Chair's DC Governance Statement, covering 21 March 2023 to 20 March 2024

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. Technically, the Plan does not have a Default option for DC members, though all members with DC assets are invested in a with-profits policy with Phoenix Life, which provides members with a guaranteed minimum value at retirement.

We also recognise that most AVC members do not wish to make active investment decisions. As a result, after taking advice, we decided to make lifestyle strategies available to AVC members invested with ReAssure and Utmost (known as the "AVC defaults"). Technically, these are not Default options, but 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 investment 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 investment arrangements is attached to this Statement as an Appendix.

The investment arrangements 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 in 2024 or immediately following any significant change in investment policy or the Scheme's member profile.

At the time of writing, we are satisfied that the investment 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. At the time of writing, Phoenix Life had not been able to confirm its performance over the calendar year to 31 December 2023 against its SLA.

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 2023. 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. To aid it in the efficient delivery of its administration processes, Utmost has a series of internal standards to ensure that staff are properly trained, qualified, supervised and monitored. Staff are encouraged to enhance their skills and knowledge by also attending external training courses where appropriate.

ReAssure has SLAs in place that specify 95% success targets for responding to 8 different types of requests within their specified timelines (10 days for most tasks, with 20 days specified for annual statements). Overall, ReAssure did not deliver consistent performance against this target over the Plan year. 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 arrangements

Members in the DC arrangements are invested in 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 funds, but we will continue to request this information and escalate within Phoenix Life.

AVC options

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.

The “default” AVC arrangements use a lifestyle approach, which means that members’ assets are automatically moved between different investment funds as they approach their target 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.

For the period covered by this Statement, annualised charges and transaction costs are set out in the following tables. The “default” arrangements do not incur any performance-based fees.

ReAssure - lifestyle charges and transaction costs (% per annum)

Years to target retirement date	TER	Transaction costs
15 years to retirement	0.50%	0.00%
10 years to retirement	0.50%	0.00%
5 years to retirement	0.50%	0.00%
At retirement	0.50%	0.00%

Utmost - lifestyle charges and transaction costs (% per annum)

Years to target retirement date	TER	Transaction costs
15 years to retirement	0.75%	0.21%
10 years to retirement	0.75%	0.21%
5 years to retirement	0.75%	0.23%
At retirement	0.75%	0.24%

In addition to the “default” arrangements, members also have the option to invest in two other self-select funds with ReAssure and a wide range of other self-select funds with Utmost. 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 tables below. 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%**	**0.00%**
L&G Over 5 Year Index-Linked Gilts Index fund	**0.50%**	**0.00%**
L&G Over 15 Year Gilts Index fund	0.50%	0.00%
L&G Cash fund	0.50%	-0.03%

Utmost fund charges and transaction costs

Fund name	TER	Transaction costs
Utmost Multi-Asset Cautious fund	**0.75%**	**0.24%**
Utmost Multi-Asset Moderate fund	**0.75%**	**0.21%**
Utmost Money Market fund	**0.50%**	**0.02%**
Utmost Sterling Corporate Bond fund	0.75%	0.33%
Utmost Managed fund	0.75%	0.10%
Utmost UK Equity fund	0.75%	0.22%
Utmost UK FTSE All Share Tracker fund	0.50%	0.05%
Utmost European Equity fund	0.75%	0.06%
Utmost US Equity fund	0.75%	0.08%
Utmost Asia Pacific Equity fund	0.75%	0.16%
Utmost UK Government Bond fund	0.50%	0.20%

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 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 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 Phoenix Life With-Profits Fund and the AVC "default" arrangements as well as two 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 two self-select funds shown in the illustration are:
  - Utmost UK Equity Fund (fund with the highest costs)[3]; and
  - ReAssure L&G Cash Fund (fund with the lowest costs).

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 (£35,000 for Phoenix, £4,900 for ReAssure; and £10,800 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). The assumptions used have been source from the Plan's providers: Phoenix, ReAssure, and Utmost.
  - Phoenix Life With-Profits fund: 1.5% above inflation.
  - ReAssure Lifestyle Option (otherwise known as the "ReAssure Default"): 4.5% above inflation throughout the lifestyle (ie. growth, consolidation, and at-retirement).[1]
  - Utmost Lifestyle Option (otherwise known as the "Utmost Default"): 0.5% above inflation throughout the lifestyle (ie. growth, consolidation, and at-retirement).[2]
  - Utmost UK Equity Fund: 2.5% above inflation.[3]
  - ReAssure L&G Cash Fund: 0.5% below inflation.

No allowance for active management outperformance has been made.

Projected pension pot in today's money

	Phoenix Life With-Profits Fund		ReAssure Lifestyle Option		Utmost Lifestyle Option		Utmost UK Equity Fund (highest cost)		ReAssure L&G Cash Fund (lowest cost)	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£35,500	£35,500	£5,100	£5,100	£10,900	£10,800	£11,100	£11,000	£4,900	£4,900
3	£36,600	£36,600	£5,600	£5,500	£11,000	£10,700	£11,600	£11,300	£4,800	£4,800
5	£37,700	£37,700	£6,100	£6,000	£11,100	£10,600	£12,200	£11,600	£4,800	£4,700
10	£40,600	£40,600	£7,600	£7,200	£11,400	£10,300	£13,800	£12,400	£4,700	£4,400
15	£43,100	£43,100	£9,500	£8,800	£11,600	£10,100	£15,600	£13,300	£4,500	£4,200

[1]The return assumptions used are based on the prescribed approach for calculation of annual SMPIs, which results in a higher assumption for Gilts than we would typically expect over the long-term, given the extraordinary volatility experienced by this asset class in recent years. As a result, the equity and Gilt return assumptions are the same in this projection, leading to no change in the overall gross return assumption at different stages of the lifestyle.

[2]The return assumptions provided by Utmost are the same for the Multi-Asset Moderate Fund and the Multi-Asset Cautious Fund, meaning that there is no change in the overall gross return assumption at different stages of the lifestyle.

[3]Although the Utmost Sterling Corporate Bond Fund had the highest total cost over the year, we have chosen the fund option with the next highest cost (the UK Equity Fund) to show a range of self-select options (given the lowest cost option is a cash fund).

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 2024

Fund name	1 year	3 years (pa)	5 years (pa)
L&G Global Equity (70:30) Index fund	11.8%	8.4%	7.1%
L&G Over 5 Year Index-Linked Gilts Index fund	-7.3%	-12.6%	-7.0%
L&G Over 15 Year Gilts Index fund	-5.1%	-15.2%	-8.6%
L&G Cash fund	4.6%	2.0%	1.1%

Utmost fund net returns over periods to 31 March 2024

Fund name	1 year	3 years (pa)	5 years (pa)
Utmost Multi-Asset Cautious fund	5.2%	-1.5%	-[1]
Utmost Multi-Asset Moderate fund	10.0%	2.3%	-[1]
Utmost Money Market fund	4.2%	1.5%	0.8%
Utmost Sterling Corporate Bond fund	5.8%	-4.5%	-[1]
Utmost Managed fund	8.6%	4.4%	4.1%
Utmost UK Equity fund	7.9%	6.5%	3.5%
Utmost UK FTSE All Share Tracker fund	7.2%	6.7%	4.3%
Utmost European Equity fund	11.8%	7.4%	8.3%
Utmost US Equity fund	28.3%	13.7%	14.3%
Utmost Asia Pacific Equity fund	3.7%	-2.6%	2.8%
Utmost UK Government Bond fund	-0.5%	-8.5%	-4.5%

For the 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	3 years (pa)	5 years (pa)
25	11.8%	8.4%	7.1%
45	11.8%	8.4%	7.1%
55	9.9%	-0.2%	1.4%

Utmost “Default” lifestyle net returns over periods to Plan year end

Age of member at the start of the period	1 year	3 years (pa)	5 years (pa)
25	10.0%	2.3%	-[1]
45	10.0%	2.3%	-[1]
55	9.5%	0.8%	-[1]

[1]Returns over 5 years for these funds are not available, due to limited performance history. We will show these in future statements as performance history becomes available.

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 August 2024, 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 costs 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:

- The Taskforce on Nature-related Financial Disclosures (TNFD)
- Are governments meeting their climate commitments
- The dangers to pension schemes of high interest rates and deflation

- Stewardship
- Climate actions

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