

The Chair's Annual Governance Statement in respect of defined contribution benefits for the Plan year ending 31 December 2019

This statement has been prepared by the Trustee of the Bristol Myers Squibb Pension Plan ('the Plan') to demonstrate how the Plan has complied with the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015.

1 Investment strategy – relating to the Plan's default arrangement

The only defined contribution (DC) benefits within the Plan are AVCs and individual transfers-in, which are all invested with Prudential. No default investment option has ever been applied to these investments.

The Plan is not being used for automatic-enrolment purposes.

2 Financial transactions

There are no contributions being paid into this arrangement, so the core financial transactions are limited to transfers out, payments of benefits and investment switches.

The administration of these transactions is undertaken by both the Plan's administrator and Prudential, with the former acting as lead administrator. There is a 5-day Service Level Agreement (SLA) in place with the Plan's administrator that applies to all tasks. Prudential also has a 5-day SLA in place in terms of the tasks it undertakes.

The Trustee has a process in place for monitoring administration performance against the SLAs, which includes:

- i. The receipt of quarterly administration reports from the Plan's administrator that include details of any financial transactions over the quarter and highlights if there have been any issues or delays, so that they can be addressed if needed.
- ii. An annual review of Prudential, which considers administration as a core item. This review also considers administration by the Plan's lead administrator.

Whilst the Trustee is satisfied that the Plan's core financial transactions in relation to the DC benefits have been processed accurately during the year, the Trustee has identified underperformance against the agreed SLA by the Plan's administrator. This has resulted in a reduced rating from High to Medium for the Plan's Value for Members assessment, as covered later in this statement. In 2020, the Trustee's DC advisor will work with the Plan's administrator with the aim of improving the timeliness of transactions.

3 Charges and transaction costs

The annual charges applied to the investment funds with Prudential in which members' DC benefits are invested are set out below:

Fund	Annual Charges
Prudential With-Profits	1% indicative
Prudential Deposit Fund (Closed to new entrants)	There are no explicit charges as the monthly interest rate is declared net of charges
Prudential International Equity Fund	0.75%
Prudential Long-Term Bond Fund	0.65%
Prudential UK Property Fund	0.75%
Prudential UK Equity Passive Fund	0.65%

Transaction costs for the Plan's DC benefits are those incurred as a result of buying, selling, lending or borrowing investments. The level of transaction costs applicable to the above funds over the period 1 September 2018 to 30 September 2019 (the latest available period from Prudential) are as follows:

Fund	Transaction costs
Prudential With-Profits	0.09%
Prudential Deposit Fund (Closed to new entrants)	Not applicable to this fund
Prudential International Equity Fund	0.08%
Prudential Long-Term Bond Fund	0.00%
Prudential UK Property Fund	0.31%
Prudential UK Equity Passive Fund	0.14%

An illustration is included below that shows the cumulative effect over time of the charges and transaction costs for a range of representative funds with Prudential.

End of year	Deposit		With-Profits		International Equity	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
1	£6,930	£6,930	£7,120	£7,080	£7,140	£7,110
5	£6,390	£6,390	£8,140	£7,760	£8,350	£8,060
10	£5,780	£5,780	£9,620	£8,700	£10,160	£9,420
15	£5,220	£5,220	£11,370	£9,750	£12,360	£11,010
20	£4,720	£4,720	£13,440	£10,930	£15,040	£12,860
25	£4,270	£4,270	£15,880	£12,250	£18,300	£15,040
30	£3,860	£3,860	£18,770	£13,730	£22,260	£17,580

Statutory guidance has been followed in the production of the above illustrations, and the following key assumptions have been made:

- Initial assumed value of a member's DC benefits = £7,000, with no ongoing contributions.
- Projected pension account values are shown in today's terms by assuming future inflation of 2.5% each year.
- The real annual growth rates assumed for each fund are as follows:
 - Deposit: - 2.0%
 - With-Profits: 3.4%
 - International Equity: 4.0%
- Annual future charges and transaction costs are assumed to be:
 - Deposit: 0%
 - With-Profits: 1.09%
 - International Equity: 0.83%

Value for Members

The Trustee remains committed to ensuring that the costs and charges deducted from members' DC benefits represent good value in relation to the services received by members.

Consequently, for 2019, the Trustee has strengthened its methodology for assessing value by considering 'needs versus performance' across the 4 key areas (Governance, Administration, Investment and Communications) to now take account of the relative competitiveness of both annual charges and transaction costs.

In summary, for 2019, the Trustee believes the Plan offered 'High' value in all areas bar Administration.

Plan area	Need	Performance	Overall Value
Governance	High	High	High
Administration	High	Medium	Medium
Investment	High	High	High
Communications	High	High	High

Specific areas to note for 2019 include:

- i. Plan members continue to benefit from the Trustee's annual governance process that includes an annual report and ongoing provider updates throughout the year. As part of this, the Trustee assessed its compliance versus the Pension Regulator's Code of Practice relating to the governance and administration of DC pension schemes and believes that all necessary areas are being met.
- ii. Annual charges and transaction costs generally appear reasonable compared to peers.
- iii. The vast majority (over 90%) of members' assets are invested in the Prudential Deposit and Prudential With-Profits funds, which are performing in-line with objectives.
- iv. Due to the administration underperformance as noted earlier in this statement, the rating for Administration has been reduced to 'Medium' from 'High'.
- v. Members receive an annual benefit statement and at-retirement communications from the Plan's administrator as well as a member newsletter that includes information relating to their DC benefits.

4 Trustees Knowledge and Understanding (TKU)

The Trustee has a TKU process in place which enables it, together with the advice available from its professional advisers, to exercise its function as trustee of the Plan.

In addition, the Trustee is conversant with the Plan's working documents and its powers under the Plan rules, through its day-to-day running of the Plan. Further, an annual training plan is used to ensure the Trustee maintains the required level of knowledge. This plan includes topics relevant to the DC benefits. All training, including attendance at seminars and events, is recorded in the Trustee training log.

Aside from the regular Plan training activity noted above, during 2019, a governance training session was delivered to the Trustee by the Plan's DC adviser covering Prudential and regulatory requirements relevant to the DC benefits.

No new Trustee Directors were inducted in 2019, although the Trustee has an induction process in place.

In conclusion, given the above, the Trustee's combined knowledge and understanding, and advice available to it, the Trustee believes that it can properly exercise its function and is therefore satisfied that it has met its TKU duties during the Plan year covered by this statement.

Date: 2 June 2020