

# Annual Chair's Statement for the DC Section on the Servier Laboratories Limited Pension Fund (the "Scheme")

Governance requirements apply to defined contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. The Trustees of the Scheme are required to produce a yearly statement (which is signed by the Chair of Trustees) to describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are invested (this means the "default arrangement"
- and other funds members can self-select;
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a 'value for members' assessment; and
- Trustee knowledge and understanding.

This statement issued by the Scheme covers the period from **1 April 2019 to 31 March 2020**.

It covers the DC Section and an Additional Voluntary Contributions (AVC) section relating to the final salary section.

## Areas that we have considered when drafting this statement:

1. The Default Arrangement
2. Processing of core financial transactions
3. Member borne charges and transaction costs
4. The Trustees' assessment of how the charges and transaction costs paid by members represent good value for members and
5. Trustee knowledge and understanding.

As required the Trustees have published this Chair's Statement on a website where individuals can view, download and print a copy. The Chair's Statement can be accessed at <https://www.servier.co.uk/content/pension-documents>.

## 1. DC Section - The Default Arrangement

The Scheme is used as a Qualifying Scheme for auto-enrolment. The default investment strategy is provided for members who join the Scheme and do not choose an investment option for their contributions. Members can also choose to invest in the default strategy.

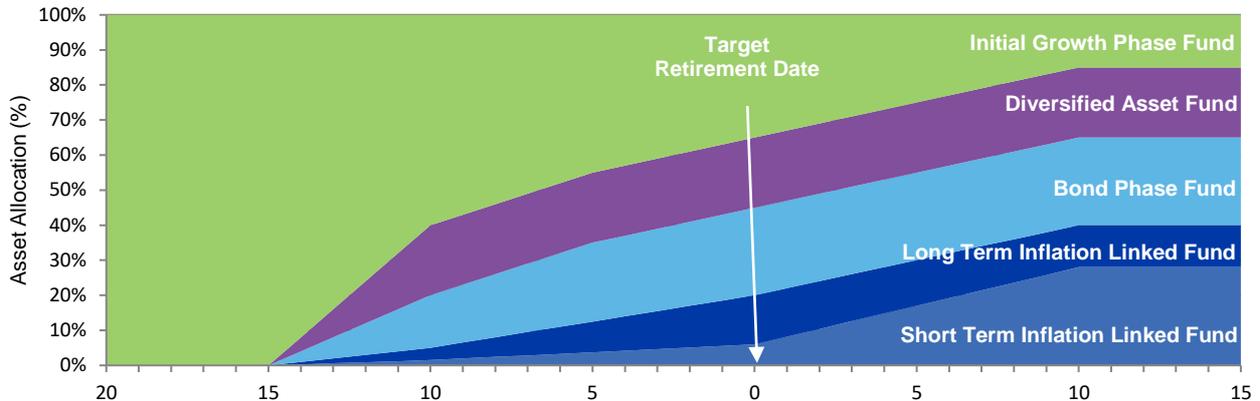
The Trustees are responsible for investment governance. This includes setting and monitoring the investment strategy for the Scheme's default strategy.

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 strategy together with the details of how the default is currently invested, is appended to this statement. The SIP was last updated on 30 September 2019.

The aims and objectives of the default strategy, as stated in the SIP, are as follows:

- To maximise the value of members' assets at retirement
- To maintain the purchasing power of members' savings in real (i.e. post-inflation) terms; and
- To provide protection for accumulated assets in the years approaching retirement against:
  - Sudden (downward) volatility in the capital value
  - Fluctuations in the cost of securing an income and / or cash in retirement

The default strategy is the **Retirement Pathway Fund** targeting drawdown and is illustrated below:



Source: Aon Investments Limited, Illustration purposes only

Each member is allocated to the relevant Retirement Pathway Fund with a target date that most closely matches their selected retirement date. The switching of assets between the different underlying funds used within each asset allocation strategy is carried out within each target date fund.

Each asset allocation strategy aims to provide members with the potential for higher levels of growth during the accumulation of their retirement savings through exposure to growth assets, including equities. Following the accumulation phase, each asset allocation strategy gradually diversifies their investments in the years approaching retirement to reduce volatility and to provide a broad base of assets from which members can choose the type of benefits they wish to take.

It is the Trustees' policy to review the Scheme's investment strategy, including the default strategy, and all fund options on a regular basis or following any significant changes in the demographic profile of the Scheme members. In setting the default strategy, the Trustees considered analysis of the existing membership of the DC Section, including considerations of factors such as age, accumulated fund values and term to retirement.

An investment strategy review is undertaken for the Scheme at least every three years, as prescribed by the Regulations.

The last investment strategy review (including a review of the default strategy) for the Scheme was completed on **28 February 2020**. This review considered the continued suitability of the current default strategy looking at the typical level of contributions paid by members, the way in which the Trustees believe that the majority of members will take their retirement benefits and the level of risk that applies to a member invested in the default throughout membership of the Scheme.

In conclusion to the review, the Trustees agreed that **the current default strategy remained suitable for members' needs with no changes required**. The Trustees also agreed that the current self-select fund range remains suitable. The next investment review is due to be carried out in 2023.

In addition to the strategy review, the Trustees also review the performance of the default strategy against their aims, objectives and policies on a quarterly basis. This is through the Scheme's quarterly investment reports provided by the delegated investment manager. This review includes an analysis of fund performance to check that the risk and return levels meet expectations. The last review of the performance of the default strategy's performance was at the Trustees' meeting on 17 June 2020, when the quarterly investment report for the period ending 31 March 2020 was reviewed. The Trustees' reviews that took place during the Scheme year concluded that the default strategy was performing broadly as expected and is consistent with the aims and objectives of the default strategy as stated in the SIP.

There is no default for the AVC Section.

## 2. Processing of Core Financial Transactions

### DC Section:

The Trustees have a specific duty to ensure that core financial transactions are processed promptly and accurately.

#### What are core financial transactions?

Transactions we consider include:

- investment of contributions to the Scheme;
- transfer of members' funds in and out of the Scheme,
- transfers between different investments within the Scheme, and
- payments to and in respect of members, such as on retirement or death.

Servier Laboratories Limited ("the Sponsor") is responsible for ensuring that contributions are paid over to the Scheme promptly and the timing of such payments is monitored quarterly through reports submitted by the Scheme administrator, Aon Solutions UK Limited.

Aon carry out the bulk of these core financial transactions. Service Level Agreements (SLA) are in place around the processing of these transactions. These SLAs detail a number of key administration processes to be performed and the target timescale within which each of these processes needs to be completed. There are SLAs in place for all core financial transactions. Under the current SLA, Aon aims to accurately complete the settlement of all financial transactions within 5 working days and issue quotations of benefits within 10 working day.

To enable the Trustees to monitor the processing of core financial transactions, the Trustees receive a quarterly stewardship report from Aon that contains information on the core financial transactions for the Scheme and the SLAs. These reports are reviewed by the Trustees at the regular board meetings to ensure compliance. The Trustees are comfortable that the SLAs are appropriate.

#### Administration summary for the year:

- **617** work items received
- **98%** completed in agreed time levels

During the year of this report, the administrator completed 98% of cases within the agreed SLA. The Trustees understand that it is not always possible for cases to be dealt with within the SLA due to external factors, such as waiting for additional information from members and third parties. The Trustees are pleased to see that the administration team have exceeded their expected SLA target of 95%. There were no administration issues during the year that required the Trustees to take action and no member complaints.

In terms of the accuracy of core financial transactions, the Trustees have reassurance from Aon that suitable controls are in place. These include:

- a full member and Scheme reconciliation being undertaken annually as part of the annual preparation of the Trustee Report & Accounts
- monthly reconciliations of the DC units held by the investment managers against Aon's records,
- daily monitoring of bank accounts,
- full reconciliation of bank statements,
- a dedicated contribution processing team,
- all transactions are recorded in the Scheme's Cash Tracker,
- a peer-review process for checking calculations and investment and banking transactions.

Aon's administration controls are independently audited on an annual basis. The last review covered the period 1 October 2018 to 30 September 2019 and considers the suitability and effectiveness of the administration system and general IT controls adopted by Aon.

In addition, the Secretary to the Trustees also reviews core financial transactions that go through the Trustee Bank Account statement on a monthly basis, which enables the Trustees to monitor that payments are being invested/settled within acceptable timeframes and payments in/out of the account are as expected. The contributions are reconciled on a monthly basis by the Company. In addition, the Trustees receive an annual Scheme Audit Report, from the Auditor, an independent party that audits the pension scheme.

Accurate data is fundamental to the accuracy and timeliness of core financial transactions. As such, during the year, the Trustees undertook a tracing exercise using a private tracing agency to obtain address details for deferred members whose addresses could not be verified. The Trustees also commissioned a review of the common data (such as date of birth, address and National Insurance number) and scheme-specific data (such as date of leaving and benefit details) held by the administrators on the Trustees' behalf. The results of the review are due to be considered at the June 2020 Trustees' meeting and the steps taken will be reported in the Chair's Statement for the year ending 31 March 2021.

### **COVID-19**

Clearly a key concern for the Trustees, during March 2020 and beyond, has been around the administrator's business continuity plans for continuing to work effectively during the current pandemic. The Trustees are pleased to advise that they have received business continuity updates from Aon and can confirm that they have received the following reassurance from Aon in terms of their administration business:

*Within our Pensions Administration business our payroll function, the day to day administration teams and our Call Centre are fully operational. The Call Centre had some initial challenges as our technology partners saw a huge increase in voice and data usage as the UK workforce moved to home working, but they have now increased their capacity and we are back to business as usual.*

The Trustees are pleased to report that, to date, there have been no material impact to SLAs as a result of COVID-19.

#### **The Trustee is satisfied that during the period of this report, that:**

- the administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA;
- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately during the Scheme year.

### **AVC Section:**

There is one member in the AVC Section. It closed to new AVCs in 1196 when the final salary section closed. Administration of the AVC section is delegated to Scottish Widows. Aon will be involved in the event that AVC benefits become payable and at which point Aon's administration will be included in the relevant administration report and SLA figures.

### 3. Member Borne Charges and Transaction costs

#### DC Section:

The Trustees are required to set out and assess the costs associated with the Scheme, which are paid by the members. These costs comprise charges and transaction costs.

- **Charges** – these include the Annual Management Charge ("**AMC**" – the annual fee charged by the investment manager for investing in a fund), as well as **additional fund expenses**. Together the AMC and the additional fund expenses make up the Total Expense Ratio (**TER**), which is the total cost of investing in the fund. The AMC and TER information is readily available as these charges are explicit and are a percentage of members' funds. The TER is paid by the members and is reflected in the unit price of the funds.

- **Transaction costs** - are costs which are incurred within the day to day management of the assets by the fund manager. This covers such things as the cost of buying and selling securities within the fund. Transaction costs are incurred on an on-going basis and are implicit within the performance of the fund.

When preparing this section of the statement the Trustees have taken account of the relevant statutory guidance.

Details of the TERs and Transaction costs are below for members' information. We have also included some illustrations to demonstrate the impact of these costs on a members' pension pot over time. We have selected a number of example members to be representative of our membership for illustration purposes only. These illustrations are provided below.

#### 3.1 - Details of the TERs

##### 3.1.1 – TERs for the default strategy (Retirement Pathway Fund, Drawdown)

The TERs that were applicable to the default strategy, as at 31 March 2020, ranged from 0.29% p.a. to 0.30% p.a. as follows:

Fund name	AMC (% pa) as at 31 March 2020	TER (% pa) as at 31 March 2020 (including AMC)
Aon Managed Retirement Pathway 2019-22	0.25	0.29
Aon Managed Retirement Pathway 2022-24	0.25	0.30
Aon Managed Retirement Pathway 2025-27	0.25	0.30
Aon Managed Retirement Pathway 2028-30	0.25	0.30
Aon Managed Retirement Pathway 2031-33	0.25	0.30
Aon Managed Retirement Pathway 2034-36	0.25	0.30
Aon Managed Retirement Pathway 2037-39	0.25	0.30
Aon Managed Retirement Pathway 2040-42	0.25	0.30
Aon Managed Retirement Pathway 2043-45	0.25	0.30
Aon Managed Retirement Pathway 2046-48	0.25	0.30
Aon Managed Retirement Pathway 2049-51	0.25	0.30
Aon Managed Retirement Pathway 2052-54	0.25	0.30
Aon Managed Retirement Pathway 2055-57	0.25	0.30
Aon Managed Retirement Pathway 2058-60	0.25	0.30
Aon Managed Retirement Pathway 2061-63	0.25	0.30
Aon Managed Retirement Pathway 2064-66	0.25	0.30

These TERs can fluctuate but are subject to a maximum of 0.42% pa. Importantly, this range is well within the charge cap set by the regulations of 0.75% p.a.

##### 3.1.2 – TERs for the self-select funds

In addition to the Retirement Pathway fund targeting drawdown, the Trustees also make available 2 other Retirement Pathway funds targeting Cash or Annuity and 11 self-select funds, which may be chosen as an

alternative to the Retirement Pathway strategies. A full breakdown of the TERs for the funds available as at 31 March 2020, are listed in the table below:

Fund Name	AMC (% pa) as at 31 March 2020	TER (% pa) as at 31 March 2020 (including AMC)
Aon Managed Retirement Pathway to Cash Funds*	0.25	0.28 to 0.30
Aon Managed Retirement Pathway to Annuity Funds*	0.25	0.26 to 0.30
Aon Managed Passive Corporate Bond Fund	0.17	0.18
Aon Managed Long Term Inflation Linked Fund	0.17	0.17
Aon Managed Pre-Retirement Bond Fund	0.29	0.29
LGIM Ethical Global Index Fund	0.35	0.35
HSBC Islamic Global Equity Index Fund	0.35	0.35
Aon Managed Active Global Equity Fund	0.79	0.82
Aon Managed Global Equity Fund	0.20	0.25
Aon Managed Diversified Multi-Asset Fund	0.38	0.41
Aon Managed Diversified Multi Strategy Bond Fund	0.61	0.66
Aon Managed Liquidity Fund	0.17	0.20
Aon Managed Property and Infrastructure Fund	0.45	0.46

### 3.2 – Details of the Transaction costs

Aon Investments Limited (formerly called Hewitt Risk Management Services Ltd), the investment manager, has provided the following estimated transaction costs for the period 1 April 2019 to 31 March 2020 for the funds used in the default:

Fund	Total Transaction costs (%)
Aon Managed Retirement Pathway to Drawdown Funds (default)*	0.01 to 0.09
Aon Managed Retirement Pathway to Cash Funds*	0.00 to 0.06
Aon Managed Retirement Pathway to Annuity Funds*	0.00 to 0.05
Aon Managed Passive Corporate Bond Fund	0.00
Aon Managed Long Term Inflation Linked Fund	0.00
Aon Managed Pre-Retirement Bond Fund	0.00
LGIM Ethical Global Index Fund	0.00
HSBC Islamic Global Equity Index Fund	0.04
Aon Managed Active Global Equity Fund	0.07
Aon Managed Global Equity Fund	0.00
Aon Managed Diversified Multi-Asset Fund	0.16
Aon Managed Diversified Multi Strategy Bond Fund	0.42
Aon Managed Liquidity Fund	0.01
Aon Managed Property and Infrastructure Fund	0.12

\* depending on how close a member is to retirement

### 3.3 Illustration of the effect of charges and transaction costs

Over a period of time, the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. The Trustees have set out below illustrations of the impact of charges and transaction costs on different investment options in the Scheme. The illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings.

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 have had to make a number of assumptions about what these might be. The assumptions are explained below:

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an

allowance for transaction costs.

- The transaction cost figures used in the illustrations are based on those provided by the managers over the past 2 years.

The illustrations are shown for the default arrangement; the Aon Managed Retirement Pathway since this is the arrangement with the most members invested in it, as well as a range of funds from the Scheme's self-select fund range. The self-select funds shown in the illustrations are:

- A - the fund with the highest before costs expected return – this is the *Aon Managed Active Global Equity Fund*
- B - the fund with the lowest before costs expected return – this is the *Aon Managed Liquidity Fund*
- C - the fund with highest annual member borne costs – this is the *Aon Managed Diversified Multi Strategy Bond Fund*
- D - the fund with lowest annual member borne costs – this is the *Aon Managed Long Term Inflation Linked Fund*.

We have shown an illustration for:

- Illustration 1 - For members with a fund value of £110,700. This represents an 'average' active member (i.e. someone contributing to the Scheme).
- Illustration 2 - For members with a fund value of £4,800. This represents a younger member who has only been in the Scheme for a short while and still has many years to retirement.
- Illustration 3 – For members who have left the Scheme, with a fund value of £24,600. This represents an 'average' deferred member (i.e. someone no longer contributing to the Scheme).

#### Illustration 1

Projected pension pot in today's money										
Fund choice										
	Default arrangement		Fund A		Fund B		Fund C		Fund D	
Age	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
46	110,700	110,700	110,700	110,700	110,700	110,700	110,700	110,700	110,700	110,700
50	181,040	179,190	197,230	191,710	158,010	156,900	170,310	164,140	152,900	151,970
55	299,550	293,660	354,510	335,110	231,240	228,230	266,300	248,330	217,590	215,160
60	443,920	431,400	567,590	522,530	307,990	302,470	375,200	340,070	283,320	279,020
65	607,550	585,150	841,750	753,780	378,930	370,370	487,880	429,880	341,120	334,670

- The starting pot size used is £110,700 and starting salary is assumed to be £63,600. See below for the other assumptions used. Average age of active members is age 46.

## Illustration 2

Projected pension pot in today's money										
Fund choice										
	Default arrangement		Fund A		Fund B		Fund C		Fund D	
Age	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
26	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
30	20,360	20,210	21,320	20,860	18,020	17,930	19,070	18,540	17,580	17,500
35	42,900	42,210	47,250	45,140	33,420	33,070	37,460	35,400	31,820	31,530
40	75,010	73,260	86,450	80,790	52,580	51,820	61,700	56,970	49,150	48,550
45	123,930	120,310	148,550	136,190	80,160	78,780	97,210	88,240	74,010	72,950
50	187,100	180,390	234,270	210,260	110,570	108,330	139,160	123,910	100,690	99,000
55	272,600	261,100	356,230	313,050	148,550	145,170	192,990	168,980	133,770	131,270
60	378,820	360,220	518,990	445,590	188,580	183,770	253,900	218,180	167,670	164,190
65	503,860	475,150	728,410	609,120	225,580	219,060	316,920	266,340	197,490	192,870

- The starting pot size used is £4,800 and starting salary is assumed to be £34,600. See below for the other assumptions used. The projection is for 39 years, being the duration that the youngest scheme member has until they reach the scheme's Normal Pension Age.

## Illustration 3

Projected pension pot in today's money										
Fund choice										
	Default arrangement		Fund A		Fund B		Fund C		Fund D	
Age	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
44	24,600	24,600	24,600	24,600	24,600	24,600	24,600	24,600	24,600	24,600
45	25,250	25,050	25,870	25,660	24,220	24,160	24,770	24,500	23,980	23,930
50	28,750	27,440	33,290	31,660	22,380	22,100	25,630	23,980	21,090	20,850
55	32,750	30,060	42,830	39,060	20,690	20,210	26,510	23,480	18,540	18,170
60	37,290	32,920	55,110	48,190	19,130	18,480	27,430	22,980	16,310	15,830
65	42,470	36,060	70,910	59,470	17,680	16,900	28,380	22,500	14,340	13,790

- The starting pot size used is £24,600. No allowance is made for future contributions. The average age of deferred members is 44.

### Assumptions for illustrations:

- The projected fund values shown are estimates for illustrative purposes only and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
- Annual salary growth and inflation is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- For illustrations 1 & 2, total contribution rates are based on the 'Staff' enhanced category and assumes that every 5 years the member moves service category and every 10 years the member moves age category. Contributions are payable by active members only, from their current age to a retirement age of 65. No allowance is made for additional employee contributions.
- The projected annual returns used are as follows:

<b>Fund</b>	<b>Assumed annual gross growth rate</b>
Default Strategy (based on median age for group)	Illustration 1 – 5.1% Illustration 2 – 5.9% Illustration 3 - 5.2%
Fund A	7.8%
Fund B	0.9%
Fund C	3.2%
Fund D	-0.1%

Members are advised to consider both the level of costs and charges and the expected return on assets (i.e. the risk profile of the strategy) in making investment decisions and not in isolation.

#### **AVC Section:**

There is a legacy AVC arrangement managed by Scottish Widows. The Trustees are attempting to obtain information regarding the charges and transaction costs that apply to this arrangement from Scottish Widows and will continue to try and obtain this information. There is one member in this AVC arrangement and the assets are less than 1% of the overall DC assets. As such the Trustees do not feel that it is appropriate to include an illustration of the impact of cost and charges for this arrangement.

## **4. Value for members assessment**

The Trustees are required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of “good value”, but the Trustees consider that it broadly means that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market.

The assessment was undertaken taking account of the Pensions Regulator’s Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

It should be noted that the Company pays for the majority of services related to running the Scheme including (but not limited to) administration services, audit costs, communication costs and professional advice including legal, actuarial and investment advice. By the Company meeting these costs this reduces the charge that the members would otherwise pay. The charges paid by members is to meet the cost of investing their pension pots. In limited circumstances members may incur an administration charge, such as where more than one investment switch is made in a 12 month period. Therefore, the Trustees have a legal duty to assess whether the investment costs borne by members represents Value for Members in this Statement. However, members also benefit for the wider services that the Company pays for and as such the Trustees also take a view of whether all of the services that members benefit from represent good value.

The Trustees review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The date of the last review was 14 July 2020. The Trustees note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. The Trustees’ DC advisers have confirmed that the fund charges are competitive for the types of fund available to members.

#### Value for Members Assessment

As highlighted above, members of the Scheme only pay a charge to meet the cost of investing their pension pot. The Trustees believe that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes.

To assess if this meets good value the Trustees have taken into account:

<p>The performance of the funds compared to the relevant objectives of the fund</p>	<ul style="list-style-type: none"> <li>✓ The default strategy has met its objectives of reducing risk in the approach to retirement. Its objective also includes providing the opportunity for real growth. Over the year, due to the impact on investment markets of COVID-19, the fund hasn't provided real growth. However, the Trustees are comfortable that the underlying asset allocation of these funds, will enable the fund objectives to be met over the longer term.</li> <li>✓ There were some self-select funds that did not meet their objectives over the year. Where these funds have not met their objectives, steps have been taken to identify the reason for this and where deemed appropriate changes have been made to the funds.</li> </ul>
<p>Governance and delegated management of funds offered</p>	<ul style="list-style-type: none"> <li>✓ The management of the investment funds is delegated to Aon Investments Limited, who will decide on which underlying funds to invest in to meet the fund's objective.</li> <li>✓ The delegated fund manager has demonstrated that it is actively governing the funds.</li> <li>✓ During the year Aon Investments Limited carried out a review of the Aon Managed Retirement Pathway Funds. This review considered, amongst other things, if 15 years for the length of the de-risking period remains suitable, the asset allocation at retirement and the pace of de-risking after retirement. The review included modelling of the strategy for different groups of members. The review established clear and measurable objectives for the investment strategy at different points in time linked to inflation and enables past experience to be reflected within the glide path allocation either by delaying de-risking or by de-risking earlier than expected.</li> <li>✓ All actively managed funds invest in underlying funds that are 'buy' rated by the Trustees' investment advisers. Where an underlying fund's rating has been downgraded the delegated manager has taken positive steps to replace the fund within a reasonable time period. When taking such decisions Aon Investments Limited will look to reduce the transaction costs of replacing a fund as far as possible.</li> <li>✓ The delegated managers have constructed the underlying funds that sit within the Aon Managed Property and Infrastructure Fund so that it has continued to remain open to trading during the current COVID-19 pandemic when many other property type funds had ceased trading.</li> </ul>
<p>The design of the default strategy and how this reflects the membership</p>	<ul style="list-style-type: none"> <li>✓ A default is offered which targets members taking their pension pot through drawdown. This reflects the above-average fund size for the average member of the Scheme. Data, such as that collated by the Office for National Statistics, of how members take benefits at retirement suggests that members with larger funds are more likely to take their retirement benefits via drawdown.</li> </ul>
<p>The range of funds offered</p>	<ul style="list-style-type: none"> <li>✓ Drawdown may not suit all members' needs to alternative options for members are available that intend to take their benefits in a different way. Members can choose from three Retirement Pathway options to match how they intend to take their benefits at retirement.</li> <li>✓ Members can select a Retirement Pathway fund where the investment of their pension pot is managed on their behalf.</li> <li>✓ A good range of self-select funds are available covering the main types of investments available to members of a DC scheme</li> <li>✓ These include different types of investment management (i.e. lower cost passive funds where the fund aims to provide</li> </ul>

	performance in line with an index and higher cost active funds where the manager is trying to add value to the performance)
The ability to switch investments	<ul style="list-style-type: none"> <li>✓ Members can switch investments at any time (please note that the first switch in any 12 month period is free of charge, however members will incur a fee for any additional switch requests made within this period).</li> <li>✓ The Retirement Pathway funds are mirrored until 5 years before retirement so members can switch Retirement Pathway funds prior to 5 years before retirement without incurring transaction costs. The Trustees expect that members are likely to know how they intend to take their retirement benefits 5 years from retirement.</li> </ul>
The information available to members regarding the available funds	<ul style="list-style-type: none"> <li>✓ Fund factsheets are produced quarterly for members and these are available to download or can be requested via the Secretary to the Trustees.</li> <li>✓ A member friendly guide to investments for the Scheme has been produced and issued to members</li> </ul>

Based on the assessment set out above, the Trustees are happy that the charge that members pay represents **good value** for members.

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

Trustees' view on whether the Scheme offers good value

The Trustees also look at whether overall the Scheme offers good value to members. In addition to considering investment options, the Trustees also consider a number of other areas, which include:

Area	Examples of the areas considered by the Trustees
<p><b>Member communications and engagement</b></p> <p><i>The Trustees believe that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.</i></p>	<ul style="list-style-type: none"> <li>✓ The member booklet has been updated.</li> <li>✓ Members have access to an updated retirement modeller tool.</li> <li>✓ The annual benefit statement was simplified during the year to make these easier for members to see the key information about their retirement savings.</li> <li>✓ The Trustees have discussed what communication would be useful to issue to members around the impact of COVID-19 on pension savings (This was issued after the period of this Statement).</li> <li>✓ The Trustees are considering other communication methods that can be used to help support members.</li> </ul>
<p><b>Support at retirement</b></p> <p><i>The Trustees believe it is important to have retirement processes that enable members to make informed decisions and select appropriate option(s) at retirement.</i></p>	<ul style="list-style-type: none"> <li>✓ A good level of support is given to members coming up to retirement. This includes access to online information and tools and personalised written communication.</li> </ul>
<p><b>Contributions</b></p> <p><i>The level of contributions paid has a direct impact on the level of retirement savings that a member has at retirement.</i></p>	<ul style="list-style-type: none"> <li>✓ Contributions paid by the Company are very generous and significantly above the amounts required by law</li> <li>✓ Members can request to pay additional voluntary contributions</li> <li>✓ Salary sacrifice is used to reduce the cost to members of paying into the Scheme</li> </ul>

<p><b>Sound administration</b></p> <p><i>The Trustees believe that good administration and record keeping play a crucial role in ensuring that scheme members receive the retirement income due to them. In addition, that the type and quality of service experienced by members has a bearing on the level of member engagement.</i></p>	<p>✓ As highlighted in section 2, the Trustees are comfortable with the quality and efficiency of the administration processes</p>
<p><b>Good governance</b></p> <p><i>The Trustees believe in having robust processes and structures in place to support effective management of risks and ensure members interests are protected, increasing the likelihood of good outcomes for members</i></p>	<p>✓ The Trustees regularly meet to discuss the Scheme and discussions at these meetings are documented in writing. The Trustees' professional advisers also attend these meetings to give advice and guidance to the Trustees</p> <p>✓ All Trustees receive training both at outset and ongoing and are required to complete an agreed number of training hours per year to ensure that they can fulfil their duties</p> <p>✓ The Trustee Board includes both Company and member nominated Trustees</p> <p>✓ The Trustees have processes in place to deal with conflicts of interest and have a risk register that helps the Trustees to mitigate any risks related to running the Scheme</p>

The above sets out some of the areas considered by the Trustees in coming to the conclusion that the Scheme represents **good value** for members.

## 5. Trustees' Knowledge and Understanding

The Regulations require 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 arrangements for ensuring that the Trustees take personal responsibility for keeping themselves up-to-date with relevant developments.

The comments in this section relate to the Scheme as a whole and not solely the DC Section.

The Trustees have a formal training policy in place dated June 2015. Under this policy all Trustees are required to complete the Pensions Regulator's online training and must attend formal or informal training totalling a minimum of 12 hours each year. Each Trustee is required to maintain a training log detailing attendance of both internal and external training courses. The training log is for the period 1 April to 31 March. Training logs are submitted to the Chair of Trustees who checks that the required level of training has been met. The Chair of Trustees is happy to report that all Trustees had undertaken the required number of hours of training during the period 1 April 2019 to 31 March 2020.

The Trustees carried out an assessment of their training needs in the period. The assessment is carried out annually and requires each Trustees to complete a questionnaire covering various aspects relating to the operation of the Scheme. The Chair analysed the results of the questionnaires and from this a list of areas where additional training is needed was identified. Bespoke training has been produced to meet these training needs. This training was undertaken at the Trustees' meeting on 17 June 2020 and covered the following areas:

- The Trustees' powers to delegate their duties,
- The Trustees' discretionary powers,
- The Investment Principles set out by Myners and the Investment Governance Group
- The various codes of practice in place issued by the Pensions Regulator

- Best practice in terms of Trustee Training.

In addition, individual Trustees attended a range of virtual conferences and seminars which covered topics such as crisis resilience planning for pension schemes; investment market performance; updates from the Pensions Regulator and received additional training from advisers through the main board meetings – four meetings in total held during the year. The Trustees also read articles on pension related issues.

During the period of the report, the Chair of Trustees carried out his annual assessment of the efficiency of the Trustee Board. As part of this review the Trustees agreed to make some changes to their Trustee training requirements, including:

- increasing the number of hours of training from 12 hours per year to 15 hours,
- increase the variety of training,
- put in place a formal annual training plan based on the Trustees' knowledge gaps.

The Trustee board is made up of 4 Trustees with varying skill sets. With the exception of one Trustee, all Trustees are also members of the Scheme. The Trustees have varying background including Investment specialist. The Trustees have particular areas of skills and interest that they will take the lead in relation to, including communication, investments and funding. At the Trustees' meeting on 9 March 2020 the Trustees considered the diversity of the Board and overall the Trustees concluded that the Board has a desirable level of diversity. The Trustees agreed that the credentials for any new future Trustee will be based on any gaps identified in skills in the Trustee Board.

As agreed at the 2019 Trustee Board efficiency review, the Secretary to the Trustees has updated the induction programme for future new Trustees which includes training requirements. At the point of drafting this statement this programme is being reviewed by the Chair.

The Trustees have engaged with their professional advisers regularly throughout the year to ensure that they exercise their functions properly and take professional advice where needed. In exercising their functions this has required knowledge of key scheme documents such as the Trust Deed & Rules, Trustee Report & Accounts and Statement of Investment Principles. A few of the areas that support this statement are set out below:

- Approved the Trustees' Report and Accounts.
- Reviewed and updated of Trust Deed and Rules around eligibility to participate in the Scheme, the DC benefits offered and the definition of pensionable salary.
- Increased their understanding around the law relating to pensions and trusts through updating the risk register and the training received around their powers to delegate and discretionary powers.
- Reviewed quarterly administration reports to monitor service delivery against agreed service levels standards and assessing the member experience.
- Maintaining a regime for proper governance - reviewing and updating the Trustees' governance framework for the DC Section of the Scheme.
- Update of the member pension scheme handbook and had this reviewed against the Trust Deed and Rules.
- Carried out a training exercise in relation to cyber security, the results of which were very positive.
- Reviewed the Pension & Lifetime Savings Association (PLSA)'s recently developed Retirement Living Standards to consider how these can fit into the Trustees' communications.
- Undertook training around the need to equalise GMPs and the impact that this would have on DC members with GMP underpins demonstrating knowledge of the principles relating the implications of contracting out and funding of DC schemes.

To show how the Trustees have demonstrated that they have sufficient knowledge and understanding of principles relating to investment of DC schemes they also undertook the following actions:

- Updated the Statement of Investment Principles for the Trustees' policies around social, environmental and ethical considerations, how the Trustees delegate their voting rights and also how the Trustees take into consideration members' views when setting the investment strategy.
- Carried out a triennial review of the default arrangement as highlighted in section 1.

- Reviewed the quarterly investment reports to assess fund performance against benchmarks, and funds against overall Scheme aim and objectives, as set out in the statement of Investment Principles.
- Received quarterly investment market outlooks.
- Received a presentation from the investment managers, explaining about the performance of the funds and changes to the investment platform.

In addition to the skills within the Trustee board, the Trustees work closely with their appointed professional advisers throughout the year to ensure that they run the Scheme and exercise their functions properly. Their professional advisers also attend all Trustees' meetings.

The Trustees consider that they meet the Pension Regulator's Trustee Knowledge and Understanding requirements and are confident that their combined knowledge and understanding, together with the support of their advisers, enables them to properly exercise their functions as the Trustees of the Scheme

**Signed on behalf of the Chairman of the Trustees of the Servier Laboratories Limited Pension Fund**

*Tony Grayson* \_\_\_\_\_  
Chairman of the Trustees

Date of signing      \_\_\_\_\_ 30 October 2020 \_\_\_\_\_