## MUFG BANK UK PENSION FUND

## CHAIR'S STATEMENT

## YEAR ENDED 30 JUNE 2023

### Introduction

I am pleased to present the Trustees' Statement of Governance, covering the defined contribution ("DC") Section of the MUFG Bank UK Pension Fund (the "Fund") for the period of 1 July 2022 to 30 June 2023. The Additional Voluntary Contributions ("AVCs") held with Prudential Assurance Company Limited are not covered by this statement. In this statement, we describe the work carried out by the Trustees over the year to 30 June 2023, to ensure the Fund continues to provide you with good value and the potential for a good outcome for life after work. In doing so, we provide the various statutory disclosures required by legislation and cover five key areas:

1. The investment strategy relating to the Fund's default arrangement;
2. The processing of core financial transactions;
3. Net return on investments
4. Charges and transaction costs within the Fund;
5. Value for Members assessment; and
6. The Trustees' compliance with the statutory knowledge and understanding requirements.

This Statement sets out how the Trustees individually and the Board collectively have maintained the statutory levels of knowledge and understanding to govern the Fund as well as the skills to ensure the Fund remains a first-class savings vehicle. The Trustees have taken a number of actions this year to try and ensure the Fund's objectives are met.

I hope it helps you understand how the Trustees continue to work in your best interests.

*The Trustees' strategy*

The Trustees' key objective is to help all members achieve a good outcome for life after work. In order to ensure this is the case, the Trustees' objectives are to provide members with an appropriate range of investment options which suit their needs, support enhancing members' investment understanding and avoiding overcomplicating the decision-making process.

The benefits earned by members under the DC Section of the Fund are money purchase in nature. This means that the amount of benefits that members will receive when they retire is not guaranteed but instead depends on factors such as the amount of contributions paid in and the investment returns earned.

Some members who were employed and a member of the defined benefit ("DB") section of the Fund at the point the DB Section closed to future accrual on 30 June 1999, may be subject to an underpin as a result of their hybrid/contracted out service. Where this is the case, the underpin is calculated as benefits fall due and where the underpin value is greater than the equivalent money purchase value, the defined underpin value will be paid to the member.

*Governance structure and culture*

Strong governance is essential to the Fund continuing to be a successful savings vehicle that provides good value for members. The Trustees recognise that this requires not only the right resources but also the right Board culture, including a commitment to challenge and debate, knowledge and learning and ongoing assessment of effectiveness. Additionally, the Trustees regularly take time away from routine operations to examine emerging best practices and ways of providing better value for members and challenge the advisers in the quest to improve outcomes. This includes updates on developments in the market and in legislation that might impact on the Fund and learning about new funds to consider for inclusion.

### Default Investment Option

The Trustees are responsible for setting the Fund's investment strategy and for appointing investment managers to implement that strategy. They must also establish a default investment arrangement for members who do not select their own investment options from the fund range that is available.

As at 30 June 2023, the Income Drawdown Lifestyle Strategy was the Default Investment Option, which remained unchanged. This option follows a pre-set choice of investments; starting with contributions invested in the Moderate Growth Fund, then gradually moving members' savings to the Cash Fund once a member is 5 years away from their target retirement date. The Moderate Growth Fund has higher exposures to growth assets such as equities, reflecting the importance of seeking higher long term returns while retirement is a long way off. Members therefore have enough time to recover from any investment falls. As retirement approaches, the member's savings are switched over five years with a 30% allocation in the Cash Fund at retirement. The remaining 70% allocation in the Moderate Growth Fund allows members to draw upon their pension savings as required.

Members can also elect to invest into one of two alternative Lifestyle Strategies; one designed for those intending to take a cash lump sum and purchase an annuity with the remainder of their pot and the other designed for those intending to access 100% of their retirement benefits as a cash lump sum at retirement.

The last formal triennial review of the default strategy took place in March 2022. As a result of this review the Trustees' decided to maintain the current default strategy, however, they made the decision to change the underlying composition assets within the Moderate Growth funds to be more growth focused by changing the allocation of the fixed income portfolio (which was previously invested 7% BlackRock Over 5 Year Index-Linked Gilts Fund, 7% BlackRock Over 15 Years Gilts Fund and 11% M&G Corporate Bond Fund) to 25% M&G Corporate Bond Fund.

A further review of the components of the default strategy took place in April 2023. Following this review, the Trustees decided to replace the allocation to Invesco due to sustained underperformance and also relatively high performance fees. Two diversified growth funds ("DGFs") will replace the allocation to Invesco, which will be implemented in the next Fund year.

The next formal triennial investment strategy review is scheduled to take place in Q1 2025.

**Additional Default Arrangements**

In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Fund has identified the investment options listed in the table below as 'default arrangements' (as defined by these regulations). These have been identified as 'default arrangements' as members' contributions have been automatically directed to these funds without members having instructed the Trustees where their contributions are to be invested; this is due to historic fund removals and is further explained in the table below.

| Fund | Reason for identification as a 'default arrangement' | Date |
|---|---|---|
| **Annuity Lifestyle Strategy** | This option was the DC Section's Default Investment Option from February 2016 to July 2019. Also, when the Core Lifestyle and Self-Select Lifestyle Strategies were removed, members who did not choose another investment option had their contributions automatically redirected to this option. | February 2016 |
| **L&G Asia Pacific (ex- Japan) Developed Equity Index Fund** | When the Martin Currie Asia Pacific Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option. | |
| **Baillie Gifford UK Alpha Fund** | When the AXA Framlington UK Select Opportunities Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option. | |
| **LGIM Sterling Liquidity Fund** | When the LGIM Cash Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option.<br>When the Threadneedle Pensions Property Fund suspended trading in March 2020, members' scheduled contributions into the fund were automatically redirected to this option. | |

| Fund | Reason for identification as a 'default arrangement' | Date |
|---|---|---|
| **BlackRock MSCI World Index** | When the M&G Global Leaders Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option.<br><br>When the Odey Opus Fund was closed to new contributions, members who did not choose another investment option had their contributions automatically redirected to this option. | |
| **BNY Mellon Absolute Return Bond Fund** | When the LGIM Overseas Bond Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option. | |
| **Moderate Growth Fund** | When the Standard Life Global Absolute Return Strategies (GARS) Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option. | November 2017 |

The full fund range, including the individual manager funds within the additional defaults identified above, are monitored on at least an annual basis to ensure they are meeting the needs of members and offer value for members. The defaults are reviewed on a triennial basis. No new defaults were created in the last year.

*Statement of Investment Principles (SIP)*

The Trustees' Statement of Investment Principles, dated August 2021 (approved on 24 September 2021), which includes investment principles in relation to the Fund's default investment arrangement is appended. This covers our aims and objectives in relation to the default investment arrangement as well as our policies in relation to matters such as risk and diversification. It also states why we believe the default investment arrangement is designed in members' best interests.

The SIP is available on request, by contacting the administration team. Furthermore, this Statement has been published on a publically available website at https://www.mufgemea.com/governance/mufg-bank-uk-pension-fund/ and will be signposted in the annual benefit statements.

### Core Financial Transactions

A prompt and accurate administration service is essential to the Trustees' duty to pay the right benefits to the right members at the right time. The Trustees believe that providing members with a positive ongoing experience of the Fund's services will increase their confidence in pensions and their propensity to save more in order to achieve good outcomes for life after work. Considerable time and resource has therefore been allocated over the year to ensure the Fund's data is up to date and accurate, contribution payments and other core financial transactions are reconciled and that member queries are addressed promptly.

Core financial transactions are (broadly):

- Investment of contributions made to the Fund by members and their employer;
- Transfers into and out of the Fund of assets relating to members;
- Switches of members' investments between different funds within the Fund; and
- Payments from the Fund to or in respect of members (e.g. payment of death benefits).

Over the Fund year, the Trustees monitored this through:

- The Schedule of Contributions which sets out the statutory timescales for the Bank to remit monthly contributions to the Fund. Contributions were processed via an automated straight through process to provide both speed and accuracy.
- The Trustees operated an outsourced operational model, with the Fund's administration and management of its Fund bank account delegated to Mercer Limited. The Trustees agreed timescales with its administrators, Mercer Limited, for the processing of all member-related

services, including core financial functions relating to contribution handling, quoting benefits and paying benefits. These timescales were well within any applicable statutory timescale.

| Task | Service Level Agreement |
|---|---|
| Transfer out settlement | 15 working days |
| Transfer in settlement | 10 working days |
| Retirement Quotation | 10 working days |
| Retirement Settlement | 13 working days |
| Death claim - issue documentation | 2 working days |
| Investment switch - post or email | 1 working day |

- Mercer Limited recorded all member transactions and benefit processing activities in a work management system which assigns the relevant timescale to the task.
- Mercer Limited's administration reports disclosed the providers' performance against these agreed timescales and were presented at the bi-annual Administration and Governance Trustees' meetings. Shorter reports in the form of dashboards are also provided to the Trustees on a monthly basis. The Trustees required additional disclosures in respect of any transactions and benefit processing activity that had not been completed within the agreed timescales including the cause of the delay, the extent to which agreed timescales were breached and the proposed remedial measures.
- The Trustees considered detailed statistics of the Fund administrator's performance against the targets that were set by the Trustees at the bi-annual Administration and Governance meetings. This gave the Trustees insight into member activity, completion timescales for administrative functions and the reliability of the Fund's administration controls.
- The Trustees received the Fund administrator's assurance report on its internal controls for the period 1st January 2022 to 31st December 2022 and noted the Reporting Accountant's opinion that Mercer's description of services was fairly presented and that controls were designed, implemented and operated effectively throughout the period.
- Finally, the Trustees undertook a formal audit of the administrative functions in Q1 2023.

The table below sets out the Fund's core financial transactions and the controls that existed during the year to ensure accuracy and promptness. Overall, the Trustees were satisfied that the administrator's controls to process transactions promptly and accurately functioned well during the year.

| Core financial transaction | Key internal control |
|---|---|
| **Payment of monthly contributions** | **Promptness**<br>Schedule of Contributions requires the Bank to pay member and Bank contributions by the 22nd of month following that to which they relate.<br><br>Administrator must report all breaches of the Schedule of Contributions within five working days of the breach being identified. |

| | |
|---|---|
| | Data on any events that breached the target timescale, including the amount of time it took to complete. |
| | **Accuracy**<br>Members were encouraged to use Mercer OneView to check that the contributions shown on their records and that benefit statements reconcile with pay slips. |
| **Investment of monthly contributions following receipt by the Trustees** | **Promptness**<br>Administrator's agreed timescale for investing contributions is five days from date of receipt of contributions.<br><br>Data on any events that breached the target timescale, including the amount of time it took to complete.<br><br>Contributions were processed via an automated straight through process to ensure speed. |
| | **Accuracy**<br>Monthly contribution cycle included a reconciliation of transaction statements from fund managers with contribution receipts from the Bank. |
| **Investment switches requested by members** | **Promptness**<br>Administrator's Service Level Agreement ("SLA") for switching investments was 1 day from date of request.<br><br>Data on any events that breached the target timescale, including the amount of time it took to complete. |
| | **Accuracy**<br>All switches were reconciled with manager transaction statements.<br><br>All members were notified when a switch was completed. |
| **Payment of benefits to members** | **Promptness**<br>Cash flow preparation included identification of forthcoming benefit payments<br><br>SLAs for core benefit transactions (retirements, deaths and transfers) helped ensure that member wishes were known well in advance of benefit payment date.<br><br>Bi-annual appraisal of common data helped ensure that member data was accurate, reducing the likelihood of delay from data gaps.<br><br>Clear authorisation requirements existed for the payment of transactions, balancing the need for promptness on the one hand with senior oversight on the other.<br><br>Data on any events that breached the target timescale, including the amount of time it took to complete. |
| | **Accuracy**<br>Administrator operated peer review system for all benefit calculations.<br><br>Data accuracy was subject to regular evaluation and updating. |

**Net return on investments**

The tables below set out annualised net performance for the 1 and 5 year periods for the lifestyle arrangements (for age 25, 45, and 55) and for the self-select fund range.

When preparing this Statement, the Trustees have taken account of statutory guidance when producing this section.

*Lifestyles*

| **Lifestyle strategy**<br>Target Drawdown (default strategy) and Cash Lifestyle | **Annualised returns to June 2023 (%)** | |
|---|---|---|
| **Age of member** | **1 year** | **5 years** |
| 25 | 1.6 | 2.4 |
| 45 | 1.6 | 2.4 |
| 55 | 1.6 | 2.4 |

| **Lifestyle strategy**<br>Annuity Lifestyle (legacy default) | **Annualised returns to June 2023 (%)** | |
|---|---|---|
| **Age of member** | **1 year** | **5 years** |
| 25 | 1.6 | 2.4 |
| 45 | 1.6 | 2.4 |
| 55 | 1.6 | 1.9 |

*Source: Phoenix, as at 30 June 2023.*

*Self-Select Funds*

| **Self-select funds*** | **Annualised returns to 30 June 2023 (%)** | |
|---|---|---|
| | **1 year** | **5 years** |
| High Growth Fund | 7.1 | 6.5 |
| Moderate Growth Fund*** | 1.6 | 2.4 |
| Cautious Growth Fund | -2.3 | 0.0 |
| Defensive Fund | -9.7 | -2.7 |
| BlackRock UK Equity | 8.4 | 3.0 |
| Artemis Income Fund | 8.3 | 3.3 |
| Baillie Gifford UK Equity Alpha*** | 17.8 | -1.4 |
| BlackRock UK Smaller Companies | -2.6 | -0.2 |
| BlackRock US Equity Index | 14.3 | 12.6 |
| BlackRock European Equity Index | 18.3 | 7.1 |
| Lazard European Alpha | 19.8 | 5.8 |

| | | |
|---|---|---|
| BlackRock Japan Equity Index | 13.2 | 3.9 |
| Stewart Investors Asia Pacific Leaders | 4.3 | 6.2 |
| L&G Asia Pacific (ex Japan) Equity*** | 2.4 | 3.4 |
| iShares Physical Gold ETC** | 0.7 | n/a |
| Baillie Gifford Diversified Growth | -1.9 | 0.1 |
| Invesco Perpetual Global Targeted Returns | 10.7 | -0.8 |
| MFS Meridian Global Equity | 10.7 | 8.6 |
| Acadian Global Managed Volatility | 3.4 | 5.2 |
| BlackRock Aquila MSCI World Index*** | 13.6 | 10.3 |
| CF Odey Opus Fund | -6.4 | 2.2 |
| BlackRock World ex UK Equity Index | 13.8 | 10.3 |
| Schroder Global Sustainable Equity | 6.6 | 6.6 |
| American Century Concentrated Global Equity | 9.8 | 12.1 |
| HSBC Islamic Global Equity Index** | 17.1 | n/a |
| LGIM Future World Global Equity Index** | 10.6 | n/a |
| Impax Environmental Leaders** | 16.4 | n/a |
| Lazard Emerging Markets | 9.0 | 3.3 |
| BlackRock Emerging Markets Index | -3.7 | 1.4 |
| Threadneedle Property Fund | -16.8 | 0.9 |
| M&G Corporate Bond Fund | -4.0 | -0.6 |
| BlackRock Over 15 Year UK Gilt Index | -25.6 | -8.2 |
| BlackRock Over 5 Year UK IL Gilt Index | -20.1 | -5.5 |
| BNY Mellon Absolute Return Bond*** | 6.1 | 1.2 |
| L&G Liquidity*** | 3.0 | 0.9 |

*Source: Phoenix, as at 30 June 2023.*

** Performance shown net of all charges and transaction costs. Performance of standalone self-select options is independent of age, therefore performance is shown in a different format to the lifestyle performance on the previous page.*

*** Performance not available for 5 years due to date of inception in the Fund.*

****These funds are additional default arrangements.*

### Charges and Transaction Costs

_Charges_

The Trustees are required to report on the charges and transaction costs for the investments used in the default arrangement(s) as well as the wider fund choice available and assess the extent to which the charges and costs represent good value for members. When preparing this Statement, the Trustees have taken account of statutory guidance when producing this section.

The charges borne by members consist of investment management and Phoenix’s platform fees, which are deducted directly through the unit prices of the funds they invest in – these combined charges are known as ‘Total Expense Ratios’. All other costs associated with running the Fund, including administration, advisory, legal, benefit modelling tools and other member communications resources are paid for by the Fund.

As at 30 June 2023, the DC Section's fund range comprised funds with charges (Total Expense Ratios) ranging from 0.12% per year to 1.29 % per year, which depend on the asset class and the type of management that is deployed. The Fund also complied with regulations on charge controls over the year to 30 June 2023. The Trustees can confirm that the Default Investment Option, and all other funds identified as 'additional defaults' earlier in this Statement, remain within the charge cap of 0.75% p.a. of funds under management.

For the year ending 30 June 2023, the Default Investment Option was the Drawdown Lifestyle Strategy, which consisted of the Moderate Growth Fund and the LGIM Sterling Liquidity Fund. The Total Expense Ratios varied from 0.13 to 0.66% p.a. throughout the Drawdown Lifestyle Strategy. For the year ending 30 June 2023, the Legacy Default Option(Annuity Lifestyle strategy) consisted of the Moderate Growth Fund and the Defensive Fund. The Total Expense Ratios varied from 0.15 to 0.66% p.a. throughout the Annuity Lifestyle Strategy. The other additional default funds Total Expense Ratios are listed in the table below.

These charges exclude the costs associated with trades in and out of a fund as well as the costs of trading a fund's underlying securities, including commissions and stamp duty, which are collectively referred to in this Statement as 'transaction costs'.

*Transaction Costs*

Transaction costs are not explicitly deducted from a fund but are captured in its investment performance (in other words, the higher the transaction costs, the lower the returns produced by a fund). The Financial Conduct Authority has provided guidance (PS17/20) to investment managers regarding calculations and disclosures of transaction costs which comply with regulations. The prescribed methodology for calculating transaction costs compares the price of the stocks being traded when a transaction was executed with the price at which the transaction was requested. Market movements during these two points may be positive or negative and may also outweigh other explicit transaction costs. For this reason, the overall transaction costs provided can be negative or positive in nature. The Trustees requested this information from Phoenix, as their platform provider. In turn, Phoenix worked with the various underlying investment firms to collate the required data on transaction costs. The transaction costs reported by Phoenix for each fund is shown in the table below.

**Costs and Charges**

| **Fund** | **Charges - Total Expense Ratios (TER)** | **Transaction Costs** |
|---|---|---|
| | **(% p.a.)** | **(% p.a.)** |
| **Risk-Profiled Funds** | | |
| High Growth Fund | 0.59 | 0.35 |
| *Moderate Growth Fund** | 0.66 | 0.34 |
| Cautious Growth Fund | 0.55 | 0.32 |
| Defensive Fund | 0.15 | 0.06 |
| | | |
| **Self -Select / Asset Class Funds** | | |
| **UK Equities** | | |
| BlackRock UK Equity | 0.13 | 0.09 |
| Artemis Income Fund | 0.78 | 0.09 |
| Baillie Gifford UK Equity Alpha* | 0.52 | 0.04 |
| BlackRock UK Smaller Companies | 0.84 | 0.54 |
| **US Equities** | | |
| BlackRock US Equity Index | 0.13 | 0.01 |
| **Europe (ex UK) Equities** | | |

| **Fund** | **Charges - Total Expense Ratios (TER)** | **Transaction Costs** |
|---|---|---|
| | **(% p.a.)** | **(% p.a.)** |
| BlackRock European Equity Index | 0.13 | 0.01 |
| Lazard European Alpha | 0.89 | 0.13 |
| **Japan Equities** | | |
| BlackRock Japan Equity Index | 0.13 | 0.01 |
| **Asia Pacific (ex Japan) Equities** | | |
| Stewart Investors Asia Pacific Leaders | 0.82 | 0.08 |
| L&G Asia Pacific (ex Japan) Equity* | 0.16 | 0.02 |
| **Commodities** | | |
| iShares Physical Gold ETC | 0.20 | -0.06 |
| **Diversified Growth** | | |
| Baillie Gifford Diversified Growth | 0.78 | 0.56 |
| Invesco Perpetual Global Targeted Returns | 0.95 | 0.48 |
| **Global Equities** | | |
| MFS Meridian Global Equity | 0.75 | 0.05 |
| Acadian Global Managed Volatility | 0.31 | 0.00 |
| BlackRock Aquila MSCI World Index* | 0.13 | 0.08 |
| CF Odey Opus Fund | 1.29 | 0.94 |
| BlackRock World ex UK Equity Index | 0.13 | 0.37 |
| Schroder Global Sustainable Equity | 0.79 | 0.20 |
| American Century Concentrated Global Equity | 0.60 | 1.06 |
| HSBC Islamic Global Equity Index | 0.38 | 0.01 |
| LGIM Future World Global Equity Index Fund | 0.18 | 0.07 |
| Impax Environmental Leaders (Ireland) Fund | 0.88 | 0.23 |
| **Emerging Markets Equity** | | |
| Lazard Emerging Markets | 0.85 | 0.15 |
| updatedBlackRock Emerging Markets Index | 0.30 | 0.06 |
| **Property** | | |
| Threadneedle Property Fund** | 0.83 | 0.09 |
| **Bonds** | | |
| M&G Corporate Bond Fund | 0.51 | 0.19 |
| BlackRock Over 15 Year UK Gilt Index | 0.12 | 01.02 |
| BlackRock Over 5 Year UK IL Gilt Index | 0.12 | 0.09 |
| BNY Mellon Absolute Return Bond* | 0.69 | 0.30 |
| **Cash** | | |
| *L&G Liquidity** | 0.13 | -0.11 |

*Source: Phoenix and the underlying investment firms*
*Total Expense Ratios and Transaction Costs cover the period 1 July 2022 to 30 June 2023.*
*Funds in italics are the component funds of the Default Investment Option for the year ended 30 June 2023.*
**These funds are additional default arrangements*
***These funds have further expenses in addition to the TER which relate to the costs associated with the management and operation of the physical properties in the portfolio of the underlying fund. This is known as the Property Expense Ratio (PER) and may fall or rise due to changes in the costs incurred in the management of the properties.*

*Legacy Additional Voluntary Contributions ('AVCs')*

The Fund has holdings in unit-linked and with-profits AVC policies with Prudential. The holdings are very small in scale relative to the size of the Fund's main arrangements held with Phoenix.

The Trustees have sought to quantify the charges and transaction costs associated with the holdings in these policies by requesting the information from the respective providers in line with the prescribed transaction cost disclosure methodology. More details on the charges borne by members are provided in Appendix B. The Trustees will continue to request any outstanding information and will report on this once this information is reliably obtainable from the Provider.

With respect to the with-profits policy, payouts on surrender and maturity will reflect all charges incurred, though they are not separately identified. Moreover, the actual performance received by members, net of charges, is only known upon maturity/surrender, after any augmentation for guaranteed terms and after the effect of any 'smoothing'.

*Reporting of Costs and Charges*

The Trustees fully support transparency of charges and costs for members. However, a key consideration for members is the performance produced net of combined charges and costs. Moreover, a cheaper fund does not necessarily deliver the best value for money.

To illustrate the impact of charges and costs on a typical member's pension pot, we have provided examples below based on:

- The most popular fund by number of members. This is the default strategy, the Income Drawdown Lifestyle strategy, over the reporting period covered by this Statement.
- The most expensive fund.
- The least expensive fund.
- Legacy and technical defaults

The statutory guidance has been considered when providing these examples.

The illustrations below have taken into account the following elements:

- Savings pot size;
- Contributions;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

We have shown example illustrations of what invested money (including existing and future contributions, as well as investment returns) in each of these funds could be worth at certain points in a members life through to retirement age, taking inflation, investment costs and charges into account. These figures are shown in today's money, meaning they show what those pots could buy today. For example, the table shows that, at retirement, a member aged 20 today, with £ 5,950 invested in the Income Drawdown Lifestyle Strategy (default) could be worth £269,411 at retirement in today's value. The figures shown below are just illustrations and are not a guarantee of future values. Illustrations 1 and 2 display the expected pot size of an active member representing the youngest members in the Fund and Illustration 3 and 4, to be found in the appendix, display the expected pot size of an active member of median age within the Fund.

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*Illustration 1: Active Member (youngest age)*

| Age | Default Strategy TER, 0.66%-0.50% p.a. Transaction Cost, 0.23%-0.16%p.a. | | Most Expensive DC Fund TER, 1.29% p.a. Transaction Cost, 1.44% p.a. | | Least Expensive DC Fund TER, 0.13% p.a. Transaction Cost, 0.00% p.a. | |
|---|---|---|---|---|---|---|
| | Income Drawdown Lifestyle (£) | | Odey Opus (£) | | LGIM Liquidity Fund (£) | |
| | Pot size with no charges incurred | Pot size with charges incurred | Pot size with no charges incurred | Pot size with charges incurred | Pot size with no charges incurred | Pot size with charges incurred |
| 20 | £5,950 | £5,950 | £5,950 | £5,950 | £5,950 | £5,950 |
| 25 | £31,628 | £30,681 | £36,941 | £33,562 | £29,611 | £29,482 |
| 30 | £58,265 | £55,210 | £78,460 | £65,808 | £51,550 | £51,160 |
| 35 | £85,895 | £79,540 | £134,085 | £103,466 | £71,892 | £71,130 |
| 40 | £114,558 | £103,672 | £208,608 | £147,446 | £90,753 | £89,527 |
| 45 | £144,290 | £127,608 | £308,449 | £198,808 | £108,242 | £106,473 |
| 50 | £175,132 | £151,349 | £442,209 | £258,791 | £124,457 | £122,085 |
| 55 | £207,125 | £174,896 | £621,412 | £328,842 | £139,493 | £136,466 |
| 60 | £240,154 | £198,168 | £861,498 | £410,651 | £153,434 | £149,714 |
| 65 | £268,640 | £218,236 | £1,183,149 | £506,192 | £166,360 | £161,919 |

**Notes to illustration 1**

1. *Values shown are estimated projections and are not guarantees.*
2. *Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.*
3. *The starting pot size is assumed to be £5,950 the median value for the 10% youngest members, aged between 20 and 28, with an annual salary assumption of £50,000*
4. *Inflation and salary increases of 2.5% p.a. has been assumed.*
5. *Contributions are assumed be 10% p.a..*
6. *The projected gross growth rates for each fund (before ongoing management charges and transaction costs are applied) are as follows:*

| | |
|---|---|
| *Income Drawdown Lifestyle* | *0.50% p.a. above inflation for members further than 5 years from age 65*<br>*Reducing to 0.10% p.a. below inflation for members at or beyond age 65* |
| *LGIM Liquidity Fund* | *1.50% p.a. below inflation* |
| *CF Odey Opus* | *4.50% p.a. above inflation* |

7. *The L&G Liquidity Fund have an estimated before inflation growth rate that is less than the assumed rate of inflation. This means that investing in this fund over the period shown has the effect of reducing the spending power of the retirement savings. Note that valuationof this fund may show lower volatility than other funds.*
8. *For the purpose of the above illustration, where transaction costs are deemed negative (as calculated using the prescribed methodology), zero transaction costs have been assumed for prudence.*
9. *Transaction costs used for the purpose of producing the illustrations are an average cost of past five scheme years.*

*Illustration 2: Active Member (youngest age) invested in additional defaults*

In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Fund has identified the investment options listed in the table below as 'default arrangements' (as defined by these regulations). Please refer to section 4 of the SIP for further details on additional defaults.

| Age | Legacy Default Strategy TER, 0.66%-0.15% p.a. Transaction Cost, 0.23%-0.03%p.a. | | Additional Default Fund TER, 0.16% p.a. Transaction Cost, 0.05% p.a. | | Additional Default Fund TER, 0.52% p.a. Transaction Cost, 0.06% p.a. | | Additional Default Fund TER, 0.13% p.a. Transaction Cost, 0.03% p.a. | |
|---|---|---|---|---|---|---|---|---|
| | Annuity Lifestyle (£) | | LGIM Asia Pacific (ex-Japan) Equity Fund | | Baillie Gifford UK Equity Alpha Fund | | BlackRock Aquila Life MSCI World | |
| | Pot size with no charges incurred | Pot size with charges incurred | Pot size with no charges incurred | Pot size with charges incurred | Pot size with no charges incurred | Pot size with charges incurred | Pot size with no charges incurred | Pot size with charges incurred |
| 20 | £5,950 | £5,950 | £5,950 | £5,950 | £5,950 | £5,950 | £5,950 | £5,950 |
| 25 | £31,628 | £30,681 | £35,386 | £35,123 | £35,387 | £34,684 | £33,344 | £33,160 |
| 30 | £58,265 | £55,210 | £72,165 | £71,189 | £72,172 | £69,571 | £64,387 | £63,746 |
| 35 | £85,895 | £79,540 | £118,121 | £115,774 | £118,138 | £111,927 | £99,562 | £98,127 |
| 40 | £114,558 | £103,672 | £175,542 | £170,893 | £175,578 | £163,352 | £139,422 | £136,774 |
| 45 | £144,290 | £127,608 | £247,290 | £239,033 | £247,354 | £225,789 | £184,589 | £180,216 |
| 50 | £175,132 | £151,349 | £336,938 | £323,271 | £337,045 | £301,594 | £235,771 | £229,048 |
| 55 | £207,125 | £174,896 | £448,953 | £427,410 | £449,123 | £393,631 | £293,768 | £283,938 |
| 60 | £240,264 | £198,354 | £588,915 | £556,151 | £589,175 | £505,374 | £359,488 | £345,639 |
| 65 | £272,864 | £225,303 | £763,796 | £715,306 | £764,184 | £641,042 | £433,959 | £414,995 |

| Age | Additional Default Fund TER, 0.69 p.a. Transaction Cost, 0.30% p.a. | | Additional Default Fund TER, 0.13% p.a. Transaction Cost, 0.00% p.a. | | Additional Default Fund TER, 0.66% p.a. Transaction Cost, 0.23% p.a. | |
|---|---|---|---|---|---|---|
| | BNY Mellon Absolute Return Bond | | LGIM Liquidity Fund | | Moderate Growth Fund | |
| | Pot size with no charges incurred | Pot size with charges incurred | Pot size with no charges incurred | Pot size with charges incurred | Pot size with no charges incurred | Pot size with charges incurred |
| 20 | £5,950 | £5,950 | £5,950 | £5,950 | £5,950 | £5,950 |
| 25 | £29,875 | £28,895 | £29,611 | £29,482 | £31,628 | £30,681 |
| 30 | £52,399 | £49,446 | £51,550 | £51,160 | £58,265 | £55,210 |
| 35 | £73,604 | £67,853 | £71,892 | £71,130 | £85,895 | £79,540 |
| 40 | £93,568 | £84,339 | £90,753 | £89,527 | £114,558 | £103,672 |
| 45 | £112,362 | £99,105 | £108,242 | £106,473 | £144,290 | £127,608 |
| 50 | £130,057 | £112,331 | £124,457 | £122,085 | £175,132 | £151,349 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 55 | £146,715 | £124,177 | £139,493 | £136,466 | £207,125 | £174,896 |
| 60 | £162,399 | £134,786 | £153,434 | £149,714 | £240,312 | £198,252 |
| 65 | £177,164 | £144,289 | £166,360 | £161,919 | £274,738 | £221,418 |

### Notes to illustration 2

1. *Values shown are estimated projections and are not guarantees.*
2. *Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.*
3. *The starting pot size is assumed to be £5,950 the median value for the 10% youngest members, aged between 20 and 28, with an annual salary assumption of £50,000*
4. *Inflation and salary increases of 2.5% p.a. has been assumed.*
5. *Contributions are assumed be 10% p.a.*
6. *The projected gross growth rates for each fund (before ongoing management charges and transaction costs are applied) are as follows:*

| | |
|---|---|
| *Annuity Lifestyle* | *0.50% p.a. above inflation for members further than 5 years from age 65<br>Remaining unchanged for members at or beyond age 65* |
| *LGIM Asia Pacific (ex-Japan) Equity Fund* | *4.50% p.a. above inflation* |
| *Baillie Gifford UK Equity Alpha Fund* | *4.50% p.a. above inflation* |
| *BlackRock Aquila Life MSCI World* | *2.50% p.a. above inflation* |
| *BNY Mellon Absolute Return Bond* | *1.50% p.a. below inflation* |
| *LGIM Liquidity Fund* | *1.50% p.a. below inflation* |
| *Moderate Growth Fund* | *0.50% p.a. above inflation* |

7. *The L&G Liquidity Fund have an estimated before inflation growth rate that is less than the assumed rate of inflation. This means that investing in this fund over the period shown has the effect of reducing the spending power of the retirement savings. Note that valuationof this fund may show lower volatility than other funds.*
8. *For the purpose of the above illustration, where transaction costs are deemed negative (as calculated using the prescribed methodology), zero transaction costs have been assumed for prudence.*
9. *Transaction costs used for the purpose of producing the illustrations are an average cost of past five scheme years.*

**Value for members**

The Trustees regularly examine ways of providing better value for members. Underpinning the assessments of value is the belief that value is about using the resources at its disposal effectively to help members achieve a good outcome for life after work. Also, while some measures of value should be scrutinized carefully over the short-term (for example, the performance of the Fund's administrator), the Trustees believe that others, such as the suitability and performance of investment funds, span several years. Additionally, some components of member value can be assessed quantitatively, but those that impact on members' experience of the Fund and its services often require a more qualitative assessment.

The Trustees have assessed the value for members of the member-borne deductions within the Fund for the year ending 30 June 2023 in November 2023, in counsel with their advisers. This assessment considered the funds offered to members in terms of:

- Charges
- Net of charges performance relative to benchmarks and targets/objectives
- Fund range available to members
- Research views from their investment adviser on the investment managers and platform provider
- Overall governance and administration of the funds.

The Trustees concluded that the Fund's overall range of investment options represent **reasonable value for members for the year in question** in comparison to the member-borne charges for those options. The reasons underpinning this conclusion include:

- Charges for the default investment arrangement (as well as self-select lifestyle strategies) are below the charge cap of 0.75% per annum;
- Charges are generally competitive relative to other funds available in the market, although there may be some room for improvement for some funds which sit above the median of the comparable universe in terms of charges;
- Longer term performance of the underlying funds has been mixed, in the context of the challenging market environment that prevailed over the period measured. A number of funds have underperformed their benchmarks after fees, in particular the actively managed equity funds.
    - A number of managers who have not met expectations do not manage a large amount of assets as they are purely self-select options, which was factored into the assessment.
    - The Trustees have taken action after the year end to review the role of the managers within the default that have underperformed expectations.
- The Fund offers a broad range of online tools and support, timely communications and administration response times largely within agreed SLAs.

As a result, we believe that the overall Fund has delivered reasonable value in respect of member-borne deductions. We do note that there are areas for improvement and actions are underway for addressing these. Furthermore, additional services such as Fund administration, trustee governance, adviser fees and additional communications that are paid for by the Trustees, further enhances the value that members receive.

**Knowledge, understanding and resources**

The Fund is run by a board of individual Trustees, all of whom maintain an appropriate level of knowledge and understanding that, together with professional advice available to them, enables them to properly exercise their functions and duties in relation to the Fund.

In the context of governing a pension fund, 'skills' relate to knowledge of pensions and regulatory requirements, as well as the ability to identify opportunities, manage risks, challenge professional advice and understand the evolving needs of members. The Trustees believe that the best way to embed these skills is to have a Board that brings together individuals with different perspectives, experiences and beliefs. A more diverse Board enhances dialogue and reduces the risk of 'groupthink', leading to higher quality decision-making and monitoring.

Reflecting this belief, the Board comprises individuals with diverse and complementary professional skills including finance, risk, accounting and investment. A detailed description of the duties the Chair of Trustees carries out has been produced and is reviewed and updated periodically.

The Trustees maintain a training plan which is designed to align closely with its longer-term strategy and business plans and is reviewed on an annual basis. During the year, the Trustees discussed their training needs as part of their meetings, having regard to the statutory requirements to have knowledge and understanding of pensionlaw and to be conversant with the Fund's trust deed and rules, Statement of Investment Principles (SIP) and other documents recording the Trustees' policies. Over the Fund year, the Trustees updated the SIP Implementation statement which sets out how the polices within the SIP have been followed throughout the year. The Trustees undertook a number of activities that involved Trustees giving detailed consideration to various aspects of the Fund.

The Trustee board periodically conduct assessments of its effectiveness. These assessments obtain candid feedback on an anonymous basis from each Trustee as well as our external advisors on the Board's diversity, inclusiveness culture, operating framework and performance generally. The results are collated and reported by Mercer Limited and discussed openly at Board meetings. The assessment questions are similarly prepared by Mercer Limited with each Trustee invited to provide input prior to them being finalised. The last assessment was carried out in March 2022. This confirmed that a majority of the Trustees felt that they effectively governed each of the following areas of the Fund to a moderate extent if not to a great extent:

- Headline opinion
- Trustee Board Meetings
- Trustee Board Structure
- Resourcing
- Your Contributions
- Contribution to the Board
- Board Chair
- Decision Making
- Relationships
- Appointments
- Induction and Training
- Governance & Risk

The next Trustee Effectiveness review is due to take place in 2024.

In addition, the Trustees, maintain a training plan which is reviewed each year, which allows the Trustees to identify areas for development and derive an effective training plan.

MUFG Bank, Ltd.'s extensive pool of employees with significant financial, risk, investment and general business expertise provides the Trustees with a wide range of quality candidates to select from when they seek new Trustees. Additionally, the Bank's in-house Human Resources Team provides the Board with considerable operational support, with at least one of its members attending most meetings.

Finally, the Trustees maintain a comprehensive induction training programme for new Trustees. This provides an overview of important pension law and regulatory requirements as well as the Trustees' strategy, policies, and current activities. Its aim is to help new Trustees participate quickly in informed decision-making. During the Fund year, three new Trustees joined the board effective from 1 June 2023. The new Trustees undertook introductory training on 23 August 2023 and a separate training session on Environmental, Social and Governance matters on 6 June 2023.

The Pensions Act 2004 requires individual trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts and the investment of the assets. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the Trustees to exercise the function in question.

Trustees must also be conversant with the Fund's own documentation. These are described in legislation as the Trust Deed and Rules and the SIP. Trustees must also be conversant with any other document recording current policy relating to the administration of the Fund generally.

The table below shows how these duties were fulfilled and how the combined knowledge and understanding, together with the advice which is available to the Trustees, enables them to properly exercise their duties and responsibilities. Hence, over the period under review, the Trustees, with the support of their advisers, have met the requirements of sections 247 and 248 of the Pensions Act 2004 (requirements for knowledge and understanding).

| Requirement | How we met it |
|---|---|
| **Trustees must describe how, throughout the Fund year the Trustees have demonstrated a working knowledge of the Trust Deed and Rules.** | • The Trustees sought legal advice around the implications of the change to the Normal Minimum Pension Age, advice on this matter was received by the Trustees on 23 January 2023.<br>• New Trustees received introductory training which includes a Trust Deed training section. |
| **Trustees must describe how, throughout the Fund year the Trustees have demonstrated a working knowledge of the current SIP.** | • A new SIP will be signed following the implementation of the investment changes. The Trustees have considered both the risks and benefits of each DGF and explored the option of gaining exposure to both managers when considering these investment strategy changes.<br>• The Trustees reviewed the funds available to members and received relevant training.<br>• The Trustees also received training on 6 June 2023 regarding Environment, Social and Governance related investments.<br>• The SIP Implementation Statement was updated for this Fund year, which sets out how the policies within the SIP have been followed throughout the year. |
| **Trustees must describe how, throughout the Fund year the Trustees have demonstrated a working knowledge of all documents setting out the Trustees' current policies.** | • All Trustees are familiar with and have access to copies of the current Scheme governing documentation, key policies and procedures.<br>• A Statement of Governance Principles is maintained and sets out the policies of the Trustees for the governance of the Fund. The Trustees dedicate a minimum of two meetings per year to the governance of the Fund.<br>• A Risk Sub-Committee has been formed to review the Funds risks and update the Fund's policies under the Effective System of Governance |
| **Trustees must have appropriate knowledge and understanding of the law relating to pensions and trusts.** | • Trustees undertake periodic evaluations of training requirements, which includes specific consideration of whether any further training is required in respect of these statutory areas. The next evaluation will take place in 2024.<br>• The Trustees worked through the trustee knowledge and understanding requirements set by The Pensions Regulator ("TPR"). Furthermore, new trustees were required to undergo thorough training with Mercer Limited. The Trustees are in the process of completing the Trustee Toolkit via bite size training modules presented by Mercer. |
| **Trustees must have appropriate knowledge and understanding of the relevant principles relating to the funding** | • The Trustees' investment advisors report biannually on the performance of the Fund's investments and on their views regarding the Scheme's investments. DC reports and views were given at the meetings on 8 October 2022 and 18 April 2023. |

| | |
|---|---|
| **and investment of the occupational schemes.** | • During these meetings, three investment managers presented the Trustees with a paper to help them explore options for introducing responsible investment fund options. |
| **Trustees must describe how, throughout the Fund year the Trustees have demonstrated that their combined knowledge and understanding, together with available advice, enables them to properly exercise their functions.** | • The Trustee Board comprises individuals with diverse professional skills and experiences, reflecting the varied nature of the challenges that Trustees face.<br>• The Trustees maintained an ongoing training plan which included training delivered as part of Trustees' meetings as well as a dedicated training day. Such training was facilitated by their external advisers.<br>• The Trustees maintained a training log that set out individual and broad based training activity.<br>• The Trustees reviewed their training plan, taking into account the balance and variety of expertise amongst the Trustees.<br>• The Trustees' professional advisers attended at the relevant adviser meeting (e.g. Actuarial, DB Investment, and DC Investment). Advisers were invited to attend more often if required.<br>• The Trustees regularly received email bulletins and updates from their advisers on the latest developments affecting DC pension schemes. |

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 Trustees to the best of their knowledge.

Signed:

Date:

**APPENDIX A – Illustrations for an active member of median age**

An additional example illustration of the impact of costs and charges on a typical member's pension pot is provided below. This includes all member costs, including the Total Expense Ratio, transaction costs and inflation.

*Illustration 3: Active Member (median age)*

| Age | Default Strategy TER, 0.66%-0.50% p.a. Transaction Cost, 0.23%-0.16%p.a. | | Most Expensive DC Fund TER, 1.29% p.a. Transaction Cost, 1.44% p.a. | | Least Expensive DC Fund TER, 0.13% p.a. Transaction Cost, 0.00% p.a. | |
|---|---|---|---|---|---|---|
| | Income Drawdown Lifestyle (£) | | Odey Opus (£) | | LGIM Liquidity Fund (£) | |
| | Pot size with no charges incurred | Pot size with charges incurred | Pot size with no charges incurred | Pot size with charges incurred | Pot size with no charges incurred | Pot size with charges incurred |
| 40 | £31,810 | £31,810 | £31,810 | £31,810 | £31,810 | £31,810 |
| 45 | £71,309 | £68,844 | £86,216 | £77,202 | £65,756 | £65,425 |
| 50 | £112,282 | £105,576 | £159,105 | £130,212 | £97,231 | £96,392 |
| 55 | £154,784 | £142,010 | £256,758 | £192,121 | £126,416 | £124,918 |
| 60 | £198,743 | £178,072 | £387,586 | £264,421 | £153,476 | £151,197 |
| 65 | £239,329 | £211,012 | £562,862 | £348,856 | £178,567 | £175,405 |

**Notes to Illustration 3**

1. *Values shown are estimated projections and are not guarantees.*
2. *Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.*
3. *The starting pot size is assumed to be £31,810 the median value for members aged 40, with an annual salary assumption of £75,250.*
4. *Inflation and salary increases of 2.5% p.a. has been assumed.*
5. *Contributions are assumed be 10% p.a.*
6. *The projected gross growth rates for each fund (before ongoing management charges and transaction costs are applied) are as follows:*

| | |
|---|---|
| *Income Drawdown Lifestyle* | *0.50% p.a. above inflation for members further than 5 years from age 65<br>Reducing to 0.10% p.a. below inflation for members at or beyond age 65* |
| *LGIM Liquidity Fund* | *1.50% p.a. below inflation* |
| *CF Odey Opus* | *4.50% p.a. above inflation* |

7. *The L&G Liquidity Fund have an estimated before inflation growth rate that is less than the assumed rate of inflation. This means that investing in this fund over the period shown has the effect of reducing the spending power of the retirement savings. Note that valuationof this fund may show lower volatility than other funds.*
8. *For the purpose of the above illustration, where transaction costs are deemed negative (as calculated using the prescribed methodology), zero transaction costs have been assumed for prudence.*
9. *Transaction costs used for the purpose of producing the illustrations are an average cost of past five scheme years.*

The Trustees fully support transparency of costs for members. We also reiterate that while costs and charges are an important consideration, they are not the only criteria the Trustees assess. A variety of factors are typically considered in a holistic manner when making strategic decisions in the bests interests of the Fund's members.

*Illustration 4: Active Member (median age) invested in additional defaults*

In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Fund has identified the investment options listed in the table below as 'default arrangements' (as defined by these regulations). Please refer to section 4 of the SIP for further details on additional defaults.

| Age | Legacy Default Strategy<br>TER, 0.66%-0.15% p.a.<br>Transaction Cost, 0.23%-0.03%p.a. | | Additional Default Fund<br>TER, 0.16% p.a.<br>Transaction Cost, 0.05% p.a. | | Additional Default Fund<br>TER, 0.52% p.a.<br>Transaction Cost, 0.06% p.a. | | Additional Default Fund<br>TER, 0.13% p.a.<br>Transaction Cost, 0.03% p.a. | |
|---|---|---|---|---|---|---|---|---|
| | Annuity Lifestyle (£) | | LGIM Asia Pacific (ex-Japan) Equity Fund | | Baillie Gifford UK Equity Alpha Fund | | BlackRock Aquila Life MSCI World | |
| | Pot size with no charges incurred | Pot size with charges incurred | Pot size with no charges incurred | Pot size with charges incurred | Pot size with no charges incurred | Pot size with charges incurred | Pot size with no charges incurred | Pot size with charges incurred |
| 40 | £31,810 | £31,810 | £31,810 | £31,810 | £31,810 | £31,810 | £31,810 | £31,810 |
| 45 | £71,309 | £68,844 | £81,813 | £81,115 | £81,818 | £79,948 | £76,082 | £75,597 |
| 50 | £112,282 | £105,576 | £144,291 | £142,069 | £144,307 | £138,394 | £126,249 | £124,817 |
| 55 | £154,784 | £142,010 | £222,357 | £217,422 | £222,394 | £209,354 | £183,096 | £180,143 |
| 60 | £198,833 | £178,239 | £319,899 | £310,577 | £319,972 | £295,508 | £247,513 | £242,334 |
| 65 | £242,985 | £217,679 | £441,779 | £425,740 | £441,904 | £400,108 | £320,508 | £312,241 |

| Age | Additional Default Fund<br>TER, 0.69 p.a.<br>Transaction Cost, 0.30% p.a. | | Additional Default Fund<br>TER, 0.13% p.a.<br>Transaction Cost, 0.00% p.a. | | Additional Default Fund<br>TER, 0.66% p.a.<br>Transaction Cost, 0.23% p.a. | |
|---|---|---|---|---|---|---|
| | BNY Mellon Absolute Return Bond | | LGIM Liquidity Fund | | Moderate Growth Fund | |
| | Pot size with no charges incurred | Pot size with charges incurred | Pot size with no charges incurred | Pot size with charges incurred | Pot size with no charges incurred | Pot size with charges incurred |
| 40 | £31,810 | £31,810 | £31,810 | £31,810 | £31,810 | £31,810 |
| 45 | £66,478 | £63,957 | £65,756 | £65,425 | £71,309 | £68,844 |
| 50 | £99,117 | £92,751 | £97,231 | £96,392 | £112,282 | £105,576 |
| 55 | £129,845 | £118,540 | £126,416 | £124,918 | £154,784 | £142,010 |
| 60 | £158,774 | £141,639 | £153,476 | £151,197 | £198,873 | £178,147 |
| 65 | £186,009 | £162,327 | £178,567 | £175,405 | £244,607 | £213,990 |

**Notes to Illustration 4**

1. *Values shown are <u>estimated</u> projections and are not guarantees.*
2. *Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.*
3. *The starting pot size is assumed to be £31,810 the median value for members aged 40, with an annual salary assumption of £75,250.*
4. *Inflation and salary increases of 2.5% p.a. has been assumed.*
5. *Contributions are assumed be 10% p.a.*
6. *The projected gross growth rates for each fund (before ongoing management charges and transaction costs are applied) are as follows:*

| | |
|---|---|
| *Annuity Lifestyle* | *0.50% p.a. above inflation for members further than 5 years from age 65<br>Remaining unchanged for members at or beyond age 65* |
| *LGIM Asia Pacific (ex-Japan) Equity Fund* | *4.50% p.a. above inflation* |
| *Baillie Gifford UK Equity Alpha Fund* | *4.50% p.a. above inflation* |
| *BlackRock Aquila Life MSCI World* | *2.50% p.a. above inflation* |
| *BNY Mellon Absolute Return Bond* | *1.50% p.a. below inflation* |
| *LGIM Liquidity Fund* | *1.50% p.a. below inflation* |
| *Moderate Growth Fund* | *0.50% p.a. above inflation* |

7. *The L&G Liquidity Fund have an estimated before inflation growth rate that is less than the assumed rate of inflation. This means that investing in this fund over the period shown has the effect of reducing the spending power of the retirement savings. Note that valuationof this fund may show lower volatility than other funds.*
8. *For the purpose of the above illustration, where transaction costs are deemed negative (as calculated using the prescribed methodology), zero transaction costs have been assumed for prudence.*
9. *Transaction costs used for the purpose of producing the illustrations are an average cost of past five scheme years.*

## APPENDIX B – Transaction Cost Information for the Additional Voluntary Contributions with Prudential

The next table shows the charges and aggregate transaction costs based upon the information supplied by Prudential on their funds still held by the Fund. The charges borne by members consist of investment management and Prudential's platform fees only, which are deducted directly through the unit prices of the funds they invest in – these combined charges are known as 'Total Expense Ratios'.

Aggregate transaction costs represent annualised transaction costs incurred by the fund manager within the underlying fund. The aggregate transaction costs shown account for the impact of market movements between the placement of a request to buy or sell an investment and the execution of that request. As such, the aggregated transaction cost can be positive or negative.

| **Fund** | **Charges - Total Expense Ratios (TER)** | **Transaction Costs** |
|---|---|---|
| | **(% p.a.)** | **(% p.a.)** |
| Prudential Global Equity Fund | 0.75 | 0.05 |
| Prudential With-Profits Cash Accumulated Fund | n/a** | 0.20 |

*Source: Phoenix, as at 31 December 2022*

*** The With-Profits Fund's management charge depends on the performance of the With-Profits Fund, in particular the investment return and expenses. If, for example, over time investment returns are higher, then Prudential would expect to increase the charges and if investment returns are lower Prudentialwould expect to reduce the charges. Deduction of this charge is through the bonus mechanism.*

**APPENDIX C – Statement of Investment Principles**

**The Statement of Investment Principles is attached to the Annual Report and Financial Statements. They include a detailed description of the DC Section's Default Investment Option.**

# THE MUFG BANK UK PENSION FUND

## STATEMENT OF INVESTMENT PRINCIPLES FOR THE DC SECTION- AUGUST 2021 (REPLACES AUGUST 2020)

### 1. Introduction

The Trustees of The MUFG Bank UK Pension Fund ("the Fund") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act") and subsequent legislation. The Statement is intended to affirm the investment principles that govern decisions about the Fund's investments.

The Trustees have obtained written advice from the Fund's investment consultant regarding the investment policy described by this Statement, who the Trustees believe is qualified and has the appropriate knowledge and experience.

In preparing this Statement, the Trustees have consulted the Sponsoring Company to ascertain whether there are any material issues of which the Trustees should be aware of in agreeing the Fund's investment arrangements.

As the Statement covers broad principles, the Trustees do not expect to revise it frequently. The Statement will be reviewed following any significant change in the Fund's investment arrangements and, in any event, at least once every three years. The Investment Policy Implementation Document ("IPID") records the current investment arrangements and is updated as and when required.

The Trustees' investment responsibilities are governed by the Fund's Trust Deed and this Statement takes full regard of its provisions. A copy of the Fund's Trust Deed is available upon request.

The Fund is a hybrid arrangement; it has a Defined Benefit ("DB") Section and a Defined Contribution ("DC") Section. This Statement refers to the DC Section.

### 1.1 Process for choosing investments

The process for choosing investments is as follows:

- Identify appropriate investment objectives
- Agree the level of risk consistent with meeting the objectives set
- Construct a portfolio of investments that is expected to maximise the return (net of all costs) given the targeted level of risk

In considering the appropriate investments for the Fund, the Trustees will obtain and consider the written advice of Mercer Limited, whom the Trustees believe to be suitably qualified with the appropriate knowledge and experience to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

## 2. Investment objectives

The Trustees recognise that individual members have differing investment needs and that these may change during the course of their working lives. The Trustees also recognise that members have differing attitudes to risk. The Trustees' objectives are therefore:

- To provide members with a range of investment options to enable them to tailor an investment strategy to their own needs. In particular, to make available vehicles which aim:

  a. To maximise the value of members' assets at retirement.

  b. To maintain the purchasing power of members' savings.

  c. To provide protection for members' accumulated assets in the years approaching retirement against:

     – Sudden (downward) volatility in the capital value; and

     – Relative fluctuations in the (implicit and explicit) costs of retirement benefits.

- To establish a default investment strategy and lifestyle investment strategies reasonable for any member not wishing to make his/her own investment strategy decisions.

- To avoid over-complexity in investment strategy in order to keep administration costs and employee understanding to a reasonable level.

The objectives set out above and the risks and other factors referenced in this statement are those that the Trustees consider to be financially material considerations in relation to the Fund as a whole. The Trustees believe that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent upon the member's age and when they expect to retire.

## 3. Lifestyle strategies

The Trustees recognise that members' investment needs change as they progress towards retirement age. Younger members have a greater need for real growth to attempt to ensure their investment account keeps pace with inflation and, if possible, salary escalation but are better able to tolerate short term fluctuations in value. Older members require mitigation of the risks which could impact the magnitude of benefits in retirement, whether taken in the form of an annuity, cash, or via income drawdown.

The Trustees therefore offer three 'lifestyle' strategies, where members' funds are initially allocated to moderately volatile investments and are progressively switched into investments more suitable for different benefit types near to retirement.

For all three lifestyle strategies, switching takes place, on a quarterly basis, over the 5 years leading up to a members' retirement age. Normal retirement age is 65 unless the member specifies otherwise.

## 3.1 Default Lifestyle Strategy

The Income Drawdown Lifestyle Strategy is the default option for members who have not expressed an investment choice. It is aimed at members who plan to withdraw benefits flexibly over time.

Typically, a proportion of members will actively choose the default option because they feel it is most appropriate for them. However, the vast majority of members invested in the default option have not made an active investment decision.

The aims of the default option, and the ways in which the Trustees seek to achieve these aims are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.

  *The default option's growth phase invests in equities and other growth-seeking assets (through the Moderate Growth Fund). These investments are expected to provide a real return over the long term with some downside protection.*

- To provide a strategy that reduces investment risk for members as they approach retirement.

  *As a member's pot grows, investment risk will have greater impact on member outcomes. Therefore, the Trustees believe that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. Moreover, the Trustees believe that the majority of the Fund's DC membership who are enrolled in the default option will seek to access an income drawdown arrangement when they draw their DC benefits from the Fund, so the Income Drawdown Lifestyle Strategy is designed to provide a balanced mix of assets, including growth, defensive and cash investments in the lead up to retirement.*

  *In view of the above, the Trustees consider the level of risk within the default option in the context of the variability of the value of a member's retirement account at their target retirement date.*

  *The Income Drawdown Lifestyle Strategy therefore aims to reduce volatility while maintaining a growth assets allocation as a member approaches retirement via automated lifestyle switches over the five year period to a member's selected retirement date. Investments are switched into the Cash Fund (30%), which allows for members to take tax-free cash, with 70% remaining in the Moderate Growth Fund (to retain exposure to growth assets with the aim of generating returns over the medium to longer term).*

  To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to access an income drawdown arrangement when they take their DC benefits from the Fund.

  *At the member's selected retirement date, 30% of member's assets will be invested in the Cash fund and 70% of member's assets will be invested in the Moderate Growth fund.*

The Trustees' policies in relation to the default option are detailed below:

- The default option manages investment risks through a diversified strategic asset allocation consisting of traditional and alternative assets with advice taken from the Fund's investment consultant when deciding on this asset allocation. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default option, the Trustees have considered the trade-off between risk and expected returns. The asset allocation is designed to take into account the age of a member and when they expect to retire.

- Assets in the default option are invested in the best interests of members and beneficiaries, taking into account the profile of members. In particular, the Trustees considered high level profiling analysis of the Fund's membership in order to inform decisions regarding the default option. Based on this understanding of the membership, a default option that targets income drawdown is considered appropriate.

- Members are supported by clear communications regarding the aims of the default and the access to alternative investment approaches. If members wish to, they can opt to choose their own investment strategy or an alternative lifestyle strategy on joining but also at any other future date. Moreover, members do not have to take their retirement benefits in line with those targeted by the default option; the target benefits are merely used to determine the investment strategy held pre-retirement.

- Assets in the default option are invested, through an insurance contract, in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are managed by various investment managers. The selection, retention and realisation of assets within the pooled funds are delegated to the respective investment managers in line with the mandates of the funds. Likewise, the investment managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.

- As a general policy, the Trustees take into account the current demographics of the Fund's membership and the Trustees' views of how the membership will behave at retirement when deciding on the appropriateness of the default investment option. Member views are not explicitly taken into account in the selection, retention and realisation of investments within the default investment options, but the Trustees welcome member views.
- The Trustees will continue to review the default strategy (a) at least every three years; and (b) without delay after any significant change in investment policy or the demographic profile of relevant members. Furthermore, the performance of the default arrangements is reviewed every six months.

The considerations in this section are those that the Trustees consider financially material in the default investment option. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire. It is partly for this reason that the default arrangement investment option is a lifestyle strategy.

In addition to the Trustees' Policy to risk monitoring and management set out for the Fund in general, the Trustees have considered the following items to monitor and manage the risk in relation to the default investment option. When reviewing the investment strategy of the default investment option, the Trustees consider risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustees also consider risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option. The Trustees have considered how to monitor risks from a number of perspectives in the default investment option. The items below are not exhaustive but cover the additional risks that the Trustees consider specifically with regards to the default and how they are managed.

**Market Risks** – The Trustees regularly monitor the performance of the growth phase against inflation. The strategy for the default option is set with the intention of diversifying the market risks to reach a level of risk deemed appropriate. Within active funds, management of many of the market risks is delegated to the investment managers.

**Benefit Conversion Risk** – The default option is a lifestyle strategy which automatically switches member assets into investments whose value is expected to be less volatile relative to the growth phase approaching retirement age and is appropriate for members planning to draw their benefits flexibly over time.

Further details on the default investment option are provided in the IPID.

### 3.2 Additional Lifestyle Strategies

In addition to the default option, the Income Drawdown Lifestyle Strategy, the Trustees also offer two additional lifestyle strategies for members .

The Cash Lifestyle Strategy is aimed at members wishing to withdraw 100% of their savings in the DC Section as cash at retirement and the Annuity Lifestyle Strategy is aimed at members looking to take a cash lump sum and purchase an annuity with the remainder of their pot. Further details are provided in the IPID.

## 4. Additional Default Arrangements

In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Fund has identified the investment options listed in the table below as 'default arrangements' (as defined by these regulations). These have been identified as 'default arrangements' as members' contributions have been automatically directed to these funds without members having instructed the Trustees where their contributions are to be invested; this is due to historic fund removals and is further explained in the table below. The performance of these funds are monitored at least every six months, with a strategic review being carried out at least triennially since falling under the categorisation of a 'default arrangement'.

| Fund | Reason for identification as a 'default arrangement' | Date |
|---|---|---|
| **Annuity Lifestyle Strategy** | This option was the DC Section's default investment option from February 2016 to July 2019. Also, when the Core Lifestyle and Self-Select Lifestyle Strategies were removed, members who did not choose another investment option had their contributions automatically redirected to this option. | February 2016 |

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|---|---|---|
| **L&G Asia Pacific (ex Japan) Developed Equity Index Fund** | When the Martin Currie Asia Pacific Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option. | February 2016 |
| **Baillie Gifford UK Alpha Fund** | When the AXA Framlington UK Select Opportunities Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option. | February 2016 |
| **BlackRock MSCI World Index** | When the M&G Global Leaders Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option. | February 2016 |
| | When the Odey Opus Fund was closed to new contributions, members who did not choose another investment option had their contributions automatically redirected to this option. | November 2017 |
| **BNY Mellon Absolute Return Bond Fund** | When the L&G Overseas Bond Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option. | February 2016 |
| | When the Defensive Fund was removed as a self-select option, members who did not choose another investment option had their contributions automatically redirected to this option. | November 2017 |
| **L&G Sterling Liquidity Fund** | When the L&G Cash Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option.<br><br>When the Threadneedle Pensions Property Fund suspended trading, members' scheduled contributions into the fund were automatically redirected to this option. | February 2016<br><br>March 2020 |
| **Moderate Growth Fund** | When the Aberdeen Standard Global Absolute Return Strategies (GARS) Fund was removed, members who did not choose another investment option had their contributions automatically redirected to this option.<br><br>When the Jupiter Ecology Fund, JPM Natural Resources Fund, BlackRock Gold & General Fund and the Jupiter China and India Funds were removed, members who did not choose another investment option had their contributions automatically redirected to this option. | November 2017<br><br>July 2020 |

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The aims and objectives as well as the Trustees' policies in respect of these 'default arrangements' is summarised in the table below.

| | L&G Asia Pacific (ex Japan) Developed Equity Index Fund | Baillie Gifford UK Alpha Fund | BlackRock MSCI World Index | BNY Mellon Absolute Return Bond Fund | L&G Sterling Liquidity Fund | Moderate Growth Fund | Annuity Lifestyle Strategy |
|---|---|---|---|---|---|---|---|
| **Trustees' aims and objectives and types of investment primarily held** | To provide members with a fund that invests in shares of companies based in Asia Pacific (excluding Japan), which aims to deliver a return in line with that market's index | To provide members with a fund that invests in shares of companies listed in the UK, which aims to outperform the wider UK share market (as measured by the FTSE All Share Index) | To provide members with a fund that invests in shares of companies across developed markets, which aims to deliver a return in line with the MSCI World Index | To provide members with a fund that invests globally in a wide range of different fixed income assets, currencies and derivative securities based on those assets | To provide members with a fund that invests in bank deposits and short-term loans to governments and companies | To provide members with a fund that invests in shares and other growth-seeking assets | To provide members with a strategy that initially invests in shares and other growth-seeking assets, but reduces risk automatically by switching into assets consistent with annuity purchase at retirement |
| **Balance between different kinds of investments** | Only invests in shares | Only invests in shares | Only invests in shares | Only invests in bonds, currencies and derivatives | Only invests in bonds and currencies | Invests in shares, bonds, currencies, property and other assets | Invests in shares, bonds, currencies, property and other assets |
| **Expected risk and return** | The fund aims to produce returns in line with the FTSE Developed Asia Pacific (exJapan) and the risk is measured by the tracking error (the variation of deviations from the benchmark) | The fund aims to produce returns in excess of the FTSE All Share Index and the risk is measured by the tracking error (the variation of deviations from the benchmark) | The fund aims to produce returns in line with the MSCI World Index and the risk is measured by the tracking error (the variation of deviations from the benchmark) | This fund aims to produce returns above short term interest rates at a lower level of risk than conventional fixed income markets and risk is measured by the absolute volatility of returns | This fund aims to produce returns in line with short term interest rates and risk is measured by the absolute volatility of returns | This fund is expected to provide a real return over the long term with some downside protection, with moderate levels of risk | This fund is expected to provide a real return over the long term, with moderate levels of risk, moving into safer assets that move in line with annuity prices as a member approaches retirement age |
| **The realisation of investments** | The selection, retention and realisation of assets within the pooled funds are delegated to the respective investment managers in line with the mandates of the funds. | | | | | | |
| **The extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments** | The investment managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments. | | | | | | |

## 5. Investment options

Recognising members' desires for a degree of choice in the Defined Contribution section, the Trustees have also made available a range of actively and passively managed funds from a variety of asset classes for those members who do not wish to choose a 'lifestyle' approach.

The Trustees believe that the range of funds is appropriate taking into account the objectives set out in section 2 of this document. Specifically, funds investing predominantly in equities are likely to be volatile especially in the short term but are expected to provide positive long-term and real rates of return. Diversified growth funds aim to produce an equity-like return but with lower volatility by investing in a range of asset classes. Property is also expected to deliver real rates of return over the longer term. Funds invested in gilts, corporate bonds and cash provide varying degrees of protection for accumulated assets. The lifestyle options aim to provide a balance between the conflicting return and risk characteristics for a typical member. The Trustees are satisfied that the spread of assets available to members through these funds and the investment managers' policies on investing in individual securities within each fund, provide adequate diversification of investments.

Further details of the funds available to members are included in the IPID.

## 6. Risk management and measurement

The Trustees believe that risk is effectively controlled through the diversification of investments across asset classes, lifestyle strategies, through the range of funds offered to members, and through the internal investment controls and processes used by the investment managers.

In considering the range of funds to offer to members, the Trustees acknowledge that the investment time horizon of each individual member is different and will be dependent on their current age and when they expect to retire. In designing the lifestyle options, the Trustees have taken the proximity to the target retirement date into account when designing the strategy and the associated financially material risks over the strategy's full time horizon.

The Trustees recognise that there are a number of risks facing members of the Fund and have taken these into consideration when determining the range of funds on offer to members. The Trustees believe the fund range offers members sufficient choice across the risk/return spectrum to allow them to manage the risks they face within the Fund.

The main risks faced by members and how the Trustees help members manage them are listed below.

- **Inflation risk** – This refers to the risk of investments not keeping pace with inflation. The Trustees offer equity based investments which are expected to achieve a real rate of return over both price inflation and earnings growth in the long term. In addition, index linked gilts are expected to maintain purchasing power for members looking for a lower risk alternative to equities.

- **Currency risk** – This refers to the risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.

- **Credit risk** – This refers to the risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.

- **Equity, property and other price risk** – This refers to the risk that investment market movements lead to a substantial reduction in the anticipated level of the benefit.

*These risks are managed by the Trustees making a range of funds available, across various asset classes with the majority expected to keep pace with inflation. Members are able to set their own investment allocations, in line with their own risk tolerances. Within active fund management, many of these risks are the responsibility of the investment manager.*

- **Environmental, Social and Corporate Governance risk** – This refers to the risk that environmental, social or corporate governance (“ESG”) concerns, including climate change, have a financially material impact upon the return of the Fund’s assets.

*The management of ESG related risks is delegated to the investment managers. See section 10 of this Statement for the Trustees’ responsible investment and corporate governance statement.*

- **Investment manager risk –** This refers to the risk that the investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.

*The Trustees regularly review the performance of investment funds. A range of actively managed and passively managed fund are available to members.*

- **Liquidity risk** – This refers to the risk that the Fund’s assets cannot be realised at short notice in line with member demand.

*The Fund is invested in daily dealt and daily priced pooled funds. Units in the pooled funds in which the Fund invests are believed to be readily redeemable.*

- **Benefit conversion risk** – This refers to the risk that a member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.

*The Trustees make available three lifestyle strategies for members. These lifestyle strategies automatically switch members’ assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age.*

The Trustees regularly monitor these risks and the appropriateness of the investments in light of the risks described above.

## 7. Day–to–day management of the assets

The Trustees delegate the day-to-day management of the assets to a number of investment managers. The Trustees have taken steps to satisfy themselves that the managers have the appropriate knowledge and experience for managing the Fund's investments and that they are carrying out their work competently.

The Trustees have determined, based on expert advice, a benchmark mix of asset types and ranges within which each appointed investment manager may operate.

The Trustees regularly review the continuing suitability of the Fund's investments, including the appointed managers and the balance between active and passive management, which may be adjusted from time to time.

Details of the appointed managers can be found in the IPID.

## 8. Additional assets

The Fund provides a facility for members to pay Additional Voluntary Contributions ("AVCs") into the Fund to enhance their benefits at retirement. The Fund's current AVC investment arrangements are offered on the Phoenix Wealth investment platform provided through the Trustees' insurance policy with Phoenix Life Limited[1] ("Phoenix"), which provides members the same choice of funds as available to DC Section members, in which to invest their AVC payments.

The Fund also maintains legacy AVC assets with Prudential Assurance Company Limited.

## 9. Realisation of investments

The investment managers have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.

The Trustees monitor the allocation between the appointed managers and between asset classes.

## 10. Environmental, Social and Governance (ESG) Considerations

The Trustees believe the following:

- Long-term sustainability issues, particularly climate change, present both risks and opportunities that increasingly require explicit consideration.

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[1] Phoenix Life Limited trades under the name of Phoenix Wealth.

- ESG issues present financially material risks and opportunities, contributing to the long term ability to meet investment objectives.Trustees would fail in their fiduciary duty if they were to disregard ESG issues.

- Stewardship, exercised through voting and engagement, can help create and preserve long term value and can be considered as a useful means of communicating with company management.

- The Trustees may consider non-financial issues such as ethical considerations.

Investment managers are granted discretion in evaluating ESG issues, including climate change, and exercise voting rights and stewardship obligations attached to the investments. The Trustees encourage the Fund's managers to exercise best practice with respect to ESG integration, stewardship and climate change, including supporting the UK Stewardship Code and UN supported Principles for Responsible Investment.

The Trustees consider how ESG, stewardship and climate change are integrated within investment processes in appointing new investment managers and monitoring existing investment managers.

The monitoring of ESG issues is essential as part of oversight of investee companies and to identify future financial risks. Monitoring of mangers is undertaken on a regular basis using the investment adviser's ESG ratings and managers who are judged to be lagging their peers are targeted for engagement. The Trustees will endeavour to monitor managers' stewardship activities, particularly with reference to the UK Stewardship Code where applicable.

ESG best practice is rapidly evolving and the Trustees will continue to evolve and build on its approach in this area.

*Investment Restrictions*

The Trustees have not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but ethical and moral considerations may be considered in future. The Trustees have asked appointed managers to confirm their approach to restrictions in order to better understand the managers' approach in this area.

*Member Views*

The Trustee does not currently explicitly consult members when making investment decisions but is actively exploring ways to incorporate member views in future and welcomes member feedback.

## 11. Investment Manager Appointments

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class in which they invest.

The Trustees consider its Investment Adviser's forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on an assessment of the manager's idea generation, portfolio construction, implementation and business management in relation to the particular investment fund that the Fund invests in.

The Trustees will consider how ESG and stewardship are integrated into the investment process as well as ensuring fees are competitive within the asset class. The Trustees consider the Investment Adviser's manager research ratings for both when taking decisions on selection and retention of manager appointments.

If the investment objective for a particular manager's fund changes, or if other factors change that could have an impact on the manager's ability to meet its objectives, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

As the Trustees invest in pooled investment vehicles, it accepts that it has no ability to specify the risk profile and return targets of the manager, but appropriate mandates have been selected to align with the overall investment strategy.

## 12. Monitoring Investment Managers

The Trustees receive regular investment manager performance reports on a semi-annual basis, which present performance information over a variety of time periods. The Trustees review the absolute and relative performance (against a suitable benchmark index), and against the manager's stated performance target.

The Trustees maintain a focus on long term performance. It may review a manager's appointment if the manager has extended periods of underperformance, there is a material change in personnel or there are developments that may severely impact the outcome of the investment.

Manager fees are calculated as a percentage of assets under management. If managers fail to meet their performance objectives, the Trustees may ask managers to review their fee. As part of the annual Value for Money assessment, the Trustees review the investment manager fees.

The Trustees may meet with investment managers if they are dissatisfied with their performance or engagement activity, and may choose to terminate the relationship with the manager if they see fit.

## 13. Portfolio Turnover Costs

Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustee will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs.

## 14. Investment Manager Turnover

The Trustees are a long-term investor and are not looking to change investment arrangements on a frequent basis. All the funds are open-ended with no set end date for the arrangement. The fund range and Default Strategy are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.

## 15. Investment Consultant

Mercer has been appointed to provide Investment Consultancy services.

Whilst the day-to-day management of the Fund's assets is delegated to investment managers, all other investment decisions including strategic asset allocation and selection and monitoring of investment managers are made by the Trustees based on advice received from the Investment Consultant.

Mercer fees are usually based on a time-cost basis or on pre-agreed budgets.

## 16. Review of this Statement

The Trustees will review this Statement at least once every three years and after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified in their ability and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension Fund investments.

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Chairman of the Trustees    Date

**For and on behalf of The MUFG Bank UK Pension Fund**