Kodak Graphic Communications Pension Plan

ANNUAL STATEMENT REGARDING GOVERNANCE

1. Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. The Trustees of the Kodak Graphic Communications Pension Plan (the "Scheme") are required to produce a yearly statement to describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are invested (this means the "default arrangement" and other funds members can select or have assets in, such as self-select or "legacy" funds);
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- a 'value for members' assessment; and
- Trustee knowledge and understanding.

This statement covers the period from 1 April 2022 to 31 March 2023.

There remain three members with underlying guarantees with normal pension age retirements in 2023, 2025 and 2026 (assuming 65). Two of the members are in the process of retiring with required information having been requested from the members and one fully engaged.

The remaining member is being approached to ensure appropriate communication takes place as the Trustees will look to secure the benefit and assign the balance of any funds. There are no other members in the Scheme.

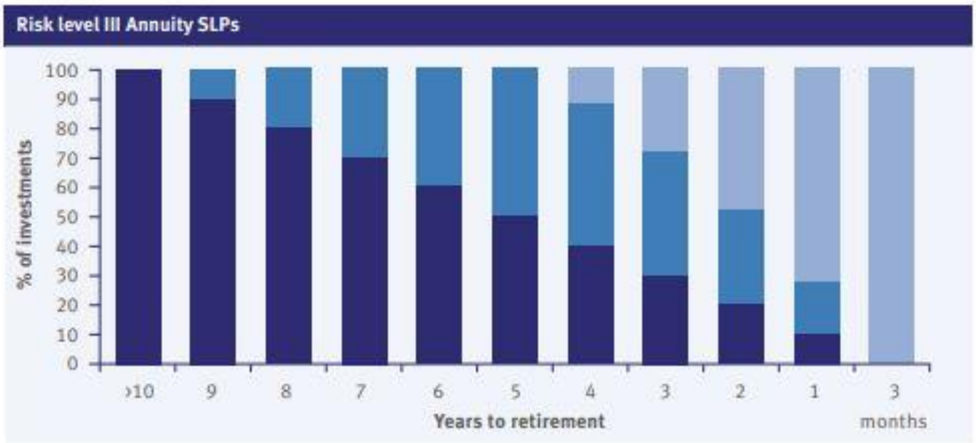
2. Default investment arrangements

The Scheme is not, and never has been, used as a Qualifying Scheme for auto-enrolment.

Members who do not make a default investment decision are placed into the My Folio Market III Lifestyle Annuity Fund, (the "default arrangement").

The Trustees are responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the default arrangement.

The aims and objectives of the default arrangement, are as follows:



1) Growth Stage (Dark Blue)

During this stage, member funds are invested in MyFolio Market III with the aim of increasing the value of the pension fund over time. This is obviously not guaranteed. They include a diverse range of investments, such as stocks and shares (equities), bonds, property and money market instruments. The diversification is aimed at reducing the likelihood of significant ups and downs in value and help deliver returns.

The Growth Stage has been geared around a medium risk strategy and the remaining members now have decreasing holdings in this.

2) Approaching Retirement Stage (Blue)

During this stage, member funds are invested in the Pre Retirement MyFolio Market Annuity fund with the aim of gradually moving member money out of growth and into a mix of lower risk investments. It is deemed appropriate where a lump sum is taken at retirement with the balance being used to purchase a guaranteed income inline with the underlying guarantee.

The fund aims to meet its goal by holding investments that invest in a range of different investments including, but not limited to, bonds, shares, commercial property and cash. The fund may also hold Absolute Return investment strategies including using derivatives.

3) At Retirement Stage (light blue)

During this stage, member funds are invested in the At Retirement MyFolio Market Annuity fund. The aim of this fund is to hold one or more investment funds that invest in bonds whose prices are normally expected to rise and fall broadly in line with the cost of buying a guaranteed income in line with the underlying guarantee. There will also be an investment in cash. The underlying fund is the Standard Life Annuity Targeting Fund.

The last twelve months have been challenging for UK Gilts and that applies across similar funds.

Objectives

- Manage the cost of investing by using mainly passive index tracking funds.
- balanced long-term real growth whilst members are far from their target retirement date;

- gradually reducing the risk taken in the investment strategy as members become close to their target retirement date which means that members' assets are automatically moved between different investment funds as they approach their target retirement date; and
- having an asset allocation at the target retirement date that is appropriate and consistent with the underpin guarantee that would provide a guaranteed income in retirement, typically known as an annuity.
- Members have the ability to change their choice on request

The default strategy and the performance of the default arrangement were reviewed during the period covered by this statement. The last review was carried out on 30 March 2022. The Trustees regularly monitors the performance of the default arrangement and will formally review both this and the strategy at least every three years. The next review is intended to take place by 30 March 2025 or immediately following any significant change in investment policy or the Scheme's member profile.

The Trustees is satisfied that the default remains appropriate due to the average term to retirement age that remains in the Scheme. That duration is less than 5 years for all remaining members. If the membership had a longer duration to Scheme retirement age and the underlying guarantee, then the Growth Stage component would have been changed to the Passive Core Fund which is an index tracking fund.

In addition to the strategy review the Trustees also review the performance of the default arrangement against their aims, objectives and policies on an annual basis. This review includes an analysis of fund performance and member activity to check that the risk and return levels meet expectations. The Trustee's review that took place during the Scheme year concluded that the default arrangement were performing broadly as expected and consistently with the aims and objectives of the default as stated in the SIP.

3. Requirements for processing core financial transactions

The Trustees have received assurance from the Scheme's administrator, Standard Life that there were adequate internal controls to support prompt and accurate processing of core financial transactions relating to the Scheme during the Scheme Year. This includes the processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members/beneficiaries. Please note that there are no ongoing contributions to the Scheme.

The Scheme does not have a specific service level agreement ("SLA") in place with the administrator principally as there are a small number of members with the principal functions being lifestyle switches and the production of annual statements.

- There have been no known material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately during the Scheme year.

Where members do take benefits, those processes form part of the external audit. There is also no additional charge from Standard Life for managing the investments.

The Scheme Actuary, Mercers do not form part of this review.

4. Member-borne charges and transaction costs

The Trustees are required to set out the on-going charges borne by members in this statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges exclude administration costs since these are not met by the members.

The Trustees are also required to separately disclose transaction cost figures that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds .

The charges and transaction costs have been supplied by Standard Life using standard disclosure information who are the Scheme's investment provider. There is not any missing transaction cost data.

When preparing this section of the statement the Trustees have taken account of the relevant statutory guidance.

4.1 Default arrangements

The default arrangement is My Folio Market III Annuity.

The default arrangement has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement date and in which fund they are invested.

For the period covered by this statement, annualised charges and transaction costs are set out in the table below. The member borne charges for the Scheme's default arrangement complied with the charge cap.

Default arrangement charges and transaction costs

Years to target retirement date	TER[3]	Transaction costs
20 or more years to retirement	0.2%	0.23%
15 years to retirement	0.2%	0.23%
10 years to retirement	0.2%	0.23%
5 years to retirement	0.4%	0.06%
At retirement	0.4%	0.01%

The charges shown above include a 0.6% discount from Standard Life's normal retail charges.

4.2 Self-select options

In addition to the default arrangement, members also have the option to invest in other funds available on the Standard Life platform.

No member has exercised their right to request the Trustees to consider agreeing to a self-selected option from the options available from Standard Life.

No member is invested directly into the three other available funds and never had been.

The annual charge for these funds is individually calculated but all funds benefit from a 0.60% reduction from the normal Standard Life charges.

4.3 Illustration of charges and transaction costs

Over time the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. The Trustees have set out below illustrations of the impact of charges and transaction costs on different investment options in the Scheme. The illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings.

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustees has had to make a number of assumptions about what these might be. The assumptions are explained below:

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.
- The transaction cost figures used in the illustration are based on those provided by the managers over the past five years.
- The illustration is shown for the default arrangement the MyFolio Market III Lifestyle Annuity assuming the highest charge of 0.45% applies throughout.

£100,000 Projected pension pot in today's money		
Fund choice		
	Default arrangement	
Years	Before charges	After all charges + costs deducted
1	£96,000	£95,550
3	£88,474	£87,235
5	£81,537	£79,644

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.

The starting pot size used is £100,000 and the term is restricted to 5 years as all members are within 5 years of the underlying guarantee and the normal pension age.

The projected annual returns used are as follows:

- Default option: -2.0%
- Inflation at 2%
- No allowance for active management has been made.
- The impact of these assumptions is to show a negative 4% return for each year. This is the lower return expectation currently shown on your annual illustrations prepared by Standard Life. The reduction could be larger or smaller than this.

5. Investment returns

This section states the annual return, after the deduction of member borne charges and transaction costs, for all default arrangements and investment options that members are able, or were previously able, to select and in which members' assets were invested during the scheme year.

Discrete Annual Performance My Folio Market III

Fund and Benchmark	12 Months	24 Months	36 Months	48 Months	60 Months
Standard Life My Folio Market III	-3.7%	5.6%%	23.7%	-10.9%	6.9%
Benchmark Penson Mixed 20-60% shares	-5.7%	2.8%	17.2%	-6.3%	4.4%

Discrete Annual Performance Pre Retirement Annuity

Fund and Benchmark	12 Months	24 Months	36 Months	48 Months	60 Months
My Folio Market Annuity (My Folio Market II)	-5.4%	1.9%	16.3%	-7.9%	4.7%
Benchmark Pension Mixed 0 – 35% Shares	-4.1%	2.9%	19.2%	-6.3%	4.6%

Discrete Annual Performance At Retirement Annuity (excluding 25% in deposit funds)

Fund	12 Months	24 Months	36 Months	48 Months	60 Months
Standard Life At Retirement Annuity (Annuity Targeting Fund)	-18.5%	-6.4%	-7.0%	12.5%	3.0%
Benchmark Pension UK Sterling Long Bond (Gilts)	-25%	-6.0%	-3.9%	12.9%	3.9%

For the arrangements where returns vary with age, such as for the default strategy, returns are shown over the scheme year for a member aged 60 at the start of the period the returns are shown over.

Default My Folio Market III Lifestyle strategy net cumulative returns over periods to scheme year end. Based on Members age profiles, the appropriate numbers to illustrate are for At Retirement Annuity where the average holding is 50%

Age of member at the start of the period	1 year (%)	3 years (% pa)	5 years (% pa)
60	-.4.3%	13.8%	11.6%

There are currently no members in self-select funds at scheme year end.

6. Value for members assessment

The Trustees are required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of "good value", but the Trustees consider that it broadly means:

1) that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other comparable options available in the market"
2) that the member borne charges remain significantly below the price cap that applies to Qualifying Workplace Pension Schemes i.e. 0.75% is the cap and the highest charge is 0.45%

The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

The Trustees reviews all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme.

The date of the last review was 30 March 2022. The Trustees note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. The Trustee's investment advisers have confirmed that the fund charges are competitive for the types of fund available to members and the Trustees have made their own enquiries.

The Trustee's assessment included a review of the performance of the Scheme's investment funds (after all charges) in the context of their investment objectives.

The returns on the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives and in line with the principal benchmarks.

In carrying out the assessment, the Trustees also consider the other benefits members receive from the Scheme, which include:

1) An underpin guarantee provided by the principal employer which is currently in surplus on prudent assumptions.

   The Trustees have approached third parties previously to consider transferring the members to larger Schemes. This exercise will be repeated in due course but in the knowledge that there are three members, all nearing their normal retirement age.

On previous assessments, there were no third parties willing to offer a hybrid Scheme and/or membership for a small cohort with a limited period to normal retirement.

2) the design of the default arrangement and how this reflects the membership as a whole;

   The design is not unique, and the Scheme is approaching its natural conclusion with all members benefiting from the underpin guarantee if needed. The members investments are automatically switching towards funds focused on annuity purchase based on the underpin guarantee.

3) the range of investment options and strategies;

   This is no longer a feature that is important judged by current members remaining in the default investment solution. Communication has reminded members but that has not lead to the current membership making investment decisions that are different to the default.

4) the quality of online access provided by the investment managers Standard Life;

   Members have online access to their investment funds through the Standard Life portal. The Trustees are aware that the use of the portal is limited and again would not be a reason to maintain this Scheme in its current format.

5) Members at retirement have been directed at Money Helper and have been able to speak directly with the Trustees for guidance. This is purely possible due to the size of the membership.

As detailed in the earlier section covering processing of financial transactions, the Trustees are comfortable with the quality and efficiency of the administration processes. The context of that statement is the size of the membership.

The Trustees believe the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches. The proximity to they normal retirement age means that the expectation of greater growth is not a reasonable statement to use. The investments remain prudent and aligned to the underpin guarantee.

Overall, the Trustees believe that members of the Scheme are receiving reasonable value for money for the charges and cost that they incur. The Trustees believe this because;

1) Costs borne by the members are 0.43% at their highest point. At their lowest it is 0.41%

   The Pension charges survey 2020 indicated that average charges for unbundled schemes was 0.49% which remains higher than this Scheme.

   Although not like for like, Nest would charge 0.3% and Peoples Pension 0.20% (after rebates due to member fund sizes). These Schemes would not enable the underpin to be provided but they form a useful benchmark for comparison and demonstrate the value of bulk membership.

   Although potentially beneficial, the guaranteed underpin and membership size does present barriers to consolidating this Scheme.

2) Seeking an alternative Scheme provider has proven challenging due to the combination of underpin and defined contribution funds for the members. The greater of principle appears a challenge for the market to be willing to adopt.

3) Investment returns benchmarked against sector averages are reasonable for the level of risk taken. This statement is in the context of the term to normal pension age and the lifestyling that is currently taking place. The benchmark of UK Gilts is reasonable albeit the Standard Life figures include 25% of the assets invested in deposit or cash like holdings. Every member is now At Retirement Stage appearing in their asset split and that percentage is set to grow each year.

   Members retain the ability to transfer out of the Scheme and there are no penalties or reductions applied to any member who wants to. It is our understanding that all members have benefits elsewhere that could, based on a third party providing appropriate advice, be used to consolidate their pension funds into.

4) Investment options could be enhanced but the term to normal pension age makes most alternative options inappropriate when considered against the provision of the underpin and the form that that would take. ESG type solutions are available to the Trustees but these are relatively new and the current asset allocation includes cash and fixed interest type solutions.

5) Administration and Governance remains appropriate with regards to the size of the membership.

The Trustees aim to improve this in future by taking the following steps:

1) Ensuring each member receives annual pension underpin calculations each year.
2) Due to the size of the remaining membership, engaging where possible, with direct conversation with the members. One of the members is in regular contact.
3) Revisit legal advice to enable the Trustees to secure deferred annuities in advance of the normal retirement age enabling the Scheme to immediately commence wind up.

7. Trustee knowledge and understanding

The Scheme's Trustees are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Each Trustee must:

- Be conversant with the trust deed and rules of the Scheme and any other document recording policy for the time being adopted by the Trustees relating to the administration of the Scheme generally,

- Have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

In addition, the Trustees of schemes that are subject to the Climate Change Governance and Reporting Requirements in Part 1 of the Schedule to the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 must have knowledge and understanding of the identification, assessment and management of risks and opportunities relating to climate change for occupational pension schemes, including risks and opportunities arising from steps taken because of climate change.

The Trustees has measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below.

The Trustees, with the help of its advisers, regularly consider training requirements to identify any knowledge gaps. The Trustee's investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers would typically deliver training on such matters at Trustee meetings if they were material. During the period covered by this statement, the Trustees received training on the following topics:

All the Trustees are familiar with [and have access to copies of] the current Scheme governing documentation, including the Trust Deed & Rules (together with any amendments) and key policies and procedures. In particular, the Trustee[s] refer[s] to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme and, where relevant, deciding individual member cases. The Scheme's investments will be reviewed every three years and as part of making any change to the Scheme's investments but the underlying provider may need to remain Standard Life.

Further, the Trustees consider that they have sufficient knowledge and understanding of the law relating to pensions and trusts and other relevant principles relating to the funding and investment of occupational pension schemes and of the identification, assessment and management of risks and opportunities relating to climate change for occupational pension schemes, including risks and opportunities arising from steps taken because of climate change, to fulfil their duties.

All the Trustees are required to commit to completing the training, either at the relevant meetings or by personal study.

Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Scheme year.

SHAWKER

____ Date: 31 March 2023 '

Signed by the Chair of Trustees of the Kodak Graphic Communications Pension Plan