

June 2017

2016 Annual Chair's Statement for the Piramal Healthcare UK Pension Fund (Defined Contribution Section) ("the Fund")

From 6 April 2015, the Occupational Pension Scheme (Charges and Governance) Regulations 2015 (the "Regulations") introduced new minimum governance standards that apply to all trust-based Defined Contribution (DC) schemes, such as the Fund.

The new requirements include ensuring that schemes:

meet the new governance standards,

explain how they have done so in an annual statement (i.e. this "Chair's statement"),

have an appointed Chair who signs the annual statement, and

are compliant with the new charge controls where they are being used by employers to comply with their duties under automatic enrolment legislation.

The trustee body of any registered pension scheme providing DC benefits must have a chair of trustees who will have a single additional regulatory responsibility compared to other trustees, which is to sign off on an annual Chair's statement.

This is the second such statement issued by the Fund covering the period from 1 January 2016 to 31 December 2016.

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

- The Default Arrangement,
- Member borne charges and transaction costs, including Value for Members,
- Processing of core financial transactions, and
- Trustee knowledge and understanding.

1. The Default Arrangement

The Trustee is responsible for investment governance. This includes setting and monitoring the investment strategy for the Fund's default arrangement. The default investment strategy is provided for members who join the Fund and do not make an active investment choice for their contributions. Members can also choose to invest in the default investment arrangement.

There are three lifestyle strategies available, aimed for members targeting different forms of benefit at retirement: A Drawdown Lifestyle Strategy, an Annuity Lifestyle Strategy and a Cash Lifestyle Strategy. Each strategy consists of an accumulation phase, a transition phase (beginning 10 years from a member's planned retirement age) and a pre-retirement phase (beginning five years from a member's planned retirement age). The accumulation and transition phases are identical for all three lifestyle options, and the pre-retirement phase then switches to funds suitable for members targeting each specific type of benefit (drawdown, annuity or cash).

The Drawdown Lifestyle Strategy is the Trustee's default investment arrangement and has been designed for members who wish to retain flexibility in the form in which they take their benefits at retirement, for example by transferring to a flexible income drawdown product.

The Default and other lifestyle strategies have been designed to meet the needs of the Piramal membership with a view to achieving good outcomes for members.

The Annuity Lifestyle Strategy has been designed to be suitable for members who take the maximum 25% tax-free cash at retirement and purchase an annuity with the remainder of their account.

The Cash Lifestyle Strategy has been designed to be suitable for members who wish to take the whole of their account as a cash lump sum at retirement.

The latest Statement of Investment Principles (SIP) for the Fund, which governs decisions about investments in the Fund, including the specific requirements of the default strategy together with the details of how the Drawdown Lifestyle Strategy is currently invested, is appended to this statement.

It is the Trustee's policy to review the Fund's investment strategy, including the default strategy, and all funds available to members on a regular basis. Performance of the funds underlying the default strategy of the Fund is monitored on a quarterly basis and reported in the Fund's quarterly monitoring report. Performance of the default strategy is monitored annually, together with a more detailed review of performance.

An investment strategy review is undertaken for the Fund at least every three years, as prescribed by the Regulations. The last investment strategy review, including a review of the default strategy, for the Fund was completed in 2015 with changes implemented in October 2015, taking account of the new Pension Freedoms legislation. The next strategy review will be carried out no later than H1 2018 (three years after the last review).

2. Processing of Core Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. These transactions include, but are not limited to:

- investment of contributions to the Fund;
- transfer of member assets into and out of the Fund;
- transfers between different investments within the Fund; and
- payments to and in respect of members.

Piramal Healthcare UK Limited is responsible for ensuring that contributions are paid over to the Fund promptly, and the timing of such payments is monitored through reports submitted regularly by the Fund's administrator, Willis Towers Watson.

Willis Towers Watson carry out the bulk of the above listed core financial transactions. To enable the Trustee to monitor the processing of core financial transactions, the Trustee receives quarterly administration reports from Willis Towers Watson on key aspects of the administration which includes performance against the agreed service levels.

Willis Towers Watson have also compiled an Administration procedures manual for the Fund, which covers services provided by Willis Towers Watson to the Fund and the procedures followed for various financial transactions and member events. This was updated and approved by the Trustee in Q4 2016.

In light of the above, the Trustee is satisfied that there are processes in place to ensure that all core Fund transactions are processed in an accurate and timely manner.

3. Member Borne Charges and Transaction costs

The Trustee is required to assess the costs associated with the Fund, which are paid by the members. These costs comprise charges and transaction costs.

Charges, such as the Annual Management Charge ("AMC" – the annual fee charged by the investment manager for investing in a fund), as well as additional expenses together comprise the Total Expense Ratio (TER), which is the total cost of investing in the fund.

The TER information is readily available as these charges are explicit and are deducted as a percentage of members' 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. The Trustee has sought to obtain information on these transaction costs and has been informed that due to the complex nature of investments and lack of standard disclosure requirements, information on transaction costs is not available at this current time. The Trustee, along with its investment advisors, will be working with AXA Wealth, the platform provider, and the Fund's investment managers and will report further on this when information becomes available.

The TERs, as at 31 December 2016, that were applicable to the Fund's default arrangement, the Drawdown Lifestyle Strategy, and the two other lifestyle strategies available to members can be found in the table below. Importantly, the TER range for the Fund's default arrangement is within the charge cap set by the regulations of 0.75% p.a.

Lifestyle strategy	T.E.R range (% p.a.)*
Drawdown Lifestyle strategy (default arrangement)	0.135 – 0.31
Annuity Lifestyle strategy	0.135 – 0.308
Cash Lifestyle strategy	0.100 – 0.308

* % p.a. of assets under management, depending on the combination of funds relating to each member's term to retirement age.

In addition to the three lifestyle strategies, the Trustee also makes available 10 alternative self-select funds, which may be chosen as an alternative to the default lifestyle. These funds attracted TERs of between 0.10% p.a. and 0.94% p.a. of assets under management as at 31 December 2016.

In addition to the requirement to assess the charges and transactions costs paid by members, the Trustee is also required to consider the extent to which those charges and costs represent good value for money for members ("Value for Members"). The Regulations do not prescribe how trustees are to go about assessing Value for Members; it is left to the respective trustee body to develop their own assessment framework.

In conjunction with its investment advisors, the Trustee has established an assessment framework in order to assess the benefits of membership of the Fund. The Trustee has identified the following areas where they believe there is a benefit derived by members. These benefits can be financial or non-financial in nature:

- Member communications and engagement (including support at retirement)
- Investment choices
- Flexible contributions
- Sound administration
- The time spent by the Trustee in making sure that the Fund is run in the best interests of its members (known as governance)

Under the Trustee's assessment framework, for all but one of the key areas, the Fund has received a positive 'GREEN' rating and as a result, the Trustee believes that the costs and charges borne by members represent good value. The potential improvements identified in the other area (Member communications and engagement, including support at retirement), which received an 'AMBER' rating, are under active consideration by the Trustee.

4. Trustees' Knowledge and Understanding

The Regulations require the Trustee Directors to have appropriate knowledge and understanding to run the Fund effectively. The Trustee recognises the importance of training and development and has put in place arrangements for ensuring that Trustee Directors take personal responsibility for keeping themselves up-to-date with relevant developments and carry out a self-assessment of training needs.

Training logs, which record all relevant training completed, are maintained by Trustee Directors and these are reviewed and updated regularly. Trustee Directors are also encouraged to complete the Pensions Regulator's Toolkit training online.

The Trustee Board also aims to carry out a Trustee Knowledge and Understanding (TKU) Gap analysis every 2-3 years. This Gap analysis is presented in the form of a survey to be completed by the Trustee Directors, which compares their current level of knowledge against the Pensions Regulator's TKU framework. The last review was carried out in 2016

The Trustee Board holds regular Trustee's meetings and detailed minutes of each meeting are maintained. The Trustee Board has made available abstracts of the minutes from the Trustee meetings held during the period under review and these show that certain areas of TKU have been covered during 2016 Trustee meetings, including: the new DC Code of Practice, achieving good member outcomes, legal refresher training, scope of existing Company IFA member support, member support at retirement and the Chair's Statement and Value for Money assessment.

In addition to the skills within the Trustee board, the Trustee works closely with its appointed professional advisers throughout the year to ensure that it runs the Fund and exercises its functions properly. Its professional advisers also attend all the Trustee's meetings. An Independent (professional) Trustee also sits on the Trustee Board. In addition, a separate Investment Sub-Committee of Trustee Directors meets regularly to discuss specific investment matters in connection with the Fund.

Taking into consideration the training activities completed by the Trustee board together with the professional advice available to the Trustee, the Trustee considers that it has met the Pension Regulator's TKU requirements (as set out under Code of Practice No 7) during the Fund year and is confident that the combined knowledge and understanding of the Trustee board, together with the input from its specialist advisers, enables it to properly exercise its functions as the Trustee of the Fund.

Overall, the Trustee is confident that all requirements of the Regulations as they apply are being met, and in many areas exceeded, in the interests of members of the Fund.

Signed on behalf of the Trustee of the Piramal Healthcare UK Pension Fund

Mark T Garrod

Chairman of the Trustee

Date of signing June 23rd, 2017
