

Panavision Europe Pension and Life Assurance Scheme (the “Scheme”) – Defined Contribution Section - Annual Chairman’s Governance Statement Plan Year ended 30 June 2018

Regulations effective from 6 April 2015 require the Trustees to prepare a statement showing how they have met certain minimum governance standards in relation to defined contribution benefits. These standards cover five principal areas, namely:

- the default investment arrangement,
- the processing of core financial transactions,
- charges and transaction costs borne by members
- value from member borne deductions, and,
- Trustees’ knowledge, understanding and resources.

As Chair of the Trustees, it is my pleasure to report to you on how we have met these standards for the period ending 30 June 2018.

The Default Investment Option and lifestyle strategies

The Trustees are responsible for setting the Scheme’s investment strategy and for appointing investment managers to carry out 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. For the Scheme this is the Target Annuity Retirement Path. The Trustees’ Statement of Investment Principles is attached to this statement.

Under the default investment option, members’ contributions are invested in the Mercer Growth Fund until eight years from a member’s target retirement age (or Normal Retirement Date if no target date has been specified). The aim of this is to provide long term investment growth for the member. Eight years before their target retirement date members will have their holdings in the Mercer Growth Fund transferred into the Mercer Target Annuity Retirement Path Fund. This fund gradually moves investments from growth-seeking assets to investments appropriate for members who intend withdrawing 25% of their retirement savings as a lump sum and purchase an annuity with the remainder.

In addition, there are two further lifestyle strategies available to members; intended to be appropriate for members wishing to take the full value of their retirement savings as cash (via the Mercer Target Cash Retirement Funds) or take benefits via income drawdown (via the Mercer Target Drawdown Retirement Funds).

The Trustees and their professional advisers, Mercer Limited (“Mercer”), review the performance of the Plan’s investments, including the default investment option, against the stated objectives and benchmarks on a quarterly basis.

The Trustees continue to consider the performance of the investments and their suitability, taking input from their professional investment advisors, Mercer. The default strategy was reviewed in 2015, and is due to be reviewed once again later in 2018.

Requirements for processing financial transactions

The Trustees are required to explain how they ensure that core financial transactions are processed promptly and accurately. Core financial transactions include:

- Investment of contributions paid to the Scheme;
- Transfer of members' assets into and out of the Scheme;
- Transfers of members' assets between investment options available in the Scheme; and
- Payments from the Scheme to or in respect of members.

The Trustees operate a system of internal controls aimed at monitoring the Scheme's administration and management. Included in this system are mechanisms for ensuring the prompt and accurate processing of financial transactions.

The Trustees have delegated the administration of Scheme member records to Mercer, and appointed Zurich to provide investment platform services to the Scheme. The Trustees agree minimum timescales with its providers, including core financial functions. Compliance with these service levels are reported on quarterly and reviewed half yearly by the Trustees. During the year the Trustees reviewed performance of the administrator against these service levels, including meeting the administrators on 6 July 2018 at their meeting and reviewing the administration reports semi-annually. The Trustees found performance to be satisfactory.

The Auditor to the Scheme spot checks that contributions to the Scheme are paid in accordance with the Scheme's rules. The auditor to the Scheme is Ernst & Young LLP.

The Payment Schedule sets out timescales for the Company to remit monthly contributions to the Scheme. Compliance with the Schedule of Contributions is monitored via the Trustees' review of Mercer's quarterly administration report, and via spot checks undertaken by the Scheme's auditor (Ernst & Young LLP) as part of the annual audit.

The Scheme's Risk Register outlines all of the risks to Scheme members and these are monitored and reviewed on a regular basis, usually at each meeting with Advisers.

I am pleased that in the last Scheme year there have been no material administration service issues which need to be reported here by the Trustees. I am confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly.

Charges and transactions costs

As required by the Administration Regulations, the Trustees are required to report on the charges and transaction costs for the investments used in the default option as well as the wider fund choice available and their assessment on the extent to which the charges and costs represent good value for members.

The table that follows shows the Annual Management Charge ("AMC") applicable for each of the funds underlying the Scheme's default investment option (the Target Annuity Retirement Path). The AMC is a measure of the total charges deducted within a fund for investment management, platform services and administration. The overall charge being deducted from a member's fund will

reflect the member's allocations in each of the underlying funds, each of which is below the charge cap of 0.75% per annum.

A 0.15% p.a. charge is included in the AMC deducted from each of the funds available to members (except the Zurich Mercer Active Money Market Fund, where no charge is taken), towards the Scheme's administration costs, with the Company also paying a separate contribution towards these costs.

The fees deducted from individual member funds, as at 30 June 2018, are set out below:

Fund	Total Expense Ratio, TER (%, p.a.)
Mercer High Growth Fund	0.516
Mercer Growth Fund ¹	0.524
Mercer Moderate Growth Fund	0.518
Mercer Defensive Fund	0.480
Mercer Active Money Market Fund	0.245
Mercer Target Annuity Retirement Funds ^{1,2}	0.427 – 0.540
Mercer Target Cash Retirement Funds ²	0.445 – 0.525
Mercer Target Drawdown Retirement Funds ²	0.565 – 0.638

¹ Used in the Scheme's default investment option

² Fees vary due to changing asset allocation over time

- Trustees are required to disclose investment transaction costs to the extent that they are available and incorporate them into their annual assessment of good member value. However fund managers have had difficulties providing this information in a consistent format and importantly, in a way that facilitates trustees undertaking a value for members assessment. Therefore this information has not yet been made available to the Trustees.
- Further guidance and information on how to disclose transaction costs in a standardized, comparable format was provided by the Financial Conduct Authority in September 2017 with the new requirements coming in to force on 3 January 2018. Providers have been working through the required calculations and disclosures and while these are not yet available, it is expected these costs will be available for inclusion in the 2019 Chair's Statement.

Reporting Costs and Charges

In accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustee has prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Plan on their retirement savings pot. The statutory guidance provided has been considered when providing these examples.

The below illustration has 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.

To make this representative of the membership, the Trustee has based this on a starting pot size of £63,000 as this is the average pot size across also members. For active members, it also assumes an

overall contribution level of 12% per annum and the average salary of £45,000, whilst for deferred members, no additional contributions are assumed. We have also assumed an annual inflation of 2.5% per annum.

Active Members

Year	Default Fund 0.524 (TER % p.a.)		Least Expensive Fund 0.245 (TER % p.a.)		Most Expensive Fund 0.638 (TER % p.a.)	
	Mercer Growth		Mercer Active Money Market Fund		Mercer Target Drawdown Retirement 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
0	£63,000.00	£63,000.00	£63,000.00	£63,000.00	£63,000.00	£63,000.00
5	£107,987.60	£105,490.47	£81,273.85	£80,408.51	£96,948.80	£94,244.94
10	£163,250.21	£156,332.37	£97,540.67	£95,716.13	£133,883.05	£127,166.94
15	£231,134.61	£217,167.14	£112,020.91	£109,176.40	£174,065.28	£161,856.00
20	£314,523.58	£289,958.87	£124,910.78	£121,012.27	£217,781.11	£198,406.97
25	£416,958.30	£377,057.67	£136,384.95	£131,419.76	£265,341.30	£236,919.78
30	£542,788.76	£481,275.59	£146,598.91	£140,571.26	£317,083.91	£277,499.75
35	£697,358.47	£605,977.33	£155,691.06	£148,618.35	£373,376.73	£320,257.82
40	£887,231.36	£755,188.97	£163,784.63	£155,694.30	£434,619.93	£365,310.89

Deferred Members

Year	Default Fund 0.524 (TER % p.a.)		Least Expensive Fund 0.245 (TER % p.a.)		Most Expensive Fund 0.638 (TER % p.a.)	
	Mercer Growth		Mercer Active Money Market Fund		Mercer Target Drawdown Retirement 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
0	£63,000.00	£63,000.00	£63,000.00	£63,000.00	£63,000.00	£63,000.00
5	£77,388.98	£75,382.53	£56,080.69	£55,397.06	£68,540.19	£66,381.48
10	£95,064.36	£90,198.82	£49,921.33	£48,711.66	£74,567.59	£69,944.46
15	£116,776.74	£107,927.23	£44,438.46	£42,833.06	£81,125.02	£73,698.68
20	£143,448.14	£129,140.12	£39,557.77	£37,663.90	£88,259.12	£77,654.41
25	£176,211.21	£154,522.37	£35,213.13	£33,118.56	£96,020.59	£81,822.45
30	£216,457.24	£184,893.45	£31,345.66	£29,121.76	£104,464.60	£86,214.21
35	£265,895.33	£221,233.91	£27,902.96	£25,607.30	£113,651.17	£90,841.70
40	£326,624.91	£264,717.01	£24,838.37	£22,516.97	£123,645.60	£95,717.57

Notes:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £63,000
3. Contributions of 12% p.a. are assumed with no change to salary for active members. No contributions are assumed for deferred members
4. Values are estimates and are not guaranteed
5. The projected growth rate for each fund are as follows:
 - A. Mercer Growth Fund (Default Fund): 4.2% p.a. gross expected real return above inflation

- B. Mercer Active Money Market Fund (Cheapest Fund): -2.3% p.a. gross expected real return above inflation
 - C. Mercer Target Drawdown Retirement Fund (Most Expensive Fund): 1.7% p.a. gross expected real return above inflation
6. The Transaction Costs relate to the actual transaction costs incurred in the Plan year

Value for Members

The Trustees with the support of their advisors, Mercer, for the period 1 July 2016 to 30 June 2017 undertook a formal Value for Money assessment. The Trustees concluded that the Scheme's overall benefits and options represent **good** value for money. The reasons underpinning this conclusion include:

- Charges for the Scheme's default investment arrangement are below the charge cap of 0.75% per annum;
- Charges on funds have been assessed by Mercer as comparing favourably with those of peer funds;
- The funds used by the Scheme are highly rated by Mercer as having good prospects of achieving their risk and return objectives;
- The performance of the Scheme's funds over the 3 years (to 30 June 2017) generally compare favourably relative to the benchmark set by the Trustees. Where this has not been the case the Trustees apply a watching brief.

In addition, a portion of member administration costs are contributed to by the Company along with a number of other services (including access to open market annuity broking services at retirement), which are not met by deductions from member funds. Reviewing the detailed assessment that was carried out for Scheme year ending 30 June 2017, and there have been no changes to the investment strategy or funds since this period, the Trustees believe the conclusions still hold true for the period ending 30 June 2018.

In their regular duties, the Trustees endeavour to maintain a good quality Scheme, with members having access to appropriate investment arrangements; the administration being delivered in line with agreed targets and regular communications to aid member understanding of their benefits.

Trustees' knowledge and understanding

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustees are required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Scheme.

The Trustees have undertaken the following:

- The Chairman of the Trustees has worked through the trustee knowledge and understanding requirements set by The Pensions Regulator ("TPR") and has completed TPR's Trustee Toolkit. The remaining members of the Trustee Board completed the majority of units in July 2018, and will complete TPR's Trustee Toolkit during 2018.
- The Trustees maintain an ongoing programme of Trustee training which includes training delivered as part of Trustees' meetings as well as structured training events and webinars.

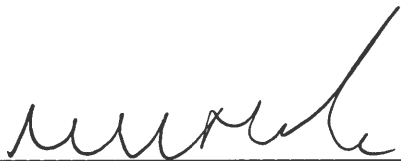
- The Trustees maintain a training log to record all training and attendance at suitable external events (e.g. seminars and conferences) and it shows that the Trustees have completed multiple training sessions during the past few years, including specific DC training sessions in 2017.
- The Trustees review their training programme at least annually, taking into account the balance and variety of expertise amongst the Trustees. This year they undertook training in investment markets and the Myners Principals.
- The Trustees regularly receive email bulletins and updates from their advisers on the latest developments affecting defined benefit and defined contribution pension schemes.
- The Trustees have paid due consideration to TPR's DC Code of Practice No.13 and undertook an assessment of the Scheme in relation to the Code in June 2017 following publication of the revised DC Code of Practice by TPR.

The Trustee will also review and assess, on an ongoing basis, whether the systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator's Code of Practice 13.

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

Signed for and on behalf of The Trustees of the Panavision Europe Pension and Life Assurance Scheme.

Signature:


Mark Fursse
Mark Fursse - Chair of the Trustees

Date:

20.12.18

Appendix

2018 Statement of Investment Principles