Annual Chair's Statement for the DC Section of 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 2020 to 31 March 2021**. It covers the DC Section of the Scheme.

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/about-servier-uk/

1. 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.

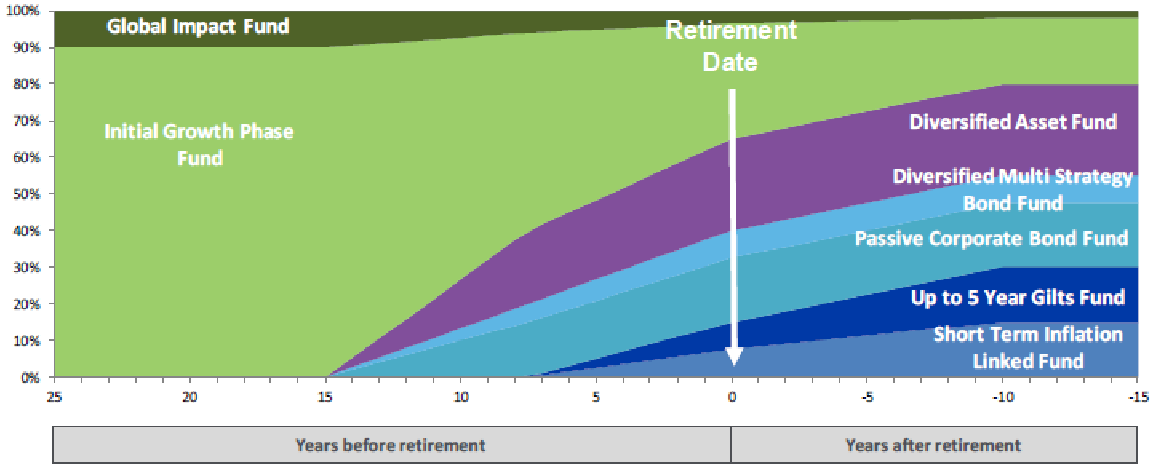
The Trustees are responsible for investment governance. This includes setting and monitoring the investment strategy for the Scheme's default strategy.

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 2020.

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 (allowing for changes made during 2021):



Years to retirement

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 consideration 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.

There has been no review of the investment strategy in the period of this report. The last investment strategy review (including a review of the default strategy) for the Scheme was completed on **28 February 2020** and the conclusions were reported in last year's statement. The next investment review is due to be carried out in 2023.

The Trustees delegate the investment management to Aon Investments Limited. Aon Investments Limited is responsible for managing the underlying investments of the default investment option and self-select funds. Aon Investments Limited will report changes to the Trustees, via the quarterly investment reports, manager presentations and ad-hoc updates between quarters. During the first 6 months of 2021, Aon Investments Limited made a number of changes to the default, including the inclusion of a fund that aims to make a positive difference both environmentally and socially.

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 14 April 2021, when the quarterly investment report for the period ending 31 December 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.

2. Processing of Core Financial Transactions

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 days.

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:

- **554** 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 2019 to 30 September 2020 and considers the suitability and effectiveness of the administration system and general IT controls adopted by Aon. It was noted that only one exception had been reported and an additional control had been added to avoid a reoccurrence of the issue (which did not impact any members of the Scheme). The audit found that the controls in place were suitable. A bridging letter covering the period 1 October 2020 to 31 March 2021 has been produced confirming that Aon's administration system and general IT controls had remained unchanged over this period.

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 reported last year, the Trustees undertook a review of 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. Following this review, the Trustees decided to use a track and trace service that validates address details on a monthly basis. The Trustees also commissioned a subsequent annual review of the common data and scheme-specific data. The results of the review are due to be available shortly and following this the Trustees' will decide on any further action needed.

COVID-19
Clearly a key concern for the Trustees, during the year, has been around the robustness of 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 via the administration reports reviewed at the Trustees' meeting. In addition, the Trustees have been given access to Aon's COVID-19 Hub which contains additional information.

The Trustees are happy to confirm that the administration service has continued to run a high quality, consistent and stable service. This includes:

- The Administration Team transitioned to 100% homeworking prior to UK lockdown
- The Pensions Contact Centre also successfully transitioning to a flexible homeworking environment, with around 95% of members rating their call experience ‘excellent’ or ‘good’, and over 80% of members able to resolve their request on their first call during the crisis.
- Productivity was maintained so that once volumes of work settled close to pre-crisis levels there was no deterioration in service or member experience.
- Online ID verification on death, retirement and transfer-out cases was introduced alongside a non-post facility for members to send documents to ensure that cases could be settled efficiently.

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.

3. Member Borne Charges and Transaction costs

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 and are reflected the unit prices paid by members. Where transaction costs have been provided as a negative cost, these have been set to zero by the Trustees.

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.

TERs and transaction costs for the default strategy (Retirement Pathway Fund, Drawdown)

The TERs that were applicable to the default strategy, as at 31 March 2021, ranged from 0.30% p.a. to 0.32% p.a. Transaction costs ranged from 0.07% to 0.13%. Details of the TERs and the transaction costs to 31 March 2021 were as follows:

Fund name	AMC (% pa) as at 31 March 2021	TER (% pa) as at 31 March 2021 (including AMC)	Transaction costs as at 31 March 2021 (%)
Aon Managed Retirement Pathway 2019-21	0.28	0.30	0.13
Aon Managed Retirement Pathway 2022-24	0.28	0.31	0.13
Aon Managed Retirement Pathway 2025-27	0.28	0.31	0.13
Aon Managed Retirement Pathway 2028-30	0.28	0.31	0.12
Aon Managed Retirement Pathway 2031-33	0.28	0.32	0.11
Aon Managed Retirement Pathway 2034-36	0.28	0.32	0.08
Aon Managed Retirement Pathway 2037-39	0.28	0.32	0.07
Aon Managed Retirement Pathway 2040-42	0.28	0.32	0.07
Aon Managed Retirement Pathway 2043-45	0.28	0.32	0.07
Aon Managed Retirement Pathway 2046-48	0.28	0.32	0.07
Aon Managed Retirement Pathway 2049-51	0.28	0.32	0.07
Aon Managed Retirement Pathway 2052-54	0.28	0.32	0.07
Aon Managed Retirement Pathway 2055-57	0.28	0.32	0.07
Aon Managed Retirement Pathway 2058-60	0.28	0.32	0.07
Aon Managed Retirement Pathway 2061-63	0.28	0.32	0.07
Aon Managed Retirement Pathway 2064-66	0.28	0.32	0.07
Aon Managed Retirement Pathway 2067-69	0.28	0.32	0.07
Aon Managed Retirement Pathway 2070-72	0.28	0.32	0.07

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.

TERs and transaction costs 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 2021 and the transaction costs to 31 March 2021 are listed in the table below:

Fund Name	AMC (% pa) as at 31 March 2021	TER (% pa) as at 31 March 2021 (including AMC)	Transaction costs as at 31 March 2021 (%)
Aon Managed Retirement Pathway to Cash Funds*	0.28	0.31	0.01 to 0.13
Aon Managed Retirement Pathway to Annuity Funds*	0.28	0.30	0.03 to 0.13
Aon Managed Passive Corporate Bond Fund	0.17	0.19	0.05
Aon Managed Long Term Inflation Linked Fund	0.17	0.17	0.00
Aon Managed Pre-Retirement Bond Fund	0.29	0.29	0.04
LGIM Ethical Global Index Fund	0.35	0.40	0.00
HSBC Islamic Global Equity Index Fund	0.35	0.39	0.02
Aon Managed Active Global Equity Fund	0.73	0.76	0.10
Aon Managed Global Equity Fund	0.20	0.25	0.04
Aon Managed Diversified Multi-Asset Fund	0.33	0.35	0.22
Aon Managed Diversified Multi Strategy Bond Fund	0.52	0.54	0.45
Aon Managed Liquidity Fund	0.17	0.20	0.01
Aon Managed Property and Infrastructure Fund	0.45	0.46	0.19

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 3 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 lowest before costs expected return and lowest annual member borne costs – this is the *Aon Managed Long Term Inflation Linked Fund.*
- B - the fund with highest annual member borne costs – this is the *Aon Managed Diversified Multi Strategy Bond Fund*
- C - The self-select fund with the greatest assets invested in it – this is the *Aon Managed Active Global Equity Fund.*

We have shown an illustration for:

- Illustration 1 - For members with a fund value of £184,900. This represents an 'average' active member (i.e. someone contributing to the Scheme).
- Illustration 2 - For members with a fund value of £2,700. 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 £63,900. 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	
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
46	£184,900	£184,900	£184,900	£184,900	£184,900	£184,900	£184,900	£184,900
50	£264,940	£261,700	£223,040	£221,640	£244,950	£236,590	£277,720	£269,910
55	£398,120	£388,450	£284,180	£280,780	£340,790	£318,430	£437,720	£413,230
60	£560,630	£541,020	£347,980	£342,260	£448,540	£407,580	£643,760	£591,800
65	£746,570	£712,610	£405,220	£396,940	£558,940	£494,550	£895,600	£801,520

The starting pot size used is £184,900 and starting salary is assumed to be £63,700. 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	
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
26	£2,700	£2,700	£2,700	£2,700	£2,700	£2,700	£2,700	£2,700
30	£25,750	£25,550	£22,860	£22,770	£24,240	£23,720	£26,250	£25,780
35	£58,990	£58,010	£45,710	£45,340	£51,760	£49,410	£61,540	£59,130
40	£106,410	£103,810	£73,630	£72,790	£87,880	£82,190	£113,340	£106,780
45	£178,930	£173,370	£113,510	£111,960	£140,720	£129,630	£193,990	£179,730
50	£272,370	£261,920	£156,690	£154,170	£202,790	£183,640	£301,240	£273,880
55	£398,810	£380,740	£210,270	£206,460	£282,220	£251,780	£449,650	£401,430
60	£555,430	£526,030	£265,750	£260,330	£371,520	£325,970	£639,740	£559,720
65	£738,940	£693,410	£315,530	£308,240	£463,030	£398,350	£872,090	£745,630

The starting pot size used is £2,700 and starting salary is assumed to be £52,800. 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	
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
45	£63,900	£63,900	£63,900	£63,900	£63,900	£63,900	£63,900	£63,900
50	£73,120	£71,870	£57,330	£56,820	£65,470	£62,340	£78,110	£75,050
55	£83,670	£80,820	£51,440	£50,520	£67,090	£60,810	£95,480	£88,140
60	£95,730	£90,900	£46,150	£44,920	£68,740	£59,320	£116,710	£103,520
65	£109,540	£102,230	£41,400	£39,940	£70,430	£57,870	£142,660	£121,570

The starting pot size used is £63,900. No allowance is made for future contributions. The average age of deferred members is 45.

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:

Fund	**Assumed annual gross growth rate**
Default Strategy	Illustration 1 – 5.3% Illustration 2 – 5.8% Illustration 3 – 5.3%
Fund A	0.3%
Fund B	3.0%
Fund C	6.7%

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.

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 7 July 2021. 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.

<u>Value for Members Assessment</u>

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:

The performance of the funds compared to the relevant objectives of the fund	✓ 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, the default has provided real growth over inflation across all vintages. ✓ 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.
Governance and delegated management of funds offered	✓ 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. ✓ The delegated fund manager has demonstrated that it is actively governing the funds. For example, during the year, the delegated manager made changes to the Aon Managed Global Equity Fund to increase the allocation to Emerging Markets equites. ✓ During the year Aon Investments Limited identified a number of enhancements to the Aon Managed Retirement Pathway Funds. These enhancements are in the process of being implemented over a number of months to ensure that the changes happen efficiently and minimise transaction costs. the changes are expected to have been completed by 30 June 2021. The changes include the inclusion of a fund that aims to make a positive difference both environmentally and socially. ✓ 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.
The design of the default strategy and how this reflects the membership	✓ 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.
The range of funds offered	✓ Drawdown may not suit all members' needs so alternative options for members are available for those 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. ✓ Members can select a Retirement Pathway fund where the investment of their pension pot is managed on their behalf. ✓ A good range of self-select funds are available covering the main types of investments available to members of a DC scheme. ✓ These include different types of investment management (i.e. lower cost passive funds where the fund aims to provide performance in line with an index and higher cost active funds where the manager is trying to add value to the performance). ✓ The Trustees make changes to the self-select range to reflect members' requirements. For example, during the next Scheme Year the Aon Managed Global Impact Fund will be launched which aims to outperform its benchmark and make a positive impact on our planet and society.
The ability to switch investments	✓ 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). ✓ 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.
The information available to members regarding the available funds	✓ Fund factsheets are produced quarterly for members and these are available to download or can be requested via the Secretary to the Trustees. ✓ A member friendly guide to investments for the Scheme has been produced and issued to members.

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
Member communications and engagement *The Trustees believe that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.*	✓ All members have access to DC retirement modeller tool, accessible online. ✓ Members are issued with a member-friendly annual benefit statement to enable members to see the key information about their retirement savings. ✓ The Trustees have provided a topical and informative insert to be issued with the annual benefit statements. (This was issued after the period of this Statement). ✓ The Trustees continually consider what communication methods can be used to help support members.
Support at retirement *The Trustees believe it is important to have retirement processes that enable members to make informed decisions and select appropriate option(s) at retirement.*	✓ 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.
Contributions *The level of contributions paid has a direct impact on the level of retirement savings that a member has at retirement.*	✓ Contributions paid by the Company are very generous and significantly above the amounts required by law. ✓ Members can request to pay additional voluntary contributions ✓ Salary sacrifice is used to reduce the cost to members of paying into the Scheme.
Sound administration *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.*	✓ As highlighted in section 2, the Trustees are comfortable with the quality and efficiency of the administration processes.
Good governance *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*	✓ 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. ✓ 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. ✓ The Trustee Board includes both Company and member nominated Trustees. ✓ 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.

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. During the year the Trustees agreed to increase this to 15 hours in line with the Pensions Regulator's recommended minimum number of hours. 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 with the exception of one Trustee, all other Trustees had undertaken more than 15 hours of training during the period 1 April 2020 to 31 March 2021.

There is an appropriate induction process in place for new Trustees which was updated in 2020. There have been no new Trustees during the period of this Statement.

In early 2020 the Trustees carried out an assessment of their training needs, which identified areas where additional training is required. Bespoke training has been produced to meet these training needs. This training was undertaken at the Trustees' meetings on 17 June 2020 and 13 November 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
- The Trustees' Internal Dispute Resolution Procedure
- Importance of having Internal Controls
- The Summary Funding Statement
- New requirements for 'small DC schemes'

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 – three meetings in total held during the year. The Trustees also read articles on pension related issues.

During the year the Trustees agreed that in order to maintain a good level of knowledge, the Trustees will continually complete the Pensions Regulator's online training modules on a rolling three-year basis. The Trustees have a three-year training plan in place to meet this and the Secretary to the Trustees monitors this position throughout the year.

During the period of the report, the Chair of Trustees carried out his annual assessment of the efficiency of the Trustee Board, including looking at the overall skills of the Trustees that sit on the Board. The Chair is pleased to report that the Board has the relevant level of skills and knowledge and will continue to do so via the use of the rolling three-year training plan referred to above.

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 specialism. The Trustees have particular areas of skills and interest that they will take the lead in relation to, including communication, investments and funding. The Trustees last considered the diversity of the Board at the Trustees' meeting on 9 March 2020 and concluded that the Board has a desirable level of diversity.

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.
- 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.
- The Trustees also had training that covered the various codes of practice published by the Pensions Regulator and the legal requirements to have the Scheme's internal controls documented and to have an Internal Dispute Resolution Procedure.
- Updated the Statement of Investment Principles and produced the first Implementation Statement detailing how the Trustees have acted in line with their policies set out in the Statement of Investment Principles.
- 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.
- 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.
- Received and discussed the changes made to the default arrangement by the delegated manager 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.
- Received training around the Investment Principles set out by Myners and the Investment Governance Group.

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

Chairman of the Trustees

Date: 22 October 2021

Servier Laboratories Limited Pension Fund (the "Fund")

Statement of Investment Principles (the "Statement")

Scope of Statement

This Statement has been prepared in accordance with Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005) and the Occupational Pension Schemes (Charges and Governance) Regulations 2015. The Statement is intended to affirm the investment principles that govern decisions about the Fund's investments. A separate document, the Investment Policy Implementation Document ("IPID"), detailing the specifics of the Fund's investment arrangements is available to members upon request.

The effective date of this Statement is 30 September 2020. The Trustees will review this Statement and the Fund's investment strategy no later than three years after the effective date of this Statement and as soon as practicably possible after any significant change in investment policy.

The Fund comprises two sections: the Defined Contribution Section (which includes those Defined Contribution members with a GMP underpin) and the Defined Benefits Section. There is no cross subsidy between the two sections. This Statement covers both the Defined Benefit Section and the Defined Contribution Section.

Consultations Made

The Trustees have consulted with the principal employer, Servier Laboratories Limited, the sponsor of the Fund, prior to writing this Statement and have taken the principal employer's comments into account as appropriate.

The Trustees are responsible for the investment strategy of the Fund and have obtained written independent professional advice on the appropriate investment strategy and on the preparation of this Statement. This advice was provided by their appointed professional investment adviser, Aon Solutions UK Limited, which is authorised and regulated by the Financial Conduct Authority.

The day-to-day management of the Fund's assets within the Defined Benefit Section has been delegated to investment managers who are authorised and regulated by the Financial Conduct Authority. A copy of this Statement has been provided to the appointed investment managers, is available to the members of the Defined Benefit Section and will be published on a publicly accessible website.

The Trustees have decided to implement the Defined Contribution Section's investment strategy through Aon's Delegated DC Services. Under this approach, the Trustees delegate the selection of the platform provider and day-to-day management of the funds to Aon, through Aon Investments Limited (Aon Investments). The available fund range includes a number of white-labelled blended funds. The choice of underlying managers and structure of each blended fund is delegated to the investment manager, namely Aon Investments.

1 – Defined Contribution Section

1.1 Objectives and policy for securing objectives

The Defined Contribution Section of the Fund is open to new members.

The Trustees' investment objective is to make available a range of pooled investment funds which serve to meet the varying investment needs and risk tolerance of the Fund's members. In particular, the Trustees aim to provide investment options that allow members:

- To maximise the value of their assets at retirement
- To maintain the purchasing power of their 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

1.2 Investment Policy

The investment policy falls into two parts:

- The strategic management, the setting of which is one of the fundamental responsibilities of Trustees; and
- The day-to-day management of the assets, which has been delegated to professional investment managers.

1.2.1 Strategic management

Three distinct asset allocation strategies are offered to members, which target different benefits at retirement, namely drawdown, annuity purchase and cash. These asset allocation strategies are offered through a target date fund structure, namely the Aon Managed Retirement Pathway Fund series, managed by Aon Investments. Details of the three asset allocation strategies are provided in the IPID.

For members who do not wish to make an active decision regarding the investment of their assets, a Default Option has been put in place following consideration of the Fund membership, the risks associated with investment and after taking advice from Aon Solutions UK Limited. Furthermore, as the Fund is being used for auto-enrolment purposes, the Trustees are required to designate a default arrangement into which members are invested.

The Default Option that applies is the Aon Managed Retirement Pathway Fund series, which targets drawdown at retirement.

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.

In setting the three asset allocation strategies, the Trustees have reviewed the extent to which the return on investments (after deduction of any charges relation to those investments) is consistent with the objectives of the strategy, which is broadly to provide an appropriate risk/return profile given the needs of members. The Trustees have also considered analysis of the existing membership of the DC Section, including considerations of factors such as age, accumulated fund values and term to retirement.

The Trustees will regularly review the appropriateness of the three asset allocation strategies, taking into account any significant changes in the demographic profile of the relevant members, and may make changes to fund choice from time to time. Members will be advised accordingly of any changes.

Whilst the Trustees retain responsibility for choosing the funds made available to members, it is the **individual member's responsibility to**:

- choose which specific funds they invest in, either by choosing the Default Option, one of the alternative asset allocation strategies, or by following their own investment strategy;
- monitor the performance of their own investments; and
- review the ongoing appropriateness of their chosen funds in light of their own individual circumstances.

1.2.2 Day-to-day management

The Trustees invest the main assets of the Defined Contribution section of the Fund in pooled funds managed by Aon Investments. The Trustees are satisfied that the spread of assets by type and the investment manager's policies on investing in individual securities within each type provides adequate diversification of investments. The Trustees have regard to the suitability of the investment funds described above through periodic strategy and performance review. The Trustees expect the manager of the funds to have regard to the suitability of the investment contained within each fund in accordance with each fund's investment aims.

1.3 The balance between different kinds of investments

The Trustees recognise that the key source of financial risk in relation to meeting its objectives normally arises from the choice of funds offered to members and is mindful of the fact that holding all of the Defined Contribution assets in a traditional balanced fund could involve too high a level of investment risk for members approaching retirement. As a result, the Trustees implement a **"lifestyle" default** strategy for the Defined Contribution Section. Members are, however, able to choose a different strategy if they so wish.

The Trustees retain responsibility for choosing the funds available and take advice as required from its professional advisers.

1.4 Investment risk measurement and management

The Trustees have considered risk from a number of perspectives. These are:

- The risk that the investment return achieved on the contributions invested over members' working lives does not provide a fund sufficient to secure an adequate pension. To mitigate this risk the underlying investment strategy aims to give a greater potential for growth over the longer term when members are still a number of years from retirement.

- The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in the retirement outcomes compared with the members' expectations.

  For those members invested in one of the three asset allocation strategies, members' funds will automatically be switched into lower risk funds, as described in the IPID, as they approach retirement, with the aim of reducing volatility. Where members are making their own investment choices, it should be noted that the risk profile of the members' assets will be affected by their choice of funds, and that the range of funds that is available includes funds that are aimed at offering relative security as retirement approaches.

- The risk that the chosen investment manager underperforms the benchmark against which the manager is assessed. The Trustees recognise that the use of an active manager involves such a risk and for this reason offer both active and passive investment options for members. The risk of manager underperformance is mitigated by the delegated nature of fund manager selection.

- The risk that the absolute return on investments, and hence the value of the retirement income, may be diminished by inflation. To help mitigate this risk, a range of funds is offered, including growth funds which aim to provide real growth (in excess of inflation) over the long term.

- The risk of fraud, poor advice or acts of negligence. The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced.

The Trustees recognise that members take the investment risk and the Trustees manage this risk through the selection and monitoring of investment performance and the choice of funds offered to members and monitors the continued appropriateness of the default strategy for the membership Investment risk measurement and management.

1.5 Expected returns on assets

Over the long term the Trustees' **expectations are**:

- **for units representing "growth" assets (UK equities and** a diversified growth fund), to achieve a return which provides a real return above the increase in price inflation over the same period. The Trustees consider short-term volatility in equity price behaviour to be acceptable, given the general expectation that over the long term these assets will outperform the other asset classes;

- **for the "monetary and index-linked" assets**: for units representing index-linked bonds to achieve a rate of return in line with the cost of providing index-linked annuities;

  for units representing monetary assets (corporate bonds, cash etc) to achieve a rate of return which is expected to be approximately in line with changes in the cost of providing annuities or a cash sum at retirement.

Returns achieved by the investment managers are assessed against performance benchmarks set by the Trustees in consultation with its advisers and investment managers.

2 – Defined Benefit Section

2.1 Investment Objectives

The Trustees recognise that the key objective is to maximise the probability that the Fund is able to provide all of the benefits due to members. They recognise that the investment strategy should take account of the principal employer's interests in respect of the size and incidence of contributions required.

2.2 Choosing investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Fund, its cashflow requirements, the funding level of the Fund and the Trustees' objectives.

It is the Trustees' intention to ensure that the assets of the Fund are invested in the best interests of the members and beneficiaries.

The Trustees exercise their powers of investment (or delegation where these powers have been delegated to an investment manager) in a manner calculated to ensure, as far as is reasonably practicable, the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk, a spread of assets is held. The diversification is both within and across the major asset classes.

Assets held to cover the Fund's technical provisions (the liabilities of the Fund) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Fund.

The assets of the Fund are invested predominantly in regulated markets (with investments not in regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is only made insofar as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The Trustees monitor the level of self-investment by the Fund on a periodic basis and are satisfied that at the current time there is negligible self-investment.

2.3 The balance between different kinds of investments

The Trustees recognise that the key source of financial risk in relation to meeting its objectives arises from asset allocation. It therefore retains responsibility for setting the Fund's overall asset allocation and takes advice as required from its professional advisers.

The Trustees review their investment strategy in conjunction with each formal actuarial valuation of the Fund or more frequently should the circumstances of the Fund change in a material way.

2.4 Investment risk measurement and management

The most important risks are recognised as arising from asset allocation. These will be assessed at least annually and following an update of the actuarial valuation. This assessment is forward-looking and may incorporate the use of asset and liability modelling techniques. Checks will be made to assess whether the funding and investment strategy remains on target to achieve the original objectives and within acceptable parameters. If it does not then corrective action will be considered by adjusting investment policy or through amendments to the Schedule of Contributions.

Risks associated with changes in the employer covenant are assessed by monitoring the Failure Score as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy. The Trustees also have an agreement with the principal employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employer.

In particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator, and employer-related Notifiable Events. On receipt of such notification, the Trustees will re-consider the continued appropriateness of the Fund's existing investment strategy.

For due diligence and good governance purposes, the Trustees will meet with the investment managers on a regular basis.

2.5 Expected returns on assets

Over the long term the Trustees' expectations are:

- for the "growth" assets (i.e. the diversified growth funds) to achieve a return which provides a real return above the increase in price inflation over the same period. The Trustees are willing to incur short-term volatility in asset price behaviour with the expectation that, over the long term, these assets will outperform asset classes which may be regarded as matching the liabilities;
- for the "matching" assets (i.e. the LDI fund) to achieve a rate of return which is broadly in line with changes in the valuation of the Fund's liabilities due to changes in interest rates.
- for the assets as a whole to provide projected returns at least in line with the Trustees' funding assumptions as set out in the Statement of Funding Principles.

Returns achieved by the investment managers are assessed against performance benchmarks set by the Trustees in consultation with their advisers and investment managers.

3 - Both sections

3.1 Realisation of investments/liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise. Units in the funds in which the Fund invests may normally be bought and sold on a daily basis and hence the Trustees are satisfied with the liquidity of the Fund's investments.

3.2 Environmental, Social, and Governance considerations

In setting the Fund's DB and DC investment strategies, the Trustees' primary concern is to act in the best financial interests of the Fund's beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly.

The Trustees consider this risk by taking advice from their investment adviser when setting the Fund's asset allocation, when selecting managers and when monitoring their performance.

3.3 Stewardship – Voting and Engagement

The Trustees recognise the importance of their role as a steward of capital and the need to ensure high standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Fund invests, as this ultimately this creates long-term financial value for the Fund and its beneficiaries.

The Trustees regularly review the suitability of the Fund's appointed investment managers and take advice from their investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustees have set out in their policy, the Trustees undertake to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustees review the stewardship activities of their investment managers on an annual basis, covering both engagement and voting actions. The Trustees will review the alignment of the Trustees' policies to those of the Fund's investment managers and ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change. This will include Aon Investments monitoring its underlying investment managers' voting and engagement activities, and engaging with these managers to promote good corporate governance, accountability, and positive change.

The Trustees will engage with their investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Fund members on request. The transparency for voting should include voting actions and rationale with relevance to the Fund, in particular, where: votes were cast against management; votes against management generally were significant, votes were abstained; voting differed from the voting policy of either the Trustees or the investment manager.

From time to time, the Trustees will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustees may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

3.4 Members' Views and Non-Financial Factors

In setting and implementing the Fund's investment strategy (for both DB and DC) the Trustees do not explicitly take into account the views of Fund members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

For DC members, the Trustees have made the Ethical and Islamic funds available to members who would like to invest in funds with these specific considerations. The underlying funds that make up the default fund and other self-select funds should not apply personal ethical or moral judgements as the sole basis for an investment decision.

3.5 Arrangements with Investment Managers

Defined Contribution Section

The Trustees have appointed Aon Investments as their fiduciary manager, who they consider to be their investment manager. References in this policy to 'underlying investment managers' refers to those investment managers which Aon Investments in turn appoints to manage investments on behalf of the Trustees.

The Trustees recognise that the arrangements with their fiduciary manager, and correspondingly the underlying investment managers, are important to ensure that interests are aligned. In particular, the Trustees seek to ensure that the fiduciary manager is incentivised to operate in a manner that generates the best long-term results for the Fund and its beneficiaries.

The Trustees receive regular reports from the fiduciary manager on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Fund objectives, and assess the fiduciary manager over 3-year periods.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by their fiduciary manager, which supports the Trustees in determining the extent to which the Fund's engagement policy has been followed throughout the year.

The Trustees share the policies, as set out in this Statement, with the Fund's fiduciary manager and request that they review and confirm whether their approach is in alignment with the Trustees' policies.

The Trustees delegate the ongoing monitoring of underlying investment managers to the fiduciary manager. The fiduciary manager monitors the Fund's investments to consider the extent to which the investment strategy and decisions of the underlying investment managers are aligned with the investment objectives of the Fund.

This includes monitoring the extent to which the underlying investment managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

Before appointment of a new fiduciary manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where possible, the Trustees will seek to amend that documentation or express their expectations (such as through side letters, in writing, or verbally at Trustee meetings) so that there is more alignment.

The Trustees believe that having appropriate governing documentation, setting clear expectations to the fiduciary manager, and regular monitoring of the fiduciary manager's performance and investment strategy, is sufficient to incentivise the fiduciary manager to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where the fiduciary manager is considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically engage with the fiduciary manager to understand the circumstances and materiality of the decisions made.

There is typically no set duration for arrangements with the fiduciary manager, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying investment managers that the fiduciary manager invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.

Defined Benefit Section

The Trustees regularly monitor the Fund's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustees' policies, including those on non-financial matters. This includes monitoring the extent to which investment managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustees are supported in this monitoring activity by their investment adviser.

The Trustees receive reports and verbal updates from the investment adviser on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Fund objectives, and assess the investment managers over 3-year periods.

The Trustees also receive stewardship reports on the monitoring and engagement activities carried out by their investment manager, which supports the Trustees in determining the extent to which the Fund's engagement policy has been followed throughout the year.

The Trustees share the policies, as set out in this Statement, with the Fund's investment managers, and request that the investment managers review and confirm whether their approach is in alignment with the Trustees' policies.

Before appointment of a new investment manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where possible, the Trustees will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Fund invests in a collective vehicle, then the Trustees will express their expectations to the investment managers in by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustees believe that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment of all the Fund's investment managers will be reviewed periodically, and at least every three years.

3.6 Monitoring of Investment Manager Costs

Defined Contribution Section

Cost Monitoring

For the DC Section, the Trustees collect information on member-borne costs and charges on an annual basis, where available, and sets these out in the Plan's Annual Chair's Statement regarding DC Governance (the "Annual Chair's Statement"), which is made available to members in a publicly accessible location.

No specific ranges are set for acceptable costs and charges, particularly in relation to portfolio turnover costs. However, the Trustees expects their advisers to highlight if these costs and charges appear unreasonable when they are collected as part of the Annual Chair's Statement exercise.

The Trustees are aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Fund's assets. The Trustees recognise that in addition to annual management charges, there are other costs incurred by investment managers that can increase the overall cost incurred by their investments.

The Trustees receive annual cost transparency reports from their fiduciary manager. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Fund;
- The fees paid to the fiduciary manager;

- The fees paid to the investment managers appointed by the fiduciary manager;
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the fiduciary manager;
    - The Trustees define portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the investment managers appointed by the fiduciary manager;
- Any charges incurred through the use of pooled funds (custody, administration, and audit fees)
- The impact of costs on the investment return achieved by the Fund.

The Trustees acknowledge that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The fiduciary manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the investment managers appointed on behalf of the Trustees.

The Trustees benefit from the economies of scale provided by the fiduciary manager in two key cost areas:

- The ability of the fiduciary manager to negotiate reduced annual management charges with the appointed investment managers;
- The ability of the fiduciary manager to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the investment managers and achieve efficiencies where possible;

Evaluation of Performance and Remuneration

The Trustees assess the (net of all costs) performance of their fiduciary manager on a rolling three-year basis against the Fund's specific investment objective. The remuneration paid to the fiduciary manager and fees incurred by third parties appointed by the fiduciary manager are provided annually by the fiduciary manager to the Trustees. This cost information is set out alongside the performance of the fiduciary manager to provide context. The Trustees monitor these costs and performance trends over time.

Defined Benefit Section

Evaluation of Performance and Remuneration

The Trustees evaluate the performance of their investment managers relative to their respective objectives on a regular basis via investment reports and updates from the investment managers. The Trustees also review the remuneration of the Fund's investment managers on at least a triennial basis to ensure that these costs are reasonable in the context of the kind and balance of investments held.

Portfolio turnover

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year. The Fund's investment adviser monitors this on behalf of the Trustees as part of the manager monitoring they provide to the Trustees and flags to the Trustees where there are concerns.

3.5 Effective Decision Making

The Trustees recognise that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. They also recognise that where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice received.

3.6 Additional Voluntary Contributions ("AVCs") Arrangements

Some members obtain further benefits by paying Additional Voluntary Contributions (AVCs) to the Fund. The majority of members AVC assets are invested in the same funds that are utilised for the main Fund. Some assets are also invested with Scottish Widows Fund and Life Assurance Society.

From time-to-time the Trustees review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

TONY GRAYSON		22nd September 2020
Name (Print)	Signature	Date