

Chair's DC Governance Statement, covering 21 March 2022 to 20 March 2023

1. Introduction

The **Panasonic UK Pension Plan** (the "Plan") is an occupational pension scheme providing mainly defined benefits but also has defined contribution ("DC") benefits (a DC pension scheme is where employee and employer contributions are paid into it, and the member chooses their investments, but bears the investment risk). Some members also have Additional Voluntary Contributions ("AVCs") in the Plan.

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. We, the Trustees of the Plan, are required to produce a yearly statement (signed by the Chair of Trustees) covering:

- the oversight of investment options in which members can invest (this means the default arrangements and any other funds which members can select or have assets in, such as "legacy" funds);
- processing of core financial transactions (ie administration of the Plan, such as investment of contributions);
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- how the value members obtain from the Plan is assessed; and
- Trustee knowledge and understanding.

2. Default arrangements

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

We have made available a range of investment options for members. Members who do not choose an investment option are placed into a default. We recognise that most members do not make active investment decisions and instead invest

in the default. After taking advice, we decided to make the following DC and AVC default arrangements:

- 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.

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

Details of the objectives and our policies regarding the default arrangements are set out in a document called the 'Statement of Investment Principles' ("SIP"). The Plan's SIP covering the default arrangements is attached to this Statement as an Appendix.

The defaults were not reviewed during the period covered by this Statement. The default arrangements are reviewed at least every three years and were last reviewed in August 2021. We regularly monitor the performance of the Default and will formally review the strategy at least every three years. The next review is intended to take place by August 2024 or immediately following any significant change in investment policy or the Scheme's member profile.

However the performance of the default arrangements were reviewed to assess whether investment returns (after deduction of charges and costs) have been consistent with the aims and objectives of the default arrangements as stated in the SIP, and to check that the default arrangements continue to be suitable and appropriate given the Plan's risk profiles and membership.

We are satisfied that the default arrangements remain appropriate.

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 (LCP) 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.

We recognise that delay and error can cause significant issues for members. They can also cause members to lose faith in the Plan, which may in turn reduce their propensity to save and impair future outcomes. We have received assurance from Phoenix Life, ReAssure, Utmost Life and Pensions and LCP that there are adequate internal controls to support prompt and accurate processing of core financial transactions.

The providers have confirmed they each have internal service level agreements ("SLA"s) in place which cover the accuracy and timeliness of all core financial transactions, however we note that these are applicable across all customer service teams and are therefore not bespoke to the Plan.

Phoenix Life confirmed that it has a standard SLA in place which applies to clients (setting out delivery timescales etc). Phoenix reports on a calendar year basis and as at 31 December 2022, it confirmed that just under 90% of transactions had been completed with target time. The key challenges had been bereavement claims and complaints handling where not all internal targets were achieved, and as well as implementing its new digital services offering.

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 confirmed that all service level agreements were met during 2022. More specifically, 95% of payments out were made within 5 days, 95% of illustrations were completed within 10 days, and 90% of general servicing was completed within 10 days.

ReAssure has SLAs in place that specify 95% success targets for responding to 8 different types of requests within their specified timelines. In Q2, Q3 and Q4 2022, ReAssure achieved its target for 1 out of 8 request types and in Q1 2023 they achieved the target for 2 out of 8 request types. The Trustees intend to question ReAssure on their plans to improve these statistics.

LCP, the Plan's administrator, provides regular reports so the Trustees can monitor whether service levels are being met regarding the administrator's performance and compliance with the SLA. Any issues identified as part of our review processes would be raised with the administrator immediately, and steps would be taken to resolve the issues.

Based on our review processes, we are satisfied that over the period covered by this Statement:

- the administrator was operating appropriate procedures, checks and controls, and operating within the agreed SLA, or if not that they are taking steps to improve the level of servicing received;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions have been processed promptly and accurately to an acceptable level during the Plan year, or if not that they are taking steps to improve the level of servicing received.

4. Member-borne charges and transaction costs

We 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.

We 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 the Plan's platform providers (Phoenix, Utmost and ReAssure). When preparing this section of the Statement we have taken account of the relevant statutory guidance.

DC default arrangements

The DC default arrangement 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 we will continue to request this information and escalate within Phoenix Life.

AVC options (default arrangements and self-select)

The default AVC arrangement with ReAssure is a lifestyle strategy, 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. It 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.

The default AVC arrangement with Utmost is the Investing by Age Strategy, which is also a lifestyle approach. 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 how close members are to their target retirement age and in which funds they are invested.

In addition to the default arrangements, members also have the option to invest in two other self-select funds with ReAssure and more than eight other self-select funds with Utmost. The annual charges for these funds during the period covered by this Statement are set out in the tables below.

The level of charges for each self-select fund (including those used in the respective defaults) and the transaction costs over the period covered by this Statement are set out in the following table. For each provider, the underlying funds used within the default arrangements are shown in **bold**.

ReAssure fund charges and transaction costs

Fund name	TER	Transaction costs
L&G Global Equity (70:30) Index fund	0.50% pa	0.00%
L&G Over 5 Year Index-Linked Gilts Index fund	0.50% pa	0.00%
L&G Over 15 Year Gilts Index fund	0.50% pa	0.00%
L&G Cash fund	0.50% pa	0.00%

Utmost fund charges and transaction costs

Fund name	TER	Transaction costs
Utmost Multi-Asset Cautious fund	0.75% pa	0.36%
Utmost Multi-Asset Moderate fund	0.75% pa	0.32%
Utmost Money Market fund	0.50% pa	0.01%
Utmost Sterling Corporate Bond fund	0.75% pa	0.13%
Utmost Managed fund	0.75% pa	0.11%
Utmost UK Equity fund	0.75% pa	0.28%
Utmost UK FTSE All Share Tracker fund	0.50% pa	0.08%
Utmost European Equity fund	0.75% pa	0.07%
Utmost US Equity fund	0.75% pa	0.07%
Utmost Asia Pacific Equity fund	0.75% pa	0.36%
Utmost UK Government Bond fund	0.50% pa	0.26%

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, we 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 longest period available, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). This was the past five years for ReAssure L&G funds, the Utmost heritage Equitable Life funds and the Utmost Multi-Asset Cautious, Multi-Asset Moderate and Sterling Corporate Bond funds. We have used the average annualised transaction costs over these periods as this should be more indicative of longer-term costs compared to only using figures over the Plan year.
- The illustration is shown for the three default arrangements as well as four other 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 UK Equity 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).

Projected pension pot in today's money

Years invested	DC default option: Phoenix		AVC default option: ReAssure		AVC default option: Utmost		Utmost UK Equity (highest cost)		ReAssure L&G Cash (lowest cost)		ReAssure L&G Global Equity (70:30) Index (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	£39,300	£39,300	£7,200	£7,100	£10,100	£10,000	£10,200	£10,100	£6,900	£6,800	£7,200	£7,100	£9,800	£9,800
3	£39,900	£39,900	£7,500	£7,400	£10,300	£10,000	£10,700	£10,400	£6,600	£6,500	£7,500	£7,400	£9,500	£9,300
5	£40,500	£40,500	£7,900	£7,700	£10,600	£10,100	£11,300	£10,700	£6,400	£6,200	£7,900	£7,700	£9,200	£8,900
10	£41,200	£41,200	£8,400	£8,000	£11,000	£10,000	£12,700	£11,400	£5,900	£5,600	£8,900	£8,400	£8,400	£8,000
15	£40,900	£40,900	£8,300	£7,700	£11,200	£9,700	£14,300	£12,100	£5,400	£5,000	£10,000	£9,300	£7,700	£7,100

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 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. The long term annual inflation assumption used is 2.5%.
- The starting pension pot values used are the median for each policy (£39,000 for Phoenix, £7,000 for ReAssure; and £10,000 for Utmost).
- The projection is for 15 years, being the approximate duration that the youngest scheme member has until they reach the scheme's Normal Pension Age.
- The projections are based on the following annual returns (before charges). Utmost's assumptions have been used for the projections for all three providers, Utmost, Phoenix and ReAssure, as Phoenix and Reassure did not provide suitable assumptions for the calculations. The Trustees will continue to escalate this with the managers to encourage them to provide the necessary data.
 - Default Phoenix option: 0.8% above inflation for the initial years, gradually reducing to a return of 0.2% below inflation at the ending point of the lifestyle.
 - Default ReAssure option: 2.4% above inflation for the initial years, gradually reducing to a return of 1.1% below inflation at the ending point of the lifestyle.
 - Default Utmost option: 1.1% above inflation for the initial years, gradually reducing to a return of 0.2% above inflation at the ending point of the lifestyle.
 - Utmost UK Equity: 2.4% above inflation.
 - ReAssure L&G Cash: 1.8% below inflation.
 - ReAssure L&G Global Equity (70:30): 2.4% above inflation
 - Utmost Money Market: 1.8% below inflation.

No allowance for active management outperformance has been made.

5. Investment returns

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the Plan year.

ReAssure fund net returns over periods to 31 March 2023

Fund name	1 year	5 years
L&G Global Equity (70:30) Index fund	1.3%	6.3% pa
L&G Over 5 Year Index-Linked Gilts Index fund	-30.9%	-4.6% pa
L&G Over 15 Year Gilts Index fund	-30.2%	-6.9% pa
L&G Cash fund	1.7%	0.3% pa

Utmost fund net returns over periods to 31 March 2023

Fund name	1 year	5 years
Utmost Multi-Asset Cautious fund	-8.9%	-
Utmost Multi-Asset Moderate fund	-6.9%	-
Utmost Money Market fund	1.3%	0.0% pa
Utmost Sterling Corporate Bond fund	-11.4%	-
Utmost Managed fund	-2.7%	3.4% pa
Utmost UK Equity fund	0.4%	3.1% pa
Utmost UK FTSE All Share Tracker fund	1.3%	4.2% pa
Utmost European Equity fund	5.4%	6.1% pa
Utmost US Equity fund	-6.7%	12.0% pa
Utmost Asia Pacific Equity fund	-5.1%	2.8% pa
Utmost UK Government Bond fund	-17.3%	-3.8% pa

For AVC default arrangements, where returns vary with age, returns are shown over the Plan year and over a five-year period where available, for a member aged 25, 45 and 55 at the start of the period the returns are shown over.

ReAssure Default lifestyle net returns over periods to Plan year end

Age of member at the start of the period	1 year (%)	5 years (% pa)
25	1.3	6.3
45	1.3	6.3
55	-1.9	1.4

Utmost Default lifestyle net returns over periods to Plan year end

Age of member at the start of the period	1 year (%)
25	-6.9
45	-6.9
55	-7.1

6. Value for members assessment

We 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. Our general policy in relation to value for member considerations is set out below.

We 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 September 2023, as part of producing this statement. We 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. Our independent investment advisers have confirmed that the fund charges are competitive for the amount the Plan has invested and the types of funds available to members.

In carrying out the assessment, we also consider 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.

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

We believe that 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, we 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.

7. Financial security of pension assets

This section describes our understanding of the protections that generally apply to members' assets, should the DC platform provider, or a fund manager on it, experience financial difficulties. However, this is a complex area which is untested in practice and a future situation may lead to an unexpected outcome.

There are several safeguards designed to reduce the risk of default by a DC platform provider, or a fund manager used by it, and potential protections that apply should this happen:

- There is internal oversight carried out by the provider and fund managers. This comprises several elements such as independent internal audits, as well as the work conducted by compliance and risk functions.
- There is external oversight, carried out by the relevant regulatory bodies, whose role it is to ensure that the provider and fund managers discharge their financial liabilities in a responsible manner.
- A custodian will normally be appointed for pooled investment funds. The custodian's primary function is the safekeeping of assets. In practice this means keeping investors' funds legally separate from the provider's / fund

manager's own monies, so they may not be used for meeting creditors' demands not relating to the investment funds.

Thus, the only circumstances in which a default would occur appear to be in the event of dishonesty, fraud or negligence. If a valid claim arose, in the first instance, we would expect the manager and/or provider to make good any shortfall. The Financial Services Compensation Scheme may be able to pay compensation if a firm is unable to pay claims against it. Our understanding is that this would cover 100% of the claim in the event of the provider defaulting, but would not apply in relation to externally managed investment funds.

8. Trustee knowledge and understanding

We are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. We 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.

During the Plan year, we:

- reviewed the Statement of Investment Principles (which involved a more concise SIP format, updates to the DB strategy, and increasing the amount of detail regarding the DC and AVC arrangements);
- had an independent professional trustee on the board; and
- received formal and informal training at relevant Board meetings (formal training this year covered responsible investment, stewardship and pensions dashboards).

With the help of our advisers, we regularly consider training requirements to identify any knowledge gaps. Our investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. Our advisers 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:

- Inflation/recession risks
- Human rights stewardship

- Science-based emissions targets
- “Greenwashing”
- COP15 biodiversity summit

We are familiar with and have access to copies of the Plan’s governing documentation and documentation setting out our policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, we 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, we believe that we 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 our duties.

All the Trustees have completed the Pensions Regulator’s Trustee Toolkit (an online learning programme, designed to help trustees of 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 our knowledge and experience and the specialist advice received from the appointed professional advisors (eg investment consultants, legal advisors), we believe that we are well placed to exercise our functions as Trustees of the Plan properly and effectively.

_____ Date: _____

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