

# Annual statement regarding governance of the DC Section of the Visa Europe Pension Plan (the “Plan”).

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (“the Administration Regulations”) require the Trustee to prepare an annual statement regarding governance, and include this in the annual Trustee report and accounts. The governance requirements apply to defined contribution (“DC”) pension arrangements which are “relevant schemes” and aim to help members achieve a good outcome from their pension savings.

This Chair’s Statement (the “Statement”) issued by the Trustee covers the Plan year which ran from **1 October 2022 to 30 September 2023** and is signed on behalf of the Trustee by the Chair.

This Statement covers disclosures in relation to the following:

1. The Plan’s investment strategy – including the default arrangements
2. Net investment returns
  - i. Default arrangements
  - ii. Self-select funds
  - iii. Additional Voluntary Contributions
3. Member borne charges and transaction costs
  - i. Default arrangements
  - ii. Self-select funds
  - iii. Additional Voluntary Contributions
  - iv. Illustrations of the cumulative effect of these costs and charges
4. Value for members assessment
5. Processing of core financial transactions
6. Trustee knowledge and understanding

## Key points to note over the year to 30 September 2023

- No changes to the investment strategy took place over the Plan year. However, changes to the lifestyle strategies were implemented post year end.
- Market volatility and a high inflationary environment over the period have been challenging, but the Trustee has been closely monitoring fund performance and updating the member portal with more information as and when required.
- Charges and transaction costs have remained broadly the same compared to the prior year and the Trustee continues to believe that the Plan’s charges provide good value to members.
- The Trustee is satisfied that all core financial transactions over the Plan year have been processed promptly and accurately.

## 1. The Plan’s investment strategy – including the default arrangements

**The Trustee is required to design a default arrangement in members’ interests and keep it under review. The Trustee needs to set out the aims and objectives of the default arrangement and take account of the level of costs and the risk profile that are appropriate for the Plan’s membership.**

The Plan is used as a Qualifying Plan for auto-enrolment purposes and offers members the choice of three lifestyle arrangements:

- Options Open Lifestyle (which is the primary default investment arrangement);
- Lump Sum Withdrawal Lifestyle; and
- Annuity Purchase Lifestyle.

Members who join the Plan and do not make an active investment choice for their contributions are placed into the default investment arrangement, the Options Open Lifestyle.

## **Primary default arrangement**

The Trustee is responsible for the Plan's investment governance, which includes setting and monitoring the investment strategy for the primary default investment arrangement, the Options Open Lifestyle.

The Options Open Lifestyle's pre-retirement investment mix is well diversified. The strategy has been designed to be appropriate for both members who have not made a specific choice to align their Member Account to either cash or annuity purchase, and those actively looking to stay invested at and through retirement. The Trustee therefore views it as being the most appropriate arrangement for the majority of members who have not made an active decision as to how they will take their benefits at retirement.

## **Deemed defaults**

The self-select fund range was consolidated to 16 funds during 2021. 10 funds were closed to ensure that only the best-in-class options remained available through the Plan, and to simplify the number of options available to aid with the investment decision making process and ongoing oversight. Assets invested in the closing funds were mapped to either the Visa Cash, Visa Global Equity or Visa Bond funds and consequently these three funds are now considered default investment arrangements for regulatory reporting and monitoring purposes.

The Trustee selected the Visa Cash, Visa Global Equity and Visa Bond funds to transfer assets into as they most appropriately matched the asset allocation of the closing funds and they did not breach the DC charge cap. Default investment arrangements are subject to a charge cap of 0.75% p.a.

As a result of the above action, the following funds are also considered a default investment arrangement for regulatory and monitoring purposes:

- The Visa Cash Fund was considered a deemed default investment arrangement from 1 September 2021.
- The Visa Global Equity Fund was considered a deemed default investment arrangement from 15 September 2021.
- The Visa Bond Fund was considered a deemed default investment arrangement from 1 October 2021.

## **Statement of Investment Principles ('SIP')**

Details of the objectives and Trustee policies regarding the default arrangements and other lifestyle arrangements can be found in a document called the 'Statement of Investment Principles' (SIP). The most recent Plan version at the time of writing is dated 12 September 2023 and can be found on the Visa website here:

<https://www.visa.co.uk/content/dam/VCOM/regional/ve/unitedkingdom/PDF/visa-in-europe/uk-vepp-statement-of-investment-principles.pdf>.

The Trustee's key aim for the Plan, including the primary default investment arrangement, is to provide a range of investments that are suitable for meeting members' investment objectives over their investment time horizons. In choosing the Plan's investment options, the Trustee's policy is to take account of:

- the types of investments to be held by the Plan;
- the balance between different kinds of investments ensuring suitable diversification both across asset class and investment manager;
- risks – including the ways these are to be measured and managed;
- the expected return on investments;

- the realisation of investments.

The Options Open Lifestyle initially invests in higher risk assets such as equity and property to give members exposure to high growth potential and gradually shifts into lower risk assets. The Options Open Lifestyle is composed of:

- A growth phase including two white labelled funds: Visa Global Equity Fund (90%) and Visa Property Fund (10%) comprised of a range of passive and active underlying funds; and
- A de-risking phase beginning 15 years prior to a member's target or selected retirement age, during which a member's funds gradually transition into lower risk investment funds: Visa Multi Asset Fund, Visa Bond Fund and Visa Cash Fund. The aim is to provide some protection to members' accumulated savings.

### **Investment strategy review**

The Trustee, with assistance from its investment advisers, undertook a review of the Plan's investment strategy during the period covered by the Statement, including formally reviewing the Plan's default arrangements. The review commenced on 14 March 2023 and was completed on 12 September 2023.

The strategy review considered the Plan's membership profile, the needs of members, how members access their benefits as well as the expected member outcomes at retirement. The Trustee also reflected on the ongoing suspension of the Visa Property Fund and the subsequent member impact (see 'Ongoing items to report' below for more detail). The Trustee believes investing in property has many benefits for the Plan's members, including offering enhanced diversification and exposure to a wider opportunity set for future returns. As part of the strategy review, the Trustee therefore also considered potential resolutions through amendments to the operational structure of the Plan's lifestyle strategies to better support ongoing investment within property. The Trustee took advice from its investment adviser on all of these aspects and considered the aims and objectives outlined in the SIP.

As a result of the review, the Trustee agreed to retain the Plan's lifestyle strategies, including the Options Open Lifestyle as the primary default arrangement. However, changes to the underlying funds used within the lifestyle strategies were agreed and these changes were implemented over January and February 2024. The changes made were as follows:

- **Visa Global Equity Fund:** The Trustee agreed to change the underlying fund allocations used within the Visa Global Equity Fund. The existing developed market equity allocation was replaced with two BlackRock ESG-aligned developed market equity funds. The Trustee believes that the changes will support member outcomes and improve financial performance over the medium and long-term by identifying companies that are better positioned for the future.
- **Visa Growth Fund:** The Visa Global Equity Fund and the Visa Property Fund were 'wrapped' and delivered together under a new single fund structure, the Visa Growth Fund. The Visa Growth fund replaces the Visa Global Equity Fund and Visa Property Fund components within the Plan's lifestyle strategies. This change was designed to mitigate any future operational challenges, and member impact, associated with the ongoing property fund suspension.

In the planning of the Visa Global Equity Fund transition, the Trustee received expected transaction costs from its investment adviser and concluded that the costs were reasonable when considered in conjunction with the expected benefits outlined above. The Trustee, with support from its investment adviser, monitored market volatility in the lead up to the transition before confirming that a movement of assets could proceed, and assets were realised and invested on the same day to limit out of market exposure. The Trustee awaits final transaction costs and will review these to

ensure they remain in line with expectations. More information on this transition will be included in the next annual Statement.

The Visa Growth Fund introduction was managed internally within the Scottish Widows investment platform. Scottish Widows worked to ensure there were no transaction costs associated with this change.

The Trustee is required to undertake a formal review of the default investment arrangements at least every 3 years or following a significant change in the Plan membership. The next formal review of the Plan's investment strategy, including the primary and deemed default investment arrangements, is due to take place by 14 March 2026.

### **Performance Monitoring**

The Trustee also reviews the performance of the default arrangements and other investment options regularly between each strategic review to ensure that the funds and strategies are delivering as expected. The Trustee has in place performance monitoring metrics that bring any underperforming funds to the attention of the Trustee.

The investment strategy review that took place in the year concluded that the default arrangements were performing broadly as expected. However, it was noted that enhancements could be made to the Plan's lifestyles to further improve medium to long term financial performance and to limit member impact associated with the ongoing property fund suspension. As noted above, the Trustee has now taken action to address this.

### **Ongoing items to report**

In November 2022, contributions and divestments from the Visa Property Fund were suspended. The Visa Property Fund currently invests 100% of its assets in the Invesco Global Real Estate Fund ('Invesco GREF') and, following a reduction in Invesco GREF's liquid holdings, Invesco suspended trading in this fund from 18 November 2022. The suspension of the Invesco GREF led to the Visa Property Fund being suspended to both investments and redemptions. Members' contributions intended for investment in the Visa Property Fund were redirected to the Visa Cash Fund from the 17 November 2022. The Trustee selected the Visa Cash Fund, after advice from its investment adviser, as it was considered the most appropriate investment option to house these assets on a short term basis. The Trustee recognises that the property fund has been suspended for some time and, although not unusual, is impacting member experience. The Trustee has therefore taken explicit action to address this by implementing a new Visa Growth Fund (see 'Investment strategy review' above for more detail). Ongoing updates are being provided to members via the member portal.

Following the conclusion of the recent investment strategy review, the Trustee has decided to deliver the Visa Property and Visa Global Equity components within the lifestyle strategies together under a new fund structure, the Visa Growth Fund. This change is expected to mitigate the operational issues arising from the property fund suspension.

## **2. Net investment returns**

**The Trustee is required to report on net investment returns for each default arrangement and for each non-default fund which members of the Plan were invested in during the year. Net investment return refers to the returns on funds minus all member-borne transaction costs and charges.**

The net investment returns have been prepared having regard to statutory guidance and cover the period to 30 September 2023.

It is important to note that past performance is not a guarantee of future performance.

### (i) Primary default arrangement – Options Open Lifestyle

Net investment returns for the Options Open Lifestyle vary by age as the underlying asset allocation for the strategy changes over time. We have shown blended net investment returns for members at varying stages in lifestyle strategy below.

Fund performance covering the five-year period to 30 September 2023 has not been reported for the older member as historic changes to the underlying strategy mean the underlying data is unavailable.

Performance	Annualised returns (% p.a.) Options Open Lifestyle	
	1 year	5 years
Age of Member on 1 October 2022		
25	7.8	6.0
45	7.8	6.0
55	6.4	n/a

Source: Scottish Widows as at 30 September 2023.

### (ii) Deemed defaults – Visa Bond Fund, Visa Cash Fund and Visa Global Equity Fund

Following the Plan's latest investment strategy review, some members' self-select funds were mapped to funds which are now considered deemed defaults.

Fund performance covering the five-year period to 30 September 2023 has not been reported for both the Visa Bond and Cash funds as the inception date for both funds is after 30 September 2018.

Performance	Annualised returns (% p.a.)	
	1 year	5 years
Fund name		
Visa Global Equity Fund	9.3	6.6
Visa Bond Fund	6.5	n/a
Visa Cash Fund	4.0	n/a

Source: Scottish Widows as at 30 September 2023

### (iii) Self-select investments

In addition to the Options Open Lifestyle, members also have the option to invest in a further two lifestyles targeting annuity or cash at retirement, and 16 individual funds.

All three of the Plan's lifestyle arrangements do not begin to diverge until five years pre members' expected retirement age. Net investment returns for the Plan's alternative lifestyle strategies vary by age as the underlying asset allocation for the strategies changes over time. We have shown blended net investment returns for members at varying stages in the alternative lifestyle strategies below.

Performance	Annualised returns (% p.a.) Annuity Lifestyle	
	1 year	5 years
Age of Member on 1 October 2022		
25	7.8	6.0
45	7.8	6.0
55	6.4	n/a

Source: Scottish Widows as at 30 September 2023.

Performance	Annualised returns (% p.a.) Lump Sum Withdrawal Lifestyle	
	1 year	5 years
Age of Member on 1 October 2022		
25	7.8	6.0

45	7.8	6.0
55	6.4	n/a

Source: Scottish Widows as at 30 September 2023.

<b>Performance</b>	<b>Annualised returns (% p.a.)</b>	
<b>Core Funds</b>	<b>1 year</b>	<b>5 years<sup>1</sup></b>
Visa Global Equity	9.3	6.6
Visa Bond Fund	6.5	n/a
Visa Cash Fund	4.0	n/a
Visa Multi-Asset Fund	1.5	0.8
Visa Responsible Investment Fund	6.6	n/a
Visa Property Fund	-5.6	0.9
<b>Non-Core Funds</b>	<b>1 year</b>	<b>5 years</b>
BlackRock Aquila World ex-UK Equity Index Fund	12.3	9.0
Schroder Global Equity Fund	11.3	9.9
Legal & General Future World Annuity Aware Fund	1.0	-4.0
BlackRock Aquila MSCI World Index Fund	12.1	9.2
Legal & General UK Equity Index Fund	13.8	3.6
BlackRock Aquila Over 5 Year Index-Linked Gilt Index Fund	-16.1	-6.5
BlackRock Aquila Up to 5 Year Index-Linked Gilt Index Fund	5.2	2.6
Schroder Global Emerging Markets Equity Fund	0.7	1.6
Managed Fund	8.6	1.0
HSBC Islamic Fund	13.5	11.7

Source: Underlying investment managers and Scottish Widows as at 30 September 2023.

- Where fund performance covering a five-year period to 30 September 2023 has not been reported, this is as a result of these funds having an inception date after 30 September 2018.

#### (iv) Additional Voluntary contributions

A small amount of AVC assets remain within the Zurich Assurance Limited ('Zurich') AVC policy. These arrangements are closed to new contributions and were only available to members of the Defined Benefit section of the Plan.

<b>Performance</b>	<b>Annualised returns (% p.a.)</b>	
<b>Fund name</b>	<b>1 year</b>	<b>5 years</b>
Aquila UK Equity Index Fund	13.3	3.1
Equity Managed Fund	12.0	5.5
Managed Fund	6.0	4.0
UK Equity Fund	18.1	2.9

Source: Zurich as at 30 September 2023.

Some members of the Plan also have assets invested in the Zurich With Profits Fund. The Zurich With Profits Fund has unique features including an element of smoothing of returns. The underlying returns generated by the asset allocation are not applied to member accounts but instead members receive an annual bonus rate which is applied throughout the year. This feature can be beneficial during periods of market stress where bonus rates are often above the underlying returns. However, during a market rally, bonus rates are often below the underlying returns. This feature helps to provide more consistent returns regardless of the volatility of the underlying assets in the With Profits Fund. There are no guarantees associated with the Zurich With Profits Fund, however once

the annual bonus rate is announced, it cannot be removed. Terminal bonuses, which are subject to change at any time, can also be payable as part of the Zurich With Profits Fund.

The annual bonus rates applied for each of the most recent 5 years are set out below. Rates are determined in March each year:

<b>Zurich With Profits Fund</b>	
<b>Year</b>	<b>Annual Bonus Rates %</b>
2023	2.75
2022	2.75
2021	2.50
2020	2.50
2019	2.50

Source: Zurich

### **3. Member Borne Charges and Transaction costs**

**The Trustee is required to regularly monitor the level of charges borne by members through the investment funds. These charges comprise:**

- **Fund Charges: these are explicit, and represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio (TER), or as an Annual Management Charge (AMC), which is a component of the TER;**
- **Transaction costs: these are not explicit, and are incurred when the Plan's fund manager buys and sells assets within investment funds but are exclusive of any costs incurred when members invest in or sell out of funds.**

Transaction costs are largely the result of buying and selling investments within a fund, therefore actively managed funds with a high turnover of holdings, or those invested in less liquid assets (such as the Visa Property Fund), will usually have higher transaction costs than passively managed funds (such as the BlackRock Aquila MSCI World Index Fund) that invest in more liquid assets.

As defined by the Financial Conduct Authority ("FCA"), explicit transaction costs are the costs that are directly charged to or paid by the fund and may include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker to buy and sell investments) and costs of borrowing or lending securities.

Implicit transaction costs are calculated as the difference between the actual price paid (execution price) and the quoted 'mid-market price' at the time the order was placed (arrival price). This method, although reasonable if observed over a long period of time, can result in a volatile measure from one year to another and can even result in a profit, known as 'negative costs'. This can happen, for example when buying an asset, if the actual price paid ends up being lower than the mid-market price at the time of placing the order.

The charges and transaction costs have been supplied by Scottish Widows who are the Plan's investment platform provider. The Trustee can confirm that there is no missing transaction cost data relating to the Plan's DC Section. Where transaction costs have been provided as a negative cost, these have been set to zero by the Trustee in line with FCA guidance.

The Trustee is also required to confirm that the total costs and charges paid by any member in the default arrangements has not exceeded 0.75% p.a. (the charge cap) and produce an illustration of the cumulative effect of the overall costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.



Where a fee is calculated by reference to the returns from investments held by the Plan and is not calculated by reference to the value of the member's rights under the Plan, the Trustee must state the amount of any such performance-based fees in relation to each default arrangement. During the Plan Year, there were no performance-based fees paid in respect of the Plan's DC Section or AVC investments.

The Trustee has set out the costs and charges that are incurred by members, rather than the employer, over the statement year in respect of each investment fund available to members. These comprise the TER and transaction costs. When preparing this section of the Statement the Trustee has taken account of the relevant statutory guidance.

### (i) Primary default arrangement – Options Open Lifestyle

The Options Open Lifestyle has been set up as a lifestyle arrangement which means that members' assets are automatically moved between different investment funds as they approach their target retirement date.

For the period to 30 September 2023, the Options Open Lifestyle had TER values ranging from 0.344% p.a. to 0.398% p.a. depending on the member's period to retirement. Transaction costs ranged between 0.075% p.a. and 0.126% p.a., and the total cost associated with the Options Open Lifestyle is between 0.433% p.a. and 0.484% p.a.

Total costs experienced over the year to 30 September 2023 were more than that experienced over the year to 30 September 2022, primarily driven by an increase in transaction costs. This is not unexpected as transaction costs do vary year to year and vary depending on the level of trading required to maintain the fund. Nevertheless, the ranges are within the 0.75% p.a. charge cap for schemes that are used for auto-enrolling employees.

Primary Default Arrangement	TER % p.a.	Transaction Costs % p.a.	Total costs % p.a.
Options Open Lifestyle ( <i>primary default arrangement</i> )	0.344 – 0.398	0.075– 0.126	0.433 – 0.484

Source: Scottish Widows as at 30 September 2023.

### (ii) Deemed Default Arrangements – Visa Bond Fund, Visa Cash Fund and Visa Global Equity Fund

A breakdown of the TERs and transaction costs applicable to the deemed default arrangements are listed below. Total costs experienced over the year to 30 September 2023 were more than those experienced over the year to 30 September 2022 for the Visa Global Equity Fund and Visa Bond Fund. Total costs reduced slightly for the Visa Cash Fund over the equivalent period. Similarly, the changes to total cost are driven by changes in transaction costs. Again, charges remain within the 0.75% p.a. charge cap for schemes that are used for auto-enrolling employees.

Deemed Default Arrangements	TER % p.a.	Transaction Costs % p.a.	Total costs % p.a.
Visa Global Equity Fund	0.282	0.030	0.312
Visa Bond Fund	0.153	0.201	0.354
Visa Cash Fund	0.110	0.012	0.122

Source: Scottish Widows as at 30 September 2023.

### (iii) Self-select investment funds

A breakdown of the TERs and transaction costs applicable to the self-select investment options available to members over the period until 30 September 2023 are listed in the table below.

The TERs have largely remained consistent compared to the previous year with a few exceptions:



- The Visa Global Equity Fund, the Visa Bond Fund and the BlackRock Aquila Up to 5 Year Index-Linked Gilt Index Fund charges all increased due to changes in Additional Fund Expenses ('AFE').
- The Visa Multi Asset Fund, the BlackRock Aquila MSCI World Index Fund and the Schroder Global Equity Fund charges decreased, again due to AFE changes.

The AFE is the cost associated with the management of the portfolio, but not covered by the manager's AMC as described above. These costs are determined by the underlying fund managers and fluctuate from time to time.

<b>Lifestyles</b>	<b>TER % p.a.</b>	<b>Transaction Costs % p.a.</b>	<b>Total costs % p.a.</b>
Lump Sum Withdrawal Lifestyle	0.110 – 0.398	0.012 – 0.123	0.122 – 0.480
Annuity Lifestyle	0.136 – 0.398	0.003 – 0.094	0.138 – 0.480
<b>Core Funds</b>	<b>TER % p.a.</b>	<b>Transaction Costs % p.a.</b>	<b>Total costs % p.a.</b>
Visa Global Equity Fund	0.282	0.030	0.312
Visa Bond Fund	0.153	0.201	0.354
Visa Cash Fund	0.110	0.012	0.122
Visa Multi-Asset Fund	0.794	0.000	0.794
Visa Responsible Investment Fund	0.393	0.106	0.499
Visa Property Fund	1.040	0.480	1.520
<b>Non-Core Funds</b>	<b>TER % p.a.</b>	<b>Transaction Costs % p.a.</b>	<b>Total costs % p.a.</b>
BlackRock Aquila World ex-UK Equity Index Fund	0.114	0.005	0.119
Schroder Global Equity Fund	0.614	0.116	0.730
Legal & General Future World Annuity Aware Fund	0.144	0.000	0.144
BlackRock Aquila MSCI World Index Fund	0.124	0.023	0.147
Legal & General UK Equity Index Fund	0.120	0.030	0.150
BlackRock Aquila Over 5 Year Index-Linked Gilt Index Fund	0.108	0.082	0.190
BlackRock Aquila Up to 5 Year Index-Linked Gilt Index Fund	0.119	0.007	0.126
Schroder Global Emerging Markets Equity Fund	1.150	0.211	1.361
Managed Fund	0.285	0.131	0.416
HSBC Islamic Fund	0.390	0.048	0.438

Source: Scottish Widows as at 30 September 2023.

#### **(iv) Additional Voluntary contributions**

The AVC assets remaining with Zurich are closed to new contributions. This arrangement was only available to members of the Defined Benefit section of the Plan.

The TERs and transaction costs associated with the Zurich AVC policy are shown below.

Funds	TER % p.a.	Transaction Costs % p.a.	Total costs % p.a.
Aquila UK Equity Index Fund	0.56	0.041	0.601
Equity Managed Fund	0.72	0.566	1.286
Managed Fund	0.73	0.346	1.076
UK Equity Fund	0.74	0.212	0.952
With Profits Fund	0.70	0.069	0.769

Source: Zurich as at 30 September 2023.

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

**From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of costs by the trustee and managers of a relevant scheme. These changes are intended to improve transparency on costs.**

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided three illustrations of their cumulative effect on the value of typical Plan members' savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future which are set out on page 14.

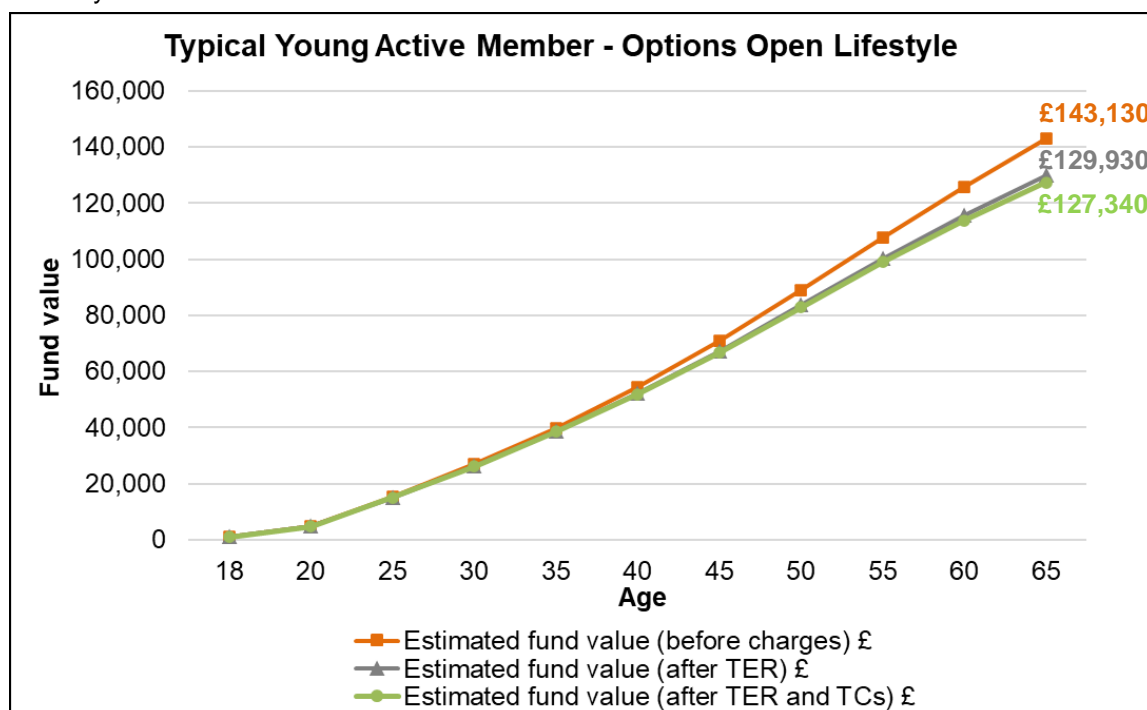
Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Plan, they are not a substitute for the individual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

Each illustration A, B and C is shown for a different type of member invested in varying investment options:

- Each chart represents investment in the primary default arrangement, the Options Open Lifestyle.
  - The charts show the member's retirement savings at retirement age, with and without TERs and transaction costs applied.
- The tables beneath the chart include projections of the deemed default investment arrangements: the Visa Global Equity Fund, the Visa Bond Fund and the Visa Cash Fund.
  - As the projected retirement savings are dependent on investment returns as well as the level of costs and charges, we have also included comparison figures in the tables.
- For comparison purposes, we also show the projected retirement savings if the typical member were invested in the fund within the DC Section of the Plan which attracts the lowest total charges – the BlackRock Aquila World ex-UK Equity Index Fund and the fund which attracts the highest total charges – the Visa Property Fund.

All projected fund values are shown in today's terms, and do not need to be reduced further for the effect of future expected inflation.

**Illustration A:** is based on the youngest active Plan member who has 47 years to go until their retirement at age 65. The member has a current salary of £21,000, has future contributions of 9% of salary and current fund value of £979.

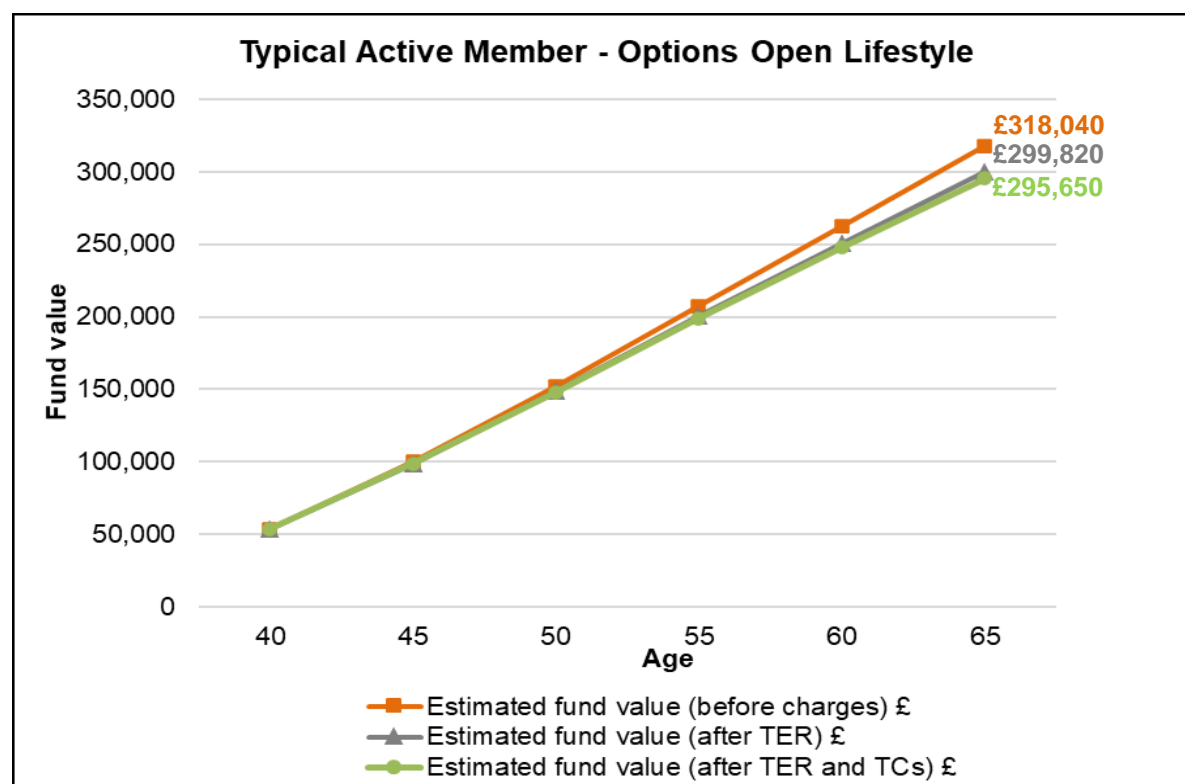


**Projected Pension Account in today's money**

Age	Options Open Lifestyle			Visa Global Equity Fund			Visa Bond Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
18	979	979	0	979	979	0	979	979	0
20	4,840	4,820	20	4,850	4,830	20	4,740	4,720	20
25	15,280	15,050	230	15,390	15,220	170	14,310	14,130	180
30	26,940	26,260	680	27,280	26,750	530	24,110	23,620	490
35	39,980	38,540	1,440	40,700	39,580	1,120	34,150	33,190	960
40	54,540	51,990	2,550	55,830	53,820	2,010	44,440	42,830	1,610
45	70,810	66,720	4,090	72,890	69,660	3,230	54,980	52,560	2,420
50	88,990	82,860	6,130	92,150	87,250	4,900	65,780	62,360	3,420
55	107,830	99,040	8,790	113,870	106,810	7,060	76,850	72,240	4,610
60	125,830	113,730	12,100	138,370	128,540	9,830	88,190	82,210	5,980
65	143,130	127,340	15,790	166,000	152,680	13,320	99,810	92,250	7,560

Age	Visa Cash Fund			BlackRock Aquila World ex-UK Equity Index Fund			Visa Property Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
18	979	979	0	979	979	0	979	979	0
20	4,630	4,620	10	4,850	4,850	0	4,740	4,670	70
25	13,300	13,240	60	15,390	15,330	60	14,310	13,630	680
30	21,350	21,190	160	27,280	27,080	200	24,110	22,250	1,860
35	28,830	28,530	300	40,700	40,270	430	34,150	30,520	3,630
40	35,780	35,310	470	55,830	55,060	770	44,440	38,470	5,970
45	42,240	41,570	670	72,890	71,650	1,240	54,980	46,110	8,870
50	48,230	47,350	880	92,150	90,260	1,890	65,780	53,450	12,330
55	53,810	52,680	1,130	113,870	111,130	2,740	76,850	60,500	16,350
60	58,980	57,600	1,380	138,370	134,540	3,830	88,190	67,270	20,920
65	63,790	62,150	1,640	166,000	160,810	5,190	99,810	73,780	26,030

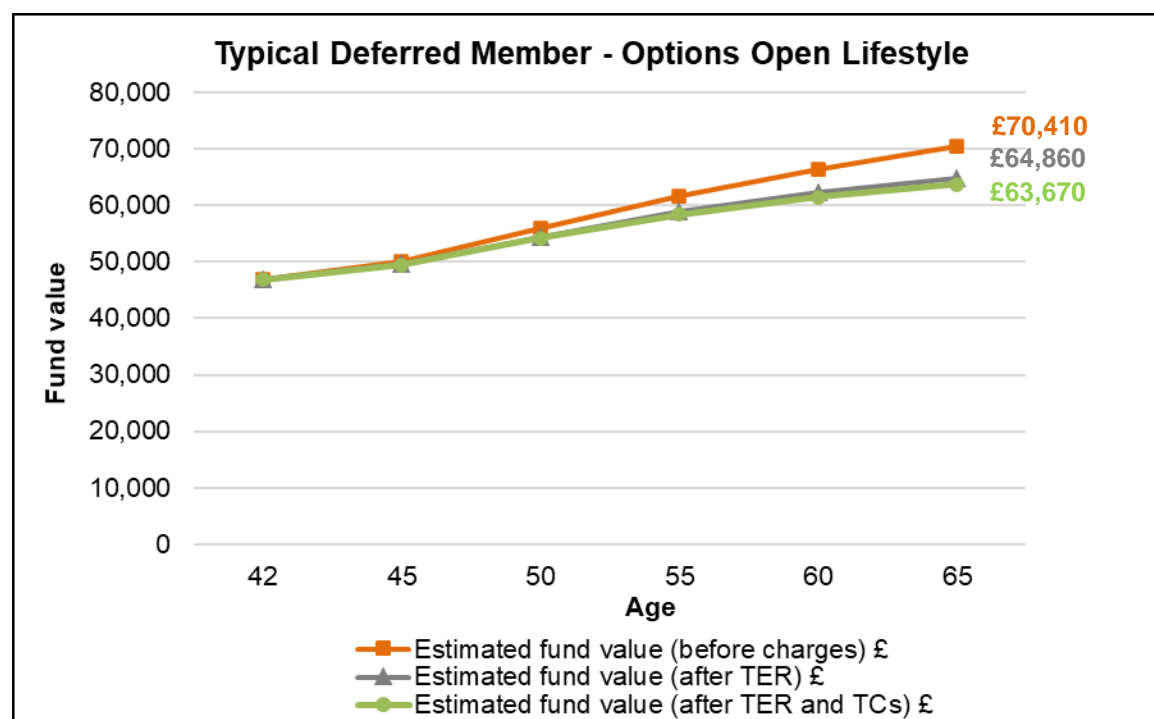
**Illustration B:** is based on an average active Plan member who has 25 years to go until their retirement at age 65. The member has a current salary of £85,526, has future contributions of 9% of salary and a current fund value of £53,681.



Projected Pension Account in today's money									
Age	Options Open Lifestyle			Visa Global Equity Fund			Visa Bond Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
40	53,681	53,681	0	53,681	53,681	0	53,681	53,681	0
45	100,180	98,600	1,580	100,950	99,750	1,200	93,480	92,290	1,190
50	152,140	147,810	4,330	154,280	150,940	3,340	134,270	131,220	3,050
55	207,450	198,790	8,660	214,430	207,830	6,600	176,050	170,470	5,580
60	262,870	248,050	14,820	282,290	271,050	11,240	218,870	210,030	8,840
65	318,040	295,650	22,390	358,830	341,300	17,530	262,740	249,930	12,810

Age	Visa Cash Fund			BlackRock Aquila World ex-UK Equity Index Fund			Visa Property Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
40	53,681	53,681	0	53,681	53,681	0	53,681	53,681	0
45	86,510	86,090	420	100,950	100,500	450	93,480	88,840	4,640
50	117,010	116,010	1,000	154,280	153,010	1,270	134,270	122,610	11,660
55	145,340	143,630	1,710	214,430	211,910	2,520	176,050	155,060	20,990
60	171,660	169,130	2,530	282,290	277,970	4,320	218,870	186,230	32,640
65	196,110	192,670	3,440	358,830	352,080	6,750	262,740	216,180	46,560

**Illustration C:** is based on a deferred member (a member who is no longer making contributions into their Pension Account) who has 23 years to go until their retirement at age 65. The member has a current fund value of £46,810.



Projected Pension Account in today's money									
Age	Options Open Lifestyle			Visa Global Equity Fund			Visa Bond Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
42	46,810	46,810	0	46,810	46,810	0	46,810	46,810	0
45	50,030	49,440	590	50,320	49,870	450	47,500	47,040	460
50	55,900	54,160	1,740	56,760	55,420	1,340	48,670	47,430	1,240
55	61,600	58,410	3,190	64,030	61,590	2,440	49,870	47,820	2,050
60	66,350	61,440	4,910	72,230	68,440	3,790	51,100	48,210	2,890
65	70,410	63,670	6,740	81,480	76,060	5,420	52,350	48,600	3,750

Age	Visa Cash Fund			BlackRock Aquila World ex-UK Equity Index Fund			Visa Property Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
42	46,810	46,810	0	46,810	46,810	0	46,810	46,810	0
45	44,780	44,620	160	50,320	50,150	170	47,500	45,700	1,800
50	41,600	41,190	410	56,760	56,250	510	48,670	43,900	4,770
55	38,650	38,020	630	64,030	63,100	930	49,870	42,180	7,690
60	35,900	35,100	800	72,230	70,770	1,460	51,100	40,520	10,580
65	33,350	32,410	940	81,480	79,380	2,100	52,350	38,930	13,420

Members are advised to consider both the level of costs and charges and the expected return on investments (i.e. the risk profile of the strategy) in making investment decisions.

#### **Assumptions and data for illustrations:**

*The following assumptions have been made for the purposes of the above illustrations:*

- *Annual salary growth and inflation is assumed to be 2.5% per annum*
- *The starting fund values and future contributions used in the projections are representative of the average for the Plan*
- *The projected annual returns on assets are:*
  - *Visa Global Equity Fund* 5.00% p.a.
  - *Visa Property Fund* 3.00% p.a.
  - *Visa Multi-Asset Fund* 3.00% p.a.
  - *Visa Cash Fund* 1.00% p.a.
  - *Visa Bond Fund* 3.00% p.a.
  - *BlackRock World ex-UK Equity Index* 5.00% p.a.

*For the Options Open Lifestyle, the projection takes into account the changing proportion invested in the different underlying funds. All funds shown above are underlying funds.*

- *The transaction costs have been averaged over a 5 year period where data is available in line with statutory guidance to reduce the level of volatility, and a floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.*
- *Data used is as at 30 September 2023.*

#### **4. Value for Members assessment**

**The Administration Regulations require the Trustee to make an assessment of charges and transactions costs borne by members and the extent to which those charges and costs represent good value for money for members.**

There is no legal definition of "good value" or the process of determining this for members of the Plan. Therefore, working in conjunction with its DC advisor, Aon, the Trustee has developed its cost-benefit analysis framework in order to make an assessment as to whether the Plan members receive good value from the Plan relative to the costs and charges they pay.

The costs have been identified as TERs and transaction costs and are set out in section 3 of this Statement. The Trustee has considered the benefits of membership under the following five categories: Plan governance, investments, administration and member experience, member communications and engagement and retirement support. Benchmarking relative to other pension arrangements or industry best practice guidelines is also undertaken.

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

##### Plan governance

**The Trustee believes in having robust processes and structures in place to support effective management of risks and ensure members' interests are protected, increasing the likelihood of good outcomes for members.**

- The Trustee regularly reviews and updates its governance processes and procedures to make sure these meet industry best practice.



- The Trustee conducts an annual assessment against the DC Code of Practice to ensure it continues to adhere to best practice. As part of this assessment, actions are put in place to address any identified gaps.
- Core financial transactions and other key governance metrics are monitored quarterly within administration reports, and DC related risks are captured in, and monitored through, the Plan's risk register. Regular meetings are held with the Plan administrator ('Buck') to discuss and progress areas of the administration that require input from the Trustee.
- The Trustee board has also delegated specific duties to two sub committees who meet at least quarterly, but will meet more frequently when required, for example, during the DC investment strategy review.
  - The Investment Sub Committee ('ISC') focusses its time on investment matters and DC investment is always a standing item at the ISC's meetings.
  - The Administration and Governance Sub Committee ('AGSC') is responsible for the administrative and governance issues including monitoring, management and mitigation of Plan risks, including DC specific risks through maintenance of a risk register, which will be reviewed at least annually.
  - Any discussion and decision making that takes place at either sub-committee is reported back to the full Trustee board at its board meetings.

#### Investments

**The Trustee believes that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes.**

- The Plan offers a variety of lifestyle strategies and self-select funds covering a range of member risk profiles and asset classes. The investment funds available have been designed following advice from the Trustee's investment adviser and are reviewed at least triennially relative to the needs of members.
- A suitable range of standalone self-select funds on the risk/return spectrum are available to members.
- The Trustee reviews the performance of the default arrangements against its aims, objectives and policies on a quarterly basis, based on reports received from its investment adviser. This review includes an analysis of fund performance and member activity to check that the risk and return levels meet expectations.

#### Administration

**The Trustee believes that good administration and record keeping play a crucial role in ensuring that Plan members receive the retirement income due to them. In addition, that the type and quality of service experienced by members has a bearing on the level of member engagement.**

- The Trustee obtains information to assess the member experience through key performance indicators and regular administration meetings with Buck, to monitor standards of administration and record keeping for the DC section of the Plan. In line with section 5 below, the Trustee is comfortable with the quality and efficiency of the administration processes.
- The Trustee receives confirmation from Buck of the current position with regards to common and conditional data and any amendments which may be required to rectify gaps in data. The last common and conditional data check was carried out in July 2022.
- The Plan's internal controls and processes are reviewed on an annual basis by the AGSC.

### Member communications and engagement

**The Trustee believes that effective member communications and delivery of the right support and tools help members understand and improve their retirement outcomes.**

- The Plan provides members with clear, regular communications, benefit statements and 'at retirement' communications.
- In addition to this, members also receive regular updates issued by the sponsoring employer of the Plan on pension related issues.
- The Trustee notifies members of changes to the Plan's investment options. For example, the Buck member portal is regularly updated to keep members informed and a retirement options pack is provided to members as they approach their selected retirement age.
- Educational material and important documentation are also available via the Buck portal. For example, the Member Handbook, Investment Guide and FAQ documents detailing the Visa Property Fund suspension.

### Retirement support

**The Trustee believes it is important to have retirement processes that enable members to make informed decisions and select appropriate option(s) at retirement.**

- Members are provided with suitable and regular 'at retirement' communications which detail important information and what to expect on approaching retirement.
- Members are also provided with financial planning tools via the Buck member portal, including a retirement modeller, calculators and supporting information to assist with their pension planning.
- Ongoing at retirement support and options are being considered further by the Trustee to assess the possibility of enhancing the options and support available, including work being carried out by the Trustee and the Company to put in place a preferred Independent Financial Advisor.

### Conclusion

In recognition of the above, the Trustee's assessment concluded that the charges and transaction costs borne by Plan members represent good value for members relative to the benefits of Plan membership.

### Note in relation to AVCs held in the Zurich With Profits Fund

The Trustee consolidated the majority of AVC arrangements into the core DC arrangement held with Scottish Widows in February 2020. However, a small amount of legacy AVC assets remain with Zurich in which all members remaining have some or all of their assets invested in the Zurich With Profits Fund. Members invested in the With Profits Fund were not transferred without consent, or instruction, due to the unique structure and guarantees associated with the Fund. Members invested in the With Profits Fund were informed of the transfer and the Trustee belief that the core DC arrangement with Scottish Widows potentially offers better value. Given these members chose not to transfer their assets, the assumption is that these members believe the structure of the With Profits arrangement offers inherent value. The charges associated with the Zurich arrangement are higher than those in the core DC arrangement however are in line with similar legacy AVC arrangements.

## 5. Processing of Core Financial Transactions

**The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the investment of contributions, transfer of member funds into and out of the Plan, transfers between different investments within the Plan and payments to and in respect of members/beneficiaries.**

The majority of the core financial transactions are undertaken on behalf of the Trustee by Buck. The sponsoring employers of the Plan are responsible for ensuring that contributions are paid to the Plan promptly and accurately. The timing of such payments is monitored by the Trustee from quarterly administration reports submitted by Buck.

In order to determine how well Buck is performing, the Trustee has service level agreements ('SLAs') in place with Buck. These SLAs detail a number of key administration processes to be performed and the target timescale within which each of these processes needs to be completed. There are SLAs in place for all core financial transactions. Under the current SLA, Buck aims to accurately complete all activities within different time frames, depending on the criticality and complexity of the activity. The agreement for time critical processes such as investment changes/switches is 5 working days from receipt, and the SLA target increases to 10 working days for more complex member enquiries such as transfer quotations and settlements.

The Trustee has also reviewed the key processes adopted by the Buck and its output in order to minimise the risks of inaccurate or late payment of core financial transactions. Key processes include:

- Provision of quarterly administration reports from Buck to the Trustee including information regarding: member statistics; payment schedules and contribution summary; service level analysis; Trustee discretions; and special projects. This enables the Trustee to check core financial transactions and review processes relative to any member complaints made.
- Automatic email notifications for transactions received ensuring that all core financial transactions are completed in a timely manner.
- Daily monitoring of the Trustee bank account.
- Strict review processes for all core financial transactions.
- Monthly unit reconciliations are carried out by Buck.
- Ongoing staff training on the processing of core financial transactions.
- Documentation and operation in line with quality assurance policies and procedures.

In addition, the Trustee meets with Buck on a quarterly basis to discuss the administration of the DC Section of the Plan. These meetings provide an opportunity to discuss the quarterly administration report and any issues that might arise.

The Trustee has received copies of the up to date Internal Controls reports and/or documents from Scottish Widows and Buck and are comfortable that appropriate procedures and policies are in place to ensure financial transactions are processed as expected.

Buck is subject to internal and external audits. Buck has provided the Trustee with its Type 2 AAF Report representing the review of controls in place from 1<sup>st</sup> May 2022 to 30<sup>th</sup> April 2023.

The Trustee is satisfied that over the Plan year:

- Buck were operating appropriate procedures, checks and controls and operating within the agreed SLA, with the Buck administration team completing over 97% of activities within the agreed SLAs;

- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately.

#### AVC arrangements

The Trustee has requested specific information relating to core financial transactions from Zurich. At the time of writing, specific core financial transaction information was still awaited from Zurich. The Trustee, along with its advisers, continues to request information relating to the core financial transactions and will take such follow up action as it considers necessary to ensure that the Trustee is satisfied with the processes in place.

## **6. Trustee Knowledge and Understanding**

**Sections 247 and 248 of the Pensions Act 2004 set out the requirement for the Trustee Directors to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as Trustee properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.**

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

- A structured training programme for newly appointed Trustee Directors including completion of the Pension Regulator's trustee toolkit (the Trustee Toolkit), which is an online learning programme. See further information on the induction process below.
- Assessing training needs annually as part of the business plan. Due consideration is given to the upcoming calendar of events recorded in the business plan and suggested relevant topics from advisors as well as gaps in the Trustee's knowledge.
- Individual assessments of trustee training needs is regularly carried out through discussions with the Chair and Plan Secretary to assess any knowledge gaps. Training covering these knowledge gaps is delivered at Trustee meetings.
- Undergoing regular training for the year. During this Plan year the Trustee received training on various topics, examples of which include:
  - Investment Markets and the Economic Outlook;
  - Employer covenant;
  - Buy-in, buy-out and end game strategy;
  - GMP Equalisation;
  - Developments in the DC market place including Master Trusts, Collective DC, Real Asset, At Retirement Journey planning, ESG and natural capital;
  - Considerations for appointing a preferred Independent Financial Advisor;
  - Pensions tax changes;
  - Changes to SMPI assumptions;
  - Mansion House reforms;
  - The Pensions Regulator's new General Code; and
  - Responsible investing training including an update on the Plan's current ESG-aligned funds and training on Aon's ESG Dashboard.
- Maintaining training logs for each Trustee Director which supports the above.

The Trustee Directors have also attended seminars including on topics such as topics such as Mansion

House reforms and DC and Financial Wellbeing and various other pension related topics.

Trustee Directors have engaged with their professional advisers regularly throughout the Plan year to ensure that they exercise their functions properly and take professional advice where needed. In exercising their functions this has required Trustee Directors to be familiar with and have a working knowledge of all key Plan documents such as the Trust Deed & Rules, the Trustee Report & Accounts, the current SIP, and documents setting out the Trustee's current policies. In particular, over the Plan year the Trustee has referred to key documents in the following circumstances:

- updating the Trustee's risk register;
- review of quarterly administration reports to monitor service delivery against agreed SLAs and assessing the member experience;
- reviewing quarterly investment reports to assess fund performance against benchmarks, and funds against overall Plan aims and objectives, as set out in the SIP; and
- maintaining a regime for proper governance - reviewing and updating the Trustee governance framework for the DC Section of the Plan.

The Trustee board incorporates a range of skills and experience and a diverse mix of backgrounds, including representatives from finance and pensions management.

Over the Plan year three Trustee Directors resigned. The employer appointed Trustee Director was replaced on 31 March 2023, and two new member-nominated Trustee Directors were appointed on 31 October 2023. As part of the onboarding process, the new Trustee Directors all completed the Trustee Toolkit, have attended training sessions and are being supported by the fellow Trustee Directors.

The Trustee board is made up of eight Trustee Directors with varying skill sets. There are currently five Employer-Nominated Trustee Directors, two of whom are independent Trustee Directors (who each hold the PMI Certificate in Trusteeship) and three Member-Nominated Trustee Directors, as well as a Trustee Secretary.

The Trustee Directors together believe they have sufficient knowledge and understanding of the law relating to pensions and trusts and the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

The Trustee Directors consider that they meet the Pension Regulator's Trustee Knowledge and Understanding requirements and are confident that their combined knowledge and understanding, together with the support of their advisers, enables them to properly and effectively exercise their functions as the Trustee of the Plan.

**Signed on behalf of the Trustee of the Visa Europe Pension Plan by the Chair of the Trustee**

Name \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_