Chair's Statement

Annual Chair's Statement for the Allen & Overy Pension Scheme

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") requires the Trustee to prepare an annual statement regarding governance, which should be included in the annual report.

This statement relates to the Defined Contribution Section (the "DC Section") of Allen & Overy Pension Scheme (the "Scheme") and the money purchase additional voluntary contributions held by members of the Defined Benefit Section of the Scheme (the "AVCs"). It covers the period from **1 January 2019 to 31 December 2019.** It has been signed on behalf of the Trustee by the Chair.

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

- The default arrangement,
- Processing of core financial transactions,
- Member borne charges and transaction costs,
- Assessing Value for Members, and
- Trustee knowledge and understanding.

The Trustee has a process in place to publish relevant parts of this statement online and will notify Members about the availability of this in the annual benefit statements.

1. The Default Arrangement

The Trustee is required to design default arrangements in members' interests and keep them under review. The Trustee will need to take account of the level of costs and the risk profile that are appropriate for the Scheme's membership considering the overall objective of the default arrangement strategy.

The DC Section is used as a Qualifying Scheme for auto-enrolment.

Attached to this statement is the latest Statement of Investment Principles (SIP) for the Scheme, dated September 2019 which has been prepared in accordance with regulation 2A of the Investment Regulations 2005. The SIP was updated in 2019 to reflect the Trustee's policy regarding responsible investment and environmental, social and governance factors within the investment strategy, including but not limited to climate change.

An investment strategy review is undertaken for the DC Section at least every three years. A review of the default strategy took place during 2019 and was completed on 12 September 2019 following discussion at the Trustee meeting. The next investment strategy review is due to take place during 2022.

The 2019 investment strategy review included a review of both the strategy and the performance of the default arrangement, considering the DC Section's membership profile, the needs of DC Section members and the manner in which members take their benefits from the DC Section at retirement. The review modelled the current default strategy versus an alternative strategy in order to compare expected member outcomes and associated risks based on multiple simulations of future economic and investment scenarios. The Trustee took advice from its investment adviser, Aon, on all these aspects.

Following the 2019 investment strategy review, the Trustee agreed to retain the current default strategy, the Multi-Asset Lifecycle, which was designed for members opting for a drawdown approach upon retirement. As detailed in the SIP, this Multi-Asset Lifecyle strategy aims to provide members with the potential for higher levels of growth during the accumulation of their retirement savings by initially investing in higher risk assets such as equities and diversified growth funds to give higher growth potential before gradually shifting into lower risk assets such as government and corporate bonds. This shift helps to diversify members' investments in the years approaching retirement to reduce volatility and provide a broad base of assets from which members can choose the type of benefits they wish to take.

The Multi Asset Lifecycle is composed of:

- A growth phase including the Standard Life Global Equity 50:50 Tracker Pension Fund (50%) and a Diversified Growth Fund (DGF) element (50%) compromised of an even split between the Standard Life Schroder Intermediated Diversified Growth Pension Fund and Standard Life Ninety-One[1] Diversified Growth Fund.
- A de-risking phase beginning 10 years prior to a member's selected retirement age, which sees members' funds gradually transitioning into lower investment risk assets via the Standard Life Index-Linked Bond Fund and the Standard Life Corporate Bond Fund. The aim is to provide some protection to members' accumulated savings.

While the outcome of the review was that some changes could be made to the default, a decision to retain the default strategy in its current form was agreed by the Trustee, having taken the advice of its investment adviser, Aon. This decision was primarily based on the fact that the Trustee and sponsoring employer are in the process of reviewing the structure through which DC benefits are provided to employees. This decision was supported by the fact that the Trustee was comfortable the current default strategy remained suitable for members and continues to meet its aims and objectives which are detailed above. While improvements and enhancements could be made, any change in strategy would have incurred costs for members that may not have necessarily been recouped by members via a revised default strategy being offered for a reasonably short period of time.

The Trustee, with support from its investment advisers, also carries out regular investment monitoring. Performance of all funds, including those underlying the default strategy, is reviewed at trustee meetings on a quarterly basis and is reported in the DC Section's quarterly monitoring report. Regular performance monitoring includes an assessment of fund performance against stated benchmarks and targets over various periods, as well as a red-amber-green rating system to help identify any concerns.

Three of the funds in the DC Section range were reviewed in more detail as part of the 2019 investment strategy review, because these funds had been identified as lagging behind their performance objectives. This included the Standard Life Schroder Intermediated Diversified Growth Pension Fund, the Standard Life Ninety-One Diversified Growth Fund and the Standard Life Pooled Property Fund. Whilst the Diversified Growth Funds had underperformed their performance targets, absolute performance was still considered in line with expectations given the market environment and it was agreed that these funds provided members with other benefits including an efficient means of diversification and reduced volatility. As such, it was agreed to retain and monitor the funds closely. As for the Standard Life Pooled Property Fund, whilst this Fund had underperformed versus expectations it was noted that switching to a different property fund would incur significant costs for members that would not necessarily be recouped through higher investment returns in the short-term. As such, it was agreed to retain the fund and to continue to monitor it closely.

2. Processing of Core Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members/beneficiaries) are processed promptly and accurately.

[1] Previously called the Investec Diversified Growth Fund. The Fund was renamed the Ninety-One Diversified Growth Fund as of 27 April 2020.

DC Section

Capita provide administration services for the DC Section. Members of the Defined Benefit Section of the Scheme who have additional voluntary contributions (“AVCs”) also have access to the DC fund range through Standard Life with Capita also providing administration services. To enable the Trustee to monitor the processing of core financial transactions, the Board receives quarterly stewardship reports from Capita on key aspects of the administration which includes special projects, member statistics, contribution monitoring, a schedule of transactions and performance against the service levels agreed. This report is presented and discussed at each Board meeting to ensure the Trustee can monitor Capita's compliance with the service levels agreed and that core financial transactions are processed accurately and in a timely manner.

The service level agreement ("SLA") in place with Capita covers contributions, website maintenance, investment switches, benefit statements, general enquiries and member events (such as retirements and transfers). Under the current SLA, Capita aim to accurately complete all financial transactions within at least 10 working days. The service levels reported by Capita over the 12 months to 31 December 2019 for the DC Section were consistently high (above 97% in all cases).

Capita has confirmed that there are processes in place for each type of core financial transaction to ensure that all DC Section transactions are processed accurately and in a timely manner. All work processes are documented and subject to a peer review process, with work being calculated and independently checked by another member of the team. There is day-to-day contact with Capita to ensure any issues can be flagged as they arise and dealt with on a timely basis.

In addition, the administration team at Capita is subject to internal audits as well as an annual external audit. The Trustee has up-to-date copies of Capita's AAF report which outlines the administration controls within Capita and these controls will be reviewed on a regular basis as part of a risk register framework.

The Company is responsible for ensuring that contributions are paid over to the Scheme promptly, and the Scheme secretary also checks that the DC Section contributions are received on time. Capita carries out monthly unit reconciliations.

There were no issues raised regarding Capita’s administration of the DC Section or processing of core financial transactions over the year and the Trustee is currently comfortable that appropriate measures are in place to ensure that core financial transactions in the DC Section are processed promptly and accurately.

AVCs with Prudential and Aviva

Additionally, there are a limited number of legacy AVC policies in place with Aviva and Prudential relating to members of the Defined Benefit Section of the Scheme. Each of the Aviva and Prudential arrangements offer a With Profits Fund. No active contributions are being paid into the Aviva arrangement however there are still contributions being paid into the Prudential arrangement.

Prudential have provided a governance report to cover the year to 31 December 2019 which includes member statistics, details on contributions received. With regards to the service level agreements, Prudential has stated that they have moved away from transactional reporting (where any and every touch by a member of the administration team had turnaround target time, usually of 5 or 8 working days) to end-to-end reporting, where total time taken to complete a task is measured. This is a relatively new system and Prudential can currently show this at a platform level only, though the expectation is that this will reduce the total amount of time taken to deal with queries. Prudential is in the process of enhancing this reporting to show individual scheme level results, but this was not available for the year ending 31 December 2019. The service level agreement with Prudential covers bereavements, claims, new business and servicing, with a target of settling claims within 10 days of receiving a request.

There were no issues raised regarding the quality of administration of the Prudential arrangements during 2019 and the Trustee is comfortable there are suitable procedures in place to ensure that core financial transactions are processed accurately and promptly by Prudential. Prudential has assured the Trustee it is continuing to monitor its arrangements closely given the change in reporting processes detailed above.

The Trustee also requested information relating to core financial transactions from Aviva. This information has not yet been provided; the Trustee is continuing to request this information and will review the details once received.

Conclusion

For the reasons set out above, the Trustee considers that overall, core financial transactions were processed promptly and accurately during 2019.

3. Member Borne Charges and Transaction costs

The Trustee is required to regularly monitor the level of charges borne by members through the funds. These charges comprise:

- *explicit charges, such as the Annual Management Charge (AMC), and additional expenses that are disclosed by the fund managers as part of the Total Expense Ratio (TER);*
- *implicit charges, such as the transaction costs borne within the fund for activities such as buying and selling of particular securities within the fund's portfolio.*

DC Section

Over the reporting period, the default arrangement levied a Total Expense Ratio (TER) ranging from 0.33% p.a. to 0.43% p.a. of assets under management, below the charge cap of 0.75% p.a. As part of the Lifecycle strategies (including the default), members' assets are invested in a different blend of funds depending on how far they are from retirement and, as such, the TERs for the Lifecycle strategies will vary in accordance with the blend of funds held at any point in time.

In addition to the default arrangement, the Scheme also offers a range of 14 self-select funds and 2 other Lifecycle strategies that members can choose to invest in as an alternative to the default strategy. The TERs that were levied on these funds and strategies as at 31 December 2019 are set out in the table below. The TERs applicable to different funds are readily available to members and can be found via the Scheme's website. The TER is deducted as a percentage of members' funds.

The table below also shows transaction costs incurred for each of the Lifecycle strategies and funds available to members over the Scheme year to 31 December 2019. The transaction costs shown below are calculated using the standardised method set by the Financial Conduct Authority. There were no transaction costs that the Trustee was unable to obtain for the year to 31 December 2019.

The transaction costs shown were incurred largely as a result of buying and selling investments in a fund. These comprise explicit transaction costs and implicit transaction costs, which are explained in more detail here:

- As defined by the Financial Conduct Authority, explicit transaction costs are the costs that are directly charged to or paid by the fund and may include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker in order to buy and sell investments) and costs of borrowing or lending securities.
- Implicit transaction costs are calculated as the difference between the actual price paid (execution price) and the quoted 'mid-market price' at the time of the order was placed (arrival price). This method, although reasonable if observed over a long period of time, can result in a volatile measure from one year to another.

Fund costs as at 31 December 2019

Lifecycle strategies	**Total Expense Ratio (TER) (%)**	**Transaction Costs (%)**	**Total costs (%)**
Multi-Asset (default)	0.33 – 0.43	0.11 – 0.22	0.44 – 0.64
Cash	0.16 – 0.43	0.10 - 0.22	0.26 – 0.64
Annuity	0.27 – 0.43	0.11 – 0.22	0.38 – 0.64
Funds used in the Lifecyle strategies			
Standard Life Global Equity 50:50 Tracker Pension Fund	0.11	0.07	0.18
Standard Life Schroder Intermediated Diversified Growth Pension Fund	0.74	0.09	0.83
Standard Life Ninety One[1] Diversified Growth Fund	0.74	0.64	1.38
Standard Life UK Fixed Interest 60:40 Pension Fund	0.31	0.11	0.42
Standard Life Corporate Bond Fund	0.31	0.04	0.35
Standard Life Index Linked Bond Pension Fund	0.31	0.07	0.38
Standard Life Deposit and Treasury Pension Fund	0.16	0.10	0.26
Self-Select Funds			
Standard Life Veritas Global Focus Pension Fund	1.06	0.10	1.16
Standard Life Majedie UK Equity Fund	0.80[2]	0.13	0.93
Standard Life Vanguard FTSE All Share Index Pension Fund	0.10	0.07	0.18
Standard Life Overseas Tracker Pension Fund	0.11	0.20	0.31
Standard Life Vanguard Emerging Markets Stock Index Pension Fund	0.25	0.10	0.35
Standard Life Vanguard UK Investment Grade Bond Index Pension Fund	0.10	0.09	0.19
Standard Life Pooled Property Pension Fund	0.43[3]	0.25	0.68

Source: Standard Life as at 31 December 2019
1. Following the demerger of Investec's asset management business in March 2020, which was renamed Ninety-One, the SL Investec Diversified Growth Fund has been changed to SL Ninety One Diversified Growth Fund as of 27 April 2020.
2. AMC reduced from 0.90% as at 1 October 2019.
3. Reflects discount of 0.10% from 1 August 2019 to 31 July 2020. From 1 August 2020 the AMC will return to 0.50% p.a.

The Trustee also requested cost and charge information from the AVC providers; Prudential and Aviva.

AVCs with Prudential

The only fund available for members with AVC arrangements to invest in through Prudential is the Prudential With Profits Fund. There are no explicit fund management charges for the With Profits Fund. Charges are inherent within the annual bonus declarations, which is a standard market practice for With Profits funds. Prudential states that it expects the charges to be around 0.98% a year based on the assumption that future returns from the With Profits fund will be 5% p.a.

Fund Name	TER (%)	Transaction Costs (%)	Total Cost (%)
Prudential With Profits Fund	n/a	0.09	n/a

Source: Prudential

The transaction costs shown in the table above are for the period between 1 July 2018 – 30 June 2019. Prudential are currently unable to provide the transaction costs incurred up to 31 December 2019 due to a lag in providing the data. This information is expected to be published by June 2020. The fund management industry is having to develop and introduce new systems and processes to report transaction costs using the ‘slippage’ methodology and this is taking them longer than expected, however the Trustee does expect this to improve with time. Following release of the 31 December 2019 data, the Trustee will update the information in the table above to be shared with members.

AVCs with Aviva

The Trustee has requested information relating to TERs and transaction costs from Aviva. Aviva have confirmed that there are no explicit charges or transaction costs applying to the Conventional With Profits Fund available to members through the Scheme. The costs of operating the Aviva Conventional With Profits Fund are taken account of when the annual bonus rate on the Fund is declared. Aviva does not provide any indication of the costs of investing in the Conventional With Profits Fund, and this is common market practice for older-style With Profits Fund.

Illustration of the cumulative impact of costs and charges on member fund value over time

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of charges and transaction costs by the trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs. As part of the changes, the Trustee is required to illustrate the cumulative effect over time of the application of transaction costs and charges on the value of a member’s benefits.

The next few pages contain illustrations of the cumulative effect of costs and charges on the value of member DC Section and AVC savings within the Scheme over a period of time. The Trustee has had regard to the relevant statutory guidance when preparing the illustrations.

Each of the charts and tables below illustrates the potential impact that costs and charges might have on a selection of different investment options available under the Scheme chosen by the Trustee.

- The charts show the potential impact that costs and charges might have for three example members who have assets invested in the Multi-Asset Lifecyle Strategy (the default strategy). The majority of members in the DC section of the Scheme are invested in this strategy. As a reminder, the Multi-Asset Lifecycle strategy automatically transitions members’ funds from global equities and diversified growth funds in the earlier years into corporate bonds and index-linked bonds as members during the 10-year period up to retirement age.

- Under each chart, there is a table showing the potential impact that costs and charges might have if the example member were invested in a higher risk profile fund that has a higher level of costs and charges (the Standard Life Veritas Global Focus Pension Fund) compared to the one illustrated in the chart, and a lower risk profile fund that has a lower level of costs and charges compared to the one illustrated in the chart (the Standard Life Deposit and Treasury Pension Fund).

Please note that not all investment options available are shown in the illustrations. Members are also offered a range of self-select funds which, as the tables above show, which carry a variety of TERs and transaction costs.

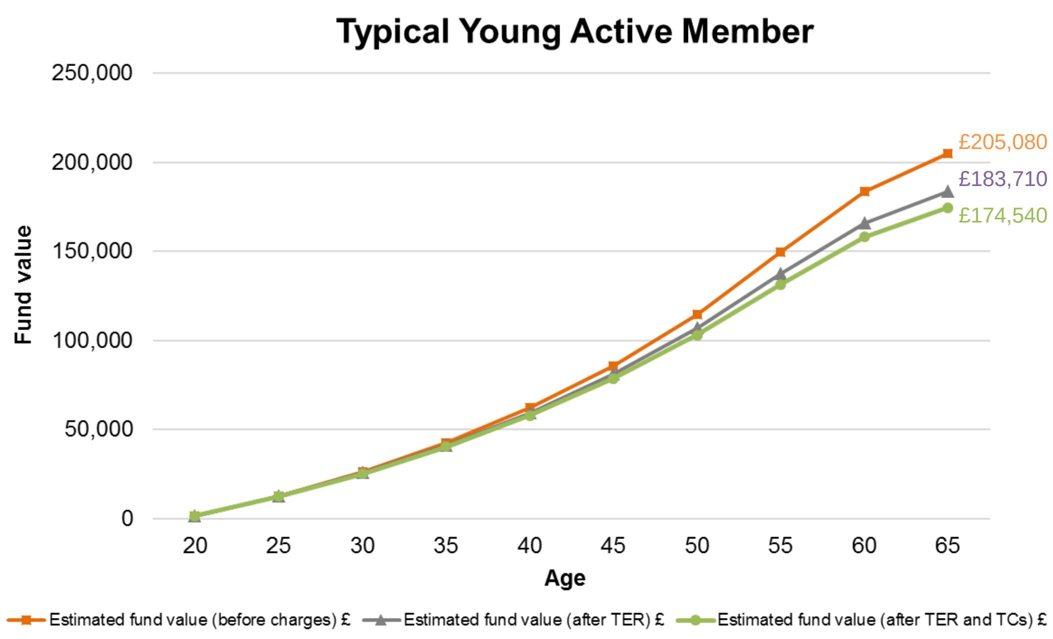
The Trustee has determined the 3 example members for whom illustrations have been provided as the youngest active member, a typical active member and a typical deferred member (with member information determined using data for the Scheme). These example members have been chosen as they allow the Trustee to provide a realistic and representative range of combinations of pot size, contribution rates and effect of costs and charges over different time periods in the illustrations.

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 several assumptions about what these might be. The assumptions are explained in the notes sections below the illustrations.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future. This means that the information contained in this Chair's Statement is not a substitute for the individual and personalised illustrations which are provided to members each year by the Scheme.

Youngest Active Member

For the youngest active member invested in the Multi-Asset Lifecycle, the estimated impact of charges on accumulated fund values is shown in the table and chart below. The amounts shown relate to a member aged 20, current fund value of £1,500, salary of £22,000, ongoing contributions of 9% of salary and a Selected Retirement Age of 65.

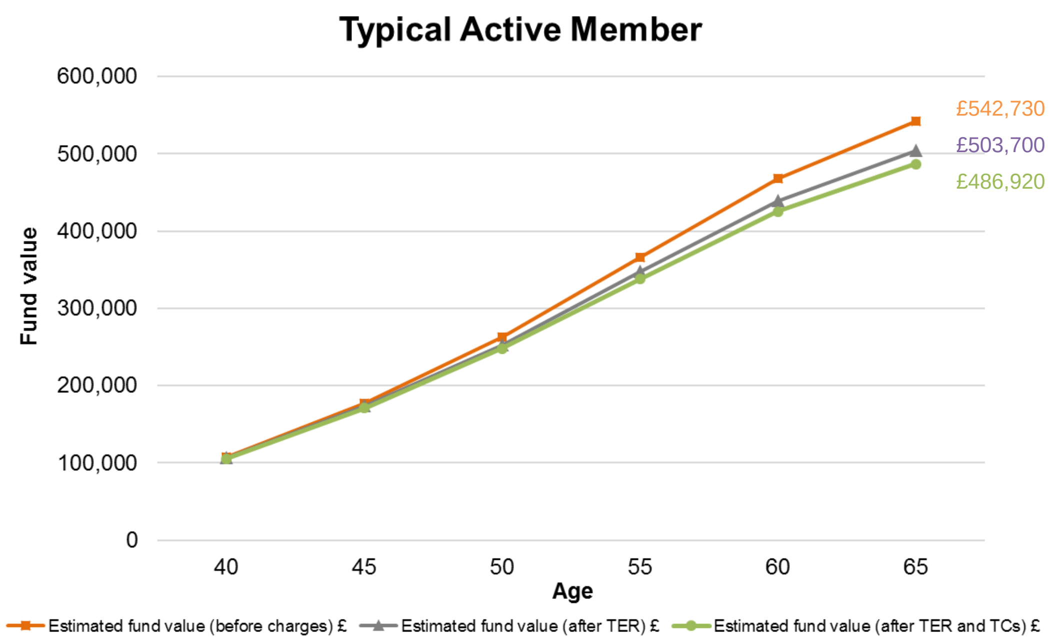


As the projected fund values are dependent on investment returns as well as the level of costs and charges, we have also included some comparison figures in the table below. For comparison purposes, we show projected values if the example member were invested in a higher risk profile fund (Standard Life Veritas Global Focus Pension Fund) which has a higher level of costs and charges and a higher expected return and the Standard Life Deposit and Treasury Fund which has a lower cost and charge level to the default strategy and with a lower risk profile (expected return).

Age	Standard Life Deposit and Treasury Fund			Multi-Asset Lifecycle			Standard Life Veritas Global Focus Pension Fund		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
20	1,500	1,500	-	1,500	1,500	-	1,500	1,500	-
25	10,760	10,680	80	12,590	12,370	220	12,590	12,190	400
30	19,280	19,020	260	26,030	25,150	880	26,030	24,440	1,590
35	27,110	26,590	520	42,290	40,170	2,120	42,290	38,470	3,820
40	34,320	33,460	860	61,990	57,810	4,180	61,990	54,550	7,440
45	40,950	39,700	1,250	85,840	78,540	7,300	85,840	72,970	12,870
50	47,040	45,360	1,680	114,730	102,900	11,830	114,730	94,070	20,660
55	52,650	50,510	2,140	149,710	131,530	18,180	149,710	118,240	31,470
60	57,810	55,170	2,640	183,340	158,150	25,190	192,070	145,930	46,140
65	62,550	59,410	3,140	205,080	174,540	30,540	243,360	177,660	65,700

Typical Active Member

For a typical active member invested in the Multi-Asset Lifecycle, the estimated impact of charges on accumulated fund values is shown in the table and chart below. The amounts shown relate to a member aged 37, current fund value of £71,000, salary of £73,000, ongoing contributions of 12% of salary and a Selected Retirement Age of 65, which reflects a typical active member based on the Scheme's current membership. Compared to the youngest active member, note the contribution level of 12% (compared to 9% which reflects the youngest active member) is a key driver of the higher total fund value at retirement.

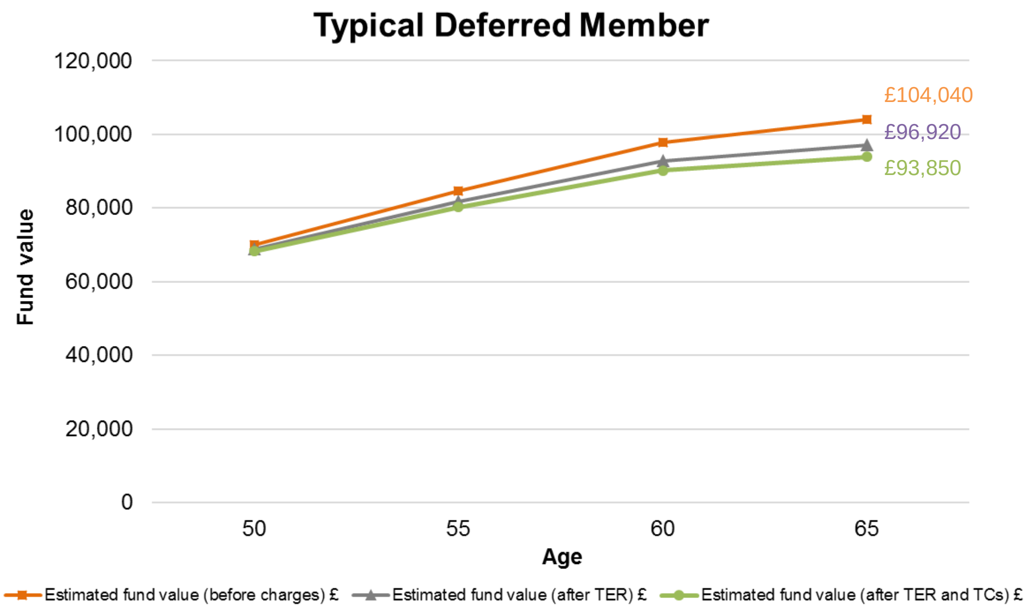


As the projected fund values are dependent on investment returns as well as the level of costs and charges, we have also included some comparison figures in the table below. For comparison purposes, we show projected values if the example member were invested in a higher risk profile fund (Standard Life Veritas Global Focus Pension Fund) which has a higher level of costs and charges and a higher expected return and the Standard Life Deposit and Treasury Fund which has a lower cost and charge level to the default strategy and with a lower risk profile (expected return).

Age	SL Deposit and Treasury Fund			Multi-Asset Lifecycle			Standard Life Veritas Global Focus Pension Fund		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
40	92,840	92,220	620	107,150	105,470	1,680	107,150	104,080	3,070
45	126,900	124,960	1,940	177,430	170,880	6,550	177,430	165,570	11,860
50	158,220	154,690	3,530	262,530	247,740	14,790	262,530	236,020	26,510
55	187,030	181,680	5,350	365,590	338,060	27,530	365,590	316,730	48,860
60	213,530	206,180	7,350	468,370	425,560	42,810	490,400	409,190	81,210
65	237,900	228,430	9,470	542,730	486,920	55,810	641,530	515,120	126,410

Typical Deferred Member

For a deferred member invested in the Multi-Asset Lifecycle, the estimated impact of charges on accumulated fund values is shown in the table and chart below. The amounts shown relate to a member aged 46, current fund value of £60,000, no ongoing contributions and a Selected Retirement Age of 65, which reflects a typical deferred member based on the Scheme's current membership.



As the projected fund values are dependent on investment returns as well as the level of costs and charges, we have also included some comparison figures in the table below. For comparison purposes, we show projected values if the example member were invested in a higher risk profile fund (Standard Life Veritas Global Focus Pension Fund) which has a higher level of costs and charges and a higher expected return and the Standard Life Deposit and Treasury Fund which has a lower cost and charge level to the default strategy and with a lower risk profile (expected return).

Age	SL Deposit and Treasury Fund			Multi-Asset Lifecycle			Standard Life Veritas Global Focus Pension Fund		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
50	56,120	55,540	580	69,930	68,270	1,660	69,930	66,890	3,040
55	51,620	50,420	1,200	84,680	80,220	4,460	84,680	76,630	8,050
60	47,470	45,780	1,690	97,810	90,180	7,630	102,540	87,790	14,750
65	43,670	41,560	2,110	104,040	93,850	10,190	124,180	100,580	23,600

The following assumptions have been made for the purposes of the above illustrations:

1. *Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.*
2. *Inflation is assumed to be 2.5% each year.*
3. *Salary growth is assumed to be in line with inflation.*
4. *Values shown are estimates and are not guaranteed.*
5. *The assumed growth rates (gross of costs and charges) are as follows:*
   - *Standard Life Global Equity 50:50 Tracker Pension Fund 6.5% p.a.*
   - *Standard Life Schroder Intermediated Diversified Growth Pension Fund/ Standard Life Ninety-One Diversified Growth Fund 6.5% p.a.*
   - *Standard Life Corporate Bond Fund 1.0% p.a.*
   - *Standard Life Index Linked Bond Pension Fund 0.8% p.a.*

- *Standard Life Deposit and Treasury Fund 0.8% p.a.*
- *Standard Life Veritas Global Focus Pension Fund 6.5% p.a.*

6. *Contributions for active members are assumed from current age to 65.*
7. *The transaction costs, as defined in regulation 2(1) of the Occupational Pension Schemes (Charges and Governance) Regulations 2015, should be based on an average of the previous 5 years' transaction costs or, where data is available for fewer than 5 years, an average of transactions costs over the years for which data is available. Currently, less than 5 years of transaction cost information is available from providers, however we expect data provision to improve over time. For the majority of funds, two years of transaction cost information is available and as such, the transaction costs in the table below (which have been used in providing the above illustrations) reflect the average over the last two years.*

Fund	***TER (%)***	***Average Transaction Costs (%)***	***Total Cost (%)***
Standard Life Global Equity 50:50 Tracker Pension Fund	*0.11*	*0.06*	*0.17*
Standard Life Schroder Intermediated Diversified Growth Pension Fund	*0.74*	*0.09**	*0.83*
Standard Life Ninety-One Diversified Growth Fund	*0.74*	*0.64**	*1.38*
Standard Life Corporate Bond Fund	*0.31*	*0.03*	*0.34*
Standard Life Index Linked Bond Pension Fund	*0.31*	*0.08*	*0.39*
Standard Life Deposit and Treasury Fund	*0.16*	*0.10*	*0.26*
Standard Life Veritas Global Focus Pension Fund	*1.06*	*0.11*	*1.17*

**The transaction costs incurred over the period from 1 January 2018 to 31 December 2018 were unavailable for the Schroder and Ninety-One Diversified Growth Funds. For the purposes of illustrations, we have assumed that average transaction costs incurred from 1 January 2018 to 31 December 2019 reflect those reported for the 12 months from 1 January 2019 to 31 December 2019.*

4. Value for Members assessment

The Administration Regulations require the Trustee to undertake an assessment of charges and transactions costs borne by DC section members and the extent to which those charges and costs represent good value for money for members.

There is no legal definition of "good value" and the process of determining this for members is a subjective one. Based on advice from the Scheme advisers, Aon, the Trustee has established a cost-benefit analysis framework in order to assess whether the member borne charges and transaction costs deliver good value for Members. The assessment is relevant to the current membership and covers the year to 31 December 2019. The cost part of the analysis considers the member borne charges and transaction costs. The benefits part of the analysis includes a range of other factors that the Trustee has chosen to consider (including administration, communications and governance) that members do not bear the cost of.

- **Costs**
  - The costs and charges associated with the default arrangement are well below the charge cap of 0.75% per annum and are readily available to members through the Scheme website.
  - Based on the profile of the Scheme's DC arrangements, the Trustee believes that the explicit charges are competitive when compared to the current market on a like for like basis.
  - Despite the fact that there are no explicit charges on the Prudential With Profits and the Aviva Conventional With Profits Fund, we believe that the Scheme continues to provide good value for members
- **Administration**
  - The Trustee regularly monitors the Scheme administration and over the period found that the necessary administration standards were being achieved.
  - In addition to this, the Trustee Secretary and Pensions Manager meet with the administrator directly on behalf of the Trustee on an annual basis in order to ensure ongoing adherence to the standards set.

- **Communications**
  - The Scheme provides members with clear, regular communications regarding any changes to the Scheme's investments, as well as a quarterly summary of fund performance available to members via the website, benefit statements and 'at retirement' communications.
  - Plan literature and information is available through the Scheme website at www.myallenoverypension.com.
- **Governance**
  - In terms of governance, the Trustee carries out an annual assessment against the DC Code of Practice to ensure that they are meeting best practice. Actions are put in place following this assessment in order to address any gaps and progress is followed over the Scheme year to ensure these are completed.
  - The DC section of the Scheme is a regular standing item at quarterly Trustee meetings.
- **Investment Choices**
  - The Trustee believes the Scheme provides members with an appropriate range of Lifecycle and self-select fund options, covering a range of risk profiles and asset classes.
  - The structure of the default for the DC section, the Multi-Asset Lifecyle, reflects how members are expected to access their funds at retirement.
  - Investments are monitored by the Trustee against their agreed benchmarks and performance objectives on a quarterly basis.

Conclusion

The Trustee's overall assessment described above concluded that:

- based on the charges and transaction costs members pay on the funds available, the DC Section and AVCs offers good Value for Members; and
- the other factors assessed as part of the Trustee’s wider value assessment enhance the overall quality of the DC section and AVCs further.

5. Trustee Knowledge and Understanding (“TKU”)

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have 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 exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator’s Code of Practice 7.

The Trustee considers that during the Scheme year, it's compliance with the TKU requirements has been secured by taking the following measures:

- The Trustee board incorporates a range of skills and experience and a diverse mix of backgrounds, including representatives from finance and pensions management. There are currently three Employer-Nominated Trustee Directors and three Member-Nominated Trustee Directors, as well as a Trustee Secretary.
- The Trustee is conversant with the Trust Deed and Rules and the Statement of Investment Principles for the Scheme. The Trustee reverts to the legal advisor for any clarification if required.

- Training received by the Trustee during the Scheme year covered the following topics:
    - Responsible Investment
    - DC governance structures
    - Factor Based Investing

Training logs are maintained for all Trustee Directors by the Scheme secretary. Given the professional nature and composition of the Trustee, agenda-specific training (as listed above) is provided by the Scheme's advisers during Board meetings, as necessary. In addition, the training logs is used to identify training needs as they arise.

The Trustee Directors have also put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments.

Trustee Directors are encouraged to supplement their knowledge using the Pensions Regulator's Trustee Toolkit within 6 months of appointment, unless they can demonstrate that they have completed alternative training covering substantially the same material. The Trustee Toolkit is an online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes. It includes a series of online learning modules developed to help trustees achieve the required level of knowledge and understanding to perform their trustee functions. All Trustee Directors are strongly encouraged to complete the module in the Trustee Toolkit on hybrid schemes (i.e. schemes like the Scheme with a DB section and DC section).

Copies of scheme documents are provided as part of the new Trustee training and are reviewed by the Trustee on a regular basis, as well as being available to the Trustee Directors electronically.

In January 2019 a new employer-nominated Trustee Director was appointed. The Trustee Director is in the process of completing the Trustee Toolkit and has attended various training sessions with the Scheme's investment advisers, including training sessions that provide an overview to investing and asset classes and attendance at a DC-specific conference. The Trustee Director is also completing some online investment-specific training provided by one of the Scheme's investment managers, Insight.

In addition to the knowledge and understanding of the Trustee board, the Trustee has engaged with their appointed professional advisers regularly throughout the year to ensure that they run the DC Section and AVC arrangements and exercise their functions properly:

- Reviewed quarterly administration reports from Capita to monitor service delivery against agreed service levels;
- Reviewed quarterly reporting of each individual investment fund against its benchmark with advice from its investment adviser (Aon), to monitor performance of the Scheme's funds against targeted benchmarks and objectives;
- Reviewed the Scheme's investment strategy in conjunction with their investment advisers, including the default strategy and self-select fund range;
- Updated the Scheme’s SIP to reflect new legal duties in relation to Economic, Social and Governance (ESG) investing (demonstrating the Regulator’s requirement to understand the principles relating to the funding and investment of occupational DC scheme assets and to have a working knowledge of the current SIP);
- Held four regular Trustee meetings and additional ad-hoc meetings and conference calls as required. The meetings were attended by professional advisers who provided reporting, training and specialist advice as required in order to enable the Trustee to properly exercise their function of governance over the Scheme;
- Maintained a regime for proper governance (based on the Pension Regulator’s DC Code of Practice) and using this as the basis for governance of the DC Section. This is achieved

through an annual assessment of the Plan against the DC Code of Practice and a Value for Members assessment that directly feeds into the content of this statement; and

- Reviewed the requirements introduced by the Competition and Markets Authority (CMA) to ensure that investment consultants have objectives, including the creation of a set of objectives (demonstrating the Regulator's requirement to understand the principles relating to the funding and investment of occupational DC schemes and to have a working knowledge of the current SIP).

Overall and for the reasons set out above, the Trustee believes it continued to meet the TKU requirements (as set out in the Pensions Act 2004 and the relevant Code of Practice) during 2019, and that the Trustee's combined knowledge and understanding, together with advice available to it, enables the Trustee to properly exercise its function.

Signed on behalf of the Trustee of the Allen & Overy Pension Scheme

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Jeremy Parr, Chair of Trustee

Date of signing 18.06.2020