

Chair's DC Governance Statement, covering 21 March 2019 to 20 March 2020

1. Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. The Trustees of the Panasonic UK Pension Plan (the "Plan") are required to produce a yearly statement (which is signed by the Chair of Trustees) to describe how these governance requirements have been met in relation to:

- the investment options in which members can invest (this means the default arrangement and other funds members can select or have assets in, such as "legacy" funds);
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a 'value for members' assessment; and
- Trustee knowledge and understanding.

2. Default arrangements

The Plan is not used as a Qualifying Scheme for automatic enrolment purposes.

The Trustees have made available a range of investment options for members. There are default investment arrangements for members who do not choose an investment option in the Plan's DC section with Phoenix Life and the AVC arrangements with L&G and Utmost. The Trustees recognise that most members do not make active investment decisions and instead invest in the

Default. After taking advice, the Trustees decided to make the following DC and AVC default options:

- a with-profits policy with Phoenix Life (the DC default) which provides members with a guaranteed minimum value at retirement; and
- lifestyle strategies with L&G and Utmost (the AVC defaults), whereby members' assets are automatically moved between different investment funds as they approach their retirement date.

The Trustees are responsible for investment governance, which includes setting and monitoring the investment strategy for the default arrangements.

Details of the objectives and the Trustees' policies regarding the default arrangements can be found in a document called the 'Statement of Investment Principles' ("SIP"). The Plan's current SIP covering the default arrangements is attached to this document¹.

The aims and objectives of the DC and AVC default arrangements, as stated in the SIP, are as follows:

- Aim for long-term, real growth while members are far from their target retirement date;
- gradually reduce the risk taken in the investment strategy as members become close to their target retirement date; and
- have an asset allocation at the target retirement date that is appropriate and consistent with how most members are expected to take their retirement savings.

The Utmost AVC Default was reviewed in February 2020 (following the transfer of the policy from Equitable Life). The Phoenix DC and L&G AVC Defaults were not reviewed during the period covered by this Statement. The last reviews of those Defaults were carried out in August 2018. The Trustees regularly monitor the performance of the Defaults and will formally review both this and the strategy at least every three years (the next review is intended to take place by

¹ Where the current SIP refers to Equitable Life it should be read as referring to Utmost

August 2021 or immediately following any significant change in investment policy or the Plan's member profile).

At the reviews in August 2018, the performance and strategy of the Defaults at L&G and Phoenix were reviewed to ensure that investment returns (after deduction of any charges) had been consistent with the aims and objectives of the Defaults as stated in the SIP, and to check that they continued to be suitable and appropriate given the Plan's risk profiles and membership.

The Trustees concluded the performance and strategy were consistent with their objectives and as such agreed no changes to the default investment arrangements were necessary.

3. Requirements for processing core financial transactions

The processing of core financial transactions is carried out by the administrator of the Plan, Lane, Clark and Peacock LLP for the protected rights money purchase arrangement. Processing of core financial transactions with respect to the DC section with Phoenix Life, and with respect to the AVC arrangements with L&G and Utmost Life and Pensions, the processing of core financial transactions is carried out by those organisations..

Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Plan, transfers of assets between different investments within the Plan, and payments to members/beneficiaries.

The Trustees have received assurance from the respective organisations that there are adequate internal controls to ensure that core financial transactions for the Plan are processed promptly and accurately.

The Plan has service level agreements ("SLA") in place with each of the four organisations which each cover the accuracy and timeliness of all core financial transactions. In order to monitor compliance with SLAs, the Trustees have asked LCP to obtain and review information from each of the four organisations and LCP was satisfied that there were not any material issues. Each organisation has provided the following information in relation to the SLA in place with them and how each of them has performed in relation to processing core financial transactions.

Phoenix Life confirmed that it has a standard SLA in place which applies to clients (setting out delivery timescales etc).

Utmost has confirmed that it has an internal SLA in place which aims to reply to most requests within 10 days, with payments completed within 5 where possible. Utmost has confirmed that it has performed in line with the SLA for the period covered by this report. This includes staff training, checking and/or quality sampling.

L&G has confirmed it has completed all statements, customer updates and enquiries within 5 working days (its service target) for the period covered by this report. It also confirmed it received zero customer complaints over the period. The report was shared with the Trustees.

With regard to LCP, the Trustees monitor whether service levels are being met through regular reports that LCP provide to the Trustees receive reports about the administrator's performance and compliance with the SLA. Any issues identified by the Trustee as part of its review processes would be raised with the administrators immediately, and steps would be taken to resolve the issues.

Based on the Trustees' review of these processes, the Trustees are satisfied that over the period covered by this Statement:

- the administrators were operating appropriate procedures, checks and controls, and operating within the agreed SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions on the whole have been processed promptly and accurately to an acceptable level during the Plan year.

4. Member-borne charges and transaction costs

The Trustees are required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio (TER). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges also include any costs, eg administration and investment costs, since members incur these costs.

The Trustees are also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Plan's fund managers buy and sell assets within investment funds, but

are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs have been supplied by Phoenix Life, Utmost and L&G who are the Plan's investment managers.

When preparing this section of the Statement the Trustees have taken account of the relevant statutory guidance. Due to the way in which transaction costs have been calculated it is possible for figures to be negative; since transaction costs are unlikely to be negative over the long term the Trustees have shown any negative figure as zero.

DC Default arrangement

The DC Default arrangement with Phoenix Life is the Phoenix Life With-Profits Fund. Over the year, no annual policy charges were applied but this does not include the fees and expenses that are charged within the pooled fund. Phoenix Life was unable to provide details of the underlying charges at the time of writing, which we believe is not uncommon for with-profits style funds but the Trustees will continue to request this information and escalate within Phoenix Life.

AVC options (Default and self-select)

The charges for each self-select fund (including those used in the Default) and the transaction costs over the period covered by this Statement are set out in the following table.

Fund name	TER	Transaction costs
L&G – Global Equity (70:30) Index fund	0.50% pa	0.01%
L&G – Over 15 Year Gilts Index fund	0.50% pa	0.05%
L&G – Over 5 Year Index-Linked Gilts Index Fund	0.50% pa	0.01%
L&G - Cash Fund	0.50% pa	0.00%
Equitable Life – With-Profits Fund*	1.00% pa	1.04%
Equitable Life – Managed Pension*	0.75% pa	0.01%
Utmost Secure Cash fund*	0.50% pa	0.00%

*Equitable Life policy was transferred to Utmost in January 2020

The L&G Default AVC arrangement is a lifestyle strategy that switches from the L&G Global Equity (70:30) Index Fund into L&G Over 5 Year Index-linked Gilts

Index Fund over the ten year period before a member's planned retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which funds they are invested. There are no additional charges for the lifestyle strategy.

The previous AVC policy with Equitable Life did not have a Default, but when this policy was transferred to Utmost in January 2020, a temporary Default using the Secure Cash Fund was introduced (after the period covered by this statement, this Default was changed to a lifestyle arrangement).

Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, the Trustees have had regard to the relevant statutory guidance.

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past year, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). Phoenix were unable to provide information on transaction costs or AMCs for their default arrangement so we have assumed these to be zero.
- The illustration is shown for all three Default arrangements (please note although the Utmost AVC Default was temporarily invested in the Utmost Secure Cash Fund for the period covered by this statement, this illustration projects it in line with the lifestyle strategy that was introduced after the date of this statement in June 2020 as this is more illustrative of what members would experience going forward) as well as four AVC funds from the Plan's self-select fund range. Phoenix does not offer any self-select funds for the Plan's DC members. The four self-select funds shown in the illustration are:
 - Utmost Multi-Asset Cautious fund (fund with the highest costs);
 - Utmost UK Secure Cash fund (fund with the lowest costs);
 - L&G Global Equity (70:30) Index fund (fund with the highest expected return); and
 - Utmost Money Market fund (this is the fund with the lowest return).

Projected pension pot in today's money

Years invested	DC default option: Phoenix		AVC default option: L&G		AVC default option: Utmost		Utmost Multi-Asset Cautious (highest cost)		Utmost UK Secure Cash (lowest cost)		L&G Global Equity (70:30) Index fund (highest return)		Utmost Money Market (lowest return)	
	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£37,500	£37,500	£6,900	£6,800	£8,700	£8,600	£8,600	£8,500	£8,500	£8,400	£6,900	£6,800	£8,500	£8,400
3	£38,000	£38,000	£7,300	£7,200	£8,800	£8,600	£8,600	£8,300	£8,200	£8,000	£7,300	£7,200	£8,200	£8,000
5	£38,400	£38,400	£7,700	£7,500	£9,000	£8,600	£8,500	£8,100	£7,800	£7,600	£7,700	£7,500	£7,800	£7,600
10	£39,500	£39,500	£8,900	£8,500	£9,300	£8,500	£8,400	£7,500	£7,100	£6,700	£8,900	£8,500	£7,100	£6,700
15	£40,700	£40,700	£10,200	£9,500	£9,600	£8,500	£8,300	£7,000	£6,400	£5,900	£10,200	£9,500	£6,400	£5,900
20	£41,900	£41,900	£11,800	£10,700	£10,000	£8,400	£8,200	£6,500	£5,800	£5,200	£11,800	£10,700	£5,800	£5,200
25	£43,100	£43,100	£13,600	£12,100	£10,300	£8,300	£8,000	£6,100	£5,200	£4,600	£13,600	£12,100	£5,200	£4,600
30	£44,400	£44,400	£15,700	£13,600	£10,700	£8,300	£7,900	£5,700	£4,700	£4,100	£15,700	£13,600	£4,700	£4,000
35	£45,700	£45,700	£17,100	£14,300	£10,900	£8,000	£7,800	£5,300	£4,300	£3,600	£18,100	£15,300	£4,300	£3,600
40	£47,100	£47,100	£16,700	£13,600	£10,800	£7,600	£7,700	£4,900	£3,900	£3,100	£20,900	£17,200	£3,900	£3,100

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- We have made no allowance for starting salary, salary growth or total contributions as there are no actively contributing members.
- Inflation is assumed to be 2.5%.
- The starting pot sizes used are the median for each policy (£37,000 for Phoenix, £7,000 L&G; and £9,000 Utmost).
- The projection is for 40 years, being the approximate duration that the youngest Plan member has until they reach the scheme's Normal Pension Age.
- The projections are based on the following annual returns (before charges). These assumptions were sourced from L&G and Utmost, but for Phoenix have been on L&G's assumptions using the asset allocation of the Phoenix with-profits fund):
 - Default Phoenix option: 0.6% above inflation
 - Default L&G option: 2.9% above inflation for the initial years, gradually reducing to a return of -1.3% above inflation at the ending point of the lifestyle.
 - Default Utmost option: 0.7% above inflation for the initial years, gradually reducing to a return of -0.3% above inflation at the ending point of the lifestyle.
 - Utmost Multi-Asset Cautious: -0.3% above inflation
 - Utmost UK Secure Cash: -2.0% above inflation
 - L&G Global Equity (70:30) Index: 2.9% above inflation
 - Utmost Money Market: -2.0% above inflation
- No allowance for active management outperformance has been made.

5. Value for members assessment

The Trustees are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. Given the relative size of the assets invested in these arrangements, the Trustees take a proportionate approach to assessing value for money and believe that the charges and transaction costs under the current arrangements offer suitable value to the members. The steps the Trustees have taken to reach this conclusion are set out below.

The Trustees review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Plan. This is reviewed annually as part of producing this statement and so during the year was reviewed in October 2019. The Trustees note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. Where fund charges were available, the Trustees' investment advisers have confirmed that the fund charges are competitive for the types of fund available to members. Where the charges were not available, the Trustees' investment advisers have confirmed that the net return (ie after charges have been deducted) was competitive for the types of fund available to members.

The Trustees' assessment included a review of the performance of the Plan's investment funds (after all charges and transaction costs) in the context of their investment objectives. The returns on the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives.

In carrying out the assessment, the Trustees also considered the other benefits members receive from the Plan, which include

- the design of the default arrangements and how this reflects the interests of the membership as a whole;
- the range of investment options and strategies;
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.
- The availability of guaranteed minimum annuity rates for certain investment choices;

- the quality of communications delivered to members; and
- the quality of support services and governance.

The Trustees reviewed the suitability and value of the investment options prior to the AVC transfers from Equitable Life to Utmost (1 January 2020) and from L&G to ReAssure (7 September 2020). The Trustees considered which funds to switch members into and which self-select options should be made available to members, which included assessment of the value for money, training on the fund ranges and consideration of the costs involved with transfers.

As detailed in the earlier section covering the processing of core financial transactions, the Trustees are comfortable with the quality and efficiency of the administration processes.

The Trustees believe the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches, and expect this to lead to greater investment returns net of costs over time.

Overall, the Trustees believe that members of the Plan are receiving reasonable value for money for the charges and cost that they incur, for the reasons set out in this section.

6. Trustee knowledge and understanding

The Plan's Trustees are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. The Trustees have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

- reviewing the Statement of Investment Principles (to add policies on financial and non-financial matters and stewardship);
- having an independent professional trustee on the board; and
- receiving formal and informal training at relevant Board meetings (as members' benefits are predominately DB, the formal training during this year was on actuarial valuations, investment strategy, diversified growth funds, short duration credit, cyber security controls at Panasonic and LCP, and TPRs 21 century trusteeship campaign checklist. However the DC specific topics listed in the section below were also covered less formally).

The Trustees, with the help of their advisers, regularly consider training requirements to identify any knowledge gaps. The Trustees' investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustees' advisers would typically deliver training on such matters at Trustee meetings if they were material. During the period covered by this Statement, the following topics were raised by LCP as part of regular reporting:

- Climate change in the Pension Schemes Bill and the Pensions Climate Risk Industry Group
- LCP Responsible Investment Survey 2020
- CMA – setting investment consultant strategic objectives
- ESG requirements for Trustees
- UK Green Finance Strategy
- Combined Defined Contribution schemes
- ESG in fixed income investing

All the Trustees are familiar with the Plan's governing documentation and documentation setting out the Trustees' policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, the Trustees refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan, and the SIP is formally reviewed annually and as part of making any change to the Plan's investments. Further, the Trustees believe they 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 to fulfil their duties.

All the Trustees are required to commit to completing the training, either at the relevant meetings or by personal study. All the Trustees have completed the Pensions Regulator's Trustee Toolkit (an online learning programme, designed to help trustees of occupational pension schemes meet the minimum level of knowledge and understanding required by law).

Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Plan year.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. Additionally, the Plan has in place a structured induction process for new trustees.

Considering the knowledge and experience of the Trustees and the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisers (eg investment consultants, legal advisers), the Trustees believe they are well placed to exercise their functions as Trustees of the Plan properly and effectively.

_____ Date: _____

Signed by the Chair of Trustees of the Panasonic UK Pension Plan

October 2019

Statement of Investment Principles for the Panasonic UK Pension Plan (the “Plan”)

1. Introduction

This Statement of Investment Principles (“SIP”) sets out the policy of the Trustees of the Panasonic UK Pension Plan (“the Trustees”) on various matters governing decisions about the investments of the Plan, a Defined Benefit Pension Scheme. This SIP replaces the previous SIP dated July 2014.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 (“the Act”), the Occupational Pension Schemes (Investment) Regulations 2005 and the Pension Regulator’s guidance for defined benefit pension schemes (March 2017).

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Plan’s investment adviser, whom the Trustees believe to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification, given the circumstances of the Plan, and the principles contained in this SIP. The Trustees have consulted with the relevant employer in producing this SIP.

The Trustees will review this SIP from time to time and, with the help of their advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

- Appendix 1 sets out details of the Plan’s investment governance structure, including the key responsibilities of the Trustees, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.
- Appendix 2 sets out the Trustees’ policy towards risk appetite, capacity, measurement and management.

- Appendix 3 sets out the Plan’s investment manager arrangements.

2. Investment objectives

The Trustees’ primary objective for the DB Section is to ensure that the Plan can meet benefit payments as they fall due. In addition to this primary objective, the Trustees also aim to maintain the Plan’s funding position (ie the value of its assets relative to the assessed value of its liabilities) at an appropriate level. The Trustees are aware that there are various measures of funding and have given due weight to those considered most relevant to the Plan. The Trustees have considered the funding requirements detailed in the Occupational Pensions Scheme (Scheme Funding) Regulations 2005.

The Trustees have selected Phoenix Life Limited as the Plan’s DC section provider. The default arrangement with Phoenix Life is the Phoenix Life With -Profits Fund. The DC section of the Plan relates to a legacy arrangement and as at 20 March 2019 had five deferred members in the default fund. The Trustees have also selected L&G and the Equitable Life Assurance Society as the Plan’s money purchase AVC providers. A lifestyle strategy with L&G is used as a default AVC option.

The aims and objectives of the Trustees in relation to the DC and AVC default arrangements are as follows:

- Aim for long-term, real growth while members are far from their target retirement date;
- Gradually reduce the risk taken in the investment strategy as members become close to their target retirement date; and
- Have an asset allocation at the target retirement date that is appropriate and consistent with how most members are expected to take their retirement savings.

Section 8 in Appendix 3 contains more information on the Plan’s DC and AVC arrangements.

3. Investment strategy

The Trustees, with the help of their advisers and in consultation with the employer, reviewed the investment strategy in November 2017 considering the objectives described in Section 2 above.

The funding strategy is based on a 'linear de-risking' approach assuming the allocation to the Plan's Growth Portfolio will linearly decrease from 75% in 2010 to 0% of the Plan's assets over 30 years to March 2040. The allocation to the Plan's Defensive Portfolio is assumed to correspondingly increase from 25% to 100% over the same period. This is equivalent to annual switches of 2.5%.

The Plan's investment strategy, as agreed in January 2018, is to hold a Growth Portfolio which is expected to always be at least equal to the proportion of these assets required under the funding policy (as shown in the table below). The strategic allocation below is expected to change in such a manner that is consistent with the agreed linear de-risking approach over the long term. However, from time to time the Trustees have agreed with the employer to hold less in the Growth Portfolio than is indicated by the funding policy (and in these instances the Trustees expect the level of de-risking to be maintained until the asset allocation gets back to that implied by the long term linear de-risking approach).

Asset class	Allocation
Global Equity	17%
Emerging Market	5%
Property	8%
Diversified Growth Fund	14%
Absolute Return Bonds	4%
Total Growth Portfolio	48%
Liability Driven Investment	19%
Absolute Return Bonds	4%
Pensioner buy-in policies	29%
Total Defensive Portfolio	52%
Total	100%

The allocation to the Growth Portfolio will be monitored on a regular basis, and switches made when either the funding policy or market conditions make it appropriate.

4. Considerations in setting the investment arrangements

When deciding how to invest the Plan's assets, the Trustees consider a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more

quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk.

The Trustees considered investing in a wide range of asset classes, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate. The key financial assumptions (above gilts) made by the Trustees in determining the investment strategy were:

- Average long-term return on Equities: 5.0%
- Average long-term return on DGF: 3.0%
- Average long-term return on Absolute Return Bonds: 1.5%
- Average long-term return on Property: 3.3%
- Average long-term return on Emerging Market Multi-Asset: 4.8%

In setting the investment strategy the Trustees considered:

- the Plan's investment objectives, including the target return required to meet the Trustees' investment objectives;
- the Plan's cash flow requirements in order to meet benefit payments in the near to medium term;
- the best interests of all members and beneficiaries;
- the circumstances of the Plan, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to ensure that both the Plan's overall level of investment risk and the balance of individual asset risks are appropriate;

- any other considerations which the Trustees consider financially material over the time horizon that the Trustees consider is needed for the funding of future benefits by the investments of the Plan; and
- the Trustees' investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

Some of the Trustees' key investment beliefs are set out below.

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that are typically not rewarded, such as interest rate, inflation and currency, should generally be avoided, hedged or diversified;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management, where available, is usually better value;
- responsible investment in well governed companies and engaging as long-term owners can reduce risk over time and may positively impact Plan returns; and
- costs have a significant impact on long-term performance.

In May 2013 and March 2018, the Trustees reduced investment risk by purchasing bulk annuity policies that each match the liabilities of a subset of the pensions in payment.

5. Implementation of the investment arrangements

Before investing in any manner, the Trustees obtain and consider proper written advice from their investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in the separate Investment Policy Implementation Document.

The Trustees and investment managers to whom discretion has been delegated, exercise their powers to giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Plan within the portfolios that they manage, and in considerations relating to the liquidity of investments.

When appropriate, the Trustees, on the administrators' recommendation, decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements. The Trustees' preference is for investments that are readily realisable, but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg property). In general, the Trustees' policy is to use cash flows to rebalance the Plan's assets towards the strategic asset allocation, and also receive income from some of the portfolios where appropriate.

7. Consideration of financially material and non-financial matters

The Trustees have considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Plan and its members.

The Trustees have limited influence over managers' investment practices where assets are held in pooled funds but expect their investment managers to take account of financially material considerations (including climate change and other ESG considerations) as the managers consider appropriate.

The Trustees do not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

8. Stewardship

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. They expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustees from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustees seek to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustees review how these are implemented in practice.

SIP signed for and on behalf of the Trustees of the Panasonic UK Pension Plan:

Signed: **Annette Shortland**

Date: **16/10/2019**

Appendix 1: Investment governance, responsibilities, decision-making and fees

The Trustees have decided on the following division of responsibilities and decision-making for the Plan. This division is based upon the Trustees' understanding of the various legal requirements placed upon them, and their view that the division of responsibility allows for efficient operation and governance of the Plan overall. The Trustees' investment powers are set out within the Plan's governing documentation.

1. Trustees

In broad terms, the Trustees are responsible in respect of investment matters for:

- setting the investment strategy, in consultation with the employer;
- developing a mutual understanding of investment and risk issues with the employer;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- formulating a policy on taking account of non-financial matters in the selection, retention and realisation of investments;
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- appointing (and, when necessary, dismissing) investment managers, investment advisers, actuaries and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- communicating with members as appropriate on investment matters, such as the Trustees' assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;

- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

2. Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- providing the Trustees with regular information concerning the management and performance of their respective portfolios;
- taking account of financially material considerations as appropriate when managing the portfolios of assets; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (whether or not there is a direct relationship between the custodian and the Trustees) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

3. Investment adviser

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Trustees, for:

- advising on how material changes within the Plan's benefits, membership, and funding position may affect the way the assets should be invested and the asset allocation policy; and
- participating with the Trustees in reviews of this SIP.

4. Fee structures

The Trustees recognise that the provision of investment management and advisory services to the Plan results in a range of charges to be met, directly or indirectly, by deduction from the Plan's assets.

The Trustees have agreed Terms of Business with the Plan's actuarial and investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustees to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustees' view as to the most appropriate arrangements for the Plan. However, the Trustees will consider revising any given structure if and when it is considered appropriate to do so.

5. Performance assessment

The Trustees are satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustees believe that they have sufficient expertise and appropriate training to carry out their role effectively.

It is the Trustees' policy to assess the performance of the Plan's investments, investment providers and professional advisers from time to time. The Trustees will also periodically assess the effectiveness of their decision-making and investment governance processes and will decide how this may then be reported to members.

6. Working with the Plan's employer

When reviewing matters regarding the Plan's investment arrangements, such as the SIP, the Trustees seek to give due consideration to the employer's perspective. While the requirement to consult does not mean that the Trustees need to reach agreement with the

employer, the Trustees believe that better outcomes will generally be achieved if the Trustees and employer work together collaboratively.

Appendix 2: Policy towards risk

1. Risk appetite and risk capacity

Risk appetite is a measure of how much risk the Trustees, and similarly the sponsoring employer, are willing to bear within the Plan in order to meet their investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustees can tolerate deviation from their long term objectives before attainment of those objectives is seriously impaired. The Trustees aim is to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustees considered a range of qualitative and quantitative factors, including:

- the strength of the employer's covenant and how this may change in the near/medium future;
- the views of the sponsoring employer;
- the agreed journey plan and employer contributions;
- the Plan's long-term and shorter-term funding targets;
- the Plan's liability profile, its interest rate and inflation sensitivities (and level of hedging);
- the Plan's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

Following implementation of the Plan's current investment strategy, and based on market assumptions as at 31 January 2018, the Plan's 1 year 90% Value at Risk was £20m. This means that there is a 1 in 10 chance that the Plan's funding position (as measured on a technical provisions basis) could worsen by £20m or more over a one year period. When deciding on the current investment strategy, the Trustees believed this level of risk to be

appropriate given the Trustees' and employer's risk appetite and capacity, given the Plan's objectives.

2. Approach to managing and monitoring investment risks

The Trustees consider that there are a number of different types of investment risk that are important to manage and monitor. These include, but are not limited to:

2.1. Risk of inadequate returns

A key objective of the Trustees is that, over the long-term, the Plan should generate its target return so that it has adequate assets to meet its liabilities as they fall due. The Trustees therefore invest the assets of the Plan to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Plan's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustees on a regular basis.

2.2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Plan's assets. The Trustees believe that the Plan's assets are adequately diversified between and with each asset class. This was a key consideration when determining the Plan's investment arrangements and is monitored by the Trustees on a regular basis.

2.3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustees receive written advice from a suitably qualified individual, and will typically undertake an investment manager selection exercise. The Trustees monitor the investment managers on a regular basis to ensure they remain appropriate for their selected mandates.

2.4. Liquidity/marketability risk

This is the risk that the plan is unable to realise assets to meet benefit cash flows as they fall due, or that the Plan will become a forced seller of assets in order to meet benefit payments. The Trustees are aware of the Plan's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Plan's investments.

2.5. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Plan's investments, some of which could be financially significant, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustees seek to appoint investment managers who will manage these risks appropriately on their behalf.

2.6. Collateral adequacy risk

The Plan is invested in leveraged Liability Driven Investment ("LDI") arrangements to provide protection ("hedging") against adverse changes in interest rates and inflation expectations. The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the Trustees when requested to do so will not be able to post additional cash to the LDI fund within the required timeframe. A potential consequence of this risk is that the Plan's interest rate and inflation hedging could be reduced and that the Plan's funding level could suffer subsequently as a result. In order to manage this risk, the Trustees ensure that the Plan has a sufficient allocation to cash and other highly liquid assets (such as absolute return bonds) which can be readily realised, so that cash can be posted to the LDI manager at short notice.

2.7. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Plan invests in pooled funds and is therefore directly exposed to credit risk in relation to the solvency of the custodian of those funds.

The Plan's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled funds being ring-fenced from the investment managers, the regulatory environments in which the pooled fund managers operate and diversification of the Plan's investments across a number of pooled funds. The Trustees, with the help of their advisers, carry out due diligence checks prior to the appointment of any new investment manager or fund, and monitor for changes to the operating environment of the existing pooled funds.

The Plan is also exposed to direct credit risk through the annuity contract with Pension Insurance Corporation ("PIC"), the risk that PIC default on the contract. This risk is mitigated by the regulatory environment within which PIC operate whereby PIC is required to make a reserve for each policy by holding prescribed amounts (and to hold those amounts in prescribed asset classes). This is consistent with regulations in force throughout the UK insurance industry.

The Plan is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, for example where they invest in bonds. The indirect exposure to credit risk arises from the Plan's investments in diversified growth funds, absolute return bond funds and LDI funds.

The managers of these pooled funds manage credit risk by having a diversified exposure to bond issuers and counterparties, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to bonds rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific bonds.

2.8. Currency risk

As the Plan's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

Whilst the majority of the currency exposure of the Plan's assets is to Sterling, the Plan is subject to currency risk because some of the Plan's investments are held in overseas markets. The Trustees consider the overseas currency

exposure in the context of the overall investment strategy, and believe that the currency exposure that exists diversifies the strategy and is appropriate.

The Plan's assets that are exposed to currency risk are the pooled diversified growth funds, some of the overseas equity funds, and the emerging market funds which invest in non-Sterling investments.

The exposure to foreign currencies within the diversified growth pooled funds will vary over time as the manager changes the underlying investments, but is not expected to be a material driver of returns over the longer term. Decisions about the exposure to foreign currencies within these pooled funds held are at the discretion of the appointed fund managers.

2.9. Interest rate and inflation risk

Some of the Plan's assets are subject to indirect interest rate risk. However, the overall interest rate exposure of the Plan's assets hedges part of the corresponding risks associated with the Plan's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustees believe that it is appropriate to have exposure to interest rate risk in this manner.

The only assets the Plan invests in with material exposure to changes in interest rates are the LDI funds and buy-in policies. The Trustees aim to hedge around 80% of the Plan's exposure to interest rate risk and 100% of the Plan's exposure to inflation risk (as a proportion of the liabilities measured on a technical provisions basis, excluding the buy-ins), by investing in leveraged LDI arrangements. The diversified growth funds may also have some sensitivity to changing interest rates, but this sensitivity will vary over time as the underlying investments change, and it is not expected to be a significant driver of returns due to the investment approaches of these funds.

2.10. Other non-investment risks

The Trustees recognise that there are other, non-investment, risks faced by the Plan, and takes these into consideration as far as practical in setting the Plan's investment arrangements. Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Plan as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Plan's funding position falls below what is considered an appropriate level. The Trustees regularly review progress towards the Plan's funding target, both in the longer-term as well as against short-term milestones, comparing the actual versus the expected funding level.

By understanding, considering and monitoring the key risks that contribute to funding risk, the Trustees believe that they have appropriately addressed and are positioned to manage this general risk.

Appendix 3: Investment manager arrangements

1. Global Equities – Legal & General Assurance (Pensions Management) Limited

The Plan invests in global equities through the following Legal & General index-tracking fund which are priced weekly and are open-ended. The global equity benchmark:

Fund	Benchmark Allocation	Control Ranges	Benchmark Index
UK equities	20%	+/-1.50%	FTSE All-Share
North American equities	15%	+/-1.25%	FTSE World North America
North American equities – GBP Hedged	15%	+/-1.25%	FTSE World North America –GBP Hedged
Europe (Ex UK) equities	15%	+/-1.25%	FTSE Developed Europe (ex UK)
Europe (Ex UK) equities – GBP Hedged	15%	+/-1.25%	FTSE Developed Europe (ex UK) – GBP Hedged
Japanese equities	5%	+/-0.50%	FTSE World Japan
Japanese equities – GBP Hedged	5%	+/-0.50%	FTSE World Japan – GBP Hedged
Asia Pacific (ex Japan) equities	5%	+/-0.50%	FTSE Developed Asia Pacific (ex Japan)
Asia Pacific (ex Japan) equities – GBP Hedged	5%	+/-0.50%	FTSE Developed Asia Pacific (ex Japan) – GBP Hedged
Total	100%		

Legal & General will rebalance the asset allocation back to target on a monthly basis, should the permitted ranges be breached.

2. Emerging Markets– Legal & General

The Plan invests in emerging markets through the following Legal & General index-tracking funds. These funds are all managed on an index-tracking basis. These funds are priced weekly and are open-ended. The emerging market benchmark is as follows:

Fund	Benchmark Allocation	Control Ranges	Benchmark Index
World Emerging Markets Equity Index	50%	+/-4.50%	FTSE Emerging Equity
EM Passive Local Currency Government Bond	25%	+/-3.50%	JP Morgan Govt Bond Index -EM Global Diversified
EM Passive USD Government Bond	25%	+/-3.50%	JP Morgan EM Bond Index - Global Diversified

Legal & General will rebalance the asset allocation back to target on a monthly basis, should the permitted ranges be breached. The bond funds aim to provide diversified exposure to the constituents of the relevant reference index, in a cost efficient manner, rather than targeting the index return.

3. Property – Legal & General

The Plan invests in property through the Legal & General Managed Property Fund. The fund is priced weekly, is open ended and its performance target is to outperform its benchmark, the AREF/IPD UK Quarterly All Balanced Property Funds Index, over three and five year periods.

4. Diversified Growth Fund - Schroders Investment Management Limited,

The Plan invests in the Schroder Diversified Growth Fund. The fund is priced daily and is open ended. The objective of this fund is to generate a return of UK Inflation (CPI) plus 5% pa over an economic cycle (expected to be a five year period) with volatility less than two thirds of equities.

5. Absolute Return Bonds – Insight Investment Fund Management Limited (“Insight”)

The Plan invests in Absolute Return Bonds through the Insight Bonds Plus Fund, Bonds Plus 400 Fund and Sterling Liquidity Fund. The funds are priced daily and are open ended. The performance target of the Bonds Plus and the Bonds Plus 400 funds is to outperform its cash (3 month LIBOR) benchmark by 2% pa and 4% pa respectively over five year periods. The Sterling Liquidity Funds aims to provide stable capital values, daily

liquidity with an income comparable to sterling denominated short dated money market interest rates and is benchmarked against 7 day LIBID.

6. LDI - Insight

The Plan invests in LDI through Insight's Enhanced Selection Shorter Real, Shorter Nominal, Longer Real and Longer Nominal LDI funds. Insight's objective is to provide nominal and real returns reflecting a typical liability profile with dynamic instrument selection between gilts and swaps on a partially-funded basis. The funds are priced daily and are open ended.

The LDI funds have target leverages of around 3.5x (longer funds) and around 7x (shorter funds) the amount of capital in the funds. Insight will look at rebalancing these funds when the leverage goes outside of certain ranges around these targets.

The Plan has a 'Custody Lite' arrangement with Northern Trust where Insight has the discretion to move around assets within the LDI and Absolute Return Bonds mandates whenever an LDI leveraging event occurs.

7. Pensioner buy-in policies - Pension Insurance Corporation ("PIC")

The Trustees have invested in two separate bulk annuity policies (the first policy commenced in May 2013 and the second in March 2018) with PIC each covering a subset of the pensions in payments. The objective of each policy is to match the Plan's benefit payments relating to those specific members' pensions covered by each policy.

8. Additional Voluntary Contributions and Defined Contribution

The Trustees have selected L&G and the Equitable Life Assurance Society as the Plan's money purchase AVC providers, and Phoenix Life Limited the Plan's DC section provider. The default arrangement with Phoenix Life is the Phoenix Life With Profits Fund. The DC section of the Plan relates to a legacy arrangement and as at 20 March 2019 had five deferred members in the default fund. The Trustees reviewed this arrangement previously in 2018 and concluded that the guaranteed annuity rate offered by the Phoenix With Profits Fund was a valuable option to the members invested and are therefore comfortable that the current default is suitable for its existing membership.