UNITED WIRE (2002) PENSION SCHEME

ANNUAL GOVERNANCE STATEMENT
Year Ended 31 March 2023

Introduction

Governance standards apply to defined contribution pension arrangements like the Scheme. These are designed to help members achieve a good outcome from their pension savings. As Chair of the Trustees of the Scheme, I have to provide you with a yearly statement which explains what steps the Trustees (with guidance from our professional advisers) have taken to meet these standards within the Scheme. The information included in my statement is set out in law and regulation.

This Statement covers the period from 1 April 2022 to 31 March 2023. Information about the return on investments are included within the statement (after the deduction of any charges and transaction costs paid for by members). These are included to help you, as members, understand how your investments are performing.

The Trustees are committed to having high governance standards and we meet regularly to monitor the controls and processes in place in connection with the Scheme's investments and administration.

I have also attached in Appendix A information relating to the Crest Growth Pension Plan and Crest Secure Pension Plan (the 'Crest Plans'). As neither of the Crest Plans are being used as the relevant qualifying scheme for any members for the purposes of automatic enrolment, the Trustees have applied a proportionate approach to meeting the relevant governance standards for the Crest Plans. In particular, the Trustees have considered the Crest Plans within the assessment of Value for Members for the Scheme as a whole.

Members will have noticed volatile investment returns over the year to 31 March 2023 across most investment funds. Disruption to supply chains following the Covid-19 pandemic, the war in Ukraine and the significant increase in energy prices have all contributed to a sharp increase in inflation, rising interest rates, global recessionary fears and increased volatility across investment markets. Following the mini budget announced by then Chancellor, Kwasi Kwarteng, in September 2022, the bond market was also significantly affected, with the value of government bonds in particular falling. Whilst this may be alarming, members should take into account that pensions are a long-term investment and so it is important not to take knee jerk reactions in response to short term market movements.

During the previous Scheme year, the pension savings of most deferred members within the Scheme were transferred to the Schlumberger UK Pension Master Trust, operated by Scottish Widows. The pension savings of active members (who may now be deferred members if leaving after the transfer date), pensioner members and any deferred members with Crest Plan holdings were left within the Scheme.

The Trustees previously carried out the new detailed Value for Members assessment which applies to the Scheme and concluded that the Scheme did not offer good value for members over the year to 31 March 2022, when measured against the definition required by legislation and using our interpretation of the updated statutory guidance. The results of the assessment to 31 March 2023 led to the same conclusion.

Over the year to 31 March 2023, the Trustees have been in discussions with the Company to commence winding up the Scheme. Schlumberger plc have commenced a project to introduce a new pension arrangement for active employees of Schlumberger plc (including Schlumberger Oilfield UK Limited employees) and the Trustees are working with Schlumberger plc on this consolidation project alongside any plans to wind up the Scheme and transfer the rights of Scheme members into the new pension arrangement. This is expected to take place in the Scheme year ending 31 March 2024. The Trustees will also work with Schlumberger plc on how to address the Crest plans and the pensioner members, which involves assigning pensioner members' policies to the individual members.

Feedback

I welcome this opportunity to explain what the Trustees do to help to ensure the Scheme is run as effectively as it can be. If you have any questions about anything that is set out in this Statement, or any suggestions about what can be improved, please do let us know.

Default investment strategies

A default investment arrangement is set up by the Trustees and provided for members who do not choose an investment option for their contributions. Members can also choose to invest in this default investment arrangement.

The Trustees are responsible for investment governance. This includes setting and monitoring the investment strategy for the default arrangements. Members can also self-select from a range of funds that the Scheme offers. We take professional advice from regulated investment advisers when setting the default investment strategy and the self-select fund range.

Setting an appropriate investment strategy

Details of the strategy and objectives of the default investment arrangement are recorded in a document called the Statement of Investment Principles. A copy of the latest statement of investment principles is attached to this statement. The Trustees' evidence that the Scheme continues to follow and act on the principles outlined in the SIP is contained within a document called an Implementation Statement.

The Scheme offers two lifestyle investment options for members:

1. The default strategy is the **Lifestyle Option for Annuities**. It is designed for those members who, at retirement, wish to buy a guaranteed pension income for life (an annuity). The strategy assumes that members will take 25% of the value of their retirement account as cash (currently tax free) with the balance of the retirement account being used to purchase an annuity.

   If a member has selected the Lifestyle Option for Annuities (or this has been selected by default), the monies are moved to assets that are deemed more suitable should that member wish to take 25% of the value of their retirement account as cash (currently tax free) with the balance of the retirement account being used to purchase an annuity.

   Under the Lifestyle Option for Annuities, a member's assets are automatically invested in line with a pre-determined strategy that gradually switches the investments from a 100% investment in the BlackRock Aquila UK Equity Index Pension Fund up to 10 years from retirement to a mix of the Royal London Fixed Interest Pension Fund, BlackRock Aquila Consensus Pension Fund and Standard Life Investments Global Absolute Return Strategies Fund at 6 years from retirement, before gradually switching the investments to an allocation of 25% in the Royal London Deposit Pension Fund and 75% in the Royal London Fixed Interest Pension Fund at the member's target retirement age.

2. The alternative lifestyle strategy is the **Lifestyle Option for Cash Lump Sums**. It is designed for those members who wish to take all of their retirement account as a cash lump sum (25% currently tax free) on their retirement date.

   If a member has selected the Lifestyle Option for Cash Lump Sums, the monies are moved to assets that are deemed more suitable should that member plan to draw cash from their Retirement Account as a single cash lump sum.

   Under the Lifestyle Option for Cash Lump Sums, a member's assets are automatically invested in line with a pre-determined strategy that gradually switches the investments from a 100% investment in the BlackRock Aquila UK Equity Index Pension Fund up to 10 years from retirement to a mix of the Royal London Fixed Interest Pension Fund, BlackRock Aquila Consensus Pension Fund and Standard Life Investments Global Absolute Return Strategies Fund at 6 years from retirement, before gradually switching the investments to an allocation of 100% in the Royal London Deposit Pension Fund at the member's target retirement age.

When deciding on the investment strategy, the Trustees recognise that the majority of members do not take active investment decisions and instead invest in the default option.

Therefore, the Trustees' primary objective in deciding on an investment strategy is to ensure that the strategy is appropriate for a typical member, taking into account their age and planned retirement date.

When choosing the lifestyle strategies, it is the Trustees' policy to consider a range of asset classes, together with their expected returns and the expected volatility of those returns, the suitability of styles of investment management, and the need for diversification. The Trustees also recognise that there are various investment and operational risks and give qualitative and quantitative considerations to such risks.

Both lifestyle options are structured to provide the potential for a level of growth over and above inflation in the long term. In addition, as members approach retirement the monies in the Lifestyle Options are gradually switched to investments that are expected to be less volatile and that aim to protect members' potential income in retirement.

Reviewing the default investment arrangement

The Trustees are expected to review the strategy and objectives of the default investment arrangement regularly, and at least once every three years, and take into account the needs of the Scheme membership when designing it.

The Trustees review the investment objectives on a regular basis. As part of any review, and to fulfil our fiduciary duty to act in members' best interests, we will first confirm our understanding of the current and expected membership. We will use this information to develop an understanding of members' needs, attitudes and expectations. This will enable us to make assumptions as to what members' reasonable expectations could be. We will then consider members' attitudes to risk and their retirement expectations to analyse different default strategies before deciding on what, if any, changes are appropriate at the time. The Trustees also consider the number of investment funds offered to members.

At the Trustee meeting in October 2021, the Trustees agreed to undertake a default investment arrangement review split into two phases. Stage 1 would focus on the current default investment arrangements and discuss areas where changes to the current default could be appropriate. A second phase to the review – Stage 2 – focusing on recommended changes and how they could be implemented, would only be undertaken if the Trustees considered it necessary as part of the Stage 1 review.

The Trustees' Stage 1 review of the default investment arrangement was undertaken in January 2022, taking into consideration the membership profile of the Scheme (which had materially changed after the bulk transfer of deferred members to the Schlumberger UK Pension Master Trust in Summer 2021), along with the risk profile and number of investment funds offered to members.

The Trustees' investment consultant noted that the purchase of an annuity at retirement has become an unpopular choice for members of DC schemes, so the at-retirement allocation may not be appropriate for Scheme members and it may be appropriate to consider changing the Scheme's default investment strategy.

The Trustees also noted the following:

- the Lifestyle Option for Annuities invests in ASI Global Absolute Return Strategies Fund ('GARS') which had experienced poor performance in recent years and had been given a 'C' rating by the investment research team of the Trustees' investment consultant. The Trustees' investment consultant advised that any future changes to the Scheme's default lifestyle strategy should consider how this fund can be removed; and
- the Lifestyle Option for Annuities also uses a UK Equities Fund as the main growth fund in the lifestyle strategy. The Trustees' investment consultant advised that this appeared to be sub-optimal and a more diversified approach should be considered by the Trustees.

The Trustees noted the points made by the Trustees' investment consultant about the appropriateness of the current design, but also noted that Schlumberger plc had commenced a project to introduce a new pension arrangement for active employees of Schlumberger plc (including Schlumberger Oilfield UK Limited employees).

The Trustees confirmed in January 2022 that they did not see the merit of moving to "Stage 2" of the review at that time, given the relatively short period of time any new strategy would be in place for and the potential for members incurring transaction costs. As a result, The Trustees agreed in January 2022 that no changes should be made to the default investment strategy or self-select fund range at the current time.

In addition to the three-yearly strategy review, the Trustees monitor the performance of the default arrangement once a year as part of the process of drafting the Trustee Report and Financial Statements, taking advice from the Trustees' investment consultant and the investment manager.

The Trustees continue to request investment monitoring reports from Royal London to monitor the performance of the default strategy and the self-select fund choices outside of the Trustee Report and Financial Statement exercise. In particular, the Trustees will continue to monitor the impact of the war in Ukraine and recent turmoil in global markets on investment performance and volatility.

Self-select investment choices

In addition to the default lifestyle strategy and the alternative lifestyle strategy, the Trustees allow members to self-select from the following range of funds:

- Royal London Deposit Pension Fund
- Royal London Fixed Interest Pension Fund
- BlackRock Aquila Consensus Pension Fund
- BlackRock Aquila UK Equity Index Pension Fund
- BlackRock Aquila Global Equity Index (60:40) Pension Fund
- Standard Life Investments Global Absolute Return Strategies Fund

Members are expected to take independent financial advice before choosing between these funds. Any members considering switching funds should consider the risk involved and take any advice they feel is necessary. Free impartial guidance is available from MoneyHelper, the Government's free and impartial financial guidance service. Visit their website at https://www.moneyhelper.org.uk.

Charges and transaction costs paid by members

The Trustees are required to explain the charges and transaction costs in the Scheme that are paid by members rather than the employer. As the Scheme is a 'bundled' scheme, the costs borne by the members include:

- the investment management and investment transactions costs associated with the funds that the member is invested in; and
- the other costs incurred by Royal London in running the Scheme, such as administration and the governance provided by Royal London.

The costs borne by the employer include the costs of providing secretarial services to the Trustees plus other costs associated with the Trustees (for instance, audit fees, adviser fees, group life premiums, etc). The investment management and transaction costs in particular can be explained as follows:

- The ongoing charges figure is the total cost of investing in any fund or strategy and includes the Annual Management Charge and any additional fund expenses, as well as any other charges levied by Royal London for administering the Scheme. The charges for the default investment strategy are compared against the 0.75% charge cap set by legislation.

- Transaction costs are the costs incurred as a result of the buying, selling, lending or borrowing of investments *within* each fund or strategy. They 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, as well as any differences between the actual price paid and the quoted 'mid-market price' at the time an order was placed. These costs will vary between members depending on the funds invested in, the transactions that took place within each fund and the date at which the transactions took place. Unlike ongoing charges figures, transaction costs are not compared against the 0.75% charge cap set by legislation – instead, the reported performance of the fund is typically net of these transaction costs. It should be noted that transaction costs are likely to vary from fund to fund and from year to year.

- In addition, there can be switching costs occurred as a result of the buying and selling of funds. This may relate either to member-driven trades (e.g. a self-select member switching their investment arrangements) or to automatic trades (e.g. those associated with fund switches resulting from progression along a lifestyle glidepath). These costs relate to the difference between the fund price used to place the trade and the price which would have applied to that fund on that day had the trade not been placed. These are implicit costs which are not typically visible to members.

The ongoing charges figures applicable to the funds during the Scheme year to 31 March 2023 and transaction costs during the 12 months to 31 December 2022 were confirmed by Royal London as being:

Fund	Ongoing charges figure	Transaction costs
Royal London Deposit Pension Fund	0.53%	0.02%
Royal London Fixed Interest Pension Fund	0.53%	0.00%
BlackRock Aquila Consensus Pension Fund	0.53%	0.09%
BlackRock Aquila UK Equity Index Pension Fund	0.53%	0.00%
BlackRock Aquila Global Equity Index (60:40) Pension Fund	0.53%	0.00%
Standard Life Investments Global Absolute Return Strategies Fund	1.34%	0.58%

The charges on the lifestyle strategies are the weighted averages of the charges on the above funds, using the allocation to each fund at each point in time. Both lifestyle strategies have ongoing charges figures that range between 0.53% per annum and 0.73% per annum depending on how far away the member is from their selected retirement date, with the charges being:

- 0.53% for any period up to 10 years from retirement; increasing to
- 0.73% maximum for the period from 7 years to 3 years from retirement; and
- 0.53% within a year of retirement.

Completeness of transaction cost information

Where information about the member costs and charges is not available, we have to make this clear to you, together with an explanation of what steps we are taking to obtain the missing information. Royal London were unable to provide transaction costs for the Scheme year to 31 March 2023, instead providing the transaction costs for the 12 months to 31 December 2022. As a result, the transaction costs for the Scheme year to 31 March 2023 may differ to the costs disclosed in the table on the previous page.

Examples of the impact of costs and charges

We are required to provide illustrative examples of the cumulative effect over time of the application of the charges and costs on members' savings.

We have requested and received illustrative examples from Royal London, based on the data that they hold. These examples that can be found in Appendix B and Royal London have confirmed that they have taken account of the updated statutory guidance effective from 1 October 2021 issued by the Department of Work and Pensions[1] in preparing this section of our statement.

Past performance of the investment options

We have asked Royal London to calculate the return on investments after the deduction of any charges and transaction costs paid for by the members and are pleased to enclose these figures. Royal London have done this for the current default investment arrangement and for each self-select funds which members are now able, or were previously able, to select and in which Scheme members have been invested during the Scheme year.

The net returns to 31 March 2023 are shown in the tables below and are included to help members understand how their investments are performing. Please note that past performance is no indicator of future performance. The tables have been prepared taking account of the statutory guidance issued by the Department of Work and Pensions[2].

<u>Annualised net returns (%) for the default investment arrangement (the Lifestyle Option for Annuities) over periods to 31 March 2023</u>

Age of member at the start of the period*	20 years (2003-2023) [if available]	15 years (2008-2023) [if available]	10 years (2013-2023) [if available]	5 years (2018-2023)	1 year (2023)
Age 25				4.02%	1.37%
Age 45				4.02%	1.37%
Age 55				4.02%	1.37%

*As the default investment arrangement is a lifestyle strategy made up of different investment funds, the returns may vary with the age of the member, so we have shown the returns at three example ages for each lifestyle strategy in line with regulatory guidance.

[1] https://www.gov.uk/government/publications/reporting-costs-charges-and-other-information-guidance-for-trustees-and-managers-of-occupational-pension-schemes/reporting-of-costs-charges-and-other-information-guidance-for-trustees-and-managers-of-occupational-schemes-effective-from-1-october-2021

[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994897/completing-the-annual-value-for-members-assessment-and-reporting-of-net-investment-returns.pdf

Annualised net returns (%) for the self-select funds over periods to 31 March 2023

Investment Fund	20 years (2003-2023) [if available]	15 years (2008-2023) [if available]	10 years (2013-2023) [if available]	5 years (2018-2023)	1 year (2023)
Royal London Deposit Pension Fund				0.31%	1.82%
Royal London Fixed Interest Pension Fund				(2.65%)	(14.94%)
BlackRock Aquila Consensus Pension Fund				4.96%	(2.56%)
BlackRock Aquila UK Equity Index Pension Fund				4.02%	1.37%
BlackRock Aquila Global Equity Index (60:40) Pension Fund				6.08%	1.17%
Standard Life Investments Global Absolute Return Strategies Fund				(1.88%)	(9.37%)

Notes for all tables in this section:
1. Net investment returns for 10 years, 15 years and 20 years to 31 March 2023 were not available for value for money comparisons so have not been included here.
2. Figures shown for the self-select investment options are calculated based on underlying investment manager performance.

Core financial transactions

The Trustees are required to report to you about the processes and controls in place in relation to ‘core financial transactions’. The law specifies that these include the following:
- investing contributions paid into the Scheme;
- transferring assets relating to members into and out of the Scheme;
- transferring assets between different investments within the Scheme; and
- making payments from the Scheme to, or on behalf of, members.

The Trustees must ensure that these important financial transactions are processed promptly and accurately. In practice, we delegate responsibility for this to Royal London.

There is a Service Level Agreement (‘SLA’) in place between the Trustees and Royal London to ensure accurate and timely processing of the core financial transactions for which it is responsible. Royal London is required to carry out services in accordance with good industry practice and, more specifically, payments in respect of members must reach the recipients as agreed with the Trustees and in accordance with the Scheme’s trust deed and rules. Any mistakes or delays are investigated thoroughly and action is taken to put things right as quickly as possible.

This administration service includes key financial tasks such as managing the investment of contributions, paying benefits (or making transfers) and keeping track of changes in members' circumstances. In order to monitor this service, the Trustees receive regular reports confirming the payment and allocation of contributions, as well as information on events such as cash management and pension payroll.

The Trustees also monitor transactions made via the Trustees bank account on a regular basis. The Scheme Auditor tests a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

As administrator, Royal London provides the Trustees with administration reports on demand (typically requested six-monthly or annually) that sets out the general Service Level Agreements for the efficient processing of scheme events and the Trustees discuss these at the next Trustee meeting, noting any specific issues that have arisen with the administration services provided (covering both core financial transactions and member processing).

There were no material administration service issues discussed in the last Scheme year which need to be reported here by the Trustees. Overall, the Trustees are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly. As a result, I am confident that all core financial transactions have been processed accurately and within a reasonable time.

Trustee knowledge and understanding

The law requires the Trustees to be conversant with the Scheme's documents and to possess, or have access to, sufficient knowledge and understanding of the law relating to pensions and trusts and the principles relevant to funding and investment to be able to run the Scheme effectively.

The Trustees meet all the knowledge and understanding requirements and understand the Scheme and its documents.

The Trustees are aware that they must have a working knowledge of the trust deed and rules of the Scheme, the statement of investment principles and the documents setting out the Trustees' current policies. The Trustees are also aware that they must have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes. The Trustees do this by regularly reviewing the relevant Scheme documents and seeking advice from the Scheme's lawyers on matters of interpretation.

The Trustees take their training and development responsibilities seriously and keep a record of the training completed by each Trustee. The training log is reviewed at each Trustee meeting to identify any gaps in the knowledge and understanding across the Trustee Board as a whole.

The Trustees also receive "on-the-job" training. This means that as new topics arise, their professional advisers attending the Trustee meetings will provide wider briefing notes and topical digests as well as training during the meeting, so that the Trustees may engage on such topics in an informed manner.

Relevant advisers attend Trustee meetings and are in frequent contact with the Trustees to provide information on topics under discussion, either specific to the Scheme or in respect of pension or trust law. During the Scheme year, the Trustees undertook training and development on topics like:

- Winding up a DC scheme;
- Making bulk transfers from DC schemes;
- Net investment return reporting in the Chair's Statement;
- Building an effective system of governance – overview of tPR's new general code of practice.

The Trustees also receiving technical updates on other topics during Trustee meetings.

As a result of the training activities that have been completed by the Trustees, individually and collectively, and taking into account the professional advice available to the Trustees, I am confident that the combined knowledge and understanding of the Trustees enables us to properly exercise our functions as Trustees to the Scheme.

Assessing value for members and wider value for money

Introduction and main conclusions

As part of our assessment of the charges and transaction costs, the Trustees are required to consider the extent to which costs and charges within the Scheme represent good value for members when compared to other options available in the market.

The Trustees have conducted three tests in assessing value for members for the Scheme year to 31 March 2023:

1. A comparison of our reported **costs and charges** with the three comparison schemes;
2. A comparison of our reported **net investment returns** with the three comparison schemes; and
3. A consideration of the Scheme against key **governance and administration** criteria.

Based on our assessment, we conclude that the Scheme did not offer good value for members over the year to 31 March 2023, when measured against the definition required by legislation, using the three comparison schemes selected by the Trustees and using our interpretation of the updated statutory guidance on "Completing the annual Value for Members assessment and Reporting of Net Investment Returns".

Appendix C sets out the approach that the Trustees have taken, the conclusions we have reached (including our definition of 'satisfactory' and 'good') and an explanation of how and why we have reached those conclusions.

Follow-on actions and investigations
Over the year to 31 March 2024, the Trustees will look to commence winding up the Scheme and transferring the rights of the Scheme members to a larger pension scheme at an appropriate time.

As previously noted, Schlumberger plc have already commenced a project to introduce a new pension arrangement for active employees of Schlumberger plc (including Schlumberger Oilfield UK Limited employees). This is expected to be implemented in the Scheme year to 31 March 2024.

The Trustees will therefore work with Schlumberger plc on this consolidation project alongside any plans to wind up the Scheme and transfer the rights of Scheme members into the new pension arrangement.

The Trustees will also work with Schlumberger plc on how to address the Crest plans and the pensioner members, which involves assigning pensioner members' policies from being in the name of the Trustees to being in the name of the individual members themselves, which would transfer legal ownership of the holdings from the Scheme to the individuals by creating a policy for each individual.

The Trustees will keep Scheme members informed of any developments through regular communications.

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Appendix A – Crest Growth Pension Plan and Crest Secure Pension Plan

Royal London also administers savings for Scheme members in respect of the above historic arrangements. Within the Crest Plans, members can choose to invest in a variety of Unit-Linked or with-profit funds, although they do not benefit from any discounts on standard annual management charges. Neither of the Crest Plans are being used as the relevant qualifying scheme for any members for the purposes of automatic enrolment. As a result, the Trustees have applied a proportionate approach to meeting the relevant governance standards. In practice, this means that these plans have received more of a 'light touch' review, particularly in assessing value for members.

Core financial transactions and trustee knowledge and understanding
Comments under these headings in the main section of this Chair's Statement also apply to the Crest Plans, so there are not duplicated here.

Assessing value for members
The Trustees have taken a proportionate approach to reviewing the investments based on the size of the funds invested compared to the size of the funds invested in the main Scheme and relatively small number of members who are invested in these arrangements. As a result, the main conclusion of the Trustees that the Scheme did not offer good value for members over the year to 31 March 2023 also applies to the Crest Plans and the Trustees will look to address the Crest Plans as part of the wind up of the Scheme.

Investment choices (including default arrangements) and charges and transaction costs paid by members
None of the investment options in the Crest Plans are a default arrangement for the purposes of the Occupational Pension Schemes (Charges and Governance) Regulations 2015, because none are used as a qualifying scheme for automatic enrolment purposes. As a result, no default investment strategy review was undertaken during the Scheme year and there is no planned future date for such a review. The self-select funds that members can invest in within the Crest Plans, plus the ongoing charges figures applicable to the funds during the Scheme year to 31 March 2023 and transaction costs during the 12 months to 31 December 2022, were confirmed by Royal London as being:

Plan	Fund	Ongoing charges figure	Transaction costs
Growth	Balanced Retirement Investment Strategy	1.00%	0.07%
	Royal London Deposit Pension Fund	1.00%	0.02%
	Royal London Fixed Interest Pension Fund	1.00%	0.00%
	Royal London Managed Pension Fund	1.00%	0.06%
	Royal London UK Equity Pension Fund	1.00%	0.08%
Secure	Secure Fund	1.45%	0.10%

As with the funds available within the main section of the Scheme, members are expected to take independent financial advice before choosing between these funds. Any members considering switching funds should consider the risk involved and take any advice they feel is necessary. Free impartial guidance is available from MoneyHelper, the Government's free and impartial financial guidance service. Visit their website at https://www.moneyhelper.org.uk.

As per the main Scheme investments, we have to make it clear to you if information about the member costs and charges is not available, together with an explanation of what steps we are taking to obtain the missing information. I am pleased to note that the transaction costs for the Secure Fund were provided for this Scheme year, although all transaction costs prior to 1 April 2018 remain unavailable and the transaction costs provided for the Secure Fund came with the following caveats:

- Transactions costs are not available for all funds because the information has not been provided by all of Royal London's external fund management partners;
- Transaction costs for Crest Secure (Deposit Admin) are already included in the quoted annual bonus rate for the fund, meaning there is no additional charge taken from a client's policy after the annual bonus is paid; and
- The transaction costs shown for the Secure Fund are the maximum transaction costs incurred for each strategy over the lifetime of the policies.

We have prepared the following examples of the impact of costs and charges, taking account of updated statutory guidance effective from 1 October 2021 issued by the Department of Work and Pensions[3]:

Policy 153440 (Secure Fund, 12 members)

Projected pension pot in today's money			
		Fund choice	
		Default Fund	
Years	Value of payments made, no investment	Before Charges	After all charges + costs deducted
1	£ 17,695	£ 18,100	£ 17,700
3	£ 17,007	£ 18,900	£ 17,900
5	£ 16,347	£ 19,800	£ 18,100
10	£ 14,806	£ 22,300	£ 18,600
15	£ 13,410	£ 25,000	£ 19,100
20	£ 12,146	£ 28,100	£ 19,600
25	£ 11,001	£ 31,600	£ 20,100
30	£ 9,964	£ 35,500	£ 20,700
35	£ 9,025	£ 39,900	£ 21,200
40	£ 8,174	£ 44,800	£ 21,800

Policy 153441 (Secure Fund, 4 members)

Projected pension pot in today's money			
		Fund choice	
		Default Fund	
Years	Value of payments made, no investment	Before Charges	After all charges + costs deducted
1	£ 28,970	£ 29,600	£ 29,100
3	£ 27,845	£ 31,000	£ 29,400
5	£ 26,764	£ 32,500	£ 29,700
10	£ 24,241	£ 36,500	£ 30,500
15	£ 21,956	£ 41,000	£ 31,300
20	£ 19,886	£ 46,100	£ 32,200
25	£ 18,012	£ 51,800	£ 33,000
30	£ 16,314	£ 58,200	£ 33,900
35	£ 14,776	£ 65,300	£ 34,800
40	£ 13,383	£ 73,400	£ 35,700

Policy 153450 (UK Equity Fund, 3 members)

Projected pension pot in today's money			
		Fund choice	
		Default Fund	
Years	Value of payments made, no investment	Before Charges	After all charges + costs deducted
1	£ 10,339	£ 10,600	£ 10,500
3	£ 9,938	£ 11,200	£ 10,900
5	£ 9,552	£ 11,900	£ 11,300
10	£ 8,651	£ 13,800	£ 12,400
15	£ 7,836	£ 15,900	£ 13,500
20	£ 7,097	£ 18,400	£ 14,800
25	£ 6,428	£ 21,300	£ 16,300
30	£ 5,822	£ 24,600	£ 17,800
35	£ 5,273	£ 28,500	£ 19,500
40	£ 4,776	£ 32,900	£ 21,400

Policy 153451 (Managed Fund, 3 members)

Projected pension pot in today's money			
		Fund choice	
		Default Fund	
Years	Value of payments made, no investment	Before Charges	After all charges + costs deducted
1	£ 32,517	£ 33,100	£ 32,700
3	£ 31,254	£ 34,400	£ 33,300
5	£ 30,040	£ 35,800	£ 33,800
10	£ 27,208	£ 39,400	£ 35,300
15	£ 24,643	£ 43,500	£ 36,800
20	£ 22,320	£ 47,900	£ 38,400
25	£ 20,216	£ 52,800	£ 40,000
30	£ 18,310	£ 58,200	£ 41,700
35	£ 16,584	£ 64,100	£ 43,500
40	£ 15,021	£ 70,700	£ 45,300

Notes

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, with inflation assumed to be 2% each year.
2. The starting pot sizes are assumed to be £17,695 for policy 153440, £28,970 for policy 153441, £10,339 for policy 153450 and £32,517 for policy 153451.
3. The projected growth rate for each fund (before total expense ratio and transaction costs are deducted) are as follows:

Fund	Projected growth rate
Managed Fund	1.96% above inflation
UK Equity Fund	2.94% above inflation
Secure Fund	2.35% above inflation

[3] https://www.gov.uk/government/publications/reporting-costs-charges-and-other-information-guidance-for-trustees-and-managers-of-occupational-pension-schemes/reporting-of-costs-charges-and-other-information-guidance-for-trustees-and-managers-of-occupational-schemes-effective-from-1-october-2021

Appendix B – Examples of the impact of costs and charges

Each table in this section shows the projected pension savings (or 'retirement pot') in today's money for a different representative member, using median statistics as at 31 March 2023 and using the Statutory Money Purchase Illustration (SMPI) assumptions as at 1 April 2023 that featured in the Scheme's 2023 annual benefit statements (with the exception of historic transaction costs being taken into account in the enclosed tables, when these are ignored within SMPI statements)

Projected pension pot in today's money for a 'Typical' active Scheme member:

		Strategy 1		Self Select: Lowest Charge		Self Select: Highest Charge	
Year	Value of payments made, no investment	Before Charges	After all charges + costs deducted	Before Charges	After all charges + costs deducted	Before Charges	After all charges + costs deducted
1	£ 45,781	£ 46,700	£ 46,500	£ 46,400	£ 46,200	£ 47,000	£ 46,800
3	£ 49,458	£ 54,300	£ 53,500	£ 53,600	£ 52,600	£ 55,500	£ 54,600
5	£ 53,153	£ 62,400	£ 61,000	£ 61,100	£ 59,400	£ 64,600	£ 63,100
10	£ 62,501	£ 84,600	£ 81,000	£ 81,800	£ 77,700	£ 90,600	£ 86,700
15	£ 72,055	£ 110,000	£ 103,000	£ 105,000	£ 98,200	£ 121,000	£ 114,000
20	£ 81,878	£ 139,000	£ 128,000	£ 132,000	£ 120,000	£ 159,000	£ 147,000
25	£ 92,033	£ 172,000	£ 156,000	£ 163,000	£ 146,000	£ 203,000	£ 185,000
30	£ 102,584	£ 209,000	£ 187,000	£ 197,000	£ 174,000	£ 257,000	£ 229,000
35	£ 113,596	£ 251,000	£ 219,000	£ 236,000	£ 205,000	£ 320,000	£ 280,000
40	£ 125,137	£ 299,000	£ 254,000	£ 281,000	£ 239,000	£ 394,000	£ 340,000

Projected pension pot in today's money for a 'Typical' deferred Scheme member:

		Strategy 1		Strategy 2	
Year	Value of payments made, no investment	Before Charges	After all charges + costs deducted	Before Charges	After all charges + costs deducted
1	£ 31,210	£ 31,900	£ 31,700	£ 31,900	£ 31,700
3	£ 29,998	£ 33,300	£ 32,800	£ 33,300	£ 32,800
5	£ 28,833	£ 34,800	£ 33,900	£ 34,800	£ 33,900
10	£ 26,115	£ 38,900	£ 36,900	£ 38,800	£ 36,800
15	£ 23,653	£ 43,500	£ 40,200	£ 43,400	£ 40,000
20	£ 21,424	£ 48,600	£ 43,700	£ 48,400	£ 43,500
25	£ 19,404	£ 54,300	£ 47,500	£ 54,100	£ 47,300
30	£ 17,575	£ 60,700	£ 51,700	£ 60,400	£ 51,500
35	£ 15,918	£ 67,800	£ 55,700	£ 67,400	£ 55,400
40	£ 14,418	£ 75,800	£ 59,700	£ 75,300	£ 59,300

Notes

1. Royal London have provided illustrations that include pot sizes based on the average member used future projection periods that range up to 40 years.
2. Strategy 1 is the default investment arrangement. Strategy 2 is the Lifestyle Option for Cash Lump Sums. The self-select fund with the lowest charge for the illustration is the BlackRock Aquila Consensus Pension Fund and the self-select fund with the highest charge for the illustration is the BlackRock Aquila UK Equity Index Pension Fund.
3. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation, which is assumed to be 2% each year.
4. The starting pot sizes are assumed to be £43,087 for the 'typical' active member and £31,210 for the 'typical' deferred member. For active members only, future contributions are assumed to be paid from age 25 to 68 and increase in line with assumed earnings inflation of 3.5% each year.
5. Within the projections for the default lifestyle, Royal London have calculated the illustrations using a single equivalent growth rate that uses an average time to retirement over a full projection period.

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6. The projected growth rate for each fund (before total expense ratio and transaction costs are deducted) are as follows:

Fund	Projected growth rate
Default lifestyle	1.91% for a typical active Scheme member 2.24% for a typical deferred Scheme member
Lifestyle Option for Cash Lump Sums	2.23%
Highest-charging fund:	2.94%
Lowest-charging fund:	1.67%

Appendix C – assessing value for member and wider value for money

The Trustees have carried out the new detailed value for members assessment which now applies to the Scheme, as a result of the Scheme holding total assets under £100 million as at the Scheme year-end.

It should be noted that the approach taken this year is different to the approach taken in previous years, as a result of changes to the statutory guidance on assessing 'value for members' for occupational DC pension schemes with total assets under £100 million.

In carrying out the assessment, the Trustees have had regard to the Department for Work and Pensions' updated statutory guidance on "Completing the annual Value for Members assessment and Reporting of Net Investment Returns"[4].

This section sets out the approach that the Trustees have taken, the conclusions we have reached and an explanation of how and why we have reached those conclusions.

Our approach

Assisted by our advisers and in line with the statutory guidance, we have taken the following approach:

1. We have collated information on costs and charges and net investment returns within the Scheme, as well as key governance and administration criteria within the Scheme;

2. We have collated information on costs and charges and net investment returns within three comparison schemes, selected using clear rationale agreed by the Trustees;

3. We have assessed the value that Scheme members receive by comparing the Scheme's costs and charges and net investment returns relative to the comparison schemes and assessing the key governance and administration criteria on an absolute basis, having due regard to the updated statutory guidance; and

4. We have reflected on our key findings, before deciding whether the Scheme provides overall value for members and agreeing any actions that are required following the assessment.

For the avoidance of doubt, under the updated statutory guidance, trustees of occupational DC pension schemes who are not able to demonstrate that their pension scheme delivers value for members on all three areas (costs and charges; net investment returns; administration and governance) are expected to conclude that their pension scheme does not provide good value for members.

Such trustees should look to wind up their pension scheme and transfer the rights of their members into a larger pension scheme, or set out the immediate action they will take to make improvements to the existing scheme (if the improvements identified are not made within a reasonable period, for example within the next scheme year, then those trustees would be expected to wind up and transfer members' benefits to another pension scheme).

Preparations for the assessment

The Trustees received support from advisers around how to undertake the new detailed value for members assessment and also considered the updated statutory guidance.

A number of key decisions were made as part of these preparations, in two main areas:

1. Selecting the three comparison schemes
2. Interpreting the updated statutory guidance

[4] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994897/completing-the-annual-value-for-members-assessment-and-reporting-of-net-investment-returns.pdf

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1. Selecting the three comparison schemes

In order to carry out the value for members assessment, the Trustees' first step was to select three comparison schemes.

The Trustees consulted Schlumberger plc to discuss the additional governance requirements being rolled out across DC trust-based pension arrangements.

Schlumberger plc is currently undertaking a strategic review of its UK pension provision to assess whether consolidating all of the different arrangements into a single pension arrangement for all active UK employees would better meet its objectives and the needs of its employees.

As part of this strategic review, Schlumberger plc noted that it had already reviewed the vehicles and propositions put forward by LifeSight and the Scottish Widows Master Trust, with the latter being the vehicle selected for the Summer 2021 bulk transfer of deferred members from Schlumberger plc's various UK pension arrangements. In addition, Schlumberger plc noted the Schlumberger UK Pension Scheme was also a DC pension arrangement with the same ultimate principal employer as the Scheme.

The Trustees are required to set clear rationale for the schemes that selected as comparators. The Trustees noted that LifeSight, the Scottish Widows Master Trust and the Schlumberger UK Pension Scheme were all greater than £100 million in size, two were of a different structure to the Scheme and one was sponsored by the same ultimate principal employer. As a result, all three of these schemes met the requirements of the statutory guidance and using them would ensure that a meaningful comparison was made with a larger pension arrangement.

In addition, the three schemes would be able to provide the net investment return, charges and transaction costs required by the Trustees. From a practical point of view, utilising these three schemes as the comparison schemes would also provide the Trustees with efficiencies in terms of the time and charges for selecting and engaging with any comparison schemes.

Finally, the Trustees noted that Schlumberger plc had taken advice from their advisors to help them understand the DC pension vehicle choices and to conduct an appropriate selection process, which had led to LifeSight and the Scottish Widows Master Trust being shortlisted for the bulk transfer of deferred members from the various UK pension arrangements.

The Trustees felt that the reasons above presented them with a clear rationale for using LifeSight, the Scottish Widows Master Trust and the Schlumberger UK Pension Scheme as the three comparison schemes within their value for members assessment. As a result, the Trustees selected the following comparison schemes:

- LifeSight;
- Schlumberger UK Pension Scheme (please note that SUKPS members pay no fund management or administration charges); and
- Scottish Widows Master Trust.

The updated statutory guidance states that "Trustees of specified schemes are of course at liberty to choose their own comparison schemes, each time they conduct the value for members assessment". As a result, the Trustees reserve the right to select different clear rationale and choose different comparison schemes for future Scheme years.

2. Interpreting the updated statutory guidance

This year was the first year in which the new value for member assessment was being rolled out across all occupational DC pension schemes with assets under £100 million. No established practice or case studies exist at this stage that the Trustees could rely upon to inform their approach. As a result, a number of key decisions were made as part of the Trustees' preparations, primarily around interpreting the updated statutory guidance. The Trustees made the following key decisions for this Scheme year (where this relates to a particular paragraph of the updated statutory guidance, the relevant paragraph number is shown in [square brackets]):

- The Trustees have interpreted the provision of costs and charges based on Scheme membership, together with confirmation that the comparison scheme would accept a transfer of Scheme members' rights if the Scheme was wound up, as having satisfied the requirement that that the Trustees "have had discussions" with at least one of the comparator schemes [54];

- The Trustees note that charges and transaction costs will only vary by age for Scheme members in the ten years prior to normal retirement date for the default investment arrangement. As the updated statutory guidance suggests that charges and costs are shown at 10-year intervals, no difference would be demonstrated if the Trustees followed this suggestion. As a result, the Trustees have shown a single figure for the charges and transaction costs relating to the period prior to ten years before normal retirement date [57];

- The Trustees have relied entirely on the data supplied by the three comparison schemes and have requested comparison data as at 31 March 2023 and compared this against Scheme data calculated as at 31 March 2023 [58/69];

- The Trustees have agreed that the charges and transaction costs over the year to 31 March 2023 are not unusually high for a reason that is unlikely to be repeated; therefore, the Trustees have used one-year data rather than an average of the last five years [61];

- Where the Trustees have performed comparisons using the Scheme's default investment arrangement, we have compared them against the default arrangement put forward by each comparison scheme, where these schemes have different options for default arrangements [62/72];

- In the absence of a clear definition in the updated statutory guidance and given the size of the Scheme, the Trustees have defined self-select funds as "popular" or "frequently invested" if more than 20% of members are invested in the self-select funds [63/73/76/77];

- The Trustees have given the total charges and transaction costs and net investment returns in the default lifestyle arrangement a weighting of 100%, given that no self-select fund in the Scheme has sufficient members investing in it to be considered "popular" or "frequently invested" under the above definition [64/74];

- The Trustees have assumed that funds being compared that have charges and transaction costs with an absolute difference within 0.05% or that have net investment returns with an absolute difference within 0.5% are considered to be "closely comparable" [65/75];

- The Trustees consider that default investment arrangements or self-select funds that also have higher, not just "broadly comparable", average investment returns over a five-year period when compared to the nearest comparable default arrangements or funds respectively, are good value from a costs and charges perspective, even if the charges in the Scheme are higher than the same comparable default arrangements or funds respectively [65];

- The Trustees have placed more weight on the net investment returns over charges and transaction costs by allowing for Scheme net investment return outperformance or broad comparability relative to the three comparison schemes to overcome poor Scheme charges and transaction costs relative to the three comparison schemes, but <u>not</u> vice versa, when assessing value for members [67];

- The Trustees have only been able to source and use five-year net investment returns to assess longer-term investment performance (10-year and 15-year data was not consistently provided) and have also placed more weight on the longer-term performance by weighting five-year net investment returns by 80% and short-term one-year returns by 20% [68];

- The Trustees were not provided with sufficient data by the comparison schemes to assess whether the demographic profile of the Scheme differed sufficiently to those of the comparison schemes to support a "clear strategic choice" that explains differences in performance [77];

- When assessing the value delivered by their governance and administration offering within the Scheme, the Trustees have considered and assessed the Scheme against the seven key metrics of Administration and Governance set out in the updated statutory guidance and note that the guidance also sets out an expectation that all [seven] of the metrics for administration and governance are satisfied for a pension scheme to be able to demonstrate satisfactory value for members [111/112]. In making this assessment, the Trustees have assumed the following:

    I. When assessing the **promptness and accuracy of core financial transactions**, the Trustees have placed greater weight on the proportion of member transactions that have been completed accurately and within required timeframes set in legislation compared to the proportion of member transactions that have been completed according to any service level agreements (SLA) when assessing whether the Scheme would represent "satisfactory value" for members in this area [81-85];
    II. When assessing the **quality of record keeping**, the Trustees have assumed that satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent "satisfactory value" for members in this area. The Trustees have also assumed that the lack of any regulatory action by The Pensions Regulator in light of the data scores for common and scheme-specific data reported in the Scheme's historic annual scheme returns indicates that the Scheme's data scores are "satisfactory value" for members [86-96];
    III. When assessing the **appropriateness of the default investment strategy**, the Trustees have considered all of the points within the updated statutory guidance and assumed that satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent "satisfactory value" for members in this area [97-99];
    IV. When assessing the **quality of investment governance**, the Trustees have considered all of the points within the updated statutory guidance and assumed that satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent "satisfactory value" for members in this area [100-101];
    V. When assessing the **level of trustee knowledge, understanding and skills to operate the Scheme effectively**, the Trustees have assumed that satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent "satisfactory value" for members in this area [102-104];
    VI. When assessing the **quality of communication with Scheme members**, the Trustees have assumed that concluding that they have met their statutory obligations and have also achieved satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent "satisfactory value" for members in this area [105-107];
    VII. When assessing the **effectiveness of management of conflicts of interest**, the Trustees have assumed that having all four of the controls set out in the updated statutory guidance in place and being able to show how these have been followed and are effective in practice would represent "satisfactory value" for members in this area [108-110];

The Trustees also agreed to revisit these decisions in future Scheme years, allowing for emerging industry-wide practices or case studies, particularly around the approach that The Pensions Regulator ends up taking when assessing how trustees carried out the new detailed value for member assessments.

Process followed for the assessment, including key factors considered.

The Trustees requested the required information from each of the comparison schemes in order to undertake the relative assessment of costs and charges and net investment returns against the Scheme. The Trustees also requested the assistance of advisers to assist in assessing the Scheme against the criteria set out in the updated statutory guidance.

The assessment then involved three tests:

1. a comparison of our reported **costs and charges** with the three comparison schemes;
2. a comparison of our reported **net investment returns** with the three comparison schemes; and
3. a consideration of the Scheme against key **governance and administration** criteria.

The Trustees have also ‘had discussions’ with at least one of the comparison schemes about a transfer of the members’ rights if the Scheme should ever be wound up, in line with the approach set out in the “Interpreting the updated statutory guidance” section (please note that the need to have ‘had discussions’ is a requirement of the statutory guidance, rather than a reflection of the future ambitions of either the Trustees or Schlumberger Oilfield UK Limited at this stage).

The outcomes from our assessment

<u>Test 1: costs and charges</u>

The Trustees have identified the costs and charges that members pay for directly, as well as the costs and charges that are paid for by the Principal Employer.

As set out in the section entitled "Charges and transaction costs paid by members", the costs of the Scheme are borne by the member or employer as follows.

Member charges cover such costs as:
- investment support and governance provided by Royal London (e.g. the costs of Royal London regularly reviewing and updating the funds available to members, etc);
- administration of the Scheme by Royal London (e.g. the costs of Royal London updating and maintaining member records, processing contributions and pension payments, dealing with member queries, producing annual financial statements, etc);
- member communications (e.g. the costs of Royal London producing and issuing materials for members, annual benefit statements, etc); and
- Royal London's management and governance of the Scheme (e.g. any other expenses incurred by Royal London).

Employer charges cover the wider support provided to members and governance provided by the Trustees, such as:
- life assurance premiums on the group life cover in place for Scheme members through the Schlumberger Excepted Life Assurance Trust;
- at-retirement support, including the cost of support provided to members relating to the purchase of annuities at retirement, provided by Buck;
- investment support and governance provided by the Trustees (e.g. the costs of regularly reviewing the default investment strategy, etc);
- ad-hoc member training/communications from the Trustees (e.g. any training/communications issued to members by the Trustees, etc); and
- the Trustees' management and governance of the Scheme (e.g. the costs associated with the Trustees exercising their fiduciary duties in respect of the Scheme, including all Trustee meeting or training costs, all costs levied by the Pensions Regulator, all legal/actuarial/audit/consultancy fees, etc).

The Trustees have gathered information about costs and charges from the three comparison schemes and compared them with the costs and charges paid by the members directly in the Scheme.

As mentioned earlier in this section:

- The charges and transaction costs for the year to 31 March 2023 have been gathered for the analysis; and
- The Trustees have agreed that the charges and transaction costs over the year to 31 March 2023 are not unusually high for a reason that is unlikely to be repeated; therefore, the Trustees have used one-year data rather than an average of the last five years.

The Trustees have compared our default investment arrangement with the default investment arrangement in the three comparison schemes, as no self-select fund in the Scheme has sufficient members investing in it to be considered "popular" or "frequently invested" under the definition set out earlier in this section.

A summary of each comparison is shown in the tables below.

For the year to 31 March 2023	Ongoing charges figures	Transaction costs	Total of ongoing charges figures and transaction costs
	Our default investment arrangement (before ten years prior to normal retirement date*)		
The Scheme	**0.53%**	**0.00%**	**0.53%**
	Default investment arrangements proposed for the comparison schemes		
LifeSight (Group 0008)	0.44%	0.07%	0.51%
Schlumberger UK Pension Scheme	0.00%	0.00%	0.00%
Scottish Widows Master Trust	0.22%	0.05%	0.27%
Average of the three comparison schemes	**0.22%**	**0.04%**	**0.26%**

Notes:
- As noted earlier, the charges for the Scheme's default investment arrangement are at their highest in the period prior to ten years before normal retirement date and do not change at any point during the period prior to ten years before normal retirement date.
- Ongoing charges figures for Schlumberger UK Pension Scheme are zero as members pay no charges:

The Trustees have given greater weight in the comparison to the total charges and transaction costs in the default arrangement than self-select funds in which smaller numbers of members are invested. We have weighted 100% of the comparison to the default investment arrangement, as no self-select fund in the Scheme has sufficient members investing in it to be considered "popular" or "frequently invested" under the definition set out earlier in this section.

Our conclusion on costs and charges is that the majority of the total charges and transaction costs are higher than the average for the comparator schemes, using the definition set out earlier in this section, so it is reasonable to assume that the Scheme as a whole does not represent good value for members from the standpoint of costs and charges.

Test 2: Investment returns (fund performance)

The Trustees have gathered past performance of the investment options within the Scheme and included this in the earlier section entitled "Past performance of the investment options". The Trustees have also gathered information about investment returns (after the deduction of any charges and transaction costs) for the investment options of the three comparison schemes and compared them with the net investment returns in the Scheme.

As per Test 1, no self-select fund in the Scheme has sufficient members investing in it to be considered "popular" or "frequently invested" under the definition set out earlier in this section. As a result, we have compared our default investment arrangement with the default investment arrangement in the three comparison schemes and the Trustees have given greater weight in the comparison to the net investment returns in the default investment arrangement than self-select funds in which smaller numbers of members are invested by weighting 100% of the comparison to the default investment arrangement.

The Trustees have compared net investment returns:

- in the short term (i.e. over a one-year period to the year ending 31 March 2023) to give an immediate indication of performance trend; and
- over a longer, more sustained, period for which broadly comparable data could be found (i.e. over a five-year period to the year ending 31 March 2023).

The Trustees plan to include longer-term performance (e.g. over 10 years and over 15 years) when this data is available.

A summary of the comparison is shown in the table below.

For the period to 31 March 2023	One-year net investment return (annualised)	Five-year net investment return (annualised)
	Our default investment arrangement (before ten years prior to normal retirement date*)	
The Scheme	**1.37%**	**4.02%**
	Default investment arrangements proposed for the comparison schemes	
LifeSight (Group 0008)	-4.62%	8.00%
Schlumberger UK Pension Scheme	-0.80%	6.70%
Scottish Widows Master Trust	-5.62%	5.38%
Average of the three comparison schemes	**-3.68%**	**6.69%**

Notes:

- Figures have been collected for the periods to 31 March 2023 as this facilitates comparison with the quarter-end data provided by the comparison schemes.
- The default investment arrangements proposed by the comparison schemes are as follows:
  - LifeSight (Group 0008) Medium Risk Drawdown
  - Schlumberger UK Pension Scheme Drawdown Lifestyle within the Personal Money Fund (PMF) Section
  - Scottish Widows Master Trust Balanced PIA Targeting Flex

The one-year return figures for our default investment arrangement are higher than the average of the comparator default investment arrangements, but the five-year return figures for our default investment arrangement are lower than the average of the comparator default investment arrangements using the definition set out earlier in this section.

As a result of these, and after applying the weightings set out in the "Interpreting the updated statutory guidance" section (which place more weight on the longer-term performance), our conclusion on net investment performance is that the net investment returns across a majority of the funds offered by the Scheme in which members are frequently invested are lower than the comparator schemes, so it would be reasonable to assume that the Scheme as a whole does not represent good value for members from an investment returns perspective.

Test 3: Governance and administration

The Trustees have assessed the value delivered by our governance and administration offering as the third and final part of our assessment of value for members.

Effective scheme governance is essential for the operational and financial sustainability of the Scheme, for good outcomes from investment, and for the trust and confidence of our members.

Our assessment for governance and administration is based on seven key metrics as prescribed by legislation. Unlike the assessments for costs and charges and for net investment returns, this assessment does not involve a comparison with other schemes.

We have, however, taken advice from our pensions advisers as a reference for “best practice” and used this to explain our interpretation earlier in this section of the requirements set out in paragraphs 78 to 110 of the updated statutory guidance.

A summary of the comparison is shown in the table below.

Metric	Description	Rating	Main reason
1.	Promptness and accuracy of core financial transactions	Metric satisfied	The Trustees believe that the requirements of this metric have been met
2.	Quality of record keeping	Metric not satisfied	There are no cyber risk measures or procedures in place and the common and scheme-specific data scores and overall data security were not reviewed or tested over the Scheme year.
3.	Appropriateness of the default investment strategy	Metric satisfied, conditional on upcoming Scheme changes	The Trustees noted the issues with the current design of the Lifestyle Option for Annuities but did not make changes given the Company’s intention to implement a new arrangement by April 2024 and bulk transfer members’ DC savings from the Scheme into the new arrangement at this point.
4.	Quality of investment governance	Metric not satisfied	The majority of the requirements of this metric have not been met for Trustee board operations.
5.	Level of trustee knowledge, understanding and skills to operate the pension scheme effectively	Metric satisfied but steps to be taken to strengthen	The Trustees should consider evaluating the effectiveness of the Board at least annually and all Trustees should ensure that they have completed the Trustee Toolkit and other training requirements under the "Appointment as a Trustee" policy.
6.	Quality of communication with scheme members	Metric satisfied	The Trustees believe that the requirements of this metric have been met
7.	Effectiveness of management of conflicts of interest	Metric satisfied	The Trustees believe that the requirements of this metric have been met

Having considered all seven metrics within the theme of governance and administration, the Trustees have concluded that the overall governance and administration of the Scheme does not provide good value for members.

Final conclusions and points to note

The Trustees approached this assessment understanding that the value for members assessment under the new detailed framework may vary from year to year, as it is heavily determined by short-term and long-term assessments of relative costs and charges and relative net investment returns, which in themselves are heavily influenced by the choice of the three comparison schemes.

However, the Trustees have concluded that the Scheme does not offer good value for members over the year to 31 March 2023, as set out in detail in this section.

As a reminder, should the Trustees feel in any year that we are not able to demonstrate that the Scheme delivers value for members on **all** three areas (costs and charges; net investment returns; administration and governance), then the updated statutory guidance – and The Pensions Regulator – would expect the Trustees to conclude that the Scheme does not provide good value for members under the updated statutory guidance.

As such, in concluding that the Scheme does not provide good value for members, the Trustees note that the updated statutory guidance – and The Pensions Regulator – would expect that the Trustees:

- look to wind up the Scheme and transfer the rights of the Scheme members into a larger pension scheme; or
- set out the immediate action the Trustees will take to make improvements to the Scheme (if the improvements identified are not made within a reasonable period, for example within the next Scheme year, then the Trustees would be expected to wind up and transfer Scheme members' benefits to a larger pension scheme).

Given the range of issues that prevent the Trustees from concluding that the Scheme offers good value for members over the year to 31 March 2023, the Trustees will look to commence winding up the Scheme and transferring the rights of the Scheme members to a larger pension scheme. As previously noted, Schlumberger plc have already commenced a project to introduce a new pension arrangement for active employees of Schlumberger plc (including Schlumberger Oilfield UK Limited employees).

The Trustees will therefore work with Schlumberger plc on this consolidation project alongside any plans to wind up the Scheme and transfer the rights of Scheme members into the new pension arrangement, noting that the eventual introduction of any new arrangement may be later than 31 March 2024.

The Trustees will also work with Schlumberger plc on how to address the Crest plans and the pensioner members, which may involve assigning pensioner members' policies from being in the name of the Trustees to being in the name of the individual members themselves, which would transfer legal ownership of the holdings from the Scheme to the individuals by creating a policy for each individual.

The Trustees will keep Scheme members informed of any developments through regular communications.