

# THE FUJIFILM UK LIMITED PENSION AND LIFE ASSURANCE SCHEME CHAIR'S STATEMENT REGARDING DC GOVERNANCE:

## 1 JANUARY 2021 – 31 DECEMBER 2021

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the FUJIFILM UK Limited Pension and Life Assurance Scheme ("the Scheme") is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (i.e. Defined Contribution (DC) schemes).

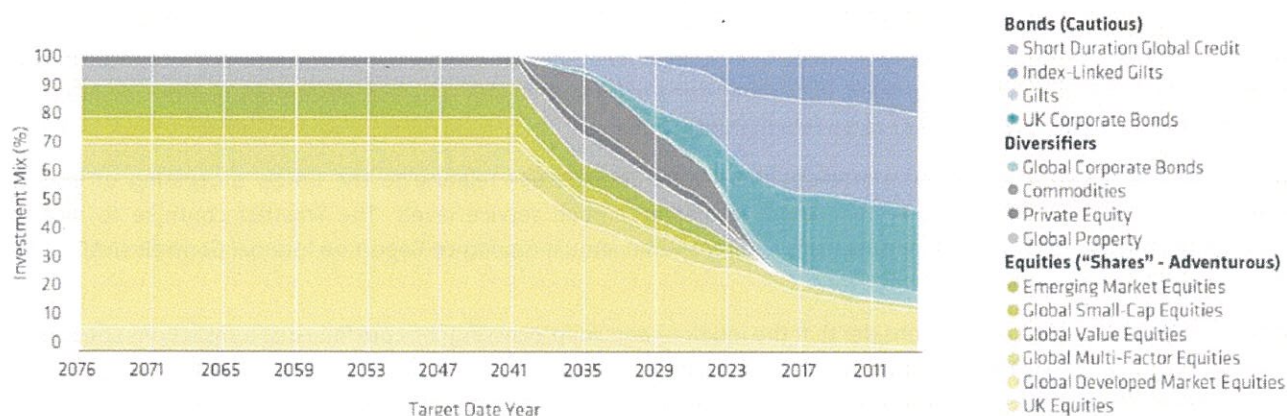
### Default arrangement

Members of the Scheme who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement chosen by the Trustees with the advice of their Investment Consultant.

The default strategy utilises Targeted Date Funds (TDF) via the Mobius Life investment platform. A TDF is a specific fund in which the members are invested during their entire career until their Target Retirement Age (TRA) is reached. When investing in the fund, each member is placed into a TDF vintage, depending on their TRA. In essence this means when a member is further away from their TRA the TDF will target growth (i.e. riskier assets with a higher anticipated return, such as equities). As the member approaches their retirement, the asset allocation will gradually de-risk (i.e. move into less volatile assets with a lower expected return). Once the member reaches their TRA, their savings will be fully invested in a fund that primarily aims to preserve value instead of increasing it, through asset classes such as bonds and cash.

The default strategy is designed to allow for greater flexibility in terms of how and when members choose to access their savings.

This strategy can be illustrated using the following graph:



Source: Alliance Bernstein

The default strategy is described in further detail in the Scheme's Statement of Investment Principles (SIP) which was last reviewed by the Trustees on 16 September 2020 and a copy of which is submitted alongside this governance statement. The SIP will be reviewed a minimum of every three years (i.e. by 16 September 2023) or as soon as any significant developments in investment policy or member demographics take place. The Trustees last reviewed the investment strategy on 7 September 2018, with the new strategy being implemented with effect on 30 April 2019. The Trustees will review the investment strategy on a triennial basis. The Trustees are due to review the investment strategy in Q4 2022.

The Trustees continue to review the performance of all the funds available to members through the fund factsheets and updates from their Investment Consultant at quarterly Trustees meetings. We are happy with the performance over the period covered by this statement and we believe the Scheme's investment strategy remains on track to meet our aims and objectives.

The Trustees have set up processes to publish relevant information on the default arrangement online at the following URL: <https://www.fujifilm.com/uk/en/about/us/pension> and will notify members about this in their annual benefit statements.



### Processing Scheme transactions

The Trustees have a specific duty to ensure that core financial transactions relating to the DC section are processed promptly and accurately. These include the investment of contributions, transfer of member assets into and out of the Scheme, switches between different investments within the Scheme and payments to and in respect of members.

These transactions are undertaken on the Trustees' behalf by the Scheme administrator, Mercer, and its investment managers Legal and General Investment Management (LGIM), Alliance Bernstein and Newton.

The Trustees periodically review the processes and controls implemented by those organisations, and consider them to be suitably designed to achieve these objectives. The Trustees have a service level agreement (SLA) in place with the Scheme administrator, which covers the accuracy and timeliness of all core transactions and receive regular reports to monitor the performance against those service levels. These service level standards are noted in the table below.

Work Type	Service Standard
Benefit Quotation	10 Working Days
Benefit Payments	5 Working Days
Death Benefit Quotation	1 Working Day
General Member Correspondence	10 Working Days
Invoice Payment	20 Working Days
Investment / Disinvestment Request	5 Working Days
Member Updates	5 Working Days
NICO Enquires	20 Working Days
Scheme Event Work	As agreed with the Trustees

The processes adopted by the Scheme administrator to help meet the SLA include dynamic checklists, a central financial control team separate to the admin team, daily monitoring of bank accounts, a dedicated contribution processing team, and four eyes checking of investment and banking transactions.

During the period covered by this statement there were some issues relating to the timely processing of Scheme transactions and 83% of work was completed within the agreed service levels. The Trustees continue to monitor performance against the SLA on a regular basis and receive an annual Assurance Report on Internal Controls (AAF 01/06) from Mercer.

In light of the above, the Trustees consider that the requirements for processing the core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have not been met and requested regular correspondence from the administrators on the specific core cases where the service level standards were not met. The SLA will continue to be monitored until significant improvement is noted.

### Charges and transaction costs – default arrangement and additional funds

The law requires the Trustees to disclose the charges and transactions costs borne by DC Scheme members and to assess the extent to which those charges and costs represent good value for members. These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds. We have taken account of the statutory guidance when preparing this section of the report.

Transaction costs have been provided by the Scheme's investment manager and they are calculated using slippage methodology. That is, the transaction costs represent the difference between the expected trading price of a security within a fund and the price at which the trade is actually executed at (as typically a trade is executed a few working days after an order is placed). Therefore, in a buy order, for example, if the execution price is less than the expected price, a transaction cost may be negative.

Details of the Total Expense Ratios (TERs) payable for each fund as well as the transaction costs within the default arrangement are as follows:

<b>Fund</b>	<b>TER (%)</b>	<b>Transaction Cost (%)</b>
Fujifilm Target Date 2023 - 2025 Retirement Fund	0.290	-0.022
Fujifilm Target Date 2026 - 2028 Retirement Fund	0.300	-0.038
Fujifilm Target Date 2029 - 2031 Retirement Fund	0.300	-0.047
Fujifilm Target Date 2032 - 2034 Retirement Fund	0.310	-0.056
Fujifilm Target Date 2035 - 2037 Retirement Fund	0.310	-0.068
Fujifilm Target Date 2038 - 2040 Retirement Fund	0.310	-0.076
Fujifilm Target Date 2041 - 2043 Retirement Fund	0.310	-0.083
Fujifilm Target Date 2044 - 2046 Retirement Fund	0.300	-0.087
Fujifilm Target Date 2047 - 2049 Retirement Fund	0.300	-0.087
Fujifilm Target Date 2050 - 2052 Retirement Fund	0.300	-0.087
Fujifilm Target Date 2053 - 2055 Retirement Fund	0.300	-0.087
Fujifilm Target Date 2056 - 2058 Retirement Fund	0.300	-0.087
Fujifilm Target Date 2059 - 2061 Retirement Fund	0.300	-0.087
Fujifilm Target Date 2062 - 2064 Retirement Fund	0.300	-0.087

Source: Mobius, effective 31 December 2021. Costs for TDF range from 2065-2073 not received at time of preparation of this Chair's Statement

These are lower than the maximum TER permitted by legislation of 0.75% for default arrangements.

The Trustees also make available a range of funds, which may be chosen by members as an alternative to the default arrangement. These funds allow members to take a more tailored approach to managing their own pension investments and attract TERs and transaction costs as follows:

<b>Fund</b>	<b>TER (%)</b>	<b>Transaction Cost (%)</b>
LGIM UK Equity Index Fund	0.176	0.018
LGIM Overseas Equity Consensus Index Fund	0.254	-0.006
LGIM Global Equity Fixed Weights (50:50) Index Fund (GBP Hedged)	0.220	0.025
LGIM World Emerging Markets Equity Fund	0.469	0.016
LGIM Managed Property Fund	0.878	-0.301
LGIM Over 15 Year Gilts Index Fund	0.100	0.039
LGIM Over 5 Year Index-Linked Gilts Index Fund	0.100	0.040
LGIM Active Corporate Bond – All Stocks Fund	0.255	0.005
LGIM Sterling Liquidity Fund	0.130	-0.008
Newton Global Equity Fund	0.790	0.060

Source: LGIM and Newton, effective 31 December 2021

We are comfortable that the costs for the default arrangement and self-select funds are reasonable both in terms of the outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies.

### **Cumulative effect of charges**

Using the charges and transaction cost data provided by Mobius, LGIM and Newton and in accordance with regulation 23(1)(ca) of the Administration Regulations, the Trustees have prepared illustrations detailing the impact of the costs and charges typically paid by a member of the Plan on their retirement savings pot. The statutory guidance has been considered when providing these examples.

In order to represent the range of funds available to members, we are required to show the effect on a member's savings of investment in the following (with the DC section's relevant funds/strategies listed in brackets):

- The fund or strategy with the most members invested (*the default strategy*)
- The most expensive fund (*LGIM Managed Property Fund*)
- The least expensive fund (*LGIM Sterling Liquidity Fund*)
- 

We have taken account of statutory guidance when preparing this section of the report. In practice, the charges applied to the default strategy vary depending on which TDF vintage a member is invested in. Therefore to demonstrate prudence, for the purposes of this illustration the highest TER and transaction cost for this fund range have been used.

The compounding effect of charges on an active member's fund can be illustrated as follows:

Illustrations for an "Average" member						
	Default Strategy (the most popular choice)		LGIM Managed Property Fund (most expensive fund)		LGIM Sterling Liquidity Fund (the cheapest fund)	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£35,449	£35,337	£35,431	£35,120	£34,470	£34,425
3	£47,524	£47,129	£47,461	£46,366	£44,096	£43,945
5	£59,917	£59,154	£59,792	£57,693	£53,388	£53,111
10	£92,341	£90,269	£91,996	£86,369	£75,231	£74,561
15	£126,937	£122,949	£126,264	£115,568	£95,229	£94,072
19 (retirement)	£156,276	£150,272	£155,253	£139,308	£110,004	£108,403

Illustrations for a "Young" member						
	Default Strategy (the most popular choice)		LGIM Managed Property Fund (most expensive fund)		LGIM Sterling Liquidity Fund (the cheapest fund)	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£4,985	£4,969	£4,983	£4,939	£4,872	£4,866
3	£9,772	£9,702	£9,762	£9,568	£9,225	£9,198
5	£14,686	£14,529	£14,662	£14,230	£13,427	£13,369
10	£27,541	£27,019	£27,457	£26,033	£23,305	£23,130
15	£41,258	£40,136	£41,073	£38,052	£32,349	£32,009
20	£55,894	£53,914	£55,561	£50,288	£40,628	£40,085
25	£71,510	£68,384	£70,977	£62,748	£48,208	£47,431
30	£88,172	£83,582	£87,382	£75,433	£55,148	£54,112
35	£105,951	£99,543	£104,837	£88,350	£61,501	£60,189
39 (retirement)	£121,027	£112,889	£119,604	£98,852	£66,195	£64,653

### Assumptions

The above illustrations have been produced for an "average" member and a "young" member of the Scheme based on the Scheme's membership data. The "Default Strategy" illustration assumes the member's asset allocation remains fully invested in the current default strategy. The results are presented in real terms, i.e. in today's money, to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above as shown.

Age	
<ul style="list-style-type: none"> <li>• "Average" member</li> <li>• "Young" member</li> </ul>	46 (the average age of the Scheme's membership) 26 (the average age of the youngest 10% of members)
Scheme Retirement Age	65
Starting Pot Size	
<ul style="list-style-type: none"> <li>• "Average" member</li> <li>• "Young" member</li> </ul>	£29,528 (the median pot size of the Scheme's membership) £2,637 (the median pot size for the youngest 10% of members)
Starting Salary	
<ul style="list-style-type: none"> <li>• "Average" member</li> <li>• "Young" member</li> </ul>	£42,330 (the median salary of the Scheme's membership) £25,550 (the median salary for the youngest 10% of members)
Inflation	2.5% p.a.
Rate of Salary Growth	2.5% p.a. (i.e. in line with inflation)
Total annual contributions	13.0% p.a. (the median contribution rate for the Scheme's membership) 9.0% p.a. (the median contribution rate for the youngest 10% of members)
Expected future nominal returns on investment:	
<ul style="list-style-type: none"> <li>• Default Strategy (AB TDFs)</li> <li>• LGIM Managed Property Fund</li> <li>• LGIM Sterling Liquidity Fund</li> </ul>	1.30% above inflation 1.25% above inflation 1.75% below inflation

### Net return on Investments

From 1 October 2021, the Trustees is required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges. This information must be recorded in the annual chair's statement and published on a publicly accessible website.

The tables below show performance, net of all charges and transaction costs, of all funds available to members during the Plan year.

Default strategy	Annualized returns to 31 December 2021 (%)
Age of member	1 year
25	20.0
45	19.3
55	11.6



Self-select fund	Annualized returns to 31 December 2021 (%)		
	1 year	5 years	10 years
LGIM UK Equity Index Fund	18.3	5.5	-
LGIM Overseas Equity Consensus Index Fund	19.7	12.9	-
LGIM Global Equity Fixed Weights (50:50) Index Fund (GBP Hedged)	19.8	8.9	-
LGIM World Emerging Markets Equity Fund	0.4	7.3	-
LGIM Managed Property Fund	19.2	6.0	-
LGIM Over 15 Year Gilts Index Fund	-7.4	4.0	-
LGIM Over 5 Year Index-Linked Gilts Index Fund	4.1	4.9	-
LGIM Active Corporate Bond – All Stocks Fund	-2.3	3.6	-
LGIM Sterling Liquidity Fund	-0.1	0.3	-
Newton Global Equity Fund	19.8	12.5	13.9

Source: LGIM, BNY Mellon and Mobius.

Performance shown net of all charges and transaction costs. Performance has been calculated based on a fixed weighted average of underlying fund performance in the lifestyle, with the weightings as at the ages shown.

### Value for members

The Trustees carried out a formal value for members assessment for the 12-month period covered by this statement. The law requires trustees to calculate at least annually all member-borne charges and, where possible, transaction costs, and to assess the extent to which they represent good value for members. A scheme offers value where the costs and charges deducted from members' pots or contributions provide good value in relation to the benefits and services provided, when compared to other options in the market. It does not necessarily mean low cost. The statutory requirements focus only on charges and costs borne by members. For the Scheme, this covers investment management costs which are the most prominent part of our analysis. The governance and administration costs of the Scheme are met by the Sponsoring Employer.

The assessment considered three key areas: Price, Performance and Productivity, covering factors such as investment fees, investment performance and non-investment items such as administration, governance and communications with members. The assessment concluded that overall the Scheme was offering **good value** to members across two of the three areas considered and reasonable on price measures.

- In relation to the Price Assessment area, charges are reasonable relative to peers and alternative investment platforms and investment manager fees are challenged by the Trustees where necessary.
- Regarding the Performance Assessment area, most funds have met their long term objectives, and any manager performance issues are given due attention by the Trustees, with action taken as deemed necessary.
- Lastly, in relation to Productivity, softer elements of value remain good. In particular, the Scheme has a strong governance structure in place and administration and governance costs are met by the Sponsoring Employer.

The Trustees will continue to formally assess value for members on an annual basis.

The Trustees have set up processes to publish relevant information on the costs and charges of the default arrangement and self-select funds online at the following URL: <https://www.fujifilm.com/uk/en/about/us/pension> and we will notify members about this in their annual benefit statements.

### Trustees' knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13. The section related to the Trustees as a body in dealing with the Scheme.

The Trustees keep in place arrangements for ensuring that we take personal responsibility on remaining up-to-date with relevant developments, and carry out a self-assessment of training needs to help identify any knowledge gaps. The Secretary to the Trustees reviews the Trustees' self-assessments and arranges for training to be made available to individual Trustees or to the Trustees body as appropriate. The Secretary to the Trustees keeps a training log, which is reviewed at every full Trustees meeting and forms part of a wider series of governance documents (e.g. Conflicts of Interest Policy, Risk Register, etc.) detailing all Trustees' policies and procedures. The Trustees met on at least six occasions during the period covered by this statement and key documents were reviewed as appropriate.

During the period, the Trustees received DC training on Multi-Asset Investments on 19 January 2021 and 20 April 2021; Investing in Corporate Culture training on 19 January 2021; and Mercer training on ideas for small schemes on 16 June 2021. The Trustees received advice from professional advisers and fund managers, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisers. The Trustees also include legislative updates on the agenda for each of their meetings where necessary.

All of the existing Trustees have completed the Pension Regulator's Trustee Toolkit and new Trustees are required to complete this in its entirety. All the Trustees are also required to familiarise themselves with the Scheme's Trust Deed, Rules and Statement of Investment Principles ("SIP"), which was updated during the period with the assistance of the Scheme advisors to remain compliant with current guidance and is publicly available on the Sponsoring Employer's website.

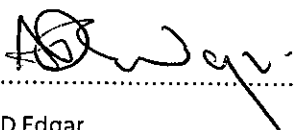
Throughout the year, the Trustees have engaged with their legal advisor in order to draft a flexible retirement policy, which establishes the various options for treatment of DB and DC benefits under a single document. The Trustees also continue to detail the extent of retirement flexibility within the Scheme as part of the annual newsletter.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to us, we consider that we are enabled to properly exercise our functions as Trustees of the Scheme. Throughout the year, consideration has been given to whether formal advice, including legal advice, is required on particular issues.

While most schemes simply focus on trustees' training and use of advisers, we believe that knowledge and understanding should also be extended to awareness of member demographics and member behaviour, otherwise trustees cannot be certain that a scheme remains fit for purpose.

Given the extent of the above, the Trustees are comfortable that we have demonstrated sufficient knowledge of the law relating to pension schemes and trusts and the principles relating to the funding and investment of pension schemes. The combined knowledge and understanding of the Trustees and our advisers coupled with the self-assessment enabled us to run the Scheme appropriately. We are also satisfied that as Trustees we have demonstrated a working knowledge of the Scheme's Trust Deed and Rules, Statement of Investment Principles and all other developing documents setting out the Trustees current policies.

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustee[s] to the best of my knowledge



Mr D Edgar

Chair of the Trustees

Date: 22/7/22