

Forest Laboratories UK Limited Pension Scheme (the Scheme) – Annual governance statement for the Scheme year ending 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**), in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the **Administration Regulations**). It is signed on behalf of Entrust which is the Chair of the Trustee for the purposes of the Administration Regulations.

Governance requirements apply to defined contribution (**DC**) pension arrangements to help members achieve a good outcome from their pension savings. The Administration Regulations require the Trustee to prepare an annual statement regarding governance which is included in the Annual Report.

The statement explains how the Trustee has met its legal obligations in relation to the management of the Defined Contribution Section (the **DC Section**) of the Scheme and Additional Voluntary Contribution arrangements (**AVCs**) over the period 1 April 2020 to 31 March 2021 (the **Scheme Year**) in relation to:

- the investment options in which members' funds are invested;
- the requirements for processing core 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.

2. Background to the Scheme's DC Benefits

The Scheme was set up on 29 November 1985 and operates under the Second Definitive Deed and Rules dated 14 April 2006 (as amended from time to time). The Scheme provides both defined benefit (**DB**) and DC benefits. Certain Scheme members have benefits with an underpin; DB benefits with a DC underpin; and DC benefits with a guaranteed minimum pension underpin.

On 30 June 2010, the DB section closed to future accrual and the DC Section closed to new members and further contributions.

Historically, DB members were permitted to make Additional Voluntary Contributions (**AVCs**) to the Scheme. These are invested in the same manner as the DC Section. As a result, this statement extends to AVCs too.

3. DC Review

During the 2018/19 Scheme year, the Trustee and Teva UK Limited, the principal employer of the Scheme (the **Employer**), commenced discussions regarding the future of the DC Section. 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 to retain the AVC benefits within the Scheme and so AVC benefits have not been 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 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 Scheme's DC 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 providing members with a wide range of investment options as well as improved member support, retirement flexibility and online tools.

4. Default Arrangement

The Scheme is not a qualifying scheme for auto-enrolment purposes and, as such, does not have a "default arrangement" as defined in the Occupational Pension Schemes (Charges and Governance) Regulations 2015. However, all the Scheme's DC assets are invested in one single fund, the Legal &

Forest Laboratories UK Limited Pension Scheme (the Scheme) – Annual governance statement for the Scheme year ending 31 March 2021

General Multi Asset Fund (the **Multi Asset Fund**), through Mobius Life which acts as a platform provider, and this fund is treated by the Scheme as a de facto "default arrangement".

5. The Statement of Investment Beliefs

The Trustee has prepared a Statement of Investment Beliefs (the **SIB**) 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 SIB 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 SIB is attached to this statement at Appendix 1. A copy of the SIB and this statement are also available to members to download free of charge at:

<https://gateleyplc.com/resources/statement-investment-principle-forest-laboratories-uk-ltd-pensio/>

6. Investment Review

The Trustee, supported by its investment adviser Isio, regularly monitors the performance of the investment funds, and formally reviews this and the investment strategy of the Scheme on a regular basis (at least every three years or immediately following any significant change in investment policy or the Scheme's member profile). The last review was carried out by the Trustee in October 2018. The review was undertaken by the Trustee's investment advisers.

The review evaluated the appropriateness of the existing default arrangement option and the fund range offered to members and included within its scope an analysis of the Scheme demographics alongside charge cap considerations and pension freedoms. The review confirmed that the growth strategy phase of the default arrangement remains appropriate and that the level of diversification that it provides is satisfactory. It was recommended that consideration be given to placing greater focus on diversification of assets and risk reduction as members approach retirement in order to support member freedom and choice.

As the DC Review had then commenced, it was agreed that the recommendations should be taken forward once the outcome of the DC Review was known. As it has been decided to move the DC assets out of the Scheme, and because many of the recommended changes will be reflected in the new arrangement, the Trustee decided that it was necessary to make any investment changes during the Scheme Year.

In addition to the strategy review, the Trustee reviews and monitors the performance of the Multi Asset Fund on a regular basis to assess whether the fund is performing in line with the investment objectives of the Scheme and relevant benchmarks. Quarterly investment updates are received and reviewed by the Trustee. The Trustee's reviews over the Scheme Year concluded that the investment fund was performing broadly as expected and was consistent with the aims and objectives as stated in the SIB.

The Trustee, supported by Isio, reviewed the AVC Benefits in May 2019. The review included consideration of fund performance, charges, provider review and member communications. Relevant recommendations were implemented including issuing a member communication shortly following the review which provided members with a summary of the review process and other relevant information. A further review of the AVC Benefits is also underway.

7. Requirements for Processing Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions relating to the DC Section and AVCs 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 and benefit payments. Electronic means of processing are used wherever possible. The Trustee explains below how these statutory processing requirements have been met.

The Scheme's core financial transactions are undertaken on the Trustee's behalf by the Scheme administrator, Isio, under the terms of a Service Level Agreement (the **SLA**) which contains agreed performance objectives for the provision of administration and support services. These performance objectives are monitored regularly by the Trustee to ensure that members receive an effective administration service.

The SLA covers, amongst other matters, the processing of core financial transactions. As Scheme administrator, Isio has processes in place to ensure that the requirements of the SLA are met. The key

Forest Laboratories UK Limited Pension Scheme (the Scheme) – Annual governance statement for the Scheme year ending 31 March 2021

processes include monthly monitoring of cash flows and bank reconciliations and checking systems in respect of benefit calculations and bank transactions. Isio also monitors the Scheme bank account on a daily basis.

Relevant administration processes are subject to checking at Isio including senior peer verification of transactions and a further secondary documented authorisation process which applies to transactions above a certain threshold.

Isio provides quarterly stewardship reports to the Trustee which include reports on the accuracy and timeliness of core financial transactions and details of service performance (for example, processing transactions and dealing with member enquiries) benchmarked against the agreed target delivery standards contained in the SLA. These reports allow the Trustee to monitor core financial transactions.¹

The primary SLAs are set out below.

Transaction	SLA
Disinvestment	2 days from request
Retirement	Within 5 days of receiving all documentation
Investment Switches	2 days from request
Transfers	10 days from member confirming wish to transfer out
Annual Benefit Statements	Within 8 weeks of scheme anniversary date

The results for the Scheme Year are set out in the table below. They cover both the DB and DC Sections.

Period	Items	Performance against target
2020	89	62.92%
Q1 2021	59	66.1%

The Trustee reviews the stewardship reports upon receipt. It also evaluates the performance of the administrator on a regular basis.

The performance figures for the Scheme Year were affected by two issues: the predominant one being the impact of COVID-19, and the second staffing levels. Steps have been taken by Isio to address both: changes in working practices to deal with the former; and recruitment of additional staff to deal with both the impact of the pandemic and the staffing issue. There has been a subsequent improvement in performance figures (75% in Q2 2021) with a more marked improvement expected from Q3 2021 onwards. The Trustee continues to monitor performance and will liaise with Isio as necessary regarding relevant performance matters.

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, RSM UK Audit LLP.

Subject to the comments regarding performance figures for the Scheme Year, the Trustee is satisfied that over the period covered by this statement:

- Isio was operating appropriate procedures, checks and controls and that these were sufficiently robust to ensure that relevant financial transactions are dealt with effectively and in line with agreed service levels and statutory requirements;
- Isio has performed key financial transactions over the Scheme Year promptly and accurately; and

¹ Full administration reports from Isio for the Q1 2020 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.

Forest Laboratories UK Limited Pension Scheme (the Scheme) – Annual governance statement for the Scheme year ending 31 March 2021

- that there were no material issues or delays in relation to processing core financial transactions.

8. Member-Borne Charges and Transaction Costs

The Trustee monitors the level of charges and costs borne by members through the Multi Asset Fund. The charges are described in Sections 8.1 and 8.2 below. Section 8.3 refers to the illustrative example of the cumulative effect over time of the charges on the value of a member's benefits which is contained in Appendix 2. 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 Explicit charges

Explicit direct charges consist of 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 (the **TER**). TERs are deducted as a percentage of members' funds.

The TER applied to the investments held under the Scheme during the 2020/21 Scheme Year was 0.19% p.a.

The Scheme operates on an unbundled basis and, as a result, the explicit member charge is relatively low. Members do not pay for the management costs of the Scheme as these are met directly by the Scheme.

8.2 Transaction costs

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. There is no missing transaction cost data.

The indicative transaction costs for the past three years have been:

Manager	Fund	TER (% p.a.)	2021 Transaction charges (% p.a.)	2020 Transaction charges (% p.a.)	2019 Transaction charges (% p.a.)	Average Transaction charges (% p.a.)
L&G	Multi Asset Fund	0.190	0.131	-0.204	0.017	0.049

NOTE: where the transaction charges for the Fund are negative, we have assumed a transaction charge of '0.000%' for that individual year for the purposes of calculating the 'Average Transaction charges' and for member illustrations in Appendix 2.

8.3 Illustration of costs and charges

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 effect over time of the application of transaction costs and charges on the value of a member's benefits. This illustration is contained in Appendix 2.

9. Value for Members Assessment

A value assessment of the DC Section of the Scheme is undertaken on an annual basis. This involves the Trustee, with the support of Isio, 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 whether the DC Section and AVCs represent good value for members by developing a policy which reflects the Scheme's circumstances and members.

The Trustee, working alongside Isio, has identified six underlying components of the value assessment:

- member charges;

Forest Laboratories UK Limited Pension Scheme (the Scheme) – Annual governance statement for the Scheme year ending 31 March 2021

- investment options and performance;
- the robustness of Scheme governance;
- the efficiency of administration services;
- the retirement support provided to members; and
- member education and engagement.

Each component is assessed using a proportionate weighting system. A detailed scoring matrix is used to document the outcomes, benchmark the component against "profile" schemes, and to identify relevant areas to consider during the following Scheme year.

Costs and charges - The Trustee has considered how the costs and charges of membership compare against the services and benefits provided by the Scheme. The Scheme operates on an unbundled basis and the member charge is competitive being significantly below the charge cap of 0.75% p.a. The Trustee is satisfied that the costs and charges represent value for members.

Investments - Investments are one of the features considered in the value for members assessment. Members are invested in the Multi Asset Fund throughout their retirement savings journey. The results of the assessment showed that the investments are at the lower end of the 'broadly in line with the market average' grading within the report. The returns on the Multi Asset Fund during the period covered by this statement have been consistent with their stated investment objectives. The last investment review was undertaken in 2018, further details of this and recent investment performance can be found in Section 6 above. 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.

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, quarterly performance monitoring of administrative services and investment performance, 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.

Administration - Effective administration is a key part of operating a pension scheme. Isio provides an effective administration service to the Scheme and its performance is monitored on an ongoing basis by the Trustee. Isio provides 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. Isio is audited on an annual basis in line with AAF 01/06 requirements.

Retirement support - Following the most recent value for member assessment, it was seen that the retirement support experienced by members in the Scheme was broadly in line with the market average. The Trustee has previously considered the extent to which further support at retirement should be provided to members and decided to defer further consideration pending the outcome of the DC Review. It will not be necessary to revisit retirement support given the decision to transfer the DC assets to the L&G Master Trust. The transfer will result in improved retirement support and access to a wide range of retirement options for members.

Member education and engagement – 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 education and engagement section was graded as being below the minimum levels when compared to the wider market. Members will benefit from improved member communication and engagement under the L&G Master Trust.

The results from the value for members assessment are broadly comparable to the results from last year's assessment. The Trustee's overall conclusion is that the level of costs and charges

Forest Laboratories UK Limited Pension Scheme (the Scheme) – Annual governance statement for the Scheme year ending 31 March 2021

represent reasonable value for members when compared to the benefits of membership. There are some areas where value for members could be improved and the impending transfer to the L&G Master Trust is intended to address this.

Governance scorecard review - The Trustee carried out a governance scorecard review during the 2019/20 Scheme Year. This assessed the Scheme against the standards set out in the Pensions Regulator's code of practice relating to the governance and administration of schemes which provide DC benefits and identifies areas which may require further consideration. The scorecard results showed that overall governance was strong in all areas with member communication and engagement identified as an area for further development. It is important to note that this review was carried out before the DC Review had been concluded. A review was not carried out during the Scheme Year given the decision to transfer the DC Section assets to the L&G Master Trust.

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.

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.

Forest Laboratories UK Limited Pension Scheme (the Scheme) – Annual governance statement for the Scheme year ending 31 March 2021

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 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 put in place appropriate adjustments to the processes and procedures which govern different aspects of Entrust's business operations to ensure that 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.

Forest Laboratories UK Limited Pension Scheme (the Scheme) – Annual governance statement for the Scheme year ending 31 March 2021

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, relevant discussions took place with Isio as provider of relevant actuarial, administration and investment services to confirm the implementation of its Business Continuity Plans and to ensure that operational resilience could be maintained throughout the pandemic. Isio's actuarial, administration and investment 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 Forest Laboratories UK Limited Pension Scheme

Director: Rachel Stevens

Director: Stuart Evans

Date: 19/10/2021

Date: 19/10/2021

Forest Laboratories UK Limited Pension Scheme (the Scheme) – Annual governance statement for the Scheme year ending 31 March 2021

Appendix 1 – Statement of Investment Beliefs

Introduction

This Statement has been commissioned by Entrust Pension Limited (the **Trustee**), the trustee of the Forest Laboratories UK Limited Pension Scheme (the **Scheme**).

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 managers' 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 investments are made through a platform provider, which offers a range of investment funds to pension funds. With advice, the Trustee will select underlying funds from the platform to implement the chosen strategy. The platform provider will be 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 Trustee has appointed Mobius Life as the platform provider.

The investment strategy and underlying fund are summarised in the table below. Custody is undertaken within the pooled fund.

Investment option	Asset allocation	Fees (% p.a.)
L&G Multi-Asset Fund	100%	0.15%

There is also a Mobius Life platform charge of 0.04% p.a.

The Trustee's policies in relation to the default arrangement in respect of matters set out in Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005, as amended, are those set out in the rest of this statement.

The investment option invests 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.

Forest Laboratories UK Limited Pension Scheme (the Scheme) – Annual governance statement for the Scheme year ending 31 March 2021

- 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 platform provider and 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 platform provider and 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 platform provider and/or underlying funds may be replaced (on the advice of the investment consultant) if:

- The default 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 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.

Forest Laboratories UK Limited Pension Scheme (the Scheme) – Annual governance statement for the Scheme year ending 31 March 2021

- **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 Mobius, and through the underlying investments in the underlying funds with Legal & General. Mobius and Legal & General are 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 manager 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.

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

Forest Laboratories UK Limited Pension Scheme (the Scheme) – Annual governance statement for the Scheme year ending 31 March 2021

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

Forest Laboratories UK Limited Pension Scheme (the Scheme) – Annual governance statement for the Scheme year ending 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"> As the Scheme is invested in a pooled fund, there is no scope for this fund to tailor its strategy and decisions in line with the Trustee’s policies. However, the Trustee invests in a pooled funds that is aligned to the 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 manager’s 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 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 manager is incentivised to minimise costs as they are measured on a net of cost basis. The investment manager is 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 a pooled funds the duration of which is flexible and the Trustee will from time-to-time consider the appropriateness of the fund and whether it should continue to be held.

Forest Laboratories UK Limited Pension Scheme (the Scheme) – Annual governance statement for the Scheme year ending 31 March 2021

Appendix 2 - Illustration of the cumulative effect of costs and charges on the value of members' fund values over time

1. Background

Appendix 2 contains the required illustrations showing the cumulative effect of costs and charges on member savings within the Scheme over a period of time. The illustrations have been prepared having regard to statutory guidance.

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained in the Notes Section below the illustration.

Members should be aware that such assumptions may or may not hold true, so the illustration is not definitive as to what might happen in the future. It is not a substitute for the individual and personalised illustrations which are provided to members each year by the Scheme.

2. Key points

The tables below illustrate the potential impact that costs and charges might have on the investment option provided by the Scheme.

In the illustrations, the "Before charges" columns give the hypothetical value of the investments if members were able to invest in funds at no cost. However, there will always be some cost to investing. This is because the organisations which manage the funds charge fees for their services, and because buying and selling the stocks and shares which drive the funds' performance also has a cost. The "After all costs and charges deducted" columns reflect the performance of the funds after these costs have been deducted.

In the illustrations, the projections for the de-facto default investment option have been shown. Further projections, for example, for the funds with the highest and lowest charges and the funds with the highest and lowest return expectation have not been carried out because all the Scheme's DC assets are invested in one single fund rather than a number of funds.

3. Illustrations

Deferred median member, aged 51 – the default arrangement

The table shows the illustrations for the median member of the Scheme on the assumptions detailed in the Notes Section below.

Median member		
Years from 31/03/2021	Before charges (£)	After all costs and charges deducted (£)
1	9,836	9,813
3	10,113	10,042
5	10,398	10,276
10	11,147	10,887
14	11,784	11,401

Forest Laboratories UK Limited Pension Scheme (the Scheme) – Annual governance statement for the Scheme year ending 31 March 2021

The table shows the illustrations for the youngest member of the Scheme on the assumptions detailed in the Notes Section below.

Deferred youngest member, aged 32 – the default arrangement

Youngest member		
Years from 31/03/2021	Before charges (£)	After all costs and charges deducted (£)
1	963	961
3	990	983
5	1,018	1,006
10	1,092	1,066
15	1,170	1,130
20	1,255	1,197
25	1,345	1,268
30	1,442	1,343
33	1,503	1,390

4. Notes

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Retirement is assumed to be at age 65.
- The starting pot size is assumed to be £9,700 for the median member and £950 for the youngest member.
- If transaction costs are negative, they are assumed to be zero.
- Inflation is assumed to be 2.5% each year.
- Values shown are estimates and are not guaranteed.
- The projected growth rate in relation to inflation for the fund is:

L&G Multi Asset Fund	1.4%
----------------------	------

- The charges assumed for the fund are the current charges as shown in the annual governance statement for the Scheme Year ending 31 March 2021.
- As the Scheme has no active members, no contributions are paid in the first or subsequent years of the illustration.