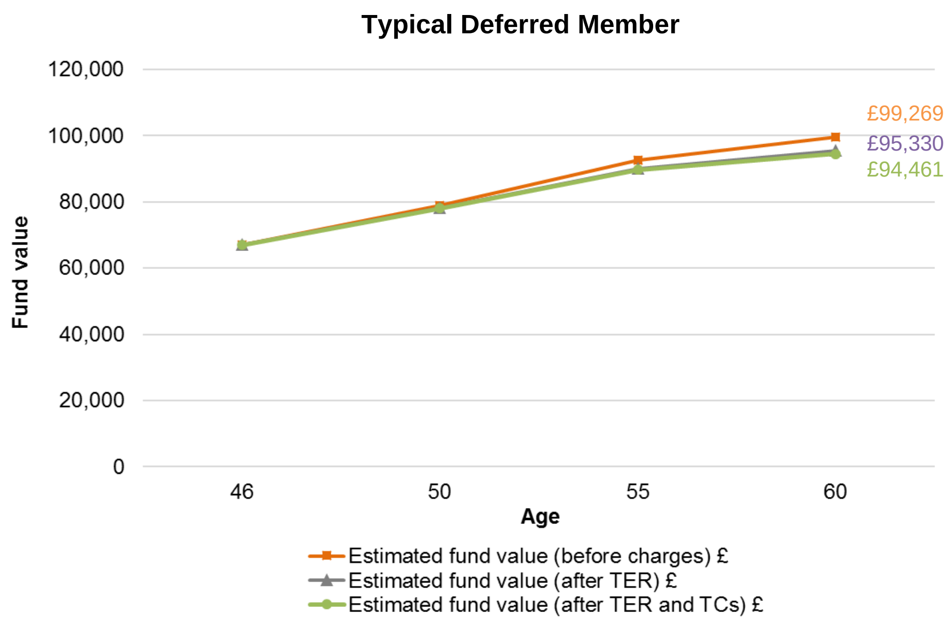
As above, we have also included some comparison illustrations below showing the effect of costs and charges if the same member were to invest throughout the period in the Aon Managed (AM) Liquidity Fund or in the AM Active Global Equity Fund.

Table: Typical active member - Comparative illustrations of the effect of costs and charges

	AM Liquidity Fund			Drawdown Lifestyle Strategy			AM Active Global Equity Fund		
Age	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £
40	48,000	48,000	0	48,000	48,000	0	48,000	48,000	0
45	110,480	109,548	932	135,262	133,751	1,511	140,416	136,047	4,369
50	175,072	172,552	2,520	250,324	245,276	5,048	267,985	252,969	15,016
55	234,778	230,085	4,693	374,700	362,756	11,944	432,891	397,708	35,183
60	289,967	282,623	7,344	482,022	459,563	22,459	646,060	576,883	69,177

Typical Deferred Member

For a deferred member invested in the Drawdown Lifestyle Strategy, the estimated impact of charges on accumulated fund values is shown in the table and chart below. The amounts shown relate to a member aged 46, current fund value of £67,000 and a retirement age of 60.



As above, we have also included some comparison illustrations below showing the effect of costs and charges if the same member were to invest throughout the period in the Aon Managed (AM) Liquidity Fund or in the AM Active Global Equity Fund.

Table: Typical deferred member - Comparative illustrations of the effect of costs and charges

	AM Liquidity Fund			Drawdown Lifestyle Strategy			AM Active Global Equity Fund		
Age	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £
46	67,000	67,000	0	67,000	67,000	0	67,000	67,000	0
50	62,914	62,305	609	78,970	77,999	971	82,274	79,474	2,800
55	58,154	56,896	1,258	92,523	89,724	2,799	106,354	98,383	7,971
60	53,755	51,956	1,799	99,629	94,461	5,168	137,480	121,789	15,691

Note, the illustrations above have been carried out in line with the statutory guidance and the following assumptions have been made:

1. *Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.*
2. *Inflation is assumed to be 2.5% each year.*
3. *For the active member illustrations, contributions are assumed from current age to 60 and increase in line with assumed earnings inflation of 2.5% each year (i.e. no allowance for real salary growth). Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted.*
4. *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.*
5. *Data is as at 5 April 2020.*
6. *The assumed growth rates (per annum, gross of costs and charges) are consistent with the assumptions basis used for the annual benefit statements and are as follows:*

Aon Managed Initial Growth Phase Fund	*6.8%*
Aon Managed Diversified Asset Fund	*3.9%*
Aon Managed Bond Phase Fund	*2.0%*
Aon Managed Short-Term Inflation Fund	*0.3%*
Aon Managed Long-Term Inflation Fund	*-0.2%*
Aon Managed Liquidity Fund	*0.9%*
Aon Managed Active Global Equity Fund	*7.9%*

7. *The transaction costs have been averaged over a 2-year period to 31 March 2020 based on information received from Aon Investments Limited. A floor of 0% pa has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time. The TERs used reflect those as at 31 March 2020. The TERs and transaction costs for the funds shown in the illustrations including those underlying the Default Lifestyle are as follows:*

	TER (%)	***Transaction costs (%)***
Aon Managed Initial Growth Phase Fund	*0.31*	*0.02*
Aon Managed Diversified Asset Fund	*0.44*	*0.24*
Aon Managed Bond Phase Fund	*0.45*	*0.25*
Aon Managed Short-Term Inflation Fund	*0.20*	*0.03*
Aon Managed Long-Term Inflation Fund	*0.20*	*0.02*
Aon Managed Liquidity Fund	*0.23*	*0.02*
Aon Managed Active Global Equity Fund	*0.85*	*0.08*

4. Value for Members assessment

The Administration Regulations require the Trustees to make an assessment of charges and transactions costs borne by DC section and AVC members and the extent to which those charges and costs represent good value for members.

In addition to the requirement to assess the charges and transactions costs paid by members, the Trustees are also required to consider the extent to which those charges and costs represent good value for members ("Value for Members").

In the case of the Scheme, many of the running costs are met separately by the employer and are not paid for by members. As such, they fall outside the scope of this assessment, but the fact that those costs are not met by members is an aspect of value for members.

There is also no legal definition of "good value" and the process of determining this for members is a subjective one. It should be noted that "good value" does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. In consultation with their advisers, the Trustees have established a cost-benefit analysis framework in order to assess whether the member borne charges deliver good Value for Members. The assessment is relevant to the current membership and is carried out on an annual basis as part of preparing this Chair's Statement.

The 'cost' part of the analysis considers the costs and charges that members pay, which have been identified as TERs and transaction costs, as set out in Section 3 of this statement. The Trustees have compared the DC Section TERs to current market rates and concluded that they generally compare well. Since transaction cost disclosure is relatively new, there is no market benchmarking data available, so the Trustees have not been able to compare the transaction costs to the market. However, the Trustees have received confirmation from their investment advisers that the transaction costs associated with the arrangements are reasonable based on their general experience of similar funds on other schemes.

In relation to the 'benefits' of membership, the Trustees have identified four core areas which they believe contribute to value: Scheme governance and management, investments, administration and member communication.

For each category, the Trustees considered the Scheme's practices against the Pensions Regulator's expectations (as set out in the DC Code of Practice) and carried out benchmarking relative to other pension arrangements or industry best practice guidelines, concluding that the DC Section of the Scheme generally compared well. The Trustees also believe that in general good value is offered to members of the AVC arrangements. However, the Trustees plan to review the legacy AVCs during the 2020/21 Scheme year in order to consider more fully the value offered by those arrangements following the transfer of policies from Equitable Life to Utmost Life and Pensions.

The Trustees' beliefs have formed the basis of the analyses of the benefits of membership. These are set out below along with the main highlights of their assessment.

a) Scheme Governance and Management

Scheme governance covers the time spent by the Trustees to ensure the Scheme is run in compliance with the law and regulation, including taking account of the interests of its members.

The Trustees consider good governance as key to ensuring that a framework exists and is actively in use to help deliver better member outcomes. The Trustees have reviewed the process and structure of the governing body and actively consider actions that will improve the current position. The Trustees regularly undertake training that meets the relevant DC sections of the Pension's Regulator's code on Trustee Knowledge and

Understanding and work with their professional advisers to review key issues relating to how well the Scheme is run and whether it is meeting members' needs.

An annual review is also carried out to assess Scheme governance relative to what is deemed to be best practice by the Pensions Regulator. This assessment covers a variety of areas (including the Trustee board, scheme management skills, administration, communications and reporting). This assessment framework allows the Trustees, in consultation with their advisers, to identify any possible areas for improvement and appropriate actions required.

b) Investments

The Trustees believe that a well-designed investment portfolio that is subject to regular monitoring will play a large part in delivering good member outcomes. The Scheme provides members with an appropriate range of lifestyle and self-select fund options, covering a range of asset classes and risk profiles. The investment funds have been designed following advice from the Scheme's investment adviser with the specific needs of members in mind and the structure of the default option reflects how members are expected to access their funds at retirement.

Performance of the DC funds is reviewed at least quarterly versus fund benchmarks and targets, with an in-depth strategy and performance review carried out at least every three years, in line with regulatory requirements.

The Trustees plan to carry out a review of the AVC arrangements following the recent transfer from Equitable Life to Utmost Life and Pensions.

c) Administration

The Trustees consider good administration and record keeping as playing a crucial role in ensuring that Scheme members receive the pension pot or income that is due to them. In addition, the type and quality of service experienced by members has a bearing on the level of member engagement. The Trustees regularly receive information to assess the standard of administration and resulting member experience, through quarterly administration reports, including performance against service level agreements, feedback and discussions with Capita, as Scheme administrator.

The Trustees are satisfied that Capita has sufficient checks in place to monitor and report on the standard of the administration service and to ensure that if any administrative errors should occur, members are not disadvantaged as a result.

Based on the information received from Utmost Life and Pensions and Equitable Life, including performance against service levels in place across all of their policies, the Trustees are comfortable that satisfactory standards of administration are provided for members through the AVC arrangements.

d) Member Communication

The Trustees consider member communication that is clear, appropriate and timely to play a crucial role in ensuring that Scheme members actively engage in their retirement planning.

The Trustees periodically review the annual benefit statements and other statutory communications sent to members to ensure they continue to meet the statutory requirements. The Trustees regularly consider the quality, content and timing of the standard communications members receive. In order to further improve the value that members receive in terms of communications, the Trustees have initiated an ongoing project to enhance the current communications, including plans for provision of a website service for members.

The Trustees have considered the communication policy in light of the COVID 19 pandemic and have taken steps to ensure members have access to relevant information (making use of electronic communication formats where possible). Member communications take into account the increased risk of pension scams during this time, and appropriate warning messages are included and highlighted as needed.

Conclusion

The Trustees' assessment, which includes the key areas described above concluded that the costs and charges borne by Scheme members represent good value for DC Section members relative to the benefits of Scheme membership. As noted above, the Trustees also believe that in general good value is offered to members of the AVC arrangements, and they plan to review the legacy AVCs in order to consider more fully the value offered by those arrangements following the transfer of policies from Equitable Life to Utmost Life and Pensions.
The Trustees will continue to monitor the Scheme against the Regulator's governance standards to make sure it continues to deliver value over the long-term.

5. Trustees' Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to: (i) be conversant with the trust deed and rules of the scheme, the statement of investment principles, the statement of funding principles and other documents setting out the Trustees' scheme administration policies; and (ii) 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 7.

The comments in this section relate to the Trustees' running of the whole Scheme and are not restricted to the DC arrangements.

Legislation requires the Trustees to have appropriate knowledge and understanding to run the Scheme effectively. The Trustees recognise the importance of training and development and have put in place processes and procedures for ensuring that the requirements are met, some of which are identified below:

- Each Trustee takes personal responsibility for keeping up-to-date with relevant developments and each carries out a self-assessment of training needs. All Trustees have completed the Pensions Regulator's ('tPR') online training toolkit and regular training is undertaken by each Trustee.
  Note - The toolkit is a free online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law.
- Training logs are held for each of the Trustees: these are regularly updated and are reviewed at each meeting.
- Periodic assessments of Trustee knowledge are taken via individual questionnaires in order to identify any potential gaps in knowledge.
- Over the period, the Trustees undertook the following group training sessions:
  - GMP Equalisation

- Advances in the responsible investment market including impact investment and how this could be incorporated into investment strategies;
- Cybercrime;
- Tracking changes in projected member retirement outcomes

▪ The Trustees also undertake annual training on key legislative developments from the Scheme's legal advisers as well as training sessions from their investment advisers.

There is a comprehensive induction process in place for new Trustees (although, it is noted that no new Trustees were appointed in the scheme year). New Trustees must attend (at the first available opportunity following appointment) a full-day course in relation to DC pensions and investment run by the Scheme's professional advisers. Amongst other topics, the course covers key learnings such as Trustee responsibilities with regards to administration, investment strategy, monitoring and review. This is in addition to tPR's online training toolkit, which must be completed within 6 months of appointment.

The Trustees have considerable experience (the majority with over 30 years) in the Finance and Banking industry, working in an array of roles encompassing Financial Markets, Treasury, Corporate Finance and Management. Trustee qualifications include Chartered Accountancy, a BSc (Hons) in Financial Services and a Masters degree in International Securities, Investment and Banking. The Trustee board includes an Associate of the London Institute of Banking and Finance and members who have experience of working in approved regulatory roles.

In addition to the skills possessed by individuals on the Trustee Board, the Trustees work closely with their appointed professional advisers throughout the year to ensure that they carry out their duties properly and take professional advice as required. Advisers are invited to attend Trustee meetings to allow discussion and, where appropriate, for the Trustees to challenge advice received. Performance of advisers is reviewed on an ongoing basis. Exercising their functions has required knowledge of key Scheme documents such as the Trust Deed & Rules, Trustee Report & Accounts, Statement of Investment Principles, Statement of Funding Principles and scheme policy documents. A few of the areas covered, and actions carried out, over the reporting period that support this statement are set out below:

- Reviewing quarterly administration reports from Capita to monitor service delivery against agreed service levels;
- Reviewing quarterly investment reports detailing fund performance against benchmarks and targets, and consulting with professional advisers to support in monitoring performance versus overall Scheme aims and objectives;
- Updating the Scheme’s Statement of Investment Principles to reflect new legal duties in relation to Environmental, Social and Governance (ESG) investing;
- Reviewing the Scheme's DC investment strategy in conjunction with their investment advisers, including the default option and self-select fund range;
- Reviewing the requirements introduced by the Competition and Markets Authority (CMA) to ensure that investment consultants have objectives, including the creation of a set of objectives in order to assess the advice and service received from their investment consultants;
- Holding up to date versions of Scheme documents (including the Trust Deed & Rules and the Scheme booklets), to help maintain a working knowledge of the Scheme.;
- Making decisions on specific member cases, taking into account the requirements of the Scheme's governing documents (the Trust Deed & Rules), the Scheme's agreed policies/practices and also the wider law relating to pensions and trusts;

- Carrying out regular annual tasks, such as reviewing and signing off the Trustee Report & Accounts;
- Holding four regular Trustee meetings (with additional ad-hoc meetings and conference calls, as required) with providers and advisers, who each provide reporting and advice before asking the Trustees to take relevant decisions;
- Maintaining a regime for proper governance (based on the Pension Regulator's DC Code of Practice) and using this as the basis for governance of the DC Section and AVC arrangements, helping to maintain their knowledge of the law relating to (DC) pensions and trusts;
- Considering Equitable Life's proposals in relation to the transfer of AVC policies to Utmost Life and Pensions, together with their advisors, and taking decisions on voting and investment options in relation to the transfer, helping to maintain and update their knowledge of the Scheme's AVC documentation and members' investment policies, including how these changed on transfer; and
- Reviewing communications issued to members with AVCs in relation to the Equitable transfer to Utmost Life and Pensions.

The Trustees also considered the impact of the COVID-19 pandemic on the Trustee board and put in place appropriate plans to ensure that the board could continue to perform effectively during this time. Specifically, the Trustees have reviewed the regularity of the Trustee meetings and the format (virtual Trustee meetings will be held during this time), identified key person risks, Trustee decision making protocols, and approvals processes and taken steps to mitigate these risks through appropriate identification of designated alternates on the Trustee board and a wide range of contacts at the relevant advisers and providers to ensure business continuity and appropriate Scheme governance during the pandemic.

Currently there are six Trustees, three of whom are nominated by the Company. The remaining three are nominated by members, fulfilling the legal requirement that at least one-third of a pension scheme's trustee directors should be member-nominated. There were no new Trustees appointed over the Scheme year.

There is also a biennial evaluation of the Trustee Board. This was last undertaken in 2018 with the next review due to take place later in 2020. As part of this review, the Trustees are sent a questionnaire to complete; the feedback from this is then analysed by the Pensions Manager and a report shared back to the Board along with a breakdown and suggested actions going forward.

The outcome of the 2018 review was broadly positive, identifying that the knowledge, skills and experience of the Board worked well, there was a clear sense of focus and an open board culture regarding discussion and debate. The actions identified resulting from this review, including lengthening Board meetings to reflect an evolving regulatory environment, have been implemented.

Taking into consideration the above, the Trustee Board considers that it has met the Pensions Regulator's requirements for trustees to have adequate knowledge and understanding and is confident that the combined knowledge and understanding of the Trustee Board, along with the support of its advisers, enables it to properly exercise its functions.

Conclusion

Overall, the Trustees are confident that all requirements of the applicable legislation have been met, and in many areas exceeded.

Signed on behalf of the Trustees of the Westpac Banking Corporation UK Staff Superannuation Scheme.

Jon Burgess / Chair of Trustee

Date of signing______28/09/2020_______