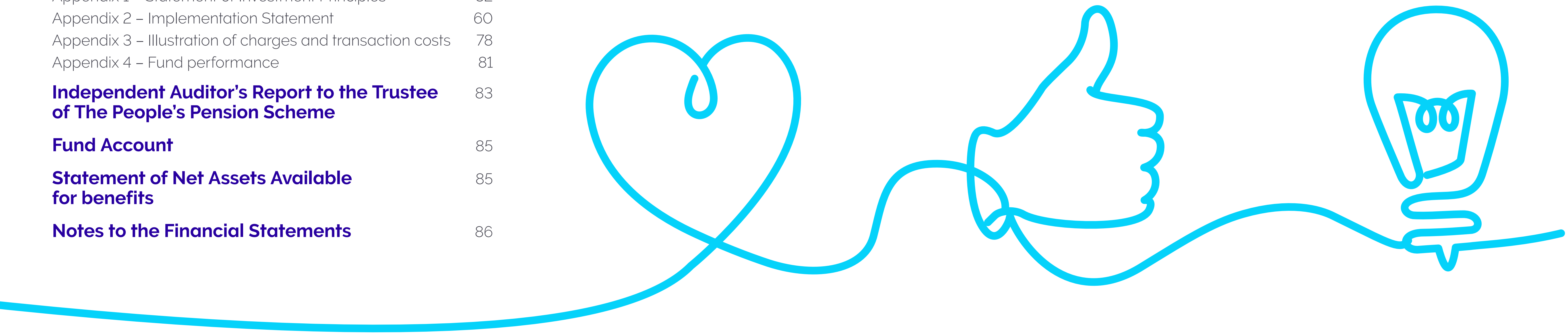
The People's Pension Scheme

Annual Report and Financial Statements for the year ended 31 March 2024

Pension scheme registry number: 12005993

Contents



Introducing the Year - Catching up with Mark Condron, Chair of the Trustee

Q How would you sum up the year?

A It's been an exciting and positive year for the Scheme. It's felt like a return to normality, without events like the pandemic and investment market turmoil to distract us. That's meant we've been able to focus more on the core issues of running the Scheme, focusing on member outcomes and continuing to provide members with value for money.

We're also back to positive investment returns, and the Scheme is welcoming more employers and members, and managing more assets. We now have over 6.6m members and over £26bn assets under management. This makes us one of the largest master trusts in the UK pensions market.

Q What highlights stand out for you?

A Firstly, we've been focusing a great deal on our investment policy this year, with a major emphasis on responsible investment. This means more of our assets are allocated to climate-aware investment strategies, reducing the measured carbon footprint of our main investment fund by 50%.

On investment matters, the Trustee sets the strategy, and People's Administration Services Limited (part of the People's Partnership Group), as Administrator, develops the plan and implements it through its investment team. People's Partnership supports the Trustee in various ways, and this is one of the most significant. We're lucky to have a very talented Investment team, and as a Trustee Board we've worked with them to oversee development of the updated policy. It's a positive change that helps us play our part in climate action by investing in a way that's compatible with our values. It also aims to improve performance and returns, as the policy is based on investing in companies which are actively working towards the reduction of carbon emissions and therefore to the achievement of the net zero targets.

It's been good to see People's Partnership continuing to invest in the Scheme, in areas like technology and automation, with members seeing the benefits in terms of improving service levels. Even though substantially more members are getting in touch with the Scheme, the time it takes to answer calls has fallen from over three minutes to just over one minute on average, while the team answers 97% of emails within three days. Alongside these improvements, there's been continued investment in tools and resources that help our members decide how much to save for retirement and navigate the options available for their pensions.

We were delighted to welcome a new member to our Trustee Board. Dr Sheila Doyle joined the Board on 1 April 2024 and brings a wealth of experience, particularly in the areas of technology and cyber security. There are more details of the appointment in the Chair's Review.

Q What's been on the Trustee Board's agenda?

A This year, we've been able to balance our time a lot more between paying attention to the day-to-day operational detail of the Scheme and our strategic plans for the future. This coincides with People's Partnership focusing more on what the Scheme does for members and how we use technology to support members' experience in the lead-up to retirement and beyond. As a Board, we've been able to spend more time engaging with the business about its plans for improving that member experience.

We have a good working relationship with People's Partnership resulting from our shared ambition for the Scheme to provide excellent value for members. It's also a simpler relationship than it might be at other pension schemes because we're not having debates about whether to invest in the business or give money back to shareholders. The structure of People's Partnership means all profits are reinvested in the business and for the benefit of members.

Despite the close alignment with People's Partnership, we remain entirely independent, and that's very important. We're accountable only to our members and must act in line with the guidance set by The Pensions Regulator. We take our role very seriously, and we're always ready to challenge and question how any new proposal will help members and whether it can be improved.

Q What's most important to members?

A Overall, what matters most is that the Scheme gives members good value. That takes several forms, including the service they receive, investment returns, charges, governance and technology to support decision making.

As a Board, our aim is to make sure The People's Pension is strong in every area, and we recognise that they're all important to our members.

As well as being one of the biggest pension schemes and fastest growing asset owners in the UK, ours is probably the most diverse in terms of our members' backgrounds, and their understanding and awareness of pensions. We're a pension for everyone. We make every effort to make sure we communicate in a way that's understandable to everyone, regardless of their level of pensions knowledge.

Q What matters most for the year ahead?

A As well as focusing on day-to-day business, we have various priorities for the coming year including overseeing preparations for connecting to the Government's Pensions Dashboards. This will allow savers to see details of all their pension pots in one place online, and we're working towards being able to connect in time for the programme's expected deadline of April 2025. We'll also continue to take a close interest in improving the tools that help members approaching retirement to clarify their options. And we'll continue working with People's Partnership, particularly the Investment team, on the journey to a more responsible investment strategy.

Q & A

Chair's Review

Welcome to the Annual Report and Financial Statements for The People's Pension Scheme ('the Scheme') covering the year to 31 March 2024, issued by The People's Pension Trustee Limited ('the Trustee', 'Trustee Board').

The People's Pension has continued to grow on all fronts. Membership rose from 6.2m to 6.6m in the year, while employer accounts increased from 105,000 to 107,000 and assets under management grew from £20.2bn to £26.4bn. The value of contributions to the Scheme increased from £3.8bn to £4.0bn. I'm also pleased to say that, over the year, our investment return for our largest fund, the Global Investment (up to 85% shares) Fund was 12.4% after fees, in contrast to the previous year's negative growth.

This underlines the fact that, while economic news was mixed across much of the world, the year was much less volatile for investments than the one before. Inflation fell in most major economies, and with it the cost of borrowing, which in turn led to business performance that was ahead of many forecasts and contributed to a resurgence in both equities and fixed income assets.

The Scheme's operational performance also continued to improve during the year. Thanks to investment by People's Partnership, in automation and people, members have found it takes significantly less time to get through on the phone than last year. This has come in a year that has seen a 26% rise in members getting in touch by phone, email and web chat.

As a Trustee Board, my colleagues and I regard good service as one of the main indicators that members are getting good value from the Scheme, so it's encouraging to see an increase in engagement from members alongside improving service. This is the reward for sustained investment in projects to improve the Scheme, which again reached around £18m in the year.

As a Trustee Board we continue to scrutinise People's Partnership's administration of the Scheme, as well as its strategic plans, to make sure members' interests always come first. Our working relationship with the Administrator remains excellent, not least because the Trustees and People's Partnership share a vision to build a Scheme that gives members a top-class experience.

There's a lot of regular communication between all those involved in running the Scheme. The Chief Executive Officer of People's Partnership attends all our Trustee Board meetings to report on performance, while its Chief Investment Officer and the Trustee's Investment Committee Chair meet monthly. I, as Trustee Chair, have bi-monthly meetings with the Chair of People's Partnership and regular meetings with its Chief Operating Officer and the CEO. For more details on how the Trustee and the Administrator work together, see the Chair's Annual Governance Statement on page 16.

Chair's Review continued

Evolving our investment approach

A strong investment proposition with good risk-adjusted returns for our members is fundamental to what we offer in a competitive master trust pension market.

Our members have a choice of three investment profiles and eight funds, and the vast majority opt for the default, or 'balanced investment' profile. Initially, the Scheme invests this in the Global Investments (up to 85% shares) Fund, and in the 15 years before retirement, members' assets gradually transfer to the Pre-Retirement Fund, which has a much greater weight in fixed interest securities and is designed to make the pension pot less volatile as a member nears retirement.

The Administrator's Investment team is responsible for overseeing this strategy and for putting members' money to work on behalf of the Trustee Board. During the last year, performance improved compared to the year before, with lower inflation and falling interest rates in particular contributing to a more favourable investment environment.

This year we've published a Responsible Investment strategy that recognises the importance of environmental, social and governance ('ESG') issues in achieving sustainable performance. As well as influencing how we allocate our investment assets, the strategy will also see us take a more active role in influencing the companies we invest in. For more details, see page 39.

We've also reported once again in line with the Task Force on Climate-Related Financial Disclosures ('TCFD'), a global framework for reporting on how climate change will affect businesses.

Strong investment decision-making and governance have been central to the Scheme's success since launch. On behalf of the Trustee Board, I thank the Investment team for their diligence, dynamism and expertise.

Strengthening the Trustee Board

After a year of transition and succession planning before and after the departure in 2023 of Trustee Directors Steve Delo and Alan Pickering and my appointment as Chair, we've been able to focus solely on the running of the Scheme and our strategy for the future.

Emma Osborne and David Butcher joined the Board in 2022, ahead of Steve and Alan reaching the end of their term of office..As members of the Board are ultimately responsible for The People's Pension, it was particularly important that we managed this transition smoothly.

We regularly review the skills that we have as Board members, and as a result of our most recent review, we concluded that we would benefit from more expertise in the ever-important area of cyber and technology. As a result, in 2023 we decided to appoint a seventh Trustee Director, and from 1 April 2024, we were joined by Dr Sheila Doyle, who attended the March 2024 Trustee Board meeting as an observer.

Sheila has more than three decades of experience operating at executive and board level across organisations including Deloitte, BP, Norton Rose Fulbright, IBM and Deutsche Bank. She's also a specialist in delivering transformational change through innovative digital solutions, with considerable experience in cyber and technology. I believe it's particularly well timed as the Scheme prepares to link up with the Government's Pensions Dashboards in 2025.

Building scheme management skills

Our Board brings together strength and depth in diversity of thought, skills and experience, including pensions industry, investment management, financial services, technology, wellbeing and administration, which I believe helps us do a good job on behalf of members.

To be a high-performing Board, we must be an up-to-date and well-informed one. All the Trustee Directors undertake learning and development to maintain the skills and knowledge they need to fulfil their roles, and this has continued during the year. We have undertaken training on regulatory, legal, investment and industry issues.

We've also held in-person sessions outside our usual governance meetings, giving us more opportunity for open dialogue. In particular, sessions have covered how we communicate with members, and on equality, diversity and inclusion ('ED&I'), focusing on different aspects of diversity. We also took part in a mock cyber security attack, testing our ability to respond and function as a Trustee Board in those circumstances.

Chair's Review continued

Building scheme management skills continued

In December 2023 an independent, third-party assessment of the Board's effectiveness showed we have positive dynamics in our discussions, with no single dominating voice. The assessment also highlighted a high level of engagement from all Board members and our ability to challenge the Administrator.

For more details on the Trustee skills and training programme, see the Chair's Annual Governance Statement on page 26.

Value for Members

The Trustee has a clear understanding of the costs and charges of running the Scheme and our view is that the Scheme represents good value to members. This is backed up by independent external benchmarking analysis carried out during the year.

For details of our Value for Members assessment, see the Chair's Annual Governance Statement, on pages 23 to 25.

Communicating and reporting

People's Partnership is a member of the Plain Language Commission. It works to understand what members need and present information as clearly and simply as possible to help them make good decisions about their financial future and their retirement.

The 2023 Pensions Management Institute Pinnacle Awards recognised the Scheme's high standard of communication, nominating The People's Pension Trustee and the Administrator for the 'Sharing pension knowledge, end of year Trustee update' award – an accolade that wouldn't have been possible without us working closely together on this aspect of the Scheme.

This year, the Administrator communicated with members on a number of fronts, including:

- supporting members and employers through the cost-of-living crisis;
- explaining our management charge rebate;
- highlighting our campaign for transparent transfer charges;
- explaining how their pension works and encouraging them to engage with their savings;
- warning against financial scams; and
- updating members on the Scheme's performance.

Thank you

On behalf of the Trustee Directors, I'd like to thank the People's Partnership's team for their work this year. I'd also like to thank my fellow Trustee Directors for the enthusiasm and commitment they've brought to our discussions, and their contribution to the Scheme's progress.

Mark Condron
Chair
The People's Pension Trustee Limited
18 September 2024

Scheme information
At a glance

6.6 million
Members in total
1.9m active members – and just over 6.6m members in total

The People's Pension now has just over 6.6m members (2023: 6.2m) – around 29% (2023: 31%) of whom are actively contributing to their pension pots.

107,000
Employer accounts
We now have more than 107,000 (2023: 105,000) employer accounts.

£407m
Benefits drawn
During the year, a total of £407m (2023: £297m) was paid out to members in benefits.

£26.6bn
Net assets
The Scheme has overall net assets of £26.6bn (2023: £20.4bn).

Members have total Assets Under Management (AUM) of £26.4bn in The People's Pension (2023: £20.2bn).

£2.7bn
Return on investment
The Scheme's default investment strategy grew by £2.7bn (2023: £0.9bn decline).

£4.0bn
In contributions
During the year, we received £4.0bn (2023: £3.8bn) of contributions to the Scheme.

5 Star rating
Ratings
The Scheme retained its 5 Star Rating for 'Workplace Pension' from the independent financial research company Defaqto.

Scheme information continued

Membership

The change in membership during the year is as follows:

	Members
At the start of the year (restated)*	6,247,409
New members joining	636,500
Members opting out with refund	(66,509)
Cancellation of duplicate accounts	(29,286)
Net members before leavers	6,788,114
Members retired	(67,826)
Members transferred out	(70,147)
Members deceased / terminal illness	(5,676)
At the end of the year	6,644,465
Active members	1,870,662
Deferred members	4,773,803
At the end of the year	6,644,465

* Opening membership has been recalculated on a different basis to the prior year and is therefore shown as restated.

Where an active member has an employer, both the employer and member pay contributions for that member at a rate in line with the employer's participation agreement. A payment schedule for each employer's section of the Scheme shows the due date for the employer's contributions in line with the participation agreement. The employer makes their contributions by submitting a contributions schedule to the Administrator. If the Scheme doesn't receive a contributions schedule or payment by the due date, the Trustee must consider reporting the breach to The Pensions Regulator. Members can make extra voluntary contributions to the Scheme and can also transfer and consolidate other pension arrangements into the Scheme.

Members' benefits

Members can access their money held in the Scheme in the following ways:

Retirement

Currently, members aged 55* or over can generally choose from these options (subject to HM Revenue & Customs regulations):

- Keep their money where it is. Members who don't need to access their pension pot yet can leave it invested.
- Take it all in one go. Up to 25% is usually tax-free and the remainder will be taxed at the member's marginal rate.
- Members with less than £10,000 in their pension pot may be able to take a small lump sum payment. They need to take the entire pot at once and must have stopped paying in to the Scheme. Up to 25% of the small lump sum payment is tax-free with the rest taxed at the member's marginal rate. Not all members with smaller pots will be eligible to receive this type of payment as there are additional HM Revenue & Customs rules to qualify. Eligibility will be advised to members at retirement.
- If they have over £10,000 in their pension pot, members can choose to take it flexibly, in one of two ways. The first is 'uncrystallised funds pension lump sums' ('UFPLS'). Here, the member can take some or all their pot as a lump sum. Up to 25% of each lump sum the member takes is tax-free, with the rest taxed at the member's marginal rate. The second way is 'flexi-access drawdown', where the member can choose to take all, or some of their pot, but not all of it is paid out to them straight away. Up to 25% of the amount they withdraw is tax-free, with the rest moved to a 'flexi-access drawdown' account within the Scheme. The money in the flexi-access drawdown account stays invested and the member can then withdraw money from this account as 'income' in the form of lump sums, which are taxable at the member's marginal rate.
- Buy a guaranteed income on the open market (an annuity). Up to 25% of the pension pot can be paid out as tax-free cash while the remainder is used to purchase an annuity with an insurer to provide a guaranteed level of income, usually for life. (People's Partnership does not offer annuity products.)

* Some benefits may be available earlier than age 55 when retiring on ill-health grounds. The normal minimum pension age will rise to 57 from April 2028 and will apply to members who joined the Scheme (without age protected benefits) on or after 4th November 2021.

Transfer

The Scheme can pay transfers out to other HM Revenue & Customs ('HMRC') registered schemes or qualifying recognised overseas pension schemes that are able to accept a transfer in.

Death

The Trustee will pay the member's pension pot to one or more people or organisations if a member dies before taking their money out of the Scheme. The Trustee can pay the pension pot to people (or bodies including charities) including relatives, dependants and member-nominated beneficiaries.

The decision on who receives the pension pot is at the Trustee's discretion, but members are encouraged to nominate beneficiaries for consideration.

Registered office	The People's Pension Trustee Limited Manor Royal Crawley West Sussex England RH10 9QP
Scheme Administrator	People's Administration Services Limited

Advisers

Banker	HSBC Bank plc
Independent Auditor	KPMG LLP
Investment managers	State Street Global Advisors Limited and HSBC Global Asset Management
Investment adviser	Barnett Waddingham LLP
Investment administration provider	The Northern Trust Company
Global Custodian	The Northern Trust Company
Legal adviser	Eversheds Sutherland (International) LLP

Contact us

Online: Home page: www.thepeoplespension.co.uk
Online help: www.thepeoplespension.co.uk/contact-us/member

Phone: Employers and advisers: 01293 586 666
Members: 0300 2000 555

Email: info@peoplespartnership.co.uk

Post: The People's Pension Trustee Limited
Manor Royal
Crawley
West Sussex
RH10 9QP

Trustee's Report for the year ended 31 March 2024

The Trustee of the Scheme presents its Annual Report for the year ended 31 March 2024.

Scheme constitution and management

The Scheme was established in 2012 by the first Founder, People's Partnership Holdings Limited ('PPHL') (formerly B&CE Holdings Limited, otherwise known as B&CE), as an occupational defined contribution master trust to provide retirement benefits. PPHL was later replaced in its role as Founder by People's Partnership Limited ('PPL', formerly People's Financial Services Limited). The Scheme is administered and managed according to The People's Pension Scheme Rules, which are the governing documents.

The Trustee is responsible for implementing the strategy and overseeing the operation of the Scheme. The Trustee's objective is to maintain a standard of governance that befits a scheme of this scale, and which meets the standards envisaged by The Pensions Regulator's General Code of Practice relating to the governance and administration of money purchase benefits, as well as the Code for the authorisation and supervision of master trusts, and the Regulator's Master Trust Supervisory regime. The Trustee also follows The Institute of Chartered Accountants in England and Wales ('ICAEW')'s assurance framework for master trusts.

During the year, the Trustee had six Directors, listed on pages 28 to 29. The Directors of the Trustee are appointed by, and can be removed by, PPL as the Scheme Founder. The Trustee Directors are paid a salary and reimbursed by PPHL for expenses incurred in performing their duties.

The Investment Committee consists of three Trustee Directors, who oversee the Scheme's investments in line with the Trustee's agreed strategies and the Scheme's Statement of Investment Principles ('SIP'). The Committee reports on investment performance to the Trustee and makes recommendations on investment strategy and implementation to the Trustee.

The Risk, Administration and Communications Committee ('RACC'), comprising three trustee Directors, is responsible for risk assessment, overseeing administration services and the effectiveness and accuracy of Scheme communications. It's also responsible for the annual Scheme audit, the risk register and the Annual Report and Financial Statements.

People's Partnership operates the Scheme day-to-day, including communicating with members and processing contributions and allocations to members' pension funds (or the default fund if they haven't made a choice) on behalf of the Trustee.

This table shows Directors' attendance at Trustee Board and Committee meetings.

	Trustee Board 4 meetings	Investment Committee 5 meetings	Risk, Administration and Communications Committee 4 meetings
Mark Condron	4	4	N/A
David Butcher	4	N/A	3
Jeannie Drake	4	N/A	4
Chris Fagan	4	4	N/A
David Maddison	4	N/A	4
Emma Osborne	3	4	N/A

A service level agreement is in place with the Administrator, which reports quarterly to the Trustee on whether it's met service levels, and on the timeliness of all transactions.

The Administrator has agreed to pay all expenses relating to the Scheme (excluding investment management fees) and receives an administration fee from the Scheme.

The Trustee Board appoints professional advisers and other organisations to support it in delivering the Scheme's objectives, and the Trustee has written agreements with them. They're listed on page 7.

The Trustee Board can also address specific issues by forming ad-hoc committees or working parties. Each will have clear terms of reference or a project brief and must report to the Board to note, approve and/or ratify decisions and actions as appropriate.

Financial Developments and Financial Statements

The Financial Statements included in this Annual Report are the accounts required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under sections 41(1) and (6) of that Act.

Key developments

After the challenging investment conditions in 2022, 2023-24 was a calmer year, with strong returns seen across most stock markets. As inflation continued to fall across the developed world, central banks stopped raising interest rates, and pressure began to ease on those struggling with the cost-of-living crisis.

Global equity returns were very strong through the year, with the US being the standout developed market, although others including Japan and some in Europe also reached new highs. Global fixed interest securities recovered as well, particularly corporate bonds, although these continued to be more volatile than usual. Scheme members in the default fund will have experienced positive, real returns (above inflation) in the last year. Our biggest fund, the Global Investments (up to 85% shares) Fund reported an investment performance of 12.4%, net of 0.5% management charge, during the 12 months to 31 March 2024.

Saving for retirement is a long-term journey, and our default arrangement is the balanced investment profile which is made up of two funds, the Global Investments (up to 85% shares) Fund and the Pre-Retirement Fund, which have both outperformed their Consumer Price Inflation ('CPI') targets (CPI plus 2.5% p.a. and CPI plus 0.5% p.a. respectively) over the total period since inception in January 2013.

Trustee's Report for the year ended 31 March 2024 continued

Investing in a better experience

People's Partnership has invested significantly to improve the experience of all customers – employers, members and intermediaries – and make it easier for members to plan for a secure future.

Key developments include new tools to help members plan payments into, and withdrawals from, their pension pots, understand how much income they may need in retirement and forecast how much they might have at retirement, based on their current savings and contributions. Summer 2023 saw the launch of the Financial Wellbeing Hub, which contains articles, guidance, videos and tools across a wide range of personal finance subjects. This helps members put pension decisions in the context of their overall finances.

People's Partnership has also developed a mobile app, launched in May 2024, to give members a new way to access information about their pension, educational content and tools to help them decide how much to save.

The Scheme now also offers employers the option of their own co-branded pension microsite to help engage employees in their pension more easily.

Many people don't know the material implications of moving their funds, and People's Partnership has introduced features that make the transfer process more transparent and show people what to look out for. This includes presenting the Scheme's charge alongside its investment and service credentials, and helping members assess and compare The People's Pension with their existing provider before making the decision to transfer.

Offering value to customers and members

During the year, the Scheme's annual charge increased from £2.50 to £4.50 per member. This followed a review after increases to regulatory fees and general costs to administer the Scheme. People's Partnership's analysis shows that under different pot size and time horizon scenarios, The People's Pension continues to offer good value for money for members while allowing the Administrator to continue to invest significantly in the Scheme.

The People's Pension now offers members a one pot, best price guarantee. We aim to make pensions straightforward and accessible to everyone. If a member has an existing pension and opens a new one, all their savings will be charged at the lowest rate available to them. Other providers typically open a new policy for each different employment, meaning members pay more overall through the different charges applied to each policy with that provider.

This year also saw People's Partnership introduce scheme-specific pricing to improve its competitiveness among would-be customers. This means People's Partnership can agree charge levels with each employer based on their profile. Some members will benefit from even lower 'net management charges' through higher rebates on the 0.5% management charge than the standard management charge rebates. Under the price guarantee, they'll then continue to receive those higher rebates even if they move to another employer who is on 'standard' terms with The People's Pension.

Handling regulatory changes

In the 2023 Spring Budget, the Government unexpectedly announced that from 6 April 2024 it would abolish the Lifetime Allowance that puts a cap on the pension benefits people can build up and get 25% tax-free. This has introduced a complex set of new regulations and allowances alongside a challenging timeframe, with work that would normally happen over 12 to 18 months being squeezed into six months. People's Partnership successfully navigated these issues to update a large number of communications and claims processes to comply with the new regulations, helped in part by the simplicity of the Scheme compared to others.

After Government delays, work restarted on preparing to connect with the Government's Pensions Dashboard, which will allow people to see, in a single place online, what they have in their various pension pots, including their State Pension. Based on the current Government timeline, they hope dashboards will be live for all schemes by October 2026.

Master trust authorisation

The Scheme has been authorised as a master trust by The Pensions Regulator since August 2019.

Auditor

The incumbent auditor is deemed to be reappointed and KPMG LLP will therefore continue in office.

Statement of Trustee's responsibilities

Trustee's responsibilities in respect of Financial Statements

The audited Financial Statements have been prepared in line with UK Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, and are the responsibility of the Trustee. Pension scheme regulations say the Trustee must give Scheme members, beneficiaries and certain other parties audited Financial Statements for each Scheme year which:

i. Show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year.

ii. Contain the information specified in The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement of whether the accounts have been prepared in line with the Statement of Recommended Practice, 'Financial Reports of Pension Schemes'.

The Trustee has supervised the preparation of the Financial Statements and has agreed suitable accounting policies to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

i. Assessing the Scheme's ability to continue as a going concern; and disclosing, as applicable, matters related to going concern.

ii. Using the going concern basis of accounting unless it either intends to wind up the Scheme or has no realistic alternative but to do so.

iii. Making available each year, commonly in the form of a Trustee's Annual Report, information about the Scheme prescribed by pensions legislation, which it should ensure is fair and impartial.

The Trustee is responsible for the internal controls it decides are necessary to prepare Financial Statements that are free from material misstatement, whether due to fraud or error. It also has a general responsibility for ensuring that adequate accounting records are kept and for taking all steps it reasonably can to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Scheme and financial information included on the Scheme's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Trustee's Report for the year ended 31 March 2024 continued

Trustee's responsibilities in respect of the Contributions

The Trustee is responsible under pensions legislation for making sure that there is a payment schedule for each participating employer, which is revised from time to time. The schedule shows the rates of contributions payable to the Scheme by or on behalf of the participating employer and the active members of the Scheme, and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for monitoring that contributions are made to the Scheme in line with the payment schedules.

Investment management

Investment strategy and principles

In line with Section 35 of the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles (SIP), agreed in April 2024 – Appendix 1 of the Chair's Annual Governance Statement on pages 32 to 59.

The Trustee monitors compliance with the SIP annually. During the year and at the end of the year, all investments were in line with the SIP in force during the period. The Trustee reviews the SIP at least every 3 years and immediately following any significant change in investment policy.

Funds and investment risk

The Trustee's key objective is to enable members to provide adequately for their retirement through appropriate investment of their pension savings.

There are currently three investment profiles for members to choose from in the Scheme:

1

Cautious

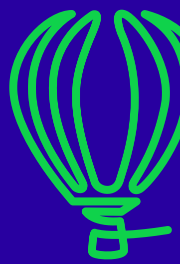
- Lower risk and volatility
- Moderate growth over the long term
- Moves to lower-risk investments as the member approaches retirement
- For members who are prepared to accept some degree of risk, but who look for investments with lower volatility

2

Balanced

- Medium to high risk
- Potential for long-term growth with some security
- Moves to lower-risk investments as the member approaches retirement
- For members who prefer to take some risk but would also like some of their investments to be more secure

3



Adventurous

- Higher-risk and increased volatility
- Aims to maximise growth in the long term
- Moves to lower-risk investments as the member approaches retirement
- For members who are prepared to take on more risk with the potential for increased growth

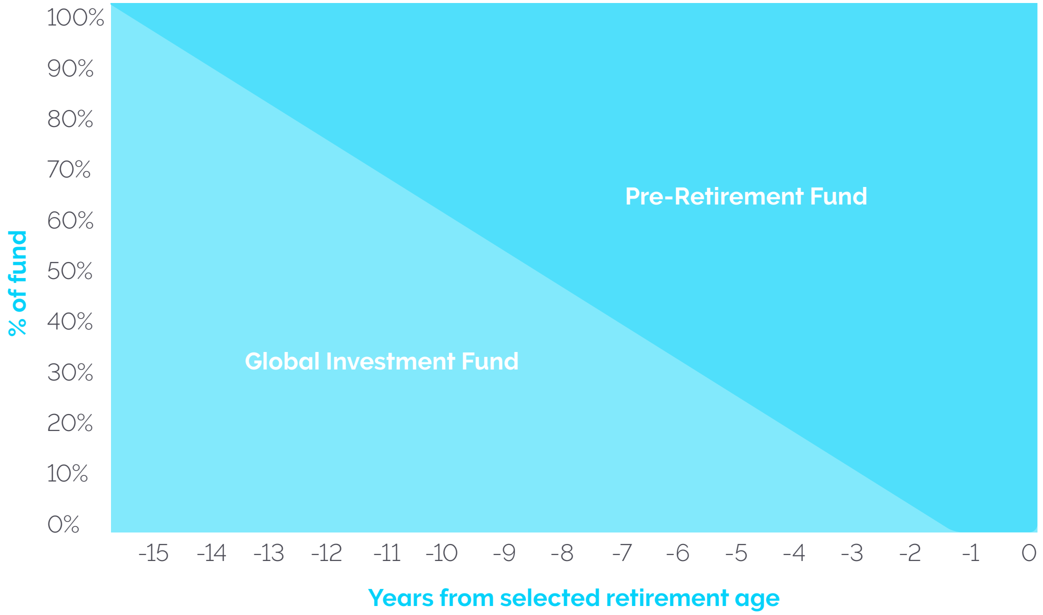
New members are automatically placed into the 'balanced' investment profile unless they choose otherwise.

Each of the investment profiles gradually and automatically moves pension savings into lower-risk investments as members get closer to retirement.

This change in asset allocation is known as a glidepath and it normally begins 15 years before a member's State Pension age (or the date they told us they'd like to retire, if different).

Alternatively, members can decide for themselves what funds their money is invested in. They can choose from the Scheme's range of funds, which are classified by risk so members can see which have the potential for higher returns and which might remain more stable. However, any members choosing this 'self-select' option won't see their money move automatically into lower-risk investments as they approach retirement. They must ask for the money to be moved between investment funds or invested in one of the investment profiles if they want it included in the glidepath.

Fund share in the 15-year glidepath



Trustee's Report for the year ended 31 March 2024 continued

Funds and investment risk continued

The Scheme has a range of passive investment funds for members to choose from. These are shown in the table with the target asset allocations as at 31 March 2024.

Management and custody of investments

The Trustee has delegated management of the investments through mandates with professional investment managers – State Street Global Advisors Limited ('SSGA') and, in the case of the Shariah Fund, HSBC Global Asset Management ('HGAM'). The professional investment managers, which are regulated by the Financial Conduct Authority ('FCA') in the United Kingdom, manage the investments within the restrictions set out in the investment management agreement. This is designed to make sure managers follow the objectives and policies set out in the SIP.

Northern Trust provides investment administration services and carries out custody of the underlying investments.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and considers them to be appropriate and relative to the reasons for holding each class of investment. For more details about investments, see the notes to the Financial Statements on pages 86 to 93.

Global Investments (up to 60% shares) Fund	Global Investments (up to 85% shares) Fund	Global Investments (up to 100% shares) Fund	Ethical Fund	Shariah Fund	Pre-Retirement Fund	Cash Fund	Annuity Fund
• Used in the 'cautious' investment profile • 57.57% global equity, 2.40% infrastructure, 12.00% global government bonds, 24.00% global corporate bonds, 2.00% global high yield bonds 2.00% emerging market bonds, 0.03% cash • A 'cautious' fund available as a self-select option	• Used in the 'balanced' investment profile (the default arrangement) • 76.76% global equity, 3.20% infrastructure, 6.00% global government bonds, 12.00% global corporate bonds, 1.00% global high yield bonds, 1.00% emerging market bonds, 0.04% cash • A 'balanced' fund available as a self-select option	• Used in the 'adventurous' investment profile • 95.95% global equity, 4.00% infrastructure, 0.05% cash • An 'adventurous' fund available as a self-select option	• A higher-risk fund available as a self-select option • Has an investment strategy that, by tilting away from free-float market cap weights, seeks to gain exposure to companies demonstrating both a robust ESG profile and a positive trend in improving that profile, using minimal exclusions from the MSCI World Index • 100.00% global equity	• A higher-risk fund available as a self-select option • Has an investment approach based on Islamic Shariah principles • 100.00% global equity	• Used within each investment profile and available as a self-select option • 19.19% global equity, 0.80% infrastructure, 18.00% global government bonds, 36.00% global corporate bonds, 3.00% global high yield bonds, 3.00% emerging market bonds, 20.01% cash	• Invests in short-term money markets such as bank deposits and treasury bills	• A medium/ low-risk fund available as a self-select option • 70.00% corporate bonds, 30.00% gilts

Asset allocations are reviewed regularly and updated when appropriate. For information on current asset allocations, contact People's Partnership using the details on page 7.

Trustee's Report for the year ended 31 March 2024 continued

Review of investments' performance

The Scheme's funds track various indices. The Global Investments (up to 85% shares) Fund and Pre-Retirement Fund are used as part of the default arrangement. 3-year and 5-year returns are annualised and negative amounts are shown in parentheses.

Fund	Year	Fund performance %**	Performance Objective %*	Performance Objective*
Global Investments (up to 60% shares) Fund	1 Year 3 Year 5 Year	10.1% 2.4% 4.5%	5.2% 8.9% 6.5%	UK CPI +2.5% (Gross of fees) UK CPI +2.0% (Net of fees) Performance shown on a net of fee basis
Global Investments (up to 85% shares) Fund	1 Year 3 Year 5 Year	12.4% 4.3% 6.2%	5.8% 9.4% 7.1%	UK CPI +3.0% (Gross of fees) UK CPI +2.5% (Net of fees) Performance shown on a net of fee basis
Global Investments (up to 100% shares) Fund	1 Year 3 Year 5 Year	15.3% 6.4% 8.0%	6.3% 9.9% 7.6%	UK CPI +3.5% (Gross of fees) UK CPI +3.0% (Net of fees) Performance shown on a net of fee basis
Ethical Fund	1 Year 3 Year 5 Year	22.3% 11.5% 12.7%	6.3% 9.9% 7.6%	UK CPI +3.5% (Gross of fees) UK CPI +3.0% (Net of fees) Performance shown on a net of fee basis
Shariah Fund	1 Year 3 Year 5 Year	29.9% 14.4% 16.6%	6.3% 9.9% 7.6%	UK CPI +3.5% (Gross of fees) UK CPI +3.0% (Net of fees) Performance shown on a net of fee basis
Pre-Retirement Fund	1 Year 3 Year 5 Year	5.3% (0.6)% 1.2%	3.7% 7.3% 5.0%	UK CPI +1% (Gross of fees) UK CPI +0.5% (Net of fees) Performance shown on a net of fee basis
Cash Fund	1 Year 3 Year 5 Year	4.6% 2.0% 1.2%	5.0% 2.5% 1.6%	SONIA
Annuity Fund	1 Year 3 Year 5 Year	2.0% (11.0)% (4.3)%	(1.3)% (12.3)% (6.2)%	Composite+

* The Trustee may review and amend the performance objectives of the funds as appropriate. The performance objectives above are correct as of 31 March 2024.
** The performance figures shown are after the deduction of 0.5% management charge and transaction costs. The Scheme uses single priced funds, so investment performance figures include any anti-dilution levies applied.

Trustee's Report for the year ended 31 March 2024 continued

Policies on climate change and responsible investment

The Trustee introduced its updated policies on climate change and responsible investment ('RI') in 2023 and 2024 respectively. These set out at a high level how the Trustee plans to carry out its fiduciary duty to integrate ESG and stewardship considerations into its investment decision making process.

The Trustee works with the Scheme's investment managers to encourage them to comply with the RI policy and to challenge them when their policies diverge from the Scheme's.

Financially material considerations

The Trustee believes that ESG factors can affect the performance of investment portfolios and should be considered as part of the Scheme's investment policy.

ESG factors are integrated into the portfolio when they are believed to be material to the portfolio's return prospects or risk characteristics. Integration might mean using the ESG factors to influence the weights of securities, sectors or asset classes held in a portfolio. In general, the Trustee doesn't believe that large-scale exclusions are consistent with its RI objective, which focuses primarily on potential financial factors. The Responsible Investment Policy (Appendix 2 to the SIP) outlines the Trustee's position on ESG integration and exclusions. Also, the Trustee has agreed a Climate Change Policy (Appendix 3 to the SIP), as climate change is likely to be the most financially material of the ESG issues because it has the potential to affect every business sector and every part of the world.

The Trustee has a fiduciary duty to consider all material financial risks when making all investment decisions and makes no distinction between the default and self-select funds. In fulfilling this duty, the Trustee also expects its asset manager to take all financially material considerations into account over an appropriate time horizon when selecting, retaining and selling investments. This includes, among other things, ESG factors (including climate change) where they're considered financially relevant. The Trustee receives, reviews and publishes reports from its asset manager on the steps they take on its behalf, including voting and engagement.

For more details on how this approach works in practice, see Appendix 2 to the SIP (Responsible Investment Policy) and Appendix 3 to the SIP (Climate Change Policy).

The Trustee recognises that its fiduciary duty to members extends to all funds. As such, ESG risks, including climate change, must be managed across all member options as far as possible, recognising that the greatest scale and ability to influence investments lies in the default funds.

Member views and non-financial factors

The Trustee has agreed a Responsible Investment Policy that outlines its approach to non-financial factors, including exclusions.

The Trustee conducts research with members, as and when it needs to, to understand their views on investments as well as ethical and ESG factors.

The Scheme also offers members self-select funds, such as the Ethical Fund and the Shariah Fund, which allow them to invest in line with their views.

Trustee's Report for the year ended 31 March 2024 continued

Voting rights, corporate governance and engagement principles

The Trustee doesn't normally monitor or engage directly with issuers or other holders of debt or equity. The Trustee expects the manager of pooled funds to exercise ownership rights and monitor and engage, with the long-term financial interests of beneficiaries in mind. Topics for this engagement should include capital structure, risk, strategy, performance, social and environmental issues (including climate change), and corporate governance. The Trustee expects its manager of pooled funds to take into account the Trustee's SIP, Responsible Investment Policy and stewardship priorities when voting or engaging on the Trustee's behalf.

The Trustee expects its external agents to identify and manage any potential conflicts of interest in line with Principle 3 of the FRC's UK Stewardship Code, putting the best interests of clients and beneficiaries first. The Trustee expects the asset manager to employ the same degree of scrutiny for pooled funds as if they'd made the investment directly.

The Trustee accepts that pooled vehicles will be governed and constrained by the individual investment policies of the asset manager. But the Trustee also recognises its important role in influencing positive ESG standards, both through voting on key policies and decisions at general meetings and through the manager's ability to engage with boards on the Scheme's behalf as an asset owner. The Trustee expects its asset manager to implement the Scheme's net zero voting guidelines through an "expression of wish", as outlined in the Trustee's Responsible Investment Policy.

The Trustee has access to regular reports from its asset manager about their stewardship activities, including voting and company engagement, as well as wider industry and policy engagement. The Trustee monitors and discloses the voting and engagement activity carried out on its behalf. If the Trustee believes it's inadequate, it will engage with the relevant manager to bring their activity more into line with the Trustee's policy.

The Trustee's Responsible Investment Policy outlines what it expects from the asset manager's voting and engagement activities. The Scheme currently invests exclusively in pooled funds, so this Policy is framed around how the Trustee interacts with, monitors, and might look to influence the pooled fund manager. The Trustee's regular monitoring should spot if an asset manager is failing in these areas.

Asset manager arrangements

Before appointing the investment manager, the Trustee discusses their benchmark and approach to managing ESG and climate-related risks with the Scheme's investment adviser, and how closely they match the Trustee's own investment aims, beliefs and constraints.

As well as considering how the investment manager's investment philosophy, process and policies will make the required investment returns, the Trustee explores how ESG and climate risk figure in their approach. If the Trustee believes any part of the manager's policies are significantly out of line with their own investment objectives for the part of the portfolio being considered, they'll consider another manager for the mandate.

The Trustee's Responsible Investment Policy outlines its minimum requirements when selecting new managers.

The Trustee reviews the responsible investment strategy at least every 3 years to make sure it's still relevant in the context of the Scheme and the investment managers' aims, beliefs and constraints. The Trustee monitors the investment managers' approach to ESG and climate-related risks on an annual basis.

If an investment manager stops meeting the Trustee's aims, including on managing ESG and climate-related risks, or using the approach the Trustee expects, we'll look to work with them to bring their objectives into line. If this doesn't succeed, we might review or terminate their appointment. The Trustee has made this clear to our investment managers.

We review investment managers' ESG policies in the context of best industry practice and give feedback when we need to.

We understand that the impact on performance of ESG factors and climate change may be long-term. But we're also aware that the risks associated with them could be much shorter-term. The Trustee has acknowledged this in our investment management arrangements.

The Trustee agrees a rolling timeframe with the investment manager for managing their objectives (including ESG and climate risk objectives) and assessing how they perform against them, helped by the Scheme's investment adviser. The Trustee believes these timeframes, typically three to five years, are consistent with our investment aims, beliefs and constraints, and help investment managers make decisions based on an appropriate time horizon.

The Trustee expects investment managers to vote and engage on behalf of the fund's holdings, and the Scheme monitors this annually. The Trustee doesn't expect investment managers to disregard ESG considerations to achieve any short-term targets.

The Scheme invests exclusively in pooled funds and the Trustee pays the investment manager based on the assets they manage on our behalf. The Trustee believes this enables the investment manager to focus on long-term performance without worrying

Trustee's Report for the year ended 31 March 2024 continued

about short-term dips. When the Trustee chooses the manager, it asks the Scheme's investment adviser to check the asset management fee is in line with the market, and to review it annually.

Asset manager arrangements continued

As part of the appointment process, we consider past and anticipated portfolio turnover levels (how often investment managers buy and sell assets). Overall performance is assessed as part of regular investment monitoring, and can be affected by turnover costs, though the Trustee recognises that these costs can be unavoidable, for example if there's a change of manager.

The Trustee doesn't target a specific portfolio turnover. Instead, it recognises that turnover costs are a necessary part of making sure the Scheme's investments sustain long-term performance. The Trustee monitors the level of these costs, and the reasons for them, and investigates if it needs to.

For the open-ended pooled funds the Scheme invests in, there are no predetermined terms of agreement with the investment managers.

We assess the suitability of the Scheme's asset allocation and its compatibility with the Trustee's investment aims, beliefs and constraints, every three years, or when changes mean this should happen more often. This includes assessing the suitability of investment managers, and the funds they use.

Task Force on Climate-Related Financial Disclosures ('TCFD') reporting

The Trustee is legally required to identify, assess and manage climate-related risks and opportunities in a proportionate way and to report on what it's done, in line with the recommendations of the TCFD. In October 2023, The People's Pension produced its second annual TCFD report covering the year ended 31 March 2023, outlining steps the Scheme had taken. These steps were still relevant during the year ended 31 March 2024.

We have reported the total carbon emissions and carbon footprint of current investments according to the information currently available. An emissions-based target of net zero greenhouse gas emissions by 2050 has been set, including shorter-term targets and a data coverage target.

The report supports the principle of restricting global temperature rise to a maximum of 1.5°C above pre-industrial levels. We've introduced extra training for Trustee representatives, as well as those from investment committees, and assessed Scheme advisers' understanding of climate issues.

The TCFD report for the year to 31 March 2024 is available at www.thepeoplespension.co.uk/climate-risks.

Employer-related investments

For details of employer-related investments, see note 18 to the Financial Statements on page 93.

Further information

For more information about the Scheme generally, or queries about members' own benefits, ask the contact listed on page 7.

Approval

The report was approved by the Trustee and signed on its behalf by:

Mark Condron
Chair of The People's Pension Trustee Limited
18 September 2024

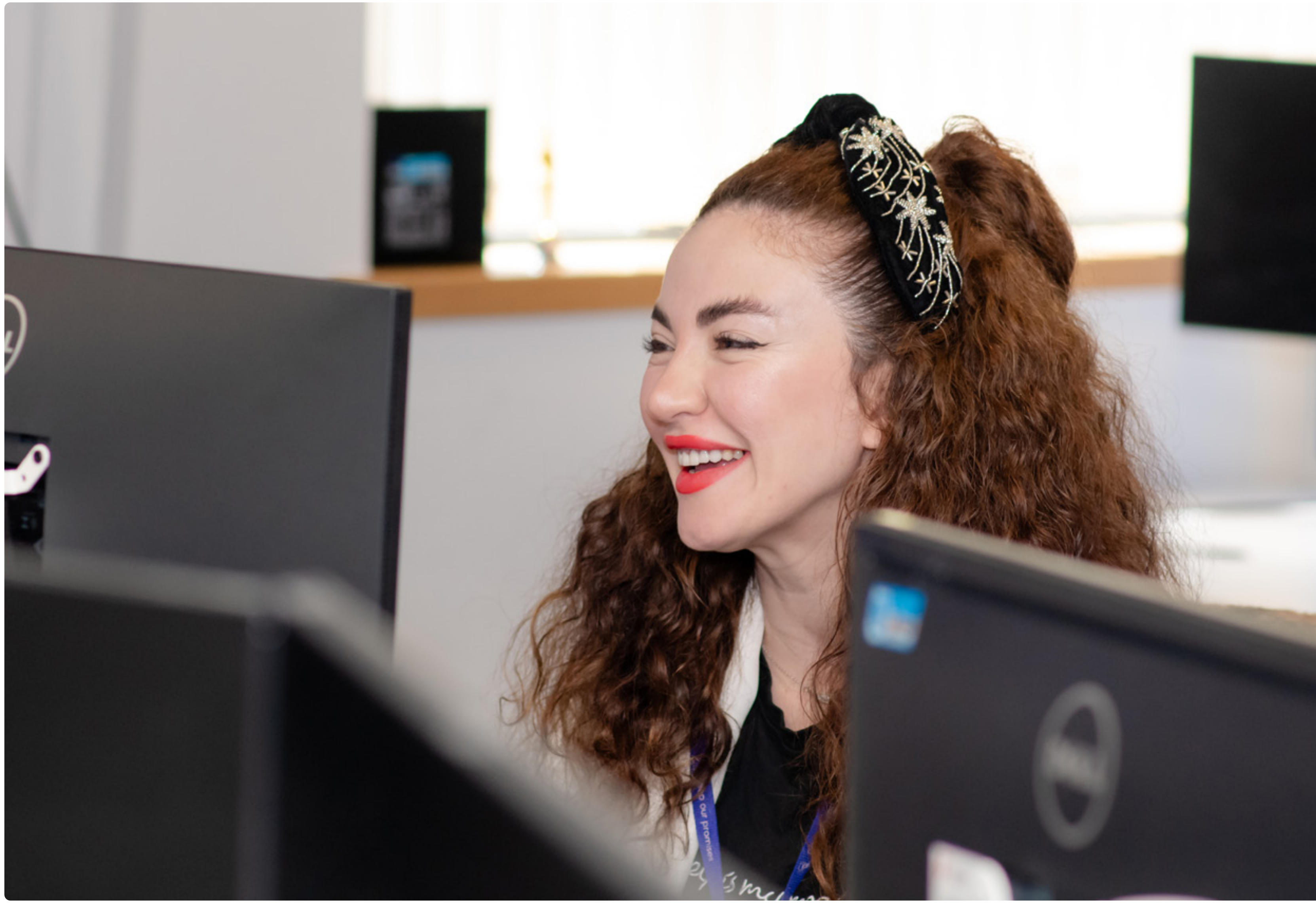
Chair's Annual Governance Statement for the year ended 31 March 2024

Statement objective

This is the annual Chair's Statement from The People's Pension Trustee Limited ("Trustee") about the governance of The People's Pension Scheme ("Scheme"). This Statement is included in the Scheme's annual report in line with Regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the Administration Regulations), as amended. It describes how the Scheme has met statutory governance standards in relation to default investment arrangements, processing of financial transactions, assessment of charges, costs and Value for Members (VFM), requirements for Trustee knowledge and understanding, member views, and the independence of Trustee Directors. The Scheme is designed to give both employees and employers a well-governed, good value pension scheme. As at 31 March 2024, the Trustee is responsible for assets under management worth £26.4bn for just over 6.6m members, from 107,000 employer accounts.

Strategic objectives

During the Scheme year, the Trustee set strategic objectives in order to fulfil its mission statement "to deliver the best possible outcomes and value for money by working in collaboration and being a highly effective trustee board". The objectives include making decisions based on a clear understanding of member needs, achieving a first-class system of administration to support a best-in-class customer experience, delivering a varied and engaging communication strategy to support members in making appropriate decisions throughout their pension journey, setting investment strategies that aim to improve the resilience of investment returns, and working with the Sponsor on the successful evolution of the Scheme. Progress against these objectives will be evaluated in the following Scheme year.



Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Default investment arrangement

The Scheme offers three investment profiles to members (see Trustee's Report, page 10). These are designed to build up a member's savings and, 15 years before their State Pension age or the date they've told us they'd like to retire, the profiles start moving those savings into lower-risk investments.

If a member doesn't choose an investment profile when they start to save with the Scheme, their money will automatically be invested in the default arrangement, which is the 'balanced' investment profile.

This moves a member's pension savings gradually from the Global Investments (up to 85% shares) Fund into lower-risk funds as the member nears retirement. The Global Investments (up to 85% shares) Fund is viewed as a balanced risk fund and is made up of individual passive funds, each closely tracking a pre-determined index.

By investing in this way, the Trustee expects to deliver capital growth over the member's time in the Scheme without incurring excessive cost or taking inappropriate risk. There's an increased focus in the later years on reducing the volatility of returns and reducing the potential for substantial falls in the value of investments. This helps enable members approaching retirement to plan with confidence.

The Trustee believes this approach is in the interests of members and their beneficiaries.

Members can also choose their own combination of available funds. If the member doesn't want to use one of the three investment profiles to manage their investments, they can choose their own combination of the Scheme's eight available funds.

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangement. This is delegated to the Investment Committee, which looks at material matters, including:

- maintaining an up-to-date Statement of Investment Principles ('SIP'), (see Appendix 1, pages 32 to 59), setting out the principles governing how the Trustee makes decisions about investments
- considering the needs and demographic profile of the Scheme's membership when designing and reviewing all investment options, including the default investment profile
- considering and setting appropriate investment strategies for all investment options, including the 'balanced' investment profile (the default arrangement)
- regularly reviewing the investment strategy and performance of all investment options, including the 'balanced' investment profile (the default arrangement), and making recommendations on investment strategy changes to the full Trustee Board.

During the year, the Trustee – acting in the interests of members – continued to review the default arrangement strategy and the Scheme's other investment options. The Trustee commenced the last review on 10 November 2023. This included considering investment beliefs and whether the default strategy design was appropriate for the membership profile with a universal default target at retirement, as the current objective is to provide an investment strategy that is intended to be suitable for a typical member. The review considered options for a forked glidepath in the approach to retirement where members are more likely to take their retirement fund either in cash form or an alternative form of pension income, the implications this would have on the investment arrangements required to support this, and whether this would necessitate a change to the investment strategy.

The review was continued on 9 February 2024 and a final decision is reliant on progress with new investment propositions. The Trustee has concluded therefore that the investment performance and design of the default arrangements are consistent with both the aims and objectives of the SIP and the Scheme demographics at the current time, and so are still a suitable investment strategy for all our members. Therefore, no changes were made to the investment strategy following this review. The Trustee will conduct the next detailed review of the investment strategy on 8 November 2024.

A key highlight this year was that between January and March 2024, the Scheme moved over £15bn of developed market equities into new climate-aware index funds, taking a major step to align the portfolio with the Paris Agreement on climate change. This movement updated the country weightings of the portfolio, reduced the infrastructure holding, and removed the Real Estate Investment Trust holdings. The fixed interest part of our investments was also re-allocated, selling out of the Global Aggregate Bond Index and investing into separate geographical holdings and a global high yield bond fund for corporate bonds. An emerging market fund was added to the fixed income portfolio.

The Trustee Board operates an Investment Committee, which provides investment oversight on behalf of the Trustee. The Committee met on 5 May 2023, 4 August 2023, 10 November 2023 and 9 February 2024. Key areas for review at each meeting included:

- the overall performance of the default arrangement against its objective
- the performance attribution of the default arrangement (i.e. how each of the arrangement's components contributed to its overall performance)
- the volatility of the funds
- analysis of the default investment arrangement, namely the returns and annualised volatility for a member in the default arrangement
- alternative choices selected by members who are not in the default arrangement.

The Trustee Board is advised by Barnett Waddingham, which is authorised by the FCA to provide investment advice. Their representatives attended all the Investment Committee meetings.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Protecting members' interests with transfer due diligence

Transfers out of pension schemes remains an area of concern because of financial incentives being offered by some pension providers to people to transfer pension pots from other providers. People's Partnership regularly highlights that this may not be in a member's best interests, as research has shown that these decisions are often not based on a full appraisal of the benefits of each scheme in terms of costs, performance, etc, and the Trustee fully supports this stance.

The Administrator has a Transfers team to carry out due diligence for members wanting to transfer out of the Scheme. The Trustee fully supports this, and investment in recruitment and training mean transfer out times have improved, despite the need for this due diligence.

Investment market developments

Global investment markets performed well in 2023 and gains continued into 2024's first quarter.

Many major share indices made double-digit gains during 2023, with November and December being the best months, as slowing inflation fuelled hopes of interest rate cuts. Several stock markets achieved record highs, including the US (which represents the single biggest proportion of the Scheme's investments), Japan and several European exchanges.

Stock market performance stemmed from better-than-expected economic performance, with markets having gone into the year anticipating widespread recession. The US avoided a downturn despite high borrowing costs and posted near-record corporate profits in the three months to September.

Another factor in overall investment market performance was the growth of AI-related stocks, as investors backed the still-emerging technology and its promise of higher productivity.

The US S&P 500 index gained 25% over 2023, while the NASDAQ 100 for large tech stocks leapt by more than 50%. Germany's DAX rose by 20%, Italy's FTSE MIB by 30% and Asia-Pacific stocks achieved a five-month high by December. In contrast, the FTSE 100 performed modestly, rising by 4% in the year, as the Bank of England increased its base rate five times.

Strong stock market performance continued into 2024. In the US, there were more gains, supported by good corporate earnings and despite reduced expectations about interest rate cuts later in the year.

Eurozone stocks also rose in the first quarter, led by the IT sector amid continued optimism over demand for AI, while inflation continued to fall slowly. In the UK, inflation news was better than Bank of England forecasts, with the consumer price index standing at 3.4% in

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Investment market developments continued

February – its lowest rate since September 2021. Equities rose, led by financial, industrial and energy stocks. Japan also saw strong stock market gains in early 2024, with the Nikkei reaching an all-time high, driven by sectors including automotive and financials, and by the global boom in AI and semiconductors.

It was a similar picture for fixed interest investments, with bond values falling early in the year and then rallying in November and December as expectations grew of interest rate cuts in 2024. However, as the rate cuts didn't materialise and expectations shifted, bond values plateaued in the first two months of 2024. UK gilts lagged, returning just over 1% with global corporate bonds and global high yield gaining 6.8% and 12.1% respectively.

This is the background to the performance of the funds offered within The People's Pension, which is included in Appendix 4 (Fund Performance) of the Chair's Annual Governance Statement on pages 81 and 82.

The IMF forecasts the world economy to grow at 3.2% per year in 2024 and 2025 – a similar pace to 2023. A slight acceleration for advanced economies, where the IMF expects growth to rise from 1.6% in 2023 to 1.7% in 2024 and 1.8% in 2025, will be countered by a modest slowdown in emerging market and developing economies from 4.3% in 2023 to 4.2% in 2024 and 2025. The forecast for global growth five years from now – at 3.1% per year – is the lowest in decades. The IMF forecasts global inflation will decline steadily, from 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies.

Statement of Investment Principles

The current Statement of Investment Principles (SIP) was agreed by the Trustee on 1 April 2024. It appears in Appendix 1 on pages 32 to 59. It's also available at www.thepeoplespension.co.uk/jargonbuster/statement-investment-principles-sip/

The SIP covering the period of this statement was agreed by the Trustee on 1 April 2023. It's available at https://thepeoplespension.co.uk/downloads/statement-of-investment-principles-2023/

The aims and objectives of the default arrangement, as stated in the SIP, are to:

- enable members to provide adequately for their retirement via appropriate investment of their accumulated pension contributions.
- provide an investment strategy that is intended to be suitable for a typical member.
- ensure that the expected volatility of the returns is achieved, and so manage the level of volatility
- and risk in the value of members' pension pots through appropriate diversification between different asset types.

Environmental, Social and Governance overview

The primary objective of the Scheme's responsible investment ('RI') approach is to add financial value and resilience to its members' savings through portfolio construction and stewardship. The Trustee also wants to encourage companies to behave in a more sustainable way for the benefit of society and the world that members retire into. The Trustee believes it can achieve these complementary objectives by:

- prioritising environmental, social and governance ('ESG') risks and opportunities where the investment case for financial materiality over the medium to long term is strongest.
- identifying ESG issues that contribute value to wider society and embedding them into the Scheme's stewardship approach[1].
- using exclusions to a limited extent[2].

The Trustee has developed a strategic framework to guide its RI approach, based on principles divided into three groups:

- Portfolio construction – how we invest the portfolio
- Stewardship – what we expect of our key stakeholders – e.g. fund managers and investee companies – when it comes to our stewardship priorities of climate, biodiversity and human rights
- Reporting – how we publicly report and engage on what we're doing.

In the Scheme year, the Trustee transitioned its developed market equity tracking investments to a methodology intended to align with the 1.5°C scenario set out by the Intergovernmental Panel on Climate Change ('IPCC'). This strategy, means:

- these assets see an initial 30% reduction in greenhouse gas emissions compared to market indices
- we invest more in companies which set climate targets
- we are more likely to increase investment in companies that see opportunities from a net zero transition
- we expect our developed world equity assets to decarbonise annually based on the trajectory established by the IPCC to reach 1.5°C with no or limited overshoot.

A summary of voting activity by the Scheme's fund managers on the Trustee's behalf appears in the Implementation Statement (see Appendix 2 to the Chair's Annual Governance Statement,pages 66 to 74.).

1 As long as there is no material financial detriment in pursuing this activity. See also the glossary included in the RI Policy on page 52 for the Scheme's definition of stewardship, which does not include portfolio construction.

2 As above, as long as there is no material financial detriment in its use, in line with the Law Commission's recommendation on exclusions.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Core financial transactions

The Trustee has a specific duty to make sure that core financial transactions relating to the Scheme are processed on time and accurately. Core financial transactions include, among others:

- investment contributions
- transferring member assets into and out of the Scheme
- switches between different investments within the Scheme
- payments to and in respect of members/ beneficiaries.

These transactions are carried out on the Trustee's behalf by People's Administration Services Ltd (the Scheme's Administrator, and part of People's Partnership), the investment administration provider (Northern Trust Company) and the investment managers, State Street Global Advisors and HSBC Global Asset Management.

People's Partnership processes core financial transactions through its Operations team. Also, a Controls and Assurance team monitors and assesses the efficiency and accuracy of processing, and the Finance department monitors and reconciles financial transactions and reports to the Trustee Board. Performance of Northern Trust, State Street and HSBC is monitored by People's Partnership's Investment team and reported regularly to the Investment Committee of the Trustee.

The main core financial transactions undertaken by People's Partnership are receiving employer and member contributions, making transfers in or out and paying claims, which include small pots, flexible drawdown, uncrystallised funds pension lump sums and bereavement claims. People's Partnership also handles member and employer enquiries.

Defining levels of service

A Framework Services Agreement details the Service Level Agreements ('SLAs') and what the Administrator does for the Trustee, the standards expected and how quickly any tasks will be carried out. The SLA spans the full member engagement from information gathering to the final response. The Administrator's processes to help meet the SLA include daily monitoring of bank accounts, a dedicated contribution processing team, and checking all investment and banking transactions.

For example, the SLA covering claims encompasses this process: a member wanting to claim their benefits makes the initial enquiry, the Administrator sends them a claims pack, the member completes this pack, the Administrator verifies the claimant's identity and then processes and pays the claim within the agreed timelines, to the highest degree of accuracy.

Protecting members' money

Electronic transfers through the Origo Options electronic portal have extra safeguards (in terms of regulatory permissions and source of funds) through the advance checks Origo makes against providers and schemes who register to use the service. For paper transfers outside the portal, agreed due diligence processes are carried out and validated to successfully identify the ceding and receiving scheme's regulatory credentials and source of funds, in line with anti-money laundering guidelines. Any potentially suspicious activities on all transfers, regardless of processing method, are referred to People's Partnership Group's Risk and Compliance teams for further investigation.

During the year, the Administrator confirmed its commitment to The Pensions Regulator's pledge on scams, which commits us to regularly warning members about scams, and to reporting any concerns of our own. This initiative by The Pensions Regulator looks to harness industry resources to protect members during the transfer process. It requires the Scheme, through the Administrator, to do varying levels of due diligence (depending on the category and risk profile of the receiving scheme) and tell customers about any issues.

The Administrator looks to protect vulnerable customers through vulnerable customer champions. These are people who have volunteered for extra training to be able to support customers across vulnerabilities including disability, bereavement and financial hardship – especially pertinent during the cost-of-living crisis.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Core financial transactions continued

Prioritising cyber security

Cyber security is a high priority for the Trustee and gets the utmost attention from the Administrator. It runs a continuous vulnerability assessment of all assets and systems every day, prioritising any remediation work required. It also reports regularly to the Trustee's Risk, Administration and Communications Committee ('RACC') on the ongoing development of the Cyber Security framework. During the year, the Group completed its four-year IT security improvement programme and obtained ISO27001 accreditation. Following the programme, cyber workstreams have passed to the Group's IT function. The programme was designed to fundamentally enhance the cyber security footprint of People's Partnership. But cyber is a threat that continues to grow in volume and complexity, so the Administrator expects to increase its capabilities and improve its defences to protect Scheme members.

The Administrator reports quarterly to the Trustee Board and to the Trustee's RACC. This reporting year, the Administrator also updated the Trustee on administration matters and service delivery through monthly calls.

The RACC makes sure the Scheme considers members' needs properly and meets the requirements for processing core financial transactions. Monitoring the promptness and accuracy of processing of core financial transactions is a key function of the RACC, which met on 4 May, 4 September and 9 November 2023, and 8 February 2024.

Among other things, this committee:

- reviewed processes and controls and considers them to be suitably designed for processing core financial transactions promptly and accurately. This included investing and reconciling contributions, transfers of assets into and out of the Scheme, switches of assets within the Scheme and payments from the Scheme to members that are processed in line with agreed service levels. Given that some of the metrics fell short of target, the lengthy and detailed conversations between the RACC and Administrator focused on ways to improve service to members
- discussed the annual communications plan, commenting on the success of factual guidance to members on transfers, reviews of new joiner correspondence and the issue of annual benefit statements
- discussed with the Administrator the effectiveness and ongoing improvements of IT security and control
- received and reviewed regular management information, which included:
  - membership demographics (numbers, fund sizes, claims and inflows)
  - opt-out rates
  - service level performance
  - customer satisfaction performance
  - complaints and breaches
  - contribution arrears updates
  - common and scheme-specific data scores.
- worked with the Operations team, who carry out monthly contribution reconciliations based on a sample level and include detailed results in the quarterly administration report reviewed by the RACC and Trustee
- commissioned People's Partnership Group's Internal Audit function to assess processes and controls on an ongoing basis
- monitored the completeness and accuracy of member data at each quarterly Trustee meeting.

Improving service despite increasing workload

The year saw a consistently high workload for the Administrator.

This time last year, we reported around a 20% growth in transaction volumes, which exceeded expectations. Yet in the year to 31 March 2024, the Scheme saw another 26% rise from 1.76m to 2.22m transactions. The increase in transactions comes from both a rise in the number of members and members being more likely to interact with us as they reach the age where they can make claims. Overall, claims volumes grew by 26%, with a 48% increase in value. For example, the number of purchase of annuities grew by 150% to 135 (2023: 54), small pot claims rose by 14% to 65,532 (2023: 57,495), bereavement claims rose by 11% to 5,000 (2023: 4,500) and transfers grew by 35% to 71,375 (2023: 52,990). The Scheme paid out £902.5m across the year (2023: £614.8m).

Customer service improved across the board, despite the increase in customer contact. The overall administration SLA performance increased from 76% in 2023 to 93% in 2024, against the aggregated target of completing 91% of queries within five days. The Administrator's client banking team exceeded all its SLA targets, processing new member transfers into The People's Pension the next day in 100% of cases. Work also resumed on preparing for the introduction of the Government's Pensions Dashboards.

Quality and controls stayed at previously high levels, with customer satisfaction staying at 83% and net promoter score rising from +37 to +38 from customers using our Contact Centre. The Contact Centre's average speed of answering improved significantly from three minutes, 16 seconds to one minute, 17 seconds, responding to 97% of emails within three days.

The Administrator has agreed extra investment in recruitment and automation that will support further improvements to overall service delivery. Also, the Operations team successfully completed automation of the transfers in process, so members can start inward transfers from their online account with straight-through processing all the way to receiving funds. This has significantly reduced human intervention and effort, freeing up resources as well as response times. Work is underway to replicate this process for transfers out during the current financial year.

Complaint numbers averaged 1.05 per 1,000 policies in force – comfortably inside the target of 1.5 per 1,000.

The Trustee is satisfied that the Administrator processed all core financial transactions promptly and accurately during the Scheme year.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Member-borne charges and transaction costs

This statement must set out administrative charges to members and the Trustee confirms that it has taken account of statutory guidance when preparing it. These are annual fund management charges plus any extra fund expenses, such as custody costs, but excluding transaction costs.

The Trustee and Administrator refer to this as the member annual management charge, which is made up of:

1. An annual charge of £4.50 on members' pots of £104.50 and over, deducted during the Scheme year.
2. A management charge of 0.5% of a member's pot each year.
3. A rebate on the management charge, for savings over £3,000.

The Trustee confirms that the Scheme's member annual management charge is comfortably within the Government charge cap for schemes with combination charges. The Scheme can charge a maximum of £10.00 or less per year as a flat fee charge, as well as a maximum of 0.6% of funds under management.

Considering the breadth and quality of the Scheme's core service elements (investment, administration, communications, governance), the Trustee is satisfied that the costs and charges are appropriate for the Scheme both as a whole and compared to other options in the market. The Trustee believes the Scheme represents good value for members.

The Trustee reviews the transaction costs associated with the investment funds used by the Scheme at least annually, and most recently at the 2 August 2024 (previously 4 August 2023) Trustee Investment Committee meeting. Transaction costs result from buying, selling, lending or borrowing of investments. They're part of the overall costs borne by members, as they have the effect of reducing the funds' net investment returns.

Transaction costs are incurred by pension schemes in two ways. Firstly, a fund manager will trade in markets to invest money flowing into or out of a fund (when Scheme members contribute to or leave a fund). Secondly, they will implement investment decisions in the course of day-to-day management to achieve the fund's objectives.

Transaction costs can be broadly broken down into explicit and implicit costs. Explicit costs are observable and, where the costs are incurred, an invoice could be generated. Examples include brokerage fees, stamp duty and custodian fees, and foreign exchange levies.

Implicit costs form part of the overall transaction costs that members pay. Implicit costs can't be directly observed or invoiced. These include bid/offer spreads, implementation shortfall (the difference between the decision price and the execution price of a trade) and market impact (the change in the price of a security caused by the trade). Implicit costs will use a 'slippage cost' methodology to calculate the market impact of trading. This method calculates the trading cost by comparing the price at which the transaction was actually executed with the price when the order to transact entered the market. Implicit costs can be positive or negative depending on whether market movements were favourable or not.

The average transaction costs over the five years to 31 March 2024 are shown in the table below. The transaction cost data was provided by the Scheme's investment manager, State Street Global Advisors, and prepared in line with statutory guidance. All transaction cost information required was received and is reflected in the figures tabled.

Default arrangement: charges and transaction costs

The Scheme's default arrangement is used by 98.44% of the membership.

Fund	Management charge	Transaction costs
Global Investments (up to 85% shares) Fund*	0.5%	0.09%
Pre-Retirement Fund*	0.5%	0.06%

* These funds are also available as self-select options.

Non-default arrangements (self-select investment options): charges and transaction costs

Fund	Management charge	Transaction costs
Global Investments (up to 60% shares) Fund	0.5%	0.07%
Global Investments (up to 100% shares) Fund	0.5%	0.09%
Ethical Fund	0.5%	0.01%
Annuity Fund	0.5%	0.01%
Shariah Fund	0.5%	0.02%
Cash Fund	0.5%	0.00%

An Illustration of the charges and transaction costs is shown in Appendix 3 (Illustration of Charges and Transaction Costs) to this Statement on pages 78 to 80.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Value for members

When thinking about whether the Scheme offers members good value for money, the Trustee looked at different aspects of what the Scheme offers and took account of the areas suggested by The Pensions Regulator in its General Code of Practice. While there's currently no precise legal definition of 'good value', the Trustee considers that good value can be determined by answering questions against an agreed set of principles that are reviewed each year. The overarching principle is that 'members are at the heart' of the assessment.

When assessing value for members, the Trustee considers questions such as:

- Are the charges made to members reasonable?
- Are appropriate investment choices available?
- Are the features of the Scheme appropriate and likely to provide good outcomes for members?
- Does the Scheme compare well to other similar arrangements?

The Trustee notes that value for money doesn't necessarily mean the Scheme is low-cost with the lowest fee, and the overall quality of the service should also be considered. The value members receive will be influenced by how much a member pays in, the investment returns on their contributions, the choices members make and how the Scheme is run.

To carry out its review, the Trustee engaged Muse Advisory this year to provide an independent assessment of the Scheme and compare to other similar providers in the market. This covered the four broad areas noted in TPR guidance: scheme governance and management, investment governance, administration, and communications.

Having considered these questions, the Trustee believes the Scheme is good value for these reasons:

1. The costs and charges are reasonable and appropriate.

As explained previously, a member pays a low, flat £4.50 annual charge and a management charge that is 0.5% of their pension pot, a portion of which may be rebated according to the size of that pot. This structure was introduced to improve fairness in the Scheme by better matching charges with operating costs of operation, while reducing cross-subsidy between larger pension pots and smaller ones.

Taken collectively, this annual management charge covers the cost of administering the Scheme and managing member investments.

The Trustee reviews all member-borne charges (including transaction costs where available) annually to make sure members are getting value for money given the circumstances of the Scheme. The Trustee reviewed all member-borne charges in the 2023-24 Scheme year as part of a transaction costs review at the 2 August 2024 Investment Committee meeting.

Independent external benchmarking analysis during the year shows that the Scheme's charges are competitive overall and that member-borne costs are in line with the alternative schemes considered.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Value for members continued

2. The value added through investment performance.

	5 years to 31 Mar 2024 (annualised gross of fees)	5 Years to 31 Mar 2024 (cumulative gross of fees)
Global Investments (up to 85% shares) Fund		
Performance	6.7%	38.4%
Objective: CPI + 3.0%	7.6%	44.0%
Pre-Retirement Fund		
Performance	1.7%	9.0%
Objective: CPI + 1.0%	5.5%	30.2%

	The People's Pension	CAPA
30 years before retirement		
Performance	6.7%	8.3%
Volatility	11.7%	11.8%
5 years before retirement		
Performance	4.1%	5.3%
Volatility	8.7%	9.2%

The performance of the Global Investments (up to 85% shares) Fund and the Pre-Retirement Fund are both behind their objectives, largely due to high inflation in 2022 which only gradually decreased through the Scheme year, affecting the income allocation of the funds. CPI was 4.4% annualised over this period (as at end of March 2024). These funds are the component parts to the default investment arrangement.

Members are subject to the same base charging structure, regardless of which fund they're invested in. As noted on page 9, the introduction of scheme-specific pricing in the year means that some members will benefit from even lower 'net management charges' through higher rebates on the 0.5% management charge than the standard management charge rebates.

As well as the Scheme's performance, the Trustee's analysis compared returns and volatility against a selection of alternative schemes available on the market. The data (sourced by Corporate Adviser) provides an average return delivered by 25 default strategies (Corporate Adviser Pensions Average, 'CAPA'), which covers the performance of more than 95% of the master trust market, as well as some key life insurers which provide workplace pensions. The CAPA covers all eight alternative providers in our comparison group and covers more than 10 million UK pension savers in total.

The data as at 31 March 2024 shows that the Scheme's default investment arrangement underperformed the average but had slightly lower volatility than the market average (volatility measures how risky a fund is by measuring how large the day-to-day movements in price are). For more details on fund performance, refer to Appendix 4 on pages 81 and 82.

Changes to the underlying investment fund for the default arrangement, introduced towards the end of the Scheme year, will manage volatility by providing more diversification and protection, with the intention to improve returns while making the Scheme one of the more environmentally aware master trusts in the market.

3. The Scheme offers a good range of investment options for members.

Members of The People's Pension have a choice of where to invest their savings. There are three investment profile options or a range of self-select funds, including a Shariah Fund and an Ethical Fund. While the self-select fund range is not as broad as some other providers, it's designed to include the main investment categories, and make selection simpler. If members don't choose an option, their savings are invested in the 'balanced' investment profile, the Scheme's default arrangement, which initially invests in the Global Investments (up to 85% shares) Fund before gradually switching their savings into the Pre-Retirement Fund which carries less risk in the years before retirement.

As at 31 March 2024, 98.44% of Scheme's members' savings were invested in the default investment arrangement.

4. The Scheme offers a quality and quantity of member, employer and adviser services and communications.

Administration performance improved over the Scheme year, helped by new enhancements and automation to processes. This was despite People's Partnership's Contact Centre and digital services seeing more significant increases in activity, including huge numbers of requests for information, as well as processing many transactions and claims. More improvements and developments will see this performance continue into the next Scheme year. People's Partnership will continue to develop services to fulfil the Trustee's strategic objective of delivering a best-in-class customer experience.

People's Partnership uses various communication methods to reach as much of the Scheme's large membership as possible in the format they prefer. Research and analysis into what members want, and to understand how to communicate with them better, happens throughout the year. New developments on the Scheme's website, including tools such as retirement modelling, give members a better understanding of their pension savings and the options available to them, helping them to make appropriate decisions throughout their journey up to and through retirement.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Value for members continued

5. The Scheme is well governed and managed.

The Scheme operates to strong governance and administration standards and is overseen by an independent board of Trustee Directors. During the Scheme year, the Trustee Board had six Trustee Directors, with a good balance of skills and experience, and a Trustee Training Plan to help it maintain the necessary competencies to provide strong governance of the Scheme. During the year, the Trustee Directors undertook a full programme of training to develop their knowledge and understanding. They also undertook both individual skills and effectiveness assessments to make sure the Board and Committees are working effectively, and that the training plan is focused and beneficial.

The Trustee meets regularly with representatives from People's Partnership's Operations team, who attend each Board and RACC meeting, to report on performance across all member transactions and processing. While reporting reviews performance against agreed service level agreements in the previous quarter, the Trustee works with Operations to make sure there's a forward-looking plan to continually improve service levels and member experience.

Through the year, the Trustee has worked with the Risk team in the Business Assurance department on developing a more effective risk management framework, and with the Investment team on developing a new Responsible Investment Policy.

More evidence that the Scheme is well run comes from the audit of a report of the Scheme's controls, covering its systems and processes (this is called the TECH 05/20 AAF Master Trust Assurance Framework Report). As part of the supervisory return made to TPR each year, authorised master trusts must demonstrate that their Trustee Board has oversight of, and monitors, certain governance activities, arrangements and relevant systems and processes. The Trustee uses external assurance of these governance controls and procedures to confirm with TPR that these responsibilities have been fulfilled. After the audit, the eighth Annual Report was approved by the Trustee Board on 13 June 2024, setting out details of the controls and oversight in place to help provide stability and protection to its members, with no major exceptions noted by the independent service auditor.

In summary, and considering all these factors, the Trustee believes The People's Pension gives members a good-quality scheme and services at a competitive cost that will deliver good member outcomes.

There are areas for further development and improvement where we'll continue to work with the Administrator over the coming years.

Over the next Scheme year, these include:

- continuing to streamline the processing of transfers and claims
- creating better functionality for the member portal, including modelling tools.

Work also continues on designing and implementing a suitable retirement proposition framework for members.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Trustee's knowledge and understanding (TKU)

In line with section 248 of the Pensions Act 2004 and TPR's General Code of Practice, the Trustee has, and will maintain, relevant knowledge and understanding to run the Scheme effectively. The Trustee supports this with a training programme and induction process for any new Trustee Directors.

As well as their relevant experience and expertise, each Trustee Director is appointed for how their particular specialist background complements the rest of the Trustee Board and gives it diversity of experience. This makes sure that, collectively, the Trustee Board, with support and input from People's Partnership and advisers, has the right balance of skills, knowledge and competencies to govern the Scheme effectively, and to challenge People's Partnership and each other.

An annual skills assessment reviews the Trustee Directors' strengths and identifies training needs. Throughout the Scheme year, the Trustee Directors have demonstrated they meet the requirement for Trustee knowledge and understanding in these ways:

- The law relating to pensions and trusts – the professional independent Trustee Directors are familiar with the laws relating to pensions, as demonstrated through their qualifications and experience, as well as their collective industry awards and achievements. Examples include serving as Trustees (and often Chairs) of many pension schemes.
- Scheme Trust Deed and Rules – the Trustee Directors have demonstrated a working knowledge of the Trust Deed and Rules (which they can access through the Scheme document portal) in making decisions in line with them.
- The principles for investing the Scheme assets – the Trustee Directors have a clear knowledge of the SIP, having considered the performance of both the default investment arrangement and self-select funds against the requirements in the statements, through performance information provided and discussed in Investment Committee meetings throughout the year. Also, they have a good understanding of the overall principles relating to the funding and investment of occupational pension schemes.
- Task Force on Climate-Related Financial Disclosures ('TCFD') – the Trustee Directors have demonstrated a working knowledge of TCFD reporting requirements for identifying, assessing and managing risks and opportunities relating to the Scheme, including those arising from steps taken because of climate change.
- Trustee policies – the Trustee Directors have demonstrated a working knowledge of the Scheme's policies, as they're reviewed regularly to make sure they're still fit for purpose. All policies have been reviewed during the Scheme year in line with the policy review schedule.

The Trustee Secretary is responsible for making sure all Trustee Directors meet the Regulator's requirements for trustee knowledge and understanding.

Taking into account the knowledge and experience of the Trustee Directors and the specialist advice (both in writing and while attending meetings) from professional advisers (e.g. investment advisers, legal advisers), the Trustee believes they're well placed to carry out their functions as Trustee Directors properly and effectively.

Trustee Board skills and training

Trustee Directors complete and maintain a personal training log and are expected to develop their general pensions knowledge on an ongoing basis. This can be through training on specific subjects, attending seminars or reading relevant articles. Each Trustee Director submits a quarterly log of all continuing professional development to the Trustee Services team.

As well as the Trustee Board skills assessment, the Chair also reviews the effectiveness of the Trustee Board annually. This review looks into individual knowledge and understanding, collective experience, decision-making and the ability to challenge, the expertise of advisers, and steps taken to address any training gaps. Training happens throughout the year, including two specific Trustee training days, and future training needs are discussed at each Trustee meeting.

The cumulative training for the six Trustee Directors for 1 April 2023 to 31 March 2024 was:

Key Areas	Strength	Training completed hours
Governance	●	86
Investment	●	95
Administration	●	67
Scheme management	●	71
Knowledge and understanding	●	86
Communication	●	72

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Trustee Board skills and training continued

The Trustee Board is committed to continuous improvement to provide the highest level of governance. As a result, the Trustee undertook a significant training programme in the Scheme year, aimed at improving skills, knowledge and understanding. It covered administration, IT security, governance, investment, risk management, and equality, diversity and inclusion ('ED&I'). More training will happen through the year as part of the Trustee's ongoing development plan. The next external effectiveness review is scheduled for the third quarter of the 2024/25 Scheme year.

During the year, the Trustee Board undertook an independent review of its effectiveness. The Trustee appointed Independent Audit to complete the review, which included a comprehensive questionnaire and observation of meetings. The report to the Trustee was very positive, confirming that the Trustee Board has strengths in many areas, and that it fully understands its responsibilities and is carrying them out well, working together on a basis of trust and openness. The Trustee Services team supports the Trustee effectively, and the independent assessors also saw a good working dynamic between the team and the Trustee Directors.

The Chair of the Trustee and the Head of Trustee Services also carried out an evaluation of each Director's skills in January 2024, and how these skills combine at Board level, presenting the information graphically to support year-on-year monitoring of trends.

The outcome was that the Trustee demonstrated a good balance of skills, TKU and competencies among the Trustee Board, enabling it to govern the Scheme effectively.

Each Trustee Director has extensive defined contribution pension, administration, investment, trusteeship and/or consumer industry experience – there's more information about them on pages 28 to 29. These Trustee Directors bring significant diversity of experience, and cognitive diversity in particular. The Trustee continues to safeguard effective standards of governance, taking into account the size and complexity of the Scheme.

Trustee Board and structure

The number of Directors is kept under review to make sure the Board has the skills and resources to meet the Scheme's work levels and apply the right levels of governance.

The Scheme Founder, People's Partnership Limited, has appointed seven Trustee Directors to sit on the Board of The People's Pension Trustee Limited, the Trustee of the Scheme, to provide continued effective governance to the Scheme. Dr Sheila Doyle was appointed to the Trustee Board with effect from 1 April 2024. This is a new role, specifically created to strengthen the skills and knowledge of the Board relating to digital transformation, data protection and cyber security. The Trustee believes the Board currently has the right skills and knowledge as a group to deliver dynamic, responsive and flexible decision making under an effective governance structure, and to meet increasing and changing demands. Even so, the Trustee and the Founder will continue to review knowledge and understanding, as well as the appropriate number of Directors, in line with the needs of the Scheme.

None of the Trustee Directors are directly affiliated to any company that provides advisory, administration, investment or other services or undertakings to the Scheme. Nor have they taken payment or benefits from such organisations, or are they affiliated with PPHL (the Group's parent company) or any of its subsidiary companies. No-one has been appointed or re-appointed for a term of more than five years since 6 April 2015.

Trustee Directors have the discretion to appoint the Chair of the Trustee, in line with the Model Articles of Association, as determined by the Articles of Association of The People's Pension Trustee Limited. The Chair of the Trustee Board, Mark Condron, is not affiliated in any capacity with The People's Pension. The appointment process is covered in more detail on page 30.

The Board is supported on technical matters by People's Partnership's Trustee Services team, (the Head of Trustee Services, the Pension & Governance Lead, the Trustee Pensions Specialist and the Trustee Secretary) and by professional advisers. The Trustee has a policy for evaluating advisers' performance and selecting new advisers. Relevant skills and experience are crucial criteria.

Trustee Director term of office and status

Trustee Director	Appointed	End of current term	Complete years served (to 31 March 2024)
David Maddison	Re-appointed 1 April 2021 (previously effective from 1 June 2018)	31 March 2026	5
Chris Fagan	Re-appointed 1 April 2022 (previously effective from 1 July 2018)	31 March 2026	5
Baroness Jeannie Drake	Reappointed 1 April 2024 (previously effective from 1 April 2020)	31 March 2027*	4
Mark Condron	1 April 2020	31 March 2025	4
David Butcher	1 June 2022	31 March 2025	1
Emma Osborne	1 September 2022	31 March 2026	1
Sheila Doyle	1 April 2024	31 March 2027**	0

* During January and February 2024, an open and transparent recruitment process was carried out to potentially replace Baroness Drake, who reached the end of her appointment term in March. Baroness Drake also applied under this process and, after considering all applicants, the Founder approved her reappointment for a further three-year term.

** During quarter four of the Scheme year, an open and transparent recruitment process was conducted to fill a new role on the Trustee Board. This was created to increase the Board's overall knowledge and skills relating to digital transformation, data security and cyber security. After considering all applicants, the Founder appointed Dr Sheila Doyle for a three-year term with effect from 1 April 2024.

The Board members are confident that their combined knowledge, skills and experience, together with the advice available to them from their advisers, enable them to properly exercise their functions as Directors of the Trustee.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Directors of The People's Pension Trustee Limited

The Directors of the Trustee who served during the year and up to the date of signing are listed below.

Mark Condron
Chair of the Trustee
(appointed to the Board on 1 April 2020)

Mark joined the Board in 2020 and has been Chair of the Trustee since October 2022. Mark is a professional trustee and actuary and has over 30 years' pensions experience covering all aspects of investment, funding, governance, and administration. Earlier in his career, Mark held senior positions with responsibility for pensions advisory and administration businesses. In his advisory work, he has helped many large UK pension funds and companies on all aspects of pension provision, and now serves on a number of UK trustee boards, investment and pension scheme governance committees. He is a Fellow of the Institute and Faculty of Actuaries and an Accredited Professional Trustee.

David Butcher
Trustee Director
(appointed on 1 June 2022)

David has more than 40 years' experience in the pension and investment industry. A CEO three times in his executive career, David also has nine years' governance experience as a non-executive director and as a trustee on four pensions boards including BlackRock Pensions and trustee director of the Legal & General and Scottish Widows master trusts. A practitioner of mindfulness for more than 40 years, David is the founder of Mindful Pensions, whose objective is to bring the benefits of mindfulness to the pensions industry.

Sheila Doyle
Trustee Director
(appointed on 1 April 2024)

Sheila is a senior technology executive with more than three decades of experience operating at executive and board level across organisations including Deloitte, BP, Norton Rose Fulbright, IBM, and Deutsche Bank. She is a specialist in delivering transformational change by applying innovative digital solutions. As well as her extensive experience in professional services and other sectors, Sheila also serves as a non-executive director for both NHS Supply Chain and London Ambulance Service. Sheila consulted in Hong Kong, Singapore and Australia for the financial services and manufacturing sectors. She served as a non-executive director on the board of Companies House and was also a member of the Audit Committee.

Baroness Jeannie Drake CBE
Trustee Director
(appointed on 1 April 2020)

Baroness Drake is a former member of the Turner Pension Commission, which recommended introducing auto-enrolment. She was also on the Board of the Pension Protection Fund, the Board of The Pensions Advisory Service, and was Acting Chair of PADA, the forerunner to NEST. She has many years of experience in the trade union movement, including as President of the Trade Union Congress (TUC) and was a member of both the Equality and Human Rights Commission and the Equal Opportunities Commission.

Read our full biographies online

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Directors of The People's Pension Trustee Limited continued

Chris Fagan
Trustee Director
(re-appointed 1 April 2022)

Chris is an independent Accredited Professional Trustee and investment specialist with more than 30 years of pensions industry experience. In addition to his role at The People's Pension, he is a trustee of one other pension scheme. Before his appointment by The People's Pension, he was a Trustee of the Towers Watson Pension Scheme and worked in Willis Towers Watson's Investment Advisory and Fiduciary Management Teams. He has also led the internal investment team at a major UK pension fund.

David Maddison
Trustee Director
(re-appointed 1 April 2021)

David has over 35 years of pensions industry experience across multiple functions and worked with RPMI Ltd (now called Railpen), where he fulfilled a number of senior operational roles. He's a fellow of the Pensions Management Institute and has a Law degree. David is also a non-executive director of Health Shield Friendly Society and serves on the Audit Committee and the Nomination and Remuneration Committee. He is also a Department for Transport nominee on two railway pension schemes.

Emma Osborne
Trustee Director
(appointed on 1 September 2022)

Emma's pensions experience includes having been Chair of a defined benefit scheme as well as currently being a trustee director of two other pension schemes and a member of their investment committees. Before this, Emma's career was mainly in institutional investment management, including positions as Head of Quantitative Investment Management and Derivatives for an asset manager and Chief Investment Officer for the international assets of a US insurance company.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Non-affiliation of Trustees

During the Scheme year, the requirement for the majority of the Trustee Directors (including the Chair of the Trustee) to be non-affiliated was met. Details of their professional experience are above. The Trustee continues to safeguard effective and leading standards of governance for the size and complexity of the Scheme.

The independent members of the Trustee Board are each 'non-affiliated' as defined in Regulation 27(8) and Regulation 28 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996. They are all independent from any firm which provides advisory, administration, investment or other services to the Scheme. In particular, they're not a director, manager, partner or employee of such a firm (or one connected to such a firm), and nor were they in the five years before their appointment as a Trustee Director.

No Trustee Director has received any payment or other benefit from a service provider, except as permitted by Regulation 28(3)(b) of The Occupational Pension Schemes (Scheme Administration) Regulations 1996.

The extra requirement of Regulation 28 regarding terms of office for a Trustee Director to count as non-affiliated was satisfied. The majority of the Trustee Directors have been appointed since 6 April 2015, when this requirement was introduced for terms of less than five years, and if they're re-appointed they can serve a maximum of 10 years from the start date noted above. The requirements of Regulation 28(3)(c) of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 have been considered. There are no conflicts of interest, and this has been captured in the Trustee conflicts of interest register.

Trustee appointment process

Appointments to the Trustee Board are open and transparent and meet the requirements set out in Regulation 28(2) of The Occupational Pension Schemes (Scheme Administration) Regulations 1996. Member Nominated Trustee requirements don't apply because the Scheme is a master trust. The process comprises:

- an assessment of the composition of the Trustee Board, and its breadth of skills, experience and knowledge, followed by a gap analysis. The profile of the candidate role is drawn from these conclusions
- national advertising of the new role, alongside support from an external headhunting specialist. People's Partnership's Head of Trustee Services screens CVs with the Scheme Founder, who appoints Trustee Directors
- a two-stage interview managed by People's Partnership in conjunction with the Trustee. Final interviews are conducted by the Chair of the Trustee, or a Trustee Director if there's a potential conflict of interest, and the Chief Executive Officer of People's Partnership.

While no new Trustee Directors were appointed in the Scheme year from 1 April 2023 to 31 March 2024, Dr Sheila Doyle was selected as the preferred candidate for the seventh Trustee Director role and was formally appointed from 1 April 2024. In the run-up to that date, Dr Doyle started the Scheme's induction programme.

Induction process for new Trustee Directors

New Trustee Directors must complete TPR's Trustee Toolkit – an online learning programme for pension trustees – within their first six months or have relevant, suitable and appropriate experience. In that same period, they must also complete a detailed induction programme with these components:

- A comprehensive reading list that includes the SIP, the Scheme Rules and the Conflicts of Interest policy. Trustee Directors must read 12 items in all, as well as minutes of previous Trustee and relevant committee meetings.
- Induction sessions provided with key personnel across the Group.
- Familiarisation with relevant documents such as TPR's 'Welcome to Pension Scheme Trusteeship'.
- Newly appointed Trustee Directors must provide the Trustee Secretary with a detailed list of items, including, among other things, a signed fit and proper person declaration, the Trustee Knowledge and Understanding log and conflicts of interest register update.
- The induction may, with the Chair's agreement, include externally provided training courses. Following the induction, Trustee Directors get more ongoing training and can suggest future training requirements.

All Trustee Directors have completed TPR's Trustee Toolkit and remain up to date.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Member views

The People's Pension exists for the benefit of its members, and their views play a key role in the way the Scheme is run.

The Trustee works closely with People's Partnership to discover, monitor and, whenever possible, act on these views to improve the experience for members.

Member sentiment about the Scheme improved slightly in the 2023-24 financial year. When asked whether they'd recommend the Scheme, an average of 6.2 out of 10 said they would (2023: 6.0 out of 10). Customer satisfaction metrics have largely remained unchanged. For example, when asked to rate the quality of the Scheme's communications, 83% of members surveyed responded with 'good' (2023: 83%).

Effective communications are vital in engaging and supporting members on their savings journey. As part of our master trust obligations to improve understanding of work-based pension schemes, the Scheme is constantly looking for innovative and engaging ways to fulfil this requirement from The Pensions Regulator. Regulations say master trust trustees must provide a process for members' views to be heard by the trustees at board level. At the end of each Scheme year, The People's Pension Trustee Board gives an update on how the Scheme has performed in the last year and gives members the opportunity to 'ask the Trustee a question'.

Once again, this year's update was through a pre-recorded video with Mark Condron, the Chair of the Trustee. Also, we added to the update short 'an introduction to' videos, which answer some of members' most frequently asked questions about pension savings, based on previous member feedback. These were delivered by several Trustee Directors as well as subject matter experts from People's Partnership. We're aware of the different working patterns of our membership base and by producing short videos, members can access them whenever it suits them and in an easy-to-access format. This has meant more video views than in previous years.

People's Partnership runs regular research to find out how members feel and what they want. Each year, 1,000 members are surveyed (as well as 500 employers and 500 intermediaries) to measure customer satisfaction and find out more about them. Members' views are also surveyed at key touchpoints, such as at the end of phone calls to the Administrator's contact centre. Also, a Customer Research Lab has been set up to test any proposed solutions to make sure of the best outcomes for members. The findings from much of this work are shared with the Trustee, so we have a good understanding of our members and their needs.

The Trustee also worked with People's Partnership to support members with:

- details on the website about the rise in the minimum retirement age to 57 and what members can do to protect their ability to retire at 55
- warnings about pension scams, both on the Scheme website and through social media channels
- information about support available from third-party organisations, including Pension Wise and MoneyHelper
- guidance on how members and employers can self-serve using their online accounts and get more support when they need it
- more accessible details about how the Scheme approaches responsible investment.

The Trustee gets detailed information each quarter from People's Partnership on the profile of the Scheme's membership, and about any complaints or disputes. All second stage decisions on submissions through the Internal Dispute Resolution Procedure are considered by the Risk, Administration and Communications Committee, and reported at the next Trustee Board meeting

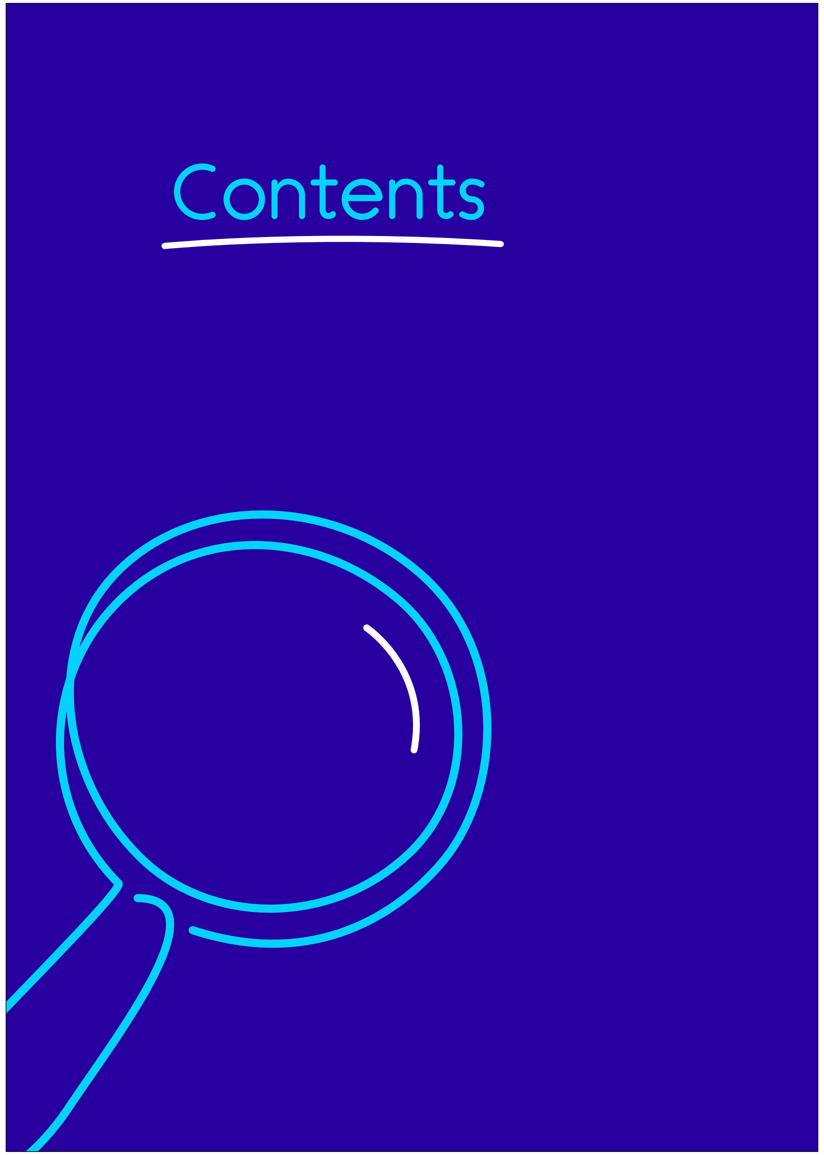
All members have the facility to make a submission to the Trustee at www.thepeoplespension.co.uk/contact-us

The Statement regarding governance was approved by the Trustee and signed on its behalf by:

Mark Condron
Chair of The People's Pension Trustee Limited
18 September 2024

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles



Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Introduction

1. Introduction

1.1 This Statement of Investment Principles (SIP) has been prepared by The People's Pension Trustee Limited (the Trustee), the Trustee of The People's Pension Scheme (the Scheme).

This statement sets down the principles that govern the investment decisions that enable the Scheme to meet the requirements of relevant regulations currently in force, including:

- The Pensions Acts 1995 and 2004.
- The Occupational Pension Schemes (Investment) Regulation 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015, as well as to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK.
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
- The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023.

1.2 The Trustee has consulted a suitably qualified person by obtaining written advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

1.3 The Trustee will review this statement at least every 3 years or if there is a significant change in any of the areas covered by this statement or in the profile of the Scheme's membership. The Trustee will take expert investment advice and consult with the founder of the Scheme (as the nominated representative of the employers of the Scheme) over any changes to the SIP.

1.4 The powers of the Trustee are set out in Clause 51 of the Definitive Trust Deed and Rules, dated 30 May 2022. This statement is consistent with those powers.

Statement of investment principles

2. Choosing investments

2.1 The Trustee's policy is to offer a default investment arrangement plus a core range of investment funds suitable for the Scheme's membership profile. Details of these are given in appendix 1. In doing so, the Trustee considers the advice of its professional advisers.

2.2 The Trustee carefully considers its investment objectives, shown in appendix 1, when designing the range of investment options to offer to the Scheme's members. The Trustee also acknowledges that members will have different attitudes towards risk and different aims for accessing their retirement savings. Therefore, while seeking good member outcomes net of fees, it also considers the level of risk that is appropriate based on the anticipated needs of the membership profile of the Scheme.

2.3 The day-to-day management of the Scheme's assets is delegated to the Scheme's asset manager, State Street Global Advisors. The asset manager is authorised and regulated by the Financial Conduct Authority and is responsible for stock selection and the exercise of voting rights. For the Shariah fund only, the stock selection is delegated by State Street Global Advisors to HSBC Asset Management.

2.4 The Trustee reviews the appropriateness of the Scheme's investment strategy on a continual basis. This review includes consideration of the competence of the asset manager with respect to its performance within any guidelines set.

3. Investment objectives

3.1 The Trustee has discussed and agreed on key investment objectives in light of an analysis of the Scheme's membership profile as well as the constraints the Trustee faces in achieving these objectives. The Funds' high-level objectives are set out in the table on page 5. For all funds, apart from the Cash and Annuity Funds, their long-term performance objectives reference the Consumer Price Index (CPI). Further detail is provided in appendix 1.

3.2 The default strategy is designed to be appropriate for the average member, considering membership demographics and risk tolerance. It aims to balance the risk and expected return over the lifetime of a member.

4. The kind of investments to be held

4.1 The Trustee is permitted to invest in a wide range of assets, including equities, bonds, cash, property, derivatives, and alternatives, subject to complying with relevant legislation.

4.2 In practice, the kinds of investments held by the Trustee depend upon the investment strategy of the relevant fund. Details of these are given in appendix 1.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Fund	Long-Term Performance Objective *
Global Investments (up to 85% shares) Fund	CPI +2.5%
Pre-Retirement Fund	CPI +0.5%
Global Investments (up to 60% shares) Fund	CPI +2.0%
Global Investments (up to 100% shares) Fund	CPI +3.0%
Ethical Fund	CPI +3.0%
Shariah Fund	CPI +3.0%
Cash Fund	Returns equivalent to cash returns
Annuity Fund	To protect against rises in the level of annuity prices

* It should be noted that for those funds with an objective that references CPI, their long-term performance objectives are net of fees.

5. Policy on illiquid investments

5.1 The default strategy does not currently invest directly in illiquid assets such as private equity, infrastructure, and real estate.

5.2 The Trustee considers the operational complexity of these investments; the current levels of fees charged to invest in them relative to the likely returns and challenges of managing their illiquidity mean that they have not been selected to form part of its default strategy at this time.

5.3 The Trustee will keep this under review. Should the illiquid investment market develop and provide compelling investment options that, in its belief, would enhance member outcomes at a cost that is attractive, the Trustee may consider investing in this asset class.

6. The balance between different kinds of investments

6.1 The Trustee has made available a range of investment profile options. Through these options, members' assets are automatically invested in line with a pre-determined strategy that changes at different stages of membership. For example, while a member is a long way off accessing their retirement savings, emphasis is placed on medium to higher-risk funds (ie, investment largely in growth assets such as equities) in search of long-term, inflation-protected growth. As a member's target retirement date approaches, their retirement savings are progressively switched to hold a larger proportion of lower-risk assets so as to protect the value of their savings.

6.2 Members can choose to invest in any of the funds detailed in appendix 1 or can elect to invest in a lifestyle strategy. Where members don't choose where their contributions and those made on their behalf by the employer are invested, the Trustee will invest these contributions according to the default investment strategy set out in appendix 1.

6.3 The Trustee considers the merits of both active and passive management for the various elements of the Scheme's portfolio and may select different approaches for different asset classes.

6.4 The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and that the asset allocation may change as the membership profile evolves.

7. Investment risk

7.1 Risk in a defined contribution scheme sits with the members themselves. The Trustee has considered members' circumstances and ways of managing risks when designing the investment strategy for the Scheme. Details of this are given in appendix 1.

7.2 A comprehensive list of risks is set out in the Trustee risk register. The main investment risks affecting all members and the ways the Trustee measures and manages them are listed on page 17.

Risk	Description	Mitigation
Inflation risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the member's retirement savings.	The Trustee makes available investment options that are expected to provide a long-term real rate of return.
Conversion risk	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the amount likely to be received.	In the investment profile options made available through the Scheme, the Trustee changes the proportion and type of investments so that, in the run-up to retirement, the investments gradually start to more closely match how the Trustee expects members to access their retirement savings. The Trustee keeps the appropriateness of the strategies under review. The Trustee also makes alternative funds available, which members may select to better suit their own circumstances
Retirement benefit risk	The risk that a member's retirement benefit falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid.	The Trustee periodically reviews the appropriateness of the investment options offered to consider whether there are opportunities to improve members' expected outcomes. The level of contributions is outside the Trustee's control. Members will receive regular SMPI projections, providing them with an indication of the size of their pension pot at retirement.
Asset manager risk	The risk that an asset manager underperforms against the benchmark which they're assessed against in the long term.	The Trustee monitors the performance of the Scheme's asset manager on a regular basis through performance information and regular meetings with them. The Trustee has a written agreement with the asset manager that contains a number of restrictions on how the asset manager may operate.
Market risk	Market risk refers to the risk that an investment may fall in value due to fluctuations in the market.	The asset manager is expected to invest in properly diversified portfolios and spread assets across a number of individual shares and securities.
Sequencing risk	The risk that the sequence of returns, particularly poor returns in the early stages of a member taking drawdown income from their pension, may impact that member's ability to sustainably withdraw income through the whole of their retirement.	The Pre-Retirement Fund is a broadly diversified fund, with a maximum of 20% invested in equities. The remainder is split between 60% in fixed-interest securities and 20% in money market securities. This should, in most market conditions, reduce the downside risk of the fund.
Currency risk	Some of the funds made available to members by the Trustee can invest in overseas assets that will be denominated in currencies other than Sterling. There is, therefore, a risk that the relative movements of Sterling and other currencies will lead to losses (or gains) in the value of the investment.	The Trustee monitors the impact of currency risk on the portfolios. The currency exposure associated with a proportion of certain assets held is hedged back to Sterling to reduce the potential impact.
Operational risk	The risk of fraud, poor advice, errors, administrative failure, or acts of negligence.	The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.
Environmental, social and governance (ESG) risk	ESG risks can have a significant effect on the long-term performance of assets held by the Scheme.	The Trustee has a Responsible Investment Policy that addresses how these risks should be managed. This is included in appendix 2.
Index selection risk	The risk that an inappropriate index is selected.	The Trustee takes advice from regulated advisers when making investment decisions.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

8. Expected return on investments

8.1 The Trustee has regard to the relative investment return, net of fees, and risk that each asset class is expected to provide. The Trustee is advised on these matters by its professional advisers. However, the day-to-day selection of investments is delegated to the asset manager.

8.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowances for inflation when making decisions and comparisons.

9. Realisation of investments

9.1. The Trustee has delegated the responsibility for buying and selling investments to the asset manager. This role includes considering the liquidity of the investments in the context of the likely needs of members and the payment obligations of the Scheme.

10. Financially material considerations

10.1 The Trustee believes that environmental, social and governance (ESG) factors can affect the performance of investment portfolios and should be considered as part of the Scheme's investment policy.

10.2 ESG factors are integrated into the portfolio when they are believed to be material to the portfolio's return prospects or risk characteristics. Integration may mean using the ESG factors to influence the weights of securities, sectors, or asset classes held in a portfolio. In general, the Trustee does not believe that large-scale exclusions are consistent with its Responsible Investment objective, which focuses primarily on potential financial factors. The Responsible Investment Policy (appendix 2) further outlines the Trustee's position on ESG integration and exclusions. In addition, the Trustee has agreed to a Climate Change Policy (appendix 3) as climate change is likely to be the most financially material of the ESG issues as it has the potential to affect every business sector and geography.

10.3 The Trustee has a fiduciary duty to consider all material financial risks when making all investment decisions and makes no distinction between the default and self-select funds. In fulfilling this duty, the Trustee also expects its asset manager to take all financially material considerations into account over an appropriate time horizon of the investments when selecting, retaining, and selling investments. This includes, but is not limited to, ESG factors (including, but not limited to, climate change), where these are considered relevant financial factors. The Trustee receives, reviews, and publishes reports from its asset manager on the steps they take on its behalf, including voting and engagement.

Further detail on how this approach is implemented in practice is set out in appendix 2 (Responsible Investment Policy) and appendix 3 (Climate Change Policy).

8 | The People's Pension Scheme Statement of Investment Principles

The Trustee recognises that its duty to act as a fiduciary for the members extends to all funds. As such, ESG risks, including climate change, must be managed across all member options as far as possible, recognising the greatest scale and ability to influence investments lies in the default funds.

11. Member views and non-financial factors

11.1 The Trustee has agreed to a Responsible Investment Policy (appendix 2) that outlines its approach to non-financial factors, including exclusions.

11.2 The Trustee conducts research with members, as and when required, to understand their views on investments as well as ethical and ESG factors.

11.3 The Scheme also offers members self-select funds, such as the Ethical Fund and the Shariah Fund, which allow them to invest in accordance with their views.

12. Voting rights, corporate governance, and engagement principles

12.1 The Trustee does not, in the normal course of events, monitor or engage directly with issuers or other holders of debt or equity. The Trustee expects the manager of pooled funds to exercise ownership rights and undertake monitoring and engagement, considering the long-term financial interests of the beneficiaries. Topics included under this engagement should include capital structure, risk, strategy, performance, social and environmental issues (including climate change), and corporate governance. The Trustee expects its manager of pooled funds to take into account the Trustee's SIP (and Responsible Investment Policy) and the Trustee's stewardship priorities in exercising votes and company engagement on the Trustee's behalf.

Where there is a potential for any conflicts of interest, the Trustee expects its external agents to identify and manage any conflicts in accordance with Principle 3 of the FRC's UK Stewardship Code, putting the best interests of clients and beneficiaries first. The Trustee expects the asset manager to employ the same degree of scrutiny for pooled funds as if the investment had been made on a direct basis.

The Trustee accepts that pooled vehicles will be governed and constrained by the individual investment policies of the asset manager. However, the Trustee recognises the important role it has in influencing positive ESG standards, both through voting on key policies and decisions at general meetings and through the manager's ability to engage with boards on the Scheme's behalf as an asset owner. The Trustee expects its asset manager to implement the Scheme's net zero voting guidelines through an 'expression of wish', as outlined in the Trustee's Responsible Investment Policy (appendix 2).

The Trustee has access to regular reports from its asset manager about their stewardship activities, including voting and company engagement, as well as wider industry and policy engagement. The Trustee monitors and discloses the voting and engagement[1] behaviour carried out on its behalf. If the Trustee deems this behaviour inadequate, it will engage with the relevant manager and seek to better align the behaviour of the manager with the Trustee's policy.

The People's Pension Scheme Statement of Investment Principles | 9

12.2 The Trustee's Responsible Investment Policy (appendix 2) outlines its minimum requirements and expectations of the asset manager on voting and engagement[2] activities. The Scheme invests exclusively in pooled funds at present, and this Policy is therefore framed around how the Trustee interacts with, monitors, and may seek to influence the pooled fund manager. Should an asset manager be failing in these respects, this should be captured in the regular monitoring of the manager's activity.

13. Asset manager arrangements

13.1 Prior to appointing the asset manager, the Trustee discusses the asset manager's benchmark and approach to stewardship, as well as the management of ESG and climate-related risks, with the Scheme's investment consultant and how they are aligned with the Trustee's own investment aims, beliefs and constraints.

When appointing an asset manager, in addition to considering the asset manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how stewardship, ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be materially out of line with their own investment objectives for the part of the portfolio being considered, they will consider another manager for the mandate. The Trustee's Responsible Investment Policy (appendix 2) outlines its minimum requirements when selecting new managers.

The Scheme's investment consultant is independent, and no arm of its business provides asset management services. This and its Financial Conduct Authority (FCA)-Regulated status make the Trustee confident that the asset manager recommendations are free from conflicts of interest.

The Trustee carries out a strategy review at least every 3 years, where they assess the continuing relevance of the strategy in the context of the Scheme and its aims, beliefs and constraints. The Trustee monitors the asset manager's approach to stewardship, ESG and climate-related risks on an annual basis.

In the event that the asset manager ceases to meet the Trustee's desired aims, including stewardship and the management of ESG and climate-related risks, using the approach expected of them, the Trustee will

[1] Includes company, industry, and policy engagement activities, as well as collaborative initiatives.
[2] Ibid

10 | The People's Pension Scheme Statement of Investment Principles

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

expect to work with the asset manager to improve the alignment of their objectives. Should the collaboration with the asset manager be deemed unsuccessful by the Trustee, their appointment may be reviewed or terminated. The asset manager has been informed of this by the Trustee.

Asset manager stewardship, ESG and climate policies are reviewed in the context of best industry practice, and feedback will be provided to the asset manager.

13.2 The Trustee is mindful that the impact on performance of stewardship, ESG and climate change may have a long-term nature. However, they are aware that the risk associated with them may be much shorter-term in nature. The Trustee has acknowledged this in its investment management arrangements.

When considering the management of objectives for an asset manager (including stewardship, ESG and climate risk objectives) and then assessing their effectiveness and performance, the Trustee assesses these over mutually agreed upon rolling timeframes. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the asset manager makes decisions based on an appropriate time horizon.

The Trustee expects the asset manager to vote and engage on behalf of the fund's holdings, and the Scheme monitors this annually. The Trustee does not expect ESG and stewardship considerations to be disregarded by the asset manager in an effort to achieve any short-term targets.

13.3 The Trustee monitors the performance of its asset manager over medium to long-term time periods that are mutually agreed upon with the asset manager and are consistent with the Trustees' investment aims, beliefs and constraints. The investment consultant assists the Trustee in this monitoring process.

The Scheme invests exclusively in pooled funds. The asset manager is remunerated by the Trustee based on the assets they manage on behalf of the Trustee.

The Trustee believes that this fee structure enables the asset manager to focus on long-term performance without worrying about short-term dips in performance significantly affecting their revenue.

The Trustee asks the Scheme's Investment Consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges is considered annually.

13.4 The Trustee defines portfolio turnover as how often assets are bought and

sold by the manager in the course of their investment management activities. During the asset manager appointment process, the Trustee considers both past and anticipated portfolio turnover levels. Overall performance is assessed as part of the regular investment monitoring process, which can be impacted by turnover costs.

The Trustee recognises that there are circumstances when turnover costs are unavoidable, eg, changing managers.

The Trustee does not target a specific portfolio turnover. The Trustee recognises that turnover costs are necessary where they are incurred to ensure the Scheme remains in investments that will provide rather than detract from performance over the long term. The Trustee is mindful of the costs associated with portfolio turnover and has taken the approach of investing passively, which typically leads to lower levels of turnover. When monitoring turnover costs, both the level and reason behind them are considered and, if necessary, investigated further.

13.5 For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the asset manager.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustee's investment aims, beliefs and constraints are assessed every 3 years, or more frequently when changes deem it appropriate to do so. As part of this review, the ongoing appropriateness of the asset manager and the specific funds used are assessed.

14. Monitoring

14.1 Investment performance: The Trustee reviews the performance of each investment option offered through the Scheme against the stated performance objective and receives a performance monitoring report. This monitoring considers both short-term and long-term performance. The asset manager's overall suitability for each mandate will be monitored as frequently as the Trustee considers appropriate in light of both its performance and other prevailing circumstances.

14.2 Objectives: The Trustee monitors the suitability of the objectives for the Scheme (appendix 1) and performance (net of fees) against these objectives at least every 3 years. It also does this when there is any significant change in the investment policy, underlying economic conditions, or profile of the members.

14.3 Investment choices: The Trustee monitors the appropriateness of the investment choices offered on a periodic basis.

14.4 Engagement and stewardship: The

Trustee monitors the engagement and stewardship activities undertaken by the manager of the pooled funds on an annual basis.

15. Agreement

15.1 This Statement was agreed upon by the Trustee and replaces any previous statements. Copies of this Statement and any subsequent amendments will be published on the Scheme website and made available to any participating employer, the asset manager, and the Scheme auditor upon request.

Signed: Mark Condron

Date : 1 April 2024

On behalf of The People's Pension Trustee Limited, Trustee of The People's Pension Scheme

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Appendix 1

Note on investment policy in relation to the current Statement of Investment Principles (SIP), dated 1 April 2024

1. Scheme investment objective

1.1 The Trustee's key objective is to enable members to provide adequately for their retirement via appropriate investment of their accumulated pension contributions.

1.2 In relation to the default option in particular, the objective is to provide an investment strategy that is intended to be suitable for a typical member.

1.3 To ensure that the expected volatility of the returns is achieved, the level of volatility and risk in the value of members' pension pots is managed through appropriate diversification between different asset types.

2. The default option

2.1 Having analysed the Scheme's membership profile, the Trustee has decided that the investment profile set out below represents a suitable default investment option for the majority of members who don't make a choice about how their contributions (and those made on their behalf by the employer) are invested. The aims, objectives and policies relating to the default option are intended to ensure that assets are invested in the best interests of relevant members and their beneficiaries.

The default strategy is known as the balanced investment profile.

2.2 The balanced investment profile is made up of two listed in the table below.

2.3 The investment profile gradually moves a member between the 2 funds depending on their proximity to their retirement age (state pension age unless the member has selected otherwise), as illustrated in the table on page 15.

Fund name	Objective	Asset allocation
Global Investments (up to 85% shares) Fund	Purpose: The fund is a balanced risk long-term capital growth fund. Return frame: To generate returns in excess of consumer price index (CPI). Return objective: CPI+2.5% per annum on a net of fees basis.	76.8% Global shares 3.2% Global infrastructure 13.0% Global corporate bonds 7.0% Global sovereign bonds
Pre-Retirement Fund	Purpose: The fund is a low to medium-risk fund that balances capital preservation and capital growth. Return frame: To generate returns in excess of Consumer Price index (CPI). Return objective: CPI+0.5% per annum on a net of fees basis.	19.2% Global shares 0.8% Global infrastructure 39.0% Global corporate bonds 21.0% Global sovereign bonds 20% Money market

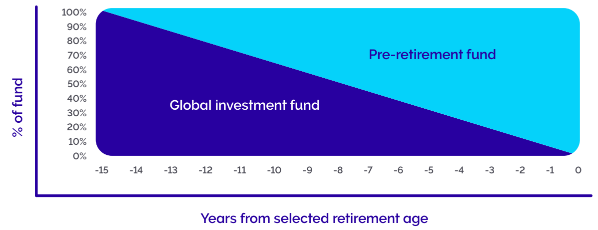
Correct as of 1 April 2024

2.4 The Trustee acknowledges that members will have different attitudes towards risk and different aims for accessing their savings, so it's not possible to offer a default investment option that will be suitable for all.

However, the Trustee believes that the default option provided represents a suitable default investment option for members who don't make a choice about how their contributions (and those made on their behalf by their employer) are invested.

Years from retirement	Global Investments (up to 85% shares)	Pre-Retirement Fund
-15	93.75%	6.25%
-14	87.50%	12.50%
-13	81.25%	18.75%
-12	75.00%	25.00%
-11	68.75%	31.25%
-10	62.50%	37.50%
-9	56.25%	43.75%
-8	50.00%	50.00%
-7	43.75%	56.25%
-6	37.50%	62.50%
-5	31.25%	68.75%
-4	25.00%	75.00%
-3	16.67%	83.33%
-2	8.34%	91.66%
-1	0.00%	100.00%
0	0.00%	100.00%

Fund share in the 15-year glidepath



3 Alternative investment choices

3.1 The Trustee acknowledges that members will have different attitudes towards risk and different aims for accessing their savings. Therefore, it's not possible to offer a single investment option that will be suitable for each individual member.

3.2 Investment profiles

Alongside the default, the Trustee has made 2 alternative investment profiles available.

The 'cautious' investment profile uses the same basis as described above but initially invests in the Global Investments (up to 60% Shares) Fund instead of the Global Investments (up to 85% Shares) Fund.

The 'adventurous' investment profile uses the same basis as described above but initially invests in the Global Investments (up to 100% Shares) Fund instead of the Global Investments (up to 85% Shares) Fund.

3.3 Self-select options

The Trustee has made a number of funds available for members to self-select from. These are shown in the table in the table on page 17.

Members may also self-select from the Global Investments (up to 85% shares) Fund and the Pre-Retirement Fund.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

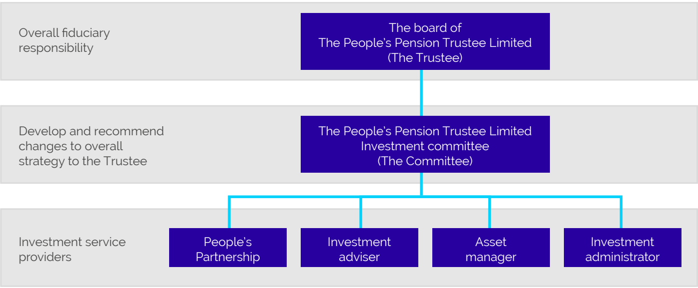
Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Fund name	Objective	Asset allocation
Global Investments (up to 60% shares) Fund	Purpose: The fund is a moderate-risk long-term capital growth fund. Return frame: To generate returns in excess of consumer price index (CPI). Return objective: CPI+2.0% per annum on a net of fees basis.	57.6% Global shares 2.4% Global infrastructure 26.0% Global corporate bonds 14.0% Global sovereign bonds
Global Investments (up to 100% shares) Fund	Purpose: The fund is a higher risk long-term capital growth fund. Return frame: To generate returns in excess of consumer price index (CPI). Return objective: CPI +3.0% per annum on a net of fees basis.	96% Global shares 4% Global infrastructure
Ethical Fund	Purpose: The fund is a higher-risk long-term capital growth fund. Return frame: To generate returns in excess of consumer price index (CPI) while screening out companies that do not exhibit high ESG standards. Return objective: CPI+3.0% per annum on a net of fees basis.	100% Global shares
Shariah Fund	Purpose: The fund is a higher-risk long-term capital growth fund. Return frame: To generate returns in excess of consumer price index (CPI), while investing in the largest global shariah compliant companies. Return objective: CPI+3.0% per annum on a net of fees basis.	100% Global shares
Cash Fund	Purpose: The fund is low-risk capital preservation fund. Return frame: To maintain the capital value of investments. Return objective: Returns equivalent to cash returns.	The fund invests in the short-term money markets such as bank deposits and Treasury Bills
Annuity Fund	Purpose: The fund is a low-risk long-term income fund. Return frame: To provide current income and low-moderate capital appreciation. Return objective: To protect against the rise in the level of annuity prices.	70% Corporate Bonds 30% Gilts

Correct as of 1 April 2024 Members may also self-select from the Global Investments (up to 85% shares) Fund and the Pre-Retirement Fund.

4 Governance

4.1 The Trustee of the Scheme is responsible for the investment of the Scheme's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take and which to delegate, the Trustee has considered whether it has the appropriate training and expert advice in order to make an informed decision. The Trustee has established the following decision-making structure:



4.2 Roles and responsibilities

The Trustee	Investment committee	People's Partnership
• Sets the structures and processes for carrying out its role. • Selects appropriate experts to provide advice as and when required. • Sets the structure for the implementation of the investment strategy.	• Selects and monitors the planned asset allocation strategy. • Reviews the self-select fund range and investment profiles on a regular basis. • Monitors investment advisers and asset manager. • Makes ongoing decisions relevant to the operational principles of the Scheme's investment strategy. • Monitors investment performance and costs.	• Administrative and operational liaison with the asset manager. • Negotiation of fee terms and contractual terms. • Recommendations on generic fund options required to keep the Scheme an attractive option for participating employers. • Scheme secretarial and reporting liaison with the asset manager.

Investment adviser	Asset manager	Investment administrator
• Advises on all aspects of the investment of the Scheme's assets, including implementation. • Advises on this SIP. • Provides the required training to the Trustee. • Ensures that it delivers advice that is compliant with the requirements of the Financial Conduct Authority.	• Operates within the terms of this SIP and its written contracts. • Selects individual investments with regard to their suitability. The Trustee expects the asset manager to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this SIP so far as is reasonably practicable.	• Fund administration. • Unit pricing.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

the people's pension

Responsible investment policy

April 2024

Appendix 2 to the Statement of Investment Principles

Contents

Appendix 2 to the Statement of Investment Principles

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Overview

The People's Pension ('the Scheme') is a defined contribution (DC) master trust open to all UK employers. The Scheme has over 6m members and is growing by more than £3bn in contributions annually. As an open and growing master trust, it has a long-term investment outlook. The People's Pension Trustee ('the Trustee') acts as fiduciary over the savings held in the Scheme.

The primary objective of the Scheme's responsible investment (RI) approach is to add financial value and resilience to its members' savings through its portfolio construction and stewardship approaches. As a complement to the primary objective, the Trustee also wishes to encourage companies to behave in a more sustainable way for the benefit of society and the world the members retire into.

The Trustee believes that it can achieve these complementary objectives by:

- Prioritising ESG risks and opportunities where the investment case for financial materiality over the medium to long term is strongest.
- Identifying ESG issues that contribute value to wider society and embedding them into the Scheme's stewardship approach.[1]
- A limited use of exclusions.[2]

The Trustee has concluded that its fiduciary duty is to address these issues as part of its investment decision making.

1 So long as there is no material financial detriment in pursuing this activity. Also refer to Glossary for the Scheme's definition of stewardship, which does not include portfolio construction.
2 As above, so long as there is no material financial detriment in its use, in alignment with the Law Commission's recommendation regarding exclusions.

The Trustee has identified the importance of considering and managing ESG risks and opportunities as part of its portfolio construction alongside and connected to a stewardship programme that includes not only investee companies but wider industry and policymakers. Due to the breadth and scope of these issues, prioritisation is essential.

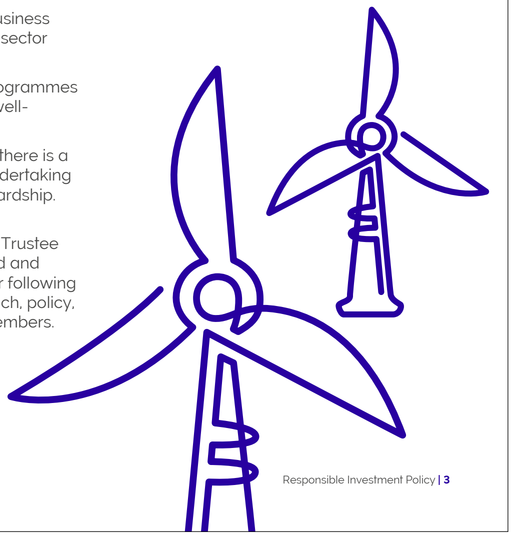
The Trustee has chosen to focus on:

- Issues that relate to climate, nature, and human rights, as these are deemed to be most material to the Scheme's stakeholders.
- Stewardship 'asks' where a business materiality to the company or sector involved can be identified.
- Industry-wide stewardship programmes where the 'asks' are already well-established.
- Stewardship initiatives where there is a comparative advantage in undertaking that particular course of stewardship.

This Policy was approved by the Trustee in March 2024. It will be reviewed and updated at least every 3 years or following any significant change in approach, policy, or the demographic profile of members.

This Policy is divided into 2 main parts:

- **Part 1: The Scheme's responsible investment approach**, which highlights its responsible investment objectives and beliefs and the strategic framework through which this Policy will be implemented.
- **Part 2: The Scheme's stewardship priorities**, which outline the key ESG issues and connected key-stakeholder expectations upon which the Trustee will focus its stewardship activities.



Part 1

The Scheme's responsible investment approach

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Introduction

The Responsible Investment Policy ('the Policy') describes the framework governing the approach of The People's Pension ('the Scheme') to integrate environmental, social, and governance, and stewardship considerations into its investment decision making. The Policy is approved by the Trustee of the Scheme ('the Trustee').

As a primary directive, the Policy has been developed to serve the Scheme's main stakeholders – its members. However, due to the technical nature of the Policy, the information on the Scheme's website may better serve their needs. The main audiences for this document are the Scheme's asset managers, other service providers (ie, data and index providers, investment consultants), policymakers, and investee companies. This is because the document sets out the Trustee's 'asks' of these stakeholders, and the People's Partnership Investment Team uses this information to inform its investment approach, including asset manager and service provider selection and oversight. This document may also be of interest to employers using the Scheme for their pension arrangements, advisers, and other wider stakeholders.

This Policy should be read in conjunction with the following associated Scheme policies and reporting:

- Statement of Investment Principles (SIP), which outlines the Scheme's investment strategy, objectives, policies, and governance arrangements in which this Policy and the Climate Change Policy are included in the appendix.
- The Climate Change Policy, which should be considered a subset of the Policy.
- The Scheme's Taskforce for Climate-Related Financial Disclosures (TCFD) report, which is required to be updated annually, outlines further details regarding the Scheme's climate-related governance, strategy, risk management, and metrics and targets.
- The Scheme's yearly Implementation Statement, which provides a high-level summary of its stewardship activities and the Scheme's performance against its SIP.

Appendix 2 to the Statement of Investment Principles

What responsible investment means to the Scheme

Responsible investment objectives and beliefs

The primary objective of the Scheme's RI approach is to add financial value and resilience to its members' savings through its portfolio construction and stewardship approaches. As a complement to the primary objective, the Trustee also wishes to encourage companies to behave in a more sustainable way for the benefit of society and the world the members retire into.

The Trustee believes that it can achieve these complementary objectives by:

- Prioritising ESG risks and opportunities where the investment case for financial materiality over the medium to long term is strongest.
- Identifying ESG issues that contribute value to wider society and embedding them into the Scheme's stewardship approach.[3]
- A limited use of exclusions.[4]

The Trustee has concluded that its fiduciary duty is to address these issues as part of its investment decision making. The investment beliefs that underpin the aforementioned RI objectives are outlined below.

Investment beliefs
Portfolio level
Many environmental, social and governance (ESG) issues within investee companies can impact upon member outcomes, both financial and non-financial.
The Scheme has universal owner characteristics with a long-term investment horizon and a very diversified portfolio. This means that the Scheme investment returns are dependent on the wellbeing of economy as a whole, and a wide variety of individual company ESG issues are financially material to the Scheme and its stakeholders.
Company level
Well-governed companies that manage material ESG risks and opportunities in their operations and supply chains, such as those that impact employees, suppliers, customers, communities, and the environment, are expected to enhance value for shareholders, including the Scheme's members over the long term.[5]

3 So long as there is no material financial detriment in pursuing this activity. Also refer to Glossary for the Scheme's definition of stewardship, which does not include portfolio construction.
4 As above, so long as there is no material financial detriment in its use, in alignment with the Law Commission's recommendation regarding exclusions.
5 2018-10-03_AlexEdmans_PurposefulBusiness-T.pdf (gresham.ac.uk). Note that enhancing shareholder (and stakeholder) value stems from having a robust process for prioritising stakeholders, as there will inevitably be trade-offs: Microsoft Word - 1. Business Purposev3.docx (alexedmans.com)

Appendix 2 to the Statement of Investment Principles

Responsible investment spectrum

The below figure shows a spectrum of capital allocation techniques in the context of RI, and highlights where the Scheme operates within that spectrum.

		Responsible Investment	Responsible Investment	Responsible Investment / Impact Investment	Impact Investment	
	Traditional	**Screening**	**ESG Integration**	**Themed**	**Impact-first**	**Philanthropy**
				Targeted social and environmental impact	Targeted social and environmental impact	Targeted social and environmental impact
Focus	Limited or no focus on ESG factors of underlying investment.	Negative or exclusionary screening and positive or best-in-class screening, based on criteria defined in a variety of ways (ie, by product, activity, sector, international norms).	The use of qualitative and quantitative ESG information in the investment process, by taking into account ESG-related trends at the portfolio, security or issuer level.	The selection of assets that contribute to addressing challenges such as climate change or water scarcity.	Environmental or social issues which create investment opportunities with some financial trade-off.	Focus on one or a cluster of issues where social and environmental need requires a 100% trade-off.
Examples	Can be an active choice to not include ESG or due to a lack of data for that asset class or security type.	Screening out global norms violators (eg, UN Global Compact) and Climate-related screening (eg, Thermal Coal).	• Tilting towards companies with higher ESG scores, • Setting constraints on emissions linked to investee companies.	• Private equity renewables projects • Emerging markets helthcare themed fund.	• Fund providing debt or equity to social enterprise or a trading charity.	• Donating or creating a charitable organisation without expectation of return.
Funds	Cash Fund	• Global Investments (up to 100% shares) Fund • Global Investments (up to 85% shares) Fund • Global Investments (up to 60% shares) Fund • Pre-Retirement Fund • Ethical Fund				
		• Shariah Fund • Annuity Fund				

Dark blue denotes where on the Responsible investment spectrum The People's Pension operates. Themed investment is being researched as a potential area of investment in the short to medium-term.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Strategic framework

The Scheme has developed a strategic framework to guide its RI approach. It consists of a set of principles divided into 3 pillars: **portfolio construction, stewardship,** and **reporting**. In summary, the Trustee has committed to:

Portfolio construction

- Consider and manage ESG risks and opportunities as part of the Scheme's portfolio construction (Principle 1).

Stewardship

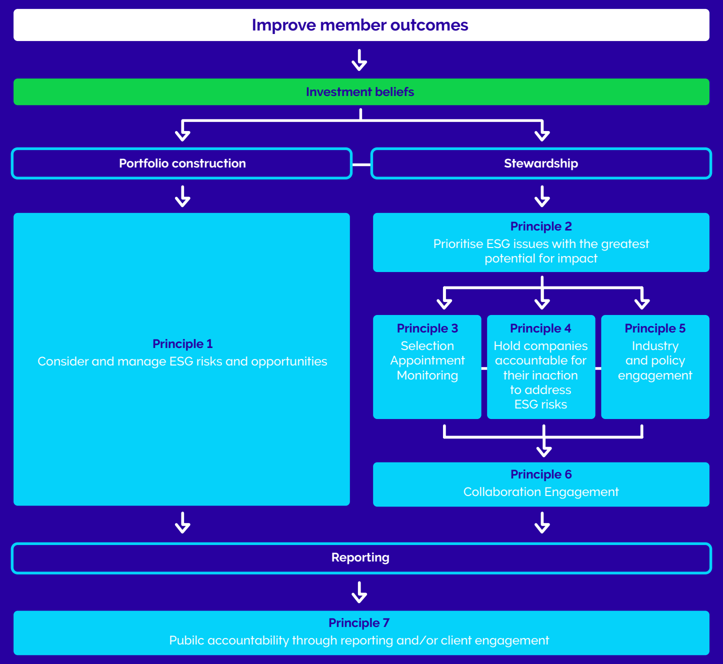
- Prioritise ESG issues with the greatest potential for impact (Principle 2).
- Integrate ESG and stewardship considerations into how the Scheme selects, appoints, and monitors its asset managers and other service providers (Principle 3).
- Through the Scheme's asset managers' activities, hold investee companies to account for the actions they are taking to address business-material ESG risks and opportunities (Principle 4).
- Hold key industry players and policymakers accountable to ensure they are able to help the Scheme achieve its RI objectives (Principle 5).
- Collaborate with other like-minded investors and stakeholders to increase influence (Principle 6).

Reporting

- Annually report on the Scheme's progress (Principle 7).

The chart opposite outlines the Scheme's RI approach and how the strategic pillars and the underlying RI principles interconnect with each other.

Appendix 2 to the Statement of Investment Principles



Appendix 2 to the Statement of Investment Principles

Pillar 1: Portfolio construction

Principle 1: Consider and manage ESG risks and opportunities as part of the Scheme's portfolio construction.

The Trustee incorporates the assessment and management of ESG risks and opportunities into the investment decision-making process using 2 main approaches: integration and exclusion.

The Trustee considers climate change to be a systemic ESG risk with the greatest potential impact on member outcomes. In its 2019 Climate Change Policy, the Trustee first stated its ambition to align its investment portfolio with the 1.5˚C pathway[6] set out by the Intergovernmental Panel on Climate Change ("IPCC"). The appropriateness of this decision will be continually assessed to ensure this ambition remains in alignment with the fiduciary duty to act in the best financial interests of the Scheme's members.

With this in mind, the Trustee has set the following emissions reduction targets[7] for the portfolio:

- Net zero greenhouse gas (GHG) emissions by 2050
- Halving its GHG emission intensity by 2030 for the Scheme's growth assets
- 30% GHG emissions intensity reduction by 2025 for the developed equity portion of the portfolio.

Further detail on how the Scheme is working to achieve this is detailed below. As highlighted in the Scheme's climate change policy, improving data quality and/or company disclosure remains a key pillar to achieving these targets.

The Trustee remains open to exploring the integration of other ESG risks and opportunities, such as nature and human rights, into its portfolio construction, subject to an evaluation of the availability and robustness of data and analytics. As a result, this will be kept under review.

Integration

The integration of ESG analysis into the investment decision-making process is done on the basis of financial materiality. If there is a manageable risk that it is believed may negatively impact the performance of the portfolio or an accessible opportunity that it is believed may positively impact the performance of the portfolio, the Trustee will consider how this can be integrated into the portfolio construction. A key consideration in this area concerns the extent to which ESG factors are already reflected in pricing and valuation.

To date, the Scheme has begun integrating climate change into its portfolio construction decision making. In 2024, the Scheme transitioned its developed market equity tracking investments to a methodology that is intended to align with the 1.5˚C scenario set out by the IPCC.

6 Based on IPCC's 1.5˚C with no or limited overshoot scenario.
7 Assessed against a 2023 baseline. Targets will be measured against Scope 1+2+3
8 For example: excluding whole GICS sectors.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued
Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Through the introduction of this strategy, these assets:

- Have an initial 30% reduction in GHG emissions compared to market indices
- Provides incentive to companies that are setting targets
- Increased investment in companies that see opportunities from a net zero transition
- Decarbonise annually based on the trajectory established by the IPCC in order to reach 1.5˚C with no or limited overshoot.

Exclusions

In general, the Trustee does not believe that large-scale exclusions[8] are consistent with its RI objectives, which focus primarily on potential financial factors. The Trustee believes, as a general principle, it should retain the option to make a decision on a case-by-case basis rather than make a blanket exclusion, which rules a significant number of companies out on the basis of their business. On balance, the Trustee believes that a robust stewardship programme will influence corporate behaviour more effectively than divestment. Enforcing large-scale exclusions limits our ability to work collaboratively with others to develop investment solutions designed to bring about change.

Using climate change as an illustration, the Trustee prefers a tilting methodology that can reduce its exposure to individual securities (such as those in the fossil fuel industry), potentially to zero, but this is distinctly different from blanket exclusion. With regards to investment in conflict-affected regions, the Trustee will continue to monitor where assets are held and work with its asset manager(s) to make sure all our investments are compliant with current sanctions.

There are, however, certain issues where exclusions are considered appropriate, and those that have already been implemented into the investment profile funds are detailed below. Before any exclusions are added to the portfolio, research will be conducted to understand key questions such as:

- Is further engagement likely to have a material impact?
- Are the excluded investments financially material to the portfolios' expected future returns?
- Is the business activity likely to be exposed to reputational or policy risk that could result in an impact on the company's pricing and valuation that is not currently reflected in the price?

Once the above is understood, the Trustee will be able to make an informed decision on whether or not to introduce an exclusion.

Appendix 2 to the Statement of Investment Principles

Exclusions*	
Category	**Assets**
Controversial weapons	• Equity-tracking investments • Fixed-income tracking investments (corporate bonds)
Very severe ESG controversies (eg, UN Global Compact violations)	• Equity-tracking investments • Fixed-income tracking investments (corporate bonds)
Severe environmental controversies	• Developed-market equity-tracking investments
Tobacco-related business	• Equity-tracking investments
Thermal coal extraction and mining	• Equity-tracking investments

* As an index-tracking investor, the Scheme relies on the index provider to define the exclusions in each index. The Trustee, with support from the People's Partnership Investment Team and other service providers will review these definitions as part of the index-election process as well as during ongoing monitoring.

In addition to the exclusions in the investment profile funds, there are also exclusions present within the asset allocation for the Annuity Fund, Ethical Fund, and Shariah Fund.

The Annuity Fund is made up of corporate bonds and sovereign debt (primarily from the UK). The corporate bonds for this fund have exclusions in place for companies:

- Involved in controversial weapons
- Violating global norms, ie, UN Global Compact
- Direct involvement in the production or manufacturing of tobacco
- Connected to the extraction or use of thermal coal to generate electricity (above 10% revenue or involvement)

For more information on the Ethical Fund, please see 'Our Ethical Fund in focus' webpage: https://thepeoplespension.co.uk/investment-funds/the-ethical-fund/

For more information on the Shariah Fund, please see 'Our Shariah Fund in focus' webpage: https://thepeoplespension.co.uk/investment-funds/the-shariah-fund/

Potential trade-offs

A portfolio with a 1.5˚C decarbonisation pathway may introduce additional concentration risks if there is a wider industry and policy consensus that 1.5˚C is no longer achievable. To address this risk, the Trustee will conduct yearly monitoring of industry and policy developments, or earlier as needed, to confirm whether or not the current climate strategy remains fit for purpose.

Appendix 2 to the Statement of Investment Principles

Pillar 2: Stewardship

Introduction

Stewardship has the potential to create long-term value for clients and beneficiaries. To maximise effectiveness, stewardship priorities[9] underpinned by a robust prioritisation process are key. To address the trade-offs inherent in prioritising a small subset of stewardship activities, the Scheme has used the following criteria to decide where to allocate its stewardship resources:

- Prioritise ESG issues that are considered to be systemic risks.
- Focus on stewardship 'asks' where a connection can be made to generate shareholder value in a way that aligns with value to the Scheme's members as well as wider society.
- Focus on stewardship activities where the Scheme has a comparative advantage[10] in undertaking that stewardship.
- Focus on companies where a material ESG issue also has business materiality for the company or sector considered.
- Focus on stewardship 'asks' that are part of established industry-wide frameworks with existing momentum and a track record behind them.

Principle 2: Prioritise ESG issues with the greatest potential for impact.

Using the above prioritisation framework, the Trustee has identified **climate change, nature,** and **human rights** as its stewardship priorities. The stewardship priorities in Part 2 of this Policy sets out the following with respect to each of these priorities:

- The rationale that has driven the selection of the thematic and sectoral focus areas
- Key investee company expectations on the issue in question, including voting
- Key policy expectations
- Key industry engagement and collaborations
- Potential trade-offs involved

Overall, the stewardship priorities document also outlines how these expectations and engagements will drive the Scheme's asset manager monitoring programme (Principle 3).

9 DWP also recommends stewardship priorities in its June 2022 guidance. Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance - GOV.UK (www.gov.uk)
10 investorforum.org.uk/wp-content/uploads/securepdfs/2022/05/Stakeholder_Capitalism-report.pdf

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Principle 3: Integrate ESG and stewardship considerations into how the Scheme selects, appoints, and monitors asset managers and other service providers.

Asset managers

Minimum requirements

The Trustee will incorporate the following minimum requirements into its asset manager selection process:

- Become a signatory to and remain compliant with the 2020 UK Stewardship Code or an equivalent local stewardship code applicable in their jurisdictions.
- Support the Scheme's net zero strategy through its own net zero actions.
- Suitable commitment to the resourcing of the manager's own stewardship function above the average level of industry peers.
- Commitment to training and development of key fund management individuals on RI.

If circumstances arise whereby (an) existing manager(s) does/do not meet these minimal requirements, the Trustee will allow the manager(s) a suitable grace period to meet them. If, after this grace period, the minimum requirements are not met, an appropriate escalation strategy will be triggered, as highlighted on page 16.

Expectations

As part of its monitoring programme, the Trustee will annually review all the Scheme's asset managers to evaluate whether their approach to RI is:

- Continuing to meet the minimum requirements as outlined on this page
- Demonstrating reasonable progress against the expectations outlined in the table on the following page.

11 As of the date of the Policy, the Financial Conduct Authority's Vote Reporting Group has not yet published its final industry recommendations regarding improving vote disclosures at an industry level. These recommendations will be incorporated into the monitoring metrics when they are made publicly available.
12 As determined by the Scheme's stewardship priorities and taking into account statutory guidance

Appendix 2 to the Statement of Investment Principles

Topic	Asset manager expectations	Key monitoring metrics
Purpose	Alignment with the Scheme's RI objectives and beliefs	• Evidence of a prioritisation framework that drives the stewardship strategy. If present, whether it is in broad alignment with the Scheme's approach • Stewardship resourcing allocation (see Governance below) – eg, industry and policy engagement programme that aligns with, nor undermines, the Scheme's RI objectives and beliefs
Governance	Robust governance systems that drive effective stewardship	• Sufficient board-level ESG oversight • Adequate stewardship resourcing (financial investment, skills, training, headcount, market coverage) • Evidence of a diversity action plan and completion of the Asset Owner Diversity Charter questionnaire
Voting and engagement activities	• Exercise voting rights on the Trustee's behalf in companies in which the Scheme has holdings (baseline expectation) • Align stewardship activity with the Scheme's stewardship priorities • A formalised and robust process for setting and tracking engagement milestones, including escalation	• Voting policy alignment with good-practice corporate governance principles • Executes engagement programme as outlined in the Scheme's Stewardship Priorities • Executing the Scheme's net zero voting guidelines • Appropriate disclosure of deviations from the house voting policy views and appropriate rationales • Appropriate disclosure of deviations from the proxy adviser recommendations (ie, to address issues of "robo-voting") • Evidence of a link between equity and bond stewardship activity, where doing so will increase influence and impact • Evidence of an integrated tracking system for voting and engagement activity • Evidence of a robust process for escalation activity linked to failed engagement or policy breaches
ESG integration and exclusions	Robust oversight of index construction and management processes	• Incorporating changes in ESG trends into the data and index construction process, including exclusions • Breaches to index construction rules are handled appropriately • Changes to index construction are implemented appropriately • How exclusions are implemented when at a fund-level rather than an index-level
Industry and policy engagement	Align industry and policy engagement activities with the Scheme's stewardship priorities	• Percentage of the Scheme's industry and collaborative engagements that the asset manager participates in • Quality of industry and policy engagement (eg, leading versus supporting, light touch versus intensive, etc) • Proportion of resources allocated to industry and/or policy engagement (or systemic stewardship) versus company engagement • Proportion of policy and/or industry engagement tied to the Scheme's ESG priorities
Quality of client reporting[11]	Provide best-in-class, strategy-level stewardship reporting on the Scheme's stewardship priorities	• Engagement reporting in alignment with the Investment Consultant's Sustainability Working Group's engagement reporting guide • Detailed voting records on the Scheme's significant votes [12] • Quality of voting rationales for votes against management and a controversial vote

Appendix 2 to the Statement of Investment Principles

The Trustee acknowledges that some managers may be on a journey to achieve these expectations. If significant gaps are identified, asset managers will be put on notice to improve within the agreed timelines. If those timelines are not met and collaboration with the asset manager is deemed unsuccessful by the Trustee, their appointment will be reviewed, which may result in a redirection of new investments or their contract may be terminated.

The minimum requirements and expectations will be reviewed by the investment team with appropriate escalation to the Trustee at least annually to ensure alignment with industry developments.

Advisers

The Trustee expects its adviser(s) to demonstrate its/their competency in the field of RI. Key focus areas[13] in the competency assessment will include:

- Firmwide ESG expertise and commitment, notably in the Scheme's stewardship priorities.
- Individual consultant ESG expertise, notably in the Scheme's stewardship priorities.
- Tools and software (climate-specific, but this will evolve over time to include other ESG issues).
- Policy advocacy.
- Evidence of a diversity action plan and completion of the Asset Owner Diversity Charter questionnaire.
- Robust assessment of managers that draws clear lines between leading and lagging RI practice.
- Commitment to training and development of key RI individuals grounded in real-world outcomes.

The Trustee conducts an annual review of its adviser(s), which includes its/their RI credentials.

Data and Index Providers

The Trustee expects its data and index provider(s)[14] to:

- Operate with robust governance, with the appropriate workforce, resources and incentives to drive effective product delivery to clients (including evolving their products in line with market developments).
- Be sufficiently transparent in its/their methodology, information, and data inputs and assumptions, working with openly available inputs wherever possible, including:
  - Where data is estimated as opposed to directly measured.
  - Being open about the limitations of its/their data.
- Determine their outputs by applying systematic processes, sound systems and controls.
- Identify, manage, and disclose conflicts of interest.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

- Identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
- Provide appropriate reporting to support the Scheme's requirements.
- Have the ability to provide information aligned with the Scheme's evolving needs and expectations.
- Provide complementarity and additionality in comparison with similar offerings by other industry peers.

Monitoring index providers against the Scheme's expectations will be incorporated into the 'ESG integration and exclusions' section of its asset manager monitoring framework (refer to the table on page 15).

The People's Partnership Investment Team conducts an annual review of the suitability of the ESG data and analytics strategy and, by extension, its ESG data provider(s) to determine whether its/their offering remains suitable for the Scheme.

Principle 4: Through the Scheme's asset managers' activities, hold investee companies to account for the actions they are taking to address business-material ESG risks and opportunities.

The Scheme currently delegates voting and engagement with investee companies to asset managers. Therefore, the primary avenue the Scheme has to implement this principle is through the voting and engagement policies of its managers and holding them accountable for their approach against its stewardship priorities. Further details on this can be found in Part 2 of this Policy.

Any company-level engagement that the Scheme chooses to undertake itself would be decided on an exceptional basis, informed in part by:

- The gap between the Scheme's asset manager expectations and its asset managers' stewardship approach.
- The systemic importance of the sector in which the company is situated or the company itself (the potential efficacy of the company's actions in addressing the issue).
- The business materiality of the ESG issue to the company itself.
- The comparative advantage of us undertaking the stewardship as opposed to other investors.
- The ability to leverage existing investors' collaborative engagement platforms, such as the Principles for Responsible Investment (PRI) and the Institutional Investors Group on Climate Change (IIGCC).

The Scheme's company expectations of its stewardship priorities are outlined in Part 2 of this Policy.

13 Taken from the Investment Consultants Sustainability Working Group Climate Competency Framework.
14 Note that it is the Scheme's asset manager that has a direct commercial relationship with the index providers. Therefore, the monitoring programme against the Scheme's expectations will be reflective of that relationship. The Trustee encourages data and index providers to be signatories to the FRC's Stewardship Code for Service Providers in fulfilment of these expectations.

Principle 5: Hold key industry players and policymakers to account to ensure they are able to help the Scheme achieve its RI objectives.

The Trustee recognises the importance of other investment actors (eg, data and index providers, advisers and policymakers) in delivering its RI objectives. The Trustee will prioritise investor collaboration (Principle 6) in engaging with these key stakeholders and prioritise issues where material breaches in the service provider and policy expectations of the Scheme's stewardship priorities occur.

The Scheme's key industry engagements are outlined in Part 2 of this Policy (Stewardship priorities).

Principle 6: Collaborate with other like-minded investors and stakeholders to increase influence.

Building coalitions of like-minded asset owners and managers is perhaps one of the most important ways the Trustee can drive real change, given the Scheme's market position and influence. As a result, the Trustee will continue to:

- Lend support to selected existing collaborative initiatives that are focused, well organised, and can add more power to our stewardship approach.[15]
- Look to build coalitions of support in key, material ESG areas where we have a comparative advantage in doing so and existing initiatives do not exist.
- Convene or participate in collaborative engagement if there are particular issues the Scheme has identified, recognising that it may have more success when dealing with asset managers, service providers, data providers, and policymakers collectively.

The Scheme's key collaborative initiatives are outlined in Part 2 of this Policy (Stewardship priorities).

Pillar 3: Reporting

Principle 7: Annually report on the Scheme's progress.

The Scheme's activities will be publicly reported on as part of its annual Implementation Statement and TCFD reporting, as well as any additional reporting deemed necessary as the Scheme evolves its approach. The Trustee has identified improving member communications in its RI activities as a priority. To that end, it is the Trustee's intention to submit an annual stewardship report to the Financial Reporting Council (FRC) starting in early 2025 to apply for continuing Stewardship Code signatory status.

The Scheme's SIP outlines the internal monitoring and reporting of its responsible investment activities, of which the Trustee has oversight.

15 Examples include being part of various Principles for Responsible Investment (PRI) and Institutional Investors Group on Climate Change (IIGCC) working groups to address industry challenges. For full details of the Scheme's participation in these working groups, please refer to its website.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued
Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Part 2

The Scheme's stewardship priorities

Appendix 2 to the Statement of Investment Principles

Summary

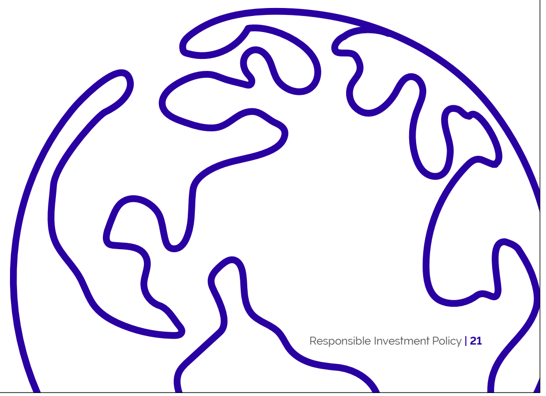
The Trustee has identified climate change, nature and human rights as its stewardship priorities. For each priority, this section lays out:

- The rationale that has driven the selection of the focus themes and sectors
- Key investee company expectations, including net zero voting guidelines
- Key policy expectations
- Key industry engagement and collaborations
- Potential trade-offs involved

The stakeholder expectations outlined in this section will be predominantly used to drive the Scheme's asset manager monitoring programme. The Trustee expects its asset managers to:

- Align with the investee company expectations and hold them accountable for adhering to them.
- Implement the net zero voting guidelines.
- Participate and demonstrate leadership in industry engagement and collaborations referenced in this document.
- Broadly align with the policy expectations and demonstrate leadership with policymakers and government bodies in holding them to account for adhering to them.

If these expectations are not materially met, the findings will be incorporated into the broader asset manager monitoring programme, as outlined in Part 1 of this Policy (Principle 3).



Appendix 2 to the Statement of Investment Principles

Targeted stewardship activity

The tables below provide a summary of the key targeted stewardship activities within the Scheme's stewardship priorities. Further details regarding company and policy expectations, as well as the Scheme's participation in industry and collaborative engagement, are presented in subsequent sections.

Rationale for prioritisation	Focus sectors and themes	Key stakeholder expectations
Company expectations and voting escalation		
Insufficient progress on company net zero strategies requires increased voting escalation.	• Climate Action 100+ (CA100+) companies • Banks	**Investee companies** – adhere to the Scheme's company expectations.
	• Net zero commitment • Science-based targets • TCFD reporting • Decarbonisation strategies	**Asset managers** – adhere to the Scheme's company expectations and implement net zero guidelines.
Further scrutiny (in addition to the above) on: a) Fossil fuel-reliant sectors (including supply and demand) given their importance in the energy transition. b) Banks, given their gatekeeping role in fossil fuel financing.	• Oil and gas • Auto • Utilities • Steel • Banks	
	• CAPEX • Report and accounts • Lobbying	
Net zero cannot be achieved without addressing deforestation.	Sectors linked to agricultural-linked commodities[16]	
	Deforestation policy and/or commitment	

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Appendix 2 to the Statement of Investment Principles

Rationale for prioritisation	Focus sectors and themes	Key stakeholder expectations
Policymaker expectations		
Inadequate policy frameworks weaken stewardship effectiveness, especially with well-diversified investors (universal owners).	• Climate • Nature • Human rights	Policymakers – adhere to the Scheme's policy expectations. Investee companies – to implement responsible lobbying practices (see page 22). Asset managers – to participate and take a leading role in policy engagement activities.

Rationale for prioritisation	Focus sectors and themes	Key stakeholder expectations
Industry and collaborative engagements		
With respect to company engagement, prioritising existing industry and collaborative engagements over individual engagements will greatly increase the likelihood of a successful outcome.	• CA100+ (climate) • Nature 100+, PRI's Spring (nature) • PRI's Advance (human rights) • Global Investor Commission on Mining 2030	Asset managers – to participate and take a leading role in these collaborative engagements.
Given its nascency, prioritising driving better-quality human rights data and analytics through industry and collaborative engagement is the most effective way to advance the Scheme's approach to this issue.	Human rights	Asset managers – to participate and take a leading role in industry and collaborative engagements to drive better-quality human rights data and analytics.

16 As identified by the Science Based Targets Network (2023) SBTN High Impact Commodity List.

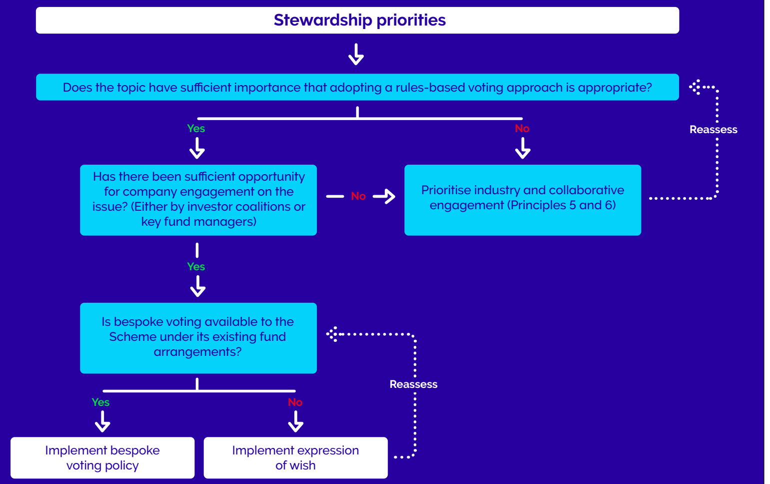
Responsible Investment Policy | 23

Appendix 2 to the Statement of Investment Principles

Maturity map

The chart below provides the decision-free framework, which allows the Scheme to further hone its stewardship approach in accordance with the maturity—or rather, importance—of each individual stewardship priority. By following this framework, the Trustee has identified the need to prioritise:

- The implementation of the Scheme's net zero voting guidelines through an 'expression of wish'[17] to its asset manager(s).
- Industry and collaborative engagements to improve the quality and availability of human rights data and analytics in the market.



24 | Responsible Investment Policy

Appendix 2 to the Statement of Investment Principles

Measures of success

The Trustee will measure the success of the Scheme's stewardship programme by considering indicators such as:

- How the Scheme's asset managers exercise company engagement, proxy voting, industry, policy, and collaborative engagement in alignment with the Scheme's expectations.
- The Scheme's participation in industry, policy, and/or collaborative engagement resulted in a tangible positive impact, with emphasis on those initiatives where the Scheme took a leading role.

17 As defined by DWP here: Reporting on stewardship and other topics through the Statement of Investment Principles and the Implementation Statement: statutory and non-statutory guidance (publishing.service.gov.uk)

Responsible Investment Policy | 25

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Company expectations

The company expectations outlined below will be predominantly used to drive the Scheme's asset manager monitoring programme. The Trustee expects its asset managers to embed these company expectations into their stewardship activities and implement its net zero voting guidelines.

Good corporate governance is the foundation of any well-run business. How the company's board aligns with shareholders' long-term interests is a critical underpinning of whatever stewardship priority has been selected. The Trustee encourages all companies in which it invests on a global scale to closely align with the International Corporate Governance Network's Global Governance Principles, the Organisation for Economic Co-operation and Development's (OECD) Principles of Corporate Governance, as well as regional good practice frameworks such as the UK's Corporate Governance Code, all of which set out the fundamentals of corporate governance. The Trustee encourages companies to begin aligning their sustainability reporting to the International Sustainability Standards Board's sustainability standards.

Climate

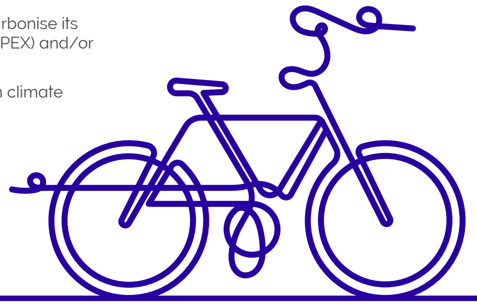
For further details on the investor and company-level materiality of climate, please refer to the Scheme's Climate Change Policy. Some companies operate in sectors where climate change risks are closely related to the core business or have a business materiality. In these areas, the Trustee expects boards to pursue value creation in ways that align with the grain of climate change mitigation activities. The Trustee believes that this is best enacted by aligning with the requirements of Climate Action 100+ and the Transition Pathway Initiative's banking tool.[18]

Specifically, the Trustee expects all CA100+ focus companies and banks to:

- Set an ambition to achieve net zero GHG emissions by 2050 or sooner.
- Work towards achieving a credible business plan to achieve this ambition that sets out clear interim targets and milestones, material actions, activities, and accountability mechanisms that are appropriate for their sector and market.
- Align their disclosures with relevant, recognised industry benchmarks.[19]
- Disclose evidence of board or board committee oversight of the management of climate change risks and demonstrate that it has the capabilities and competencies to assess and manage climate-related risks and opportunities at board level.

Appendix 2 to the Statement of Investment Principles

- Provide robust reporting on the effectiveness of systems of internal control and risk management for climate-related risks and how climate change issues are considered when reviewing the company's financial performance, strategy and business plans.
- Appropriately define and consider any material climate-related risks in preparing the financial statements.
- Set short, medium, and long-term science-based targets[20] for Scope 1, 2 and material Scope 3 emissions built around robust methodologies.
- Disclose evidence of a decarbonisation strategy that explains how it intends to meet its medium and long-term GHG reduction targets.
- Disclose evidence of:
  - how it is working to decarbonise its capital expenditures (CAPEX) and/or lending practices
  - how it intends to invest in climate solutions.
- Make an explicit statement of how it has phased out or is planning to phase out capital expenditure and/or lending in new unabated carbon-intensive assets or products by a specified year.
- Review all trade association funding and corporate lobbying activities and ensure they are fully aligned with the company's public position and policies on climate change.[21]
- Show a commitment to the principles of a 'just transition' (see glossary for further detail).



18 Banking Tool - Transition Pathway Initiative.
19 Examples include the Climate Action 100+ Net Zero Company Benchmark, the Transition Plan Taskforce Gold Standard Disclosure Framework, and sector-specific guidance such as Net Zero Standards for Oil and Gas, Banks and Diversified Mining.
20 Example: Science-based Targets Initiative.
21 The Trustee supports the Global Standard for Responsible Climate Lobbying, and thus, on a comply or explain basis, expects companies to adhere to it.

Appendix 2 to the Statement of Investment Principles

The below table outlines the net zero voting guidelines that the Trustee expects its asset manager(s) to implement as an 'expression of wish'.

Year	Voting guidelines	Focus sector(s)
Climate		
Directors – baseline expectations		
2024	**Where a company fails, one or more of the following:** • TCFD reporting • Net zero by 2050 (or sooner) ambition • Short, medium, and long-term science-based emission reduction targets • A decarbonisation strategy in place, with a defined set of quantitative and qualitative actions to reach the emission reduction targets **Vote against the Chair of the Board.**	• All CA100 companies • Banks[22]
2025	**If above remains unmet, vote against the entire Board**	
Directors – deeper scrutiny of key sectors for fossil fuel reliance		
2025	**If a company meets baseline expectations but does not provide sufficient disclosure with respect to:** • How it plans to align its capital expenditure and lending practices to net zero • How material climate-related matters are incorporated into the financial statements (UK and EU only) • How the auditor of the company has assessed the material impacts of climate-related matters (UK and EU only) • How its lobbying activities are aligned to net zero **Vote against the Audit Committee Chair (all markets) and the auditor (UK/EU only).**	• Oil and gas • Auto • Utilities • Steel • Banks
2026	**If the above remain unmet, vote against the entire Audit Committee**	

22 Any reference to 'Banks' in the net zero voting guidelines will refer to those banks covered by TPI's banking tool.
23 Voting escalation beyond 2025 will be updated subject to industry developments.
24 This escalation does not attempt to scrutinise the quality of the deforestation commitment, eg, a no versus no net deforestation target – it is a presence or absence assessment. However, this baseline escalation trigger will be kept under review, and will become more stringent over time with industry developments.
25 Example: SBTN/TNFD Joint Guidance for corporates

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Year	Voting guidelines	Focus sector(s)
	Climate	
Criteria for shareholder resolution support		
2024 onwards	**Vote FOR climate-related shareholder proposals:** • Supported by management, so long as the proposal is not vague, leading to suspicion of greenwashing • Asking for enhanced disclosure on climate-related risks and opportunities, ideally in alignment with the TCFD • Requesting the company to set reduction targets for their scope 1 and/or 2 emissions and/or material scope 3 reduction ambitions • Requesting more transparency on corporate lobbying and membership of industry organisations • Submitting non-executive board member candidates who have relevant nature-related expertise and/or asking to increase relevant nature-related expertise at the board-level where such knowledge is currently absent and where nature-related risks are material in the near future	• CA100+ companies • Banks
	Deforestation and land use	
Directors		
2025[23]	**If the company does not publicly demonstrate a commitment to end deforestation in its supply chains or lending practices[24]** Vote against the Chair	• Sectors associated with agricultural-linked commodities • Banks
Criteria for shareholder resolution support		
2024 onwards	**Vote FOR deforestation-related shareholder proposals:** • Supported by management, so long as the proposal is not vague, leading to the suspicion of greenwashing • Asking companies to assess, monitor, and disclose how they contribute to nature depletion via their own operations and supply chains • Asking companies to assess, monitor, and disclose their direct and indirect exposure to deforestation • Asking companies to adopt a science-based deforestation target[25] • Asking companies to adopt policies and targets to improve the level of traceability in their supply chain • Asking companies to develop and/or disclose the grievance mechanisms in place to deal with eventual incidents of deforestation in their own operations and supply chain • Requesting more transparency on corporate lobbying and membership of industry organisations	• Sectors associated with agricultural-linked commodities • Banks

Appendix 2 to the Statement of Investment Principles

Appendix 2 to the Statement of Investment Principles

Potential trade-offs

Just transition

Pursuing as fast as possible decarbonisation and energy transition will impose uneven costs to countries and societies. For example, in the developing world, 600m people are without electricity today, and an accelerated global decarbonisation pathway might slow their ability to gain access. In addition, many jobs, especially in the developing world, depend on fossil fuel extraction and the transport chain. A fast reduction in fossil fuel consumption puts these jobs and livelihoods at risk, creating societal harm, which in turn can impact the ability to achieve a net zero economy. To address this, the Trustee believes in a commitment to the principles of a just transition.[26]

Shareholder value

A fast decarbonisation pathway may conflict with shareholder value generation in certain companies and sectors. At some point, it may become clear that certain business models and even entire sectors are no longer able to generate shareholder value in ways consistent with mitigating climate change. The Trustee acknowledges there is currently no framework for directors of a business to voluntarily move away from creating shareholder value. To address this, the Trustee will:

- Review its position in these sectors on a yearly basis to determine whether it remains suitable to maintain exposure to these assets.
- Put stewardship emphasis on the demand side of the fossil fuel reliance value chain – notably the automotive sector – where incentives to decarbonise are higher.
- Continue to prioritise industry and policy engagement as part of its stewardship activities.

Selling assets

A company's decarbonisation strategy may involve the selling of assets (eg, oil and gas), which may then be bought by a third party that may not have net zero commitments and/or be transparent about their climate strategy (eg, private equity). This is a complex issue that will need to be dealt with on a case-by-case basis as part of the Scheme's asset manager monitoring programme.

26 It is also a CA100+ indicator.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Nature

The Trustee expects companies in high-impact sectors[27] to:

- Begin disclosing their approach to addressing nature-related financial risks in alignment with the Taskforce for Nature-related Financial Disclosures (TNFD) and work towards setting Science-Based Targets.[28]
- As a complement to the above, work towards adhering to the high-level investor expectations of Nature Action 100 related to the areas of: Ambition, Assessment, Targets, Implementation, Governance, and Engagement.
- Adhere to the Finance Sector Deforestation Action, with more specific investor expectations of companies in sectors associated with agricultural-linked commodities.[29]
- Consider embedding principles of the circular economy into their business model. Applying the circular economy business model can help companies address regulatory obligations, reduce waste and disposal costs, improve company image, and create new business opportunities through innovative new products and services.

Potential trade-offs

Just nature transition

Similar to the just transition, a rapid journey to a nature-positive economy could also result in impacts on livelihoods. The Trustee believes in a commitment to a just nature transition.[30] It implements that belief primarily through its expectation of asset managers to participate in Nature 100, in which 1 of its key engagements asks that the implementation plan should prioritise rights-based approaches and be developed in collaboration with indigenous peoples and local communities when they are affected.

Human rights

The Trustee expects all companies to respect human rights in accordance with the United Nations' (UN) Universal Declaration of Human Rights and the International Labour Organisation's (ILO) Core Labour Standards. Companies should comply with the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, as well as the UN Guiding Principles on Business and Human Rights (UNGPs). Under the UNGPs, the Trustee expects companies to have:

- A governance structure for human rights that identifies board-level oversight and executive accountability.
- A statement of their policy commitment to respect human rights.
- A human rights due diligence process to:
  - assess their actual and potential human rights impacts
  - integrate the findings and take action to prevent or mitigate potential impacts
  - track their performance
  - communicate their performance.
- Processes to provide or enable remedies to those harmed in the event that the company causes or contributes to a negative impact.

Potential trade-offs

Companies may face trade-offs in incorporating human rights into their business model, which could theoretically result in additional costs that are then passed on to their customers. As highlighted in the Scheme's investment belief, the Trustee expects companies to address this tension through a stakeholder value creation approach.[31]

Details regarding the potential trade-offs regarding impacts on livelihoods resulting from climate and nature are provided in those sections.

27 Such as those identified by Nature 100
28 Example: Science-based Targets for Nature.
29 As identified by the Science Based Targets Network (2023) SBTN High Impact Commodity List
30 Just_Nature_How_finance_can_support_a_just_transition_at_the_interface_of_action_on_climate_and_biodiversity.pdf (lse.ac.uk)
31 2018-10-03_AlexEdmans_PurposefulBusiness-T.pdf (gresham.ac.uk)

Policymaker expectations

The policymaker expectations outlined below will be predominantly used to drive the Scheme's asset manager monitoring programme. Using these policy expectations as an underpinning, the Trustee expects its asset managers to take a leading role in driving policy change where material gaps exist that undermine the Trustee's ability to meet its own RI objectives.

The Trustee expects governments to maintain a stable policy environment for its stewardship priorities, as outlined in the below policymaker expectations, as this is fundamental to making the case for investment and long-term business model change in material sectors.

Climate

The Trustee expects governments to comply with the goals of the Paris Agreement as summarised here and adhere to the climate policy principles set out in the Investor Agenda.

Nature

The Trustee expects governments to adhere to the Kunming-Montreal Global Biodiversity Framework and:

- Dedicate sufficient and predictable domestic and public expenditure to the consideration of critical ecosystems.
- Support green public finance and repurpose harmful subsidies and incentives driving the degradation of nature through green budget tagging.
- Create enabling conditions to catalyse private investment through policy and regulations that level the playing field for sustainable practices.
- Develop environmental markets that allow the private sector to monetise ecosystem services.
- Promote nature-related data, standards, labels, and disclosure to encourage market transparency and the integration of nature-related risks in financial decision making.

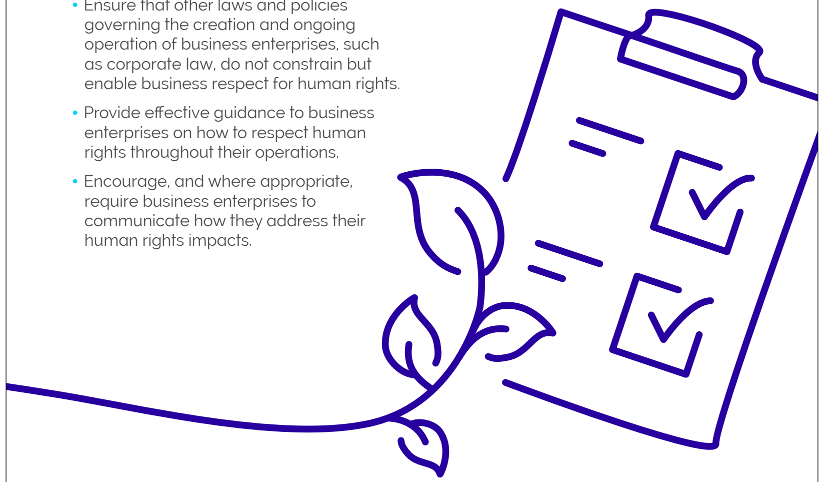
Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Human rights

The Trustee expects governments to align their policies with the UN Guiding Principles on Human Rights (UNGPs), in which it states that in meeting their duty to protect, they should:

- Enforce laws that are aimed at, or have the effect of requiring business enterprises to respect human rights and periodically assess the adequacy of such laws and address any gaps.
- Ensure that other laws and policies governing the creation and ongoing operation of business enterprises, such as corporate law, do not constrain but enable business respect for human rights.
- Provide effective guidance to business enterprises on how to respect human rights throughout their operations.
- Encourage, and where appropriate, require business enterprises to communicate how they address their human rights impacts.



Industry and collaborative engagement

The Trustee believes that driving change through supporting industry-wide initiatives and holding its asset managers accountable to participate in leading industry coalitions offer the best chance of driving the stakeholder value it thinks is warranted and has the most comparative advantage in its stewardship efforts.

The Trustee has identified the following industry initiatives to prioritise, predominantly based on their focus, current momentum, and alignment of objectives.

Climate

Memberships:

- Institutional Investors Group on Climate Change (IIGCC)
- UK Sustainable Investment Forum (UKSIF)

Supporter of:

- Global Investor Coalition on Mining 2030
- Climate Action 100+

Additional information:

The Scheme's IIGCC and UKSIF memberships help the Trustee address key industry and policy challenges to achieving net zero through its forums for investor collaboration. Key working groups that the Scheme has or is involved in includes net zero benchmarks, indexed investors, proxy voting, asset owners, sovereign debt, and climate audit and accounting.

The Global Investor Commission on Mining 2030 is a collaborative, investor-led initiative that recognises the pivotal role of the mining sector in the energy transition and considers key systemic issues faced by the sector that currently challenge, or could challenge, existing good practices and the sector's social licence to operate. The Scheme is a supporter of this initiative.

Nature

Memberships:

- FAIRR Initiative (FAIRR)
- Principles for Responsible Investment's (PRI) Circular Economy Reference Group

Supporter of:

- Nature Action 100
- Spring: A PRI stewardship initiative for nature
- Investor Policy Dialogue on Deforestation (IPDD)

Additional information:

Nature Action 100 is a global investor engagement initiative that aims to mobilise institutional investors to establish a common high-level agenda for engagements and a clear set of expectations to drive greater corporate ambition and action on nature and biodiversity loss.

Spring engages with companies that have an influential voice in shaping public policies relating to deforestation dynamics, either through their direct political engagement, or indirectly through their membership in or association with trade associations, think banks and similar bodies. Support for this initiative stems from the systemic importance of corporate lobbying to deliver real-world outcomes. Note that this company 'ask' is not part of the Nature Action 100 company expectations.

FAIRR is a collaborative investor network that raises awareness of the ESG risks and opportunities in the global food sector. Their mission is to build a global network of investors who are aware of the issues linked to intensive animal production and seek to minimise the risks within the broader food system. Given its links to agricultural commodities and thus deforestation, creating a sustainable food system is a key component of a net zero economy.

The IPDD seeks to ensure the long-term financial sustainability of investments in the countries it is invested in by promoting sustainable land use and forest management and respect for human rights, with an initial focus on tropical forests and natural vegetation. It works with key stakeholders to encourage the adoption and implementation of regulatory frameworks that ensure the protection of such natural assets and human rights. Secretariat support is provided by the Tropical Forest Alliance (TFA), an initiative hosted by the World Economic Forum. IPDD is an initiative supported by the PRI.

Human rights

Given its nascency, as identified in the maturity map, the key focus area for industry and collaboration engagement will be the improvement of both company disclosures and industry data and analytics on human rights. The Scheme is a supporter of Advance, a PRI-led stewardship initiative where institutional investors work together to take action on human rights and social issues. The Scheme is a participant in 2 investor coalitions aiming to improve human rights disclosures:

- The first's purpose is to hold key stakeholders in the investment chain – data and index providers and proxy advisers – to account for the lack of credible, comparable human rights data and analytics. This impedes the Scheme's ability to fully integrate human rights considerations into its stewardship approach.
- The second is to develop and launch a disclosure framework to assess companies' fair pay practices.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Appendix

Glossary

Greenhouse gases (GHGs)

There are 4 primary GHGs linked to global warming: carbon dioxide (CO2), methane, nitrous oxide, and fluorinated gases. The Greenhouse Gas Protocol, an international accounting tool, categorises GHG emissions into 3 scopes. Scope 1 covers direct emissions from the reporting company's owned or controlled sources. Scope 2 covers indirect emissions from purchased electricity, steam energy, heating, and cooling that have been consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in the reporting company's value chain.[32]

Institutional Investors Group on Climate Change (IIGCC)

A European membership body for institutional investor action on climate change. Its work focuses on corporate governance, investor practices, and public policy.

Just transition and Just Nature transition

'Just Transition' was included as part of the Paris Agreement to ensure that workers and communities are not left behind as the world's economy responds to climate change. The Investing in a Just Transition initiative is led by the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science (LSE)[33] and the Initiative for Responsible Investment at the Harvard Kennedy School.

The Grantham Institute defines the 'Just Nature Transition' as one delivering decent work, social inclusion, and the eradication of poverty in the shift to a net zero and climate-resilient economy that simultaneously delivers biodiversity goals in agriculture, forestry, land use and the oceans.[34]

Appendix 2 to the Statement of Investment Principles

Net zero and Nature Positive

The term 'net zero' means cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions being reabsorbed from the atmosphere. A 'gross-zero' target would mean reducing all emissions to zero. This is not realistic, so instead, the net zero ambition recognises that there will be some emissions in hard-to-abate sectors for which the transition to net zero is either technologically or financially difficult (eg, steel and cement industries). Therefore, the emissions associated with these hard-to-abate sectors would need to be offset through negative emissions technologies or some other mechanism. Negative emissions technologies are mechanisms for the absorption and storage of carbon and other atmospheric greenhouse gases (eg, carbon capture).

Nature Positive is a global societal goal defined as 'Halt and reverse nature loss by 2030 on a 2020 baseline and achieve full recovery by 2050'. To put this more simply, it means ensuring more nature in the world in 2030 than in 2020 and continued recovery after that.[35]

Paris Agreement

The Paris Agreement was reached at COP21 in 2015. Its aim is to ensure global warming in the 21st century remains well below 2°C above the average level recorded for the period 1850–1900 and to support efforts to limit global warming to 1.5°C. The Agreement also considers a 'just transition', meaning "taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities."[36]

32 Homepage | GHG Protocol
33 Investing in a just transition - global project - Grantham Research Institute on climate change and the environment (lse.ac.uk)
34 Just_Nature_How_finance_can_support_a_just_transition_at_the_interface_of_action_on_climate_and_biodiversity.pdf (lse.ac.uk)
35 Nature Positive
36 The Paris Agreement | UNFCCC

Appendix 2 to the Statement of Investment Principles

Principles for Responsible Investment (PRI)

A United Nations-supported international network of financial institutions working together to implement its 6 aspirational principles. Its goal is to understand the implications of sustainability for investors and support signatories to facilitate incorporating these issues into their investment decision-making and ownership practices. By implementing these principles, signatories contribute to the development of a more sustainable global financial system.

Responsible Investment

The Scheme defines responsible investment as an approach to investment that explicitly acknowledges the relevance to the investor, from both a financial and non-financial perspective, of ESG factors at investee companies, as well as the long-term health and stability of the market as a whole. Responsible investment recognises that:

- The generation of long-term sustainable returns is dependent on stable, well-functioning, and well-governed social, environmental, and economic systems.[37]
- Companies can choose to create value for shareholders in ways that create harm to the wider environment or society, which detracts from member outcomes in non-financial ways.

Stewardship

While the Scheme supports the Financial Reporting Council's definition of stewardship,[38] given the risk of conflation between the term 'stewardship' and 'responsible investment' and the activities that underpin them, for the purpose of this Policy, the term 'stewardship' and its remit will be defined by the RI Strategic Framework as outlined in this Policy.

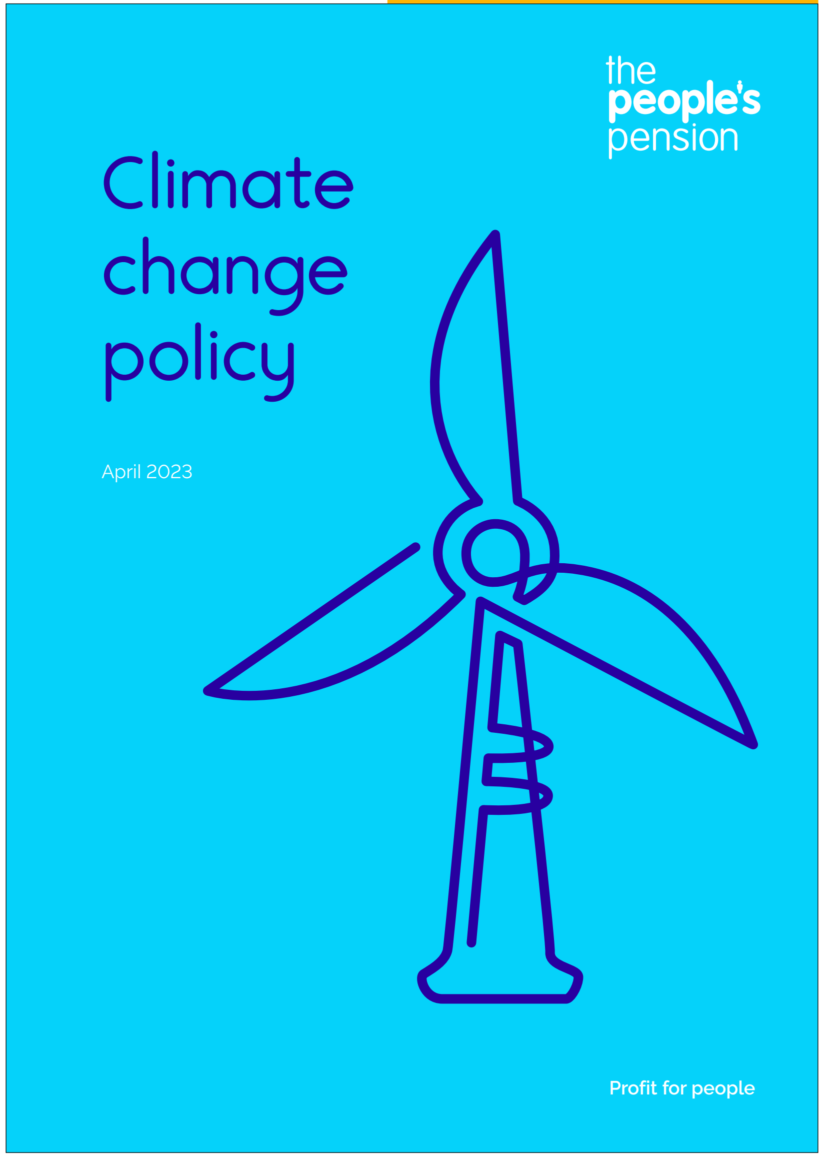
The UK Stewardship Code 2020[39] sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Appendix 2 to the Statement of Investment Principles

Appendix 3 to the Statement of Investment Principles



Appendix 3 to the Statement of Investment Principles

Overview

The People's Pension (the Scheme) is a defined contribution (DC) master trust open to all UK employers. The Scheme has over 6m members and is growing by more than £3bn in contributions annually. As an open and growing master trust, it has a long-term investment outlook. The Trustee of the Scheme (Trustee) acts as fiduciary over the savings held in the Scheme.

Man-made climate change is one of the biggest threats facing our world today. Limiting global temperature rise to near 1.5°C has required and will continue to require an unprecedented political and economic transition to avoid the worst impacts of climate change. Against this evolving policy and economic backdrop, there is a role that investors can – and should - play in capitalising upon the opportunities and protecting against the financial risks of the transition to a 'net zero' economy.

The Trustee considers climate change to be the most financially material environmental, social and governance (ESG) risk that the Scheme faces. Therefore, it has a fiduciary duty to address this risk as part of its investment decision making. This Climate Change Policy (Policy) details the approach that the Scheme will follow in fulfilling its commitment to capitalising on the opportunities and mitigating against the financial risks associated with climate change across the assets it manages on behalf of its members. As reflected in this Policy, the Trustee has identified the importance of considering and managing climate risks and opportunities as part of its portfolio construction, alongside a robust stewardship programme that prioritises not only investee companies but wider industry and policymakers. Key details of the implementation of this Policy will be provided in the Scheme's annual Taskforce for Climate-related Financial Disclosures (TCFD) report.

This Policy was approved by the Trustee in February 2023. Given the pace of market and policy development with regards to climate change, this Policy should be considered a 'living' document and, as such, will be reviewed and updated at least every 3 years or following any significant change in approach or policy.

This Policy is divided into the following sections:

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Appendix 3 to the Statement of Investment Principles

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Appendix 3 to the Statement of Investment Principles

Section 1 – Introduction

Climate-related regulatory landscape for trustees

As a master trust, the Scheme is obligated to adhere to the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, which came into force on 1 October 2021. These regulations require trustees to take steps to identify, assess and manage climate-related risks and opportunities and report on what they have done. These reporting requirements align with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). In October 2022, these regulations now include the requirement to calculate and report on a portfolio alignment metric to indicate how well the scheme's assets are aligned with the climate change goal of limiting global warming to 1.5°C above pre-industrial levels.[1] In June 2022, the Department for Work and Pensions (DWP) published its first Guidance on Reporting on Stewardship, which encourages trustees to hold their fund managers to account for their stewardship approach by comparing them against the stewardship priorities that the trustees have set (eg, climate, as reflected by this Policy), and to report back on that engagement accordingly in the Implementation Statement.

Associated policies and reporting

This Policy should be read in conjunction with the following associated Scheme policies and reporting:

- The Trustee recognises the interconnectedness of climate change with other environment, social and governance (ESG) risks and opportunities that the Scheme faces (eg, biodiversity, human capital management as part of a 'Just Transition'). As a result, this Policy should be considered a subset of the Scheme's overarching Responsible Investment Policy, which outlines our approach to ESG and stewardship considerations.
- Statement of Investment Principles, in which this Policy and the Responsible Investment Policy are included in the Appendix.
- In terms of climate-related reporting, the Taskforce for Climate-Related Financial Disclosures (TCFD) report, which is required to be updated annually, outlines further details regarding the Scheme's climate-related governance, strategy, risk management and metrics and targets (Figure 1 below). The Scheme's yearly Implementation Statements, located within the Appendix of the Scheme's Annual Report, cover its climate-related stewardship activities.

Figure 1

Source: TCFD, 2017

Governance
The organisation's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning

Risk Management
The process used by the organisation's to identify, assess and manage climate-related risks

Metrics and targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

[1] Governance and reporting of climate change risk: guidance for trustees of occupational schemes (publishing.service.gov.uk)

Appendix 3 to the Statement of Investment Principles

Section 2 – Scientific and economic implications of climate change

Menu

Man-made climate change is one of the biggest threats facing our world today. The World Economic Forum (WEF) has ranked climate change as a top 10 global risk for the past 10 years,[2] and is currently the number 1 risk we face as a species, according to its annual Global Risks Report.[3]

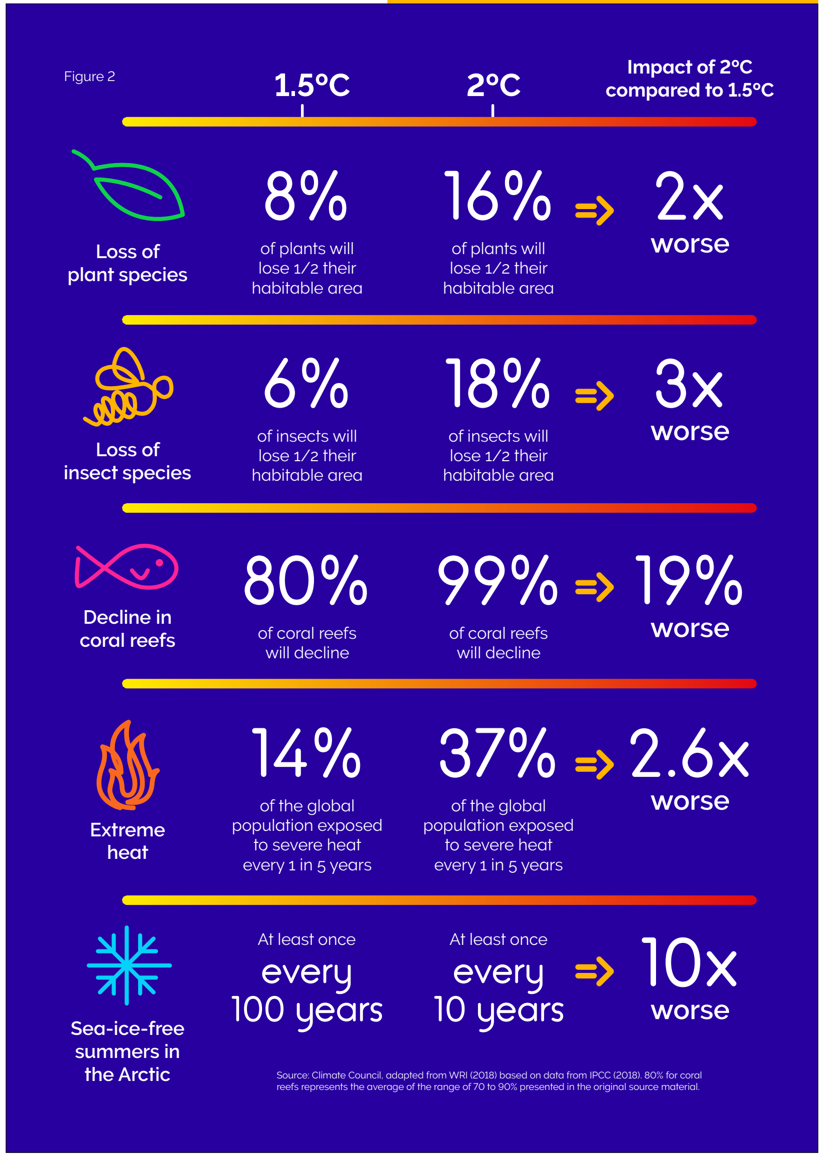
The Intergovernmental Panel on Climate Change (IPCC) has recently stated that we have now reached between 0.8-1.3 °C of warming.[4] According to the IPCC, if we continue with current levels of emissions, we will reach 1.5°C by about 2040 and 2.7°C by the end of the century. The global carbon budget, that is, how much greenhouse gas that humanity can still emit in order to limit warming to 1.5°C, will be depleted in 5-10 years based on 2021 emissions. Warming will continue until carbon emissions reach net zero. As depicted in Figure 2 (on the next page) every fraction of a degree of warming makes a difference in terms of global impact.

[2] Home > Global Risks | World Economic Forum (weforum.org)
[3] Global Risks Report 2023 | World Economic Forum | World Economic Forum (weforum.org)
[4] AR6 Climate Change 2021: The Physical Science Basis — IPCC uk)

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Appendix 3 to the Statement of Investment Principles



Appendix 3 to the Statement of Investment Principles

Appendix 3 to the Statement of Investment Principles

As can be seen in Figure 3 - which is the latest update produced by **Climate Action Tracker** in November 2022 - significant steps need to be taken to reduce greenhouse gas emissions if the Paris Agreement goal is to be achieved. This illustrates estimated ranges for temperatures based on different collections of global policies, pledges, and targets.

According to Lord Nicholas Stern, Head of the 2006 **Stern Review on the Economics of Climate Change**, "net zero will require the biggest economic transformation ever seen in peacetime".[5]

A challenge of this scale and magnitude has required unprecedented leadership and collaboration from governments (eg, Paris Agreement), businesses, and civil society, and the pressure for a coordinated approach will only increase as time goes on.
Key factors that could have the potential to generate, accelerate, slow or disrupt the transition to a net zero economy include changes in public sector (generally government) policies, legislation and regulation; changes in technology; and changes in market and customer sentiment. Against this evolving policy and market backdrop, there is a role that investors can – and should – play in capitalising upon the opportunities and protecting against the financial risks of the net zero transition.

[5] Net zero will require the biggest economic transformation ever seen in peacetime, says Nicholas Stern - Grantham Research Institute on climate change and the environment (lse.ac.uk)

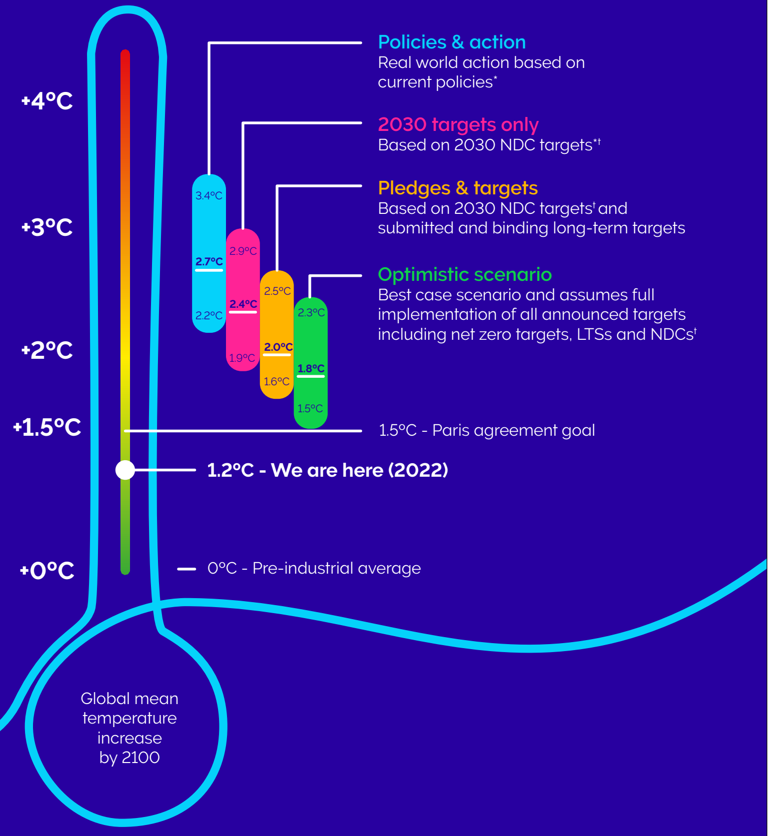
8 | Climate change policy

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Figure 3

Global warming projections by 2100



*Temperatures continue to rise after 2100
†If 2030 NDC targets are weaker than projected emissions levels under policies & action, we use levels from policy & action

Appendix 3 to the Statement of Investment Principles

As set out in our TCFD reporting, the Trustee has identified 3 main financial risks associated with climate change. These are physical risk, transition risk, and liability risk, as depicted in the diagram below.

Over the short and medium term, the expectation is that transition risks will have the biggest impact on performance as countries and companies look to reduce their reliance on fossil fuels to achieve net zero. While it is difficult to forecast over the long term, physical risk may well become the dominant risk due to shifting climate patterns. For companies that do not put in place suitable plans for the transition to a greener economy, the risk of climate litigation (or 'liability risk') will be higher.

From a fiduciary duty perspective, a further exploration of why climate is important to the Scheme is provided in the next section.

Physical risk:

These result from potential for more frequent or severe extreme weather events (droughts, flooding, prolonged hot and cold periods) as well as the steady increase in global sea levels and changing prevailing climate. These could cause disruption to businesses holding or relying on physical infrastructure.

Transition risk:

These are associated with the economy moving towards a low carbon economy. Some sectors are going to require significant investment in new infrastructure or face penal incentives from government and civil society that harm their current business model.

Liability risk:

These come from people or businesses seeking compensation for losses they may have suffered as a result of physical or transition risks. These may be third-party liabilities (ie those seeking compensation for damages of physical risks) or direct liabilities (ie those seeking compensation for financial losses).

Appendix 3 to the Statement of Investment Principles

Section 3 – Why climate is important to the Scheme

Menu

Climate-related investment beliefs

The Scheme has developed a set of investment beliefs that guide our approach to investing our members' money. The three main climate-related beliefs are as follows, with supporting beliefs and investment implications provided in the Appendix:

- Incorporating ESG factors in our investment decisions has the potential to improve portfolio returns and risk profiles over the long-term, as well as influence change in corporate behaviour.
- Climate change risk is a systemic risk that cannot be eliminated through diversification alone.
- Complete divestment from all carbon-intensive sectors at this time would not be in the best interest of our members, as it could negatively impact the eventual size of their pension pots.

Fiduciary duty and climate change

The Trustee of The People's Pension (Trustee) acts as fiduciary over the savings held in the Scheme. Our Responsible Investment Policy sets out at a high level the steps the Scheme needs to undertake to carry out its fiduciary duty in respect of ESG issues. The first step is an overall prioritisation of ESG issues to select the ones most likely to be considered financially material to member outcomes. Where the Trustee believes the risk is material and that there is sufficient insight from data into how to protect or benefit member investments, the Trustee is obliged to act. Climate change has been identified by our members as an important issue.

In its 2019 Climate Change Policy, the Trustee stated its ambition to align its investment portfolio with a 1.5˚C pathway. In light of the evolving market and political landscape on climate, it is considered prudent to regularly assess whether the net zero ambition remains in alignment with our fiduciary duty to act in our members' best financial interests. Therefore, the following assessment has been undertaken in preparation for this updated Policy:

- whether there is sufficient market and policy signalling to suggest that a net zero transition is still broadly occurring; and
- whether that transition still has the ability to impact Scheme asset values.

Driven by our climate-related investment beliefs and the research that underpins them,[6] the Trustee has determined that it remains prudent to retain our net zero ambition and to review this position and this Policy at a minimum every 3 years, or sooner if there are significant market or policy developments. Given the above assessment, it would be considered within the Trustee's fiduciary duty to:

- reward companies that have better plans in place to address the impact of climate change on their business (e.g. invest more into)
- consider the risk that asset prices do not accurately reflect the risks involved with climate change, and,
- provide some protection against a severe climate-related shock that impacts on financial stability across global economies (see Figure 4 on the next page).

The Scheme's portfolio is particularly exposed to the latter two financial risks because of its index exposure, as it is not in a position to be forced sellers of assets due to market repricing or other transition shock events.

As a result of this assessment, the Scheme has developed a strategic framework to address the climate-related risks and opportunities that it faces. This is outlined in Section 4.

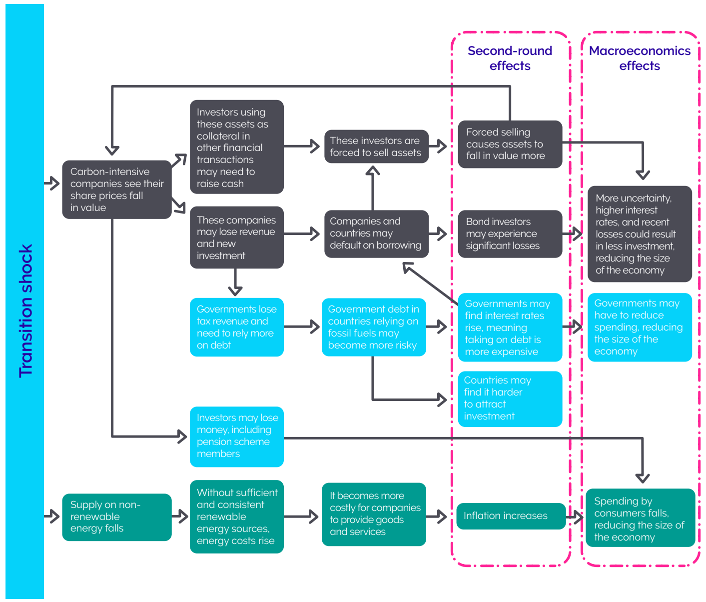
[6] Refer to Appendix for further details

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Figure 4 below provides examples of potential pathways we could see as a result of transition shocks e.g. sudden falls in prices of carbon-intensive assets.

Figure 4



Source: Vivid Economics, March 2020

Section 4 – Strategic Framework

Menu

The strategic framework is divided into three pillars: **Portfolio Construction, Stewardship** and **Reporting.** To support our net-zero ambition, the Trustee has committed to:

Portfolio Construction

- Consider and manage climate risks and opportunities as part of the Scheme's portfolio construction (Principle 1)

Stewardship

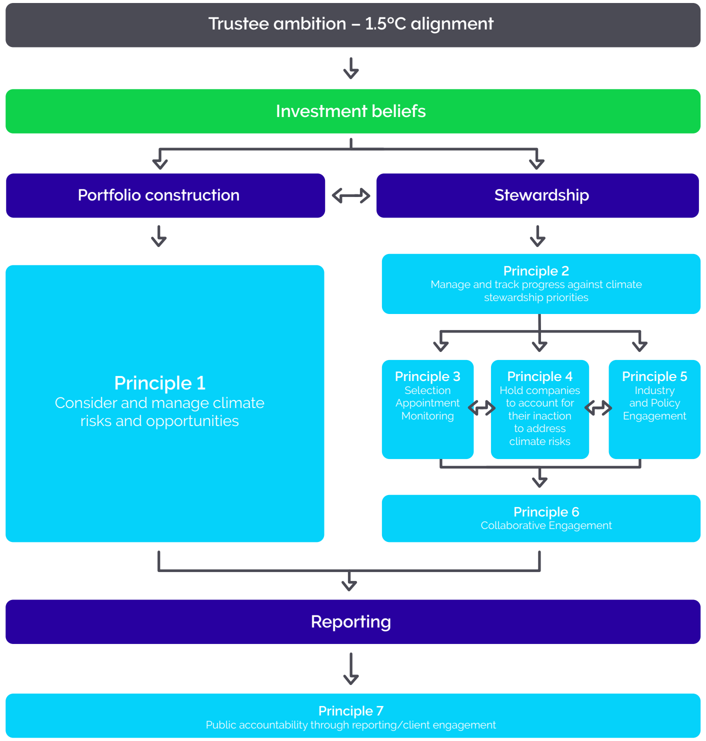
- Manage and track progress against our climate stewardship priorities (Principle 2)
- Integrate climate risk into how the Scheme selects, appoints and monitors its fund managers and other service providers (Principle 3)
- Hold investee companies to account for the actions they are taking to address climate change risks (Principle 4)
- Engage with the wider investment industry to ensure that it is fit for purpose to achieve our ambition (Principle 5)
- Collaborate with other like-minded investors and stakeholders to increase influence (Principle 6)

Reporting

- Annually report on the Scheme's progress through appropriate reporting (Principle 7)

Figure 5 outlines how the strategic pillars and the underlying climate change principles interconnect with each other.

Figure 5



Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Pillar 1: Portfolio Construction

Principle 1: Consider and manage climate risks and opportunities as part of our portfolio construction

Based on our investment beliefs, Principle 1 lies at the heart of this Policy. In recognition of its importance and based on portfolio analysis, the Trustee committed in its 2021/22 TCFD report to:

- consider the impact of transition risk when making asset allocation decisions;
- construct portfolios to reflect and manage climate factors that could positively or negatively affect investment returns;
- Integrate greenhouse gas (GHG) levels and their path in the future into the weights of portfolio assets; and,
- prioritise our equity investments when managing transition risk and opportunities.

The Scheme will seek to address transition risks for the rest of our assets, as well as physical risks, as data improves. In the short to medium term, the Scheme intends to explore climate opportunities in the illiquid space.

Further details regarding our strategic intent and implementation plan for this pillar will be presented in forthcoming TCFD reports.

Pillar 2: Stewardship

Introduction

The Stewardship pillar is a key complementary pillar to Pillar 1 (see Figure 5). As the net-zero transition requires a complete systemic reengineering of our economy, then by extension, it also requires a systemic approach.[7] Therefore, Portfolio construction cannot be relied on in isolation. Stewardship by the investment community is essential to driving the necessary real world economic changes required.

The scale of the restructuring required means investors around the world must recognise the limitations of company engagement and consider engaging industry bodies and governments directly. Moving forward, stewardship is likely to require more resources to meet the scale and importance of the challenge.

[7] Further details regarding this systemic approach to stewardship is provided in the following document: NZAOA_The-future-of-investor-engagement.pdf (unepfi.org)

Appendix 3 to the Statement of Investment Principles

Principle 2: Manage and track progress against our climate stewardship priorities

The identification of key climate stewardship priority areas will help to focus our activities under Principles 3 to 5. Our key climate stewardship area of focus is improving data quality/company disclosure.[8] This is the target the Trustee has set in its 2021/22 TCFD Report. Over time, this will provide additional feedback, enhancing the quality of our approach under Principle 1 (Portfolio Construction).

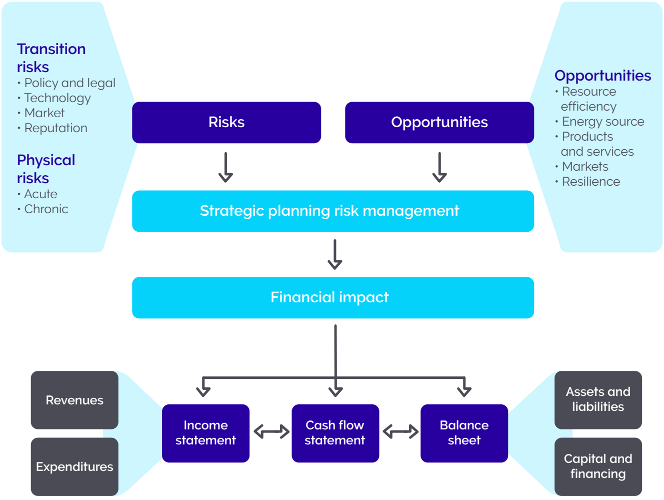
Key company disclosures under this priority area that deserve particular attention include but are not limited to:

- The integration of climate risk into financial accounts, as financial statements that leave out material climate impacts misinform investors, who may not fully appreciate the climate-related risks and opportunities of their assets[9] (Figure 6).
- Just transition, as it is important to consider how companies are considering the social dimensions of the net zero transition, noting that it is included as part of the Paris Agreement.[10]
- Climate lobbying to gain insight into whether companies' lobbying activities are contravening the goals of the Paris Agreement. This will also serve to amplify activities under Principle 5.

Climate stewardship priority areas will be reviewed and, if deemed necessary, updated at least every 3 years with this Policy or as market developments dictate.

Figure 6 below illustrates the need for better financial reporting that takes into account the impact of climate-related risks and opportunities.

Figure 6



Source: TCFD, 2017

[8] Notably within climate transition plans and TCFD disclosures
[9] https://www.iigcc.org/download/investor-expectations-for-paris-aligned-accounts/?wpdmdl=4001&masterkey=5fabc4d15595d
[10] Relevant excerpt from Paris Agreement – "Taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities."

Appendix 3 to the Statement of Investment Principles

Menu

Principle 3: Integrate climate risk into how we select, appoint and monitor our fund managers and other service providers

The Scheme will continue to evaluate the climate competency and capabilities of service providers, particularly our asset manager and the Scheme's independent investment adviser, to reduce the risks those entities could pose to the portfolio. This will be reported on at least annually as part of the TCFD report and Implementation Statement.

In the event that the fund manager or service provider ceases to meet the Trustee's requirements on climate change, the Scheme will work with them to improve their capabilities. Should this collaboration be viewed as unsuccessful by the Trustee, their appointment may be reviewed or terminated.

Principle 4: Hold investee companies to account for the actions they are taking to address climate change risks

The Scheme's current structure lends itself to primarily focusing on asset manager engagement, as this is where the Scheme would have the most leverage in driving change at a company level. Any company-level engagement that the Scheme chooses to undertake would be decided on an exceptions basis, informed by the gap between our own climate expectations outlined in Principle 1 and 2 and our fund managers' stewardship approach. Where possible, the Scheme would seek to leverage existing investor collaborative engagement platforms such as the Principles for Responsible Investment (PRI) and the Institutional Investors Group on Climate Change (IIGCC).

Principle 5: Engage with the wider investment industry to ensure that it is fit for purpose to achieve our net zero ambition

In recognising the importance of other investment actors in achieving our net-zero ambition, the Trustee is committed to engaging with:

- data and index providers, rating agencies and investment consultants to drive better climate change disclosure; and,
- policy makers and regulators on driving regulation related to the net zero transition in recognition that neither investors nor companies alone can achieve it.

Principle 6: Collaborate with other like-minded investors and stakeholders to increase influence

Working with other organisations that can help the Scheme be more effective (eg, PRI) is included as part of the Scheme's overarching Responsible Investment Policy.

The Trustee supports collaborative initiatives that are focused and well organised and that add more power to our stewardship approach. Collaborative engagement will be sought if there are particular issues the Scheme has in relation to Principles 3, 4, and 5, recognising that it may have more success when dealing with asset managers, service providers, data providers, and policy makers collectively.

The Scheme's IIGCC membership helps the Trustee act in line with this principle through its forums for investor collaboration on key industry-wide challenges to achieving net zero. It also contributes to Principle 5 through its Policy Programme (which allows us to join investor collaborations targeting government and policymakers).

Pillar 3: Reporting

Principle 7: Annually report on our progress

The Trustee will oversee the net-zero ambition and the Scheme's investment team will implement this Policy.

As previously stated, the Policy will be fully reviewed at minimum every 3 years (or before if ongoing monitoring reveals it is necessary) to ensure it remains in alignment with our fiduciary obligations as outlined in Section 2 of this Policy. The Trustee will receive an annual deep-dive assessment on the implementation of this Policy and the Scheme's activities will be publicly reported on as part of our annual TCFD and Implementation Statement reporting, as well as other reporting as deemed necessary.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 1 – The People's Pension Scheme Statement of Investment Principles continued

Appendix

Glossary

Greenhouse gases (GHGs)

There are 4 primary GHGs linked to global warming: carbon dioxide (CO2), methane, nitrous oxide and fluorinated gases. The Greenhouse Gas Protocol, an international accounting tool, categorises GHG emissions into three scopes. Scope 1 covers direct emissions from the reporting company's owned or controlled sources. Scope 2 covers indirect emissions from purchased electricity, steam energy, heating and cooling that have been consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in the reporting company's value chain.[11]

Institutional Investors Group on Climate Change (IIGCC)

A European membership body for institutional investor action on climate change. Its work focuses on corporate governance, investor practices and public policy.[12]

Intergovernmental Panel on Climate Change (IPCC)

The United Nations intergovernmental body for assessing the science of climate change. The IPCC's assessment reports supported the creation of the Paris Agreement. [13]

Just Transition

'Just Transition' was included as part of the Paris Agreement to ensure that workers and communities are not left behind as the world's economy responds to climate change. The Investing in a Just Transition initiative is led by the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science (LSE) and the Initiative for Responsible Investment at the Harvard Kennedy School.[14]

Net zero

The term "net zero" means cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions being re-absorbed from the atmosphere. A 'gross-zero' target would mean reducing all emissions to zero. This is not realistic, so instead the net-zero ambition recognises that there will be some emissions in hard-to-abate sectors for which the transition to net zero is either technologically or financially difficult (eg, steel, cement industries). Therefore, the emissions associated with these hard-to-abate sectors would need to be offset through negative emissions technologies or some other mechanism. Negative emissions technologies are mechanisms for the absorption and storage of carbon and other atmospheric greenhouse gases (eg, carbon capture).

Paris Agreement

The Paris Agreement was reached at COP21 in 2015. Its aim is to ensure global warming in the 21st century remains well below 2°C above the average level recorded for the period 1850 to 1900 and to support efforts to limit global warming to 1.5°C. The Agreement also takes into account a 'Just Transition,' meaning "taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities."[15]

Principles for Responsible Investment (PRI)

A United Nations-supported international network of financial institutions working together to implement its 6 aspirational principles. Its goal is to understand the implications of sustainability for investors and support signatories to facilitate incorporating these issues into their investment decision-making and ownership practices. In implementing these principles, signatories contribute to the development of a more sustainable global financial system.[16]

Responsible Investment

The integration of financially material environmental, social and governance ("ESG") factors into investment processes, including stewardship.

Stewardship

The Financial Reporting Council (FRC) defines stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.[17]

[11] ghgprotocol.org
[12] IIGC.org
[13] ipcc.ch
[14] Climate Change and the Just Transition: A Guide for Investor Action | Center for Public Leadership - Harvard Kennedy School
[15] unfccc.int
[16] www.unpri.org
[17] UK Stewardship Code | Financial Reporting Council (frc.org.uk)

Key research

In establishing the Scheme's renewed net zero commitment, based on the view that the market is currently mispricing climate risk and that there is a risk to asset values of a market repricing event, the Scheme has looked to the Bank of England, financial regulators, academic research, and views from investor groups and consultants. Key research is highlighted below.

Net zero commitment

Blackrock Investment Institute. Positioning for the net zero transition. June 2022. BII Global insights (blackrock.com)

Climate Action Tracker. CAT Net Zero Target Evaluations. November 2022. CAT net zero target evaluations | Climate Action Tracker

European Commission. The European Green Deal. 11 December 2019. EUR-Lex - 52019DC0640 - EN - EUR-Lex (europa.eu). Also: EU strikes deal to boost carbon market, Europe's biggest climate policy | Reuters

Government of Canada. Canadian Net-Zero Emissions Accountability Act. 29 June 2021. Canadian Net-Zero Emissions Accountability Act - Canada.ca

International Energy Agency. An updated roadmap to Net Zero Emissions by 2050 – World Energy Outlook 2022. October 2022. An updated roadmap to Net Zero Emissions by 2050 – World Energy Outlook 2022 – Analysis - IEA

IPCC. IPCC Sixth Assessment Report. Press Release - The evidence is clear: the time for action is now. We can halve emissions by 2030. 4 April 2022. Press release (ipcc.ch)

UK Cabinet Office and The Rt Hon Alok Sharma KCMG MP. World Leaders Launch Forests and Climate Leaders' Partnership at COP27. 7 November 2022. World Leaders Launch Forests and Climate Leaders' Partnership at COP27 - GOV.UK (www.gov.uk)

UK Department for Business, Energy & Industrial Strategy. Net Zero Strategy – Build Back Greener. 19 October 2021. Net Zero Strategy: Build Back Greener - GOV.UK (www.gov.uk).

Rt Hon Chris Skidmore MP. Mission Zero: Independent Review of Net Zero. 13 January 2023. MISSION ZERO - Independent Review of Net Zero (publishing.service.gov.uk)

United States Department of State and the United States Executive Office of the President. The Long-Term Strategy of the United States: Pathways to Net-Zero Greenhouse Gas Emissions by 2050. November 2021. The Long-Term Strategy of the United States, Pathways to Net-Zero Greenhouse Gas Emissions by 2050 (whitehouse.gov)

Mispricing climate risk

Climate-Related Market Risk Subcommittee, Market Risk Advisory Committee of the U.S. Commodity Futures Trading Commission. Managing Climate Risk in the U.S. Financial System. 9 September 2020. Managing Climate Risk in the U.S. Financial System (cftc.gov)

Financial Conduct Authority. Joint Statement by the FCA, PRA, TPR and FRC on the publication of Climate Change Adaptation. 28 October 2021. Joint statement by the FCA, PRA, TPR and FRC on the publication of Climate Change Adaptation Reports | FCA

Global Association of Risk Professionals. 2021 Third Annual Global Survey of Climate Risk Management at Financial Firms. September 2021. GRI_ClimateSurveyReport_082721.pdf (garp.org)

KPMG. Can Capital Markets Save the Planet? October 2021. Can capital markets save the planet? (assets.kpmg)

London School of Economics. 15 years on from the Stern Review: economics of climate change, innovation, growth – video. 26 October 2021. 15 years on from the Stern Review: economics of climate change, innovation, growth - video - Grantham Research Institute on climate change and the environment (lse.ac.uk)

Principles for Responsible Investment. Financial markets are mispricing climate risk. 21 November 2019. Financial markets are mispricing climate risk | Blog post | PRI (unpri.org)

Sky News. Bank of England governor: Climate risks 'not reflected in market prices of most financial assets'. 1 June 2021. Bank of England governor: Climate risks 'not reflected in market prices of most financial assets' | Business News | Sky News

Stroebel & Wurgler. What Do You Think About Climate Finance? August 2021. What Do You Think About Climate Finance? | NBER

To find out more, or to register:

www.thepeoplespension.co.uk

info@peoplespartnership.co.uk

Or call us

Existing clients: **0129 358 6666**
New enquiries: **0800 612 8080**

The People's Pension Trustee Limited
Manor Royal, Crawley, West Sussex, RH10 9QP. Tel 0300 2000 555. www.peoplespartnership.co.uk

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Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 2 – Implementation Statement

Purpose of the Statement

This Implementation Statement has been produced by the Trustee of The People's Pension ("the Scheme") to set out the following information over the year to 31 March 2024:

- how the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- the voting activity undertaken by the Scheme's investment managers on behalf of the Trustee over the year, including information regarding the most significant votes and the use of any proxy voting services.
- a summary of any review and changes to the Statement of Investment Principles ("SIP") over the period; and,
- a description of how the Trustee's policies, included in their SIP, have been followed over the year.

Governance

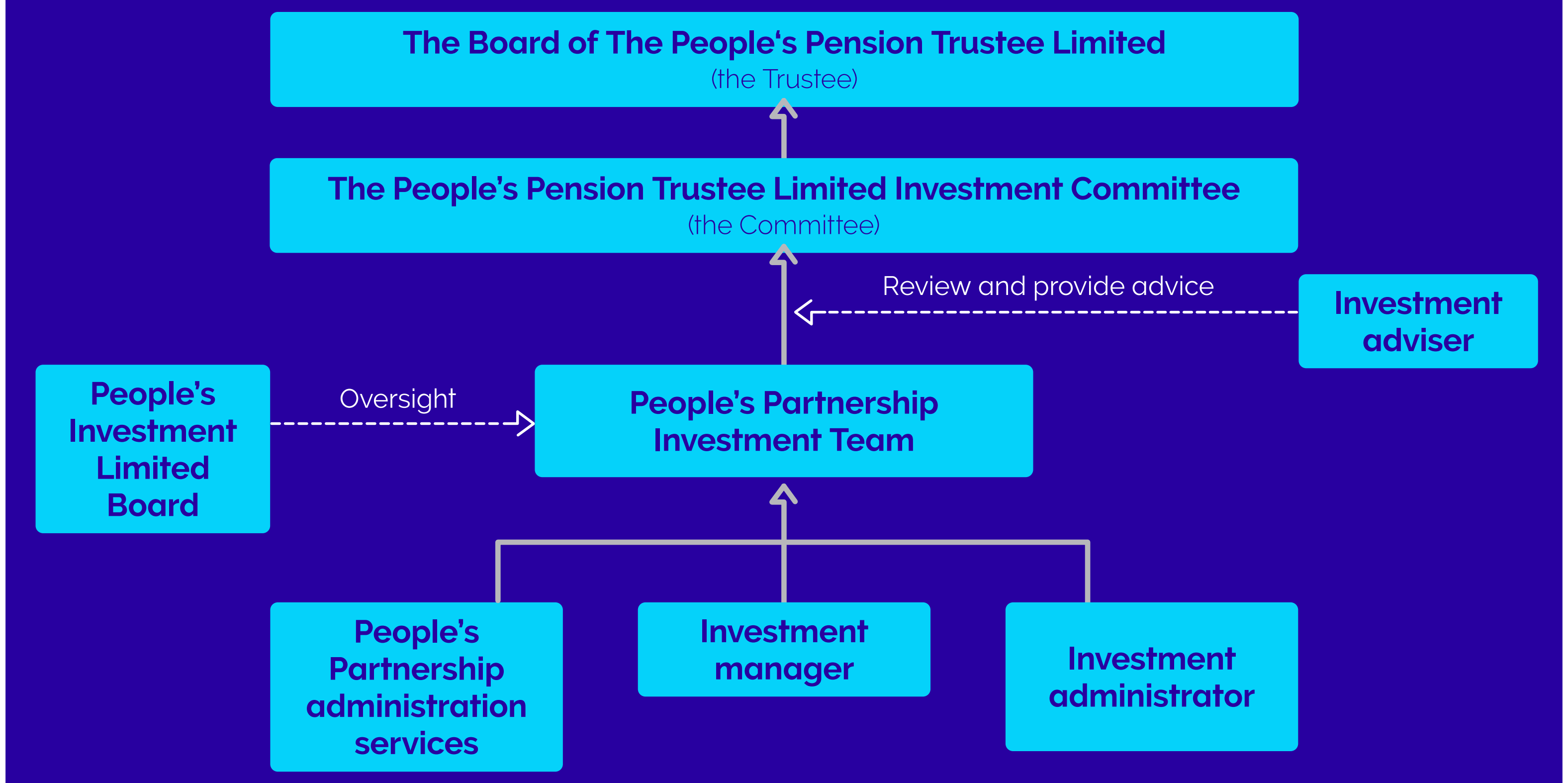
The overall governance of the pension scheme is outlined in the Scheme's SIP. The fiduciary responsibility sits with the Trustee. The Trustee has an Investment Committee ("the Committee") to govern the investments of the Scheme. The Committee is made up of 3 members of the Trustee Board.

Appointed by the Trustee are investment service providers who provide advice, recommendations, training, implementation, and administration services to the Scheme. This includes People's Partnership ("PP") whose internal investment function provides services to The People's Pension and other schemes that People's Partnership administer, and the Trustee's independent investment adviser, Barnett Waddingham.

The Board of People's Investment Limited is responsible for overseeing People's Partnership's internal investment function. The members of the Board have decades of industry experience and provide key insight to assist the Trustee in making investment decisions.

In practice, People's Partnership work alongside the other investment service providers (refer to Figure 1) to make recommendations relating to the investment portfolio. This work is reviewed by the Board of People's Investment Limited. Barnett Waddingham will also review proposals and provide independent advice on their suitability to the Trustee, whether that be the full Trustee Board or the Investment Committee. A decision is then made by the Trustee or Committee on how to proceed.

Figure 1 – The People's Pension Decision making structure



Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 2 – Implementation Statement continued

The Trustee's responsibilities in respect of Scheme investments and the implementation of SIP policies

In the Trustee's opinion, the Statement of Investment Principles has been met over the year in the following ways:

- The Scheme offers a suitable default strategy for members. A review of the default strategy was undertaken between October 2023 and January 2024 and deemed appropriate by the Scheme's investment adviser based on detailed analysis of the membership, the relevant investment risks, the Trustee's objectives, and in-flight developments to the investment strategy. A number of significant developments have been announced in recent months. This includes moving £15 billion of assets into climate-aware investment strategies – the biggest single move of its kind by a UK master trust.
- The Scheme offers a range of self-select fund options which give members a reasonable choice from which to select their own strategy. The self-select fund range was reviewed as part of the wider investment strategy review described above, which was carried out between October 2023 and January 2024. As part of this review, the Scheme's investment adviser concluded that the fund choices currently offered to members remain reasonable and provide a reasonable range of investments that cater to both financial and non-financial matters.
- The Trustee monitors the performance of the managers and funds quarterly relative to their stated objectives. Reviews of performance are provided in context to overall market movements, and the appropriate time horizon of the Trustee's objectives. In addition to this, consideration is given to the qualitative views held by People's Partnership and the Trustee's investment adviser with respect to the investment managers. These qualitative views are based upon research into the managers' investment operations including an analysis of the firm's business environment, the investment team involved, and the investment processes employed. People's Partnership, the Trustee's investment adviser, and managers provide quarterly reports for review.
- The Scheme's SIP is reviewed as part of any changes to underlying funds or strategy, as well as changes to the Trustee's investment policies, or change in relevant legislation. The SIP in force during the period was approved in April 2023. The SIP was updated in April 2023 following the investment review in 2022, where new asset classes and updated fund objectives were introduced. The Trustee also refreshed the Scheme's policy on Climate Change, working in collaboration with People's Partnership, as well as its investment adviser. A copy of the 2023 SIP is available here: https://thepeoplespension.co.uk/downloads/statement-of-investment-principles-2023
- The SIP was updated post year-end in April 2024 following the investment review in 2023. This update captured the Trustee's decision to update the Responsible Investment Policy and their new policy on investing in illiquid assets in the default strategy (as required by regulation). The Trustee worked on these changes in collaboration with the People's Partnership, as well as its investment adviser, during the period. A copy of the 2024 SIP is available here: https://thepeoplespension.co.uk/jargonbuster/statement-investment-principles-sip/
- The Trustee made no new manager appointments over the year. During the year under review, the Trustee updated the Scheme's default investment strategy to invest in developed market equities that track a Climate Transition Benchmark ('CTB') and amend the mix of fixed income holdings. As part of this project, new funds with State Street Global Advisors Limited ("SSGA") were introduced and advice on the suitability of the investment manager and funds was given by the Trustee's investment adviser.
- The Trustee engages regularly with People's Partnership. During the year under review, the Responsible Investment Team at People's Partnership have worked to develop a comprehensive Responsible Investment Policy which reflects the Trustee's stewardship priorities, as well as develop a framework for interacting with the Scheme's investment managers (more on this later). People's Partnership have worked closely with SSGA during the period to understand and provide feedback on SSGA's approach on the stewardship priorities identified in the updated Responsible Investment Policy – that is, climate, nature and human rights – and other areas. As an illustration, People's Partnership conducted a gap analysis of SSGA's voting guidelines against good practice. A meeting was organised in September 2023 between People's Partnership, its proxy voting advisor Minerva Analytics, and SSGA to discuss the findings. On balance, the feedback was well received with respect to the governance topics raised, some of which is evidenced in SSGA's 2024 proxy voting guidelines.
- The Trustee also engages regularly with their independent investment adviser, Barnett Waddingham. During the period, the Trustee has reviewed the strategic objectives for Barnett Waddingham and has reviewed their performance against these objectives.

Stewardship policy

The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's investment managers. However, the Trustee recognises the importance of engaging with its investment managers and the wider industry to ensure stewardship is carried out in line with its policies and encourages positive change in companies and across the investment industry. This is particularly important for the Scheme as one of the largest pension schemes in the UK.

The Trustee's policy on voting and engagement is set out in the Scheme's Responsible Investment ("RI") Policy, which forms part of the Statement of Investment Principles. The SIP in force during the period was approved in April 2023. The RI policy that sits alongside the SIP was updated following the year-end, in April 2024.

The new Responsible Investment Policy was developed during the year under review and the Trustee believes it reflects a significant step forward in their stewardship approach. The policy sets out minimum requirements and ongoing expectations for the Scheme's investment managers. If these minimum requirements and ongoing expectations are not met, the Trustee has warned it will put manager relationships under review, which could result in them moving to other managers.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 2 – Implementation Statement continued

Stewardship policy continued

To enable the Trustee to allocate an appropriate amount of time to assess RI issues and make high quality decisions, the fact-finding and analysis is delegated to the in-house investment team of People's Partnership and the Trustee's independent investment advisers.

Engaging with companies on issues believed to have a material impact (both positive and negative) on future returns is one of three key tools set out in the Trustee's RI policy. Further details on the Trustee's responsible investment practices are shown in the next section. The minimum requirements mentioned above include:

- Become a signatory to and remain compliant with the 2020 UK Stewardship Code or an equivalent local stewardship code applicable in their jurisdictions.
- Support the Scheme's net zero strategy through its own net zero actions. The Trustee has implemented an 'expression of wish' with its investment managers to vote in line with its net zero actions.
- Suitable commitment to the resourcing of the manager's own stewardship function above the average level of industry peers.
- Commitment to training and development of key fund management individuals on RI.

All of the Scheme's managers are signatories to the Principles for Responsible Investment ("PRI") and the 2020 UK Stewardship Code, as well as the Scheme's investment adviser.

In their RI policy, the Trustee has also established stewardship priorities, which are:

- Climate change,
- Nature,
- Human rights.

Responsible investment

- The Trustee believes that ESG factors can affect the performance of investment portfolios. The Responsible Investment Policy that sits with the SIP outlines this. The process set by the Trustee for implementing this policy includes portfolio construction, stewardship, and reporting.
- The managers' have been provided with the Trustee's Responsible Investment Policy and the expectations of how they should align with this policy.
- The Trustee regularly reviews the ESG capabilities of the managers as part of their monitoring process.
- Exclusions based on controversial weapons and severe ESG controversies are in place for the majority of the equity funds the Scheme invests in. The Trustee has a fiduciary duty to consider all material financial risks when making all investment decisions, including for both default and self-select funds.
- The exclusions based on controversial weapons and severe ESG controversies are designed to reduce the risk of the portfolio being exposed to reputational and ESG risks although are not expected to have a material impact on either the risk or the return characteristics.
- Integration of ESG factors into the Scheme's strategy is primarily through the use of the Scheme's equity funds. During the year under review, the Trustee updated the Scheme's default investment strategy to invest in developed market equities that track a Climate Transition Benchmark ('CTB'). This involved moving around £15bn into climate-aware equities in calendar year Q1 2024. Investment in these funds immediately reduces carbon intensity of the Scheme's equity portfolio by 30%, with further reductions in emissions intensity of 7% each year, to be aligned with reaching net zero by 2050. This approach is expected to have a positive impact on the risk and return characteristics of the portfolio over time. As described in the SIP, the Trustee will integrate ESG factors into the Scheme where it can be satisfied it will positively affect return or reduce risk.
- The Trustee also defines responsible investment as an approach to investment that explicitly acknowledges the relevance to the investor, from both a financial and non-financial perspective. The Trustee will therefore look to make available funds to members that also take non-financial matters into consideration, such as religious and/or ethical views.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued
Appendix 2 – Implementation Statement continued

How SIP and voting and engagement/stewardship policies have been followed

The monitoring and reporting on RI is as shown below, along with the actions taken in respect of the year under review.

1. The Trustee's investment advisers produce an annual sustainability report summarising the voting and engagement activity of the investment managers based on a review of reports and other information provided by the investment managers. This includes information on voting and engagement, together with the Trustee's adviser's own ratings on voting and engagement in action, as well as scores provided by the Principles for Responsible Investment on different asset classes where available. This is to ensure that managers used by the Scheme continue to meet the Trustee's standards in this area. Where any material areas of disagreement are identified, these are highlighted to the Trustee.

   The Trustee conducted a meeting with SSGA in August 2023 following a request from the Trustee to discuss a recently published Share action survey. Following this meeting, the Trustee requested and received a summary from SSGA on its plans to extend resourcing in the stewardship team, and how this would impact their stewardship capabilities.

   Following this meeting, the Trustee also undertook its annual review of the stewardship and engagement activities of their investment managers via receipt and review of their investment advisers' report (issued in October 2023). The contents of the report were reviewed and discussed by the Trustee in their meeting during the last quarter of 2023.

   This is an annual review, and the Trustee expects industry best practice to improve in the coming years (and this is reflected in the Trustee's expectations for their investment managers set out in the new RI policy). The Scheme's investment managers have been informed that the Trustee's new RI policy was implemented in April 2024. The Trustee will therefore assess their managers against this more detailed policy in the future

2. Where relevant, the Trustee's investment advisers consider an investment manager's stewardship credentials when advising on investment issues.

   There were no changes in investment managers the Scheme employed over the year. Managers' stewardship credentials form part of the annual sustainability review as outlined in item 1, above, and any noteworthy developments are also noted in quarterly investment monitoring reports.

3. As the Trustee invests in funds alongside other investors, they recognise that their chosen managers' prioritisation of issues for engagement and voting may not be the same as their own. As far as practicable, the Trustee undertakes a formal engagement process with each manager every year to ensure that there is a good alignment of views and issues to prioritise over the coming year.

   SSGA attended a meeting of the Trustee in August 2023 to provide an update on their ESG and stewardship credentials, following a Share action survey. This reflects the ongoing work by the People's Partnership in liaising with the Scheme's managers on a range of matters, including stewardship. Examples of this work have been provided earlier in this report.

   The Trustees also took formal advice from their investment advisers on the appropriateness of the Scheme's current managers, which also took place during the year under review.

4. The Trustee expects investment managers to be voting and engaging on behalf of the fund's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts.

   The new RI Policy has strengthened its stewardship requirements of its investment managers and an assessment of how aligned its manager are to this Policy is currently being undertaken, the findings from which (and any actions taken accordingly) will be reflected in next year's implementation statement.

   The Trustee reviewed the contents of this Statement prior to signing.

Prepared by the Trustee of
The People's Pension
September 2024

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 2 – Implementation Statement continued

Voting data

The table below provides a summary of the voting activity undertaken by SSGA (State Street Global Advisors Limited) and HSBC over the year to 31 March 2024, together with information on any key voting priorities and information on the use of proxy voting advisers by the managers. We note that a majority of the below funds were disinvested during the year under review, and the CTB indices (as noted in the Responsible Investment section) were implemented. Given the CTB indices were invested in early 2024 and there is an overlap in holdings between the CTB indices and the funds previously held, we believe it is appropriate to provide voting data on the funds that were invested for a majority of the period.

At the present time, it is not possible to provide a breakdown of the voting statistics by ESG theme (in line with good practice stated in the statutory guidance) due to data limitations with the investment managers. This is reflective of a broader industry issue regarding how proxy voting data is publicly disclosed, which the Financial Conduct Authority (FCA) is addressing through its Vote Reporting Working Group, in which People's Partnership's Head of Responsible Investment is a participant. Improvements in this area across the industry is expected after the FCA and its working group has concluded its consultation process.

Manager	HSBC	SSGA										
Fund name	HSBC Islamic Global Equity Index Fund	SSGA World Adaptive Capping Equity Index Fund**	SSGA ACS Multi-Factor Global ESG Equity Index Fund	SSGA UK ESG Screened Equity Index Fund	SSGA North America ESG Screened Equity Index Fund	SSGA Europe ex UK ESG Screened Equity Index Fund	SSGA Japan ESG Screened Equity Index Fund	SSGA Asia Pacific ex Japan ESG Screened Equity Index Fund	SSGA Emerging Markets ESG Screened Equity Index Fund	SSGA World ESG Screened Equity Index Fund	SSGA Global Real Estate Equity Index Fund	SSGA Multi-Asset Global Infrastructure Index Fund
	Self-select (Shariah)	Growth pool	Growth pool	Growth pool	Growth pool	Growth pool	Growth pool	Growth pool	Growth pool	Self-select (Ethical)	Growth pool	Growth pool
Structure	Pooled											
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.											
Number of company meetings the manager was eligible to vote at over the year	104	1,569	284	685	643	502	509	433	4,402	1,452	275	723
Number of resolutions the manager was eligible to vote on over the year	1,702	22,269	4,333	12,193	9,156	8,941	6,096	3,349	35,882	20,491	2,984	7,434
Percentage of resolutions the manager voted on	96.0%	99.1%	90.3%	54.1%	98.4%	97.6%	100.0%	99.3%	97.0%	99.6%	89.9%	99.2%
Percentage of resolutions the manager abstained from, as a percentage of the total number of resolutions on the manager voted on over the year*	0.0%	0.3%	0.2%	0.2%	0.4%	0.4%	0.0%	0.3%	1.8%	0.3%	0.3%	2.9%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on*	76.0%	91.4%	90.1%	83.5%	86.9%	87.9%	92.4%	80.5%	81.9%	91.6%	89.5%	87.3%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on*	23.0%	8.5%	9.4%	16.5%	12.9%	11.8%	7.7%	19.6%	18.1%	8.4%	10.4%	12.7%
Percentage of resolutions voted contrary to the recommendation of the proxy adviser	0.0%	7.0%	9.0%	16.1%	12.4%	7.5%	6.5%	11.9%	5.2%	6.9%	8.7%	6.3%

* Votes of abstain can be counted both as a vote of abstain and as a vote against management in some jurisdictions. Totals may therefore add up to more than 100%. Numbers are subject to rounding.
** The SSGA World Adaptive Capping Equity Index Fund was terminated for the period ending 31 March 2024, so the data in the table covers the 12 months to 31 December 2023.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 2 – Implementation Statement continued

Proxy voting

One way in which the Trustee will measure the success of their stewardship programme, as outlined in the Responsible Investment Policy, is to consider indicators such as how the investment managers exercise proxy voting. The below summarises how the investment managers utilise their proxy voting services.

HSBC use the voting research and platform provider **Institutional Shareholder Services (ISS)** to assist with the global application of their own bespoke voting guidelines. HSBC review voting policy recommendations according to the scale of their overall holdings. The bulk of holdings are voted in line with ISS's recommendation based on HSBC's guidelines.

SSGA uses the proxy voting services of **ISS** to act as their proxy voting agent (providing vote execution and administration services), assisting in the application of voting guidelines, offering research and analysis, and providing proxy voting guidelines in limited circumstances. SSGA also have access to information from Glass Lewis and IVIS to complement their in-house analysis. All final voting decisions are based on SSGA's proxy voting policies and in-house operational guidelines, with any nuanced voting matters referred to and reviewed by members of SSGA's stewardship team.

The expectation is that the Scheme's investment managers will be able to provide appropriate disclosure of deviation from the proxy adviser recommendations. We note that in a majority of funds over the year to 31 March 2024, the percentage of resolutions voted contrary to the recommendation of the proxy adviser, has increased relative to the year ending 31 March 2023. The Trustee expects investment managers to provide appropriate disclosure on these deviations and will monitor this as part of their stewardship programme.

Significant votes

The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 that came into force from October 2020 require information on significant votes carried out on behalf of the Trustee over the year be set out in this statement. Updated guidance (from the DWP in June 2022)[1] states that a significant vote is likely to be one that is linked to one or more of the Scheme's stewardship priorities, which are listed in the "Stewardship policy" section above.

As the Scheme invests in funds alongside other investors, the Trustee recognises that their chosen managers' prioritisation of issues for engagement and voting may not be the same as their own. In recognition of this, the Trustee has developed a decision-making framework, which allows the Scheme to further hone its stewardship approach. Specifically, where a bespoke voting policy is not possible (as the Scheme invests in funds alongside other investors), the Trustee can implement an expression of wish.

The Trustee is comfortable that the voting undertaken on their behalf was broadly reflective of their investment managers' own policies and procedures. While the Trustee did not notify their investment managers on what they consider to be the most significant votes in advance of those votes being taken, their new Responsible Investment Policy has been communicated to the investment managers as part of preparing this Statement.

In determining most significant votes to be reported in this statement, the Trustee has selected three significant votes for the HSBC fund based on themes outlined in the Stewardship policy section above and the size of the holding within each portfolio. For SSGA, the Head of Responsible Investment at People's Partnership has selected a number of votes based on themes outlined in the Stewardship policy based on priority areas as outlined in the Responsible Investment Policy, and those that represented notable investor dissent against management.

1 https://www.gov.uk/government/consultations/climate-and-investment-reporting-setting-expectations-and-empowering-savers/outcome/reporting-on-stewardship-and-other-topics-through-the-statement-of-investment-principles-and-the-implementation-statement-statutory-and-non-statutory

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 2 – Implementation Statement continued

Significant votes continued

HSBC, Islamic Global Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Apple Inc.	Visa Inc.	Novartis AG
Date of vote	28 February 2024	23 January 2024	5 March 2024
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	7.9%	1.6%	0.7%
Summary of the resolution	Shareholder resolution: Report on Median Gender/Racial Pay Gap	Advisory Vote to Ratify Named Executive Officers' Compensation	Re-elect Patrice Bula as Director
How the manager voted	For the proposal (against management recommendation)	Against the proposal (against management recommendation)	Against the proposal (against management recommendation)
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No	No	No
Rationale for the voting decision	HSBC believe that the proposal would contribute to improving gender inequality.	HSBC consider the quantum of the total pay excessive and believe there is insufficient link between pay and performance.	HSBC have concerns about insufficient gender diversity of the board.
Outcome of the vote	The shareholder resolution did not pass.	The resolution passed.	The resolution passed
Implications of the outcome	HSBC will likely vote against management on a similar proposal should they see insufficient improvements.	HSBC will likely vote against a similar proposal should they see insufficient improvements.	HSBC will likely vote against a similar proposal should they see insufficient improvements.
Criteria on why the vote is considered "significant"	In providing the most significant votes, HSBC selected a range of issues that are representative of their voting guidelines. These votes have been chosen because the size of the holding in the company is significant, HSBC voted against the management and the votes provided reflect the Trustee's priorities for voting and engagement activities, as set out in the Responsible Investment Policy developed during the year.		

Chair's Annual Governance Statement for the year ended 31 March 2024 continued
Appendix 2 – Implementation Statement continued

Significant votes continued
SSGA, Index equity holdings

	Vote 1	Vote 2	Vote 3
Company name	Amazon.com, Inc.	Amazon.com, Inc.	Berkshire Hathaway Inc.
Date of vote	24 May 2023	24 May 2023	6 May 2023
Summary of the resolution	Commission a Third-Party Audit on Working Conditions	Report on Impact of Climate Change Strategy Consistent with Just Transition Guidelines	Report on Physical and Transitional Climate-Related Risks and Opportunities
How the manager voted	For the proposal (against management recommendation)	Abstain on the proposal (against management recommendation)	For the proposal (against management recommendation)
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	This proposal merits support as the company's disclosures related to facility safety could be enhanced.	SSGA is abstaining on the proposal as the company's disclosures related to climate change are mostly aligned with SSGA's guidance but could be enhanced.	SSGA supported the proposal as the company's disclosures related to climate change could be enhanced.
Outcome of the vote	The resolution did not pass.	The resolution did not pass.	The resolution did not pass.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on why the vote is considered "significant"	The topic of the vote is linked to human rights, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to climate change, which the Trustee has identified as a stewardship priority. While the stewardship priorities were developed during the period, the Trustee provided SSGA with net zero voting guidelines and asked that SSGA implement these guidelines as an 'expression of wish'. This applies from March 2024 onwards.	

Chair's Annual Governance Statement for the year ended 31 March 2024 continued
Appendix 2 – Implementation Statement continued

Significant votes continued
SSGA, Index equity holdings continued

	Vote 4	Vote 5	Vote 6
Company name	Berkshire Hathaway Inc.	Berkshire Hathaway Inc.	The Southern Company
Date of vote	6 May 2023	6 May 2023	24 May 2023
Summary of the resolution	Report on Audit Committee's Oversight on Climate Risks and Disclosures	Report If and How Company Will Measure, Disclose and Reduce GHG Emissions	Adopt Scope 3 GHG Emissions Reduction Targets Aligned with Paris Agreement Goal
How the manager voted	For the proposal (against management recommendation)	For the proposal (against management recommendation)	Against the proposal (in line with management recommendation)
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	SSGA supported the proposal as the company's disclosures related to climate change could be enhanced.	SSGA supported the proposal as the company's disclosures related to fossil fuel financing could be enhanced.	SSGA did not support the proposal as the company's disclosures related to GHG emissions mostly aligned with SSGA's guidance.
Outcome of the vote	The resolution did not pass.	The resolution did not pass.	The resolution did not pass.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on why the vote is considered "significant"	The topic of the vote is linked to climate change, which the Trustee has identified as a stewardship priority. While the stewardship priorities were developed during the period, the Trustee provided SSGA with net zero voting guidelines and asked that SSGA implement these guidelines as an 'expression of wish'. This applies from March 2024 onwards.		

Chair's Annual Governance Statement for the year ended 31 March 2024 continued
Appendix 2 – Implementation Statement continued

Significant votes continued
SSGA, Index equity holdings continued

	Vote 7	Vote 8	Vote 9
Company name	TotalEnergies SE	Valero Energy Corporation	Amazon.com, Inc.
Date of vote	26 May 2023	9 May 2023	24 May 2023
Summary of the resolution	Align Targets for Indirect Scope 3 Emissions with the Paris Climate Agreement (Advisory)	Report on Climate Transition Plan and GHG Emissions Reduction Targets	Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining
How the manager voted	Against the proposal (in line with management recommendation)	Against the proposal (in line with management recommendation)	For the proposal (against management recommendation)
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	SSGA did not support the proposal as the company's disclosures related to GHG emissions mostly aligned with SSGA's guidance.	SSGA did not support the proposal as the company's disclosures related to GHG emissions mostly aligned with SSGA's guidance.	This proposal merits support as the company's disclosures related to human rights standards or policies could be enhanced
Outcome of the vote	The resolution did not pass.	The resolution did not pass.	The resolution did not pass.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on why the vote is considered "significant"	The topic of the vote is linked to climate change, which the Trustee has identified as a stewardship priority. While the stewardship priorities were developed during the period, the Trustee provided SSGA with net zero voting guidelines and asked that SSGA implement these guidelines as an 'expression of wish' . This applies from March 2024 onwards.		The topic of the vote is linked to human rights, which the Trustee has identified as a stewardship priority.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued
Appendix 2 – Implementation Statement continued

Significant votes continued
SSGA, Index equity holdings continued

	Vote 10	Vote 11	Vote 12
Company name	Amazon.com, Inc.	Amazon.com, Inc.	Amazon.com, Inc.
Date of vote	24 May 2023	24 May 2023	24 May 2023
Summary of the resolution	Commission Third Party Study and Report on Risks Associated with Use of Rekognition	Report on Climate Lobbying	Report on Climate Risk in Retirement Plan Options
How the manager voted	For the proposal (against management recommendation)	Against the proposal (in line with management recommendation)	Against the proposal (in line with management recommendation)
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	This proposal merits support as the company's disclosures related to human rights standards or policies could be enhanced.	SSGA did not support the proposal as the company's disclosures related to climate change lobbying are in line with market standards.	SSGA did not support the proposal as the company's disclosures related to climate change are mostly aligned with SSGA's guidance.
Outcome of the vote	The resolution did not pass.	The resolution did not pass.	The resolution did not pass.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on why the vote is considered "significant"	The topic of the vote is linked to human rights, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to climate change, which the Trustee has identified as a stewardship priority. While the stewardship priorities were developed during the period, the Trustee provided SSGA with net zero voting guidelines and asked that SSGA implement these guidelines as an 'expression of wish'. This applies from March 2024 onwards.	

Chair's Annual Governance Statement for the year ended 31 March 2024 continued
Appendix 2 – Implementation Statement continued

Significant votes continued
SSGA, Index equity holdings continued

	Vote 13	Vote 14	Vote 15
Company name	Amazon.com, Inc.	Bank of Montreal	Citigroup Inc.
Date of vote	24 May 2023	18 April 2023	25 April 2023
Summary of the resolution	Report on Customer Due Diligence	Publish a Third-Party Racial Equity Audit	Report on Respecting Indigenous Peoples' Rights
How the manager voted	For the proposal (against management recommendation)	Against the proposal (in line with management recommendation)	Against the proposal (in line with management recommendation)
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	SSGA supported the shareholder proposal as the company's disclosures related to human rights risks could be enhanced.	SSGA did not support the proposal as the company's disclosures and oversight related to racial equity and/or civil rights are mostly aligned with SSGA's guidance.	SSGA did not support the proposal as the company's disclosures related to human rights standards or policies are mostly aligned with SSGA's guidance.
Outcome of the vote	The resolution did not pass.	The resolution did not pass.	The resolution did not pass.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on why the vote is considered "significant"	The topic of the votes are linked to human rights, which the Trustee has identified as a stewardship priority.		

Chair's Annual Governance Statement for the year ended 31 March 2024 continued
Appendix 2 – Implementation Statement continued

Significant votes continued
SSGA, Index equity holdings continued

	Vote 16	Vote 17	Vote 18
Company name	Glencore Plc	JPMorgan Chase & Co.	JPMorgan Chase & Co.
Date of vote	26 May 2023	16 May 2023	16 May 2023
Summary of the resolution	Resolution in Respect of the Next Climate Action Transition Plan	Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets	Adopt Time-Bound Policy to Phase Out Underwriting and Lending for New Fossil Fuel Development
How the manager voted	For the proposal (against management recommendation)	For the proposal (against management recommendation)	Against the proposal (in line with management recommendation)
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	SSGA supported the proposal as the company's disclosures related to GHG emissions could be enhanced.	SSGA supported the proposal as the company's disclosures related to fossil fuel financing could be enhanced.	SSGA did not support the proposal as the company's disclosures related to fossil fuel financing are broadly in line with market standards.
Outcome of the vote	The resolution did not pass.	The resolution did not pass.	The resolution did not pass.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on why the vote is considered "significant"	The topic of the vote is linked to climate change, which the Trustee has identified as a stewardship priority. While the stewardship priorities were developed during the period, the Trustee provided SSGA with net zero voting guidelines and asked that SSGA implement these guidelines as an 'expression of wish'. This applies from March 2024 onwards.		

Chair's Annual Governance Statement for the year ended 31 March 2024 continued
Appendix 2 – Implementation Statement continued

Significant votes continued
SSGA, Index equity holdings continued

	Vote 19	Vote 20	Vote 21
Company name	JPMorgan Chase & Co.	Royal Bank of Canada	The Bank of Nova Scotia
Date of vote	16 May 2023	5 April 2023	4 April 2023
Summary of the resolution	Disclose 2030 Absolute GHG Reduction Targets Associated with Lending and Underwriting	Publish a Third-Party Racial Equity Audit	Report on Client Net-Zero Transition Plans in Relation to Bank's 2030 Emissions Reduction and Net-Zero Goals
How the manager voted	Against the proposal (in line with management recommendation)	Against the proposal (in line with management recommendation)	Against the proposal (in line with management recommendation)
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	SSGA did not support the proposal as the company's disclosures related to fossil fuel financing are broadly in line with market standards.	SSGA did not support the proposal as the company's disclosures and oversight related to racial equity and/or civil rights are mostly aligned with SSGA's guidance.	SSGA did not support the proposal as the company's disclosures related to GHG emissions are mostly aligned with SSGA's guidance.
Outcome of the vote	The resolution did not pass.	The resolution did not pass.	The resolution did not pass.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on why the vote is considered "significant"	The topic of the vote is linked to climate change, which the Trustee has identified as a stewardship priority. The Trustee has provided SSGA with net zero voting guidelines and asked that SSGA implement these guidelines as an 'expression of wish'. This applies from March 2024 onwards.	The topic of the vote is linked to human rights, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to climate change, which the Trustee has identified as a stewardship priority. The Trustee has provided SSGA with net zero voting guidelines and asked that SSGA implement these guidelines as an 'expression of wish'. This applies from March 2024 onwards.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued
Appendix 2 – Implementation Statement continued

Significant votes continued
SSGA, Index equity holdings continued

	Vote 22	Vote 23
Company name	The Goldman Sachs Group, Inc.	Wells Fargo & Company
Date of vote	26 April 2023	25 April 2023
Summary of the resolution	Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets	Report on Prevention of Workplace Harassment and Discrimination
How the manager voted	For the proposal (against management recommendation)	Abstain on the proposal (against management recommendation)
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.	
Rationale for the voting decision	SSGA supported the proposal as the company's disclosures related to fossil fuel financing could be enhanced.	SSGA is abstaining on the proposal as the company's disclosures pertaining to the item are broadly in line with market standard but could be enhanced.
Outcome of the vote	The resolution did not pass.	The resolution passed.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.	
Criteria on why the vote is considered "significant"	The topic of the vote is linked to climate change, which the Trustee has identified as a stewardship priority. The Trustee has provided SSGA with net zero voting guidelines and asked that SSGA implement these guidelines as an 'expression of wish'. This applies from March 2024 onwards.	The topic of the vote is linked to human rights, which the Trustee has identified as a stewardship priority.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued
Appendix 2 – Implementation Statement continued

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustee. The table provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds over the year to 31 March 2024. We note that a majority of the below funds were disinvested during the year under review, and the CTB indices (as noted in the Responsible Investment section) were implemented. Given the CTB indices were invested in early 2024 and there is an overlap in holdings between the CTB indices and the funds previously held, we believe it is appropriate to provide voting data on the funds that were invested for a majority of the period.

SSGA carry out engagement activities at a firm-wide level, but they have been able to provide information on their engagements for some funds at a fund level. This follows Trustee feedback where previously SSGA could only provide engagement data at a firm-wide level.

Manager	HSBC	SSGA										
Fund name	HSBC Islamic Global Equity Index Fund	SSGA World Adaptive Capping Equity Index Fund*	SSGA ACS Multi-Factor Global ESG Equity Index Fund	SSGA UK ESG Screened Equity Index Fund	SSGA North America ESG Screened Equity Index Fund	SSGA Europe ex UK ESG Screened Equity Index Fund	SSGA Japan ESG Screened Equity Index Fund	SSGA Asia Pacific ex Japan ESG Screened Equity Index Fund	SSGA Emerging Markets ESG Screened Equity Index Fund	SSGA World ESG Screened Equity Index Fund	SSGA Global Real Estate Equity Index Fund	SSGA Multi-Asset Global Infrastructure Index Fund
	Self-select (Shariah)	Growth pool	Growth pool	Growth pool	Growth pool	Growth pool	Growth pool	Growth pool	Growth pool	Self-select (Ethical)	Growth pool	Growth pool
Does the manager perform engagement on behalf of the holdings of the fund?	Yes											
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes											
Number of engagements undertaken on behalf of the holdings in this fund in the year	63	571	107	65	299	146	24	39	7	576	38	64
Number of entities engaged on behalf of the holdings in this fund in the year	34	419	88	50	223	115	19	35	7	438	32	50
Number of engagements undertaken at a firm level in the year	2,070	948										

*The SSGA World Adaptive Capping Equity Index Fund was terminated for the period ending 31 March 2024, so the data in the table covers the 12 months to 31 December 2023.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 2 – Implementation Statement continued

Fund level engagement continued

Examples of engagement activity undertaken over the year to 31 March 2024

HSBC

US Ecommerce Large Cap – Working conditions and environmental concerns

HSBC have been engaging with a large information technology company. HSBC have throughout the year had concerns about ongoing reported incidents around human rights violations, and have therefore engaged with the Investor Relations ('IR') representative of the company numerous times over the past couple of years, so as to continue to share their views on what they believe to be important issues, and to learn about updates from the company. HSBC have raised these issues AGM matters with the company to share their views. As part of a collaborative initiative, HSBC wrote to the company requesting additional reporting on key environmental areas such as water.

Outcome: The company puts out examples of progress around climate every year.

The company continues to address e-waste, by promoting trade in opportunities, options to repair, building products for longevity as examples. They continue to work on solutions for this challenging area.

The company continues to investigate allegations of human rights violations when they arise and assess their auditing of supply chains and transparency around that. They have also conducted independent unannounced audits and assessments as part of a scaled-up programme.

HSBC believe that the company must enhance their transparency in reporting and during engagements and will continue to push on these and other issues.

HSBC will continue to vote at AGMs in accordance with their principles on respective issues.

Global Consumer Goods Leader - Biodiversity, Inclusive Growth

As investors HSBC have some concerns that the company is not improving quickly enough on risks and opportunities presented by issues such as regenerative agriculture, water efficiency, sustainable packaging, positive nutrition, and workforce development. In the long-term HSBC believe these issues could impede the company's continued success through reducing growth possibility, and increasing reputational risks that may damage brand value.

Over the past 3-4 years HSBC have met the company 1-1 on several occasions to raise their points. They have also had separate meetings with the company's small and medium-sized enterprises (SME's) in agriculture, nutrition and public policy to more deeply understand the issues and encourage progress. HSBC have learned that the company does have expertise in regenerative agriculture and ambitious targets to be impactful at the farmer level but point to peers where the progress towards the regenerative acres farmed goals is clearer, and the definitions of what constitutes a RA acre are more specific. HSBC communicated that more specific interim goals and a framework for how the company considers regenerative acres would be very helpful for investors.

HSBC have used their voting capital to support initiatives calling for the company to do more on environmental topics. HSBC have communicated voting decisions to the company ahead of the AGM's.

Outcome: HSBC have been pleased to see the company contribute to an industry wide initiative on regenerative agriculture which goes some way to addressing their ask for them to tighten their regenerative agriculture framework gaps. The company's current regeneratively farmed acreage target is stretching but HSBC especially need to see how they will get to it, through interim targets.

In Q4 2023 the company launched upgraded nutrition targets, seeking to add diverse ingredients to 140 billion portions of its product servings by 2030. The focus will be on adding legumes, nuts, seeds, and wholegrains to the company's leading brands, as well as using technology and M&A to develop new consumer accepted brands. HSBC consider this a very positive step as the company had not appeared willing to set a positive nutrition target in the past.

HSBC have recently communicated their support for the company's work on the initiatives but will also follow up on progress on the other topics ahead of the next AGM.

Global Healthcare Science Services Leader – Human Rights

The company's equipment for scientific research has many noble use cases. However, there are risks that some products could be used for activities that are not considered ethical. For example there have been allegations that company genetic sequencing equipment has been used to create DNA profiling for minority populations in some countries, potentially risking human rights.

HSBC believe further such controversies could lead to reputational risks for the company, which could lead to product boycotts, lower sales, and potentially a lower valuation.

HSBC met IR, Legal, and Corporate Social Responsibility (CSR) teams to discuss the issue. HSBC stated their concerns about impact on communities from rogue customer actions, and potential reputational and financial risks to the company.

HSBC wrote to the lead independent director asking for the company to report on respecting human rights.

HSBC met with the lead board director in June 2023 to discuss board oversight of human rights risks and links to product misuse. HSBC pressed the director on how the board gains insight into key topics like human rights risk, and how the company structures will evolve to manage emerging product misuse challenges.

HSBC fed back to the company via its consultant-led investor perception study, emphasising their asks, and providing feedback from their credit investment teams.

Outcome: The company has significantly expanded its reporting on respecting human rights in the new 2023 CSR Report. There is a page devoted to the topic with links to how challenges across the supply chain, distribution network, and employee base, can be managed. HSBC have communicated their satisfaction with the change to the company.

HSBC will continue to monitor the company's performance on human rights issues and engage if the now disclosed systems do not appear to be performing.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 2 – Implementation Statement continued

Fund level engagement continued

Examples of engagement activity undertaken over the year to 31 March 2024

SSGA

Applied Materials, Inc. - Climate Risk Management – Climate Transition Plan Disclosure

SSGA engaged Applied Materials, Inc. in 2022 and 2023 to better understand the company's approach to managing relevant risks and opportunities related to several environmental topics including climate, water management, waste management, and materials sourcing. SSGA discussed the company's progress on enhancing disclosure in line with the TCFD and its ongoing efforts to develop its climate transition plan, which was published in 2023.

During their engagements, SSGA gained insight on Applied Materials' approach to climate-related target setting and efforts related to energy management, customer and supply chain engagement, and innovation in product efficiency. They discussed the company's progress on quantifying its Scope 3 emissions inventory and the challenges and opportunities with reducing energy consumption for semiconductor products. SSGA shared feedback and opportunities to enhance disclosure in line with their guidance, including disclosure about the company's decarbonization strategy to achieve its stated climate-related targets.

Outcome: In 2023, Applied Materials, Inc. updated its climate-related targets and enhanced disclosure on its strategy to achieve these goals. This includes a roadmap outlining the main levers the company is pursuing toward its targets and the estimated contribution of each lever toward overall emissions reductions. The company also received validation for its science-based 2030 Scope 1, 2, and 3 emissions targets and disclosed progress on supply chain emissions management, product efficiency, and other efforts.

Rio Tinto Plc - Diversity, Equity, and Inclusion

In March 2021 SSGA introduced a proxy voting Policy where they may vote against the chair of the nominating and governance committee at companies in the S&P 500 and FTSE 100 that do not disclose, at minimum, the gender, racial, and ethnic composition of their boards. Prior to voting at Rio Tinto Plc's 2022 AGM, SSGA determined that the company — which is a FTSE 100 constituent — did not disclose the gender, racial, and ethnic composition of its board. As a result, SSGA voted against the chair of the nominating and governance committee at Rio Tinto.

SSGA engaged with members of management to communicate their disclosure expectations. During the engagement, the company committed to updating related disclosures in its annual report for 2022 and subsequently confirmed this change to SSGA in a written response.

Due to the company's verbal and written commitments to provide enhanced board composition disclosure, SSGA waived their policy to vote against the re-election of the chair of Rio Tinto's nominating committee at the 2022 AGM.

Outcome: Leading up to the company's 2023 annual meeting, SSGA reviewed relevant materials, including the annual report for 2022. During their review, they confirmed that the company was responsive to their requests and enhanced their disclosure. As a result, SSGA continued to support the chair of the nominating committee at the 2023 AGM

Cboe Global Markets, Inc. - Sustainability-Related Disclosure Practices

Since 2019, SSGA have annually identified portfolio companies that they believe could strengthen their sustainability-related disclosure practices relative to their disclosure expectations.

In February 2023, SSGA reached out to over 40 of their portfolio companies globally – including Cboe Global Markets, Inc. (Cboe) – to understand their perspectives and to learn if they have plans to elevate their disclosure practices moving forward.

SSGA's outreach resulted in an engagement with several members of Cboe's leadership team who have direct oversight of the risk and sustainability-related disclosure functions. In their discussion, SSGA learned about Cboe's process over the prior year to create and monitor enterprise-level risk factors which cover financially material ESG-related issues, as reflected in the ESG Materiality Matrix in the company's 2022 ESG Report.

Additionally, Cboe outlined its continued ambitions to disclose its climate-related emissions profile in a TCFD-aligned format, including its Scope 1 and Scope 2 emissions. SSGA also learned of the board's role in overseeing these disclosure exercises and ensuring that financially material findings are addressed by management.

Outcome: Due to Cboe's commitment and demonstrated progress towards elevated disclosure practices and their ongoing engagement, SSGA supported the company's senior independent board leader at the 2023 AGM.

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 3 – Illustration of charges and transaction costs

Illustrative examples of the effect of the management charge of 0.5%, the £4.50 annual charge and the transaction costs for the 'balanced' investment profile (the Scheme default option) are shown in the table below. The illustrations have been prepared in accordance with the Department for Work and Pensions' statutory guidance on "Reporting of costs, charges and other information: guidance for Trustees and managers of relevant occupational pension schemes" on the projection of an example member's pension savings.

The Scheme does not have a lowest or highest charging fund.

The 'balanced' investment profile*
(age 22, starting pot size of £0)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 year	£2,130	£2,120
3 years	£6,960	£6,900
5 years	£12,600	£12,400
10 years	£31,100	£30,500
15 years	£57,800	£56,300
20 years	£95,700	£92,600
25 years	£148,000	£143,000
30 years	£222,000	£212,000
35 years	£320,000	£304,000
40 years	£440,000	£416,000
to age 68	£610,000	£571,000

The 'balanced' investment profile*
((age 30, starting pot size of £2,690)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 year	£4,980	£4,960
3 years	£10,100	£10,000
5 years	£16,200	£16,000
10 years	£35,900	£35,200
15 years	£64,300	£62,500
20 years	£104,000	£100,000
25 years	£159,000	£153,000
30 years	£230,000	£220,000
35 years	£316,000	£299,000
to age 68	£373,000	£352,000

The 'balanced' investment profile*
(age 40, starting pot size of £4,193)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 year	£6,580	£6,550
3 years	£11,900	£11,800
5 years	£18,200	£17,900
10 years	£38,600	£37,800
15 years	£67,700	£65,700
20 years	£105,000	£102,000
25 years	£153,000	£147,000
to age 68	£186,000	£177,000

The 'balanced' investment profile*
(age 50, starting pot size of £5,677)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 year	£8,150	£8,120
3 years	£13,700	£13,500
5 years	£20,100	£19,800
10 years	£40,200	£39,200
15 years	£66,300	£64,200
to age 68	£84,000	£81,000

The 'balanced' investment profile*
(deferred member age 41, average pot size £2,127)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 year	£2,250	£2,230
3 years	£2,530	£2,480
5 years	£2,840	£2,750
10 years	£3,800	£3,570
15 years	£5,060	£4,620
20 years	£6,530	£5,800
25 years	£8,180	£7,080
to age 68	£9,500	£8,100

* Scheme default arrangement

Chair's Annual Governance Statement for the year ended 31 March 2024 continued
Appendix 3 – Illustration of charges and transaction costs continued

Although the majority of the Scheme members use the default investment arrangement, the Scheme has a number of options available to choose. Projections for these are shown below.

Global Investments (up to 85% shares) Fund**
(age 22, starting pot size of £0)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 year	£2,130	£2,120
3 years	£6,960	£6,890
5 years	£12,600	£12,400
10 years	£31,100	£30,400
15 years	£57,800	£55,900
20 years	£95,700	£91,700
25 years	£148,000	£141,000
30 years	£222,000	£209,000
35 years	£324,000	£303,000
40 years	£464,000	£429,000
to age 68	£700,000	£642,000

Global Investments (up to 100% shares) Fund**
(age 22, starting pot size of £0)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 year	£2,130	£2,120
3 years	£6,960	£6,890
5 years	£12,600	£12,400
10 years	£31,100	£30,400
15 years	£57,800	£55,900
20 years	£95,700	£91,700
25 years	£148,000	£141,000
30 years	£222,000	£209,000
35 years	£324,000	£303,000
40 years	£464,000	£430,000
to age 68	£700,000	£642,000

Global Investments (up to 60% shares) Fund**
(age 22, starting pot size of £0)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 year	£2,110	£2,100
3 years	£6,770	£6,710
5 years	£12,000	£11,800
10 years	£28,200	£27,600
15 years	£49,700	£48,200
20 years	£78,000	£75,000
25 years	£114,000	£109,000
30 years	£161,000	£153,000
35 years	£222,000	£209,000
40 years	£298,000	£280,000
to age 68	£418,000	£389,000

Pre-Retirement Fund**
(age 22, starting pot size of £0)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 year	£2,110	£2,100
3 years	£6,770	£6,700
5 years	£12,000	£11,800
10 years	£28,200	£27,500
15 years	£49,700	£48,200
20 years	£78,000	£74,900
25 years	£114,000	£109,000
30 years	£161,000	£153,000
35 years	£222,000	£209,000
40 years	£298,000	£279,000
to age 68	£418,000	£387,000

Ethical Fund**
(age 22, starting pot size of £0)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 year	£2,130	£2,120
3 years	£6,960	£6,900
5 years	£12,600	£12,400
10 years	£31,100	£30,500
15 years	£57,800	£56,200
20 years	£95,700	£92,500
25 years	£148,000	£142,000
30 years	£222,000	£212,000
35 years	£324,000	£307,000
40 years	£464,000	£437,000
to age 68	£700,000	£655,000

** Non-default arrangements

Chair's Annual Governance Statement for the year ended 31 March 2024 continued
Appendix 3 – Illustration of charges and transaction costs continued

Annuity Fund**
(age 22, starting pot size of £0)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 year	£2,130	£2,120
3 years	£6,960	£6,900
5 years	£12,600	£12,400
10 years	£31,100	£30,500
15 years	£57,800	£56,200
20 years	£95,700	£92,500
25 years	£148,000	£142,000
30 years	£222,000	£212,000
35 years	£324,000	£307,000
40 years	£464,000	£437,000
to age 68	£700,000	£656,000

Shariah Fund**
(age 22, starting pot size of £0)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 year	£2,130	£2,120
3 years	£6,960	£6,900
5 years	£12,600	£12,400
10 years	£31,100	£30,500
15 years	£57,800	£56,200
20 years	£95,700	£92,400
25 years	£148,000	£142,000
30 years	£222,000	£212,000
35 years	£324,000	£307,000
40 years	£464,000	£437,000
to age 68	£700,000	£654,000

Cash Fund**
(age 22, starting pot size of £0)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 year	£2,090	£2,090
3 years	£6,580	£6,520
5 years	£11,400	£11,300
10 years	£25,600	£25,100
15 years	£43,000	£41,800
20 years	£64,000	£62,000
25 years	£89,500	£86,200
30 years	£120,000	£115,000
35 years	£156,000	£149,000
40 years	£200,000	£190,000
to age 68	£263,000	£249,000

** Non-default arrangements

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

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. This is consistent with the Financial Reporting Council's AS TM1: Statutory Money Purchase Illustrations.
- The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.
- Contributions are assumed to be £173 per month (inclusive of members' and employers' contributions and tax relief) from age 22 to 68 (unless otherwise stated) and increase each year in line with inflation (2.5%) (average monthly contribution was £161 at 31 March 2023). Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- Values are estimates and not guaranteed.
- Charges include the management charge, the annual charge, management charge rebate and transaction costs.
- Starting pot size is assumed to be £0, unless otherwise stated. Where pot sizes are used these are the average pot size given the age of the member.

The projected annual returns used are as follows (before inflation):

- The 'balanced' investment profile consists of the Global Investments (up to 85% shares) Fund (growth rate 6.0%), gradually switching into the Pre-Retirement Fund (growth rate 4.0%) in the last 15 years
- Global Investments (up to 85% shares) Fund 6.0% p.a.
- Global Investments (up to 100% shares) Fund 6.0% p.a.
- Global Investments (up to 60% shares) Fund 4.0% p.a.
- Pre-Retirement Fund 4.0% p.a.
- Ethical Fund 6.0% p.a.
- Annuity Fund 6.0% p.a.
- Shariah Fund 6.0% p.a.
- Cash Fund 2.0% p.a.
- Inflation is assumed to be 2.5% p.a.
- No allowance for active management has been made.

Full details of the Scheme's transaction costs and projections for all funds available in the Scheme can be found at www.thepeoplespension.co.uk/costs-and-charges/

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 4 – Fund Performance

The Global Investments (up to 85% shares) Fund and Pre-Retirement Fund are used as part of the default arrangement.

Fund	Fund performance*	Performance Objective	Performance Objective**	Asset allocation
Global Investments (up to 60% shares) Fund	10.1% 1 Year 2.4% 3 Year 4.5% 5 Year	5.2% 1 Year 8.9% 3 Year 6.5% 5 Year	UK CPI +2.5% (Gross of fees) UK CPI +2.0% (Net of fees) Performance shown on a net of fee basis	3.00% UK Equity 50.37% Global Developed Market Equity (excluding UK) 5.40% Global Emerging Market Equity 58.77% Total Listed Equity 25.20% Global Investment Grade Corporate Bonds 2.00% Global Non-Investment Grade Corporate Bonds 8.00% UK Gilts 4.00% Global Developed Market Government Bonds 2.00% Global Emerging Market Government Bonds 41.20% Total Bonds 0.03% Cash
Global Investments (up to 85% shares) Fund	12.4% 1 Year 4.3% 3 Year 6.2% 5 Year	5.8% 1 Year 9.4% 3 Year 7.1% 5 Year	UK CPI +3.0% (Gross of fees) UK CPI +2.5% (Net of fees) Performance shown on a net of fee basis	4.00% UK Equity 67.16% Global Developed Market Equity (excluding UK) 7.20% Global Emerging Market Equity 78.36% Total Listed Equity 13.60% Global Investment Grade Corporate Bonds 1% Global Non-Investment Grade Corporate Bonds 4.00% UK Gilts 2.00% Global Developed Market Government Bonds 1.00% Global Emerging Market Government Bonds 21.60% Total Bonds 0.04% Cash 0% Private equity 0% Infrastructure 0% Property 0% Private Debt 0% Any Other Asset Class
Global Investments (up to 100% shares) Fund	15.3% 1 Year 6.4% 3 Year 8.0% 5 Year	6.3% 1 Year 9.9% 3 Year 7.6% 5 Year	UK CPI +3.5%(Gross of fees) UK CPI +3% (Net of fees) Performance shown on a net of fee basis	5.00% UK Equity 83.95% Global Developed Market Equity (excluding UK) 9.00% Global Emerging Market Equity 97.95% Total Listed Equity 2.00% Global Investment Grade Corporate Bonds 2.00% Total Bonds 0.05% Cash
Ethical Fund	22.3% 1 Year 11.5% 3 Year 12.7% 5 Year	6.3% 1 Year 9.9% 3 Year 7.6% 5 Year	UK CPI +3.5% (Gross of fees) UK CPI +3% (Net of fees) Performance shown on a net of fee basis	100.00% Global equity

* The Trustee may review and amend the performance objective of the funds as appropriate. The performance objectives above are correct as of 31 March 2024.

** The performance figures shown are after the deduction of 0.5% management charge and transaction costs, there are no performance fees for any assets within the Scheme. The Scheme uses single priced funds, so investment performance figures include any anti-dilution levies applied

Chair's Annual Governance Statement for the year ended 31 March 2024 continued

Appendix 4 – Fund Performance continued

The Scheme's funds track a variety of indices, as described below.

Fund	Fund performance*	Performance Objective	Performance Objective**	Asset allocation
Shariah Fund	29.9% 1 Year 14.4% 3 Year 16.6% 5 Year	6.3% 1 Year 9.9% 3 Year 7.6% 5 Year	UK CPI +3.5% (Gross of fees) UK CPI +3% (Net of fees) Performance shown on a net of fee basis	100.00% Global listed equity
Pre-Retirement Fund	5.3% 1 Year (0.6) % 3 Year 1.2% 5 Year	3.7% 1 Year 7.3% 3 Year 5.0% 5 Year	UK CPI +1% (Gross of fees) UK CPI +0.5% (Net of fees) Performance shown on a net of fee basis	1.00% UK Equity 16.79% Global Developed Market Equity (excluding UK) 1.80% Global Emerging Market Equity 19.59% Total Listed Equity 36.40% Global Investment Grade Corporate Bonds 3.00% Global Non-Investment Grade Corporate Bonds 12.00% UK Gilts 6.00% Global Developed Market Government Bonds 3.00% Global Emerging Market Government Bonds 60.40% Total Bonds 20.01% Cash 0% Private equity 0% Infrastructure 0% Property 0% Private Debt 0% Any Other Asset Class
Cash Fund	4.6% 1 Year 2.0% 3 Year 1.2% 5 Year	5.0% 1 Year 2.5% 3 Year 1.6% 5 Year	SONIA	100.00% Cash
Annuity Fund	2.0% 1 Year (11.0) % 3 Year (4.3) % 5 Year	(1.3) % 1 Year (12.3) % 3 Year (6.2) % 5 Year	Composite+	70.00% Sterling Investment Grade Corporate Bonds 30% UK Gilts 100% Total Bonds

3-year and 5-year returns are annualised.

These figures have been produced in line with the Department for Work and Pensions' statutory guidance 'Completing the annual Value for Members assessment and Reporting of Net Investment Returns' located at Completing the annual Value for Members assessment and Reporting of Net Investment Returns (publishing.service.gov.uk)

* The Trustee may review and amend the performance objective of the funds as appropriate. The performance objectives above are correct as of 31 March 2024.

** The performance figures shown are after the deduction of 0.5% management charge and transaction costs, there are no performance fees for any assets within the Scheme. The Scheme uses single priced funds, so investment performance figures include any anti-dilution levies applied

Independent Auditor's Report to the Trustee of The People's Pension Scheme

Opinion

We have audited the Financial Statements of The People's Pension Scheme ("the Scheme") for the year ended 31 March 2024 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes to the Financial Statements, including the accounting policies as set out in pages 86 to 93.

In our opinion the Financial Statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 March 2024 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland;* and
- contain the information specified in Regulation 3A of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the Financial Statements on the going concern basis as it does not intend to wind up the Scheme, and as it has concluded that the Scheme's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Financial Statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate;
- we have not identified and concur with the Trustee's assessment that there is not a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Scheme will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee and inspection of policy documentation, including the conflicts of interest register, as to the Scheme's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board minutes

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that the Trustee (or its delegates including the Scheme administrator) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of investments. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the Financial Statements have been prepared and unusual journals to cash.
- Assessing whether the judgements made in making accounting estimates are indicative of potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements from our general commercial and sector experience and through discussion with the Trustee (as required by auditing standards), and from inspection of the Scheme's regulatory and legal correspondence and discussed with the Trustee the policies and procedures regarding compliance with laws and regulations.

As the Scheme is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Scheme's

Independent Auditor's Report to the Trustee of The People's Pension Scheme continued

Identifying and responding to risks of material misstatement related to compliance with laws and regulations continued

procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Financial Statements varies considerably.

Firstly, the Scheme is subject to laws and regulations that directly affect the Financial Statements including financial reporting legislation (including related pensions legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related Financial Statement items.

Secondly, the Scheme is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Financial Statements, for instance through the imposition of fines or litigation, or the loss of the Scheme's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation, recognising the financial and regulated nature of the Scheme's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's Report, the Chair's Statement, and the Implementation Statement. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in its statement set out on page 9, the Scheme Trustee is responsible for: supervising the preparation of Financial Statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Scheme Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.

Gemma Broom
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL
Date: 19 September 2024

Fund Account for the year ended 31 March 2024

Contributions and benefits	Note	2024 £000	2023 £000
Contributions			
Employer contributions		2,020,938	1,841,944
Employee contributions		2,025,662	1,925,071
Total contributions	4	4,046,600	3,767,015
Individual transfers in		419,388	496,714
		4,465,988	4,263,729
Benefits paid or payable	5	(406,803)	(297,479)
Payments to and on account of leavers	6	(14,063)	(13,692)
Individual transfers to other plans		(481,641)	(303,648)
Administrative expenses	7	(100,935)	(73,998)
		(1,003,442)	(688,817)
Net additions from dealings with members		3,462,546	3,574,912
Returns on investments			
Change in market value of investments	8	2,743,062	(853,088)
Investment management expenses		(14,466)	(13,556)
Net return on investments		2,728,596	(866,644)
Net increase in the fund during the year		6,191,142	2,708,268
Opening net assets		20,383,905	17,675,637
Closing net assets		26,575,047	20,383,905

Statement of Net Assets Available for Benefits as at 31 March 2024

Investment assets	Note	2024 £000	2023 £000
Pooled investment vehicles	8	26,424,564	20,241,626
Total net investment assets		26,424,564	20,241,626
Current assets	16	205,676	184,438
Current liabilities	17	(55,193)	(42,159)
Net assets available for benefits		26,575,047	20,383,905

The Financial Statements summarise the transactions of the Scheme and deal with the net assets available for benefits at the disposal of the Trustee. They don't take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

The notes on pages 86 to 93 form part of these Financial Statements.

These Financial Statements were approved by the Trustee on 18 September 2024 and signed on its behalf by:

Mark Condron
Director

Notes to the Financial Statements for the year ended 31 March 2024

1. Basis of preparation

The Financial Statements of The People's Pension Scheme have been prepared in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the guidance set out in the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (revised 2018) (SORP).

The Financial Statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Scheme has adequate resources to meet its obligations as they fall due for at least the next 12 months from the date of approval of these Financial Statements.

This assessment, together with capital growth from its assets, gives the Trustee confidence to prepare the Financial Statements on a going concern basis.

2. General information

The Scheme is a defined contribution occupational pension scheme established as a trust under English law.

The Scheme was established to provide an auto-enrolment workplace pension scheme for employers. The address of the Scheme's registered office is Manor Royal, Crawley, West Sussex RH10 9QP.

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004 (Pension Scheme Registration (PSR) number: 12005993). This means that contributions by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

3. Summary of accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Currency

The Scheme's functional currency and presentational currency is pounds sterling ("GBP").

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

(b) Contributions

Normal and additional voluntary contributions, both from members and employers, when submitted by the employers are accounted for on an accruals basis based on the pay period to which they relate. Contributions made directly by members are accounted for when they are received from the members.

All contributions payable under salary sacrifice arrangements are classified as employer contributions.

(c) Transfers from and to other plans

Individual transfers in and out are accounted for on a cash basis, as recipient schemes are normally not liable for any pensions benefits in respect of the transferring member until assets have actually been received.

(d) Benefits and payments to and on account of leavers

Benefits payable to members are accounted for on an accruals basis from the date the Trustee is notified.

Refunds and opt-outs are accounted for when the Trustee is notified of the member's decision to leave the Scheme.

Where the Trustee agrees or is required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Scheme, any taxation due is accounted for on the same basis as the event giving rise to the tax liability.

(e) Administrative expenses

An annual management charge ("AMC") is levied against members' funds which is accounted for on an accruals basis. The AMC has 3 elements:

- The Management Charge ("MC") is calculated daily on the value of the investments at 0.5% per annum. The charge is reflected through a reduction in the unit price of the fund that the member is invested in and is received monthly in arrears from the investment custodian.
- The Annual Charge ("AC") is a fixed amount deducted once a year where a member had money saved with the Scheme on 1 April and up to the point the AC is deducted.
- The Management Charge Rebate ("MCR") is a potential rebate of some of the MC depending on the value of a member's pot. The MCR is calculated monthly and applied to the member's pot.

All direct costs of administration, including fees payable to the Trustee Directors, are met by PPHL. The AMC, less any investment management fees payable, is payable to the Administrator.

(f) Investment income and expenditure

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, the change in market value also includes such income.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Other investment management expenses are accounted for on an accruals basis and shown separately within investment returns.

Notes to the Financial Statements for the year ended 31 March 2024 continued

3. Summary of accounting policies continued

(g) Valuation and classification of investments

Investment assets and liabilities are included in the Financial Statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used.

The fair value for the unitised pooled investment vehicles which are not traded on an active market but are priced daily, weekly or at each month end, and which are traded on substantially all pricing days, are included at the last price provided by the manager at or before the year end.

Forward Foreign Exchange contracts outstanding at the year-end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

4. Contributions

	2024 £000	2023 £000
Employer		
Normal	2,020,938	1,841,944
Employee		
Normal	1,997,005	1,897,964
Additional voluntary contributions	28,657	27,107
	2,025,662	1,925,071
Total contributions	4,046,600	3,767,015

All contributions payable under salary sacrifice arrangements are classified as employer contributions.

5. Benefits paid or payable

	2024 £000	2023 £000
Lump sum retirement benefits	380,496	274,824
Lump sum death benefits	26,307	22,655
	406,803	297,479

6. Payments to and on account of leavers

	2024 £000	2023 £000
Refund of contributions in respect of:		
Opt-outs	14,063	13,692

7. Administrative expenses

	2024 £000	2023 £000
Administrative expenses	100,935	73,998

The AMC deducted from members' funds during the year totalled £115.4m (2023: £87.6m). The AMC is net of management charge rebates of £21.1m (2023: £15.5m) and includes an 'Annual Charge' of £23.7m (2023: £12.0m).

The administration fee paid to the Administrator is calculated by taking the AMC and deducting any investment management fees paid or payable directly by the Scheme.

8. Reconciliation of net investments

The pooled investment vehicles administered by the Scheme represent member unitised funds, with the following movement arising over the current financial year:

	Market value at 31 March 2023 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in market value £000	AMC £000	Market value at 31 March 2024 £000
Pooled investment vehicles – member unitised funds	20,241,626	4,449,815	(894,538)	2,743,062	(115,401)	26,424,564

The investments purchased by the Scheme are all allocated to members to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustee. The Administrator allocates investment units to members.

Notes to the Financial Statements for the year ended 31 March 2024 continued

8. Reconciliation of net investments continued

The member unitised pooled investment vehicles administered by the Scheme for members are constructed through specific weightings of the underlying investment portfolio ("UIP") held by the Scheme. The underlying investment portfolio comprises the following at the year-end date:

	2024 £000	2023 £000
Investment assets		
Pooled investment vehicles -UIP	26,300,596	20,045,710
Derivatives	58,720	157,518
Cash balances	198,408	55,603
Other investment balances	1,075	1,257
	26,558,799	20,260,088
Investment liabilities		
Derivatives liabilities	(48,834)	(6,235)
Unsettled purchases	(74,634)	(3,790)
Other investment balances	(10,767)	(8,437)
	(134,235)	(18,462)
Total	26,424,564	20,241,626

9. Pooled investment vehicles

The pooled investment vehicles administered by the Scheme, and represented by member unitised funds, had the following economic exposures at the Scheme year end:

	2024 £000	2023 £000
Equities	18,101,708	11,862,375
Bonds	6,615,258	5,150,947
Real Estate	-	1,191,675
Infrastructure	726,785	1,176,160
Derivatives	9,886	151,283
Cash and cash equivalents	970,927	709,186
	26,424,564	20,241,626

10. Derivatives

Forward Foreign Exchange (FX)

In order to maintain appropriate diversification of investments within the underlying investment portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using the forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level. The FX contracts are over-the-counter contracts.

Derivative receipts and payments represent the realised gains and losses on forward contracts.

Derivatives – FX open contracts summary

	2024 £000	2023 £000
Derivative Assets		
Forward FX	58,720	157,518
Derivative Liabilities		
Forward FX	(48,834)	(6,235)

The Scheme had 44 open FX contracts at the year end, which are summarised as follows:

Contract	Settlement Date	Number of Contracts	Currency Bought (000)	Currency Sold (000)	Asset Value at 31 March 2024 £000	Liability Value at 31 March 2024 £000
Forward	< 3 months	3	EUR 460,169	GBP 538,521	1,066	-
Forward	< 3 months	6	GBP 1,501,292	EUR 1,747,718	5,750	(1,336)
Forward	< 3 months	7	GBP 1,055,294	JPY 194,118,636	32,152	-
Forward	< 3 months	16	GBP 5,912,312	USD 7,552,293	1,297	(42,020)
Forward	< 3 months	6	JPY 303,894	GBP 56,616,421	-	(5,478)
Forward	< 3 months	6	USD 1,268,377	GBP 1,626,051	18,455	-
		44			58,720	(48,834)

Notes to the Financial Statements for the year ended 31 March 2024 continued

11. Fair value of investments

The fair value of investments has been determined using the following fair value hierarchy:

- Level 1: Unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs (other than quoted prices included in Level 1) that are observable for the assets or liabilities, for example developed using market data, either directly or indirectly.
- Level 3: Inputs are unobservable, i.e., for which market data is unavailable, for the assets or liabilities.

The Scheme's investment assets and liabilities have been included at fair value and all fall into Level 2 in this and the prior period.

12. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks set out by FRS 102 are as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines the investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out in the Trustee's Report.

The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits that reflect the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment manager. These are monitored by the Trustee through regular reviews of the investment portfolio.

The following table summarises the extent to which the investments held in the underlying investment portfolio of pooled investment vehicles are affected by financial risks:

			Indirect market risk				
	Direct credit risk	Indirect credit risk	Currency	Interest rate	Other price	2024 £000	2023* £000
Equities	Yes	No	Yes	Yes	Yes	18,101,708	11,862,375
Bonds	Yes	Yes	Partially	Yes	No	6,615,258	5,150,947
Real Estate	Yes	No	Yes	Yes	Yes	-	1,191,675
Infrastructure	Yes	No	Yes	Yes	Yes	726,785	1,176,160
Derivatives	Yes	No	Yes	No	No	9,886	151,283
Cash	Yes	Yes	No	No	No	970,927	709,186
						26,424,564	20,241,626

Further information on the Trustee's approach to risk management, credit risk and market risk is set out on page 90.

Notes to the Financial Statements for the year ended 31 March 2024 continued

12. Investment risks continued

Investment strategy

The Trustee's objective is to enable members to provide adequately for their retirement via an appropriate investment of their accumulated pension contributions.

In relation to the default option in particular, the objective is to provide an investment strategy that is intended to be suitable for a typical member.

The SIP outlines the investment objectives and strategy for the assets of the Scheme – namely the investment options built from pooled investment funds provided by SSGA, which is overseen by an investment management agreement.

The day-to-day management of the underlying investments in the funds is the responsibility of SSGA, including the direct management of credit and market risks.

The Trustee monitors the underlying risks and receives quarterly investment monitoring reports from its investment adviser which covers SSGA.

The risks disclosed here relate to the Scheme's investments as a whole. Members who choose their own investments may face a different profile of risks from their individual choices compared with the Scheme as a whole.

Credit risk

The Scheme is subject to direct credit risk almost entirely in relation to SSGA through their holding in unit-linked insurance funds provided by SSGA (equating to 99.6% of year end investment assets). The remaining 0.4% of the year end investment assets were held with HGAM.

The following represents the split of the legal structure of the underlying pooled investment vehicles held within the Scheme's pooled investments:

	2024 £000	2023 £000
Unit-linked insurance funds	26,300,596	17,203,790
Authorised Contractual Scheme	-	2,841,920
	26,300,596	20,045,710

These pooled investment funds are not rated by credit rating agencies. This risk is mitigated by monitoring the financial strength of both the pooled fund managers and the regulatory environment they operate in. Both are regulated by the Prudential Regulation Authority ("PRA") and maintain separate funds for their policy holders. The Trustee monitors the creditworthiness of the managers by reviewing published credit ratings and regulatory solvency positions. SSGA invest all the Scheme's funds in their own unit-linked investment funds and do not use other investment funds or reinsurance arrangements. The Scheme's only exposure to HGAM is via their Islamic Global Equity Index Fund, which is a multi-investor fund. In the event of default by SSGA or HGAM, members may be entitled to limited compensation from the Financial Services Compensation Scheme ("FSCS") or other regulatory body in the country in which the fund is domiciled.

The Scheme is also subject to indirect credit and market risk arising from the underlying investments held in the pooled investment vehicles. Member level risk exposures will be dependent on the funds invested in by members.

The Trustee only invests in funds where the financial instruments and all counterparties are at least investment grade – which is a financial term meaning a level of credit rating that carries a lower level of risk to investors.

Market risk

The Scheme is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by SSGA and HGAM, as shown on page 89.

Currency risk

The Scheme is subject to currency risk because most of the Scheme's investments are held in overseas markets via pooled investment vehicles (indirect exposure). The Scheme's liabilities are denominated in sterling and to mitigate the exposure to non-sterling currencies the Trustee has a currency overlay strategy in place, which is kept under regular review to ensure it remains appropriate.

Notes to the Financial Statements for the year ended 31 March 2024 continued

13. Concentration of investments

Due to a change in the composition of the underlying portfolio of pooled funds in the current year, holdings with a zero balance below identify situations where such funds were only held at either the current or preceding year end position. Additionally, funds continuously held over the current year that now have holdings over 5% as at the current year end are included with comparatives, and funds disclosed in the prior year that now have holdings of less than 5% as at both the current and preceding year end have been removed from the disclosure.

Direct investments held in the underlying investment portfolio accounting for more than 5% of the year end net assets of the Scheme, as at the current or preceding year end position, were:

	2024 £000	%	2023 £000	%
MPF North America Climate Change Index Equity Sub-Fund	9,338,915	35	-	-
MPF Europe ex-UK Climate Change Index Equity Sub-Fund	2,961,579	11	-	-
MPF Asia Pacific ex Japan Climate Change Index Equity Sub-Fund	1,487,654	6	-	-
Emerging Markets ESG Screened Index Equity Sub-Fund	1,479,256	6	836,829	4
MPF Japan Climate Change Index Equity Sub-Fund	1,473,536	6	-	-
UK Conventional Gilts All Stocks Index Sub-Fund	1,385,009	5	776,068	4
MPF World Adaptive Capping ESG Screened Index Equity Sub-Fund	-	-	4,078,444	20
ACS Multi Factor ESG Fund	-	-	2,841,920	14
MPF Global Aggregate Bond Index Sub-Fund (Hedged to GBP)	-	-	2,579,024	13
MPF Multi-Asset Global Infrastructure Sub-Fund	726,785	3	1,176,160	6
MPF Global Real Estate Index SubFund	-	-	1,191,675	6
North America ESG Screened Index Equity Sub-Fund	-	-	1,185,191	6
US Treasury (100% Hedged) Bond Index Sub-Fund	690,323	3	1,034,467	5
Europe ex UK ESG Screened Index Equity Sub-Fund	-	-	1,035,501	5

14. Transaction costs

Transaction costs are included in the cost of purchases and sale proceeds. Indirect costs are incurred through the bid-offer spread on investments within the underlying investment portfolio of pooled investment vehicles and charges made within those vehicles.

Explicit transaction costs as reported by the Fund investment manager for the year were:

	2024 £000	2023 £000
Fees	1,605	942
Commissions	1,353	881
Taxes	1,706	1,523
	4,664	3,346

In addition, the Fund investment manager has advised of total implicit and indirect transaction costs relating to pooled investment vehicles of £18,433,000 (2023: £12,324,000), and a further £2,830,000 of implicit transaction costs relating to the FX derivatives for 2024 (2023: £2,885,000).

Notes to the Financial Statements for the year ended 31 March 2024 continued

15. Top 100 investment holdings

The top 100 investments as at 31 March 2024 have been calculated on a look-through basis to the underlying holdings of the pooled funds invested in by the Scheme in the underlying investment portfolio.

	Investment	% of Investment
1	UNITED STATES TREAS NTS	3.37%
2	NVIDIA Corp	2.35%
3	Microsoft Corp	1.60%
4	UK Treasury Gilt 3.5% 2045	1.37%
5	Amazon Inc	1.25%
6	Apple Inc	1.15%
7	Taiwan Semiconductor Manufacturing	1.11%
8	Tesla Inc	0.86%
9	CANADIAN IMPERIAL BK LON	0.78%
10	Meta Platforms Inc	0.61%
11	TORONTO-DOM BK/LONDON	0.61%
12	BANK OF TOKYO-MITSUB LDN	0.61%
13	Eli Lilly & Co	0.59%
14	Broadcom Inc	0.58%
15	Alphabet Inc CL A	0.56%
16	UK TREASURY BILL GBP	0.53%
17	Novo Nordisk	0.51%
18	ASML Holding NV	0.50%
19	Alphabet Inc	0.49%
20	AGENCE CENTRL DES ORGNMS	0.46%
21	BRED - BANQUE POPULAIRE	0.45%
22	ING BANK NV	0.43%
23	SAP SE	0.42%
24	Salesforce	0.41%
25	REPO STAN	0.38%

	Investment	% of Investment
26	Johnson & Johnson	0.37%
27	JPMorgan Chase & Co	0.36%
28	PACCAR FINANCIAL EUR BV	0.35%
29	Schneider Electric SE	0.34%
30	KBC BANK NV LONDON	0.34%
31	QATAR NATL BANK LONDON	0.34%
32	COLLAT COMM PAPER III CO	0.33%
33	Utd Health	0.33%
34	LVMH	0.32%
35	Merck & Co Inc	0.32%
36	Advanced Micro Devices Inc	0.32%
37	Berkshire Hathaway	0.30%
38	SOCIETE GENERALE	0.30%
39	DNB BANK ASA	0.30%
40	Alibaba Group Holding Ltd	0.29%
41	Mastercard Inc	0.29%
42	WESTPAC BANKING CORP EMTN	0.28%
43	Visa Inc	0.28%
44	Oracle Corp	0.28%
45	UNITED STATES TREAS BDS	0.27%
46	ROYAL BANK OF CANADA	0.27%
47	COMMONWEALTH BK AUST	0.27%
48	OVERSEA-CHINESE BANKING	0.27%
49	NATL AUSTRALIA BK LONDON	0.27%
50	BMOLON	0.27%

	Investment	% of Investment
51	ABN AMRO BANK NV	0.27%
52	Home Depot Inc	0.27%
53	PSP CAPITAL INC	0.27%
54	SUMITOMO MIT BKNG BRUSSE	0.27%
55	LANDWIRTSCHAFT RENTENBK	0.27%
56	MITSUBISHI UFJ SEC INTL	0.27%
57	BANK OF MONTREAL/LONDON	0.27%
58	NATIONAL WESTMSTR BK PLC	0.27%
59	Novartis AG	0.26%
60	UK Treasury Gilt 4% 2060	0.26%
61	Intl Bus Machines Corp	0.26%
62	UK Treasury Gilt 4% 2055	0.26%
63	Iberdrola	0.24%
64	Commonwealth Bank of Australia	0.24%
65	OMERS FINANCE TRUST	0.23%
66	Reliance Industries Ltd	0.23%
67	DEXIA CREDIT LOCAL	0.23%
68	MACQUARIE BANK LIMITED	0.23%
69	CSL Ltd	0.23%
70	BRED-BANQUE POPULAIRE	0.22%
71	SWEDBANK	0.22%
72	Roche Holding AG	0.22%
73	NORDEA BANK ABP	0.22%
74	ServiceNow Inc	0.22%
75	Hitachi Ltd	0.22%

	Investment	% of Investment
76	Thermo Fisher Scientific Inc	0.22%
77	Cisco Systems Inc	0.21%
78	BANK OF NOVA SCOTIA	0.21%
79	LLOYDS BANK PLC	0.21%
80	CREDIT AGRICOLE	0.20%
81	Mizuho Bank Ltd	0.20%
82	NBADGB	0.20%
83	BANK OF NOVA SCOTIA GBP	0.20%
84	AbbVie Inc	0.20%
85	Walmart Inc	0.19%
86	Goodman Group	0.19%
87	Danaher	0.19%
88	National Australia Bk Ltd	0.19%
89	Sony Group Corp	0.18%
90	HDFC Bk Ltd	0.18%
91	Wesfarmers Ltd	0.18%
92	HSBC UK BANK PLC EMTN	0.18%
93	LMA SA	0.17%
94	Equinix Inc	0.17%
95	Bk of America	0.17%
96	Netflix	0.17%
97	Texas Instruments	0.16%
98	AstraZeneca PLC	0.16%
99	Tokyo Electron Ltd	0.16%
100	GSK PLC	0.16%

Notes to the Financial Statements for the year ended 31 March 2024 continued

16. Current assets

	2024 £000	2023 £000
Contributions due in respect of:		
Employers	56,689	54,912
Employees	49,099	50,153
Other debtors	77,023	60,788
Cash balances	22,865	18,585
	205,676	184,438

Included in cash balances is £4.7m (2023: £3.5m) which is not yet allocated to members due to timing differences between receipt of funds and subsequent processing onto a member's account. All other current assets are allocated to members.

17. Current liabilities

	2024 £000	2023 £000
Unpaid benefits	28,194	19,969
Tax deducted from benefits	5,149	3,630
Contributions pending settlement with investment manager	1,256	933
Contributions prepaid	4,244	5,771
Contributions to be returned to employers	-	20
Other creditors	7,798	6,183
Amounts owed to the Administrator	8,552	5,653
	55,193	42,159

18. Related party transactions

Related party transactions and balances comprise:

- The administration fees amounting to £100,935k (2023: £73,998k) mentioned in note 7, including £8,552k (2023: £5,653k) outstanding at the year-end as detailed in note 17, which is payable to the Scheme Administrator.
- PPHL is a related part of the Scheme as it is part of the same corporate group as the Scheme Founder. PPHL is a participating employer of the Scheme and the total contributions paid in the year amounted to £4,182k (2023: £3,102k). At the end of the year, contributions amounting to £567k (2023: £431k) were due from PPHL and are included within contributions due in respect of Employers in note 16.
- All fees and expenses payable to the Trustee Directors, amounting to £288k (2023: £427k), were met by PPHL.
- University of Leeds Pension Scheme is a related party because Mark Condron is the Chair of both the Scheme and of the University of Leeds Pension Scheme. The University of Leeds is a participating Employer of the Scheme and the total pension contributions made during the year including contributions from its 2,043 employees amounted to £4,419k (2023: £3,273k).
- There were no employer related investments during the year or at the year-end date (2023: nil).

The People's Pension Trustee Limited
Manor Royal, Crawley, West Sussex, RH10 9QP. Tel 0300 2000 555. www.peoplespartnership.co.uk

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