2021 Chair's Statement - PIMCO Europe Limited DC Pension Plan

Introduction

Under legislation set out in regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended) (the 'Administration Regulations'), the Trustee of the PIMCO Europe Limited DC Pension Plan (the 'Plan') is required to prepare a statement (the 'Statement') on governance in the annual report.

The Trustee is pleased to present the Trustee's annual statement on DC governance for inclusion in the Report and Accounts for the Plan, covering the period 1 July 2020 to 30 June 2021. This statement describes how the Trustee seeks to make sure that the Plan is well-managed and delivers value for money services to members. In doing so, the Trustee provides the various statutory disclosures required by legislation. This statement covers five key areas:

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

The Plan was established in June 2014 and is administered by Scottish Widows, through the Mercer Workplace Savings ('MWS') Platform.

The Plan is overseen by a sole Professional Trustee, PTL Governance Ltd ('PTL') (formally known as Pitmans Trustees Ltd). A governance committee ('Gov Co') established by PIMCO (the 'Company') provides oversight of the Plan on investment and communication matters. The Gov Co can make recommendations to the Trustee; but ultimately the Trustee has the final decision on any actions taken.

Default Investment Arrangements

Review of the default investment strategy and self-select fund range

The Trustee is responsible for setting the Plan's investment strategy and for appointing investment managers to carry out that strategy. The Trustee must also establish a default investment arrangement for members who do not select their own investment options from the fund range that is available.

The Trustee undertook a review of the Plan's investment strategy, including the default arrangement, during the Plan year ending 30 June 2021. As part of this review, the Trustee considered the member demographics, industry trends, performance and strategy of the default arrangement and self-select funds, and how these aligned with the objectives set out in the Statement of Investment Principles (SIP).

On behalf of the Trustee, Mercer initiated the review on 29 January 2021, and presented its initial advice to the Trustee on 5 May 2021 where the Trustee made provisional decisions. The review of the Plan's investment strategy took place over several meetings and email exchanges, involving the Trustee, the Company, Mercer and Scottish Widows. The final decisions made by the Trustee in respect of the investment strategy were concluded and ratified in a Trustee decision record signed on 30 June 2021. All changes, as a result of the investment strategy review, were implemented by 22 November 2021. Details of those decisions have been summarised below.

As a result of the review, the Trustee made no changes to the default investment strategy. The default strategy therefore continues to utilise the Mercer Smartpath™ delegated investment solution for the default arrangement and alternative investment lifestyles for additional self-select investment options. The solution continues to:

- Provide a governed investment solution designed to improve outcomes in retirement by improving risk adjusted returns for members;
- The strategy has a dynamic asset allocation which allows it to be changed for market economic conditions;
- Is a cost effective investment solution; and
- Is designed to facilitate and improve member engagement.

The default growth phase is delivered through the Mercer Growth Fund. Part of Mercer's role is to set the strategic allocation of the fund and then invest relative to this allocation, taking tactical positions dependent on the market environment, with the aim of adding value for investors.

As members approach retirement they will be asked to choose an appropriate Target Retirement Fund that best reflects their likely requirements for income in retirement. The Trustee, on advice from its advisors, continues to believe that asking members to make these decisions nine years from retirement provides a much more realistic decision-making horizon, before de-risking eight years from retirement.

As such, as members approach retirement they will be asked to choose:

- A retirement destination that best reflects their likely requirements for income in retirement – either annuity, cash or drawdown (or some combination of the three); and
- When they want to retire.

The investment of the members' assets will then be moved to an appropriate Target Retirement Fund, corresponding to the member's target retirement year and chosen retirement destination. A member may select the Target Annuity Retirement Path, the Target Cash Retirement Path or the Mercer Target Drawdown Retirement Path. If no decision is made, they will be moved to a default that the Trustee has chosen which is currently the Scottish Widows Mercer Target Drawdown Retirement Path. As part of the triennial investment strategy review, the Trustee considered the suitability of the default lifestyle strategy targeting drawdown and concluded that it remains suitable and fit for purpose. The structure of the Target Drawdown Retirement Path is suitable for members who wish to take drawdown at retirement as it:

- Manages volatility: by reducing the allocation to the most volatile component of the asset allocation – equities – first.
- Is dynamically managed: the asset allocation is dynamically managed in response to market conditions by Mercer's Fiduciary Management business.
- Utilises the Mercer Diversified Retirement Fund: which balances risk and return and is tailored to the needs of an investor who wishes to remain invested through retirement.

The Trustee considers that it is important that Environmental, Social and Governance factors are incorporated into the Plan's investments. This is achieved using a "four-pillar framework". These four pillars ensure that sustainability in the Plan is considered across different dimensions, which are:

- Integration. The Trustee expects investment managers to consider any Environmental, Social, or Governance factor that might impact the value of members' pension savings and to incorporate this into their decision-making process.
- Stewardship. The Trustee expects investment managers to have strong processes in place to ensure they are voting and engaging with companies to protect investors' interests.
- Investment. The Trustee believes that investing in sustainable themes, like reducing greenhouse gas emissions, can offer return opportunities and can also help to manage risks. For this reason, there is an allocation to a specific sustainable-focused fund within the default. The Trustee also makes sustainable-focused funds available in the self-select fund range.
- Screening. Although the Trustee prefers to engage with companies, they also want to avoid profiting from activities that don't align with investors' values. For example, investments are not made in companies involved in the production of cluster munitions.

When considering climate change in particular, the Plan's chosen default investment strategy – the Mercer Growth Fund- has made a pledge to target net zero carbon emissions by 2050.

In addition to the default investment strategy, the Trustee offers a range of active and passive self-select options via the Scottish Widows platform, which were also considered as part of the recent investment strategy review. The 'self-select' funds are for members who are confident in making investment choices and want to tailor their investments to suit their own characteristics. As part of the review of the Plan's investment arrangements, the Trustee agreed to make a number of changes, namely:

- To add the Mercer Passive Sustainable Global Equity Fund and the PIMCO Dynamic Multi-Asset Fund to the self-select options available to Plan members; and
- To remove the LGIM Passive Global Equity (30:70) Fund, the Mercer Active Emerging Market Equity and the PIMCO UK Long Term Corporate Bond Fund from the Plan's self-select fund range.

The Trustee was initially minded to also remove the PIMCO Emerging Market Bond Fund and the PIMCO Global High Yield Bond Fund. However, after consulting with representatives from PIMCO, has agreed to instead keep both funds under close review. In the latest Value for Member's assessment, both the PIMCO Emerging Market Bond Fund and the PIMCO Global High Yield Bond Fund were given an amber rating overall, meaning that they have been assessed as offering reasonable value for members. The Trustee will continue to monitor these funds closely.

The key investment principles that were considered as part of the review of the self-select fund options included:

- Reduce/eliminate any duplicate funds;
- For rationalisation purposes, use passive funds, unless there is a clear case for active management;
- Where active funds are used, use the Mercer white-labelled funds. White-labelling is not required for the passive funds;
- Retain PIMCO funds within the self-select range, where possible and where there is investment rationale to do so.

The rationale for adding the Mercer Passive Sustainable Global Equity Fund was to reflect the Trustee's desire to make available to members a sustainable ESG friendly fund. The Dynamic Multi-Asset Fund was added in response to response to member interest in the fund, and after having taken advice from the Trustee's investment adviser on the suitability of the fund and having received a presentation from the fund manager

Over the year the Trustee and their advisers have reviewed the performance of the investment funds and the current default arrangement against their stated objectives on a quarterly basis. To enable the Trustee to review the performance of the investment funds, MWS provide the Trustee with quarterly reports that highlight net performance against benchmarks and also any change to the rating Mercer assigns to the underlying funds (including ESG ratings where appropriate).

These reports are reviewed by the Trustee and where there have been any concerns these are raised with the investment manager via Mercer. Each regular review focusses, in particular, on the extent to which the return on investments relating to the default arrangement, including any technical defaults (after deduction of any costs and charges which are relevant to those investments) is consistent with the Trustee's aims and objectives in respect of the default arrangements (as recorded in the SIP). The Trustee may also at times undertake reviews of specific aspects of the SIP and the performance of the default arrangements.

Technical defaults

In March 2020, the underlying investment manager(s) of the Plan's UK Property Fund, Threadneedle, suspended trading in their fund owing to difficulties valuing properties as a result of COVID-19 in the first three quarters of 2020. As a result, member's contributions were re-directed to the Cash Fund, without member consent, on a temporary basis, unless they took action to select an alternative investment. Guidance released by the Department for Work & Pension in April 2018 refers to when members' funds are moved within a scheme without consent, should be classed as a default arrangement (technical default). The Trustee is therefore reporting the following fund as technical default within the Plan:

- Mercer Cash Fund, identified as a default in April 2020.

The Trustee's objective in using this fund as the technical default was to aim to preserve the value of any contributions invested rather than to seek long term investment growth. It is also appropriate as the cost of this fund is below the charge cap.

The Cash Fund has the lowest expected volatility of the funds available in the Plan.

Statement of Investment Principles

In accordance with the Administration Regulations, the Trustee has appended (under Appendix A) the latest copy of the Statement of Investment Principles (the 'SIP'), incorporating the default SIP, prepared for the Plan in compliance with Section 35 of the Pensions Act 1995 and regulation 2 / regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, adopted on 18th January 2022.

The SIP is also available on request, by contacting the HR team. Furthermore, this Statement is published on a publically available website, www.pimco.co.uk, and is signposted in the annual benefit statements, which are issued by Scottish Widows.

The SIP covers the following key matters in relation to the default arrangement (including any technical defaults):

- The Trustee's aims and objectives in relation to the investments held in the default arrangement;
- The Trustee's policies on issues such as: the kinds of investments to be held; the balance between different kinds of investments; risks, including the ways in which risks are to be measured and managed; the expected return on investments; the realisation of investments; and the extent (if at all) to which Environmental, Social or Governance (ESG) considerations are taken into account when selecting, retaining or realising investments;
- An explanation of how these aims, objectives and policies (which together form the Trustees "default strategy") are intended to ensure that assets are invested in the best interests of members whose benefits are invested in the default arrangement.

Core Financial Transactions

As required by the Administration Regulations, the Trustee must ensure that "core financial transactions" are processed promptly and accurately. Core financial transactions are (broadly):

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

The Trustee monitors this through:

- Agreeing minimum timescales for processing requests, including core financial functions with Scottish Widows, as the Plan's delegated administrator. The Trustee reviews this through the administration reports produced by Scottish Widows quarterly, which provides information to the Trustee on how promptly and accurately transactions and member enquiries are dealt with. The Trustee has historically identified that reporting could be improved in order to provide clarity on the timing of payment of contributions. As a result of their discussions with the administrators, Scottish Widows, improvements to the reporting have been requested. As these changes were not implemented during the Plan year, Mercer (on behalf of the Trustee) request that Scottish Widows confirm the date contributions were received each quarter.
- Reviewing any complaints received from the membership to see if there are any concerns with the administration provided by Scottish Widows.
- Scottish Widows own internal quality control processes, which ensure the accuracy of transactions.
- The Trustee also maintains a Risk Register, which is used to manage any risks occurring and potentially impacting the Plan.
- A Schedule of Contributions, which sets out timescales for the Company to remit monthly contributions to the Plan. The deduction and payment of contributions is reviewed by the Company and Trustee.
- All financial transactions are subject to annual audit requirements as part the Trustees Annual Report and Accounts.

The Trustee has an administration agreement in place with Scottish Widows through the Mercer Workplace Savings (MWS) platform. The administration agreement sets out the service standards expected of Scottish Widows and if Scottish Widows' service falls below the Service Level Failure Point for the same SLA over three consecutive quarters then financial penalties are payable to the Trustee by Scottish Widows until the situation is rectified. These penalties are designed to incentivise Scottish Widows, to continually meet service standards.

The expected service standards are:

SLA	Description	Target Service Level (%)	Service Level Failure Point (%)	Comment
2	Website Availability	99.5	97.5	Scottish Widows shall ensure that the Website is available to Users during the hours of 08:00 and 17:30 on Business Days.
3	Documentation	97.0	85.0	Scottish Widows shall provide electronic access to policy documentation held within the portal library to members within two Business Days of receipt of all

				required new joiner details submitted in an electronic format from either the Client or a Member. Hard copies, where issued, will be issued within five Business days of receipt of all required new joiner details submitted in hard copy format.
4	Contribution Processing	100.0	90.0	Subject to the completion of the longest delayed dealing cycle, Scottish Widows shall process regular contributions and allocate to Member policies within two Business Days of receipt of the validated contribution schedule and reconciled payment.
5	Investment Transactions	97.0	85.0	Scottish Widows shall action investment transaction (switches, redirections and single contributions where appropriate) requests from Members or Trustees within three Business Days from the date of receipt of complete instructions.
6	General Enquiries	97.0	85.0	Scottish Widows shall respond to non-complex general enquiries from Members (such as valuations, projections, contribution statements and change of details) within five Business Days of receipt of the enquiry.
7	Payments Out	97.0	85.0	Subject to the completion of the longest delayed dealing cycle, Scottish Widows shall process payments out within five Business Days of receipt of the completed payment authority form and all required documentation from the authorised party. In respect of payments to Members on retirement, the period of five (5) Business Days referred to in this SLA shall commence from the normal retirement age of the retiring Member.
8	Payments In	97.0	85.0	Subject to the completion of the longest delayed dealing cycle, Scottish Widows shall issue confirmation to Members or Trustee Clients that transferred assets have been allocated as at the date of receipt of both payment and complete

				documentation within five Business Days of receipt.
9	Complaints	0.01	0.02	Scottish Widows shall ensure that upheld complaints constitute not more than 1 in every 10,000 (0.01%) lives within the Mercer Platform book on a monthly basis.
10	Helpline	97.0	95.0	Scottish Widows shall answer all calls to the Mercer helpline during the hours of 08:00 and 17:30 Monday to Friday (excluding Bank/Public Holidays).

The overall performance attained during the reporting period was 92% of events being processed within the agreed target dates.

The administrator has adopted a number of processes to ensure that core transactions are carried out promptly and accurately. These include:

- Daily monitoring of bank accounts,
- A dedicated contribution processing team, and
- Two individuals checking all investment and banking transactions.

Adherence to these processes is reviewed annually by the Trustee through the AAF 01/06 report provided by Scottish Widows, which is an independent audit of compliance with their internal controls and processes. The latest AAF report was shared with the Trustee in May 2021, for the period 1st January 2020 to 31st December 2020, and did not report any material concerns with the controls and processes in place.

During the Plan year, the Trustee noted instances in single quarters, in which Service Levels were not achieved, however the service did not fall below the level to trigger payment of a financial penalty. The Trustee did raise concerns about this to Scottish Widows and although the majority of core financial transactions were completed promptly and accurately, Scottish Widows presented to the Trustee during the Plan year, to advise what actions they were taking in order to improve service levels and to assure the Trustee that members of the Plan would not be disadvantaged.

During the Plan year, there have been a handful of instances where the service provided by Scottish Widows has not met the Trustee's expectations. Issues and errors identified have included:

- A delay in issuing Annual Benefit Statements to members, which resulted in a breach and as a result, the Trustee raised a complaint with Scottish Widows;
- A historical issue which affected members who had pro-actively changed their selected retirement date and were invested in Target Retirement Funds ("TRFs") was identified. This impacted one member of the Plan and they have been communicated with;

- As a result of an audit conducted by Scottish Widows, there was an issue identified which related to the payment of Short Service Refunds following member opt-outs. This matter is ongoing; and
- It was identified by the Trustee that members were not being provided with the appropriate information about the procedure for raising a complaint under the Internal Disputes Resolution Procedure ("IDRP").

Scottish Widows have rectified these issues to ensure that the impacted members suffered no financial loss as a result of these errors. The Trustee has also established regular calls with Scottish Widows to ensure that any identified problems are rectified quickly and steps taken to ensure that these errors do not re-occur. The Trustees also expect to carry out a formal meeting with Scottish Widows to discuss their processes and controls in more detail during 2022.

On behalf of the Trustee, Mercer also oversees the performance of Scottish Widows through the Mercer Workplace Savings platform that the Plan is operated through, examining operational performance to determine the performance trends. This includes areas of day-to-day operations, SLA performance and complaints. All activity is discussed and documented with actions carried forward and monitored both at a client and portfolio level. Mercer would raise any concerns with the Trustee quarterly, with details of operational performance and the key points from their governance.

During the Plan year, the Trustee continued to review the actions it takes in meeting the expectations of the Pensions Regulator, as set out under its DC Code of Practice 13 for the governance and administration of defined contribution pension schemes. The Code sets out the standards of conduct and practice that the Regulator expects trustee boards to meet in complying with their duties in legislation. The Trustee, with support from the Plan's advisers (Mercer Limited) has put in place an action plan which is reviewed annually and these actions have been included within the Business Plan. Actions included:

- Carrying out a site visit at Scottish Widows every three years. The Trustee last visited Scottish Widows in October 2019.

Charges and Transaction Costs

As required by the Administration Regulations, the Trustee is required to report on the member borne charges and transaction costs for the investments used in the default investment option as well as the wider fund choice available and assess the extent to which the charges and costs represent good value for members.

The total charges payable, quoted in the following table as TER – (Total Expense Ratio), applicable to the Plan's default arrangement (including any technical defaults) are detailed below. The TER is a measure of the total costs associated with managing and operating an investment fund. These costs consist primarily of management fees and additional expenses, such as trading fees, legal fees, auditor fees, and other operational expenses. The Trustee can confirm that the default funds remain within the charge cap of 0.75% p.a. of funds under management since April 2015 and Scottish Widows monitors these charges on a quarterly basis to ensure they remain below this cap.

Fund Name	TER (% p.a.)	Transaction Costs (% p.a.)
Mercer Growth	0.39	0.209
Mercer Drawdown Retirement	0.45	0.155
Mercer Target Drawdown 2024 Retirement	0.46	0.196
Mercer Target Drawdown 2027 Retirement	0.43	0.206
Mercer Target Drawdown 2029 Retirement	0.40	0.208
Mercer Cash	0.25	0.014

***Source:** Mercer and Scottish Widows. Fee Data as at 30 June 2021.*

The Trustee has also adopted a range of risk profiled funds and a range of passively and actively managed funds under the "Leave me to it" section, which allows members to tailor their own investment strategy. The charges (TER) for the self-select funds in which members were invested in during the Plan year, are detailed below:

Fund Name	TER (% p.a.)	Transaction Costs (% p.a.)
Mercer Active Global Equity	0.88	0.082
Mercer Active Global Small Cap Equity	1.05	0.325
Mercer Global Listed Infrastructure	1.04	0.264
Mercer Active Emerging Markets Equity*	1.10	0.919
Mercer Diversified Growth	0.45	0.141
BlackRock - Passive UK Equity	0.26	-0.029
LGIM - Passive Global Equity (30:70) (GBP Hedged)*	0.23	0.041
BlackRock - Passive Overseas Equity	0.21	-0.009
BlackRock - Passive US Equity	0.45	0.005
BlackRock - Passive Europe (ex-UK) Equity	0.24	-0.012
BlackRock - Passive Japan Equity	0.22	-0.090
BlackRock - Passive Asia Pacific (ex-Japan) Equity	0.23	0.000
BlackRock - Passive Emerging Markets Equity	0.43	0.000
BlackRock - Passive Fixed Interest Gilts	0.23	-0.041
BlackRock - Passive UK Corporate Bonds	0.24	0.000
BlackRock - Passive Index-Linked Gilts	0.23	-0.015
PIMCO - Emerging Markets Bond	1.05	0.030
PIMCO - Global High Yield Bond	0.75	-0.030
PIMCO - UK Long Term Corporate Bond*	0.65	0.170
PIMCO - Global Investment Grade Credit	0.68	0.070
PIMCO - Income Strategy	0.74	0.110
PIMCO - Diversified Income	0.88	0.090
LGIM - Pre-Retirement	0.26	0.037
Threadneedle – Property	0.84	0.080

Source: *Mercer and Scottish Widows. Fee Data as at 30 June 2021.*
**These funds are due to be removed from the Plan's fund range.*

In the context of a DC pension plan, transaction costs arise from the buying and selling of assets when members buy and sell units of funds or when managers trade within pooled funds. These costs of manager trading are borne by members. Transaction costs are those which members may incur when switching their investments between the investment funds that are available. Where there is a negative transaction cost, this indicates that transacting has resulted in a net revenue rather than a net cost for the fund.

There is little flexibility for the Trustee to impact transaction costs as managers will essentially pass on the underlying costs of buying and selling securities in the market. Further, the turnover level of trading will impact the level of costs i.e. passive managers will have low levels of trading and low levels of cost whilst active managers will have the opposite – it will be difficult to compare managers, even between active managers.

Reporting of Costs and Charges

Using the charges and transaction cost data provided by Scottish Widows and 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 illustrations 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.

To make this representative of the membership, the Trustee has based this on the average member age of 35, using a starting pot size of £61,000 and a salary of £117,000. It also assumes an overall contribution level of 14% per annum. All of these assumptions are reflective of the average for the age band of 30-40 years.

	Most Popular Arrangement by members	**Cheapest Fund and Greatest Expected Return**	**Most Expensive Fund**	**Lowest Expected Investment Return**
	Mercer Target Drawdown Retirement Lifestyle Strategy*	BlackRock – Passive US Equity	Mercer Active Emerging Market Equity Fund	Mercer Cash
	(TER range 0.39% p.a. to 0.45% p.a.)	(TER 0.21% p.a.) (Transaction Cost 0.00% p.a.)	(TER 1.10% p.a.) (Transaction Cost 0.65 p.a.)	(TER 0.25% p.a.) (Transaction Cost 0.01% p.a.)

Year	(Transaction Cost range 0.09% p.a. to 0.21% p.a.)							
	Pot Size with no Charges Incurred (£)	Pot Size with Charges Incurred (£)	Pot Size with no Charges Incurred (£)	Pot Size with no 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	£61,000	£61,000	£61,000	£61,000	£61,000	£61,000	£61,000	£61,000
1	£78,590	£78,193	£79,434	£79,271	£79,897	£78,502	£76,190	£75,989
2	£96,491	£95,601	£98,421	£98,052	£99,489	£96,331	£91,116	£90,679
3	£114,708	£113,227	£117,978	£117,356	£119,802	£114,494	£105,783	£105,076
4	£133,247	£131,074	£138,121	£137,199	£140,861	£132,995	£120,196	£119,185
5	£152,113	£149,145	£158,869	£157,596	£162,695	£151,841	£134,358	£133,013
6	£171,313	£167,442	£180,239	£178,561	£185,332	£171,039	£148,274	£146,565
7	£190,852	£185,968	£202,250	£200,110	£208,801	£190,596	£161,949	£159,846
8	£210,737	£204,726	£224,922	£222,261	£233,133	£210,518	£175,386	£172,863
9	£230,973	£223,719	£248,273	£245,030	£258,360	£230,812	£188,590	£185,619
10	£251,566	£242,950	£272,325	£268,433	£284,514	£251,485	£201,565	£198,122
11	£272,523	£262,422	£297,099	£292,489	£311,630	£272,544	£214,314	£210,374
12	£293,850	£282,137	£322,616	£317,216	£339,743	£293,995	£226,842	£222,382
13	£315,554	£302,100	£348,899	£342,633	£368,890	£315,848	£239,152	£234,151
14	£337,642	£322,313	£375,970	£368,759	£399,109	£338,108	£251,249	£245,684
15	£360,120	£342,779	£403,853	£395,613	£430,438	£360,784	£263,136	£256,988
16	£382,995	£363,501	£432,572	£423,216	£462,920	£383,883	£274,816	£268,066
17	£406,274	£384,483	£462,154	£451,589	£496,596	£407,414	£286,293	£278,922
18	£429,965	£405,727	£492,622	£480,753	£531,511	£431,384	£297,571	£289,562
19	£454,074	£427,238	£524,005	£510,730	£567,709	£455,801	£308,653	£299,990
20	£478,609	£449,018	£556,329	£541,544	£605,238	£480,675	£319,543	£310,210
21	£503,578	£471,071	£589,623	£573,217	£644,147	£506,012	£330,244	£320,226
22	£528,988	£493,400	£623,916	£605,773	£684,487	£531,823	£340,759	£330,041
23	£554,637	£515,213	£659,237	£639,237	£726,311	£558,116	£351,091	£339,661
24	£579,286	£536,512	£695,618	£673,634	£769,672	£584,899	£361,244	£349,089
25	£604,226	£557,214	£733,091	£708,991	£814,628	£612,183	£371,221	£358,329
26	£628,708	£577,260	£771,688	£745,333	£861,236	£639,976	£381,025	£367,385
27	£652,077	£596,653	£811,442	£782,690	£909,559	£668,288	£390,658	£376,259
28	£674,036	£614,224	£852,390	£821,088	£959,658	£697,128	£400,124	£384,957
29	£693,881	£629,865	£894,565	£860,556	£1,011,600	£726,507	£409,425	£393,481
30	£711,232	£643,333	£938,006	£901,126	£1,065,451	£756,434	£418,565	£401,835

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 £61,000
3. Contributions of 14% are assumed from age 35 to 65 years with no change to salary

4. Values are estimates and are not guaranteed
5. The projected growth rate for each fund are as follows:
   A. Mercer Target Drawdown Retirement Lifestyle Strategy (Most Popular Arrangement by members): 1.65% p.a. gross expected real return above inflation to 0.00% p.a. gross expected real return relative to inflation depending on the numbers of years to retirement.
   B. BlackRock Passive US Equity (Cheapest Fund and Greatest Expected Return): 3.00% p.a. gross expected real return above inflation
   C. Mercer Active Emerging Market Equity Fund (Most Expensive Fund): 3.00% p.a. gross expected real return above inflation
   D. Mercer Cash Fund (Lowest Expected Investment Return): -1.75% p.a. gross expected real return relative to inflation
6. The Transaction Costs relate to the average transaction costs incurred in the last three Plan years. Where a transaction cost has been recorded as a negative, we have revised this within the illustration to reflect 0.0% per annum.

The Trustee has presented a further illustration below to represent the average deferred member of the Plan.

The Trustee has therefore based this on the average deferred member age of 39, using a starting pot size of £98,000. It is assumed that there are no contributions being paid to the Plan. All of these assumptions are reflective of the average for the age band of 34-44 years.

	Most Popular Arrangement by members		**Cheapest Fund and Greatest Expected Return**		**Most Expensive Fund**		**Lowest Expected Investment Return**	
	Mercer Target Drawdown Retirement Lifestyle Strategy*		BlackRock – Passive US Equity		Mercer Active Emerging Market Equity Fund		Mercer Cash	
	(TER range 0.39% p.a. to 0.45% p.a.) (Transaction Cost range 0.09% p.a. to 0.21% p.a.)		(TER 0.21% p.a.) (Transaction Cost 0.00% p.a.)		(TER 1.10% p.a.) (Transaction Cost 0.65 p.a.)		(TER 0.25% p.a.) (Transaction Cost 0.01% p.a.)	
Year	Pot Size with no Charges Incurred (£)	Pot Size with Charges Incurred (£)	Pot Size with no Charges Incurred (£)	Pot Size with no 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	£98,000	£98,000	£98,000	£98,000	£98,000	£98,000	£98,000	£98,000
1	£99,732	£99,227	£100,940	£100,733	£101,604	£99,830	£96,298	£96,044
2	£101,494	£100,470	£103,968	£103,542	£105,340	£101,693	£94,626	£94,128
3	£103,287	£101,729	£107,087	£106,430	£109,213	£103,592	£92,983	£92,249
4	£105,112	£103,003	£110,300	£109,398	£113,229	£105,526	£91,369	£90,408
5	£106,969	£104,293	£113,609	£112,449	£117,392	£107,496	£89,782	£88,604
6	£108,859	£105,599	£117,017	£115,585	£121,709	£109,503	£88,223	£86,836
7	£110,783	£106,922	£120,528	£118,809	£126,184	£111,548	£86,691	£85,103
8	£112,740	£108,261	£124,143	£122,122	£130,824	£113,630	£85,186	£83,405

9	£114,732	£109,617	£127,868	£125,528	£135,635	£115,752	£83,707	£81,740
10	£116,759	£110,990	£131,704	£129,029	£140,622	£117,913	£82,253	£80,109
11	£118,822	£112,381	£135,655	£132,627	£145,793	£120,114	£80,825	£78,510
12	£120,921	£113,788	£139,725	£136,326	£151,154	£122,357	£79,422	£76,943
13	£123,058	£115,214	£143,916	£140,128	£156,712	£124,641	£78,043	£75,408
14	£125,232	£116,657	£148,234	£144,036	£162,474	£126,968	£76,688	£73,903
15	£127,445	£118,118	£152,681	£148,053	£168,448	£129,339	£75,356	£72,428
16	£129,697	£119,597	£157,261	£152,182	£174,642	£131,754	£74,048	£70,983
17	£131,988	£121,095	£161,979	£156,426	£181,064	£134,213	£72,762	£69,566
18	£134,320	£122,612	£166,838	£160,788	£187,722	£136,719	£71,498	£68,178
19	£136,641	£123,955	£171,844	£165,272	£194,625	£139,272	£70,257	£66,817
20	£138,651	£125,133	£176,999	£169,882	£201,781	£141,872	£69,037	£65,484
21	£140,674	£126,140	£182,309	£174,619	£209,201	£144,521	£67,838	£64,177
22	£142,537	£126,972	£187,778	£179,489	£216,893	£147,219	£66,660	£62,896
23	£144,103	£127,637	£193,411	£184,495	£224,868	£149,967	£65,503	£61,641
24	£145,322	£127,901	£199,214	£189,640	£233,137	£152,767	£64,365	£60,411
25	£146,061	£127,760	£205,190	£194,929	£241,710	£155,619	£63,248	£59,206
26	£146,263	£127,187	£211,346	£200,365	£250,597	£158,525	£62,150	£58,024

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 £98,000
3. Values are estimates and are not guaranteed
4. The projected growth rate for each fund are as follows:
   A. Mercer Target Drawdown Retirement Lifestyle Strategy (Most Popular Arrangement by members): 1.65% p.a. gross expected real return above inflation to 0.00% p.a. gross expected real return relative to inflation depending on the numbers of years to retirement.
   B. BlackRock – Passive US Equity (Cheapest Fund and Greatest Expected Return): 3.00% p.a. gross expected real return above inflation
   C. Mercer Active Emerging Market Equity Fund (Most Expensive Fund): 3.00% p.a. gross expected real return above inflation
   D. Mercer Cash (Lowest Expected Investment Return): -1.75% p.a. gross expected real return relative to inflation
5. The Transaction Costs relate to the average transaction costs incurred in the last three Plan years. Where a transaction cost has been recorded as a negative, we have revised this within the illustration to reflect 0.0% per annum.

Due to the diverse Plan demographics, the Trustee has presented a further illustration below to represent the youngest member of the Plan.

The Trustee has therefore based this on the youngest member age of 22, using a starting pot size of £12,000 and a salary of £64,000. It also assumes an overall contribution level of 14% per annum. All of these assumptions are reflective of the average for the age band of 22-27 years.

	Most Popular Arrangement by members		**Cheapest Fund and Greatest Expected Return**		**Most Expensive Fund**		**Lowest Expected Investment Return**	
	Mercer Target Drawdown Retirement Lifestyle Strategy*		BlackRock – Passive US Equity		Mercer Active Emerging Market Equity Fund		Mercer Cash	
	(TER range 0.39% p.a. to 0.45% p.a.) (Transaction Cost range 0.09% p.a. to 0.21% p.a.)		(TER 0.21% p.a.) (Transaction Cost 0.00% p.a.)		(TER 1.10% p.a.) (Transaction Cost 0.65 p.a.)		(TER 0.25% p.a.) (Transaction Cost 0.01% p.a.)	
Year	Pot Size with no Charges Incurred (£)	Pot Size with Charges Incurred (£)	Pot Size with no Charges Incurred (£)	Pot Size with no 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	£12,000	£12,000	£12,000	£12,000	£12,000	£12,000	£12,000	£12,000
1	£21,244	£21,137	£21,443	£21,399	£21,551	£21,175	£20,680	£20,626
2	£30,652	£30,388	£31,168	£31,059	£31,454	£30,521	£29,209	£29,079
3	£40,226	£39,756	£41,186	£40,989	£41,720	£40,042	£37,591	£37,364
4	£49,969	£49,240	£51,504	£51,196	£52,364	£49,741	£45,827	£45,483
5	£59,884	£58,844	£62,132	£61,688	£63,400	£59,620	£53,919	£53,440
6	£69,975	£68,568	£73,078	£72,472	£74,841	£69,684	£61,871	£61,239
7	£80,243	£78,413	£84,353	£83,558	£86,703	£79,936	£69,686	£68,882
8	£90,693	£88,382	£95,966	£94,952	£99,001	£90,380	£77,364	£76,372
9	£101,328	£98,476	£107,928	£106,664	£111,752	£101,018	£84,909	£83,713
10	£112,151	£108,696	£120,248	£118,702	£124,971	£111,855	£92,323	£90,908
11	£123,165	£119,044	£132,938	£131,077	£138,676	£122,894	£99,609	£97,958
12	£134,373	£129,522	£146,009	£143,796	£152,885	£134,140	£106,768	£104,869
13	£145,780	£140,131	£159,472	£156,870	£167,617	£145,595	£113,802	£111,641
14	£157,388	£150,873	£173,338	£170,309	£182,891	£157,264	£120,715	£118,278
15	£169,201	£161,749	£187,621	£184,123	£198,726	£169,152	£127,507	£124,783
16	£181,223	£172,762	£202,332	£198,322	£215,143	£181,261	£134,182	£131,157
17	£193,457	£183,912	£217,485	£212,916	£232,164	£193,596	£140,740	£137,405
18	£205,908	£195,203	£233,092	£227,918	£249,811	£206,161	£147,185	£143,528
19	£218,578	£206,634	£249,167	£243,338	£268,106	£218,961	£153,518	£149,529
20	£231,473	£218,209	£265,725	£259,189	£287,075	£232,000	£159,740	£155,410
21	£244,595	£229,929	£282,779	£275,481	£306,741	£245,282	£165,855	£161,173
22	£257,949	£241,796	£300,345	£292,228	£327,130	£258,813	£171,864	£166,822
23	£271,539	£253,811	£318,438	£309,441	£348,269	£272,596	£177,768	£172,358
24	£285,369	£265,977	£337,073	£327,135	£370,185	£286,636	£183,570	£177,783
25	£299,443	£278,295	£356,268	£345,322	£392,907	£300,939	£189,271	£183,100

26	£313,766	£290,767	£376,039	£364,017	£416,464	£315,508	£194,873	£188,311
27	£328,343	£303,396	£396,402	£383,233	£440,888	£330,350	£200,378	£193,418
28	£343,176	£316,183	£417,377	£402,984	£466,210	£345,468	£205,787	£198,423
29	£358,272	£329,130	£438,981	£423,287	£492,463	£360,869	£211,102	£203,329
30	£373,635	£342,239	£461,233	£444,156	£519,681	£376,557	£216,325	£208,136
31	£389,269	£355,512	£484,152	£465,607	£547,900	£392,539	£221,457	£212,847
32	£405,179	£368,952	£507,760	£487,656	£577,157	£408,818	£226,500	£217,465
33	£421,370	£382,560	£532,075	£510,319	£607,489	£425,402	£231,456	£221,990
34	£437,848	£396,339	£557,120	£533,615	£638,937	£442,295	£236,325	£226,425
35	£454,616	£410,290	£582,916	£557,561	£671,541	£459,504	£241,110	£230,771
36	£471,502	£423,759	£609,486	£582,174	£705,344	£477,034	£245,812	£235,031
37	£487,458	£436,758	£636,853	£607,474	£740,390	£494,891	£250,433	£239,206
38	£503,589	£449,236	£665,041	£633,480	£776,725	£513,082	£254,973	£243,297
39	£519,273	£461,154	£694,075	£660,211	£814,396	£531,612	£259,434	£247,307
40	£533,983	£472,523	£723,980	£687,687	£853,451	£550,488	£263,817	£251,236
41	£547,494	£482,437	£754,782	£715,929	£893,943	£569,717	£268,125	£255,088
42	£559,259	£490,831	£786,508	£744,959	£935,924	£589,304	£272,358	£258,862
43	£568,998	£497,542	£819,185	£774,799	£979,449	£609,257	£276,517	£262,561

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 £12,000
3. Contributions of 14% are assumed from age 22 to 65 years with no change to salary
4. Values are estimates and are not guaranteed
5. The projected growth rate for each fund are as follows:
   A. Mercer Target Drawdown Retirement Lifestyle Strategy (Most Popular Arrangement by members): 1.65% p.a. gross expected real return above inflation to 0.00% p.a. gross expected real return relative to inflation depending on the numbers of years to retirement.
   B. BlackRock Passive US Equity Fund (Cheapest Fund and Greatest Expected Return): 3.00% p.a. gross expected real return above inflation
   C. Mercer Active Emerging Market Equity Fund (Most Expensive Fund): 3.00% p.a. gross expected real return above inflation
   D. Mercer Cash Fund (Lowest Expected Investment Return): -1.75% p.a. gross expected real return relative to inflation
6. The Transaction Costs relate to the average transaction costs incurred in the last three Plan years. Where a transaction cost has been recorded as a negative, we have revised this within the illustration to reflect 0.0% per annum.

*The TER and transaction costs applicable during the Mercer Target Drawdown Retirement Lifestyle Strategy depend upon how close a member is to retirement. During the growth phase (with more than eight years to retirement), a member is invested in the Mercer Growth Fund. With less than eight years to retirement, assets are gradually moved out of the Mercer Growth Fund and into the Mercer Diversified Retirement Fund and BlackRock Cash Fund. Details of the member borne charges applicable to each of these funds can be found listed in the table above.

Value for Members

In accordance with regulation 25(1)(b), the Trustee undertakes an annual review of the charges and transaction costs incurred by members in order to ascertain whether or not the arrangement in place represents good value for members, relative to peers and alternative arrangements that are available. The last review was completed in November 2021 for the period 1 July 2020 to 30 June 2021.

There is no legal definition of "good value", so the process of determining good value is a subjective one. "Value" is not a straightforward concept to quantify and can be open to broad interpretation.

The PIMCO Europe Limited DC Pension Plan's value for members' assessment examines the current investment management charges relative to standard institutional fees for equivalent size mandates, Mercer Manager Research Ratings and historical performance. The reason for using only the investment management charges is due to the Total Expense Ratio (TER) consisting of both an administration and investment cost.

For the purposes of the comparison the administration cost was excluded (due to PIMCOs unique arrangement whereby the Company pays a proportion of these fees) and ensures a like for like comparison. Where funds offered to members are highly rated by Mercer, are being offered at a competitive fee rate, and are performing in line with their objectives over the longer term, they can be considered to be offering good value for money for members. The value for members' assessment covered the following aspects:

- Investment charges for the default (including any technical defaults) and self-select funds, when benchmarked against comparable funds;
- Net of fees investment performance; and
- Investment fund range and ratings.

The review concluded that the Plan overall represents **good value for money** in comparison to the costs payable by members. The reasons underpinning this conclusion include:

- The Plan's current default investment lifestyle arrangement complies comfortably with the charge cap of 0.75% per annum and is considered to provide good value, with charges below the lower quartile for its sector. 88% of members are invested in the default.
- The Value for Members assessment does not compare TERs directly but uses an investment cost estimate by removing the platform fees, which includes the cost borne by members for administration. This is then compared against a manager database, which found that four of the 30 available funds were rated either amber or red, meaning that the fees were within the median

to upper quartile range or above the upper quartile range respectively. All of the amber and red rated funds are PIMCO own funds. As a result of the triennial investment strategy review, the Trustee has already taken action to remove one of these funds (the PIMCO UK Long Term Corporate Bond Fund which was given an amber rating). The Trustee is also continuing to keep under review a further two funds (the PIMCO Emerging Markets Bond Fund, which has been rated red and the PIMCO Global High Yield Bond Fund, which has been rated green). The Trustee and their advisers, Mercer, will therefore continue to monitor these fees against the wider industry and fund universe and actively engage with PIMCO as the fund manager on the subject of fees.

- The majority of the funds used by the Plan remain highly rated by Mercer.
- The performance of the funds in use has also been reviewed, and for the period of three years to 30 June 2021 (or since inception if less than three years), concern has been raised over two funds that have underperformed their benchmark (or underperformed in excess of its target tracking for passive funds) and therefore rated red. These funds are the PIMCO Global High Yield Bond Fund and PIMCO UK Long Term Corporate Bond Fund. As already noted, the Trustee has already taken steps to remove the PIMCO UK Long Term Corporate Bond Fund from the Plan’s self-select fund range and keep under review the PIMCO Global High Yield Bond Fund.
- The Trustee will continue to monitor performance quarterly and will make appropriate decisions regarding changes to the fund range available to members to ensure it offers value.
- The Trustee will also utilise the Gov Co to ensure that concerns in respect of PIMCO funds are managed and the fund managers challenged where necessary.
- Administration - the Plan is a bundled arrangement whereby members bear the cost of investment fees, administration and other general running costs; however, the Company pays a per capita fee to reduce the charges imposed on member’s funds.
- The Company also pays an Independent Trustee to govern the Plan’s arrangements and provide oversight on behalf the members’ best interests, and pays for Trustee advisory services.
- The Company also pays a fee for Mercer Workplace Savings (‘MWS’), which benefits members with enhanced Service Level Agreements for the administration services provided by Scottish Widows, lower member fund charges and an additional layer of governance in respect of Scottish Widows and the underlying investments which are researched by Mercer on the Scottish Widows platform.
- The Company also pays for supplementary communications issued on behalf of the Trustee and/or Company, including a periodic newsletter, information regarding pension taxation, and other ad hoc material.
- During the Plan year, and as noted in the Core Financial Transactions section of this Statement, there have been a number of issues with the service provided by Scottish Widows. As such, the Trustee has rated the administration services reasonable and intends to formally meet with Scottish Widows in 2022 to discuss this.
- Members are also in receipt of additional benefits, for example:
  - Ongoing oversight and review of the default investment strategy and the DC fund range;
  - The efficiency of the administration processes and the Trustees’ and Company’s governance of the services;

- The wide-ranging support and governance of the Plan from the Trustee and the Company and the Trustees' professional advisers.

This Statement will be published on a publically available website, www.pimco.co.uk, and will be signposted in the annual benefit statements, which are issued by Scottish Widows.

Knowledge and Understanding

The Plan is run by a sole Professional Trustee, PTL Governance Ltd ('PTL'). PTL is a specialist provider of independent governance services primarily to UK pension arrangements. Amongst other appointments PTL act as an independent trustee on over two hundred trust based pension schemes and sit on a number of Investment Governance Committees (IGCs). PTL has oversight or responsibility for in excess of £120bn of pension assets. More information on PTL can be found at www.ptluk.com. There have been no changes to the Trustee over the year.

PTL have a training program for all of their staff and are subject to independent audit on their controls and processes through the AAF 02/07 reporting. As part of the AAF process, the Trustee is required to confirm that the current team have appropriate level of knowledge and understanding to be able to represent PTL as Trustee of the Plan. The annual review process within PTL identifies training needs for each individual and includes a requirement for relevant staff to undertake a minimum level of Continuing Professional Development (CPD) each year. Two nominated Client Directors are assigned to work on all PTL sole trustee appointments. The Client Directors liaise regularly on scheme related matters and all key decisions must be signed off by both Client Directors, or escalated to another Client Director for peer review in the event of a differing opinion.

Clare James acted as the lead Client Director managing the Plan for the Plan year supported by a second Client Director, Kim Nash. Debbie Mather and other members of the PTL team also provide day-to-day support and peer review functions. Clare is a qualified actuary and so, has an in depth understanding of the funding and investment issues related to the Plan. Clare holds the PMI Certificate in Pension Trusteeship and she is accredited as a Professional Trustee by the Association of Professional Pension Trustees (APPT). Over the period, Clare has met the CPD requirements of the actuarial profession and the APPT.
Clare has undertaken regular relevant training throughout the year including:

- ESG, climate change and TCFD Regulations;
- Reviewing DC investment strategies and in particular default funds, including integration of ESG;
- Responsible investment;
- Stewardship;
- Requirements of the new combined Code of Practice; and
- GDPR and cyber security.

Kim Nash is also a qualified actuary and so has an in depth understanding of the funding and investment issues related to the Plan. Kim is also subject to CPD requirements of the actuarial profession and met the CPD requirements and if an accredited Professional Trustee with the Association for Professional Pension Trustees (APPT). Kim has undertaken regular training throughout the year including:

- Diversity for pension schemes;
- Approach to drawdown;
- Pension scams;
- Managing administration provider;
- Trends in Master Trust market; and
- GDPR.

Following the Plan's year end, Payam Kazemian replaced Kim Nash as the Second Client Director.

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee is required to 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 Plan.

The table below shows how these requirements have been met during the year.

Requirement	How met
Trustees must describe how, through the scheme year the trustees have demonstrated a working knowledge of the trust deed and rules.	The Trustee is conversant with, and has demonstrated a working knowledge of, the Trust Deed and Rules by having access to the documents on their online directory and providing decisions in line with the Rules. If there are any ambiguities over the interpretation of the Rules, legal advice is sought from the Plan's Lawyers Sackers LLP. The Trustee confirms that the current team has an appropriate level of knowledge and understanding and Plan specific understanding to be able to represent PTL as the Trustee of the Plan.
Trustees must describe how, through the scheme year the trustees have demonstrated a working knowledge of the current SIP.	The Trustee is conversant with, and has a working knowledge of the current SIP, which has recently been revised. The Trustee undertakes regular training on investment matters and PTL is a regular commentator on the wider DC market. The Trustee has sufficient knowledge of investment matters to be able to challenge their advisor. During the year, the Trustee discussed the legislative requirements that would came into force on 1 October 2020. As a result the SIP was reviewed, agreed and signed on 16 September 2020.

Trustees must describe how, through the scheme year the trustees have demonstrated a working knowledge of all documents setting out the trustees' current policies.	PTL operates a governance framework which includes policies on how the Trustee will deal with conflicts, manage risk, ensure key tasks are completed in time and deal with member complaints. The Trustee reviews these documents on an annual basis to ensure they are still suitable and makes any changes as required. The Trustee also undertook a review of the Code of Practice 13 requirements during the Plan year on 26 March 2020 and the next review will be at the Trustee Meeting on 2 December 2021. The Trustee is conversant with, and has demonstrated a working knowledge of, the Plan documents, which has been achieved through the maintenance of an online directory that contains all the relevant documents and policies. The Trustee with its knowledge and understanding of pension schemes, the issues faced and their governance framework, when working alongside its advisors is able to properly exercise its functions to act properly and effectively in members' best interests and deliver good member outcomes for the contributions made. At each meeting the Trustee reviews the business plan and whether they have effectively delivered the requirements under the business plan. In addition, during the Plan year: • The Trustee prepared its first Implementation Statement. • Last reviewed and updated the Risk Register in March 2021.
Trustees must describe how, through the scheme year the trustees have demonstrated that they have sufficient knowledge and understanding of the law relating to pensions and trusts.	PTL work for a broad range of clients and are familiar with the law relating to pensions and trusts. This can be demonstrated through the qualifications held by the Trustee and their continued involvement with many pension schemes. The Trustee's advisors, Mercer, attend each meeting and give the Trustee an overview of market and legislative developments, including the Trustees duties and requirements for strong governance. In addition, Mercer provide specific training on any relevant aspect ahead of any scheme reviews or new legal requirements.
Trustees must describe how, through the scheme year the trustees have demonstrated	The Trustee reviews their training needs on a regular basis. As noted above, Clare attended various training sessions throughout the year in order to maintain sufficient knowledge

that they have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes.	and understanding of the relevant principles relating to the funding and investment of occupational schemes.
Trustees must describe how, through the scheme year the trustees have demonstrated that their combined knowledge and understanding, together with available advice, enable them to properly exercise their functions.	The Trustee receives professional advice from Mercer and Sackers to support them in reviewing the performance of the Plan and in governing the Plan in line with the Trust Deed and Rules, and the relevant skills and experience of those advisers is a key criterion when evaluating advisor performance or selecting new advisers. The advice received by the Trustee along with their own experience allows them to properly exercise their function as Trustee. The Company covers the cost of the Trustee and its advisors who attend each Trustee meeting and are available to support the Trustee at any time during the year and answer any queries or concerns they may have.

The Trustee will also continue to 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 and any updates to the accompanying guidance.

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 their knowledge.

Approved and was signed by Clare James – Chair of the Trustee of the PIMCO Europe Limited DC Pension Plan Client Director of PTL Governance Limited on 19.1.2022.

Appendix A of the Chair Statement

PIMCO Europe Limited DC Pension Plan

Statement of Investment Principles – January 2022

1. Introduction

Under legislation set out in the Occupational Pension Plans (Investment) Regulations 2005 (S.I. 2005/3378) (“the Investment Regulations”), as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, it is a requirement for trustees to prepare a statement of the principles that govern their investment decisions.

The Trustee of the PIMCO Europe Limited DC Pension Plan (the “Plan”) has drawn up this Statement of Investment Principles (the “Statement”) to comply with said requirements and those of the Pensions Act 1995 (the “Act”) and subsequent legislation, and to fulfil the spirit of the Pensions Regulator’s DC Code of Practice no. 13. As required under the Act, the Trustee has consulted a suitably qualified person and has obtained written advice from Mercer Limited (“Mercer”). In preparing this statement, the Trustee has given due consideration to the reasons why the Plan uses an insurance policy and their policy for securing compliance with the requirements of Section 36 of the Act (*choosing investments*), and in addition the Trustee has consulted PIMCO Europe Limited (the “Principal Employer”).

The Plan’s invested assets are held in an insurance policy issued by Scottish Widows Limited (“Scottish Widows”). The Plan is a registered pension scheme as defined in section 153 of the Finance Act 2004. The Plan operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries. Overall investment policy falls into two parts. The first is the strategic management of members’ assets, which is fundamentally the responsibility of the Trustee acting on advice from its investment consultant, Mercer, and is driven by the investment objectives as set out in Section 3 below. The second element of the policy is the day-to-day management of the assets which is delegated to professional investment managers via the arrangements set out in the separate Investment Policy Implementation Document (“IPID”).

Additionally, the Principal Employer has established an investment governance sub-committee (the “Governance Committee”) to make recommendations to the Trustee on the range of funds available to members. The Governance Committee will, through its terms of reference, provide recommendations and support to the Trustee to ensure that the Plan is valued by employees, is administered to a good standard, and has a broad and appropriate range of investments.

The Trustee is committed to maintaining the accuracy of this Statement on an ongoing basis.

The Trustee’s investment responsibilities are governed by the Plan’s Trust Deed and this Statement takes full regard of its provisions. A copy of the Plan’s Trust Deed is available for inspection upon request.

2. Governance Structure

The Trustee has ultimate responsibility for the investment of the Plan's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take and which to delegate, the Trustee has taken into account whether they have the appropriate training and expertise in order to take an informed decision. The Trustee has established the following decision making structure:

2.1 **Trustee**

- Sets structures and processes for carrying out its role;
- Sets investment structures and their implementation, including the structure of the blended funds and the default lifestyle strategy;
- Selects and monitors investment advisers and fund managers;
- Sets structures for implementing investment strategy;
- Selects and monitors direct investments (see below); and
- Makes on-going decisions relevant to the principles of the Plan's investment strategy.

2.2 **Governance Committee**

- Makes recommendations on the day-to-day management of the Plan's assets and on the structure of the blended funds and default lifestyle strategy;
- Makes on-going recommendations relevant to the principles of the Plan's investment strategy, including the range of funds available to members; and
- Provides recommendations and support to the Trustee to ensure that the Plan is valued by employees, is administered to a good standard, and has a broad and appropriate range of investments.

2.3 **Mercer, the investment adviser**

- Advises on all aspects of the investment of the Plan assets, including implementation, suitability of the default lifestyle strategy and each fund's structure, composition and benchmark;
- Advises on this Statement;
- Monitors investment managers; and
- Provides required training.

2.4 **Scottish Widows Limited, the bundled services platform provider**

- Operates within the terms of this Statement and the written contract;
- Provides access to a platform through which third party funds can be accessed by the Trustee, for the Plan's members;
- Provides pension administration services for the Plan.

2.5 **Underlying fund managers**

- Selects individual investments with regard to their suitability and diversification.

2.6 Mercer Workplace Savings ("MWS")

- Conducts regular reviews of bundled services platform providers to support the Trustee in selecting an appropriate provider;
- Provides on-going governance monitoring services (i.e. on the platform provider);
- Provides investment governance of the platform provider's fund range;
- Provides investment governance services in relation to the arrangements with the investment managers; and
- Provides investment management services via Smartpath lifestyle strategies.

3. Investment Objectives

The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances. The Trustee regards their duty as making available a range of investment options sufficient to enable members to tailor their investment strategy to their own needs. This is described in Section 8.3 of this Statement. The Trustee also recognises that members may not believe themselves qualified to take investment decisions. As such the Trustee makes available a default investment option. More details regarding the default investment option are available in Section 8.1 and 8.2 of this Statement. In addition to the default investment option, switching members between funds without their consent can result in funds also being determined to be 'default' arrangements requiring additional disclosures. An additional default arrangement has been created in this manner, this is set out in more detail in Section 8.4 of this Statement.

These objectives translate to the following principles:

a. Offering members a 'Lifestyle' approach for the default investment option in which the investments are managed over the course of their working life;

b. Ensuring that the other investment strategy options allow members to plan for their specific retirement objectives;

c. Making available a range of pooled investment funds which serve to meet the varying investment needs and risk tolerances of Plan members. This includes offering both passively and actively managed investment funds;

d. Adopting a framework which provides flexibility to change investment managers proactively and which allows efficient fund switching (e.g. without out-of-market risk) as required;

e. Providing general guidance as to the purpose of each investment option;

f. Encouraging members to seek independent financial advice from an appropriate party in determining the most suitable option for their individual circumstances;

g. In determining an appropriate balance between providing flexibility and choice, as well as simplicity and cost control, the Trustee aims to make available a range of options which satisfy the needs of the majority of members.

The items in this Statement are in relation to what the Trustee considers 'financially material considerations'. The financially material considerations in the default investment option are provided in more detail in Sections 8.1 and 8.2. 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 investment option is a lifestyle strategy.

The Trustee believes that environmental social and corporate governance ("ESG") issues including climate change are important factors to be considered when setting investment strategy. More detail on this can be found under section 12.

The Governance Committee have noted a preference to use PIMCO funds where possible. As such, members are offered a range of PIMCO funds as self-select options. The Trustee understands this preference.

The Trustee regularly reviews the suitability of the options provided and from time to time will change or introduce additional investment funds as part of the self-select fund range as appropriate. Given their fiduciary duties, MWS will review the suitability of the lifestyle options provided and from time to time will change or introduce additional investment funds.

4. The Trustee's Investment Beliefs

The Trustee expects (but does not guarantee):

- the long-term return on the investment options that invest predominantly in equities and other growth-seeking asset classes (e.g. Diversified Growth Funds) to exceed price inflation and general salary growth;
- the long-term returns on the bond and cash options to be lower than the equity options;
- money market funds to provide protection against changes in short-term capital values, and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash (although it is not guaranteed that these funds will not fall in value).

In choosing the Plan's investment options, it is the policy of the Trustee to consider:

- A full range of asset classes, including alternative asset classes;
- The suitability of different styles of investment management and the need for investment manager diversification;
- The suitability of each asset class for a defined contribution scheme;
- The need for appropriate diversification.

5. Additional Voluntary Contributions

Members can invest additional voluntary contributions into the same funds that are available for the investment of regular contributions paid into the Plan. The Trustee regularly reviews the continuing suitability of the Plan's investment arrangements. The Trustee utilises Mercer as an investment consultant to advise on investment strategy and provider appointments, and to assist in monitoring the funds available, both in the form of written reports and attendance at meetings.

6. Use of an Insurance Policy

The Plan's invested assets are held through an insurance policy with Scottish Widows. It has no other investments other than this qualifying insurance policy. The Plan is, therefore, "wholly insured" for the purposes of regulation 8 of the Investment Regulations.

The reasons why the Trustee believes that an insurance policy is most suited to their circumstances, and those of the Plan beneficiaries, are as follows:

a. The Scottish Widows policy offers the Trustee the facility to design a good quality retirement package that enables members of the Plan to invest in a range of asset classes at a reasonable cost;

b. The financial strength of Scottish Widows and its level of commitment displayed to the Plan;

c. The security given by Scottish Widows's regulation by the Financial Conduct Authority and the Financial Services Compensation Plan;

d. The professional management of the investment funds available through Scottish Widows's contract and its willingness to keep the product competitive in the future;

e. Scottish Widows's capabilities in relation to pension plan administration and communication to employees; and

f. The overall value-for-money offered by investing in a packaged product with Scottish Widows. The Trustee continues to believe that this approach is in the best interests of its members, but will regularly review this decision, with the assistance of their investment advisors, to ensure that it remains so.

7. Day-to-Day Investment Management

The fund range offered to members is accessed through Mercer Workplace Savings ("MWS") on the platform provided by Scottish Widows Limited ("Scottish Widows"). The Trustee accesses the platform via a long-term insurance contract with Scottish Widows.

The Trustee has selected funds on the Scottish Widows platform, including those managed by Mercer Global Investments Europe Limited, to provide a range of funds for the members' contributions to be invested in. The investment funds may be changed at the Trustee's discretion.

Day-to-day management of the assets is delegated to professional Investment Managers who are all authorised or regulated. The Trustee expects the Investment Managers to manage the assets delegated to them under the terms of their contracts. The range of funds offered to members incorporates funds from a number of Investment Managers.
The Investment Managers have full discretion to buy and sell investments on behalf of the Plan, subject to agreed constraints and applicable legislation. They have been selected for their expertise in different asset classes.

The Trustee recognises that it is not possible to specify investment restrictions where assets are managed via pooled funds and furthermore, given that it is Scottish Widows that has the direct relationship with the third parties offering the funds (and not the Trustee).

The Investment Managers have appointed custodians for the safe custody of assets held within their pooled funds in which the Plan is invested. The custodians are responsible for the safekeeping of the assets held and for performing various administrative duties, such as the collection of interest and dividends and dealing with corporate actions.

The Trustee assesses the continuing suitability of the Plan's Investment Managers on a periodic basis. The Trustee's investment adviser is available to provide help in monitoring the Investment Managers, both in the form of written reports and attendance at meetings as required by the Trustee.

8. Investment Options

Members who do not indicate a preference are invested in the default investment option. Typically, a proportion of members will actively choose the default investment option because they feel it is the most appropriate option for them. However, the vast majority of members do not make an active investment decision and are, therefore, automatically invested in the default investment option.

8.1 The aims of the default option

In addition to the Trustee's Investment Beliefs (covered in Section 4), the Trustee believes that:

- The lifestyle strategy's growth phase structure which invests in equities and other growth-seeking assets, will provide growth with some downside protection and some protection against inflation erosion.

- As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that the default strategy that seeks to reduce investment risk as the member approaches retirement is appropriate.

- Based on their understanding of the Plan's membership, an investment strategy that targets income drawdown and a tax-free cash lump sum (up to 25% of a members' pot) at retirement is likely to meet a typical member's requirements for income in retirement. This does not mean that members have to take their benefits in this format at retirement, it merely determines the default investment strategy that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats have the option of switching to an alternative lifestyle strategy prior to retirement or even choosing their own investment strategy. This position will be kept under review.

Taking into account the demographics of the Plan's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the current default strategy is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic, if sooner.

8.2 Policies in relation to the default option

The default lifestyle strategy manages investment and other risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. Any investment in derivative instruments contributes to risk reduction, or efficient portfolio management.

- In deciding the default lifestyle strategy, the Trustee (in conjunction with the Governance Committee) has explicitly considered the trade-off between risk and expected returns. This is a consideration when determining the balance between the different kinds of investments.

- If members wish to, they can opt to choose their own investment strategy on joining but also at any other future date.

- Assets in the default lifestyle strategy are invested in the best interests of members and beneficiaries, taking into account the profile of members.

- Assets in the default lifestyle strategy are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.

- Assets are invested mainly on regulated markets (those that are not must be kept to prudent levels).

8.3 Self-Select Funds

To cater for the different risk appetites of members, the Trustee also offers three lifestyle strategies and a range of actively managed and passively managed funds (refer to Appendix A). This range of funds includes funds (“Mercer Building Block Funds”) whose management has been delegated by the Trustee to Mercer Limited and other funds (“external funds”) that have been deemed suitable. A range of asset classes have been made available, including: developed market equities, emerging market equites, real estate, multi-asset funds, gilts, bonds, property and pre-retirement funds.

In addition to the default investment option, there are two alternative lifestyle strategies available to members that reflect the alternative ways in which members might take their benefits at retirement (Annuity or Cash). The three lifestyle options available include the Lifestyle Strategy Targeting Annuity, Lifestyle Strategy Targeting Cash and Lifestyle Strategy Targeting Drawdown.

Within the Mercer Building Block Funds, Mercer is responsible for making decisions on asset allocations, selection, appointment, removal and monitoring of underlying external investment managers within this fund range.

All members are free to choose between any of the options. If members do not actively choose one or more of these options, they will automatically be enrolled into the default option.

Members determine the balance between the different kinds of investments they hold. This balance will determine the expected return on member’s assets and should be related to the member’s own risk appetite and tolerances.

Further information on the fund range and lifestyle options is provided in the IPID.

8.4 Additional default arrangement

The Trustee regularly reviews the default investment option and Self-Select Fund Range and, if deemed appropriate, makes changes to the managers available as part of these options.

Switching members between funds without their consent can result in funds also being determined to be ‘default’ arrangements requiring additional disclosures. An additional default arrangement has been created in this manner as follows:

Fund	Date of Change	Reason
Mercer Active Money Market/ Cash Fund	March 2020	UK Property Fund The Cash Fund was used on a temporary basis for member contributions while the UK Property Fund was temporarily suspended in order to preserve the capital value of those contributions.

In event of any future temporary fund closures, member contributions will be redirected to the Cash Fund, unless another fund is considered more suitable.

The aims of the additional default arrangement:

- In designing an additional default arrangement, the Trustee has explicitly considered the trade-off between risk and expected returns.
- Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- If members wish to, they can opt to move assets away from the additional default arrangement and choose their own investment strategy at any time.
- Assets in the additional default arrangement are invested in the best interests of members and beneficiaries, taking into account the objectives of the arrangements.
- Assets in the additional default arrangement are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- Assets are invested in pooled funds which are daily dealing and readily realisable.

The Trustee's policy in respect of the additional default is summarised in the table below:

Fund	Fund Objective and Investments Held	Trustee Objective and Expected Risk and Return
Mercer Active Money Market/ Cash Fund	The aim of the Cash Fund is to provide a cash-like rate of return by investing in money market instruments such as high quality, short term debt.	The Trustee's objective in using this fund as the additional default is to aim to preserve the value of any contributions invested rather than to seek long term investment growth. It is also appropriate as the cost of this fund is below the charge cap.
	The Cash Fund invests in high quality, short term money market and fixed income securities.	The Cash Fund has the lowest expected volatility of the funds available in the Plan.

9. The Trustee's Policy with Regard to Risk

Risks in a defined contribution scheme lie with a member themselves. The Trustee has considered risks from a number of perspectives when designing the investments for the Plan.

The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	Description	How is the risk monitored and managed?
Inflation risk	The risk that investment returns do not keep pace with inflation and does not, therefore, secure an adequate pension.	The Trustee makes available a range of funds, across various asset classes, with the majority expected to keep pace with inflation. The Trustee also considers the real returns expected from the various asset classes. The default investment option has an explicit allocation to assets which are expected to outperform inflation over the long term.
Currency risk	The risk that investment in overseas markets will be affected by changes in exchange rates leading to lower returns in pound sterling terms.	The Trustee offers a number of funds which are currency hedged to pound sterling. The Trustee monitors the performance of investment funds on a quarterly basis, including quarterly market reviews considering the movements in foreign currencies relative to pound sterling.
Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	This risk is partially mitigated by investment in a range of different credit instruments (via pooled funds). The Trustee is satisfied that the remaining risks are acceptable. The Trustee reviews the performance of the corporate bond assets on a quarterly basis.

Equity, property and other market risks	Risks additional to those above where the income or the capital value of an asset is uncertain owing to, for example, changes in the profitability of an issuing company.	Members are able to set their own investment allocations, in line with their risk tolerances. Mercer Building Block Funds are considered to have adequate diversification across asset class, region and within each asset class. Management of these funds is the responsibility of MWS and Mercer. Within active funds, management of many of these risks is the responsibility of the external investment manager. The trustee monitors the external funds. The Trustee regularly reviews performance of funds.
Environmental, Social and Corporate Governance risk	The risk that environmental, social or corporate governance factors (including climate change) have a financially material impact on the return of the Plan's assets.	The management of ESG related risks is the responsibility of the Investment Managers. See Section 12 of this Statement for the Trustee's responsible investment and corporate governance statement.
Investment Manager risk	The risk that the investment manager of the investment vehicles underperform the expectations of the Trustee, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.	For the external funds the Trustee considers advice from their investment adviser. Mercer takes responsibility for the management of this risk for the Mercer Building Block Funds. The Trustee monitors the performance of the investment vehicles on a quarterly basis to ensure the Investment Managers are meeting expectations.
Liquidity risk	The risk that the pooled funds, through which the Trustee allows members to invest, do not provide the required level of liquidity.	This is measured by the dealing and pricing frequencies of pooled funds. The Trustee access pooled funds via an investment platform, which is expected to provide daily pricing and liquidity.

Pension Conversion risk	The risk that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	The Trustee makes available three lifestyle strategies for members. Lifestyle strategies automatically switch member 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 asset allocation and management of these lifestyle strategies is the responsibility of MWS. Members can select a lifestyle strategy in accordance with their personal preferences and retirement objectives. The default option is a lifestyle strategy which automatically switches member assets as they approach retirement age into investments expected to be less volatile relative to variable income/drawdown and taking a 25% cash lump sum. As part of the triennial default review, the Trustee ensures the default destination remains appropriate.

The Trustee believes that the investment strategy outlined in the IPID is appropriate for minimising, where possible, the risks outlined above.

10. Investment Manager and Platform Fees

Details of Investment Manager and Platform fees can be found in the IPID. The fees are provided as total expense ratios (TERs) which are the total ongoing costs of running the funds. They are also inclusive of the per capita charge paid to Scottish Widows by PIMCO.

11. Investment Consulting Fees

Mercer's investment consulting fees are either based on fixed quotes for particular projects or on a time cost basis. Mercer also receives an annual fee in respect of the MWS contract.

Mercer provides advice to the Trustee but does not have responsibility for decision making in any area.

12. Responsible Investment and Corporate Governance (Voting & Engagement)

The Trustee believes that environmental social and corporate governance ("ESG") issues can affect the performance of investment portfolios and should therefore be considered as part of the investment process.

The Trustee believes that good stewardship can enhance long-term portfolio performance, and is therefore in the best interests of the Plan's beneficiaries and aligned with fiduciary duty.

Once appointed, the Trustee gives appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee notes that due to the structure of the long term insurance contract, Scottish Widows ultimately hold the direct relationship with managers. The Trustee also notes that they invest in pooled vehicles and as such they may have limited ability to impact the overall strategy of the managers. The Trustee therefore regularly reviews the investment adviser's ESG ratings of the external investment managers.

Where the Trustee has delegated day-to-day management of assets to Mercer, Mercer in turn delegates responsibility for the investment of the assets to a range of underlying investment managers. These investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee considers how ESG, climate change and stewardship is integrated within Mercer's investment processes and those of the underlying managers in the monitoring process. The Trustee believes that Mercer has the necessary expertise and framework in place to effectively manage and monitor investments in line with these areas, and this is implemented through their four pillar framework: integration, stewardship, thematic investment and screening. The funds for the Plan incorporate these four pillars as far as is practical. Mercer is expected to provide reporting on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios.

The Trustee has not set any investment restrictions on Mercer or the external investment managers in relation to particular products or activities.

Member views are not explicitly taken into account in the selection, retention and realisation of investments. The Trustee does however from time to time receive anecdotal feedback via the employer which they and their advisers take into consideration when reviewing the default investment strategy and wider fund range,

13. Investment Manager Arrangements

The Trustee believes that an understanding of, and engagement with, asset managers' arrangements is required to ensure they are aligned with the Trustee's policy, including its Sustainable Investment policy. It is the Trustee's policy to ensure that the following are understood and monitored:

- How asset manager arrangements incentivise asset managers to align their strategy and decisions with the Trustee's policies;
- How asset manager arrangements incentivise asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term;
- How the method (and time horizon) of the evaluation of asset managers' performance and their remuneration are in line with the Trustee's policies ;

- Portfolio turnover costs incurred by the asset managers, in the context of the asset manager’s targeted portfolio turnover (defined as the frequency within which the assets are expected to be bought or sold); and

- Duration of the arrangement with the asset manager.

Underlying investment managers are appointed by the Trustee in the case of non-delegated funds and by MWS for delegated funds based on their capabilities, and therefore the perceived likelihood of achieving the expected return and risk characteristics required. Mercer’s manager research rating reflects Mercer’s forward-looking assessment of a manager’s ability to meet or exceed their objectives.

As the Trustee invests in pooled investment vehicles they accept that they have no ability to influence investment managers to align their decisions with the Trustee’s policies set out in this Statement. However, appropriate mandates can be selected to align with the overall investment strategy. The underlying investment managers are made aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee or MWS (where applicable) is dissatisfied, then they will look to replace the manager. If the investment objective for a particular manager’s fund changes, the Trustee and MWS (where applicable) will review the fund appointment to ensure it remains consistent with the Trustee’s wider investment objectives and policies.

The Trustee and MWS expect third party investment managers to incorporate the consideration of longer term factors, such as ESG, into their decision making process where appropriate. The extent to which this is so will be considered during the selection, retention and realisation of manager appointments. Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity. The Trustee and MWS (for the applicable funds) will challenge decisions made including voting history and engagement activity of the underlying investment managers with issuers of debt or equity securities held, to try to ensure the best performance over the medium to long term. If the Trustee and MWS (where applicable) is not satisfied with the answers provided by the manager or progress made in this regard they may seek to review the appointment of the investment manager.

The Trustee’s focus is on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustee reviews both absolute and relative performance against a portfolio or underlying investment manager’s benchmark on a quarterly basis, including assessments of both shorter and longer time horizons. The Trustee also relies upon Mercer’s manager research capabilities. If an underlying manager is not meeting performance objectives, or their investment objectives for the fund have changed, the Trustee may review the suitability of the manager, and change managers where required. Where funds are delegated to MWS it is expected that MWS will review and monitor this on behalf of the Trustee. The remuneration for investment managers used by the Plan is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for money assessment to ensure they continue to represent value for members.

The Trustee considers portfolio turnover costs indirectly through consideration of transaction cost data as part of the annual value for money assessment. Though the Trustee does not currently define target portfolio turnover ranges for funds, they will engage with managers if the portfolio turnover is higher than expected as a result of the monitoring undertaken. Where funds are delegated to MWS it is expected that MWS set these ranges and will do this on behalf of the Trustee. The Trustee is a long-term investor, all funds are open-ended and therefore there is no set duration for manager appointments. The Delegated Investment Manager is responsible for the selection, appointment, monitoring and removal of the underlying investment managers. These decisions will be made by MWS for all delegated funds. The Trustee is responsible for the selection, appointment and removal of the externally managed funds if it is no longer considered to be optimal nor have a place in the default strategy or general fund range. The Trustee may also choose to remove a fund from the fund range, if no longer considered appropriate, and the fund range is reviewed on at least a triennial basis.

The Trustee believes that the investment managers have the necessary expertise and frameworks in place to effectively manage and monitor investments in line with the above areas. This does not mean that all investment managers will have the same principles with regard to ESG and climate change, as these will specifically relate to the mandate of the investment fund which they are managing.

14. Buying and Selling Investments

The Investment Managers have responsibility for buying and selling the underlying assets. As already mentioned, the day-to-day activities, which the Investment Managers carry out for the Trustee is governed by the arrangements between the Investment Managers and Scottish Widows.

The funds are themselves regulated and daily-dealt with underlying investments mainly in regulated markets, and therefore are believed to be readily redeemable based on Trustee or member demand.

15. Compliance with this Statement

The Trustee, Scottish Widows and Mercer each have duties to perform to ensure compliance with this Statement. These are:

- The Trustee will review this Statement regularly on the advice of Mercer. The Trustee will monitor the arrangement with Scottish Widows and MWS to ensure that the service continues to meet the Plan’s needs and objectives. The Trustee will also consult with the Principal Employer over any changes to the Statement.

- Scottish Widows will provide full information in respect of transactions in units in the underlying funds and valuations of the units held by the Plan from time to time as required by the Trustee.

- Mercer will provide the advice needed to allow the Trustee to review and update this Statement tri-annually (or more frequently if required).

Adopted by PTL Governance Ltd as Trustee of the PIMCO Europe Limited DC Pension Plan on 18 January 2022

Appendix A of the Statement of Investment Principles:
Mercer and Externally Managed Funds

Mercer has been selected as the Delegated Investment Manager for the DC Section of the Plan, and is responsible for the day-to-day management of the assets in funds provided by Mercer. The Trustee has selected five externally managed funds to be made available for Plan members, the Trustee is responsible for the management of these funds. The funds as managed by Mercer as Delegated Investment Manager and by the Trustee are laid out in the following table:

Mercer funds	Externally managed funds
Mercer Diversified Growth Fund	Scottish Widows Aquila Corporate Bond All Stocks Index
Mercer Passive Shariah Fund	Scottish Widows Aquila Emerging Markets Equity Index
Mercer Active Global Equity	Scottish Widows Aquila European Equity Index
Mercer Active Global Small Cap Equity	Scottish Widows Aquila IL Over 5 Year Gilt Index
Mercer Passive Sustainable Global Equity Fund	Scottish Widows Aquila Japanese Equity Index
Mercer Active Money Market	Scottish Widows Aquila Over 15 Years UK Gilt Index
Mercer Growth Fund	Scottish Widows Aquila Pacific Rim Equity Index
	Scottish Widows Aquila UK Equity Index
	Scottish Widows Aquila US Equity Index
	Scottish Widows Aquila World ex UK Equity Index
	Scottish Widows L&G Pre-Retirement
	Scottish Widows Threadneedle Pension Property
	Scottish Widows PIMCO Diversified Income
	Scottish Widows PIMCO Emerging Market Debt
	Scottish Widows PIMCO Global High Yield Bond
	Scottish Widows PIMCO Global Investment Grade Credit
	Scottish Widows PIMCO Income Strategy
	Scottish Widows PIMCO Dynamic Multi Asset Fund

Further information regarding these funds can be found in the Plan’s IPID.