THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: 1 JANUARY 2017 – 31 DECEMBER 2017

This statement is produced pursuant to Regulation 17 of the Occupational Pension Schemes (Charges and Governance) Regulations 2015. It explains how the FUJIFILM UK Limited Pension and Life Assurance Scheme is meeting the new governance standards that apply to occupational pension schemes that provide money purchase benefits.

Default arrangement

Members of the Defined Contribution section of the Scheme who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement.

For the default option, the Trustees have assumed responsibility for setting an investment strategy that provides a broad level of protection against the key investment risks. This requires a transition of investments from growth assets into protection assets as a member approaches retirement age and is known as a Lifestyle Strategy.

Normal Retirement Age is 65, but members are able to target their lifestyle strategy to a different retirement age as appropriate.

Under the Lifestyle Strategy, a member's contributions are initially fully invested in the Global Equity Fixed Weights (50:50) Index Fund. The member's assets are then gradually switched to a combination of the Over 5 Year Index-Linked Gilts Index Fund and the Sterling Liquidity Fund as a member approaches retirement age, as follows:

Term to Retirement	Global Equity Fixed Weights (50:50) Index Fund (GBP Hedged) %	Over 5 Year Index-Linked Gilts Index Fund %	Sterling Liquidity Fund %
10 years or more	100	0	0
9	90	10	0
8	80	20	0
7	70	30	0
6	60	40	0
5	50	50	0
4	40	60	0
3	30	70	0
2	20	75	5
1	10	75	15
0	0	75	25

The use of the Lifestyle Strategy helps to reduce Market Switching Risk. The transition from growth assets to protection assets is undertaken on a monthly basis over a 10 year period to diversify the de-risking process across a wide range of financial conditions. The funds included within the Lifestyle Strategy are described below.

Global Equity Fixed Weights (50:50) Index Fund (GBP Hedged)

This fund will have on average a UK equity exposure of 50% and 50% to developed overseas equities. This type of fund aims to provide long term investment growth, albeit with short term volatility, and protects against "investment-return" risk

– ie the risk of not seeking to maximise returns over the long term. It aims to track the composite equity benchmark index.

A global equity fund offers some diversification, with a portfolio invested in European (ex UK); North American; Japan; and Asia Pacific equities. This diversification of equities helps spread the risk among different markets and is aimed towards investors who have a long term investment strategy.

Over 5 Year Index-Linked Gilts Index Fund

This fund invests in index-linked UK government bonds which have a maturity date of greater than 5 years and are linked to RPI inflation. It aims to track the return of the FTSE A Govt Index-linked (Over 5 Year) Index. This type of fund helps to protect members against annuity-rate risk (the risk that, when close to retirement, a member has not invested the part of his/her fund that will be used to purchase a pension in asset classes, which protect against annuity-rate movements), where annuities are linked to inflation.

Sterling Liquidity Fund

This fund invests in short-term sterling fixed income and variable rate securities, with the aim of providing capital stability, liquidity and diversification. It's performance is measured against the 7 Day LIBID rate. This type of fund helps to protect members against "lump sum" risk (the risk that, when close to retirement, a member has invested the part of his/her fund that will be used to provide a tax-free lump sum in asset classes which are subject to volatility in capital-value terms).

Strategy Review

The Trustees undertook a full review of the investment strategy of the DC Section of the Scheme. This review covered both the appropriate strategy for the default strategy and the fund range offered to members and took into consideration the Government's 'freedom and choice' pension reforms that became effective in April 2015.

Having considered the additional flexibility introduced through the Government's reforms the Trustees decided it was appropriate to change the default Lifestyle Strategy so that it reflects the expected benefits that will be drawn from the Scheme.

The main conclusion of the strategy review was to adopt Target Date Funds (TDF) as the default investment arrangement to replace the current default Lifestyle Strategy.

TDFs work on a similar principle to the current lifestyle, but switches occur within a dated fund. For example, a member expecting to retire around 2040 would buy the '2040 Fund'. This would have an internal switching mechanism and would start to switch into less risky assets in the lead up to the 'target date' so that by 2040 the fund is positioned for retirement.

The TDFs invest in a diversified mix of assets. For younger members, there are more investments in higher risk assets such as equities which have a higher potential for growth. As the member approaches retirement age, investments will be gradually switched into lower risk assets like bonds and cash. At the target date, member's pensions will be invested in a suitably diversified mix of assets with a higher allocation to lower risk assets. The new default investment arrangement is due to be implemented once a suitable TDF provider is identified. More information will be provided in next year's Chair's Statement.

In addition to the changes to the default arrangement, the Trustees have also made small changes to the additional optional funds available to members. In particular, the cash allocation is now invested into the LGIM Sterling Liquidity Fund.

Statement of Investment Principles

The default arrangement is described in further detail in the Scheme's Statement of Investment Principles (SIP), a copy of which is appended to this Statement.

As noted above, there has been a review of the investment strategy and the Trustees are in the process of implementing a Target Dated Fund approach as the default arrangement. The Trustees will provide further detail on this in next year's statement and a new SIP will be drafted as part of the implementation of TDFs.

Processing Scheme transactions

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

These transactions are undertaken on the Trustees' behalf by the Scheme administrator, JLT Employee Benefits, and its investment managers Legal and General Investment Management (LGIM) and Newton. The Trustees note that some members of the DC Section also have benefits in the DB Section and therefore the Scheme administrator co-ordinates the payment of benefits from both sections.

The Trustees have reviewed the processes and controls implemented by those organisations, and have concluded them to be suitably designed to achieve these objectives. The Trustees have also agreed service levels and reporting of performance against those service levels.

In light of the above, the Trustees consider that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

Transaction costs – default arrangement and additional funds

The law requires the Trustees to disclose the charges and transactions costs borne by DC scheme members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such fund.

The table below sets out the Annual Management Charge ("AMC"), Total Expense Ratio ("TER"), and Transaction Costs which are applicable to the Scheme's default funds. These figures have been provided by Legal and General.

Fund Name	Annual Management Charge (AMC)	Total Expense Ratio (TER)	Transaction Costs
LGIM Global Equity Fixed Weights (50:50) Index Fund (GBP Hedged)	0.179%	0.189%	-0.02%
LGIM Over 5 Year Index-Linked Gilts Index Fund	0.10%	0.10%	0.02%
LGIM Sterling Liquidity Fund	0.125%	0.125%	0.00%

The funds used within the Default Lifestyle Strategy vary depending on term to retirement. The annual charges that apply for the Fujifilm Lifestyle Investment Strategy are therefore an average of the funds that are invested in at any given time. However, each of the funds used within the Default Lifestyle Strategy are well below the charge cap of 0.75% per annum, as set out by the Regulator.

The Trustees also make available a range of funds which may be chosen by members as an alternative to the default arrangement. The AMCs, TERs and Transaction Costs for the additional self-select fund options are set out below which have been provided by Legal and General and Newton. It is important to note that the self-select options are not subject to the 0.75% charge cap imposed by the default arrangement.

Fund Name	Annual Management Charge (AMC)	Total Expense Ratio (TER)	Transaction Costs
LGIM UK Equity Index Fund	0.10%	0.12%	-0.03%
LGIM Overseas Equity Consensus Index Fund	0.25%	0.25%	-0.01%
LGIM Global Equity Fixed Weights (50:50) Index Fund	0.179%	0.189%	-0.02%

(GBP Hedged)			
Newton Global Equity Fund	0.75%	0.796%	0.21%
LGIM Property Fund	0.74%	1.05%	0.22%
LGIM Over 15 Year Gilts Index Fund	0.10%	0.10%	-0.01%
LGIM Over 5 Year Index-Linked Gilts Index Fund	0.10%	0.10%	0.02%
LGIM Active Corporate Bond – All Stocks Fund	0.25%	0.25%	0.02%
LGIM Sterling Liquidity Fund	0.125%	0.125%	0.00%

The Trustees have a good understanding of the membership demographics of the Scheme and as such have a view as to what good member outcomes should look like for the Scheme's members in aggregate. With this in mind, the Trustees have assessed the fees disclosed above and they are satisfied that they have negotiated a good deal for members and that the stated explicit charges for the Scheme's funds represent good value for money in the context of the outcomes targeted by such funds and the current market rates for similar investments levied on members of schemes with a similar membership profile.

In particular, the Trustees note that the Company pays the administrative costs of the Scheme, so members only pay the investment management costs at rates typically only available to institutional investors and this helps to ensure that members receive good value for money.

Trustees' knowledge and understanding

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

The Trustees have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments and carry out a self-assessment of training needs periodically. The Secretary to the Trustees reviews the self-assessments and arranges for training to be made available to individual Trustees or to the Trustee body as appropriate. In addition, the Trustees receive advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors.

All Trustees have completed The Pensions' Regulator's Trustee toolkit programme. The Trustees undertake continuous training and development and a training log is maintained and updated at each Trustee meeting to evidence this. Specifically over the last year, the Trustees have received training on DC Investment Strategy including TDFs, General Data Protection Regulations (GDPR), Employer Covenant, and Integrated Risk Management.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to them, the Trustees consider that they are enabled properly to exercise their functions as Trustees.

In addition, while most schemes simply focus on trustee training and use of advisers, we believe that knowledge and understanding should also be extended to awareness of member demographics and member behaviour otherwise trustees cannot be confident that a scheme remains fit for purpose. The Trustees are due to implement TDFs as the default investment arrangement to ensure that the default arrangement continues to evolve in light of experience and market developments and delivers appropriate member outcomes.

Governance statement

As Trustees of the Scheme, we have reviewed and assessed our systems, processes and controls across key governance functions and we are satisfied that these are consistent with those set out in The Pensions Regulator's:

- Code of Practice 13: Governance and administration of occupational defined contribution trust-based schemes
- Regulatory guidance for defined contribution schemes

These are underpinned by the DC quality features.

The Pensions Regulator introduced the new DC Code of Practice (13) in May 2016. The Trustees are reviewing their compliance with this Code of Practice to ensure that the DC Section continues to apply good practice so far as appropriate to the circumstances of the Scheme, especially with the launch of the new default arrangement.

The Chair's statement regarding DC governance was approved by the Trustees on ………………………… and signed on their behalf by:

…………………………………………..

Mr D Edgar

Chair of the Trustees of the FUJIFILM UK Limited Pension and Life Assurance Scheme