

Chair's DC Governance Statement, covering 21 March 2020 to 20 March 2021

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 ReAssure (previously L&G prior to the transfer in September 2020) and Utmost.

The Trustees recognise that most members do not make active investment decisions and instead invest in the default arrangements. 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 ReAssure 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 SIP covering the default arrangements is attached to this document.

The aims and objectives of the 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 default arrangements were not reviewed during the period covered by this Statement. The Utmost AVC default was reviewed on 10 February 2020 (following the transfer of the policy from Equitable Life) and the Trustees agreed that the default arrangement with Utmost was still appropriate. The last review for the L&G AVC (transferred to ReAssure in 2020) and Phoenix Life DC defaults was carried out on 28 August 2018 (with the next review currently underway at the time of writing this statement – August 2021).

The Trustees regularly monitor the performance of the default arrangements and will formally review both this and the strategy at least every three years 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 default arrangements at L&G (transferred to ReAssure in 2020), Equitable Life (transferred to Utmost in 2020) and Phoenix were reviewed to ensure that investment returns (after deduction of any charges) had been consistent with the

aims and objectives of the default arrangements 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. During the Plan Year, in September 2020, the L&G AVC arrangement was transferred to ReAssure (under an agreement made between L&G and ReAssure rather a decision taken by the Trustees).

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 ReAssure and Utmost Life and Pensions, 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 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). Phoenix is not aware of any administrative errors during 2020 that would have compromised its compliance with its Principles and Practices of Financial Management.

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.

The Utmost SLA target timescales were relaxed during 2020 due to pent up demand caused by the Covid-19 pandemic. Utmost confirmed that 93% of payments were made and 91% of general servicing tasks were completed within the relaxed SLAs during 2020.

ReAssure has SLAs in place that specify target periods for responding to certain requests. As ReAssure only took on the policy from L&G in Q3 2020, they have only provided reporting versus their SLAs over the period since this date. Over Q4 2020, ReAssure achieved its 95% success targets for 2 out of 7 request types and over Q1 2021, ReAssure achieved its 95% success targets for 4 out of 8 request types. ReAssure acknowledged that these results are below expectations and have a plan in place to improve.

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 its review processes, the Trustees are satisfied that over the period covered by this Statement:

- the administrators were operating appropriate procedures, checks and controls;
- 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 Plan's investment managers (Phoenix, Utmost and ReAssure).

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 arrangements and self-select)

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

Fund name	TER	Transaction costs
ReAssure - L&G Global Equity (70:30) Index fund	0.56% pa	0.00%
ReAssure - L&G Over 15 Year Gilts Index fund	0.53% pa	0.00%
ReAssure - L&G Over 5 Year Index-Linked Gilts Index fund	0.53% pa	0.00%
ReAssure - L&G Cash fund	0.56% pa	0.00%
Utmost Multi-Asset Cautious fund	0.75% pa	0.63%
Utmost Multi-Asset Moderate fund	0.75% pa	0.53%
Utmost Money Market fund	0.50% pa	0.00%
Utmost Sterling Corporate Bond fund	0.75% pa	0.00%
Utmost Managed fund	0.75% pa	0.17%
Utmost UK Equity fund	0.75% pa	0.39%
Utmost UK FTSE All Share Tracker fund	0.50% pa	0.09%
Utmost European Equity fund	0.75% pa	0.43%
Utmost US Equity fund	0.75% pa	0.19%
Utmost Asia Pacific Equity fund	0.75% pa	0.36%
Utmost UK Government Bond fund	0.50% pa	0.05%

The Utmost Default AVC arrangement is the Investing by Age Strategy. The Default has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This strategy gradually reduces risk (as measured by standard deviation of returns) over time according to the member's age. From age 55, investments will automatically transition from the Multi-Asset Moderate Fund to the Multi-Asset Cautious Fund uniformly over 10 years to age 65. They will remain 100% invested in the Multi-Asset Cautious Fund until age 75 and then automatically transition to the Money Market Fund over a further 10 years to age 85. This means that the level of charges and transaction costs will vary depending on a member's age and in which funds they are invested.

The ReAssure 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.

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 was 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 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);
- ReAssure L&G Cash fund (fund with the lowest costs);
- ReAssure L&G Global Equity (70:30) Index fund (fund with the highest expected return); and
- Utmost Money Market fund (fund with the lowest expected return).

Years invested	DC default option: Phoenix		AVC default option: ReAssure		AVC default option: Utmost		Utmost Multi-asset Cautious (highest cost)		Utmost Money Market (lowest cost)		ReAssure L&G Global Equity (70:30) Index (highest return)		ReAssure L&G cash (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	£38,800	£38,800	£13,400	£13,300	£9,100	£8,900	£9,000	£8,900	£8,800	£8,800	£13,400	£13,300	£12,700	£12,600
3	£38,500	£38,500	£14,200	£14,000	£9,200	£8,800	£8,900	£8,600	£8,500	£8,300	£14,200	£14,000	£12,100	£11,800
5	£38,200	£38,200	£15,100	£14,700	£9,300	£8,700	£8,900	£8,300	£8,100	£7,900	£15,100	£14,700	£11,500	£11,100
10	£37,500	£37,500	£17,500	£16,500	£9,700	£8,400	£8,700	£7,700	£7,400	£7,000	£17,500	£16,500	£10,100	£9,500
15	£36,700	£36,700	£20,300	£18,700	£10,000	£8,100	£8,600	£7,100	£6,600	£6,200	£20,300	£18,700	£8,900	£8,200
20	£36,000	£36,000	£23,500	£21,000	£10,200	£7,800	£8,500	£6,500	£6,000	£5,400	£23,500	£21,000	£7,900	£7,000
25	£35,300	£35,300	£27,200	£23,800	£10,100	£7,200	£8,300	£6,000	£5,400	£4,800	£27,200	£23,700	£6,900	£6,000

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 shown in the illustration 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% pa.
- The starting pot sizes used are the median for each policy (£39,000 for Phoenix, £13,000 for ReAssure; and £9,000 for Utmost).

The projection is for 25 years, being the approximate duration that the youngest Plan member has until they reach the Plan's Normal Pension Age.

- The projections are based on the following annual returns (before charges). These assumptions were sourced from ReAssure and Utmost, but for Phoenix have been based on Utmost's assumptions using the asset allocation of the Phoenix with-profits fund):
 - § Default Phoenix option: 0.4% below inflation.
 - § Default ReAssure option: 3.0% above inflation.
 - § Default Utmost option: 0.7% above inflation for the initial years, gradually reducing to a return of 0.3% below inflation at the ending point of the lifestyle.
 - § Utmost Multi-Asset Cautious: 0.3% below inflation.
 - § ReAssure L&G Cash: 2.5% below inflation.
 - § ReAssure L&G Global Equity (70:30) Index: 3.0% above inflation.
 - § Utmost Money Market: 2.0% below 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. The date of the last review was August 2021, as part of producing this statement. 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 Trustee is 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 update the DB strategy);
- 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 infrastructure funds, Environment, Social and Governance ("ESG") and low carbon funds, and GMP equalisation. 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:

- the impact of the Covid-19 pandemic on investment markets;
- the power sector;
- slavery; and
- the low carbon transition and net zero.

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 Trustees consider training at each Trustee meeting. Additionally, the Plan has in place a structured induction process for new trustees.

From time to time, a questionnaire is used to carry out evaluations of the Trustees' knowledge and to help to identify training needs. The Trustees also carry out evaluations of the performance and effectiveness of the Trustee Board as a whole as measured against the objectives of the Plan's business plan.

Considering the knowledge and experience of the Trustees and the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (eg investment consultants, legal advisors), the Trustees believe they have appropriate working knowledge of all Plan documents and regulations, and 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