

THE INFINEON TECHNOLOGIES UK LIMITED FINAL SALARY PENSION SCHEME

CHAIR'S STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2020

Annual statement regarding governance of the DC Section of the Infineon Technologies UK Limited Final Salary Pension Scheme ("the Scheme")

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustees of the Scheme to prepare an annual statement regarding governance, which must be included in the annual Trustees' report and accounts. The governance requirements apply to all defined contribution ("DC") pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement issued by the Trustees covers the period from 1 October 2019 to 30 September 2020 and is signed on behalf of the Trustees by the Chair.

This statement covers governance and charge disclosures in relation to the following:

1. The Scheme's default investment arrangement (if applicable)
2. Processing of core financial transactions
3. Member borne charges and transaction costs and illustrations of the cumulative effect of these costs and charges
4. Value for Members assessment
5. Trustee knowledge and understanding

This document relates to the DC Section of the Scheme which includes DC benefits from a legacy bulk transfer-in and DC Additional Voluntary Contribution (AVC) arrangements of the Defined Benefit (DB) Section which are managed by Utmost and Legal & General.

2020 review of DC Section

In 2020, the Trustees and employer undertook a review of the Scheme's DC Section. Given the relatively low amount of DC Section assets the review concluded it was not viable to maintain the DC Section within the Scheme.

Therefore on 13 May 2020, a market review was undertaken and a DC buyout policy with Scottish Widows was established. This is a modern DC arrangement offering improvements for the Scheme's DC members including; a wider fund range, online access for members and more appropriate investment options. It also has lower ongoing member charges in some cases. This review also considered the investment fund options with Scottish Widows and how they compared with the DC Section investments. The review was concluded at the Trustees' meeting on 9 July 2020.

All DC/AVC members were sent letters explaining the change. The DC benefits transferred to the Scottish Widows buyout policy on 29 September 2020 leaving the Scheme with only DC AVC assets as at the end of the Scheme year. After the Scheme year end AVC members' funds were also transferred to the Scottish Widows buyout policy, with the exception of one member who was in the process of taking their AVC benefits due to retirement.

A facility has been set up so members participating in the Scottish Widows buyout policy can transfer back their Scottish Widows fund to the Scheme whilst organising Scheme retirement benefits. This enables Scheme retirees with funds in the Scottish Widows buyout policy to continue to use these funds to fully or partially meet their Scheme tax-free cash entitlement. Members will need to organise the transfer close to the time of taking retirement benefits from the Scheme.

The above means this will be the last DC Chair statement until a member with non-AVC DC assets transfers their Scottish Widows fund back into the Scheme. This is because Trustees are not required to complete a Chair statement where there is either no DC assets in the Scheme or if the only DC assets are AVCs.

THE INFINEON TECHNOLOGIES UK LIMITED FINAL SALARY PENSION SCHEME

CHAIR'S STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2020

COVID-19 response

The Trustees have also taken actions to manage the Scheme in light of the potential risks posed by the COVID-19 pandemic and have incorporated additional commentary regarding this into this statement.

1. The Default Investment Arrangement

The Trustees have excluded any commentary on the 'default arrangement' sections of the regulations, on the basis that the Scheme is closed to future accrual and no members have used the DC Section of the Scheme to meet automatic-enrolment requirements. Therefore, no such default arrangement (for that purpose) exists. As such a Statement of Investment Principles for the default arrangement is not produced. However, a copy of the Scheme's full Statement of Investment Principles is appended to this Statement for completeness.

2. Processing of Core Financial Transactions

The Trustees have a specific duty to ensure that core financial transactions are processed promptly and accurately. All of the DC Section arrangements closed to future contributions at the latest by 30 September 2018 (when the Scheme closed to future accrual) so the processing of ongoing payments is not a core transaction in this instance.

What are core financial transactions?

Transactions we consider include:

- transfer of members' funds out of the Scheme,
- transfers between different investments within the Scheme,
- payments to and in respect of members, such as on retirement or death.

The bulk of the core financial transactions are undertaken on behalf of the Trustees by the Scheme administrator, Aon.

In order to determine how well the administration is performing the Trustees have service level agreements ("SLAs") in place with Aon. These SLAs detail a number of key administration processes and the target timescale for each of these processes. There are SLAs in place for all core financial transactions. Under the current SLA, Aon aims to accurately complete the settlement of all financial transactions within 5 working days and issue quotations of benefits within 10 working days. The Trustees are comfortable the SLAs are appropriate.

To enable the Trustees to monitor the processing of core financial transactions, the Trustees receive a quarterly stewardship report from Aon that contains information on the core financial transactions for the Scheme and the SLAs. These reports are reviewed by the Trustees regularly to ensure compliance and to discuss any concerns.

During the year of this report, the administrator completed 98% of cases within the agreed SLA. The Trustees understand it is not always possible for cases to be dealt with within the SLA due to external factors, such as waiting for additional information from members and third parties.

There were no administration errors or issues during the year. There were also no compliance breaches, complaint cases or any feedback of note from DC/ AVC members.

Administration summary for the year:

- 44 work items received
- 98% completed within SLA deadlines

➤ These statistics cover both DB and DC work items.

THE INFINEON TECHNOLOGIES UK LIMITED FINAL SALARY PENSION SCHEME

CHAIR'S STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2020

In terms of the accuracy of core financial transactions, the Trustees have reassurance from Aon that suitable controls are in place. These include:

- a full member and Scheme reconciliation being undertaken annually as part of the annual preparation of the Trustee's Report & Accounts
- monthly reconciliations of the DC units held by the investment managers against Aon's records,
- daily monitoring of bank accounts,
- full reconciliation of bank statements,
- all transactions are recorded in the Scheme's Cash Tracker,
- a peer-review process for checking calculations and investment and banking transactions.

AVC Provider

As there are no ongoing AVCs paid to Utmost, Utmost's administration is limited to producing annual benefit statements, maintaining a record and paying proceeds to the Scheme administrator, Aon on transfer, retirement or death. Aon will report back any concerns or delays to the Trustees around the administration by the AVC provider. During the Scheme year there have been no concerns raised. The Scheme's other AVC arrangement is administered by Aon (holding investments with Legal & General) so falls under Aon's administration processes.

COVID-19

Clearly a key concern for the Trustees, since March 2020, has been around the administrator's business continuity plans for continuing to work effectively during the pandemic. The Trustees are pleased to advise that they have received business continuity updates from Aon and can confirm the following reassurance from Aon in terms of their administration business has been provided:

Within Aon's Pensions Administration business our payroll function, the day to day administration teams and our Call Centre are fully operational. The Call Centre had some initial challenges as our technology partners saw a huge increase in voice and data usage as the UK workforce moved to home working, but they have now increased their capacity and we are back to business as usual.

The Trustees are pleased to report that, to date, there has been no material impact to SLAs as a result of COVID-19.

The Trustees are satisfied that during the period of this statement:

- the administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA;
- there have been no 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.

THE INFINEON TECHNOLOGIES UK LIMITED FINAL SALARY PENSION SCHEME

CHAIR'S STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2020

3. Member Borne Charges and Transaction costs

The Trustees have set out below the costs and charges that are incurred by members over the statement year in respect of each investment fund available to members. These comprise the Annual Management Charge/Total Expense Ratio and transaction costs.

- **Charges** – these include the Annual Management Charge ("AMC" – the annual fee charged by the investment manager for investing in a fund), as well as **additional fund expenses**. Together the AMC and the additional fund expenses make up the Total Expense Ratio (TER), which is the total cost of investing in the fund. The AMC and TER information is readily available as these charges are explicit and are a percentage of members' funds. With the exception of Legal & General, the TER is paid by the members and is reflected in the unit price of the funds. With Legal & General the employer paid a subsidy to Legal & General to reduce the TER to zero. However as part of the 2020 review the employer decided to cease payment of that subsidy so the TER would have applied had the funds not been transferred to Scottish Widows.

- **Transaction costs** – are costs which are incurred within the day to day management of the assets by the fund manager. This covers such things as the cost of buying and selling securities within the fund. Transaction costs are incurred on an on-going basis and are implicit within the performance of the fund. Where transaction costs have been provided as a negative cost, these have been set to zero in the calculations.

The charges and transaction costs have been supplied by the investment managers; Aon, Utmost and Legal & General relating to the year up to 30 September 2020.

DC benefits from a legacy bulk transfer-in invested in the growth phase of the DB Section's assets on a money purchase basis

Fund name	TER (per year)	Transaction costs (per year)	Total costs (per year)
Aon DCS Sub Fund 9	0.34%	0.21%	0.55%

AVC funds with Legal & General

Fund name	TER (per year)	Transaction costs (per year)	Total costs (per year)
Multi-Asset	0.25%	0.03%	0.28%
Global Equity Fixed Weights (60:40) Index	0.18%	<0.01%	0.18%
Cash	Nil	Nil	Nil

The funds' TERs have been quoted but in practice the employer pays a subsidy to reduce the TERs to zero.

AVC funds with Utmost

Funds	TER (per year)	Transaction costs (per year)	Total costs (per year)
Utmost Managed Fund	0.75%	0.16%	0.91%
Utmost Investing by Age Strategy (component funds below)			
• Utmost Multi Asset Moderate Fund	0.75%	0.87%	1.62%
• Utmost Multi Asset Cautious Fund	0.75%	1.15%	1.90%
• Utmost Money Market Fund	0.50%	Nil	0.50%

THE INFINEON TECHNOLOGIES UK LIMITED FINAL SALARY PENSION SCHEME

CHAIR'S STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2020

(iv) Illustrations of the cumulative effect of costs and charges

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustees have provided a range of illustrations of their cumulative effect on the value of typical scheme members' savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future which are explained below.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme they are not a substitute for the individual and personalised illustrations which are provided in annual statements.

The Trustees have determined not to include any illustrations for the Utmost AVC arrangement because only one member is invested in it and a projection is included on the annual statement the member receives. Members are advised to consider both the level of costs and charges and the expected return on investments (i.e. the risk profile of the strategy) in making investment decisions.

DC benefits from a legacy bulk transfer-in invested in the growth phase of the DB Section's assets on a money purchase basis

The example member is representative of the members invested in this fund. The amounts shown relate to an example member aged 46 (based on the youngest member invested in this strategy), starting fund value of £15,000, and a retirement age of 65.

Age	Estimated fund value (before charges)	Estimated fund value (after charges)	Effect of charges
50	£17,090	£16,740	£350
55	£20,120	£19,200	£920
60	£23,690	£22,020	£1,670
65	£27,880	£25,260	£2,620

The following assumptions have been made for the purposes of the above illustrations (which align with the assumptions used for the Scheme's Statutory Money Purchase Illustrations):

- 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. Inflation is assumed to be 2.5% each year.*
- 3. Values shown are estimates and are not guaranteed*
- 4. The assumed growth rate (gross of costs and charges) is 5.9% per year*

THE INFINEON TECHNOLOGIES UK LIMITED FINAL SALARY PENSION SCHEME

CHAIR'S STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2020

AVC funds with Legal & General

The Trustees have illustrated the effect of the cost and charges at different ages on an example member's projected retirement pot invested in the above funds. The example members are representative of the members invested in these funds. The amounts shown relate to example members with ages and starting fund values as stated, and a retirement age of 65.

	Multi-Asset Fund (age 44; starting fund value £15,000)			Global Equity Fixed Weights (60:40) Index Fund (age 44, starting fund value £15,000)			Cash Fund (age 61; starting fund value £6,000)		
Age	Estimated fund value (before charges)	Estimated fund value (after charges)	Effect of charges	Estimated fund value (before charges)	Estimated fund value (after charges)	Effect of charges	Estimated fund value (before charges)	Estimated fund value (after charges)	Effect of charges
50	£16,020	£15,810	£210	£17,550	£17,420	£130	£15,000	£15,000	Nil
55	£17,390	£16,880	£510	£21,350	£21,000	£350	£15,000	£15,000	Nil
60	£18,880	£18,030	£850	£25,980	£25,320	£660	£15,000	£15,000	Nil
65	£20,500	£19,260	£1,240	£31,600	£30,530	£1,070	£15,000	£15,000	Nil

The following assumptions have been made for the purposes of the above illustrations (which align with the assumptions used for the Scheme's Statutory Money Purchase Illustrations):

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Inflation is assumed to be 2.5% each year.
- Values shown are estimates and are not guaranteed
- The assumed growth rates (gross of costs and charges) are as follows:
 - L&G Global Equity Fixed Weights (60:40) Index Fund 6.6% per year
 - L&G Cash Fund 2.5% per year.
 - L&G Multi-Asset Fund 4.2% per year.

4. Value for Members assessment

There is no legal definition of "good value" for the process of determining this for Scheme members. Therefore, working in conjunction with their advisers, Aon, the Trustees have developed a cost-benefit analysis framework in order to make an assessment as to whether our members receive good value from the Scheme relative to the costs and charges they pay. This assessment was undertaken in February 2021, prior to drafting this Statement. The costs have been identified as a mix of TERs and Transaction Costs and are set out in section 3 of this statement.

The Trustees' beliefs have formed the basis of the analyses of the benefits of membership. These are set out below along with the main highlights of their assessment.

With the exception of the Legal & General funds where the employer paid a subsidy to reduce the charge, DC members only pay the investment charge and as such the only service the Trustees are required to consider in terms of the regulations is 'Investments'. The Company pays all additional charges, meaning that the overall charge members could pay is reduced. However, for the Trustees to assess overall value, the Trustees have agreed on a number of other benefits of membership as explained below.

THE INFINEON TECHNOLOGIES UK LIMITED FINAL SALARY PENSION SCHEME

CHAIR'S STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2020

In terms of the benefits of membership the Trustees have identified what it believes members value most:

- **Investments:** The Trustees believe that an appropriate range of funds subjected to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes.
- **Scheme Governance:** The Trustees believe in having robust processes and structures in place to support effective management of risks and ensure members' interests are protected, increasing the likelihood of good outcomes for members.
- **Administration:** The Trustees believe that good administration and record keeping play a crucial role in ensuring that Scheme members receive the retirement income due to them. In addition, that the type and quality of service experienced by members has a bearing on the level of member engagement.
- **Member communications (including support at retirement):** The Trustees believe that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes. The Trustees believe it is important to have retirement processes that enable members to make informed decisions and select appropriate option(s) at retirement.

For each area we have rated the services either green, amber or red:

- **Green** – we believe that the services provided represent good value to our members and help to deliver better member outcomes,
- **Amber** – some of the services provided offer good value, however, we have identified gaps where these services could be improved,
- **Red** – none of the services provided represent good value for our members and action will be taken to address this.

Investments – the charge that members pay

Trustees' Rating	Examples for the rating
	<ul style="list-style-type: none"> ✓ The Legal & General and Utmost AVC arrangements offered members an appropriate range of funds with access to all main asset classes. ✓ The fund used in the Aon DC arrangement had a diversified asset mix but there were no alternatives. This aspect is marked as amber due to the lack of flexibility and is one of the reasons the DC assets were moved to an alternative arrangement during the Scheme year. ✓ Fund factsheets were produced quarterly for members.

Other areas that we have identified that members benefit from

Area	Rating	Example
Scheme Governance		<ul style="list-style-type: none"> ✓ The Trustees regularly meet to discuss the Scheme and discussions at these meetings are documented in writing. The Trustees' professional advisers also attend these meetings to give advice and guidance to the Trustees. ✓ All Trustees receive training both at outset and ongoing and are required to complete an agreed number of training hours per year to ensure that they can fulfil their duties. ✓ The Trustee Board includes both Company and member nominated Trustees. ✓ The Trustees have processes in place to deal with conflicts of interest and have a risk register that helps the Trustees to mitigate any risks related to running the Scheme.

THE INFINEON TECHNOLOGIES UK LIMITED FINAL SALARY PENSION SCHEME

CHAIR'S STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2020

Administration		✓ As highlighted in section 2, the Trustees are comfortable with the quality and efficiency of the administration processes
Member communication		✓ DC/ AVC members received an annual statement with an update on their funds. ✓ Details on Utmost's fund range was made available on the Utmost website. ✓ Given the structure and scale of the DC/ AVC funds scheme-specific literature was not available so this aspect is marked as amber and again is another reason the assets were transferred to Scottish Widows.

Our findings...

In light of the evidence provided in the framework, the Trustee believes that the costs and charges borne by members represent **good value** for members.

When taking into consideration the wider benefits that members receive as a member of the Scheme, including the services that the **Company pays for** rather than the member, the Trustees believe members receive **good value**.

5. Trustees' Knowledge and Understanding

The comments in this section relate to the Scheme as a whole and not solely the DC Section.

The Trustees have processes and procedures in place to meet the Pension Regulator's Trustee Knowledge and Understanding requirements (as set out in their Code of Practice No 7); some of which are identified below:

- Assessing training needs and identifying gaps in knowledge through an annual assessment which involves the Trustees rating their knowledge and understanding across the key areas relating to pension schemes.
- Training plan in place based on the results of the assessment.
- Undergoing regular training for the year – the details are given below.
- Maintaining training logs for each Trustee which supports the above. Each Trustee undertakes to complete at least 15 hours of training per year.
- All Trustees have completed the Pension Regulator's Trustee toolkit which helps Trustees to identify any gaps in knowledge.

The areas of training covered during the year included:

- The Pension Regulator's annual funding statement.
- The latest requirements for the DC Governance Chair Statement.
- The CMA Order and Investment Consultant Objectives.
- Various aspects around selecting an alternative DC buyout arrangement

Demonstrating a working knowledge of key scheme documents

The Trustees have engaged with their professional advisers regularly throughout the year to ensure that they exercise their functions properly and take professional advice where needed. In exercising their functions this has required knowledge of key scheme documents such as their governance documents, Trustee's Report & Accounts, Statement of Investment Principles and other documents covering policy aspects such as the Scheme's Business Plan. A few of the areas that support this statement are set out below:

- Updates to the Statement of Investment Principles
- Sign-off of the Trustees' Report and Accounts

THE INFINEON TECHNOLOGIES UK LIMITED FINAL SALARY PENSION SCHEME

CHAIR'S STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2020

- Review of quarterly administration reports to monitor service delivery against agreed service levels standards and assessing the member experience
- Reviewing quarterly investment reports to assess fund performance against benchmarks, and funds against overall Scheme aim and objectives, as set out in the statement of Investment Principles.

Demonstrating knowledge of principles relating to investment and funding of DC schemes

To show how the Trustees have demonstrated that they have sufficient knowledge and understanding of principles relating to investment of DC schemes they also undertook the following actions:

- Updated the Statement of Investment Principles for the Trustees' policies around social, environmental and ethical considerations, how the Trustees delegate their voting rights and also how the Trustees take into consideration members' views when setting the investment strategy.
- Reviewed the quarterly investment reports to assess fund performance against benchmarks, and funds against overall Scheme aim and objectives, as set out in the Statement of Investment Principles.
- Received quarterly investment market updates from their managers/investment advisers.

Demonstrating knowledge and understanding of the law relating to pensions and trusts

To show how the Trustees have demonstrated that they have sufficient knowledge and understanding of principles relating to pensions and trusts the Trustees undertook the following actions:

- Updated the risk register and updating their business plan
- Training around the Pension Regulator's annual funding statement and the latest requirements for the DC governance Chair Statement

The Trustees also considered the impact of the COVID-19 pandemic on the Trustee board and put in place appropriate plans to ensure that the board could continue to perform effectively during this time.

The Trustees have considered and assessed the diversity and effectiveness of the Trustee Board and believes overall there is an appropriate range of skill sets to properly manage Trustee duties. The Trustee board is made up of six Trustees with varying backgrounds including investment and administration expertise. Both member-nominated Trustees have direct contact with members which helps the Trustee board to understand and assess members' reactions to Scheme communications and other initiatives.

The Trustees consider that they meet the Pension Regulator's Trustee Knowledge and Understanding requirements and are confident that their combined knowledge and understanding, together with the support of their advisers, enables them to properly exercise their functions as Trustees of the Scheme. This is demonstrated by ongoing consideration of the effectiveness of the combined Trustee board with reference to the various activities undertaken by the Scheme including the change to DC investments in the Scheme in the year covered by this Statement.

Signed by the Chairman of the Trustees of the Infineon Technologies UK Limited Final Salary Pension Scheme

Steve Neill

Signature



Date

14 APRIL 2021