

Teva UK Limited Retirement Benefits Scheme (the Scheme)
Annual Governance Statement for the year ended 31 March 2021

1. Introduction

This statement has been prepared by Entrust Pension Limited (**Entrust**), the independent and sole trustee of the Scheme (the **Trustee**). It confirms the Scheme's compliance in key areas of governance as required by the Occupational Pension Schemes (Scheme Administration) Regulations 1996. It is included in the Annual Report and is signed on behalf of Entrust, which is the Chair of the Trustee for the purposes of these Regulations.

Governance requirements apply to defined contribution (**DC**) pension arrangements to help members achieve a good outcome from their pension savings. The statement explains how the Trustee has met its legal obligations in relation to the management of the DC arrangements of the Scheme over the period 1 April 2020 to 31 March 2021 (the **Scheme Year**). It covers governance and charge disclosures in relation to the following:

- the investment options in which members' funds are invested;
- the requirements for processing core financial transactions;
- member borne charges and transaction costs;
- a 'value for members' assessment; and
- trustee knowledge and understanding.

2. Background to the Scheme

The Scheme was established on 10 June 1974 and is governed by the terms of a Definitive Trust Deed dated 24 March 2000 (as amended from time to time).

The Scheme consists of two sections: a defined benefit (**DB**) section (the **DB Section**) and a DC section (the **DC Section**).

The DB Section was closed to new entrants with effect from 31 March 2001 and closed to future accrual with effect from 1 April 2012. Certain DB Section members elected to pay additional voluntary contributions (**AVCs**) on a DC basis under the Scheme. These AVC assets are invested separately from the main Scheme funds in the form of individual policies held in the Trustee's name and are referred to in this statement as the **AVC Benefits** or the **AVC Arrangements**.

The DC Section was opened in 2006 but closed to both new members and further contributions on 1 January 2008 when Teva UK Limited, the principal employer of the Scheme (the **Employer**), set up a Group Personal Pension Plan for its employees.

3. DC Review

During the 2018/19 Scheme Year, the Trustee and the Employer commenced discussions regarding the future of the DC arrangements. It was agreed that a review (the **DC Review**) should be undertaken to explore different ways in which the existing services provided to Scheme members and value for members could be improved. A decision was made at the commencement of the project to retain the AVC Benefits within the Scheme and so these are not included within the scope of the DC Review.

With advice from Isio Group Limited (**Isio**) which provides actuarial, administration and investment services to the Scheme and Gowlings WLG which acts as legal adviser to the Trustee, the Trustee has decided to secure the DC Section benefits using an alternative vehicle. Following a detailed selection exercise, the Trustee, supported by the Employer, has appointed the Legal & General Master Trust (the **L&G Master Trust**) to receive the DC Section assets. It is proposed that the transfer of DC assets to the L&G Master Trust will take place in early 2022. All members who will be impacted by these changes will be notified during Q4 2021.

The Trustee considers these changes to be positive as the L&G Master Trust is a modern DC arrangement which will provide members with a wide range of investment options as well as improved member support, online tools and retirement flexibility.

4. Investment Funds

The Scheme is not a qualifying scheme for auto-enrolment purposes and, as such, there is no requirement to have a "default arrangement" as defined in the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

Teva UK Limited Retirement Benefits Scheme (the Scheme)
Annual Governance Statement for the year ended 31 March 2021

4.1 The DC Section

The DC Section provides members with three investment fund options on a self-select basis. A significant majority of the Scheme's DC assets are invested in the Schroders Life Managed Balanced Fund. The two other available investment funds are the Schroders Life Sterling Broad Market Bond Fund and the Schroders Life Cash Fund. Members are free to switch between these funds, but such switches are not typically commonplace.

The DC Section does not have a 'lifestyle' fund. This is a typical type of default fund where members' funds are gradually moved to funds which are characteristically less volatile, such as bonds and cash, as a member approaches retirement age. As noted above, the investment fund options are provided on a self-select basis.

4.2 The AVC Benefits

During the Scheme Year, AVC Benefits were (and are currently) held under policies with two providers; Utmost Life and Pensions (**Utmost Life**) and ReAssure Ltd.

4.2.1 Utmost Life

Members with Utmost Life AVC Benefits can invest in a range of unit linked funds. The funds which members could invest in during the Scheme Year are set out in Section 8.1.2(a).

4.2.2 ReAssure Ltd

Members with ReAssure Ltd AVC Benefits have access to the With-Profits Fund which carries Guaranteed Annuity Rates for certain members in respect of certain types of annuity policies.

5. The Statement of Investment Principles

The Trustee has prepared a Statement of Investment Principles (the **SIP**) which sets out the principles and policies governing determinations about investments made by the Trustee in the management of the Scheme's DC assets. The SIP sets out the primary long-term investment objective which is investment in a range of secure assets which will generate sufficient income and capital growth for members saving for their retirement.

A copy of the most recent SIP is appended to this statement. A copy of the SIP and this statement are also available to members to download free of charge at:

<https://gateleyplc.com/resources/statement-investment-principle-teva-uk-limited-retirement-benefi/>.

6. Investment Review

6.1 The DC Section

The last investment review of the DC Section was undertaken in March 2015. As a result of this review, the Trustee took the decision to maintain the investment options which were then in place for the Scheme, and these have continued in place to the present time.

The DC Review which commenced in the 2018/19 Scheme year included exploring ways in which member value and terms could be improved and included consideration of investments. It was agreed that a full investment review would be undertaken should the DC Section assets be retained within the Scheme. A full investment review has not been undertaken as the DC Section assets are going to be transferred out of the Scheme.

In addition to any strategy review, the Trustee reviews and monitors the performance of the investment funds on a regular basis to assess whether the funds are performing in line with the investment objectives of the Scheme and relevant benchmarks. Investment updates covering quarterly periods are reviewed by the Trustee. Following its review of the investment updates covering the Scheme Year, the Trustee has concluded that the investment funds performed broadly as expected and were consistent with the aims and objectives as stated in the SIP.

6.2 The AVC Arrangements

A review of the Scheme's AVC Arrangements was undertaken in 2015 by the former trustees of the Scheme with assistance from Premier Benefit Solutions Limited. The review included consideration of the suitability of the investment options available to members, the feasibility of buying out the AVC Benefits, alternative means by which the funds held within the AVC Arrangements could potentially be secured and recommendations in respect of investment options should a decision be made not to secure the AVC Benefits outside the Scheme.

As explained earlier in the statement the AVC Benefits were considered as part of the DC Review and a decision was made to retain the AVC Benefits within the Scheme. The Trustee has asked Isio to undertake a

Teva UK Limited Retirement Benefits Scheme (the Scheme)
Annual Governance Statement for the year ended 31 March 2021

full review of the AVC Arrangements (the **AVC Review**). This is currently being carried out and the Trustee will provide a further report in any future statement which is produced for the Scheme.

7. Processing of Financial Transactions

The Trustee has a duty to ensure that core financial transactions relating to the Scheme's DC arrangements are processed promptly and accurately. Core financial transactions include, but are not limited to, cash management services, the transfer of members' assets to and from the Scheme, investment switches and benefit payments. Electronic means of processing are used wherever possible. The Trustee explains below how these statutory processing requirements have been met.

The core financial transactions of the DC Section are undertaken on the Trustee's behalf by Premier Pensions Management Limited (**Premier**).

The core financial transactions of the DB Section (including limited transactions relating to the AVC Benefits) are undertaken on the Trustee's behalf by Isio. Isio deals with the disinvestment of AVC monies. Members contact the providers directly to update their investment choices. Isio undertake few core financial transactions in relation to AVCs, the majority relating to either retirements or transfers. There were just two AVC transactions during the Scheme Year.

Premier and Isio are referred to together as the **Administrators**.

Each of the Administrators' services is provided under the terms of a Service Level Agreement (the **SLA**). The SLAs cover, amongst other matters, the processing of core financial transactions. The Trustee has agreed performance objectives with each administrator, which are monitored on a regular basis to ensure that the members receive an effective administration service.

Both Premier and Isio have processes in place to ensure that the requirements of the respective SLA are met. These include monthly monitoring of cash flows and bank reconciliations and checking systems in respect of benefit calculations and bank transactions. Relevant administration processes are subject to a checking process including senior peer review of transactions and a further secondary documented authorisation process which applies to transactions above a certain threshold.

The Trustee receives quarterly stewardship reports from the Administrators.¹ The stewardship reports include reports on the accuracy and timeliness of core financial transactions and details of service performance benchmarked against the target delivery standards set out in the SLAs. These reports allow the Trustee to monitor core financial transactions. The Trustee reviews the stewardship reports upon receipt. It also evaluates the performance of the Administrators on a regular basis.

The primary SLAs for Premier are as set out below:

Transaction	SLA
Disinvestment	2 days from request
Retirement	Within 5 days of receiving all documentation
Investment Switches	3 days from request
Transfers	5 days from member confirming wish to transfer out
Annual Benefit Statements	Within six weeks of the statement date/resolution of data queries

The overall target is to complete 95% of all tasks within the above timescales.

¹ It should be noted that full administration reports from Isio for the Q1 to Q3 2020 period were delayed until November 2020 because of the impact of the pandemic. However, summary reports were still received on a quarterly basis during this period and contact between Isio and the Trustee was maintained throughout. The Trustee has also confirmed that the AVC transactions were completed within relevant SLA timescales.

Teva UK Limited Retirement Benefits Scheme (the Scheme)
Annual Governance Statement for the year ended 31 March 2021

The results for the Scheme Year are set out in the table below.

Period	Items of communication	Performance against target
Q2 2020	22	100%
Q3 2020	10	100%
Q4 2020	26	100%
Q1 2021	20	100%

There were just two AVC transactions during the Scheme Year and these were completed within any relevant SLA targets.

Members are encouraged to give feedback on their level of satisfaction when they are provided with service from the Administrators and relevant feedback is included in the stewardship reports.

Since the closure of the DB and the DC Sections no further payments from members or the Employer (aside from deficit repair contributions in respect of DB benefits) have been paid into the Scheme. Member investment switching for the DC Section is not commonplace, and the number of transactions tend to be limited. The stewardship reports provide details on all member processing times. The Trustee's review of the stewardship reports includes ensuring that any investment processing which has occurred has taken place within the SLA processing times agreed with Premier.

In addition to the above, the Trustee's Annual Report and Accounts which incorporate the Scheme's financial transactions are independently audited on an annual basis by the Scheme auditor, Harmer Slater Limited.

The Trustee reviews the stewardship reports and evaluates the performance of the Administrators on a regular basis. The Trustee is satisfied that over the period covered by this statement:

- the Administrators were operating appropriate procedures, checks and controls and that these were sufficiently robust to ensure that relevant financial transactions were dealt with effectively and in line with agreed service levels and statutory requirements;
- the Administrators have performed key financial transactions over the Scheme Year promptly and accurately; and
- there were no material issues or delays in relation to processing core financial transactions.

8. Charges and Transaction Costs

The Trustee monitors the level of charges and costs borne by members through the investment funds. The charges are detailed in Section 8.1 below. Section 8.2 contains an illustrative example of the cumulative effect over time of the costs and charges on the value of a member's benefits.

The Trustee can confirm that it has taken account of the statutory "Reporting of costs, charges and other information: guidance" produced by the Department for Work & Pensions when preparing this Section of the statement.

8.1 Charges and transaction costs in the Scheme

The charges borne by the members of the Scheme consist of explicit direct costs such as the annual management charge which is the annual fee charged by the investment manager for investing in a fund, as well as additional expenses such as legal fees and other operational expenses but excluding transaction costs. Together these comprise the Total Expense Ratio which is a measure of the total costs of a fund to the member.

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

8.1.1 The DC Section

The level of total charges applicable to each of the three investment funds during the Scheme Year is set out in the table below.

Teva UK Limited Retirement Benefits Scheme (the Scheme)
Annual Governance Statement for the year ended 31 March 2021

Fund	Annual Management Charge (%p.a.)	Total Expense Ratio (%p.a.)	Ongoing Charges Figure
Schroders Life Managed Balanced Fund	0.50%	0.04%	0.54%
Schroders Life Sterling Broad Market Bond Fund	0.30%	0.03%	0.33%
Schroders Life Cash Fund	0.10%	0.13%	0.23%

All other administration and transaction costs for the management of the Scheme are paid by the Employer.

There is no missing transaction cost data.

8.1.2 The AVC Arrangements

Details of the charges and costs available from the AVC providers at the time this statement was produced are set out below. Although relevant information was received from Utmost Life, the information required from ReAssure Ltd remains outstanding despite numerous requests being made on behalf of the Trustee. The Trustee has escalated the matter by submitting a formal complaint to ReAssure Ltd and is currently awaiting a response. The Trustee will include any missing information which becomes available in any further governance statement that is produced for the Scheme. Relevant charges and transaction costs are also being considered as part of the AVC Review.

(a) Utmost Life

Fund	Annual Management Charge (%p.a.)	Total Expense Ratio (%p.a.)
Secure Cash	N/A	N/A **
Money Market	0.50%	0.50%
Multi-Asset Moderate	0.75%	0.75%
Multi-Asset Cautious	0.75%	0.75%
UK Equity	0.75%	0.75%
Global Equity	0.75%	0.75%

** Money held in the Secure Cash fund was switched into the 'investing by age' strategy between July and December 2020. Investments in this strategy are invested as follows:

- 100% in the Multi-Asset Moderate fund until age 55;
- From age 55, each year for the next 10 years, 10% of the investments gradually move into the Multi-Asset Cautious fund;
- The funds are 100% invested in the Multi-Asset Cautious fund from age 65 to 75;
- From age 75, each year for the next ten years, 10% of the investment value gradually moves into the Money Market fund;
- The investments are fully invested in the Money Market fund by age 85.

There is no missing transaction cost data.

All other administration and transaction costs for the management of the Scheme are paid by the Employer.

Teva UK Limited Retirement Benefits Scheme (the Scheme)
Annual Governance Statement for the year ended 31 March 2021

8.2 Impact of charges and transaction costs

Over 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 the time benefits are taken.

The Trustee has illustrated the cumulative potential effect over time of the application of transaction costs and charges on the value of a member's benefits (pot size). The significant majority of members with DC benefits are invested in the three Schrodgers funds. Therefore, the illustration has been prepared for these funds.

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 Trustee has had to make a number of assumptions about what these might be. The assumptions are set out below.

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- The starting pot size is assumed to be £4,640 before allowing for inflation.
- Inflation is assumed to be 2.5% each year.
- As the Scheme has no active members, no contributions are paid in the first or subsequent years of the illustration.
- Values shown are estimates and not guaranteed and have been designed to illustrate the impact of charges on the pension pot.
- The projected growth rate (before expenses) for each fund are as follows:

Sterling Broad Market Bond Fund	1.68% p.a.
Managed Balance Fund	4.20% p.a.
Cash	0.10% p.a.

Based on the above the results are as follows:

Projected pension pot in today's money at age 65					
Fund	Youngest member (age 34)			Average age member (age 48)	
	Before charges	After charges + costs deducted	all costs	Before charges	After charges + costs deducted
Sterling Broad Market Bond Fund	£3,612	£3,266		£4,044	£3,827
Managed Balance	£7,730	£6,580		£6,139	£5,620
Cash	£2,226	£2,073		£3,102	£2,983

The above returns are illustrative only and are not intended to provide information or guidance to members on whether a particular fund is most suited to their requirements. Typically, higher investment returns are achieved by taking more investment risk. Each individual should assess their own risk appetite when selecting funds. It is recommended that individuals seek guidance and independent financial advice when making decisions about investments.

9. Value for Members Assessment

9.1 The DC Section

A value assessment of the DC Section is undertaken on an annual basis. This involves the Trustee, with the support of Premier assessing whether the Scheme represents good value for its members. There is no statutory definition of "good value" or single approach to an assessment of value. The Trustee must determine

Teva UK Limited Retirement Benefits Scheme (the Scheme)
Annual Governance Statement for the year ended 31 March 2021

whether the DC Section represents good value for members by developing a policy which reflects the Scheme's circumstances and members.

The Trustee has identified five underlying components of the value assessment:

- investments and member charges and costs;
- member communications;
- the retirement support provided to members;
- the range and quality of administration services provided to members; and
- the robustness of Scheme governance.

The Trustee has assessed each of these areas as follows.

9.1.1 Investments and member costs and charges

The assessment of investments includes consideration of 'choices and returns' as to the range of funds available and fund performance and the 'costs and charges' which members pay.

Members are invested in accordance with their own investment choice in one or more of the three Schroders funds offered. The Trustee remains satisfied with the performance of the main Scheme investment funds against their objectives over both the Scheme Year and the long term. Two of the three funds outperformed their relative benchmark return over the last one-year period with the third only slightly underperforming against the benchmark. All three funds outperformed their relative benchmark return over the last two-year, and three-year periods.

The Trustee is satisfied that the performance of the DC funds is within the expected ranges and that the fund range offered is competitive.

The Trustee has considered how the costs and charges of membership compare against the services and benefits provided by the Scheme. The member charges on a total expense ratio basis are considered competitive being significantly below the charge cap of 0.75% p.a. and with two out of three of the funds being below the industry benchmark of 0.5%. It is noted that the costs across all funds are low which in isolation helps members' returns. Members do not pay for additional management costs of the Scheme, for example, advisory charges, legal fees and auditor costs. The Trustee is satisfied that that these services represent value for members.

As part of the DC Review, the Trustee has considered investments and the funds which are offered to members. The transfer to the L&G Master Trust will result in members having access to a modern default investment strategy and a wide range of alternative funds.

9.1.2 Member communications

Members receive mainly paper based communication. The main regular communication is the annual benefit statement which contains the Statutory Money Purchase Illustration.

Because the communication material issued to members of the Scheme is limited and, as members do not have online access to pension information, the member communications component was graded as being an area which would benefit from further analysis.

9.1.3 Retirement support

Members receive a retirement quotation six months in advance of reaching normal retirement date together with a retirement pack which covers all of the DC options available along with details of the 'risks and considerations' that members should take into account when making decisions about their retirement. The 'Your pension: your choices' Leaflet produced by the MoneyHelper Service working in conjunction with Pension Wise is also issued.

The Trustee has previously identified member communications and retirement support as matters which would benefit from further consideration. A decision was made to defer such consideration pending the outcome of the DC Review. It will not be necessary to revisit these given the decision to transfer the DC assets to the L&G Master Trust. Both are areas which the transfer to the L&G Master Trust is intended to improve – the L&G Master Trust will result in improved retirement support and access to a wide range of retirement options for members.

Teva UK Limited Retirement Benefits Scheme (the Scheme)
Annual Governance Statement for the year ended 31 March 2021

9.1.4 Administration

Effective administration is a key part of operating a pension scheme. The Administrators provide good quality administration services to the Scheme and their performance is monitored on an ongoing basis by the Trustee. They also provide the Trustee with formal stewardship reports each quarter which contain details of service performance and which enable the Trustee to monitor the administration service provided on a regular basis. The quarterly stewardship reports also help to ensure that SLA target response times are being achieved. The Administrators are audited on an annual basis in line with AAF 01/06 requirements. The L&G Master Trust should also provide effective administration services to members.

9.1.5 Scheme governance

The Trustee has concluded that the Scheme has a strong governance structure. The Trustee has formal management procedures and policies which govern it as a business providing professional trustee services. Its administrative and accounting procedures are externally audited on an annual basis in accordance with AAF 02/07 requirements. There is an overarching governance framework which includes regular meetings and discussions with service providers, advisers and the Employer, an ongoing training and development programme, performance monitoring of administrative and investment services, an annual DC code assessment and Scheme risk registers covering both DB and DC items.

The L&G Master Trust has an appointed independent Board of Trustees with overall responsibility for governance and is subject to supervision by the Pensions Regulator.

9.1.6 Overall conclusion

The Trustee's overall conclusion from the value for members assessment is that the costs and charges represent good value for members when compared to the benefits of membership. There are some areas where value for members could be improved and the transfer to the L&G Master Trust is intended to address this.

9.2 The AVC Arrangements

As at Scheme Year end, two hundred and forty members had benefits in the DC Section. This compares to fifteen Scheme members who had AVC Benefits as at the same date. The AVC Benefits broadly provide a proportionately small additional amount to the main benefits which are provided to these members under the DB Section. The average AVC fund size remains low.

With the support of Premier and with relevant assistance from Isio, the Trustee also assesses value in relation to the charges and costs which are borne by members of the AVC Arrangements. However, for proportionality reasons and because of restrictions relating to data and the ability to compare other AVC arrangements this is a more limited assessment than the more comprehensive assessment undertaken for the DC Section.

9.2.1 Investments and member costs and charges

The Trustee has received information on costs and charges borne by members on the range of funds available from one of the two providers, Utmost Life. The Trustee has also considered Utmost Life fund performance over the relevant period.

The costs and charges are all at or are below the current charging cap of 0.75%. Whilst certain funds have charges at the top end of the charging cap, members are advised in the annual newsletter that they are able to switch their AVC holdings to the other available funds. However, such activity is not commonplace. The low average holdings may also be another reason for the low level of switching activity.

The Trustee has noted that one provider, ReAssure Ltd, offers its fund holders a guaranteed annuity rate through its AVC product. Benefits with a guaranteed annuity rate are difficult to replicate or to benchmark in the marketplace and this may be another reason why switching levels within this group of AVC holders is not common.

9.2.2 Member communications & retirement support

Members participating in the AVC Arrangements receive an annual statement from the provider confirming the amounts held in their AVC account and the movements in the year. These comply with relevant statutory disclosure requirements.

Members are also provided with relevant communications as they approach retirement including an information pack which includes relevant information about their AVC Benefits and how these interact with their DB provision under the Scheme and are signposted to Pension Wise for further information and guidance.

Teva UK Limited Retirement Benefits Scheme (the Scheme)
Annual Governance Statement for the year ended 31 March 2021

Members receive relevant Scheme communications such as an annual Summary Funding Statement providing relevant Scheme funding information.

The Trustee believes that members receive appropriate communication and retirement support in relation to their AVC Benefits.

9.2.3 Administration & Scheme Governance

The Trustee has also considered other main Scheme features that members receive value from, in particular, administration and scheme governance. The conclusions on these 'value for member' components in respect of the Scheme are detailed above and apply equally to the AVC Arrangements.

While the AVC providers will be reviewed as part of the overarching AVC Review referred to earlier in the statement there is no indication from the information reviewed to date of specific governance issues within Utmost Life. However, the difficulties experienced obtaining information from ReAssure raises potential governance issues which the Trustee is addressing with ReAssure as explained earlier in the statement.

9.2.4 Overall conclusion

The Trustee believes, insofar as it has been able to undertake an assessment and taking account of the ReAssure holdings information not yet being available, that the costs and charges do represent good value for members with AVC Benefits and that members have access to good value funds that address the varying needs for growth, inflation protection, capital stability and liquidity.

The AVC Benefits will also be assessed as part of the AVC Review exercise. This will include further review of the AVC providers, fund performance and charges and other relevant aspects of value for members.

9.3 DC Code Assessment

In addition to the annual value for member assessment, the Trustee carries out an annual DC code assessment. This evaluates the Scheme against the standards set out in the Pensions Regulator's Code of Practice 13 relating to the governance and administration of schemes which provide DC benefits and identifies areas which may require further consideration.

The assessment identified that the standards were met across all six core areas being, the Trustee Board, Scheme Management Skills, Administration, Investment Governance, Value for Members and Communicating and Reporting. Whilst the assessment did not identify any significant areas of weakness, the Trustee believes that the transfer to the L&G Master Trust will assist in improving member outcomes for DC Section members. The results of the DC code analysis are also used to feed into the value for members assessment.

10. Trustee Knowledge and Understanding

Trustees are required to have, or have access to, appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to properly exercise their functions as trustees and to run a scheme effectively. These requirements are set out in Sections 247 and 248 of the Pensions Act 2004 and are underpinned by guidance in the Pensions Regulator's Code of Practice 07: Trustee knowledge and understanding. The comments in this Section of the statement relate to the Trustee dealing with the whole Scheme and are not restricted to the DC arrangements.

Entrust, the Trustee, is a sole, independent, professional trustee. All of Entrust's staff are employees of the national law firm, Gateley plc. The core staff at Entrust, referred to as 'Practitioners', are qualified solicitors, trainee solicitors and other relevant employees working in the Gateley Pensions Department.

Practitioners must engage in training which is relevant to their role and develop knowledge and understanding in key areas.

Upon induction, Practitioners are required to complete all Core Modules of the Pensions Regulator's Trustee Toolkit within six months and thereafter to complete any new Core Modules added to the Trustee Toolkit within six months.

Practitioners must also develop knowledge and understanding by attending appropriate training, seminars and by self-directed studying where this is necessary. Practitioners attend a rolling programme of fortnightly internal training sessions which cover legal and regulatory developments and topic related training relevant to the role of a pension scheme trustee. This training is provided by the Gateley Pensions Department and, where relevant, external sources. Practitioners also attend appropriate external training provided by pension professionals and associations.

Teva UK Limited Retirement Benefits Scheme (the Scheme)
Annual Governance Statement for the year ended 31 March 2021

Training which has taken place during the Scheme Year has covered a broad range of topics including on, DB scheme funding, investments, the impact of COVID-19 on pension schemes, the Pension Schemes Act 2021, pension trustee liability protections and insurance, the Pensions Regulator's DB funding code consultation, GMP equalisation and pension scams. Practitioners maintain an up to date and documented individual training log.

Following Scheme Year end, all relevant Practitioners have either become accredited professional pension trustees or are continuing to work towards accreditation. Amongst other requirements, accreditation involves successful completion of the Pensions Management Institute's Certificate in Pension Trusteeship consisting of an examination on Professional Trusteeship and another on Soft Skills. Various training sessions on the examinations' syllabus were provided from internal and external sources to Practitioners throughout the Scheme Year as part of the accreditation process.

Each Practitioner undertakes an annual performance review, part of which includes consideration of training and identification of any areas in respect of which further development and training is required. The Trustee's board of directors also carry out an annual review of the Trustee's skills, knowledge and understanding in relation to relevant pensions and trusts law, funding and investment principles.

The individual and collective results of the Practitioner and Board reviews are used to design the following year's training and development for individual Practitioners and the Trustee as a whole. The assessments which took place during the Scheme Year showed that there was strong knowledge across all the core areas of knowledge and understanding.

Relevant Practitioners working on the Scheme must ensure that they are conversant with the governing documents of the Scheme, relevant funding, investment, and administration documents. The Scheme has an indexed file of key Scheme documents including the Scheme trust deed and rules, financial and investment documents, and member communications. These documents are kept electronically and updated on an ongoing basis. A Scheme Information Form is also maintained which contains key Scheme information including Scheme status, employer, contingent asset, accounting, investment, valuation, and other funding information.

The Practitioners responsible for the Scheme review relevant Scheme documents upon becoming involved with the Scheme and will refer to these documents as necessary during each Scheme year to ensure that they are and remain familiar with them and when considering relevant matters. For example, reference will be made to the governing Scheme documents as part of considering and deciding to make Scheme amendments and, where relevant, deciding matters relating to funding, investment, beneficiaries, benefits, and governance.

Advice and assistance from professional advisers are obtained as appropriate during each Scheme year to ensure that the Scheme is operated, and the Trustee exercises its functions effectively. Advice is provided both in writing and during meetings and telephone/video calls. Isio proactively raise relevant developments as they become aware of them and provide appropriate assistance accordingly.

During the Scheme Year the Trustee has:

- had regular discussions with the Employer about the DC Section and the Scheme generally;
- progressed the DC Review and obtained advice from the investment and DC specific teams at Isio and Premier and from legal advisers in relation to the review and transfer exercise;
- attended quarterly operational meetings with Isio to discuss the Scheme and relevant actuarial, legal investment and regulatory developments; and
- obtained and reviewed administration and investment reports.

The training activities and review processes which have been completed by Practitioners individually and collectively, together with the professional advice which has been received by the Trustee during the Scheme Year and which is available to the Trustee through its advisers, enables the Trustee to meet the requirements for knowledge and understanding and to properly exercise its function as the Trustee of the Scheme.

11. COVID-19

Since the end of 2019, COVID-19 has had a significant global impact on countries' healthcare, societal, economic, and financial infrastructures. This Section explains how the Trustee has addressed and continues to address the impact of COVID-19 on the Scheme from a governance perspective.

The Trustee implemented its business continuity plan during March 2020. It made appropriate adjustments to the processes and procedures which govern different aspects of Entrust's business operations to ensure that

Teva UK Limited Retirement Benefits Scheme (the Scheme)
Annual Governance Statement for the year ended 31 March 2021

the security and continuity of Entrust's business could be maintained and that the Scheme could continue to run effectively. The Trustee has continued to monitor the position and make adjustments where necessary throughout the pandemic to maintain business security and continuity and Scheme operations.

The adjustments made have included: the introduction of remote working and suitable arrangements to take account of the impact that this might have on matters such as Scheme operations, supervision, training and support, contact, record keeping, authorisation procedures and documentation signing; making appropriate amendments to the Trustee's and the Scheme's organisational and decision-making policies and procedures; implementing suitable COVID-19 office measures; monitoring the impact that the pandemic has had or might have on the pension schemes to which Entrust acts as trustee and to the organisations which are responsible for funding those schemes with appropriate actions being taken to ensure mitigation of impact; and ensuring that appropriate communications were sent to all relevant parties to maintain continuity of business.

These adjustments were made during the previous Scheme year and have continued and/or been adjusted during and after the Scheme Year to take account of developments as the pandemic has progressed.

During the Scheme Year and following Scheme Year end, plans have been developed for the Trustee to operate within a 'new normal' environment. This includes the adoption of an 'agile' working strategy which is being rolled out during Autumn 2021 and will involve hybrid working arrangements with continued use of remote working and a partial return to working in the office in a gradual and managed way. The 'new normal' way of working will be monitored and adapted as necessary to take account of future developments.

At the onset of the pandemic, Premier confirmed that its Business Continuity Plans had been implemented and throughout the pandemic its administration systems and processes have continued to operate effectively. It provides regular COVID-19 related updates in its stewardship reports.

Relevant liaison has also taken place with Isio as provider of relevant actuarial, administration and investment services to the Scheme to confirm the implementation of its Business Continuity Plans, ensure that operational resilience could be and has been maintained and that its systems and processes have continued to operate effectively.

The Trustee has assessed the Scheme as a going concern taking into account the nature of the Employer's activities and performance over the last 12 months, the financial position of the Scheme and the Trustee's powers under the Scheme rules.

The Trustee has monitored the position of the Scheme throughout the pandemic to ensure that it and the Scheme can operate effectively and continues to do so taking professional advice as appropriate. It will carry on monitoring developments and will make relevant adjustments to its and the Scheme's processes and procedures as the COVID-19 situation evolves.

Signed on behalf of Entrust Pension Limited, the Trustee of the Teva UK Limited Retirement Benefits Scheme

Director: Rachel Stevens

Director: Stuart Evans

Date: 19/10/2021

Date: 19/10/2021

Teva UK Limited Retirement Benefits Scheme (the Scheme)
Annual Governance Statement for the year ended 31 March 2021

Appendix – Statement of Investment Principles

Statement of Investment Principles (the SIP)

Introduction

This Statement has been commissioned by Entrust Pension Limited (the **Trustee**), the trustee of the Teva UK Limited Retirement Benefits Scheme (the **Scheme**). Under the Pensions Act 1995, as subsequently amended by the Pensions Act 2004, the Trustee is required to prepare a statement of the principles governing investment decisions, including the extent (if any) to which environmental, social and governance (**ESG**) or ethical considerations are taken into account in their investment policy. This document fulfils that requirement.

The Trustee will consult with the employer on changes in investment policy as set out in this Statement, however, the ultimate power and responsibility for deciding investment policy and employing or removing investment managers lies solely with the Trustee. Investment policy and the performance of the investment manager will be reviewed formally on an annual basis.

In drawing up this Statement, the Trustee has sought advice from the Scheme’s investment consultant. The Trustee will review it at least once every three years, and without delay if there are relevant, material changes to the Scheme and/or membership. This include changes in the Scheme’s investments and/or changes to the Scheme’s membership.

Investment Policy

The primary long term investment objective of the Trustee is as follows:

- Investment in a range of secure assets which will generate sufficient income and capital growth for members saving for their retirement.

Whilst the Trustee is not involved in each investment manager’s day to day method of operation and therefore cannot directly influence attainment of the performance target, it will regularly assess performance and review appointments. A set of measurable objectives has been developed for each investment manager (where applicable) consistent with the achievement of the Scheme’s longer term objectives with an acceptable level of risk.

The Trustee has agreed to provide a freestyle strategy for members under which members are allowed to select from any of the following three funds:

Fund	Benchmark	Objective	Management fee
Schroders Managed Balanced Fund	Composite benchmark ¹	Outperform the benchmark by 1.0% p.a. over a rolling three year period	0.50%
Schroders Long Dated Sterling Bond Fund	BAML Sterling Broad Market All Stocks	Outperform the benchmark by 1.0% p.a. gross of fees over a market cycle	0.30%
Schroders Cash Fund	LIBID 7 Day GBP	Achieve a money market linked return with minimum risk to capital	0.10%

¹ Composite benchmark consists of FTSE All Share Total Return, S&P 500 Total Return Index, FTSE World Series Europe ex UKTR, Tokyo Stock Exchange 1st Section Index (TOPIX) (TR), MSCI Pacific ex Japan TR, MSCI Emerging Markets TR, 50% iBoxx GBP Gilts TR + 50% iBoxx GBP Non-Gilts TR, LIBID 7 day

Teva UK Limited Retirement Benefits Scheme (the Scheme)
Annual Governance Statement for the year ended 31 March 2021

Schroders is responsible for:

- Investing in the chosen underlying funds in the proportions agreed by the Trustee, adjusted as necessary from time to time;
- Providing the Trustee with quarterly performance reports and asset valuations;

The investment options invest in the following assets which have the following risk and expected return characteristics:

- Equities – expected to produce returns in excess of rates of salary and price inflation in the medium to long term. Capital values may be highly volatile in the short term.
- Diversified assets – expected to produce returns in excess of rates of salary and price inflation in the medium to long term. Capital values may be volatile in the short term although this is expected to be less than for equities.
- Bonds – capital values are likely to be less volatile than equities but tend to produce lower returns in the medium to long term.
- Cash – low risk to capital and asset values are easily realisable.

Monitoring and Implementation of the Investment Policy

The appointment of the Fund manager will be reviewed by the Trustee on an annual basis (or more frequently if required).

The Trustee has identified the criteria by which the Fund manager and underlying funds should be selected (or deselected). These include:

- Quality of the investment process - an analysis of the investment process, investment team and business management to provide evidence that the process will continue to be successful in the future;
- Role suitability - the type, size and quality of the organisation and its ability to fulfil the role required by the Trustee;
- Service - the quality and comprehensiveness of the communication and administration; and
- Cost effectiveness - to ensure that the Scheme is able to access investments at a competitive fee rate.

The Fund manager and/or underlying funds may be replaced (on the advice of the investment consultant) if:

- The fund range is no longer appropriate for the membership;
- They consistently fail to meet performance objectives;
- The Trustee believes that the manager is incapable of achieving the performance objectives in the future; and
- The manager fails to comply with this Statement.

Risk Management

The Trustee recognises a number of risks as to the investment of the assets of the Scheme. These are set out below together with an outline of the methods which are adopted by the Trustee to manage each risk. All risks below are considered to be relevant over the lifetime of the Scheme's existing investment strategy in the context of the Trustee's current objectives:

- Inflation – Taking the fund range as a whole it is expected that the performance of member funds should protect the real value of member savings.
- Shortfall – Although the Trustee has no influence over the level of contributions paid, members may potentially receive a lower retirement benefit than they had hoped for. The Trustee will inform

Teva UK Limited Retirement Benefits Scheme (the Scheme)
Annual Governance Statement for the year ended 31 March 2021

members annually of the likely value of their potential benefit in order to inform their decision making.

- Performance ups and downs – Those funds which have a chance of earning more money for members are likely to see greater volatility over short periods. An appropriate level of risk for a specific default will be considered against the profile of the membership.
- Pension conversion – For members approaching retirement, the impact of poor performance is significantly increased as they have less time to make up any lost money. Default options therefore will reflect the level of diversification required and, if appropriate, will need to factor in de-risking mechanisms such as lifestyling that recognises the changing requirements of members as they approach retirement.
- Manager – Selecting a fund from a manager who makes a poor investment decision is a considerable risk. The Trustee will continue to monitor the funds and managers available to Scheme members.
- Diversification – Failure to diversify increases the risk of losing money if one particular investment fails. A default strategy will need to contain an appropriate level of diversification.
- Liquidity – Some investments are not easy to sell, so delaying return or transfer of money. The use of investments that may have liquidity issues will be restricted unless this risk is specifically managed.
- Credit – The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation, either directly or indirectly. The Scheme is subject to credit risk through its investment policy with Schroders. Schroders is regulated by the Prudential Regulation Authority and the Financial Conduct Authority.
- Market – The Scheme is subject to a number of market risks:
 - i. Currency risk – the risk that the value of a fund will fluctuate because of changes in foreign exchange rates.
 - ii. Interest rate risk – the risk that the value of a fund will fluctuate because of changes in the market interest rates.
 - iii. Other price risk – the risk that the value of a fund will fluctuate because of changes in market prices (other than those arising from currency or interest rate risk), whether these changes are caused by factors specific to the individual fund assets or their issuers, or factors affecting all similar assets traded in the market.
- Environmental, Social and Governance risk – exposure to ESG factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.

ESG Considerations

The Trustee considers investment risk to include ESG factors and climate change. These risks could negatively impact the Scheme's investments.

As part of the investment management of the Scheme's assets, the Trustee expects the investment managers to:

- Where relevant, assess the integration of ESG factors in the investment process of underlying managers; and
- Use its influence to engage to ensure the Scheme's assets are not exposed to undue risk.

Stewardship – voting and engagement

As part of the management of the Scheme's assets, the Trustee expects the investment managers to ensure that (where appropriate) they exercise the Trustee's voting rights in relation to the Scheme's assets.

Teva UK Limited Retirement Benefits Scheme (the Scheme)
Annual Governance Statement for the year ended 31 March 2021

Members' views and non-financial factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of the Scheme members and beneficiaries in relation to ethical considerations, social and environment impact, or present and future quality of life matters (defined as "non-financial factors").

Corporate governance policy

The Trustee's policy is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005, except where the Scheme invests in pooled vehicles that may hold employer-related investments, in which case the total exposure to employer-related investments will not exceed 5% of the Scheme's assets.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing this Statement, the Trustee consulted the sponsoring employer and took appropriate written advice. The Trustee will also consult with the employer and obtain appropriate written advice before revising this Statement. The Statement will be reviewed at least every three years, and without delay after any significant change in investment policy.

Signed:

Date: 11 September 2020

Teva UK Limited Retirement Benefits Scheme (the Scheme)
Annual Governance Statement for the year ended 31 March 2021

Appendix A: Policies

The Trustee has the following policies in relation to the investment management arrangements for the Scheme:

<p>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.</p>	<ul style="list-style-type: none"> • The Scheme is invested in pooled funds, there is no scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustee has selected to invest in a portfolio of pooled funds for members that are aligned to the Scheme's strategic objective.
<p>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</p>	<ul style="list-style-type: none"> • The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.
<p>How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies.</p>	<ul style="list-style-type: none"> • The Trustee reviews the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustee evaluates performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years. • Investment manager fees are reviewed annually to make sure that they remain competitive.
<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</p>	<ul style="list-style-type: none"> • The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis. The investment managers are required to provide transaction cost information on an annual basis, on the slippage cost methodology, for disclosure to members.
<p>The duration of the Scheme's arrangements with the investment managers</p>	<ul style="list-style-type: none"> • The Scheme invests in pooled funds, the duration of which is flexible and the Trustee will from time-to-time consider the appropriateness of the fund range and whether they should continue to be held.