

the
people's
pension



The People's Pension Scheme
Annual report and financial statements
for the year ended 31 March 2023

Pension scheme registry number: 12005993

Our purpose

Our purpose is to help people build financial foundations for life; we do that by putting our members at the heart of everything we do and making decisions that truly meet their needs.



[Jump to chapter](#)

[Home](#)

[Page navigation](#)

The People's Pension Scheme

Meet the Chair of the Trustee – Mark Condron 02
Chair's review 03

Scheme information

At a glance 06
Scheme information 07

Trustee's report for the year ended 31 March 2023

Trustee's report for the year ended 31 March 2023 08

Chair's annual governance statement

Chair's annual governance statement for the year ended 31 March 2023 17
Appendix 1 – Statement of Investment Principles 32
Appendix 2 – Implementation Statement 50
Appendix 3 – Illustration of charges and transaction costs 70
Appendix 4 – Fund performance 73

Independent Auditor's report to the Trustee of The People's Pension Scheme

75

Fund account

77

Statement of net assets available for benefits

77

Notes to the financial statements

78

Meet the Chair of the Trustee – Mark Condon

Q This is your first year in place as Chair of the Trustee. What does that role involve?

A The role of the Trustee is to deliver the best possible outcomes and value for money for Scheme members through the operation and good governance of the Scheme, working on behalf of Scheme members. In carrying out that role, we work closely with the Scheme sponsor – People's Partnership – on all aspects of the management of the Scheme. As you would expect, we set high standards for the day-to-day operation of the Scheme and the overall governance structure and ensure the Scheme sponsor is working to them. My role as Chair is to provide leadership to the Trustee Board, and to ensure that we are working effectively and focussing on the services our members need.

Q Tell us a little bit about your background, and why this is a role that you are enthusiastic about having taken on.

A I've always been involved in company pension schemes; I worked as a pension scheme actuary for many years and have been extensively involved in pension scheme administration, investments, funding, and governance. Having spent around 30 years advising companies and pension fund trustees, I thought it would be a good change to use my experience in a different way. I now sit on six different trustee boards, which provides me with extensive experience to use for the benefit of the members of The People's Pension.

I'm fortunate to work with a very strong and experienced Trustee Board at The People's Pension, who are passionate about continuing to grow the Scheme in the best interest of our members.

A lot of the headlines over the last 12 months have been about volatile investment markets, rising living costs, pension scams, pension savers not being properly advised or properly empowered. Given these ever changing and important issues, we've got to make sure we're constantly challenging ourselves about how we can continue to help members, providing them with assurance and the necessary tools and information to plan for retirement.

Q It's been a turbulent 12 months in financial markets, and economies worldwide. If there's one key message you'd like to pass on to members of the Scheme about their own pension pots, what would that be?

A My main message would be to remember that pensions are a long-term investment. We're already seeing recovery from the turbulence seen over the past year, so people shouldn't panic. It is still beneficial over the long-term to contribute to a pension, not least because on top of your contribution you normally receive a contribution from your employer and from the Government, all of which will be invested and is expected to grow over time.

It's critical that if someone can afford to contribute to a pension, they continue to do so, despite what's happening in the economy. We've seen countless times that if somebody decides to stop for a period of time, then more often than not, they don't restart again. While that might achieve a short-term increase in their pay packet, they will miss out on very valuable tax allowances, and normally contributions from their employer. It's hard to think of another savings mechanism that exists in the UK that provides those additional benefits – just by continuing to make your own contributions.

Q What do you see as the biggest challenges facing The People's Pension going forward?

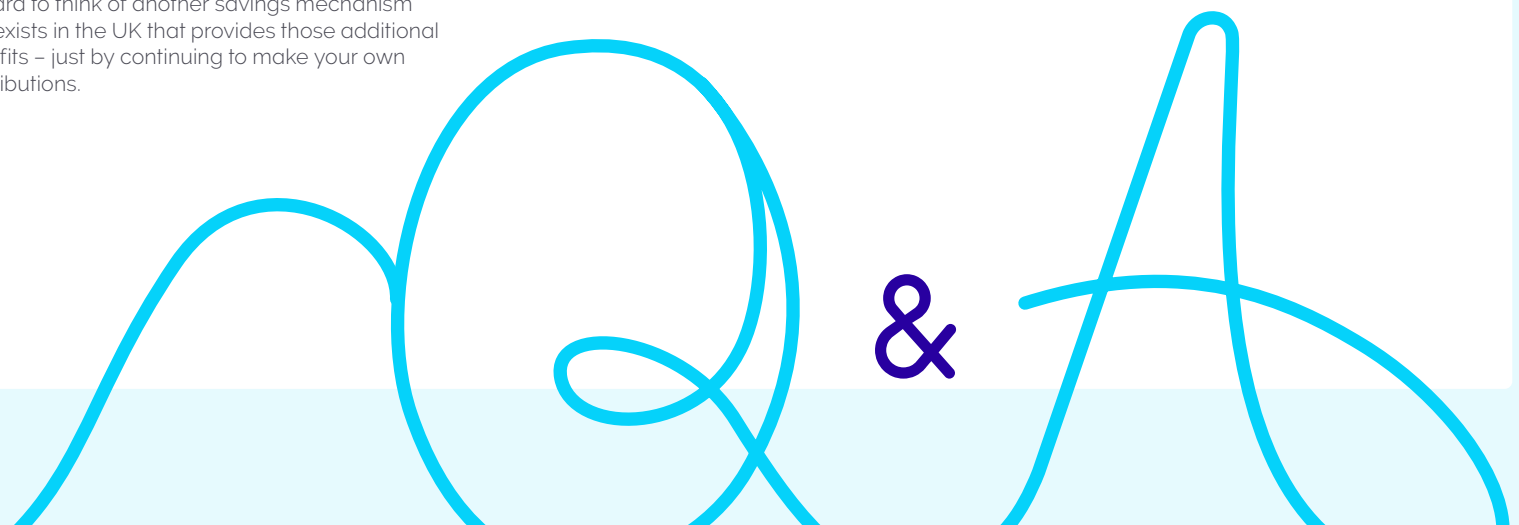
A As more people engage with their pension, we are seeing a significant increase in the number of people contacting us. In 2022/23 we dealt with 1.7 million transactions – an increase of 300,000 compared to the previous years and received 16% more calls and emails to the Contact Centre. Despite this, our customer satisfaction score is high at 83%. As our level of activity continues to increase, our challenge is to ensure we continue providing a high-level of service to our members.

We've got to ensure that our technology keeps pace, that we provide members with the tools they need and that we continue to provide a low-cost, value for money pension that provides good returns. With more than 6 million members, one size does not fit all; we have to ensure we continue to be inclusive and meet the real needs of all our customers.

Q Which aspect of this role do you feel most passionate about? And what would you really like to achieve during your time as Chair of the Trustee?

A At The People's Pension our purpose is to help people build financial foundations for life; we do that by putting our members at the heart of everything we do and making decisions that truly meet their needs. This drives me forward in my role, as I work to ensure the Trustee Board is as effective as it can be, and that we're spending our time on the right areas to help our members become financially stronger.

Over the past decade, auto-enrolment has helped millions more people to save for their futures, but during my time as Chair I want to ensure we provide new products and services that help members turn those savings into a retirement income, with the information and guidance needed to help them make the right decisions for them.



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 2023, issued by The People's Pension Trustee Limited ("the Trustee").

This has been my first year as Chair, having stepped into the role in October 2022 to take over from Steve Delo. It has been a challenging year on several fronts, but nonetheless one in which The People's Pension has continued to grow, both in terms of membership and the value of assets under management, while investment in the future of the Scheme has been significantly increased.

Membership of our Scheme grew from 5.8 million to more than 6.2 million during the year, while the number of employer accounts rose from 100,000 to over 105,000, and the total assets under management increased from £17.6bn to £20.2bn. The value of all contributions paid to The People's Pension also increased from £3.3bn to £3.8bn over the year.

These results were achieved against a backdrop of economic turbulence including a return to higher inflation, a degree of global political turmoil and exceptional volatility in investment markets. One overall consequence was that our funds experienced negative returns over the last 12 months. It is important that members understand that pension saving is for the long-term, and over the full period since The People's Pension was introduced in 2012, our funds continue to outperform their objectives.

Among the operational challenges we experienced during the last year, there was a drop in service levels during the early part of the year, caused mainly by an increase in activity and recruitment challenges. Members may have found it took more time to get through on the phone or that transfer requests were slower to execute during this period. I'm happy to say that the Administrator took effective steps to overcome this difficulty, and service gradually returned to more acceptable levels.

We continue to have an excellent working relationship with the Administrator. The team is very clear about what our Scheme's members require. On behalf of members, we expect high standards from the Administrator. More information about how the Trustee has worked with the Administrator can be found in the Chair's annual governance statement on page 21.

During the year, investment spend in developing the Scheme and its administration was £22m (2022: £8m), including significant investment in contact centre software which will improve the experience for both Scheme members and customer service teams. There continues to be a need to invest heavily in technology to improve the customer experience in the coming years.

In November 2022, B&CE Holdings Limited was re-named People's Partnership Holdings Limited ("PPHL"). PPHL together with its subsidiary companies is referred to as "the Group". We believe this is a positive move that will reinforce the unique characteristics of The People's Pension, including its universal availability to all employers and their employees which has made it the largest private sector master trust pension scheme. The Scheme's fee structure is designed to be fair to our members with a rebate on the annual management charge worth more than £1.2m a month, from which members can benefit. In addition, People's Partnership's brand reflects the Group's commitment to providing profits for people.

"The master trust market is highly competitive so being able to deliver a strong investment proposition that offers good risk-adjusted returns to our membership is a cornerstone of our offering."



Chair's review continued

Our investment approach

The master trust market is highly competitive so being able to deliver a strong investment proposition that offers good risk-adjusted returns to our membership is a cornerstone of our offering.

Our members are offered a choice of three investment profiles and eight funds to choose from; the vast majority opt for the default which is otherwise known as the balanced investment profile. Initially that is invested in the Global Investment (up to 85% shares) Fund, and over the 15 years before retirement their assets are gradually transferred 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 in the run-up to retirement.

This strategy is overseen by the Administrator's investment team responsible for putting member money to work, in conjunction with the Trustee Board. During the last year, performance was adversely affected by the fall in value of both equities and fixed interest securities, which made this a very challenging year for all pension master trusts. Usually when equities fall, we often see that fixed interest securities rise in value, and vice versa, but this year that has not happened. One consequence is that members on the glide path to retirement were exposed to market volatility in a way that they would normally be protected against. These are short-term effects which will not significantly impact the pension outcome for the vast majority of our members; we remain confident that the funds will meet their objectives over the longer term. In the coming year, we expect both inflation and interest rates to come down which should improve the investment environment considerably.



This year we have also carried out our report for the Task Force on Climate-Related Financial Disclosures ("TCFD"). This is a common global framework to report how climate change will impact all businesses, and the data we produce will improve from here on. We have been working on a much more cogent and comprehensive strategy on responsible investment – explicitly recognising the relevance of Environmental, Social and Governance ("ESG") issues in achieving sustainable performance – which will also see us take a more active role in influencing the companies we invest in. This will be unveiled over the coming year.

Quality investment decision-making and strong investment governance have been pillars of the Scheme's success since launch. I speak on behalf of the Trustee Board in thanking the Administrator's investment team for their diligent, creative and successful work.

Changes to the Trustee Board

One standout achievement during my first six months as Chair has been in succession planning. We said goodbye to two Trustee Directors this year, Steve Delo and Alan Pickering, who have both been involved from the outset of the Scheme and have been instrumental in taking it to where it is now. Knowing that their terms were coming to an end, we brought in two new members of the Trustee Board, Emma Osborne and David Butcher, but to ensure smooth continuity of the changes, both joined the Board nine months before Steve and Alan were leaving. Having that overlap has been incredibly beneficial in managing the transition – it meant that the new Board members were fully onboard and familiar with their responsibilities when the change happened. Members of the Board have ultimate responsibility for The People's Pension, and so it was particularly important that this transition was managed smoothly without any dip in our own focus as the Trustee.

We have now reverted from eight to six members on the Board, and my priority is to ensure that we work effectively together as a team, in which we play to the strengths of all our Board members.

Alan and Steve both left the Board on 31 March 2023, and I would like to record our sincere thanks for what they have achieved during their term of office. Over the years of their involvement since the start of the Scheme, they have helped millions of people to save for a pension that may not have been previously within their grasp, improving their financial wellbeing and giving them a much better outlook for their retirement. Our new Board will continue in this important work and I am confident we will show similar commitment in protecting and growing the assets of our members.

Scheme management skills

All the Trustee Directors undertake a learning and development programme to maintain their skills and knowledge to run the Scheme, and this was continued during the year. They're trained on current regulatory and industry issues, and any areas of Scheme activity where adjustments or changes are made.

In March 2022, the Trustee Directors completed an independent, third-party assessment of the Board's effectiveness. We have continued to build on the findings of that report during this year and will conduct a repeat of that assessment later this year. In the meantime, we have held a number of in-person sessions outside our usual governance meetings which provide an opportunity for open dialogue between the Board members. In particular, we have held sessions on how we communicate with members, and on Equality, Diversity and Inclusion ("ED&I"), focusing on different aspects of diversity.

Our Board as currently constituted contains a real diversity of backgrounds and experience, and between us we have a range of skills that I believe really enhances the job we do on behalf of members.

Chair's review continued



Scheme management skills continued

Details on the Trustee skills and training programme can be found in 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. This is backed up by independent external benchmarking analysis undertaken during the year.

Details of our Value for Members assessment are included in the Chair's annual governance statement on pages 24 and 25.

Communicating and reporting

As a corporate member of the Plain Language Commission, the Administrator works hard to understand members' needs and present information with the utmost simplicity and clarity to help them make good decisions about their savings and financial future. We use language that is designed so that information is explained as clearly as possible. We also ensure that if people want to speak to a member of the team, they can always do so.

In the 2023 Pensions Management Institute Pinnacle Awards, the Scheme's high standard of communication was recognised with The People's Pension Trustee and the Administrator jointly receiving an award for "Sharing pension knowledge, end of year Trustee update" – an accolade that would not have been possible without the two parties working closely together.

The communications delivered by the Administrator focused on:

- dedicated material to support members and employers through the cost-of-living crisis
- reassurance to members at the time of the Government's mini-Budget
- management charge rebate targeted campaigns
- transfer campaigns
- continuing member education about their pension and how it works
- encouraging members to engage with their savings
- member education on the pernicious issue of financial scams
- our usual updates on the Scheme's performance and progress.

On behalf of the Trustee Directors, I would like to thank members of People's Partnership's team for all their efforts during a challenging year. I'd also like to acknowledge the work of my fellow Trustee Directors. Collectively, their skills, hard work and dedication have helped ensure the Scheme is something we can all be rightly proud of.

On behalf of the Trustee Board, I commend The People's Pension Scheme to all members and employers.

Mark Condon

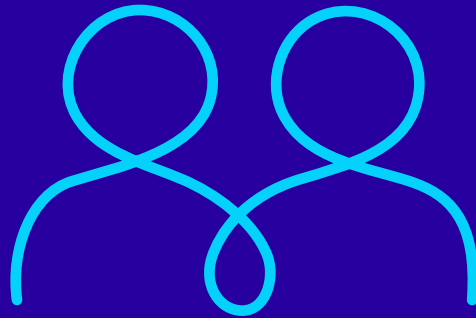
Chair

The People's Pension Trustee Limited

21 September 2023

Scheme information

At a glance

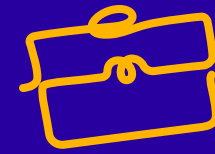


6.2 million

Members in total

1.9m active members – and just over 6.2m members in total

The People's Pension now has just over 6.2 million members (2022: 5.8 million) – around 31% of whom are actively contributing to their pension pots.



105,000

Employer accounts

We now have more than 105,000 (2022: 100,000) employer accounts.



£297m

Benefits drawn

During the year, a total of £297m (2022: £236m) was paid out to members in benefits.



£20.4bn

Net assets

The Scheme has overall net assets of £20.4bn (2022: £17.7bn).

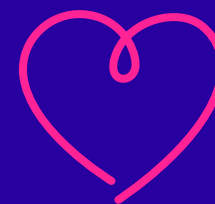
Members have total Assets Under Management (AUM) of £20.2bn in The People's Pension (2022: £17.6bn).



£(0.9)bn

Return on investment

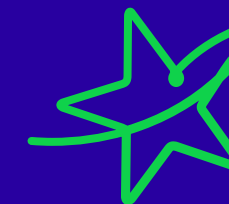
In a particularly challenging year for investment markets, the Scheme default investment strategy reduced by £0.9bn (2022: £0.9bn growth).



£3.8bn

In contributions

During the year, we received £3.8bn (2022: £3.3bn) 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	5,795,690
New members joining	712,802
Members opting out with refund	(65,624)
Cancellation of duplicate accounts	(79,925)
Net members before leavers	6,362,943
Members retired	(58,013)
Members transferred out	(51,581)
Members deceased / terminal illness	(5,252)
At the end of the year	6,248,097
Active members	1,913,561
Deferred members	4,334,536
At the end of the year	6,248,097

Where an active member has an employer, both the employer and member are required to pay contributions for that member at a rate in accordance with the appropriate participation agreement. A payment schedule is prepared for each employer's section of the Scheme and contributions must be paid by the employer in accordance with the participation agreement and by the due date specified in that schedule. The employer remits their contributions by submitting a contributions schedule to the Administrator. If the Scheme is not in receipt of a contributions schedule or payment by the due date, then the Trustee is required to consider reporting the breach to The Pensions Regulator. Members may make additional voluntary contributions to the Scheme if they so wish 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:

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 persons or organisations if a member dies before taking their money out of the Scheme. The Trustee can pay the pension pot to a number of persons including relatives, dependents 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.

Retirement

Currently, members aged 55* or over can generally choose from the following options:

- 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. 25% is usually tax free and the remainder will be taxed at the member's marginal rate.
- If they have over £10,000 in their pension pot, they can take it in stages through flexible lump sums. There are 2 ways for members to do this depending on how they want to take their 25% tax-free cash. With the first option, members take their tax-free cash gradually. Each time they take money from their pension pot, 25% of what is taken is usually tax free and they pay tax at the marginal rate on the other 75%. The technical name for this option is an 'uncrystallised funds pension lump sum' (or UFPLS). With the second option, members take up to 25% tax-free cash up front with the remaining 75% moved to a 'flexi-access drawdown' account within the Scheme, where they can then withdraw money as income 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.

Registered office

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

Scheme Administrator

People's Administration Services Limited
(formerly B&CE Financial 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

Telephone: 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 2023

The Trustee of the Scheme presents its annual report for the year ended 31 March 2023.

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

The Trustee has responsibility 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 Codes of Practice 13 and 15, The Institute of Chartered Accountants in England and Wales (ICAEW) assurance framework for master trusts, and the Master Trust Supervisory regime operated by The Pensions Regulator.

During the year, the Trustee had a total of eight Directors, identified on pages 28 and 29. The Directors of the Trustee are appointed by, and can be removed by, PPHL as the Scheme Founder. The Trustee Directors are paid a salary and reimbursed by PPHL for expenses incurred in the performance of their duties as Directors of the Trustee.

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 Directors, is responsible for risk assessment, oversight of the administration services and the effectiveness and accuracy of Scheme communications. It also has responsibility for the annual Scheme audit, the risk register, and the Annual Report and Financial Statements.

The Administrator carries out the day-to-day operation of the Scheme, 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.

A service level agreement is in place with the Administrator and quarterly service reports are provided to the Trustee, which include details of whether these levels have been attained and 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 for the services that it provides.

The Trustee Board appoints professional advisers and other organisations to support it in delivering the Scheme's objectives. These individuals and organisations are listed on page 7. The Trustee has written agreements in place with each of them.

The Trustee Board may 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, for noting, approval and/or ratification of decisions and actions, as appropriate.

Details of the number of meetings and the Directors' attendance at Trustee Board and Committee meetings are in the table.

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.

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

Key developments

The war in Ukraine was the catalyst for a steep spike in energy costs and food prices, which has exercised a significant cost-of-living squeeze on the UK population. The aftermath of the COVID pandemic, meanwhile, left a legacy of labour shortages and high Government debt in many countries. In the UK, the Truss Government's controversial mini-Budget led to a short-term collapse in gilt prices and a sharp fall in the value of the pound – both especially challenging events for pension schemes.

Exceptionally, both equities and fixed interest securities fell heavily during the last 12 months, albeit followed by some degree of recovery, with the consequence that members of the Scheme have not seen the investment returns and the consequent growth in their pension pot they would have hoped for over the last year. Our biggest fund, the Global Investment (up to 85% shares) Fund reported an investment performance of -5.5% during the 12 months to 31 March 2023.

Trustee's report for the year ended 31 March 2023 continued

Key developments continued

Saving for retirement is a long-term journey, and our two main default funds, the Global Investment (up to 85% shares) Fund and the Pre-Retirement Fund, have both outperformed their net assumed CPI targets (CPI plus 3.5% p.a. and CPI plus 0.5% p.a. respectively) in the total period since inception in January 2013. We are confident that over the length of individual members' working lives, such short-term setbacks will not have a significant impact on the final outcome and the benefits of investing in their pension.

In the early part of the year, staff shortages fuelled by the rapid growth of the Scheme and exacerbated by people changing jobs in the wake of the COVID pandemic meant that customer service in some areas, notably answering calls and affecting transfers was not up to the expected standard. Some members may have experienced some frustration with slower service during this time. The Trustee continues to work with the Scheme Administrator to ensure that service levels are in line with expectations, and where they are not, that plans are in place for recovery.

A focus of our work during the last year has been to prepare for the introduction of the Government's Pensions Dashboard, which will enable individuals to see what they have in their various pension pots – including their State Pension – in a single place online, at any time they choose.

The introduction of the Dashboard has since been delayed by the Government, and work will continue on this in the coming year. Another key area of focus for the past year has been to continue to make enhancements to the Scheme to maintain and improve value for members. The ability for members to take tax-free cash from just a proportion of their fund was successfully added to the retirement proposition, increasing the flexible options available to members and reducing the risk of poor outcomes. Facilitated Adviser Charging was also introduced, enabling members to meet some or all the cost of regulated financial advice from their pension pot. This facility allows members who may not have a cash lump-sum available to pay for advice in a tax-efficient and convenient way.

The normal minimum pension age (NMPA) will be increased from age 55 to 57 in 2028. As part of an ongoing project, core functionality was delivered towards the end of this assessment period to allow individuals to retain their right to take their savings at the earlier age ('protected pension age'). This means the vast majority of members will have retained the flexibility to have the option to take their pension savings at age 55, as opposed to 57.

Master trust authorisation

The Scheme is authorised as a master trust by The Pensions Regulator and has been 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 the financial statements

The audited financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to 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; and

- 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 whether the accounts have been prepared in accordance 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; and
- 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 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, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it 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 responsibilities in respect of the Contributions

The Trustee is responsible under pensions legislation for ensuring that there is a prepared, maintained and from time-to-time revised payment schedule for each participating employer showing the rates of contributions payable towards 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 accordance with the payment schedules.

Trustee's report for the year ended 31 March 2023 continued

Investment management

Investment strategy and principles

In accordance with Section 35 of the Pensions Act 1995, the Trustee has prepared a SIP, agreed in April 2023. A copy can be found in Appendix 1 of the Chair's annual governance statement on pages 32 to 49.

The Trustee monitors compliance with the SIP annually. During the year and at the end of the year, all investments were in accordance with the SIP. 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 via an appropriate investment of their pension savings.

There are currently three investment profiles for members to choose from in the Scheme (see table alongside).

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

Each of the investment profiles gradually and automatically move 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).

Scheme profiles

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

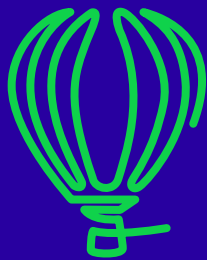
2



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

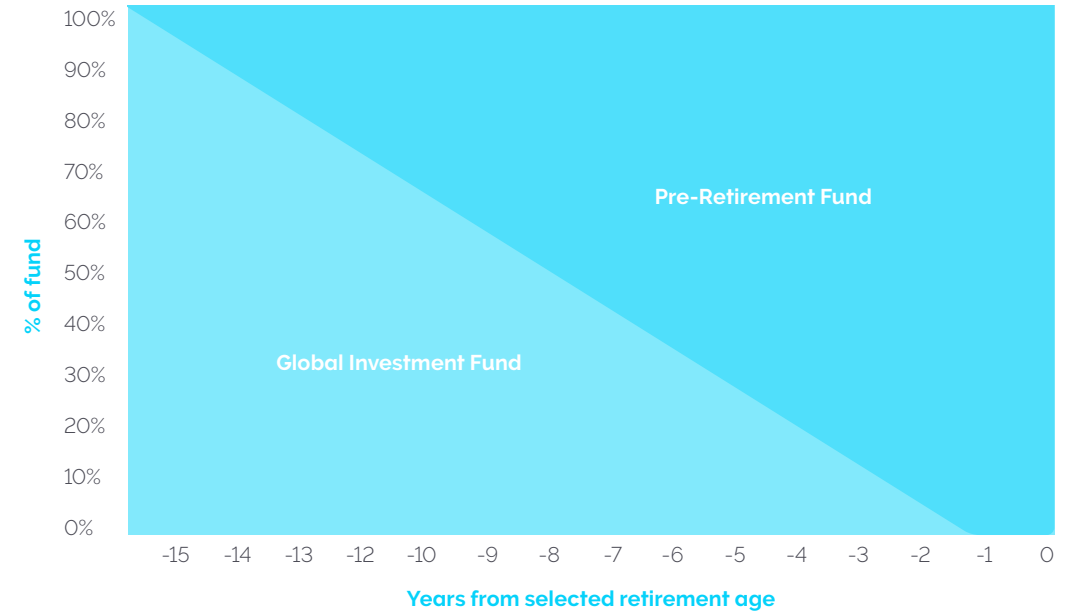


Adventurous

- 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

[Click here to read more about our profiles on our website](#)

Fund share in the 15-year glidepath



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 that members can see which of them have the potential for higher returns and which of them may remain more stable. However, any members choosing this 'self-select' option will not see their money move automatically into lower-risk investments as they approach retirement – they must request that the money be moved between investment funds or be invested in one of the investment profiles if they want it included in the glidepath.

“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 that members can see which of them have the potential for higher returns and which of them may remain more stable.”

Trustee's report for the year ended 31 March 2023 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 2023.

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

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 ensure that the objectives and policies set out in the SIP are followed.

Investment administration services are provided by Northern Trust and custody of the underlying investments is carried out by State Street Bank and Trust Company.

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. More details about investments are given in the notes to the financial statements on pages 78 to 84.

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
<ul style="list-style-type: none"> Used in the 'cautious' investment profile 49.47% global equity, 10.5% alternatives, 8.0% US treasuries, 6.0% corporate bonds, 6.0% gilts, 20.0% global bonds, 0.03% cash A 'cautious' fund available as a self-select option 	<ul style="list-style-type: none"> Used in the 'balanced' investment profile (the default arrangement) 65.96% global equity, 14.0% alternatives, 4.0% US treasuries, 3.0% corporate bonds, 3.0% gilts, 10.0% global bonds, 0.04% cash A 'balanced' fund available as a self-select option 	<ul style="list-style-type: none"> Used in the 'adventurous' investment profile 82.45% global equity, 17.5% alternatives, 0.05% cash An 'adventurous' fund available as a self-select option 	<ul style="list-style-type: none"> 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 those companies demonstrating both a robust ESG profile as well as a positive trend in improving that profile, using minimal exclusions from the MSCI World Index 100% global equity 	<ul style="list-style-type: none"> A higher-risk fund available as a self-select option Has an investment approach based on Islamic Shariah principles 100% global equity 	<ul style="list-style-type: none"> Used within each investment profile and available as a self-select option 12.0% US treasuries, 9.0% corporate bonds, 9.0% gilts, 30.0% global bonds, 20.0% money market, 16.5% global equity, 3.5% alternatives 	<ul style="list-style-type: none"> Invests in short-term money markets such as bank deposits and treasury bills 	<ul style="list-style-type: none"> A medium/low-risk fund available as a self-select option 70.0% corporate bonds, 30.0% gilts

Trustee's report for the year ended 31 March 2023 continued

Review of investments' performance

The Scheme's funds track a variety of indices, as described. 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.

Fund	Fund performance**			Benchmark performance		Benchmark*
Global Investments (up to 60% shares) Fund	(6.10%) 5.95% 3.75%	1 Year 3 Year 5 Year		12.8% 8.5% 6.8%	1 Year 3 Year 5 Year	UK CPI +3% (Gross of fees) UK CPI 2.5% (Net of fees) Performance shown on a net of fee basis
Global Investments (up to 85% shares) Fund	(5.49%) 9.39% 5.21%	1 Year 3 Year 5 Year		13.9% 9.6% 7.8%	1 Year 3 Year 5 Year	UK CPI +4% (Gross of fees) UK CPI 3.5% (Net of fees) Performance shown on a net of fee basis
Global Investments (up to 100% shares) Fund	(4.85%) 12.95% 6.66%	1 Year 3 Year 5 Year		15.0% 10.64% 8.88%	1 Year 3 Year 5 Year	UK CPI +5% (Gross of fees) UK CPI 4.5% (Net of fees) Performance shown on a net of fee basis
Ethical Fund	(0.93%) 15.66% 10.59%	1 Year 3 Year 5 Year		15.0% 10.6% 8.9%	1 Year 3 Year 5 Year	UK CPI +5% (Gross of fees) UK CPI 4.5% (Net of fees) Performance shown on a net of fee basis
Shariah Fund	(3.18%) 16.10% 14.38%	1 Year 3 Year 5 Year		15.0% 10.6% 8.9%	1 Year 3 Year 5 Year	UK CPI +5% (Gross of fees) UK CPI 4.5% (Net of fees) Performance shown on a net of fee basis
Pre-Retirement Fund	(5.57%) 0.19% 0.92%	1 Year 3 Year 5 Year		10.6% 6.4% 4.71%	1 Year 3 Year 5 Year	UK CPI +1% (Gross of fees) UK CPI 0.5% (Net of fees) Performance shown on a net of fee basis
Cash Fund	1.78% 0.37% 0.33%	1 Year 3 Year 5 Year		2.3% 0.8% 0.8%	1 Year 3 Year 5 Year	SONIA
Annuity Fund	(24.19%) (10.81%) (3.93%)	1 Year 3 Year 5 Year		(25.6%) (13.0%) (5.2%)	1 Year 3 Year 5 Year	Composite+

* The Trustee may review and amend the benchmark of the funds as appropriate. The benchmarks above are the target benchmark correct as of 31 March 2023.

** 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 2023 continued

Policy on responsible investment

The Trustee introduced its Policy on responsible investment ("RI") in 2018. This sets out at a high level the steps the Trustee needs to undertake to carry out its fiduciary duty in respect of environmental, social and governance issues. In September 2022, People's Partnership Holdings Limited appointed an experienced Head of RI who has been working since on refreshing and updating that policy.

Another area of focus has been engaging with the Scheme's fund manager State Street, first of all on holding them to account on their stewardship of our assets with regard to responsible investment, and secondly on how The People's Pension can in future assert greater control of its voting rights towards companies we invest in.

The Trustee works with the Scheme's investment managers to encourage their compliance with our responsible investment policy and to challenge them when their policies diverge from that of the Scheme.

The Trustee supports the UK Stewardship Code published by the Financial Reporting Council and encourages the Scheme's managers registered with the Financial Conduct Authority to comply with the UK Stewardship Code. Such managers are expected to report on their adherence to the code on an annual basis.

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.

Our policy on responsible investment outlines our approach to ESG factors and whether or not they are considered financially material.

ESG factors are integrated into the portfolio when they are considered to be material to the portfolio's return prospects and/or risk characteristics. Integration may mean using the ESG factor to influence the weights of securities, sectors or asset classes held in a portfolio.

When an ESG issue is identified that negatively affects a small number of potential investee companies, the Trustee will consider whether a wholesale exclusion from the Scheme's portfolios might be appropriate.

If a factor can't be addressed by exclusion or integration, the Trustee will consider how this could be addressed by engagement with investee companies.

The Trustee relies on the expert opinion from the Intergovernmental Panel on Climate Change (IPCC), United Nations Framework Convention on Climate Change (UNFCCC), Committee on Climate Change (CCC), and UK Government and regulators in concluding that climate change poses a material financial risk to member investment values. Whilst the scientific evidence is compelling, we acknowledge that there is still an active debate about how best to manage the transition to a low carbon economy without impairing investment returns.



The Trustee has also agreed a climate change policy since climate change is likely to be the most financially material of the ESG issues as it will affect every business sector and geography.

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

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 investment options as far as possible, albeit recognising that the greatest scale and ability to influence investments lies in the default fund.



Trustee's report for the year ended 31 March 2023 continued

Non-financial factors

The Trustee believes that non-financial factors should be considered when selecting, retaining and realising investments where this is consistent with the Trustee's key objective to enable members as a whole to provide adequately for their retirement. By "non-financial factors" we mean the views of members and beneficiaries, including (but not limited to) their ethical views and their views in relation to ESG factors and the present and future quality of life of the members and beneficiaries of the Scheme.

The Trustee engages with members on their investment priorities through surveys available online and by telephone. These surveys include questions concerning ethical and ESG factors.

Where exposure to a non-financial factor has no apparent effect on portfolio risk or return characteristics, the Trustee will consider possible routes of screening this issue from the portfolio if they consider members likely to find it concerning that such investments are made.

Our policy on responsible investment outlines our approach to considering ESG and ethical factors and whether or not they are financially material.

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

"We specifically acknowledge the importance of ESG and climate risk within the decision-making framework used by our investment managers."

Voting rights, corporate governance and engagement principles

The Trustee expects its investment managers to vote and engage with companies and other relevant persons in global markets. This protects and promotes good standards and practice and helps to safeguard long-term economic value for our members. The Trustee has access to regular reports from the Scheme's core investment managers on how they vote and engage with the companies we invest in through them.

The Trustee accepts that pooled vehicles will be governed and constrained by the individual investment policies of the investment manager. However, we also recognise the important role we have to influence 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.

Principally, the Trustee believes the primary responsibility of the board of directors of each of the underlying companies held by the Scheme is to preserve and enhance shareholder value and protect shareholder interests.

The Trustee's policy on responsible investment includes proxy voting and engagement principles. The most likely areas the Trustee expects the investment managers to engage with companies on are:

- performance
- strategy
- the structure of company boards
- audit-related issues
- capital structure
- remuneration
- ESG related issues.

The Trustee supports the UK Stewardship Code published by the Financial Reporting Council and encourages the Scheme's investment managers to comply with the Code. Such managers are expected to report on their adherence to the code on an annual basis.

We also require our investment managers to be signatories to the principles for responsible investment (PRI) and we call on all institutional participants in markets to adopt these global principles.

We specifically acknowledge the importance of ESG and climate risk within the decision-making framework used by our investment managers. 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 managers. When delegating investment decision-making to our investment managers, we provide them with a benchmark we expect them to either follow or outperform. These benchmarks reflect the positioning the investment manager is expected to take within an investee company's corporate structure.

The Trustee is firmly of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities i.e. that they apply to equity, credit and property instruments or holdings. We also recognise that ESG and climate related issues are constantly evolving as are those products available to help manage these risks.

Responsible investment means using three tools

Invest: Construct portfolios to reflect ESG factors that could positively or negatively affect investment returns.

Exclude: Exclude companies from investment portfolios that don't meet certain minimum ethical criteria. Likewise, include companies and investments that are likely to have a positive impact on the wider society.

Engage: Work with companies in an investment portfolio about the issues that are likely to have a material impact (both positive and negative) on future returns.

[Read more on page 20](#)

The Trustee considers it to be a part of each investment manager's role to assess and monitor developments in the capital structure for each of the companies in which the manager invests. We also consider it to be part of the manager's role to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the manager invests on behalf of the Scheme. The Trustee expects the investment manager to employ the same degree of scrutiny for pooled funds as if the investment had been made on a direct basis.

Trustee's report for the year ended 31 March 2023 continued

Voting rights, corporate governance and engagement principles continued

Should an investment manager be failing in these respects, this should be captured in the regular monitoring of the manager's activity.

The Scheme's investment consultant is independent, and no arm of their business provides asset management services. This, and their FCA regulated status, makes the Trustee confident that recommendations the investment manager makes are free from conflict of interest.

Asset manager arrangements

Prior to appointing the investment manager, the Trustee discusses the investment manager's benchmark and approach to 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 investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how 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.

We carry out a strategy review at least every three years where we assess the continuing relevance of the strategy 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.

In the event that an investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, we will expect to work with the investment manager to improve the alignment of their objectives. Should the collaboration with the investment manager be deemed unsuccessful by us their appointment may be reviewed or terminated. The investment managers have been informed of this by the Trustee.

Investment manager ESG policies are reviewed in the context of best industry practice and feedback is provided to the investment manager, when required.

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

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

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

The Trustee monitors the performance of its investment managers over the medium to long time periods that are mutually agreed with the investment managers, and are consistent with our investment aims, beliefs and constraints. The investment consultant assists the Trustee in this monitoring process.

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

The Trustee believes that this fee structure enables the investment 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.

During the investment manager appointment process, we consider 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. Portfolio turnover is defined as how often assets are bought and sold by the managers in the course of their investment management activities.



Trustee's report for the year ended 31 March 2023 continued

Asset manager arrangements continued

The Trustee recognises that there are circumstances when turnover costs are unavoidable e.g., changing manager.

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. We are mindful that high turnover costs have the potential to adversely affect overall performance. When monitoring turnover costs both the level and reason behind them are considered and, if necessary, investigated further.

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

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

Climate change policy

In September 2019, the Trustee published a standalone policy on climate-related investment issues. This reflects the materiality of climate change and creates a framework for us to fulfil our fiduciary duty on climate related issues that affect member outcomes. This policy was reviewed as part of the Statement of Investment Principles in August 2020 and again in November 2022.

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 has done, in line with the recommendations of the TCFD. In October 2022, The People's Pension produced its first annual report on TCFD covering the year ended 31 March 2022, outlining actions the Scheme had undertaken. The actions from this report remained relevant during the year ended 31 March 2023. The next TCFD report for the year ended 31 March 2023 is available at the link below.

We have reported the total carbon emissions and carbon footprint of current investments according to the information currently available, with a target for data coverage to be increased up to 95% within the next three to five years.



The report supports the principle of containing global temperature rise to a maximum of 1.5°C above pre-industrial levels. Increased training for Trustee representatives, as well as those from investment committees, has been introduced, and the Scheme's advisers have also been assessed to ensure their climate competency.

The report is available at www.thepeoplespension.co.uk/climate-risks.

Employer-related investments

Details of employer-related investments are given in note 18 to the financial statements on page 84.

Further information

Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be made to 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
21 September 2023

Chair's annual governance statement for the year ended 31 March 2023

Statement objective

This is an annual Chair's Statement from the Trustee regarding the governance of the Scheme. This Statement is included in the Scheme's annual report in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the Administration Regulations), as amended. The People's Pension is designed to provide both employees and employers with a well-governed, value for members pension scheme. As at 31 March 2023, the Trustee has responsibility for AUM worth £20.2bn for just over 6.2m members, from 105,000 employer accounts.

Overview

In the aftermath of the COVID-19 pandemic, People's Partnership took further steps to establish new hybrid working arrangements for employees who administer The People's Pension, building on the changes to working patterns that had taken place during lockdowns. For most teams the working pattern is a hybrid model based on 40% office and 60% home working. In some operational areas the approach is less flexible. As the Trustee, we continue to monitor overall service levels and whether they are impacted by the model of working.

Transfers out of pension schemes became an area of concern during the last year for two reasons. Some pension providers have been widely and energetically marketing financial incentives to individuals who were willing to transfer pension pots from other providers. There is evidence that these decisions were often not based on a full appraisal of the benefits of each scheme in terms of costs, performance, etc. At the same time, the pensions sector has become an increasing area of focus for fraudsters. Together these factors prompted The Pensions Regulator to require all schemes to provide increased due diligence before allowing members to transfer out of a pension scheme. As Administrator, People's Administration Services Limited formed a dedicated transfers team to carry out the required due diligence for members wishing to transfer their pension out of the Scheme. This is a development we fully support as the Trustee.



Chair's annual governance statement for the year ended 31 March 2023 continued

Default investment arrangement

Within the range of investment options available to members, the Scheme offers three investment profiles, as detailed in the Trustee's report on 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 no active selection of investment is made when a member starts 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 a series 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 lifetime within the Scheme without 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 – to enable members approaching retirement to plan with confidence.

The Trustee considers this approach to be in the interests of relevant members and their beneficiaries.

Members can also choose their own combination of available funds instead.

“In April and May 2022 in response to expectations of increasing inflation and interest rates, the Scheme added a new fund, the US treasury (100%) bond index which now comprises 20% of the income portfolio.”

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'), which can be found in Appendix 1 of the Chair's annual governance statement on pages 32 to 49, setting out the principles governing how decisions about investments must be made.
- 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 and update the default arrangement and other investment options offered by the Scheme. The last review was completed on 3 November 2022. Following the review, the Trustee concluded that the investment performance and the design of the default arrangements are consistent with both the aims and objectives of the SIP and the Scheme demographics, and therefore remains a suitable investment strategy for all of our members. The next detailed review of the investment strategy will be conducted on 10 November 2023.

A key highlight this year was:

- In April and May 2022 in response to expectations of increasing inflation and interest rates, the Scheme added a new fund, the US treasury (100%) bond index which now comprises 20% of the income portfolio. Holdings in the sterling all stocks corporate bond index and UK conventional gilts all stocks index funds were reduced from 25% to 15% of the income portfolio.

The Trustee Board operates an Investment Committee – this provides investment oversight on behalf of The People's Pension Trustee Limited. The Committee met on 9 May 2022, 5 August 2022, 3 November 2022 and 10 February 2023. Key areas for review at each meeting included:

- The overall performance of the default arrangement particularly measured against the performance of its benchmark.
- The performance attribution of the default arrangement (i.e. how each of the different components within the arrangement contributed to its overall performance).
- The one-year 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 an FCA authorised organisation with a prominent reputation in the pensions industry. Representatives from the appointed investment adviser attended all the Investment Committee meetings.



Chair's annual governance statement for the year ended 31 March 2023 continued



Investment market developments

World equity markets fell almost 20% during 2022 – a total loss in value of \$14 trillion – making it the worst year for shares since the Financial Crisis in 2008. In the 12 months to 31 March 2023, the performance was somewhat better – the FTSE All World Index fell by 0.88% and the FTSE All Share rose 2.92% – thanks largely to recovery during the last quarter of the year.

A number of factors were behind this lacklustre performance. The war in Ukraine caused stock markets to plunge in February 2022 and unleashed high inflation especially in energy and food prices. Recovery from the pandemic also fuelled inflation as consumers started spending again, while in China, growth was spiked by a failure to shake off the pandemic. Both share prices and bond prices fell as interest rates soared in the attempt to stem inflation. Shares in growth stocks – especially technology – were particularly hard hit.

In the UK, the volatility on stock markets was exacerbated by the Mini Budget put forward by the Government led by Liz Truss. Ten-year gilt yields soared over 100 bps (1%) and the Pound lost 9% in a matter of days – both unusually high swings. Some pension schemes were forced to sell gilts to meet their liabilities. This situation eased after government intervention. Inflation remained stubbornly high at over 10%.

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 73 and 74.

In the three months to 31 March 2023, global markets delivered positive returns amid signs that inflation may have peaked, natural gas prices were falling, and the end of the strict zero COVID policy in China. The threat of a new banking crisis did not emerge despite the failure of two significant institutions.

The economic outlook for the current year remains weak. Global growth is forecast by the International Monetary Fund (IMF) to fall from 3.4% in 2022 to 2.8% in 2023, before settling at 3.0% in 2024. Global inflation is set to fall from 8.7% in 2022 to 7.0% in 2023 on the back of lower commodity prices, but underlying inflation is unlikely to return to target levels – 2% in the UK – before 2025, says the IMF.

Central banks have continued to raise interest rates to counter inflation, and markets expect that the Bank of England's rate will peak at around 5% or more in mid-2023. However, the full delayed effect of rises in interest rates may have yet to be seen, and a recession in the UK may still occur during the year.

Chair's annual governance statement for the year ended 31 March 2023 continued

Statement of Investment Principles

The current SIP was agreed by the Trustee on 1 April 2023. A copy of the SIP can be found in Appendix 1 of the Chair's annual governance statement on pages 32 to 49. It is also available on the Scheme's website at www.thepeoplespension.co.uk/resource/statement-of-investment-principles/

The SIP covering the period of this statement was agreed by the Trustee on 3 September 2020. A copy of the September 2020 SIP can be accessed at www.thepeoplespension.co.uk/downloads/statement-of-investment-principles-2022/

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

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

Environmental, Social and Governance overview

The Trustee believes that ESG factors can affect the performance of investment portfolios and has a Responsible Investment Policy in place to articulate these factors, alongside the SIP.

The process set by the Trustee for implementing this policy includes integration, screening and engagement. Responsible investment means using three tools:

- Invest: Construct portfolios to reflect ESG factors that could positively or negatively affect investment returns.

- Exclude: Exclude companies from investment portfolios that don't meet certain minimum ethical criteria. Likewise, include companies and investments that are likely to have a positive impact on the wider society.
- Engage: Work with companies in an investment portfolio about the issues that are likely to have a material impact (both positive and negative) on future returns.

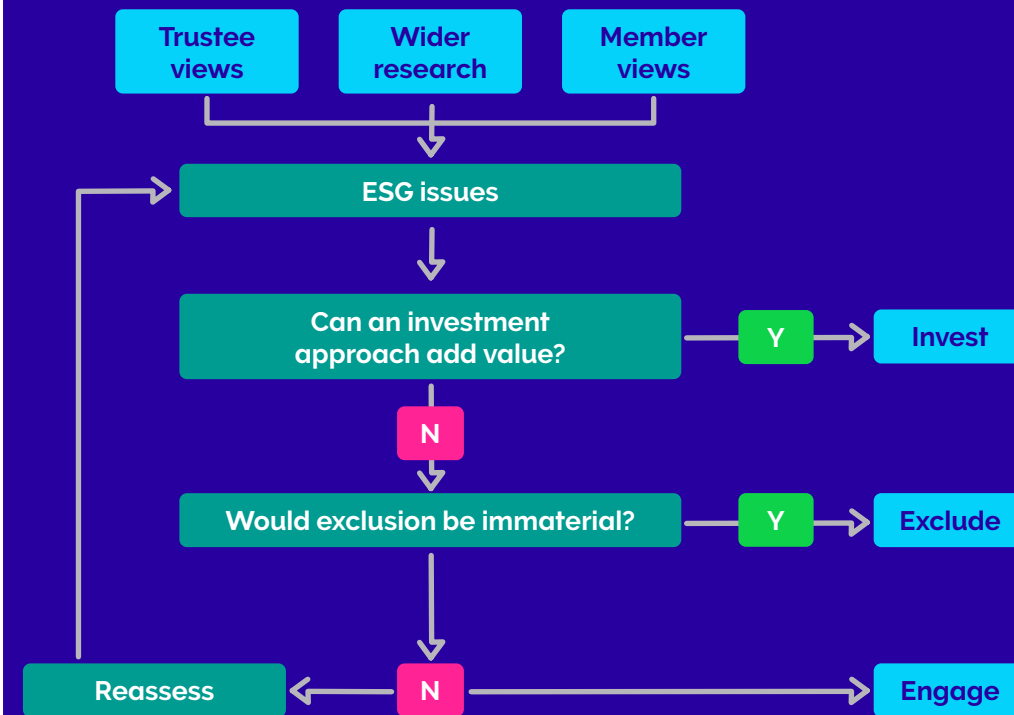
These three elements guide the Trustee when they set and review investment strategy. For example, when they believe that an investment approach could impact members' savings, they will consider addressing this in the investment processes. This is done by either excluding specific named companies or reshaping portfolios. When the Trustee feels strongly about an issue, but cannot alter the portfolios to benefit members, they engage with the relevant companies on these issues.

In line with this process, exclusions based on controversial weapons and severe ESG controversies have been introduced for the majority of the equity funds which the Scheme invests in. The exclusions follow the introduction of the Multifactor ESG fund that was first added to the strategy in 2018 which reduces the carbon intensity of the portfolio by using the 'Invest' approach described, which is expected to have a positive impact on the risk and return characteristics of the portfolio over time.

A summary of the voting activity undertaken by the Scheme's fund managers on behalf of the Trustee is provided in the Implementation Statement, a copy of which is included in Appendix 2 of the Chair's annual governance statement on pages 50 to 69.

Decision making process

People's Partnership and The People's Pension act in partnership on responsible investment



Invest:	Construct portfolios to reflect ESG factors that could positively or negatively affect investment returns.
Exclude:	Exclude companies from investment portfolios that don't meet certain minimum ethical criteria. Likewise, include companies and investments that are likely to have a positive impact on the wider society.
Engage:	Work with companies in an investment portfolio about the issues that are likely to have a material impact (both positive and negative) on future returns.

Read more in Appendix 2 Responsible investment policy on pages 37 to 42

Chair's annual governance statement for the year ended 31 March 2023 continued

Core financial transactions

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

- investment of contributions
- transfer of 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 the Administrator, the investment administration provider (Northern Trust Company) and its investment managers, State Street Global Advisors and HSBC Global Asset Management.

The main core financial transactions undertaken by the Administrator are the receipt of employer and member contributions, transfers in/out and paying claims, with the latter including small pots, flexible drawdown, uncrystallised funds pension lump sums and bereavement claims.

In addition to this, the Administrator also handles member and employer enquiries.

We entered into a new Framework Services Agreement on 22 May 2022 which details the Service Level Agreements (SLAs) and what the Administrator will do for us, 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 processes adopted by the Administrator to help meet the SLA included daily monitoring of bank accounts, a dedicated contribution processing team, and two individuals checking all investment and banking transactions.

For example, the SLA covering claims encompasses the following process: a member wishing 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.

Another example is when a member wishes to transfer their pension savings to a provider not on the Origo Options electronic transfers portal. They initiate the transfer either from their Online Account or through the Contact Centre. The Administrator will complete the relevant due diligence on the receiving scheme and issue the transfer pack to the member gathering all information relevant to progress the transfer. The Administrator will also send discharge forms to the receiving scheme – once these are returned along with verified bank account details, the fund is disinvested and sent to the receiving scheme, completing the transfer.

Electronic transfers through the electronic portal Origo Options enjoy full safeguards in terms of regulatory permissions and source of funds. For paper transfers outside of 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 are referred to People's Partnership Group's risk and compliance teams for further investigations.

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 our own concerns when they arise. This initiative by The Pensions Regulator seeks to harness industry resources to protect members during the transfer process. It requires the Scheme, via the Administrator, to perform varying levels of due diligence (depending upon the categorisation and risk profile of the receiving scheme) and inform customers where issues are identified.

The Administrator took an important step towards protecting vulnerable customers by appointing vulnerable customer champions throughout their business. These are individuals who have volunteered to receive additional training in order to be able to support customers across a range of vulnerabilities including disability, bereavement and financial hardship – especially pertinent during the cost-of-living crisis.

Cyber security is a high priority for the Trustee and is given the utmost attention by the Administrator. It employs a continuous vulnerability assessment of all assets and systems every day and prioritises any remediation work required and regularly reports to the Trustee's Risk, Administration and Communications Committee (RACC) on progress of the ongoing development of the Cyber Security framework. During the year, the Group completed implementation of its 3-year IT security programme, which is designed to fundamentally enhance the cyber security footprint of People's Partnership. Cyber is, however, a threat type that continues to grow in volume and complexity – and to this end the Administrator expects to increase its capabilities and improve its defences to protect Scheme members.

The Administrator processes core financial transactions through People's Partnership Group's operations team. Core financial transactions are also addressed by two further teams within the Group – a separate controls and assurance team monitors and assesses the efficiency and accuracy of processing and the finance department monitors and reconciles financial transactions and reports back to the Trustee Board.

The Administrator reports to the Trustee throughout the year – on a quarterly basis to the Trustee Board and to its RACC. During the year, the Trustee and the Administrator also held monthly telephone calls for the latter to update the former on administration matters in real time and update on service delivery.

In addition to this, the Administrator is also in regular dialogue with the Trustee on material aspects of processing core financial transactions.

The RACC ensures members' needs are properly considered and that the requirements for processing core financial transactions are met. Monitoring of the promptness and accuracy of processing of core financial transactions is a key function of the RACC, which met on four occasions.

“Cyber security is a high priority for the Trustee and is given the utmost attention by the Administrator.”

Chair's annual governance statement for the year ended 31 March 2023 continued

Amongst other things this committee has:

- Reviewed the processes and controls operated and considers them to be suitably designed to ensure that core financial transactions are processed promptly and accurately. This included the investment and reconciliation of 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 methods of future improvement.
- Discussed the annual communications plan, during September 2022, with comment on the success of factual guidance to members on transfers, reviews of new joiner correspondence and the delivery of simpler benefit statements.
- Discussed with the Administrator the effectiveness and ongoing improvements of IT security and controls.

- Received regular management information and reviewed in detail the information provided. This information 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 conditional 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 perform an ongoing assessment of whether the processes and controls were operating effectively.
- Monitored the completeness and accuracy of member data at each quarterly Trustee meeting.

Core financial transactions continued

The year saw a consistently high level of demand placed on the Administrator.

This time last year, we reported around a 13% growth in transaction volumes – a rise that exceeded our expectations. Yet in the year to 31 March 2023, the Scheme saw an additional rise of almost 20% from 1.47m to 1.76m. The increase in transactional volumes is driven by both an increasing volume of customers and an increasing propensity for those customers to interact with us as they reach the age at which they can make claims. Within these numbers for the financial year 2022/23, some of the transaction data were unusually high. For example, the number of small pot claims rose 18% to 57,495 and the amount of bereavement notifications rose by 10% in the 12 months to the end of March 2023. Other claim and transaction types rose by similar proportions, so much so that the Scheme paid out £614.8m across the year (2022: £517.4m) – a 19% increase.

In the early part of the year, like many organisations, the Administrator faced a significant challenge in recruiting and retaining colleagues in the customer services team. This led to a temporary decline in some areas of the response to customers, notably in the time taken to answer calls and to carry out pension transfers. However, the quality of customer service responses remained good during this period and has subsequently improved. The overall administration SLA increased from 69% in 2022 to 76%, against a target of completing 90% of queries in 5 days for 2023. The Administrator's client banking team has exceeded all of its SLA targets – processing new member transfers into The People's Pension the next day was 99.9%. A new operational data team was formed to continue to improve the quality of core underlying member and employer data and work was undertaken to prepare for the introduction of the Government's Pensions Dashboard, which has now been delayed.

Quality and controls were maintained at previously high levels, evidenced by Customer Satisfaction levels averaging at 83% and a Net Promoter score of +37 from customers using our Contact Centre services. The average speed of answer from the Contact Centre was 3 minutes and 16 seconds, with improvements made between October 2022 and March 2023 which saw response rates comfortably inside 90 seconds.

The Administrator has agreed additional investment in recruitment and automation that will support further improvements to the overall service delivery. In addition, the operations area successfully delivered automation to the transfers in process in Q4, allowing members to initiate transfers in from their online account and providing straight through processing all the way through to the receipt of funds. This has significantly reduced human intervention and effort as well as response times for members. There is work underway to replicate this process for transfers out during the current financial year.

Complaint numbers showed small increases largely driven by both the growth in membership and the ongoing cost of living crisis that has created volume increases in opt outs and members wishing to access pension savings.

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 2023 continued

Member-borne charges and transaction costs

The Trustee is required to set out the on-going charges borne by members in this statement, which are annual fund management charges plus any additional 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 three elements:

- 1 • An annual charge of £2.50 on members' pots of £102.50 and over, deducted during the Scheme year. The Trustee has agreed to increase the annual charge to £4.50 on members' pots of £104.50 and over in the next financial 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 charge cap set out by the government for schemes with combination charges. The Scheme is permitted to charge a maximum of £10.00 or less per annum as a flat fee charge as well as a maximum percentage of funds under management rate of 0.6%.

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 when 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 4 August 2023 (previously 5 August 2022) Trustee Investment Committee meeting. Transaction costs are a component of the overall costs borne by members, as they have the effect of reducing the net investment returns of the funds.

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 the 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 cannot be directly observed and cannot be 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 upon whether market movements were favourable.

The average transaction costs over the 5 years to 31 March 2023 are shown in the table. The transaction cost data was provided by the Scheme's investment manager, State Street Global Advisors and prepared in accordance with statutory guidance.

An Illustration of the charges and transaction costs is shown in Appendix 3 (Illustration of charges and transaction costs) to this statement on pages 70 to 72.

Default arrangement: charges and transaction costs

The Scheme's default arrangement is used by 98.61% of the membership.

Fund	Management charge	Transaction costs
Global Investments (up to 85% shares) Fund*	0.5%	0.06%
Pre-Retirement Fund*	0.5%	0.04%

* 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%	0.05%
Global Investments (up to 100% shares) Fund	0.5%	0.06%
Ethical Fund	0.5%	0.01%
Annuity Fund	0.5%	0.01%
Shariah Fund	0.5%	0.01%
Cash Fund	0.5%	0.00%

Chair's annual governance statement for the year ended 31 March 2023 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 those areas suggested by The Pensions Regulator in Code of Practice No. 13 (Governance and administration of occupational trust-based schemes providing money purchase benefits). Whilst it is difficult to give a precise legal definition of "good value", the Trustee considers that good value can be determined through answering a number of questions against an agreed set of principles that are reviewed on an annual basis.

For example, 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, and does the Scheme compare well to other similar arrangements? It does not necessarily mean the Scheme is low cost. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this year's assessment. 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 – namely, what happens between members joining and leaving.

Having considered these questions, and taking into consideration the outcome of TPR's recent consultation on "Value for Money: A Framework on metrics, standards and disclosures", the Trustee believes the Scheme is good value for the following reasons:

1. The costs and charges are reasonable and appropriate.

As explained above, a member pays a low, flat £2.50 annual charge and a management charge that is 0.5% of their pension pot, a portion of which can be rebated according to the size of that pot. The Trustee has agreed to change the annual charge to £4.50 in the next financial year. This structure was introduced with the aim of improving fairness in the Scheme through better aligning charges with the costs of operation, whilst reducing the level of 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, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The Trustee reviewed all member-borne charges as part of a full Value for Money review at the 4 August 2023 (last reviewed 5 August 2022) Investment Committee meeting.

Independent external benchmarking analysis undertaken during the year shows that the Scheme's charges are competitive in our target market segments and that member-borne costs are in line with (and for most member segments marginally lower than) the alternative schemes considered.

2. The value added through investment performance.

The performances of the Global Investments (up to 85% shares) Fund and the Pre-Retirement Funds are both behind their objectives. This is a result of a combination of challenging investment conditions and inflation reaching levels not seen since the 1990s. CPI was 4.19% annualised over this period. These funds are the component parts to the default investment arrangement.

Members are subject to the same charging structure, regardless of which fund they are invested in.

In addition to the Scheme's performance, analysis was also undertaken comparing the 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 27 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 active in the provision of workplace pensions. The CAPA covers all 8 alternative providers in our comparison group and covers more than 10 million UK pension savers in total.

The data as at 31 March 2023 shows that the Scheme's default investment arrangement slightly underperformed the average but had 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). Further details of fund performance are disclosed on page 12.

	5 years to 31 Mar 2023 (annualised gross of fees)	
Global Investments (up to 85% shares) Fund		
Performance		5.72%
Objective: CPI + 4%		8.36%
Pre-Retirement Fund		
Performance		1.40%
Objective: CPI + 1%		5.23%
	The People's Pension	CAPA
30 years before retirement		
Performance	5.8%	6.5%
Volatility	11.5%	12.0%
5 years before retirement		
Performance	3.5%	4.7%
Volatility	8.2%	9.0%

Chair's annual governance statement for the year ended 31 March 2023 continued



Value for Members continued

3. The Scheme offers a good range of investment options for its 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. If members don't choose an option, their savings are invested in the default 'balanced' investment profile 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 2023, 98.61% of the Scheme's members' savings were invested in the default investment arrangement.

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

Again, this has been demonstrated over the last Scheme year. Our member contact centre and digital services saw significant spikes in activity, including huge numbers of requests for information, as well as processing many transactions and claims and service levels rose. From a communications perspective we responded with targeted, clear and supportive materials. In the 2023 Pensions Management Institute Pinnacle Awards, the Scheme's high standard of communication was recognised with The People's Pension Trustee and the Administrator jointly receiving an award for "Sharing pension knowledge, end of year Trustee update".

5. The Scheme is well governed and managed.

The Scheme operates to strong governance and administration standards and is well run by an independent board of Trustee Directors. During the Scheme year the Trustee Board had eight Trustee Directors and has a good balance of skills and experience on the Board, and a dedicated 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 continually develop their knowledge and understanding in addition to undertaking both individual skills and effectiveness assessments to ensure that the training plan developed is focused and beneficial.

Further evidence that the Scheme is well run is provided by 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 The Pensions Regulator 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 the Regulator that these responsibilities have been fulfilled. Following the audit, the seventh annual report was approved by the Trustee Board on 15 June 2023 setting out details of the controls and oversight in place to help provide stability and protection to its members with no exceptions noted by the independent service auditor.

In summary, and taking all these factors into consideration, the Trustee believes The People's Pension provides members with a good quality scheme and services at a competitive cost that will deliver good member outcomes.

There are some areas for further development and improvement that we will continue to work closely with the Administrator on over the coming years.

Over the next Scheme year, the Trustee will work with the Administrator to help deliver:

- More enhancements to streamline further the processing of transfers and claims
- Better functionality of the member portal including modelling tools

In addition to the above, work continues on designing and implementing a suitable retirement proposition framework for our members.

Chair's annual governance statement for the year ended 31 March 2023 continued

Trustee's knowledge and understanding

In accordance with section 248 of the Pensions Act 2004 and TPR's Code of Practice 07, the Trustee has, and will maintain, relevant knowledge and understanding to run the Scheme effectively. This is ensured through a robust training programme and appropriate induction process to support any appointment of new Trustee Directors. This induction process has been followed by the new Trustee Directors appointed during the Scheme year.

An annual skills assessment is conducted to review the Trustee Directors' strengths and to identify future training needs. Throughout the Scheme year, the Trustee Directors have demonstrated they have met the requirement for Trustee Knowledge and Understanding in the following ways:

- **The law relating to pensions and trusts** – the professional independent Trustees are familiar with the laws relating to pensions which can be demonstrated through their qualifications, their collective industry awards and achievements. Examples of this include serving as Chair and/or Trustees of many different pension schemes.
- **Scheme Trust Deed and Rules** – the Trustee Directors have demonstrated a working knowledge of the Trust Deed and Rules (which they have access to via the Scheme document portal) by making decisions in line with the Rules.
- **The principles relating to the investment of the Scheme assets** – the Trustee Directors have a working knowledge of the SIP, having considered the performance of both the default investment arrangement and self-select funds against the requirements as set out in the statements, through performance information provided and discussed in the Investment Committee meetings held throughout the year. Moreover, they have a good understanding of

the overall principles relating to the funding and investment of occupational pension schemes.

- **Taskforce on Climate-Related Financial Disclosures (TCFD)** – the Trustee Directors have demonstrated a working knowledge of TCFD reporting requirements, in relation to the identification, assessment and management of risk and opportunities relating to the Scheme, including risks and opportunities arising from steps taken due to climate change.
- **Trustee policies** – the Trustee Directors have demonstrated a working knowledge of the Scheme policies as they are reviewed on a regular basis to ensure they are still fit for purpose. All policies have been reviewed during the Scheme year in accordance with the Policy Review Log.

Trustee Board skills and training

Trustee Directors also complete and maintain a personal training log and are expected to develop their general pensions knowledge. This can be in the form of focussed training on specific subjects, attendance at seminars and reading relevant articles. A detailed log of all continuing professional development ("CPD") is submitted quarterly to the Trustee Services team by each Trustee Director.

These personal logs, and all professional and institutional CPD records, are available to the Trustee Services team to evidence the CPD and Trustee knowledge and understanding work carried out by the Trustee Directors.

The Chair reviews the effectiveness of the Trustee Board annually. This review looks into individual knowledge and understanding, the expertise of the appointed advisers and steps taken to address any training gaps. Training is delivered throughout the year and future training needs are discussed at each Trustee meeting.

The cumulative training for the eight Trustee Directors for 1 April 2022 to 31 March 2023 was as follows:

Key areas	Governance	Investment	Administration	Scheme management	Knowledge and understanding	Communication
Strength						
Training completed hours	86	76	71	74	115	55

Moreover, during February and March 2022 the Trustee Directors undertook an external Board effectiveness review. This comprised both a comprehensive questionnaire and observation of the Risk, Administration and Communications Committee, the Investment Committee meeting, and the Trustee Board meeting. The report was presented at the 16 June 2022 Trustee Board meeting. The report was very positive, confirming that the Trustee Board has strengths in many areas; it fully understands and is carrying out its responsibilities well, working together on a basis of trust and openness. The Group's Trustee Services team supports the Trustee Board effectively and the independent assessors observed a good working dynamic between the in-house team and the Trustee Directors (see page 27 for more information). The Trustee Board are committed to continuously improve to provide the highest level of governance. As a result, they have undertaken a significant training programme aimed at improving their skills, knowledge and understanding. This programme covered administration, IT security, governance, investment, risk management and Equality, Diversity & Inclusion (ED&I). Further training will take place throughout the year as part of the Trustee's ongoing development plan. The next external effectiveness review is scheduled to take place in the third quarter of the 2023/24 Scheme year.

The Chair of the Trustee and the Head of Trustee Services also carried out an evaluation of the skills of each Director in January 2023 and how these skills combine at board level, presenting the information graphically to assist year on year monitoring of trends.

The Scheme Founder, People's Partnership Limited, has appointed eight Trustee Directors (with two outgoing Directors overlapping two incoming ones to ensure robust succession planning) to sit on the Board of The People's Pension Trustee Limited, which is the Trustee of the Scheme, to provide effective governance to 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 or have taken payment or benefits from such organisations and have no affiliations to People's Partnership Holdings Limited (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.

Each Trustee Director has extensive defined contribution, administration, investment, trusteeship and/or consumer industry experience – their names are detailed on pages 28 and 29. This group of Trustee Directors brings 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.

Chair's annual governance statement for the year ended 31 March 2023 continued

Trustee Board and structure

The number of directors is kept under review to ensure relevant skills and resources are in place to meet the Scheme's work levels.

Trustee Directors have the discretion to appoint the Chair of the Trustee, in accordance with the Model Articles of Association, as determined by the Articles of Association of The People's Pension Trustee Limited. The Chair is not affiliated in any capacity with The People's Pension.

The appointment process is covered in more detail on page 30.

Mark Condron is the Chair of the Trustee Board.

The Board is supported on technical matters by its Trustee Services team, (the Head of Trustees Services, the Trustee Pension Manager, the Governance and Pensions Lead, the Scheme Secretary) and by professional advisers. The Trustee has in place a policy for evaluating adviser performance and selecting new advisers. Relevant skills and experience are crucial criteria.

Trustee Director term of office and status

Trustee Director	Appointment	End of current term	Complete years served (to 31 March 2023)
Steve Delo	Re-appointed 1 March 2020 (Prior to 31 March 2015 acted under the appointment of PAN Trustees UK LLP)	31 March 2023	8
Alan Pickering	Re-appointed 1 March 2019 (Previously effective from 6 April 2015)	31 March 2023	7
David Maddison	Re-appointed 1 April 2021 (Previously effective from 1 June 2018)	31 March 2026	4
Chris Fagan	Re-appointed 1 April 2022 (Previously effective from 1 July 2018)	31 March 2026	4
Baroness Jeannie Drake	1 April 2020	31 March 2024	3
Mark Condron	1 April 2020	31 March 2025	3
David Butcher	1 June 2022	31 March 2025	N/A
Emma Osborne	1 September 2022	31 March 2026	N/A

Based on the outcome of the latest skills assessment, their professional qualifications and ongoing experience and training that has been undertaken to date, the Trustee is satisfied with their level of Trustee knowledge and understanding.

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 2023 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:



Mark Condon
Chair of the Trustee
(appointed on 1 April 2020)

Mark joined the Board in 2020 and was appointed as Chair of the Trustee Board in 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. During his earlier career Mark held a number of senior positions with responsibility for pensions advisory and pensions 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 committees and pension scheme governance committees. He is a Fellow of the Institute and Faculty of Actuaries and an Accredited Professional Trustee.



Steve Delo
Former Chair of the Trustee
(resigned on 31 March 2023)

Steve Delo is the Managing Director of PAN Governance LLP, an award-winning independent trustee firm, and is a former President of the Pensions Management Institute. Steve has twice been named 'Independent Trustee of the Year' by Engaged Investor and been listed as one of the Top 50 people in pensions by Pensions Insight. His 30-year career has included senior roles in scheme management, consulting, asset management and Trusteeship. He now specialises in the governance of large-scale pension arrangements. He is a leading independent Trustee who has been sitting on major pension scheme Trustee boards for the last 12 years. He currently works with a wide range of occupational defined benefit and defined contribution schemes, in most cases acting as Chair of Trustees, with total assets in excess of £20bn. He sits on two master trust boards – one defined contribution, one defined benefit. He is a Fellow of the Pensions Management Institute.



David Butcher
Trustee Director
(appointed on 1 June 2022)

David has more than 40 years' experience in the pension and investment industry. He has been a Chief Executive Officer three times including at Invesco Perpetual Pensions and both the retail and intermediary divisions of Flemings/Save & Prosper, now part of J.P. Morgan Asset Management. He has substantial governance experience having served on 16 different boards over 30 years. He is also a Member of the Advisory Board of the Fund Board Council.



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

Baroness Drake is a former member of the Turner Pension Commission which recommended the introduction of 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 of NEST. She has more than 30 years' experience in the trade union movement, including as President of the Trade Union Congress (TUC) and was a member of the Equal Opportunities Commission.

[Read our full biographies online](#)

Chair's annual governance statement for the year ended 31 March 2023 continued

Directors of The People's Pension Trustee Limited continued



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

Chris is an independent trustee and investment specialist with almost 30 years of pensions industry experience. In addition to his role at The People's Pension, he is Chair of Trustees at a final salary pension scheme and he works with Investment Governance Services which provides executive and non-executive support to pension scheme and other asset owners.

Prior to 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, is a trustee of a lump sum retirement benefit plan and a defined benefit scheme which he chairs.



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

David has over 35 years' pension industry experience across multiple functions and worked with RPMi Ltd (now called Railpen) where he fulfilled a number of senior operational roles within the business. He's a fellow of the Pensions Management Institute and has a Law degree. David's 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 DB scheme and currently a member of the corporate trustee for three related schemes and an independent member of the investment committee of another scheme. Prior to this Emma's career has mainly been 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.



Alan Pickering CBE
Trustee Director
(resigned on 31 March 2023)

Alan Pickering is President of BESTrustees and a trustee of several pension schemes. He has over 40 years' experience across a wide variety of roles in the pensions industry. He has sat on the board of a number of important industry bodies, including serving as Chair of the former National Association of Pension Funds (now the Pensions and Lifetime Savings Association).

Chair's annual governance statement for the year ended 31 March 2023 continued

Induction process for new Trustee Directors

New Trustee Directors must complete TPR's Trustee Toolkit – an online learning programme for Trustees – within their first six months or have suitable and appropriate experience. In that same period, they must also complete a detailed induction programme. This has the following five 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, many of which are provided through an online training system that logs completed activity.
- Induction sessions provided through an online training tool and additional conference calls.
- Familiarisation with relevant documents such as TPR's 'Welcome to Pension Scheme Trusteeship'.
- Newly appointed Trustee Directors must provide the Secretary with a detailed list of items, including but not limited to a signed fit and proper person declaration, the Trustee Knowledge and Understanding log and a conflicts of interest register update.
- The induction may, on agreement with the Chair, include externally provided training courses. Following on from the induction, further training is provided on an ongoing basis and each Trustee Director has the opportunity to suggest future training requirements.

All Trustee Directors with the Scheme, including the new appointments in the year, completed TPR's Trustee Toolkit by 31 March 2023.

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 has been met. Their names and professional experience are detailed on pages 28 and 29. The Trustee continues to safeguard effective and leading standards of governance, taking into account 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. This is demonstrated by the fact that they are all independent from any firm which provides advisory, administration, investment or other services in respect of the Scheme (and in particular, are not a director, manager, partner or employee of such a firm and did not hold such a position during the period of five years ending with the date of 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 additional requirement of Regulation 28 regarding terms of office in order to count as non-affiliated have been satisfied as the majority of the Trustee Directors have been appointed as a Trustee Director of the Scheme since 6 April 2015 when this requirement was introduced for terms of less than five years and if re-appointed may serve a maximum of ten years in total, 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 and this has been captured in the Trustee conflicts of interest register.

Trustee appointment process

Appointments to the Trustee Board are open and transparent. Member Nominated Trustee requirements do not apply because the Scheme is a master trust. The process comprises the following steps:

- An assessment of the composition and breadth of skills, experience and knowledge on the Trustee Board, followed by a gap analysis. The profile of the candidate role is drawn from these conclusions.
- The new role is advertised nationally, and an external headhunting specialist is retained. CVs are requested and all are examined by People's Partnership's Head of Trustee Services and by the Scheme Founder who appoints Trustee Directors.
- A thorough two-stage interview process managed by People's Partnership in conjunction with the Trustee. Final interviews are conducted by the Chair of the Trustee, or a Trustee Director in the event of a potential conflict of interest, and the Chief Executive Officer of People's Partnership.

The Trustee Board appointed two new Trustee Directors, David Butcher on 1 June 2022 and Emma Osborne on 1 September 2022, as well as re-appointing Chris Fagan on 1 April 2022. The temporary expansion of the Trustee Board, described earlier in this annual governance statement, was designed for successful succession planning given that both Steve Delo and Alan Pickering CBE left the Board on 31 March 2023.

The new Trustee Directors undertook the Scheme's induction programme.

In addition, the Scheme Secretary has a responsibility to ensure that all Trustee Directors meet the Regulator's requirements for trustee knowledge and understanding.

Taking into account the knowledge and experience of the Trustee Directors with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisers (e.g. investment consultants, legal advisers), the Trustee believes they are well placed to exercise their functions as Trustee Directors of the Scheme properly and effectively.



Chair's annual governance statement for the year ended 31 March 2023 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 remained unchanged in the 2022/23 financial year. When asked whether they would recommend the Scheme, 6 out of 10 said they would (2022: 6 out of 10).

Some customer satisfaction metrics have improved. For example, when asked to rate the quality of the Scheme's communications, 83% of members surveyed responded with 'good' (2022: 77%).

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 require master trust Trustees to 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 provides an update on how the Scheme has performed in the last year and gives members the opportunity to 'ask the Trustee a question'.

Member views

6/10

When asked whether they would recommend the Scheme, 6/10 said they would.

83%

When asked to rate the quality of the Scheme's communications, 83% of members surveyed responded with 'good'.

This year, the update was delivered via a pre-recorded video with Mark Condron, the Chair of the Trustee. In addition, we created a series of short 'an introduction to' videos to answer some of members' most frequently asked questions about pension savings – based on previous member feedback. Following the release of these videos, we invited questions from members and received almost 1,000 responses. By categorising these responses, we were able to produce further videos with the help of fellow Trustee Director, Baroness Jeannie Drake, and subject matter experts from the Administrator. We're aware of the different working-patterns of our membership base and by producing short videos, members can access them at a time of their choosing and in a format that is easily accessible. This has resulted in an uplift in the number of video views when compared to previous years.

Regular research is run by the Administrator to find out how members feel and to find out what they want. Each year, 1,000 members are surveyed (as well as 500 employers and 500 intermediaries) to measure customer satisfaction and learn 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. In addition, a Customer Research Lab has been set up to test any proposed solutions to ensure the best outcomes for members. The findings from much of this work is shared with the Trustee, so we have a good understanding of our members and their needs.

In addition, the Trustee worked with the Administrator to support members with:

- Details on the website surrounding 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.
- Details of further information about the 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 how to obtain further support where it's needed.
- More accessible details about the way in which the Scheme approaches responsible investment.

The Trustee receives detailed information each quarter from the Administrator regarding 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 tabled and discussed at a quarterly Trustee Board meeting.

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

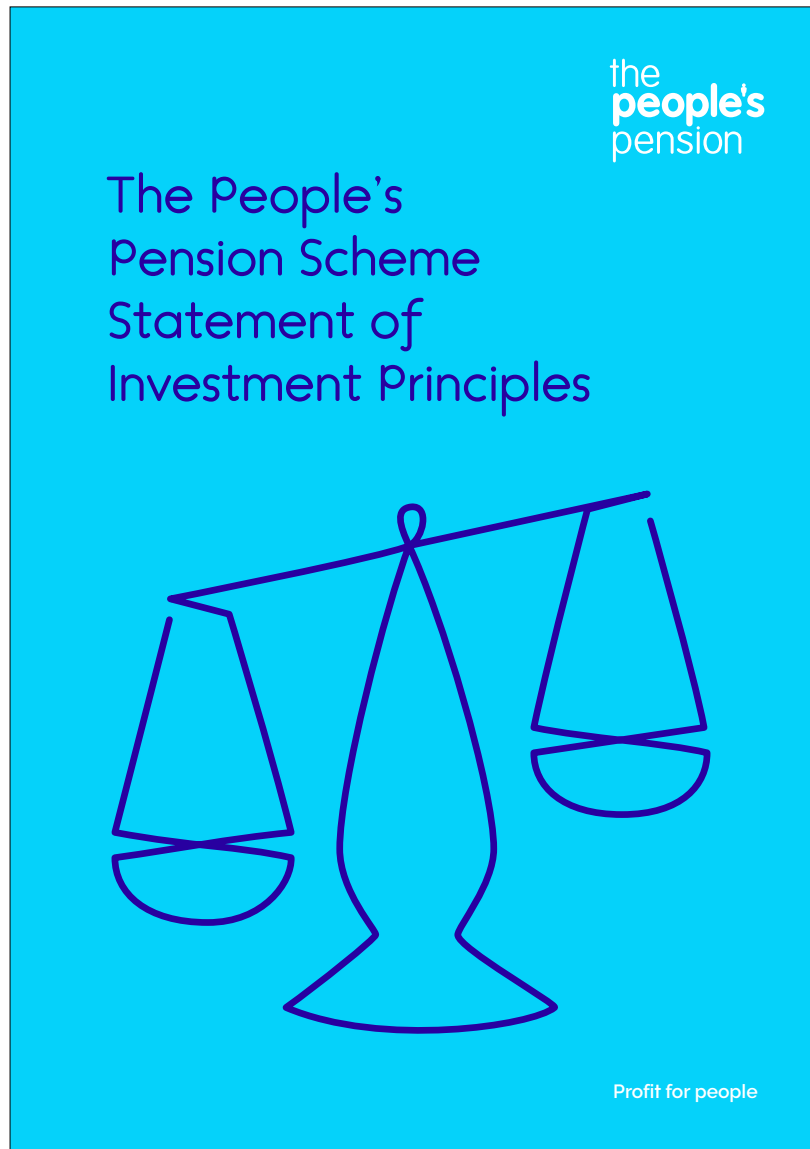
The Statement regarding governance was approved by the Trustee and signed on its behalf by:

Mark Condron

Chair of The People's Pension Trustee Limited
21 September 2023

Chair's annual governance statement for the year ended 31 March 2023 continued

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



Contents

1. Introduction.....	3
2. Choosing investments.....	3
3. Investment objectives.....	4
4. The kind of investments to be held.....	4
5. The balance between different kinds of investments.....	4
6. Investment risk.....	5
7. Expected return on investments.....	6
8. Realisation of investments.....	6
9. Financially material considerations.....	7
10. Non-financial factors.....	7
11. Voting rights, corporate governance and engagement principles.....	8
12. Asset manager arrangements.....	9
13. Monitoring.....	10
14. Agreement.....	10
Appendix 1	11
1. Scheme investment objective.....	11
2. The default option.....	11
3. Alternative investment choices.....	13
4. Governance.....	15
Appendix 2 Policy on responsible investment.....	17
Appendix 3 Climate change policy.....	33

1. Introduction

11 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.

12 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.

13 The Trustee will review this statement at least every three 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.

14 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.

2. Choosing investments

21 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.

22 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.

23 The day-to-day management of the Scheme's assets is delegated to the Scheme's investment manager, State Street Global Advisors. The investment manager is authorised and regulated by the Financial Conduct Authority and is responsible for stock selection and the exercise of voting rights.

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

Chair's annual governance statement for the year ended 31 March 2023 continued

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

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. These are set out in more detail 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.

5. The balance between different kinds of investments

- 5.1 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, whilst a member is a long way off accessing their retirement savings, emphasis is placed on medium to higher-risk funds (i.e., investment largely in growth assets such as equities) in search of long-term, inflation-protected growth. As the 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.

- 5.2 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.
- 5.3 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.
- 5.4 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.

6. Investment risk

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

- 6.2 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 these are listed below.

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 ensure member outcomes can be maximised. The level of contributions is outside the Trustee's control.
Investment manager risk	The risk that an investment manager underperforms against the benchmark which they're assessed against in the long term.	The Trustee monitors the performance of the Scheme's investment manager on a regular basis through performance information and regular meetings with them. The Trustee has a written agreement with the investment manager that contains a number of restrictions on how the investment manager may operate.

Risk	Description	Mitigation
Market risk	Market risk refers to the risk that an investment may fall in value due to fluctuations in the market.	The investment manager is expected to invest in properly diversified portfolios and spread assets across a number of individual shares and securities.
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 policy on responsible investment 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.

7. Expected return on investments

- 7.1 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 investment manager.
- 7.2 The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

8. Realisation of investments

- 8.1 The Trustee has delegated the responsibility for buying and selling investments to the investment 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.

Chair's annual governance statement for the year ended 31 March 2023 continued

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

9. Financially material considerations

- 9.1 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.
- 9.2 The Trustee's policy on responsible investment (appendix 2) outlines its approach to ESG factors and whether or not they are considered financially material.
- 9.3 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 factor to influence the weights of securities, sectors, or asset classes held in a portfolio.
- When an ESG issue is identified that negatively affects a small number of potential investee companies, the Trustee will consider whether a wholesale exclusion from the Scheme's portfolios might be suitable.
- If a factor can't be addressed by exclusion or integration, the Trustee will consider how it could be addressed through engagement with investee companies.
- 9.4 The Trustee relies on the expert opinion of the Intergovernmental Panel on Climate Change (IPCC), United Nations Framework Convention on Climate Change (UNFCCC), Committee on Climate Change (CCC), and the UK government and regulators in concluding that climate change poses a material financial risk to member investment values. While the scientific evidence is compelling, we acknowledge that there is still debate about the politics and process of addressing climate change, which will reward or harm different strategies.
- 9.5 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 will affect every business sector and geography.
- 9.6 The Trustee has a fiduciary duty to consider all material financial risks when making all investment decisions and makes no distinction in this between the default and self-select funds. In fulfilling this duty, the Trustee also expects its investment managers to take all financially material considerations into account, over an appropriate time horizon of the investments, when selecting, retaining and

realising investments. This includes, but is not limited to, ESG factors (including, but not limited to, climate change) where these are considered relevant financial factors. We receive, review, and publish reports from our investment managers on the steps they take on our behalf, including voting and engagement.

Further detail on how this approach is implemented in practice is set out in appendix 2 (Policy on responsible investment) and appendix 3 (Climate change policy).

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.

10. Non-financial factors

- 10.1 The Trustee believes that non-financial factors should be considered when selecting, retaining, and realising investments where this is consistent with the Trustee's key objective to enable members as a whole to provide adequately for their retirement. By 'non-financial factor', we mean the views of members and beneficiaries, including (but not limited to) their ethical views and their views in relation to ESG factors and the present and future quality of life of the members and beneficiaries of the scheme.
- 10.2 The Trustee engages with members on their investment priorities through surveys available online and by telephone. These surveys include questions concerning ethical and ESG factors.
- 10.3 Where exposure to a non-financial factor has no apparent effect on portfolio risk or return characteristics, the Trustee would consider possible routes of screening this issue from the portfolio if they consider members likely to find it concerning that such investments are made.
- 10.4 The Trustee has agreed to a Policy on responsible investment (appendix 2) that outlines its approach to ESG and ethical factors and whether or not they are financially material.
- 10.5 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.

The People's Pension Scheme - Statement of Investment Principles | 7

11. Voting rights, corporate governance and engagement principles

- 11.1 The Trustee expects its investment managers to vote and engage with companies and other relevant persons in global markets. This protects and promotes good standards and practices and helps to safeguard long-term economic value for our members. The Trustee has access to regular reports from our core investment managers on how they vote and engage with the companies we invest in through them.
- The Trustee accepts that pooled vehicles will be governed and constrained by the individual investment policies of the investment 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.
- Principally, the Trustee believes the primary responsibility of the board of directors of each of the underlying companies held by the Scheme is to preserve and enhance shareholder value and protect shareholder interests.
- 11.2 The Trustee's policy on responsible investment (appendix 2) includes proxy voting and engagement principles. The most likely areas the Trustee expects the investment managers to engage with companies on are:
- performance
 - strategy
 - the structure of company boards
 - audit-related issues
 - capital structure remuneration
 - ESG-related issues.
- 11.3 The Trustee supports the UK stewardship code published by the Financial Reporting Council and expects the Scheme's investment managers to comply with the code. Such managers are expected to report on their adherence to the code on an annual basis.
- 11.4 The Trustee requires its investment managers to be signatories to the Principles for Responsible Investment (PRI) and calls on all institutional participants in markets to adopt these global principles.

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

- 11.5 The Trustee acknowledges the importance of ESG and climate risk within their investment decision-making framework. 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 managers. When delegating investment decision making to their investment managers, the Trustee provides their investment managers with a benchmark they expect the investment managers to either follow or outperform. The benchmarks to be used reflect the positioning the investment manager is expected to take within an investee company's corporate structure.

The Trustee is firmly of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e., that they apply to equity, credit and property instruments or holdings. The Trustee also recognises that ESG and climate-related issues are constantly evolving, and along with them, so too are the products available within the investment management industry to help manage these risks.

The Trustee considers it to be a part of their investments managers' role to assess and monitor developments in the capital structure for each of the companies in which the manager invests. The Trustee also considers it to be part of their investment managers' role to assess and monitor how the companies in which they are investing are managing developments in ESG-related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme. The Trustee expects the investment manager to employ the same degree of scrutiny for pooled funds as if the investment had been made on a direct basis.

Should an investment manager be failing in these respects, this should be captured in the regular monitoring of the managers' activity.

12. Asset manager arrangements

- 12.1 Prior to appointing the investment manager, the Trustee discusses the investment 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 investment manager, in addition to considering the investment 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 Scheme's investment consultant is independent, and no arm of their business provides asset management services. This, and their FCA regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict 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 their aims, beliefs and constraints. The Trustee monitors the investment managers' approach to stewardship, ESG and climate-related risks on an annual basis.
- In the event that the investment 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 expect to work with the investment manager to improve the alignment of their objectives. Should the collaboration with the investment manager be deemed unsuccessful by the Trustee, their appointment may be reviewed or terminated. The investment managers have been informed of this by the Trustee.
- Investment manager stewardship, ESG and climate policies are reviewed in the context of

- best industry practice, and feedback is or will be provided to the investment manager.
- 12.2 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 their investment management arrangements.
- When considering the management of objectives for an investment manager (including stewardship, ESG and climate risk objectives) and then assessing their effectiveness and performance, the Trustee assesses these over mutually agreed rolling timeframes. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes 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 does not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short-term targets.
- 12.3 The Trustee monitors the performance of their investment managers over medium to long-term time periods that are mutually agreed with the investment managers 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 investment 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 investment 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.

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

Chair's annual governance statement for the year ended 31 March 2023 continued

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

Appendix 1 to the Statement of Investment Principles

Appendix 1 to the Statement of Investment Principles

12.4 The Trustee defines portfolio turnover as how often assets are bought and sold by the managers in the course of their investment management activities. During the investment 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, e.g., 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. They are mindful that high turnover costs have the potential to adversely affect overall performance. When monitoring turnover costs, both the level and reason behind them are considered and, if necessary, investigated further.

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

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

13. Monitoring

13.1 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 investment 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.

13.2 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 three years. It also does this when there is any significant change in the investment policy, underlying economic conditions, or profile of the members.

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

13.4 Engagement and stewardship: The Trustee monitors the engagement and stewardship activities undertaken by the investment managers on an annual basis.

14. Agreement

14.1 This Statement was agreed 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 investment manager, and the Scheme auditor upon request.

Signed:

Mark Condon

Date: 1 April 2023

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

Appendix 1

Note on investment policy in relation to the current Statement of Investment Principles, dated 1 April 2023.

1. Scheme investment objective

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

12 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.

13 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 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 funds:

Fund name	Objective	Asset allocation
Global Investments (up to 85% shares) Fund	<p>Purpose: The fund is a balanced risk long-term capital growth fund.</p> <p>Return frame: To generate returns in excess of Consumer Price inflation (CPI).</p> <p>Return objective: CPI+3% per annum on a gross of fees basis.</p>	<p>66% Equity</p> <p>7% Infrastructure</p> <p>7% Property</p> <p>3% Corporate Bonds</p> <p>3% Gilts</p> <p>4% US Treasuries</p> <p>10% Global Fixed Interest</p>
Pre-Retirement Fund	<p>Purpose: The fund is a low to medium-risk fund that balances capital preservation and capital growth.</p> <p>Return frame: To generate returns in excess of Consumer Price inflation (CPI).</p> <p>Return objective: CPI+1% per annum on a gross of fees basis.</p>	<p>9% Gilts</p> <p>9% Corporate Bonds</p> <p>12% US Treasuries</p> <p>16.4% Equity</p> <p>1.8% Infrastructure</p> <p>1.8% Property</p> <p>20% Money Market</p> <p>30% Global Fixed Interest</p>

Correct at 1 April 2023.

2.3 The investment profile gradually moves a member between the two funds depending on their proximity to their retirement age (state pension age unless the member has selected otherwise), as illustrated below:

Years from retirement	B&CE 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%

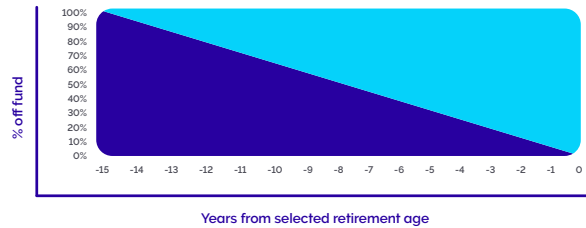
Chair's annual governance statement for the year ended 31 March 2023 continued

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

Appendix 1 to the Statement of Investment Principles



Fund share in the 15-year glidepath



2.4 The Trustee acknowledges that members will have different attitudes to 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.

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. Alternative investment choices

3.1 The Trustee acknowledges that members will have different attitudes to 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.

3.3 Self-select options

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

3.2 Investment profiles

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

Appendix 1 to the Statement of Investment Principles

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 inflation (CPI). Return objective: CPI+2.5% per annum on a gross of fees basis.	49.4% Equity 5.3% Infrastructure 5.3% Property 6% Corporate Bonds 6% Gilts 8% US Treasuries 20% Global Fixed Interest
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 inflation (CPI). Return objective: CPI +3.5% per annum on a gross of fees basis.	82.4% Equity 8.8% Infrastructure 8.8% Property
Ethical Fund	Purpose: The fund is a higher risk long-term capital growth fund. Return frame: To generate returns in excess of Consumer Price inflation (CPI) while screening out companies that do not exhibit high ESG standards. Return objective: CPI+3.5% per annum on a gross of fees basis.	100% Global Equity
Shariah Fund	Purpose: The fund is a higher risk long-term capital growth fund. Return frame: To generate returns in excess of Consumer Price inflation (CPI), while investing in the largest global shariah compliant companies. Return objective: CPI+3.5% per annum on a gross of fees basis.	100% Global Equity

Appendix 1 to the Statement of Investment Principles

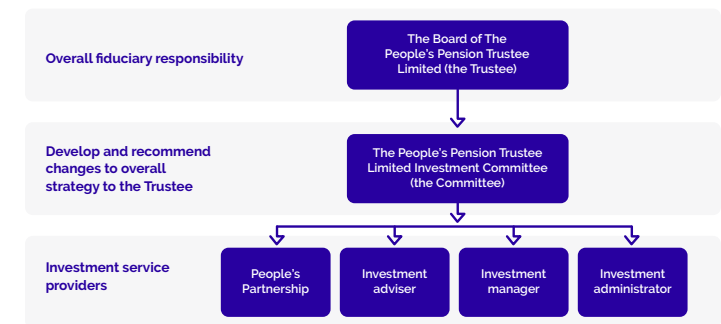
Fund name	Objective	Asset allocation
Cash Fund	Purpose: The fund is low-risk capital preservation fund. Return frame: To maintain the capital value of investments. Return objective: Returns equivalent to cash returns.	The fund invests in the short-term money markets such as bank deposits and Treasury 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 at 1 April 2023.

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 itself 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:



Chair's annual governance statement for the year ended 31 March 2023 continued

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

Appendix 1 to the Statement of Investment Principles

The Trustee	Investment committee	People's Partnership	Investment adviser	Investment manager	Investment administrator
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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 investment managers. • Makes ongoing decisions relevant to the operational principles of the Scheme's investment strategy. • Monitors investment performance and costs. 	<ul style="list-style-type: none"> • Administrative and operational liaison with the investment managers. • 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 investment managers. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Operates within the terms of this SIP and its written contracts. • Selects individual investments with regard to their suitability. • The Trustee expects the investment managers 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. 	<ul style="list-style-type: none"> • Fund administration. • Unit pricing.

Appendix 2 to the Statement of Investment Principles

Appendix 2:



Appendix 2 to the Statement of Investment Principles

Appendix 2:



Chair's annual governance statement for the year ended 31 March 2023 continued

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

Appendix 2 to the Statement of Investment Principles

Appendix 2 to the Statement of Investment Principles

Appendix 2 to the Statement of Investment Principles

Appendix 2:

Policy statement

We aim to be responsible investors of our members' assets.

Responsible investment covers just about anything that presents a major opportunity – or a genuine threat – to members' interests that we should identify, understand and evaluate.

It's a broad term but, in the context of a pension scheme, responsible investment requires a long-term view on delivering capital and income to members in retirement.

We set an investment strategy in the interests of our members and consider responsible investment issues where they're material to those interests. We allocate an appropriate amount of time to assessing these issues and to the systematic, fact-based analysis that enables us to make high-quality decisions.

This fact-finding and analysis is delegated to People's Partnership and our independent investment advisers.

Moreover, the Trustee has an Investment Committee to govern the investments of The People's Pension, which considers responsible investment within its terms of reference.

Process

For us, responsible investment means using 3 tools:

- 1. Invest:** Construct portfolios to reflect ESG factors that could positively or negatively affect investment returns.
- 2. Exclude:** Exclude companies from investment portfolios that don't meet certain minimum ethical criteria. Likewise, include companies and investments that are likely to have a positive impact on the wider society.
- 3. Engage:** Work with companies in an investment portfolio about the issues that are likely to have a material impact (both positive and negative) on future returns.

These 3 elements guide us when we set and review investment strategy. For example, when we believe that an investment approach could impact our members' savings, we'll consider addressing this in our investment processes. And we'll do this by either excluding specific named companies or reshaping portfolios. When we feel strongly about an issue, but cannot alter our portfolios to benefit members, we engage with the relevant companies on these issues.

When we make decisions like this, we evaluate:

- the expected impact on investment risk and return
- the likelihood of the decisions having an impact on the issue in the wider society
- the cost, transparency, and investment merit of the investment options available
- how it affects the governance of The People's Pension and its investments.

Sometimes our preferred course of action is not possible, because of scale and time. For example, we may not be able to take certain actions that might help reduce risk until we have a certain value of assets under management. Meaning that certain actions may not be appropriate, either now or in the foreseeable future.

Essentially, we invest if we believe it will add value. We exclude if we believe that it would not damage members' portfolio and engage with the companies that remain in the portfolio.

Appendix 2:

The People's Pension Responsible investment policy October 2021

But overall, we do believe that it's good governance to try, whenever we can, to:

- ensure our research process can identify investment approaches with a positive impact on risk, returns, and potential ESG issues
- focus on proposals from our advisers that specifically benefit our members and their needs, rather than other special interest groups
- test, challenge and (in some cases) research any new ideas or options to make sure they're fully appropriate for our members' needs
- work within the industry to support gathering better and more consistent ESG data from investee companies and investment managers.

We expect these principles to remain, but we recognise the need to be flexible. Any approaches we develop and implement now may be adjusted proportionately as The People's Pension grows and as the market develops. Greater scale may enable us to devote extra resource for engagement or to pursue alternative investment approaches. We'll review this policy as part of our Statement of Investment Principles review and communicate changes to our approach with members.

Definitions:

Responsible investment (RI) helps ensure members' money is invested in the right way. We use the 3 tools (explained above): invest, exclude and engage.

Environment, social and governance (ESG) refers to any issue not covered by traditional financial analysis that could impair or improve long-term investment returns. These issues can be split into a number of factors, which we list on page 8. We also state our core beliefs about a number of these factors on pages 12-15.

Investee companies refers to the companies that issue the shares or bonds our fund managers invest our members' money in.

Corporate governance is the way in which companies are led, managed and structured – according to UK or other national law, regulations and official guidelines.

Appendix 2:

The People's Pension Responsible investment policy October 2021

Decision-making process

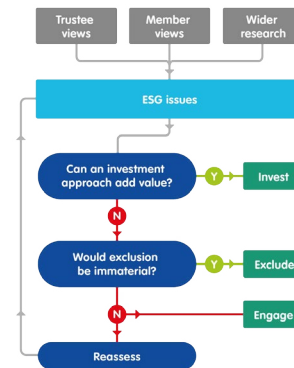
The People's Pension works with its founder, People's Partnership, when researching RI issues.

People's Partnership is a not-for-profit organisation that operates like The People's Pension in the best interests of its customers. It has a significant level of resource and it has responsible investment duties for assets sitting outside of The People's Pension.

People's Partnership and The People's Pension act in partnership on responsible investment and agree the broad research agenda together.

People's Partnership conducts responsible investment research for The People's Pension and is a signatory to several industry groups and research organisations. People's Partnership experts use insight from these bodies and the wider market to form a better understanding of ESG topics and trends before raising them formally with the Trustee. We take independent advice over any investment process proposed by People's Partnership.

Our current responsible investment research process is described in the next section. Responsible investment, and our approach to it, is evolving so this policy is subject to change.



Chair's annual governance statement for the year ended 31 March 2023 continued

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

Appendix 2 to the Statement of Investment Principles

Appendix 2 to the Statement of Investment Principles

Appendix 2 to the Statement of Investment Principles

Appendix 2:

The People's Pension Responsible investment policy October 2021

1. We identify and understand responsible investment issues

People's Partnership communicates with companies, regulators, non-governmental organisations (NGOs) and other organisations in the investment chain. The People's Pension also surveys member's views on what issues are most important to them.

We do this to understand the following:

- The issues we should be prioritising for research – from an investment and ethical perspective.
- The most efficient and effective ways to address these issues – and we do this by collaborating with a variety of organisations.
- Best practice.



This generates a list of issues which we then research and build into our investment process. The Trustee reviews this list and agrees what People's Partnership will research as a priority, as there is a limited amount of topics we can research at one time.

We recognise how detailed this approach is, but we believe it is important because it enables us to identify and focus on key issues.

2. We assess issues

When we identify a responsible investment issue, People's Partnership goes through our responsible investment framework to determine the most effective method of addressing it. This involves the following:

- A formal assessment to determine whether an investment approach to altering our portfolios could improve member outcomes.
- Where appropriate, determining the most appropriate approach to exclusion – one that looks at just the issue in question (narrow) or one that considers a whole range of different issues (wide) – more on this is our section on 'Exclusion and screening'.
- Finally, for any priority ESG issue that our portfolios remain exposed to, we'll include the issue when we engage with investee companies and decide upon its prioritisation alongside other issues.

Here's how we assess which approach is appropriate.

2.1 Our investment approach

Any investment approach is primarily about improving risk and return characteristics.

People's Partnership works with asset managers as well as index and data providers to understand and assess how their insight could help us integrate ESG factors into our investment process. Most likely this means using ESG data to tailor the indices tracked by our funds to take account of the issue.

Once an approach is identified, People's Partnership will present evidence to the Trustee to demonstrate whether the stated approach is likely to:

- reduce exposure to the ESG issue, including how the approach affects wider ESG measures
- affect the risk and return characteristics of the portfolio.

If there's evidence that an approach will reduce exposure to an ESG issue and improve risk and return characteristics, we'll seek to include it in our portfolios as quickly as we can.

Where the approach reduces exposure to the ESG issue and has no apparent effect on portfolio characteristics, we would also consider including this approach. This may be an exclusion or a more complex process.

Where the approach harms risk and return characteristics, we would consider it within our exclusion process.

Appendix 2:

The People's Pension Responsible investment policy October 2021

2.2 Exclusion and screening

If we can't address an issue through our approach to investment, we'll consider applying exclusion or screening to the portfolio.

We're aware that excluding investments can have a cumulative effect and result in a more concentrated portfolio, so this step is not taken without clear understanding of the impact of any exclusions.

We recognise 2 types of exclusion:

- Narrow issues
- Wide issues

2.2.1 Narrow issues

Some issues affect a small number of potential investee companies – and a wholesale exclusion from our portfolios might be suitable. These will also typically be companies where engagement will have limited impact.

These narrow issues can have a material reputational impact and/or not comply with broad social norms. An example is controversial weapons, a narrow issue that has been considered a stand-alone exclusion.

Data can also be used to identify and analyse a company's involvement in major ESG controversies. This assesses adherence to international norms and principles.

One of our data sources, MSCI, ranks companies using the following scale:

Red:	Orange:	Yellow:	Green:
Indicates that a company is involved in one or more very severe controversies.	Indicates that a company has been involved in one or more recent severe structural controversies that are ongoing.	Indicates the company is involved in severe to moderate level controversies.	Indicates that the company is not involved in any major controversies.

The severity of an issue is decided by both the nature of the impact – what actually happened, and how widespread the issue is – and how many people, regions or species it affects. Where an issue has been flagged as Red by being both widespread and serious, we'll consider this as a grounds for exclusion from the portfolio.

As of 31 March 2021, all of the equity tracking investments managed by SSGA have a screen applied that excludes investment in the equities of companies involved in controversial weapons, or very severe ESG controversies.

2.2.2 Wide issues

These are far-reaching and have an impact and exposure across many sectors and markets.

Current examples include pay inequality and gender diversity. Excluding companies with poor behaviour from our portfolios would result in us having a very small number of companies to invest in. Conversely, having a fully diversified pool of companies to invest in could limit the practicality of the policy.

Appendix 2:

The People's Pension Responsible investment policy October 2021

Our primary route for addressing wide issues is engagement, but we do believe in exclusion for the worst behaving companies on several issues. Here's how we make this happen:

ESG ratings are used to evaluate companies we invest in. The MSCI methodology assesses thousands of data points across 35 key issues.

MSCI ESG score									
Environment Pillar				Social Pillar			Governance Pillar		
Climate change	Water	Pollution & waste	Environmental opportunities	Human capital	Product safety & quality	Stakeholder engagement	Social opportunities	Corporate governance	Corporate behaviour
Carbon emissions	Water stress	Toxic emissions & waste	Clean tech	Labour management	Product safety & quality	Controversial sourcing	Access to communication	Board	Business ethics
Product carbon footprint	Biodiversity & land use	Packaging material & waste	Green building	Health & safety	Chemical safety	Community relations	Access to finance	Pay	Tax transparency
Financing environmental impact	Raw material sourcing	Electronic waste	Renewable energy	Human capital development	Consumer financial protection	Access to health care	Opportunities in health & health	Ownership	Accounting
Climate change vulnerability				Supply chain labour standards	Privacy & data security				
				Responsible investment					
				Training health & demographic risk					

The MSCI ESG ratings address 4 key questions about the companies in which we invest – these are as follows:

- What are the most significant ESG risks and opportunities facing a company and its industry?
- How exposed is the company to those key risks and/or opportunities?
- How well is the company managing key risks and/or opportunities?
- What is the overall picture for the company and how does it compare to its global industry peers?

MSCI ESG ratings focus on the intersection between a company's core business and the industry-specific issues that may create significant risks and opportunities for the company. The key issues are weighted according to impact and time horizon of the risk or opportunity. All companies are assessed for corporate

governance and corporate behaviour as this is relevant to all investee companies. They look at how a company performs against the industry average, rating them somewhere between best (AAA) and worst (CCC) and this helps us build a picture of wide issues.

We use these ratings to exclude or reduce our exposure to companies with the worst ESG performance and therefore reduce our exposure to a wide number of financial and reputational risks. In addition to MSCI, we also use ESG data from providers including SSGA, Sustainalytics, RepRisk, and FTSE Russell when making these decisions.

This approach isn't perfect. ESG issues will still crop up in the companies we invest member assets in. But we're pragmatic – we address concerns about an issue in combination with other issues and acknowledge that it cannot be completely removed from a portfolio.

Chair's annual governance statement for the year ended 31 March 2023 continued

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

Appendix 2 to the Statement of Investment Principles

Appendix 2 to the Statement of Investment Principles

Appendix 2 to the Statement of Investment Principles

Appendix 2:

The People's Pension Responsible Investment policy October 2021

2.3 Engagement

When we can't address an issue by investment approaches or by excluding specific securities from the portfolio, then we remain exposed to it.

We're comfortable with this and handle the matter through our engagement and, where appropriate, voting with investee companies.

Through our primary investment manager, State Street Global Advisors (SSGA), we're able to use our voice and our vote to make a measurable difference around the world. Our members' assets allow voting on key decisions that affect shareholders at annual shareholder meetings, and regular meetings with companies to understand their approach to material ESG issues and encourage them to improve.

In practice, our engagement may take a wide variety of forms depending on how high a priority the issue is to us, the mechanisms available to engage on the issue, and the views of our investment managers as to whether they believe it is a high priority issue.

In many cases, we expect and require our fund managers to vote and engage with companies across global markets to protect and promote good standards and practice. This helps to encourage behaviours that are capable of boosting the long-term economic value of our members' investments.

Sometimes we work with other organisations as this can help us to be more effective. The best example is our signatory status to the UN-backed Principles for Responsible Investment – the world's leading proponent of responsible investment – supported by thousands of pension schemes, investment groups and governments.

We support collaborative initiatives that are focused and well organised, and which add more power to our engagement approach.

We also regularly engage with UK Government and trade-body entities on how best to improve responsible investment within the UK pensions landscape. This includes encouraging our managers to improve the data they receive from investee companies and working with others to improve consistency in reporting.

Appendix 2:

The People's Pension Responsible Investment policy October 2021

Appendix 1: Passive management – engagement principles

We measure our managers against the following principles.

We're an increasingly active owner – influencing both investee companies and the policies our asset managers use.

We expect our managers to...

• be transparent and accountable by

• engaging in dialogue, honest evaluation, continuous enhancement and increased transparency of their stewardship practices.

• enhance and evolve ESG practices in markets by

• applying higher voting standards where governance practices do not meet global investor expectations

• identifying clear engagement priorities that focus on sector, thematic and/or market specific issues

• collaborating with other investors when collective action is needed.

• develop long-term partnerships with companies and guide them through the evolution of ESG practices by

• engaging constructively with management/boards to bring about change in investee companies

• publishing thought-leadership papers to inform directors on changing ESG practices

• communicating clearly our expectations and vote rationale during engagement.

Given our commitment to high standards, we also expect our fund managers to have signed our Responsible Investment policy and to comply with the UK Stewardship Code (and relevant international equivalents, where applicable).

Appendix 2:

The People's Pension Responsible Investment policy October 2021

Monitoring and reporting on responsible investment

We receive and review reports on SSGA's:

- voting activity on our behalf
- engagement activity on our behalf
- climate and ESG profile of our equity funds.

We're also looking into ways to measure ESG risk across all of our assets under management – rather than on a case-by-case basis. SSGA have developed their own ESG rating methodology known as R-Factor™. This is included as part of the performance and analysis report we receive for our equity funds managed by them, which covers the majority of our assets.

We provide copies of this policy, and provide links to where to find voting and engagement records on our website.

Investment options

We recognise that member attitudes and views on responsible investment can vary. For example, we may engage with companies that members with money in our Ethical Fund may prefer to exclude. Likewise, we may exclude companies that some members would prefer to invest in. Our Ethical Fund invests passively in the MSCI World ESG Universal Index which is made up of a large pool of global companies and is weighted towards those which demonstrate a robust ESG profile and a positive trend in improving that profile. Companies involved in controversial weapons production, and those which have faced very severe ESG controversies are also excluded from this index.

We will continue to survey our members on the ESG issues they believe are the most important to take into consideration when making investment decisions. The surveys provide useful insight into members' views on responsible investment and are a key input when making investment decisions. This however does not mean that the results of any survey will bypass the decision making process as outlined in this policy.

Chair's annual governance statement for the year ended 31 March 2023 continued

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

Appendix 2 to the Statement of Investment Principles

Appendix 2 to the Statement of Investment Principles

Appendix 2 to the Statement of Investment Principles

Appendix 2:

The People's Pension Responsible investment policy October 2021

Appendix 2: The People's Pension proxy voting and engagement principles

The People's Pension expects its fund managers to vote and engage with companies in global markets. This protects and promotes good standards and practice and helps safeguard long-term economic value for our members.

Primarily, we believe the primary responsibility of the board of directors of each of the underlying companies held by our funds, is to preserve and enhance shareholder value and protect shareholder interests.

The most likely areas we expect our fund managers to engage with companies on are the structure of company boards, audit-related issues, capital structure, remuneration, environmental, social and governance-related issues.

Directors and boards of investee companies

We believe that a well-constituted board of directors, with a good balance of skills, expertise and independence, provides the foundations for a well-governed investee company.

Director independence and succession planning, board diversity, evolutions and refreshment, and company governance practices are all useful measures of board quality. We expect our managers to vote for the election/re-election of directors on a case-by-case basis after considering these factors.

We also expect boards of FTSE-350 listed companies to have at least one female board member.

In principle, we believe independent directors are crucial to good corporate governance and help management establish sound corporate governance policies and practices. A sufficiently independent board is better placed to effectively monitor management and perform the oversight functions necessary to protect shareholder interest.

The People's Pension expects UK investee companies to consider the following criteria for director independence:

- participation in related-party transactions and other business relations with the company
- employment history with company
- excessive tenure and a preponderance of long-tenured directors
- relations with controlling shareholders
- family ties with any of the company's advisers, directors or senior employees
- if the company classifies the director as non-independent.

Audit-related issues

Companies should have robust internal audit and control systems to manage potential and emerging risks to company operations and strategy. The responsibility for setting out an internal audit function lies with the audit committee, which should include independent non-executive directors, where possible.

Appointment of external auditors

We believe that a company's auditor is an essential feature of an effective and transparent system of external supervision. We also believe that shareholders should be given the opportunity to vote on their appointment or re-appointment of annual meetings.

Managers should consider voting against members of the audit committee if they have concerns with audit-related issues or if the level of non-audit fees to audit fees is significant. In certain circumstances, managers should consider auditor tenure when evaluating the audit process.

Shareholder rights and capital related issues

Issuing new shares
The ability to raise capital is critical for companies to carry out their strategy, grow and achieve returns above their cost of capital. The approval of capital raising activities is fundamental to shareholders' ability to monitor the amount of proceeds and to ensure capital is deployed efficiently. We support capital increases that have sound business reasons and that are not excessive relative to a company's existing capital base.

Share repurchase programmes

We generally support a company's proposal to repurchase shares. We would make exceptions when the issuer does not clearly state:

- the business purpose for the programme
- a definitive number of shares to be repurchased
- the range of premium/discount to market price at which a company can repurchase shares
- the timeframe for the repurchase.

Managers should consider voting against share re-purchase if any of these criteria are not adequately satisfied or if requests that allow share repurchases during a takeover period.

Dividends

We generally support dividend payouts that constitute 30% or more of net income. Managers may vote against dividend payouts if the dividend payout ratio has been consistently below 30%.

Appendix 2:

The People's Pension Responsible investment policy October 2021

without adequate explanation or if the payout is excessive given the company's financial position. Payments that are significantly out of line with previous dividend payments will be reviewed on a case-by-case basis. Attention will be paid to cases where the payment may damage the company's long-term financial health.

Mergers and acquisitions

Company mergers or reorganisations often involve proposals relating to reincorporation, restructures, mergers, liquidations and other major changes to the corporation. We would generally expect managers to support proposals that are in the best interests of the shareholders, demonstrated through enhanced share value or by improving the effectiveness of company operations. In general, we wouldn't expect managers to support provisions that are economically unsound or considered destructive to shareholders' rights.

We would generally expect managers to support transactions that enhance shareholder value. Some relevant considerations include, but are not limited to:

- whether premiums are offered
- strategic rationale
- board oversight of the process for the recommended transaction, including director and/or management conflicts of interest
- offers made at a premium and if there are any higher bids
- offers in which the secondary market price is substantially lower than the net asset value.

Anti-takeover measures

We oppose anti-takeover defences such as authorities for the board, when subject to a hostile takeover, to issue existing shareholders with warrants that can be converted into shares.

Remuneration

Executive pay

The People's Pension has a simple underlying philosophy. There should be a direct relationship between remuneration and company performance over the long-term.

Shareholders should have the opportunity to assess whether pay structures and levels are aligned with business performance, including profit growth, balance sheet strength and risk management, and sustainable long-term shareholder value growth.

When assessing remuneration policies and reports, we generally expect managers to consider factors, including the following:

- adequate disclosure of different remuneration elements
- absolute and relative pay levels
- peer selection and benchmarking

- the mix of long-term and short-term incentives
- aligning pay structures with shareholder interest, as well as with corporate strategy and performance.

Equity incentive plans

We may not support proposals on equity-based incentive plans if insufficient information is provided on matters such as grant limits, performance metrics, performance and vesting periods and overall dilution. We don't generally support options under such plans being issued at a discount to market price or plans that allow for re-testing of performance metrics.

Non-executive director pay

Authorities seeking shareholder approval for non-executive director fees are generally not controversial. So, as a rule, we support resolutions on director fees – unless disclosure is poor and we're unable to determine whether they're excessive in relation to fees paid by other companies in the same country or industry.

Where possible, managers should evaluate on a company-by-company basis any non-cash or performance-related pay to non-executive directors.

Risk management

We believe that risk management is a key function for boards of investee companies that are responsible for setting the overall risk appetite of that company and for providing oversight on the risk management process established by senior executives at the company.

Where possible, we expect companies to disclose how the board provides oversight on its risk management system and to identify key risks facing the company. Boards should also review existing and emerging risks that can grow or evolve with a changing political and economic landscape, or as companies diversify or expand their operations into new areas.

Environmental and social issues

We consider the financial and economic implications of environmental and social issues. In their public reporting, we expect companies to disclose information on relevant management tools, environmental and social performance metrics. We support the efforts made by companies to demonstrate how sustainability fits into their overall strategy, operations and business activities.

As far as possible, managers should evaluate risks and the shareholder proposal relating to them on a case-by-case basis. It's important they understand that environmental and social risks can vary widely depending on a company's industry, operation and where it's located.

Managers should also consider opposing the re-election of board members if they have serious concerns over ESG practices and the company has not been responsive to shareholder concerns.

Appendix 2:

The People's Pension Responsible investment policy October 2021

Appendix 3: The ESG issues we're addressing

Climate change

We're serious about ensuring our portfolios reflect beliefs held by us and our members, and we see this as a continuous process. In 2019, we began surveying our members on which ESG issues are the most important to them. The majority of members surveyed chose climate change as one of their 3 options. Also in 2019, we published our Climate change policy, in which we discuss our prioritisation of climate change as an ESG issue within the investment process.

As a first step, our investment profiles (balanced, "cautious" and "adventurous") began allocating money to the Multi-Factor ESG Low Carbon fund – this group of companies has at least half the carbon intensity and half the amount of fossil fuels owned, compared to the global market. It also has an improved ESG score and excludes companies involved in very severe ESG controversies or controversial weapons business. We're aware that there is a lot more that can be done and we're in the process of working out how to achieve further climate-related improvements.

For further information please see our **Climate change policy**.

Controversial weapons

Companies that are involved in controversial weapons production have an immaterial financial impact on our portfolio due to a limited number of companies that fit into this category. There are also ethical considerations and a reputational impact when investing in such companies. We have therefore been researching the best way in which to exclude those companies involved. We began by including this screen in the construction of the above mentioned climate change fund. Further steps have been taken since and as of 31 March 2021 we have a similar screen applied to all equity tracking investments that are held with SSGA.

Very severe ESG controversies

These ESG issues have also been addressed in the same way as controversial weapons. Firstly, by adding this screen in the construction of the Multi-Factor ESG Low Carbon fund, and then applying a similar screen to the rest of the equity tracking investments held with SSGA.

This means that as of 31 March 2021, the equity tracking investments of the following funds are no longer invested in companies with involvement in controversial weapons or very severe ESG controversies.

- Global Investment (up to 100% shares) Fund
- Global Investment (up to 85% shares) Fund
- Global Investment (up to 60% shares) Fund
- Pre-Retirement Fund
- Ethical Fund

The Shariah fund is managed by HSBC and invests based on the interpretation of Shariah Law by the HSBC Shariah Supervisory Committee. The fund does not invest in shares of companies whose primary activity involves weapons and defence. However, we can't guarantee that this will remove all involvement with controversial weapons. Likewise, the fund does not screen for ESG controversies.

Chair's annual governance statement for the year ended 31 March 2023 continued

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

Appendix 2 to the Statement of Investment Principles

Appendix 2:

The People's Pension Responsible investment policy October 2021

Asbestos mining

Asbestos mining is not an activity in which we want to invest. Our research so far has found no results for any involvement in this activity by companies in which we invest. We will continue to review this periodically to ensure we're able to exclude any companies which are involved in this area should the need arise.

Further ESG issues

There are of course many other ESG issues which require further research to see how they can be addressed. We will continue to survey our members to gain their views on what is important to them as well as continuing to research key ESG themes as we have always done.

As this research is being conducted, we're able to engage with companies on both wide and narrow issues until such time as data suggests another method would be beneficial. Examples of themes that are regular engagement topics include:

- Gender diversity – enhancing board quality by bringing cognitive diversity into the board room and at all levels of management.
- Board accountability – encouraging board members to be more responsive to shareholder interests and improve accountability through more frequent election cycles.
- Climate change – ensuring that companies are producing high quality climate reporting, have a strategy in place for climate change and there is board oversight of climate risk.

The People's Pension Scheme - Statement of Investment Principles | 31

Appendix 2 to the Statement of Investment Principles

Appendix 2:

The People's Pension Scheme - Statement of Investment Principles | 32

Appendix 3 to the Statement of Investment Principles

Appendix 3:

The People's Pension Scheme - Statement of Investment Principles | 33

Chair's annual governance statement for the year ended 31 March 2023 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

Appendix 3:

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.

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:

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.

Appendix 3:

Click here to go back to the main contents page at any time

Menu

- 4 Section 1
Introduction, which explains the regulatory landscape for trustees on climate and highlights which policies and reports this Policy should be read in conjunction with.
- 5 Section 2
Scientific and economic implications of climate change.
- 11 Section 3
Why climate change is important to the Scheme, including our main climate-related investment beliefs and our fiduciary duty with regards to the net zero transition.
- 13 Section 4
The strategic framework (climate change principles) that will guide our approach to reaching the Scheme's net zero ambition.
- 18 Appendix
Glossary, key research, and further detail regarding the Scheme's climate-related and supporting investment beliefs.

Click here to go straight to a particular section

Appendix 3:

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'. 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 environmental, 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



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 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

Source: TCFD, 2017

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

4 | Climate change policy

Chair's annual governance statement for the year ended 31 March 2023 continued

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

Appendix 3 to the Statement of Investment Principles

Appendix 3:

Section 2 – Scientific and economic implications of climate change

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.

Menu

Measures to lower emissions

For example - Invest in green technology

+

Measures to remove emissions

For example - Forest expansion, Direct air capture

=

Net Zero

Balance between amount of greenhouse gases (GHG) produced and removed from the atmosphere

¹ Name & Global Risks | World Economic Forum (weforum.org)
² Global Risks Report 2022 | World Economic Forum (World Economic Forum (weforum.org))
³ Global Risks Report 2022 | World Economic Forum (World Economic Forum (weforum.org))
⁴ 2021 Climate Change 2021: The Physical Science Basis - IPCC AR6

Climate change policy | 5

The People's Pension Scheme - Statement of Investment Principles | 37

Appendix 3 to the Statement of Investment Principles

Appendix 3:

Figure 2

	1.5°C	2°C	Impact of 2°C compared to 1.5°C
 Loss of plant species	8% <small>of plants will lose 1/2 their habitable area</small>	16% <small>of plants will lose 1/2 their habitable area</small>	⇒ 2x worse
 Loss of insect species	6% <small>of insects will lose 1/2 their habitable area</small>	18% <small>of insects will lose 1/2 their habitable area</small>	⇒ 3x worse
 Decline in coral reefs	80% <small>of coral reefs will decline</small>	99% <small>of coral reefs will decline</small>	⇒ 19% worse
 Extreme heat	14% <small>of the global population exposed to severe heat every 1 in 5 years</small>	37% <small>of the global population exposed to severe heat every 1 in 5 years</small>	⇒ 2.6x worse
 Sea-ice-free summers in the Arctic	At least once every 100 years	At least once every 10 years	⇒ 10x worse

Source: Climate Council, adapted from WRI (2018) based on data from IPCC (2018). 80% for coral reefs represents the average of the range of 70 to 90% presented in the original source material.

The People's Pension Scheme - Statement of Investment Principles | 38

Appendix 3 to the Statement of Investment Principles

Appendix 3:

The People's Pension Scheme - Statement of Investment Principles | 39

Chair's annual governance statement for the year ended 31 March 2023 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

Appendix 3:

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"³.

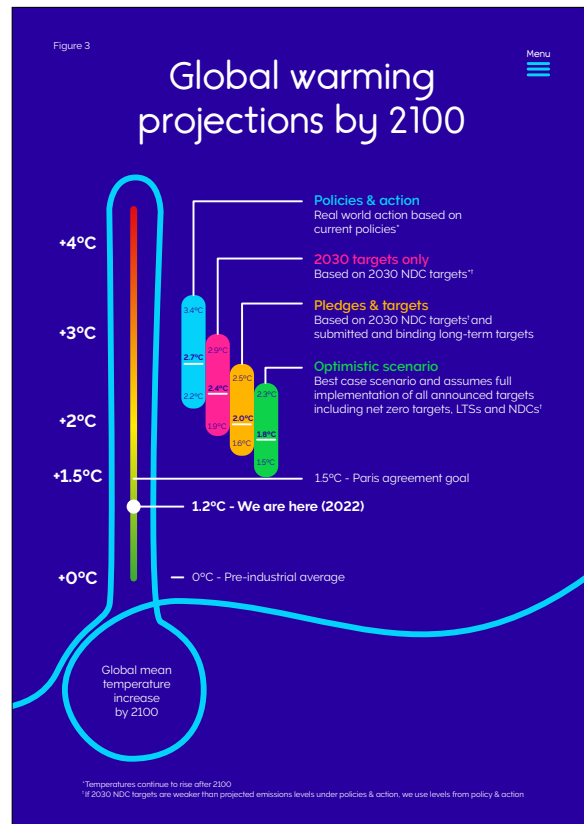
A challenge of this scale and magnitude has required unprecedented leadership and collaboration from governments (eg. Paris Agreement), businesses, and civil society, and the pressure for a coordinated approach will only increase as time goes on. Key factors that could have the potential to generate, 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.



³Net zero will require the biggest economic transformation ever seen in peacetime, says Nicholas Stern - Grantham Research Institute on climate change and the environment (ie.ac.uk)

Climate change policy

Appendix 3:



Appendix 3:

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:

- 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,¹ 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).

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.

¹ Refer to Appendix for further details.

Climate change policy | 11

Chair's annual governance statement for the year ended 31 March 2023 continued

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

Appendix 3 to the Statement of Investment Principles

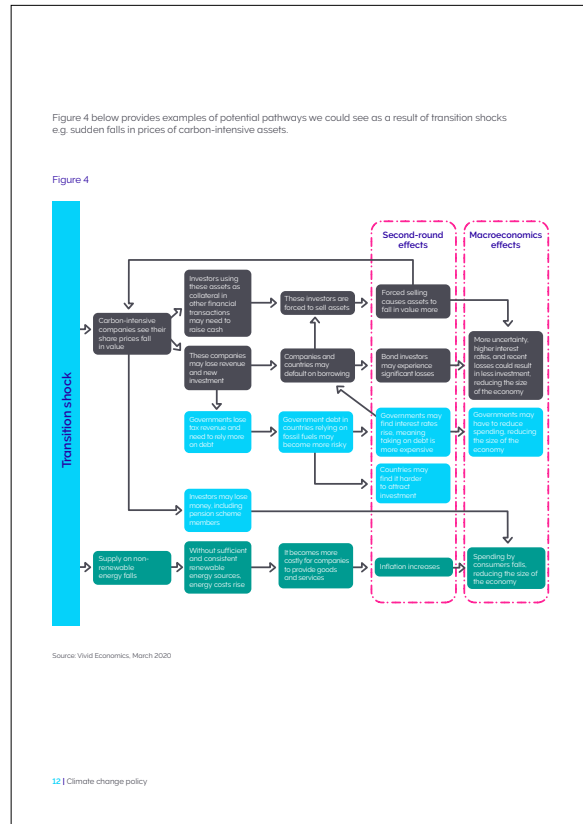
Appendix 3 to the Statement of Investment Principles

Appendix 3 to the Statement of Investment Principles

Appendix 3:

Appendix 3:

Appendix 3:

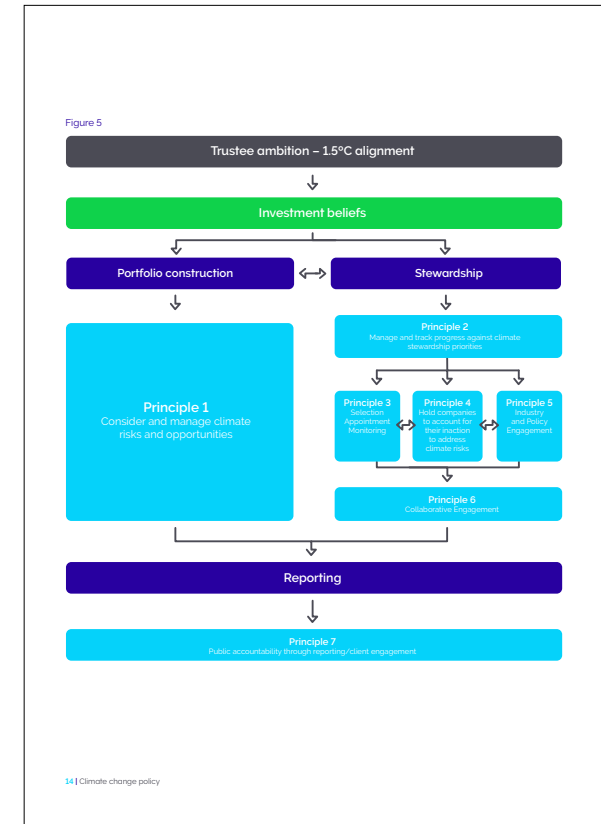


Section 4 – Strategic Framework

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.



Chair's annual governance statement for the year ended 31 March 2023 continued

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

Appendix 3 to the Statement of Investment Principles

Appendix 3:

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 approach⁷. 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.



Climate change policy | 15

Appendix 3 to the Statement of Investment Principles

Appendix 3:

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

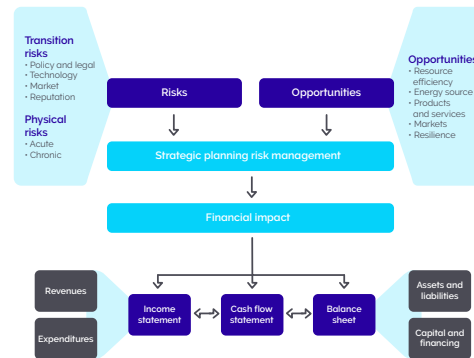
may not fully appreciate the climate-related risks and opportunities of their assets⁹ (Figure 6).

- 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

⁷ Notably within climate transition plans and TCFD disclosures.

⁸ https://www.issai.org/issai/issai-climate-transition-plans-and-tcfd-disclosures

⁹ Notwithstanding the Paris Agreement - "Taking into account the importance of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities."

¹⁰ https://www.issai.org/issai/issai-climate-transition-plans-and-tcfd-disclosures

16 | Climate change policy

Appendix 3 to the Statement of Investment Principles

Appendix 3:

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 manager's 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.



Climate change policy | 17

Chair's annual governance statement for the year ended 31 March 2023 continued

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

Appendix 3 to the Statement of Investment Principles

Appendix 3:

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.¹⁸

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.¹⁹

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.²⁰

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.²¹

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.'²²

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.²³

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.²⁴

¹⁸ ghgprotocol.org
¹⁹ iigcc.org
²⁰ ipcc.ch
²¹ justtransition.org
²² unfccc.int
²³ principlesforresponsibleinvestment.org
²⁴ UK Stewardship Code | Financial Reporting Council (frc.org.uk)

18 | Climate change policy

The People's Pension Scheme - Statement of Investment Principles | 50

Appendix 3 to the Statement of Investment Principles

Appendix 3:

Appendix

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 KC MG 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 \(ctfc.gov\)](#)

Financial Conduct Authority. Joint Statement by the FCA, PRA, TPR and FRC on the publication of Climate Change Adaptation Reports. 13 December 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](#)

Stroebe & Wurgler. What Do You Think About Climate Finance? August 2021. [What Do You Think About Climate Finance? | NBER](#)

Climate change policy | 19

The People's Pension Scheme - Statement of Investment Principles | 51

Appendix 3 to the Statement of Investment Principles

Appendix 3:

Appendix

Market repricing and transition shocks

Bank of England. Breaking the tragedy of the horizon – climate change and financial stability. 29 September 2015. [Breaking the tragedy of the horizon - climate change and financial stability - speech by Mark Carney | Bank of England](#)

Carlton & Natal. Further Delaying Climate Policies Will Hurt Economic Growth. 5 October 2022. [Further Delaying Climate Policies Will Hurt Economic Growth \(imf.org\)](#)

European Parliament. Deal reached on new carbon leakage instrument to raise global climate ambition. 13 December 2022. [European Parliament Press Room - Press Release 13-12-22](#)

European Parliament. Climate change: Deal on a more ambitious Emissions Trading System (ETS). 18 December 2022. [Climate change: Deal on a more ambitious Emissions Trading System \(ETS\) | News | European Parliament \(europa.eu\)](#)

Grantham Research Institute on Climate Change and the Environment. Preventing a 'climate Minsky moment': environmental financial risks and prudential exposure limits. March 2022. [Preventing a 'climate Minsky moment': environmental financial risks and prudential exposure limits | Exploring the case of the Bank of England's prudential regime - Grantham Research Institute on climate change and the environment \(lse.ac.uk\)](#)

Inevitable Policy Response. IPR 2022 Policy Gap Analysis. 16 November 2022. [IPR 2022 Policy Gap Analysis | Thought leadership | PRI \(unpri.org\)](#)

Network for Greening the Financial System. Technical Supplement to the First NGFS Comprehensive Report. July 2019. [ngfs-report-technical-supplement_final_v2.pdf](#)

Vivid Economics. Low Carbon Transitions and Systemic Risk. March 2020. [Low-Carbon Transitions and Systemic Risk - Vivid Economics](#)

Amplification effects of technological innovation and renewable cost curves

International Energy Agency. World Energy Outlook 2022. October 2022. [World Energy Outlook 2022 \(windows.net\)](#)

Rocky Mountain Institute. The Energy Transition Narrative. September 2022. [The Energy Transition Narrative - RMI](#)

Climate change policy | 20

The People's Pension Scheme - Statement of Investment Principles | 52

Chair's annual governance statement for the year ended 31 March 2023 continued

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

Appendix 3 to the Statement of Investment Principles

Appendix 3:

Menu

For more information:
T. 0330 333 4593
E. info@thepeoplespension.co.uk
thepeoplespension.co.uk

People's
Pension

The People's Pension Trustee Limited
Henri Road, Crawley West Sussex, BN12 9JZ, Tel: 0330 333 4593, www.thepeoplespension.co.uk
Registered in England (11111111) No. 10123456
The People's Pension Trust is a Trust of The People's Pension.
To help us improve our services, we may record your use.

11

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation 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 2023:

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 of and any 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

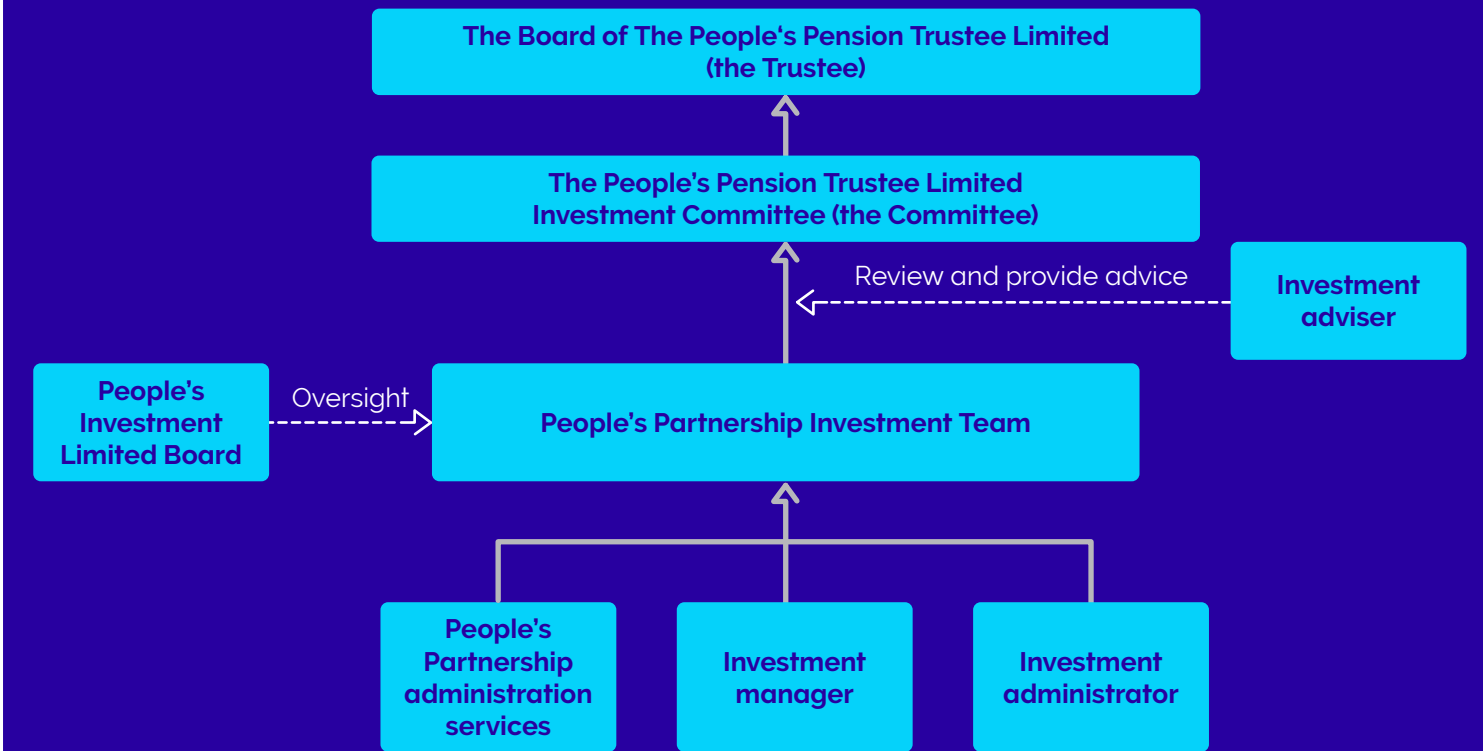
The overall governance of the pension scheme is outlined in the Scheme's SIP. The fiduciary responsibility sits with the Trustee. The Trustee has an Investment Committee ("the Committee") to govern the investments of the Scheme. The Committee is made up of 3 members of the Trustee Board.

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 Holdings Limited ("People's Partnership"), whose internal investment function provides services to The People's Pension and other schemes that People's Partnership oversees, and the Trustee's independent investment advisor, Barnett Waddingham.

The Board of People's Investment Limited is responsible for overseeing People's Partnership internal investment function. The members of the Board have decades of industry experience and provide key insight to assist with 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 (whether this is at a policy or strategy level). 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 – Decision making structure



Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Trustee's responsibilities in respect of scheme investments/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. This was reviewed in November 2022 and deemed appropriate by the Scheme's Investment Consultant, based on the membership profile and Trustee objectives.
- 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 in November 2022. As part of this review, the Scheme's Investment Consultant concluded that the fund choices currently offered to members remain reasonable.
- The Trustee monitors the performance of the managers and funds quarterly relative to their stated objectives. In addition to this, consideration is given to the qualitative views held by People's Partnership the Trustee's Investment Consultant 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 Consultant 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. The SIP in force during the period was approved in September 2020. Along with the Trustee's policy on Climate Change, the SIP was updated post year-end in April 2023 following the investment review in 2022 and the Trustee's decision to conduct a deep dive on its approach to Climate Change, working in collaboration with People's Partnership, as well as its Investment Consultant during the period.
- The Trustee made no new manager appointments over the year.
- The Trustee engages regularly with People's Partnership. There have been positive developments at People's Partnership during the period. For example, a dedicated Head of Responsible Investment was appointed. People's Partnership have also engaged with various stakeholders across the industry on the Trustee's behalf. As one example, in December 2022, State Street announced the launch of their Investor Voting Choice programme, allowing eligible investors a choice of the voting policy to be applied to their shares. People's Partnership has been working to review these policies ahead of the 2024 proxy voting season, as well as working with State Street on the further development of the programme. People's Partnership are also represented in the Principles for Responsible Investment (PRI)'s Resourcing Technical Working Group and the FCA's Vote Reporting Group, which the Trustee believes will drive positive change in the industry and provides a valuable feedback loop for the

Trustee's ongoing review of its Responsible Investment Policy and stewardship expectations for the Scheme's fund managers. In addition, People's Partnership have worked closely with State Street during the period to understand and provide feedback on State Street's stewardship approach on climate, nature and human rights.

- The Trustee also engages regularly with their independent Investment Consultant, Barnett Waddingham. During the period, the Trustee has reviewed the strategic objectives for Barnett Waddingham and has reviewed their performance against these objectives. The Trustee notes that Barnett Waddingham is a signatory of the UK Stewardship Code and has made a meaningful contribution to the Investment Consultants Sustainability Working Group ("ICSWG"). Barnett Waddingham's contribution to the ICSWG has focused on improving the efficiency and consistency of data collection from investment managers along with encouraging disclosures that are sufficiently detailed to enable asset owners to improve stewardship activities in the future. These examples illustrate Barnett Waddingham's commitment to help evolve the industry's approach to sustainable investment, including stewardship, on behalf of the Trustee and other clients.

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 fund managers. However, the Trustee recognises the importance of engaging with its fund managers and the wider industry to ensure stewardship is carried out in line with its policies and encourage 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 September 2020. The RI policy that sits alongside the SIP was last updated in April 2021. 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 RI policy also sets out the Trustee's expectations for its fund managers. In particular, managers are expected to:

- Be transparent and accountable;
- Enhance and evolve ESG practices in markets;
- Develop long-term partnerships with companies and guide them through the evolution in ESG practices.

In addition, the Trustee will take into account whether their managers are signatories to the Principles for Responsible Investment (PRI) and UK Stewardship Code. All of the managers are signatories to the PRI, as well as the Scheme's investment adviser. All fund managers, as well as the Scheme's investment adviser, are signatories to the 2020 UK Stewardship Code.

In their RI policy, the Trustee has also established principles for voting and engagement activities. The principles cover areas including:

- Election of Directors and Boards;
- Accounting and Audit Related Issues;
- Capital Structure, Reorganisation and Mergers;
- Compensation;
- Environmental and Social Issues.

The Trustee has interpreted these areas as their stewardship priorities within their RI policy.

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Responsible investment

- The Trustee believes that ESG factors can affect the performance of investment portfolios and has a Responsible Investment policy in place to outline this, alongside the SIP. The process set by the Trustee for implementing this policy includes integration, exclusions and engagement.
- The Trustee considers the ESG capabilities of each of the Scheme's managers as part of their approach to responsible investing. The managers' approaches are consistent with the RI policy.
- The Trustee regularly reviews the ESG capabilities of the managers as part of the monitoring process.
- Exclusions based on controversial weapons and other severe ESG controversies have been introduced 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 and makes no distinction in this between the default and self-select funds.
- The exclusions based on controversial weapons and other severe ESG controversies are designed to reduce the risk of the portfolio being exposed to reputational and ESG risks although they 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 Multifactor ESG fund that was first added to the strategy in 2018. It reduces carbon intensity of the portfolio and increases overall ESG scores. 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 is currently reviewing how it integrates climate risk in portfolio construction, in line with the recent review of its Climate Change policy (as noted above).

How 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 fund managers based on a review of reports and other information provided by the fund managers. This includes information on voting and engagement, together with ratings on voting and engagement in action, as well as scores provided by the PRI 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 undertook a review of the stewardship and engagement activities of their fund managers via receipt and review of their investment advisers' report (issued in October 2022). The contents of the report were reviewed and discussed by the Trustee in their meeting on 3 November 2022. The result of the review was that the Trustee was satisfied that the actions of their fund managers were reasonably in alignment with the Scheme's stewardship policies and no significant remedial action was required at that time. This is an annual review and the Trustee expects industry best practice to improve in the coming years (and this will be reflected in the Trustee's expectations for their fund managers). For example, the Trustees' investment advisers highlighted the level of detail in voting disclosures as an area for improvement and People's Partnership subsequently raised this with State Street on the Trustee's behalf. People's Partnership have also highlighted to State Street the importance of including engagement milestones, progress and the use of voting as an escalation strategy in their reporting.

2. Where relevant, the Trustee's investment advisers consider a fund manager's stewardship credentials when advising on investment issues.

There were no changes in fund 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.

A formal meeting between the Trustee and their managers was not deemed necessary over the year under review. This reflects the reporting provided by the Trustee's investment advisers as noted in item 1, above, as well as the Trustee's decision to take formal advice from their investment advisers on the appropriateness of the Scheme's current managers, which also took place during the year under review. It also reflects the ongoing work by 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.

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 Trustee reviewed the contents of this Statement prior to signing.

Voting and engagement data is set out in the remainder of this Statement for the relevant funds/managers.

Prepared by the Trustee of The People's Pension

August 2023

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Voting data

The table provides a summary of the voting activity undertaken by SSGA and HSBC over the year to 31 March 2023, together with information on any key voting priorities and information on the use of proxy voting advisors by the managers.

Proxy voting

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.

State Street use 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. State Street also have access to information from Glass Lewis and IVIS to complement their in-house analysis. All final voting decisions are based on State Street's proxy voting policies and in-house operational guidelines, with any nuanced voting matters referred to and reviewed by members of State Street's stewardship team.

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 Index Equity 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	95	1,545	298	678	652	500	494	463	4,010	1,490	274	693
Number of resolutions the manager was eligible to vote on over the year	1,423	21,650	4,187	10,122	8,190	8,966	6,134	3,242	34,225	21,022	2,978	7,276
Percentage of resolutions the manager voted on	97.0%	99.4%	98.9%	100%	99.4%	99.0%	100%	100%	97.1%	99.4%	98.3%	96.9%
Percentage of resolutions the manager abstained from, as a percentage of the total number of resolutions on the manager was eligible to vote on over the year*	0.0%	0.5%	0.3%	0.2%	0.4%	0.7%	0.0%	0.6%	2.4%	0.5%	2.4%	3.3%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on*	80.5%	90.7%	92.0%	93.2%	90.4%	89.2%	93.1%	84.4%	82.1%	90.8%	92.8%	88.6%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on*	19.8%	9.3%	8.0%	6.8%	9.6%	10.8%	6.9%	15.6%	17.9%	9.2%	7.2%	11.4%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	12.1%	8.2%	7.1%	6.3%	11.3%	6.1%	6.3%	10.9%	7.2%	8.2%	7.0%	6.1%

*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.

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Significant votes

The Investment and Disclosure Regulations that came into force from October 2020 require information on significant votes carried out on behalf of the Trustee over the year to be set out in this statement. Recent guidance (from the Department for Work and Pensions (DWP) in June 2022) 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. However, they look for good alignment and consider this as part of their annual review of sustainability matters.

The Trustee is comfortable that the voting undertaken on their behalf was broadly reflective of their own policies and procedures and not inconsistent with their stewardship priorities. 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 RI policy has been re-confirmed with the investment managers as part of preparing this Statement.

In determining significant votes, the Trustee has selected three significant votes for each SSGA and HSBC fund. The significant votes are selected based on themes outlined in the Stewardship policy section above and the size of the holding within each portfolio. The outcome of the significant votes has not been included for SSGA funds as they were not provided.



Funds

HSBC, Islamic Global Equity Index Fund	55
SSGA, World Adaptive Capped Equity Index Fund	56
SSGA, ACS Multi-Factor Global ESG Equity Index Fund	57
SSGA, UK ESG Screened Index Equity Fund	58
SSGA, North America ESG Screened Equity Index Fund	59
SSGA, Europe ex UK ESG Screened Equity Index Fund	60
SSGA, Japan ESG Screened Equity Index Fund	61
SSGA, Asia Pacific ex Japan ESG Screened Equity Index Fund	62
SSGA, Emerging Markets ESG Screened Equity Index Fund	63
SSGA, World ESG Equity Index Fund	64
SSGA, Global Real Estate Equity Index Fund	65
SSGA, Multi-Asset Global Infrastructure Index Fund	66

Chair's annual governance statement for the year ended 31 March 2023 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.	Novo Nordisk A/S
Date of vote	10 March 2023	24 January 2023	23 March 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	7.4%	1.9%	11%
Summary of the resolution	Elect Director Sue Wagner	Advisory Vote to Ratify Named Executive Officers' Compensation	Approve Remuneration Report (Advisory Vote)
How the manager voted	Against 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?	HSBC communicated their thinking on the shareholder proposals ahead of the AGM.	HSBC have not in this instance, but they have communicated after the meeting.	HSBC have not in this instance, but they have communicated after the meeting.
Rationale for the voting decision	HSBC have concerns about insufficient diversity of the board.	HSBC did not support the grant of shares or options to executives within the long-term incentive plan (LTIP) that are not majority (+51%) linked to performance criteria. HSBC are also against the grant of shares or options to executives within the LTIP if the vesting period is less than 3 years.	HSBC consider the quantum of the total pay excessive. HSBC also consider the performance measurement period for the LTIP too short.
Outcome of the vote	The resolution passed	The resolution passed	The resolution passed
Implications of the outcome	HSBC will continue to engage on the issue along with other issues of concern, and 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.	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 principles for voting and engagement activities.		

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Significant votes continued

SSGA, World Adaptive Capped Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Woodside Petroleum Ltd.	General Mills, Inc.	ServiceNow, Inc.
Date of vote	19 May 2023	27 September 2022	9 June 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.2%	0.2%	0.2%
Summary of the resolution	Shareholder proposal to report on Climate Change	Shareholder proposal in relation to Community and Environment Impact	Advisory Vote to Ratify Named Executive Officers' Compensation
How the manager voted	Against the proposal (in line with management recommendation)	For 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?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	This proposal did not merit support as the company's disclosure and/or practices related to climate change are already considered reasonable.	This proposal merited support as the company's environmental disclosure and/or practices can be improved.	This item did not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.
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 sits within the Environmental and Social issues stewardship priority chosen by the Trustee.	The topic of the vote is linked to environmental issues, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to compensation, which the Trustee has identified as a stewardship priority.

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Significant votes continued

SSGA, ACS Multi-Factor Global ESG Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Microsoft Corporation	The Travelers Companies, Inc.	Tesla, Inc.
Date of vote	13 December 2022	25 May 2022	4 August 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.4%	1.0%	0.8%
Summary of the resolution	Shareholder proposal to report on Climate Change	Shareholder proposal to report on Climate Change	Shareholder proposal to in relation to Community and Environment Impact
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	This proposal did not merit support as the company's disclosure and/or practices related to climate change are already considered reasonable.	This proposal did not merit support as the company's disclosure and/or practices related to climate change are already considered reasonable.	This proposal merited support as the company's environmental disclosure and/or practices can be improved.
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 sits within the Environmental and Social issues stewardship priority chosen by the Trustee.	The topic of the vote is linked to climate change, which sits within the Environmental and Social issues stewardship priority chosen by the Trustee.	The topic of the vote is linked to environmental issues, which the Trustee has identified as a stewardship priority.

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Significant votes continued

SSGA, UK ESG Screened Index Equity Fund

	Vote 1	Vote 2	Vote 3
Company name	Royal Dutch Shell Plc	Standard Chartered Plc	Flutter Entertainment Plc
Date of vote	24 May 2022	4 May 2022	28 April 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	7.6%	0.7%	0.7%
Summary of the resolution	Shareholder proposal in relation to Greenhouse Gas ("GHG") Emissions	Approve Remuneration Policy	Advisory Vote to Ratify Named Executive Officers' Compensation
How the manager voted	Against the proposal (in line with management recommendation)	Abstain (against management recommendation)	Against the proposal (against the 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 did not merit support as the company's disclosure and/or practices pertaining to GHG emissions are already considered reasonable.	This proposal merited qualified support as SSGA has some concerns with the remuneration structure for senior executives at the company.	This item did not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.
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 environmental issues, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to compensation, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to compensation, which the Trustee has identified as a stewardship priority.

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Significant votes continued

SSGA, North America ESG Screened Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Amazon.com, Inc.	Alphabet Inc.	Meta Platforms, Inc.
Date of vote	25 May 2022	1 June 2022	25 May 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.8%	2.0%	11%
Summary of the resolution	Shareholder proposal in relation to Facility Safety	Shareholder proposal to establish Environmental/Social Issue Board Committee	Advisory Vote to Ratify Named Executive Officers' Compensation
How the manager voted	For the proposal (against management recommendation)	Against the proposal (in line with 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?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	This proposal merited support as the company's disclosure and/or practices related to facility safety can be improved.	This item did not merit support due to concerns with the terms of the proposal.	This item did not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.
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 social issues, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to environmental and social issues, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to compensation, which the Trustee has identified as a stewardship priority.

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Significant votes continued

SSGA, Europe ex UK ESG Screened Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Roche Holding AG	Equinor ASA	LVMH Moet Hennessy Louis Vuitton SE
Date of vote	14 March 2023	11 May 2022	21 April 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.5%	0.5%	2.3%
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Climate Change Action	Advisory Vote to Ratify Named Executive Officers' Compensation
How the manager voted	Against the proposal (against management recommendation)	Against the proposal (in line with 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?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	This item did not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.	This proposal did not merit support as the company's disclosure and/or practices related to climate change are already considered reasonable.	This item did not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.
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 compensation, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to climate change, which sits within the Environmental and Social issues stewardship priority chosen by the Trustee.	The topic of the vote is linked to compensation, which the Trustee has identified as a stewardship priority.

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Significant votes continued

SSGA, Japan ESG Screened Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Shin-Etsu Chemical Co., Ltd.	Sumitomo Mitsui Financial Group, Inc.	Mitsubishi Corp.
Date of vote	29 June 2022	29 June 2022	24 June 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.3%	1.1%	1.0%
Summary of the resolution	Elect Director	Shareholder proposal to report on Climate Change	Shareholder proposal to report on Climate Change
How the manager voted	Against 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 voted against the nominee due to the lack of gender diversity on the board and the company has not engaged in successful dialogue on SSGA's board gender diversity program for three consecutive years.	This proposal did not merit support as the company's disclosure and/or practices related to climate change are already considered reasonable.	This proposal did not merit support as the company's disclosure and/or practices related to climate change are already considered reasonable.
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 director elections, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to climate change, which sits within the Environmental and Social issues stewardship priority chosen by the Trustee.	The topic of the vote is linked to climate change, which sits within the Environmental and Social issues stewardship priority chosen by the Trustee.

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Significant votes continued

SSGA, Asia Pacific ex Japan ESG Screened Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Commonwealth Bank of Australia	CSL Limited	Jardine Matheson Holdings Ltd.
Date of vote	12 October 2022	12 October 2022	5 May 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	4.5%	3.6%	0.3%
Summary of the resolution	Shareholder proposal to report on Climate Change	Advisory Vote to Ratify Named Executive Officers' Compensation	Elect Director
How the manager voted	Against the proposal (in line with 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?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	This proposal did not merit support as the company's disclosure and/or practices related to climate change are already considered reasonable.	This item did not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.	SSGA voted against the nominee due to the lack of gender diversity on the board.
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 sits within the Environmental and Social issues stewardship priority chosen by the Trustee.	The topic of the vote is linked to compensation, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to director elections, which the Trustee has identified as a stewardship priority.

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Significant votes continued

SSGA, Emerging Markets ESG Screened Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Meituan	Naspers Ltd.	Pinduoduo Inc.
Date of vote	18 May 2022	25 August 2022	31 July 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.8%	0.5%	0.5%
Summary of the resolution	Elect Director	Advisory Vote to Ratify Named Executive Officers' Compensation	Elect Director
How the manager voted	Against 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?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	SSGA voted against the nominee due to the lack of gender diversity on the board.	This item did not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.	SSGA voted against the nominee due to the lack of gender diversity on the board.
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 director elections, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to compensation, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to director elections, which the Trustee has identified as a stewardship priority.

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Significant votes continued

SSGA, World ESG Screened Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	The Home Depot, Inc.	The Coca-Cola Company	JPMorgan Chase & Co.
Date of vote	19 May 2022	26 April 2022	17 May 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.9%	0.8%	0.6%
Summary of the resolution	Shareholder proposal in relation to Community and Environment Impact	Shareholder proposal in relation to Product Toxicity and Safety	Advisory Vote to Ratify Named Executive Officers' Compensation
How the manager voted	For the proposal (against management recommendation)	Against the proposal (in line with 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?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	This proposal merited support as the company's environmental disclosure and/or practices can be improved.	This proposal did not merit support as the company's disclosure and/or practices pertaining to the item are reasonable.	This item did not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.
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 environmental issues, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to environmental and social issues, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to compensation, which the Trustee has identified as a stewardship priority.

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Significant votes continued

SSGA, Global Real Estate Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Prologis, Inc.	Aroundtown SA	Fibra Uno Administracion SA de CV
Date of vote	4 May 2022	29 June 2022	28 April 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	6.2%	0.2%	0.2%
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Approve Remuneration Policy	Elect Director
How the manager voted	Abstain (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?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	This proposal merited qualified support as SSGA has some concerns with the remuneration structure for senior executives at the company.	This item did not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.	SSGA voted against the nominee due to the lack of gender diversity on the board.
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 compensation, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to compensation, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to director elections, which the Trustee has identified as a stewardship priority.

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Significant votes continued

SSGA, Multi-Asset Global Infrastructure Index Fund

	Vote 1	Vote 2	Vote 3
Company name	United Parcel Service, Inc.	Enbridge Inc.	Dominion Energy, Inc.
Date of vote	5 May 2022	4 May 2022	11 May 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.5%	2.2%	1.7%
Summary of the resolution	Shareholder proposal to report on Climate Change	Shareholder proposal in relation to GHG Emissions	Shareholder proposal to report on Climate Change
How the manager voted	Against the proposal (in line with management recommendation)	Abstain (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	This proposal did not merit support as the company's disclosure and/or practices related to climate change are already considered reasonable.	SSGA abstained on the proposal as the company's disclosure and/or practices related to GHG emissions are broadly in line with market standard but could be enhanced.	This proposal did not merit support as the company's disclosure and/or practices related to climate change are already considered reasonable.
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 sits within the Environmental and Social issues stewardship priority chosen by the Trustee.	The topic of the vote is linked to environmental issues, which the Trustee has identified as a stewardship priority.	The topic of the vote is linked to climate change, which sits within the Environmental and Social issues stewardship priority chosen by the Trustee.

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustee. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds over the year to 31 March 2023.

SSGA carry out engagement activities at a firm-wide level, and the information provided reflects this. This year, SSGA have been able to provide some high-level information on their engagements at a fund level but cannot provide fund specific engagement examples. The Trustee and their investment adviser will engage with the investment managers to obtain specific examples directly relating to the Scheme's holdings in the future.

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 Index Equity 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	35	622	103	63	358	119	41	59	7	606	23	56
Number of entities engaged on behalf of the holdings in this fund in the year	23	389	68	42	211	85	30	41	7	380	19	44
Number of engagements undertaken at a firm level in the year	2,632	878										

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Fund level engagement continued

HSBC

Ocado Group plc - Workforce, executive pay, board chair engagement

HSBC voted against the re-election of the board chair and their remuneration report. Following this, the board chair offered an engagement meeting. HSBC agreed to meet them given the company itself is an interesting model of retail and tech/ machinery with workforce issues.

Outcome: The board chair acknowledged significant dissent against executive pay, but the large focus on share price in determining pay means that HSBC foresee the large options package for management to be a challenge over the next few years.

HSBC believe it would be good if Ocado committed to enhanced supply chain insight and better understanding of employee wellbeing given the prevalence of low wage roles in the retail model.

HSBC think the move towards zero human pickers is understandable and somewhat predictable, but treating staff with dignity and providing opportunities for them to stay employed is important. HSBC also note the employment growth and controversial fire-and-rehire exercise for UK drivers.

Board gender diversity is below HSBC's desired percentage, and this was communicated to the chair, who accepted their position and said that board refreshment was happening over the next 24 months.

Improvement points include supply chain insight, employee wellbeing and disclosure of injury statistics.

Coal India Limited - Thermal coal exposure: emissions reduction, diversification from thermal coal, and improved transparency

This was the first time HSBC had a 1-1 engagement meeting with the company after several attempts to contact them but without response. The focus of this meeting was climate change and the company's climate transition plans, recognizing that it is a state-owned coal miner in India so HSBC's leverage to influence change was limited. In preparation for the meeting, HSBC have engaged with various influencer groups. HSBC also used the upcoming AGM as an opportunity to explain to the company their Say on Climate watchlist and rationale for intention to vote against its non-executive director(s) who were up for re-election.

HSBC had a productive introductory call with the general manager of Environment and discussed the company's scope 1 and 2 decarbonisation initiatives, thermal coal diversification strategies, GHG emissions reduction targets, just transition considerations, and how the company can enhance climate disclosures.

HSBC followed up with recommendations to the company to adopt in order to improve its transparency and scores: (1) GHG targets, (2) TCFD and CDP disclosures, (3) scope 3 reporting, (4) capital expenditure on decarbonisation, (5) diversification strategy and (6) further details of just transition.

Next steps included:

- Following up with CA100+ investor group, as one of the various influencer groups.
- Sharing Thermal Coal Policy with Coal India once published.
- Sharing Just Transition white paper once published.
- Meeting with government board representatives, Shrimati Nirupama Kotru and Shri Kumar Tiwari to exchange with the government and ministry's priorities and challenges.

ENN Energy – Science based emissions target and scope 3 emission reporting

ENN Energy is one of the largest clean energy distributors in Mainland China. It is also one of the first non-state-owned piped gas distributors in China. The company is poised to benefit from the energy transition and has clearly articulated its opportunities in this space. HSBC had concerns with board diversity and gender diversity percentages of which both fell this year.

HSBC also inquired into safety and pipeline management given a spate of explosions/ accidents in Mainland China in recent years and incident and risk management. HSBC also discussed climate objectives and net zero commitments.

HSBC discussed and inquired into the company's plans to set a net zero commitment. The company shared that this is being assessed, though priority will be to footprint scope 3 emissions and alignment with the People's Republic of China's timelines on net zero. The demand for gas will only continue to grow as the People's Republic of China has yet to peak emissions.

HSBC outlined the importance of a crisis management team with involvement of senior management and regular testing of crisis management plans – this should cover safety and cyber issues.

HSBC discussed pipeline safety and management. The company outlined how the pipeline network is monitored through AI and the process to refurbish or bring up to standard any third-party pipeline that the company buys.

The company shared that it is committed to achieving 50% board independence and 30% board female representation although has not specified dates for when this is to be achieved.

Outcome: The company agreed on the call to greater disclosure on crisis preparedness and whistleblowing matters. ENN has carbon footprinted its scope 3 emissions and will be disclosing this in its upcoming ESG Report. ENN has also committed to net zero emissions.

HSBC will continue to engage with ENN on setting interim emissions reduction targets.

ENN was also the victim of a cyber-attack and provided additional details on processes to address the issue – HSBC will continue to engage with ENN on their cyber preparedness.

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 2 – Implementation Statement continued

Fund level engagement continued

SSGA

China International Capital Corporation Limited (CICC) – Capital Issuance

The company held an extraordinary general meeting ("EGM") in the fourth quarter of 2022, seeking shareholder approval for a rights issuance to provide the company with additional capital. One of the agenda items pertained to approving a whitewash waiver in relation to waiving the obligation of a significant stakeholder to make a mandatory general offer to purchase the remaining shares from other shareholders.

Leading up to the company's annual general meeting, SSGA engaged with the company's Chief Financial Officer to understand the rationale for the share issuance, request for a whitewash waiver, and parties involved in the transaction.

During the engagement with CICC, the company highlighted its long-term strategy where the issuance will be used to support capital needs for business development and replenish other working capital across different business segments of equity, fixed income trading, and wealth management.

With a focus on growth and expansion in demand, the proceeds will be utilized to strengthen the company's position in the market. Furthermore, discussions were centred around capital and share class structure, target subscriber for the rights issue, and the whitewash waiver.

Outcome: Ultimately, SSGA voted FOR the proposal in the absence of further concerns.

On balance, the structure and nature of the transaction appears reasonable for shareholders to support. In addition, shareholders would be provided equal opportunity to maintain proportionate interest in the company.

At the time, the differential in pricing and premium in the trading price of the Chinese companies listed in China ("A-shares") relative to the Chinese companies listed in Hong Kong ("H-shares") would mean a low probability for shareholders of Chinese companies listed in Hong Kong to subscribe to the rights offer, and therefore likely that the majority shareholder would increase their stake.

However, SSGA viewed the risks of adverse impact to H-share shareholders as low, given material advantages of the majority shareholder providing capital at a much higher valuation relative to where the H-shares were trading.

SSGA will continue monitoring the outcome and will remain engaged with the company on this topic. SSGA encourage firms in the Asia-Pacific region especially where structures involve significant or controlling shareholders, to continue engaging with other shareholders in providing transparency and in the consideration and protection of minority shareholder interests.

ConocoPhillips - Climate change, methane emissions

In 2022, SSGA initiated a series of targeted engagements with portfolio companies in the oil and gas industry on the topic of methane. The oil and gas industry represents one of the largest contributors to global methane emissions, and investors are increasingly focused on understanding how companies are responding to heightened regulatory, reputational and financial risks related to methane.

SSGA engaged with ConocoPhillips in Q2 2021 ahead of its AGM on the company's approach to managing GHG emissions, including Scope 3 and methane emissions. They discussed opportunities to enhance methane data quality and measurement-based reporting including joining the Oil and Gas Methane Partnership (OGMP) 2.0, a multi-stakeholder initiative launched by UNEP and the Climate and Clean Air Coalition. OGMP 2.0 provides a comprehensive reporting framework to improve the transparency and quality of methane emissions disclosure in the oil and gas industry. In Q3 2022, SSGA conducted a second engagement with the company to discuss its methane detection, monitoring and reduction efforts in further detail.

Outcome: In Q3 2022, ConocoPhillips formally joined OGMP 2.0. The company committed to report methane emissions from both operated and non-operated assets and to incorporate source-level and site-level measurements in line with the OGMP's guidance. The company also set a new medium-term target to achieve a near-zero methane emissions intensity by 2030. SSGA value the constructive dialogue and responsiveness from ConocoPhillips and intend to continue to engage with the company on its methane emissions management and reporting efforts.

Apple Inc. – Racial Equity

During the 2022 US proxy season, over 20 companies had shareholder proposals asking management to undertake an independent, third-party civil rights or racial equity audit. Apple was one of the companies to receive such a proposal.

In advance of the company's 2022 AGM, SSGA had multiple engagements with Apple regarding their approach to managing risks and opportunities related to racial equity. In these conversations, SSGA expressed their desire for greater insights into how the company manages risks related to the potential adverse impact of its products and services on underrepresented racial and/or ethnic communities. As a result, SSGA supported the relevant shareholder proposal.

Outcome: After the proposal passed with 52% support, the company publicly committed to undertaking a racial equity audit. SSGA applaud Apple's responsiveness to investors and will continue to engage the company regarding their experience and findings once the audit is complete.

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 3 – Illustration of charges and transaction costs

Illustrative examples of the effect of the management charge of 0.5%, the £2.50 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	£1,970	£1,970
3 years	£6,390	£6,330
5 years	£11,400	£11,300
10 years	£27,600	£26,900
15 years	£49,900	£48,400
20 years	£80,300	£77,200
25 years	£121,000	£115,000
30 years	£176,000	£167,000
35 years	£243,000	£229,000
40 years	£315,000	£294,000
to age 68	£393,000	£365,000

The 'balanced' investment profile* (age 30, starting pot size of £2,163)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 year	£4,250	£4,230
3 years	£8,890	£8,800
5 years	£14,200	£14,000
10 years	£31,100	£30,300
15 years	£54,400	£52,600
20 years	£86,000	£82,600
25 years	£127,000	£121,000
30 years	£175,000	£166,000
35 years	£224,000	£210,000
to age 68	£250,000	£235,000

The 'balanced' investment profile* (age 40, starting pot size of £3,437)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 year	£5,380	£5,360
3 years	£10,100	£10,000
5 years	£15,600	£15,400
10 years	£32,900	£32,200
15 years	£56,300	£54,700
20 years	£84,300	£81,300
25 years	£114,000	£109,000
to age 68	£132,000	£126,000

The 'balanced' investment profile* (age 50, starting pot size of £4,599)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 year	£6,800	£6,780
3 years	£11,700	£11,600
5 years	£17,200	£17,000
10 years	£33,400	£32,700
15 years	£52,200	£50,600
to age 68	£63,000	£61,000

The 'balanced' investment profile* (deferred member age 39, average pot size £1,559)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 year	£1,630	£1,620
3 years	£1,800	£1,760
5 years	£1,980	£1,920
10 years	£2,530	£2,370
15 years	£3,230	£2,930
20 years	£3,950	£3,480
25 years	£4,590	£3,930
to age 68	£4,950	£4,140

* Scheme default arrangement

Chair's annual governance statement for the year ended 31 March 2023 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	£1,970	£1,970
3 years	£6,390	£6,330
5 years	£11,400	£11,300
10 years	£27,600	£26,900
15 years	£49,900	£48,400
20 years	£80,300	£77,200
25 years	£121,000	£115,000
30 years	£176,000	£167,000
35 years	£248,000	£234,000
40 years	£344,000	£322,000
to age 68	£500,000	£463,000

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	£1,980	£1,980
3 years	£6,480	£6,420
5 years	£11,700	£11,500
10 years	£29,000	£28,300
15 years	£53,800	£52,100
20 years	£89,100	£85,600
25 years	£138,000	£132,000
30 years	£207,000	£196,000
35 years	£301,000	£283,000
40 years	£431,000	£402,000
to age 68	£652,000	£601,000

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	£1,970	£1,960
3 years	£6,300	£6,240
5 years	£11,200	£11,000
10 years	£26,300	£25,700
15 years	£46,300	£44,900
20 years	£72,600	£69,800
25 years	£106,000	£102,000
30 years	£150,000	£143,000
35 years	£206,000	£195,000
40 years	£278,000	£260,000
to age 68	£389,000	£362,000

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	£1,950	£1,940
3 years	£6,120	£6,070
5 years	£10,600	£10,500
10 years	£23,800	£23,300
15 years	£40,000	£38,800
20 years	£59,600	£57,500
25 years	£83,300	£79,900
30 years	£111,000	£106,000
35 years	£145,000	£138,000
40 years	£186,000	£176,000
to age 68	£245,000	£230,000

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	£1,980	£1,980
3 years	£6,480	£6,480
5 years	£11,700	£11,700
10 years	£29,000	£29,000
15 years	£53,800	£53,800
20 years	£89,100	£89,100
25 years	£138,000	£138,000
30 years	£207,000	£207,000
35 years	£301,000	£301,000
40 years	£431,000	£431,000
to age 68	£652,000	£652,000

** Non-default arrangements

Chair's annual governance statement for the year ended 31 March 2023 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	£1,940	£1,930
3 years	£6,040	£5,990
5 years	£10,400	£10,200
10 years	£22,700	£22,200
15 years	£37,200	£36,200
20 years	£54,200	£52,400
25 years	£74,100	£71,300
30 years	£97,200	£93,100
35 years	£124,000	£118,000
40 years	£155,000	£147,000
to age 68	£198,000	£188,000

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	£1,980	£1,980
3 years	£6,480	£6,430
5 years	£11,700	£11,600
10 years	£29,000	£28,400
15 years	£53,800	£52,400
20 years	£89,100	£86,100
25 years	£138,000	£133,000
30 years	£207,000	£197,000
35 years	£301,000	£286,000
40 years	£431,000	£407,000
to age 68	£652,000	£610,000

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	£1,940	£1,940
3 years	£5,990	£5,990
5 years	£10,200	£10,200
10 years	£22,200	£22,200
15 years	£35,900	£35,900
20 years	£51,700	£51,700
25 years	£69,900	£69,900
30 years	£90,800	£90,800
35 years	£114,000	£114,000
40 years	£142,000	£142,000
to age 68	£180,000	£180,000

** 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 £161 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 £139 at 31 March 2022). 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 5.0%), gradually switching into the Pre-Retirement Fund (growth rate 2.0%) in the last 15 years
- Global Investments (up to 85% shares) Fund 5.0% 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 2.0% p.a.
- Ethical Fund 6.0% p.a.
- Annuity Fund 1.0% p.a.
- Shariah Fund 6.0% p.a.
- Cash Fund 0.5% p.a.
- Inflation is assumed to be 2.5% p.a.
- No allowance for active management has been made.

Full details of the Scheme 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 2023 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.

The Scheme's funds track a variety of indices, as described below.

Fund	Fund performance**	Benchmark performance	Benchmark*	Asset allocation
Global Investments (up to 60% shares) Fund	(6.10)% 1 Year 5.95% 3 Year 3.75% 5 Year	12.83% 1 Year 8.52% 3 Year 6.79% 5 Year	UK CPI +3% (Gross of fees) UK CPI 2.5% (Net of fees) Performance shown on a net of fee basis	3.78% FTSE All-Share ex Controversies ex CW Index 3.78% FTSE All-World Developed North America Index ex Controversies ex CW Index 3.78% FTSE All-World Developed Europe ex UK Index ex Controversies ex CW Index 1.89% FTSE All-World Japan ex Controversies ex CW Index 1.89% FTSE All-World Developed Asia Pacific ex Japan ex Controversies ex CW Index 3.75% FTSE Emerging Index 18.00% MSCI World Adaptive Capped 2X ex Controversies ex CW Index
Global Investments (up to 85% shares) Fund	(5.49)% 1 Year 9.39% 3 Year 5.21% 5 Year	13.93% 1 Year 9.58% 3 Year 7.84% 5 Year	UK CPI +4% (Gross of fees) UK CPI 3.5% (Net of fees) Performance shown on a net of fee basis	5.04% FTSE All-Share ex Controversies ex CW Index 5.04% FTSE All-World Developed North America ex Controversies ex CW Index 5.04% FTSE All-World Developed Europe ex UK ex Controversies ex CW Index 2.52% FTSE All-World Japan ex Controversies ex CW Index 2.52% FTSE All-World Developed Asia Pacific ex Japan ex Controversies ex CW Index 5.00% FTSE Emerging Index 24.00% MSCI World Adaptive Capped 2X ex Controversies ex CW Index
Global Investments (up to 100% shares) Fund	(4.85)% 1 Year 12.95% 3 Year 6.66% 5 Year	15.03% 1 Year 10.64% 3 Year 8.88% 5 Year	UK CPI +5% (Gross of fees) UK CPI 4.5% (Net of fees) Performance shown on a net of fee basis	6.30% FTSE All-Share ex Controversies ex CW Index 6.30% FTSE All-World Developed North America ex Controversies ex CW Index 6.30% FTSE All-World Developed Europe ex UK ex Controversies ex CW Index 3.15% FTSE All-World Japan ex Controversies ex CW Index 3.15% FTSE All-World Developed Asia Pacific ex Japan ex Controversies ex CW Index
Ethical Fund	(0.93)% 1 Year 15.66% 3 Year 10.59% 5 Year	15.03% 1 Year 10.64% 3 Year 8.88% 5 Year	UK CPI +5% (Gross of fees) UK CPI 4.5% (Net of fees) Performance shown on a net of fee basis	100.00% Global equity

* The Trustee may review and amend the benchmark of the funds as appropriate. The benchmarks above are the target benchmark correct as of 31 March 2023.

** 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.

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'.

Chair's annual governance statement for the year ended 31 March 2023 continued

Appendix 4 – Fund performance continued

The Scheme's funds track a variety of indices, as described below.

Fund	Fund performance**	Benchmark performance	Benchmark*	Asset allocation
Shariah Fund	(3.18)% 1 Year 16.10% 3 Year 14.38% 5 Year	15.03% 1 Year 10.64% 3 Year 8.88% 5 Year	UK CPI +5% (Gross of fees) UK CPI 4.5% (Net of fees) Performance shown on a net of fee basis	100.00% Global equity
Pre-Retirement Fund	(5.57)% 1 Year 0.19% 3 Year 0.92% 5 Year	10.63% 1 Year 6.41% 3 Year 4.71% 5 Year	UK CPI +1% (Gross of fees) UK CPI 0.5% (Net of fees) Performance shown on a net of fee basis	1.39% FTSE All-Share ex Controversies ex CW Index 1.39% FTSE All-World Developed North America ex Controversies ex CW Index 1.39% FTSE All-World Developed Europe ex UK ex Controversies ex CW Index 0.69% FTSE All-World Japan ex Controversies ex CW Index 0.69% FTSE All-World Developed Asia Pacific ex Japan ex Controversies ex CW Index 1.25% FTSE Emerging ex Controversies ex CW Index 5.50% MSCI World Adaptive Capped 2X ex Controversies ex CW Index 4.20% MSCI World Select 5-Factor ESG Low Carbon Target Index 1.75% Dow Jones Global Select Real Estate Securities Index 1.75% Morningstar Global Multi-Asset Infrastructure Index 20.00% Bloomberg U.S. Treasury Index 10.00% Barclays Sterling Corporate All Stocks Index 10.00% FTSE Actuaries British Government All Stocks Index 30.00% Bloomberg Barclays Global Aggregate Bond Index 20.01% SONIA
Cash Fund	1.78% 1 Year 0.37% 3 Year 0.33% 5 Year	2.25% 1 Year 0.81% 3 Year 0.75% 5 Year	SONIA	100.00% Money Market
Annuity Fund	(24.19)% 1 Year (10.81)% 3 Year (3.93)% 5 Year	-25.64% -12.97% -5.15% 5 Year	Composite+	70.00% Barclays Sterling Aggregate 100 mm Non-Gilts Over 15 Years Index 15.00% FTSE Actuaries British Government Over 15 Years Index 10.00% Barclays UK 4.25% Dec 55 TRI 5.00% Barclays UK 4.00% Jan 60 TRI

* The Trustee may review and amend the benchmark of the funds as appropriate. The benchmarks above are the target benchmark correct as of 31 March 2023.

** 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.

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'.

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 2023 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 77 to 84.

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 2023 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. 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.

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 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.

Independent Auditor's report to the Trustee of The People's Pension Scheme continued

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, TCFD Report 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
26 September 2023

Fund account for the year ended 31 March 2023

	Note	2023 £000	2022 £000
Contributions and benefits			
Contributions			
Employer contributions		1,841,944	1,595,566
Employee contributions		1,925,071	1,731,371
Total contributions	4	3,767,015	3,326,937
Individual transfers in		496,714	259,759
		4,263,729	3,586,696
Benefits paid or payable	5	(297,479)	(235,688)
Payments to and on account of leavers	6	(13,692)	(9,474)
Individual transfers to other plans		(303,648)	(272,229)
Administrative expenses	7	(73,998)	(65,655)
		(688,817)	(583,046)
Net additions from dealings with members		3,574,912	3,003,650
Returns on investments			
Change in market value of investments	8	(853,088)	854,823
Investment management expenses		(13,556)	(12,259)
Net return on investments		(866,644)	842,564
Net increase in the fund during the year		2,708,268	3,846,214
Opening net assets		17,675,637	13,829,423
Closing net assets		20,383,905	17,675,637

The notes on pages 78 to 84 form part of these financial statements.

Statement of net assets available for benefits as at 31 March 2023

	Note	2023 £000	2022 £000
Investment assets			
Pooled investment vehicles	8	20,241,626	17,579,658
Total net investment assets		20,241,626	17,579,658
Current assets	16	184,438	160,506
Current liabilities	17	(42,159)	(64,527)
Net assets available for benefits		20,383,905	17,675,637

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 78 to 84 form part of these financial statements.

These financial statements were approved by the Trustee on 21 September 2023 and signed on its behalf by:

Mark Condon

Director

Notes to the financial statements for the year ended 31 March 2023

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 believe to be appropriate as they believe 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.

(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.

Notes to the financial statements for the year ended 31 March 2023 continued

4. Contributions

	2023 £000	2022 £000
Employer		
Normal	1,841,944	1,595,566
Employee		
Normal	1,897,964	1,706,633
Additional voluntary contributions	27,107	24,738
	1,925,071	1,731,371
Total contributions	3,767,015	3,326,937

All contributions payable under salary sacrifice arrangements are classified as employer contributions.

5. Benefits paid or payable

	2023 £000	2022 £000
Lump sum retirement benefits	274,824	215,039
Lump sum death benefits	22,655	20,649
	297,479	235,688

6. Payments to and on account of leavers

	2023 £000	2022 £000
Refund of contributions in respect of:		
Opt-outs	13,692	9,474

7. Administrative expenses

	2023 £000	2022 £000
Administrative expenses	73,998	65,655

The AMC deducted from members' funds during the year totalled £87.6m (2022: £77.9m). The AMC is net of management charge rebates of £15.5m (2022: £12.9m) and includes an 'Annual Charge' of £12.0m (2022: £11.0m).

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. The administrative expenses have increased due to higher fund values and increased membership throughout the year.

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 2022 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	AMC £000	Market value at 31 March 2023 £000
Pooled investment vehicles	17,579,658	4,187,526	(584,916)	(853,088)	(87,554)	20,241,626

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.

The member unitised pooled investment vehicles administered by the Scheme for members are constructed through weightings of the underlying investment portfolio held by the Scheme. The underlying investment portfolio comprises the following at the year-end date:

	2023 £000	2022 £000
Investment assets		
Pooled investment vehicles	20,045,710	17,551,274
Derivatives	157,518	27,660
Cash balances	55,603	109,558
Other investment balances	1,257	1,924
	20,260,088	17,690,416
Investment liabilities		
Derivatives	(6,235)	(91,259)
Unsettled purchases	(3,790)	(12,264)
Other investment balances	(8,437)	(7,235)
	(18,462)	(110,758)
Total	20,241,626	17,579,658

Notes to the financial statements for the year ended 31 March 2023 continued

9. Pooled investment vehicles

The underlying assets of the pooled investment vehicles held as part by the Scheme are:

	2023 £000	2022* £000
Equities	11,862,375	10,622,395
Bonds	5,150,947	4,325,522
Real Estate	1,191,675	1,044,181
Infrastructure	1,176,160	1,023,559
Derivatives	151,283	(63,599)
Cash and cash equivalents	709,186	627,600
	20,241,626	17,579,658

* The look-through basis of disclosure for the 2023 disclosures of the pooled investments, has been updated to provide a more appropriate reflection of the underlying exposures of the pooled investments held by the Scheme. Accordingly, for comparability purposes, the 2022 comparatives have been reclassified to align with the new 2023 disclosure presentation.

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

	2023 £000	2022 £000
Derivative Assets		
Forward FX	157,518	27,660
Derivative Liabilities		
Forward FX	(6,235)	(91,259)
	151,283	(63,599)

The Scheme had 42 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 2023 £000	Liability Value at 31 March 2023 £000
Forward	< 3 months	9	GBP 1,277,258	EUR 1,434,653	14,246	(12)
Forward	< 3 months	3	EUR 27,267	GBP 24,006	1	(2)
Forward	< 3 months	1	JPY 848,638	GBP 5,375	–	(204)
Forward	< 3 months	3	USD 289,875	GBP 240,123	–	(5,928)
Forward	< 3 months	8	GBP 858,721	JPY 136,108,483	26,161	–
Forward	< 3 months	18	GBP 4,743,442	USD 5,726,460	117,110	(89)
		42			157,518	(6,235)

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.

Member pooled investment vehicles of £20,241,626,000 (2022: £17,579,658,000) have been included at fair value and fall into Level 2. The Scheme's underlying investment portfolio of pooled investment vehicles and forward foreign exchange contracts, with a total value of £20,196,993,000 (2022: £17,487,675,000) have been included at fair value and all fall into Level 2 in this and the prior period. Other investments relating to cash balances, unsettled purchases and other investment balances, with a total value of £44,633,000 (2022: £91,983,000) have been included at fair value and all fall into Level 1.

Notes to the financial statements for the year ended 31 March 2023 continued

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:

	Direct credit risk	Indirect credit risk	Indirect market risk			2023 £000	2022* £000
			Currency	Interest rate	Other price		
Equities	Yes	No	Yes	Yes	Yes	11,862,375	10,622,395
Bonds	Yes	Yes	Partially	Yes	No	5,150,947	4,325,522
Real Estate	Yes	No	Yes	Yes	Yes	1,191,675	1,044,181
Infrastructure	Yes	No	Yes	Yes	Yes	1,176,160	1,023,559
Derivatives	Yes	No	Yes	No	No	151,283	(63,599)
Cash	Yes	Yes	No	No	No	709,186	627,600
						20,241,626	17,579,658

* The look-through basis of disclosure for the 2023 disclosures of the pooled investments has been updated to provide a more appropriate reflection of the underlying exposures of the pooled investments held by the Scheme. Accordingly, for comparability purposes, the 2022 comparatives have been reclassified to align with the new 2023 disclosure presentation.

Further information on the Trustee's approach to risk management, credit risk and market risk is set out on page 82.

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:

	2023 £000	2022 £000
Unit-linked insurance funds	17,203,790	14,982,078
Authorised Contractual Scheme	2,841,920	2,569,196
	20,045,710	17,551,274

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.

Notes to the financial statements for the year ended 31 March 2023 continued

12. Investment risks continued

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 81.

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.

13. Concentration of investments

Direct investments held in the underlying investment portfolio accounting for more than 5% of the year end net assets of the Scheme were:

	2023 £000	%	2022 £000	%
MPF World Adaptive Capping ESG Screened Index Equity Sub-Fund	4,078,444	20	3,303,184	19
ACS Multi Factor ESG Fund	2,841,920	14	2,569,196	15
MPF Global Aggregate Bond Index Sub-Fund (Hedged to GBP)	2,579,024	13	2,158,321	12
MPF Global Real Estate Index SubFund	1,191,674	6	1,044,181	6
North America ESG Screened Index Equity Sub-Fund	1,185,190	6	1,218,001	7
MPF Multi-Asset Global Infrastructure Sub-Fund	1,176,160	6	1,023,560	6
Europe ex UK ESG Screened Index Equity Sub-Fund	1,035,501	5	956,640	5
US Treasury (100% Hedged) Bond Index Sub-Fund	1,034,467	5	–	–
UK Conventional Gilts All Stocks Index Sub-Fund	776,068	4	1,088,306	6
Sterling Corporate Bond All Stocks ESG Screened Index Sub-Fund	760,612	4	1,078,337	6

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:

	2023 £000	2022 £000
Fees	942	846
Commissions	881	1,005
Taxes	1,523	2,050
	3,346	3,901

In addition, the Fund investment manager has advised of total implicit and indirect transaction costs relating to pooled investment vehicles of £12,324,000 (2022: £14,805,000), and a further £2,885,000 of implicit transaction costs relating to the FX derivatives for 2023 (2022: £nil).

Notes to the financial statements for the year ended 31 March 2023 continued

15. Top 100 investment holdings

The top 100 investments as at 31 March 2023 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	Investment	% of Investment	Investment	% of Investment
1 Federal National Mortgage Association	1.10%	26 Mitsubishi Corporation	0.26%	51 Welltower Inc REIT	0.18%
2 Microsoft Corporation Inc	0.96%	27 Pub Storage REIT	0.25%	52 Vodafone Group PLC	0.18%
3 Apple Inc	0.89%	28 Lloyds Banking Group PLC	0.25%	53 LVMH Moet Hennessy Louis Vuitton	0.18%
4 Prologis Inc REIT	0.57%	29 Automatic Data Processing Inc	0.25%	54 Intel Corporation Inc	0.18%
5 Novo Nordisk A/S	0.54%	30 Unilever PLC	0.24%	55 Humana Inc	0.18%
6 Texas Instruments Inc	0.39%	31 Union Pacific Corporation Inc	0.24%	56 Archer-Daniels-Midland Company	0.17%
7 Accenture PLC	0.36%	32 National Grid PLC	0.23%	57 Societe Generale	0.17%
8 AstraZeneca PLC	0.35%	33 Samsung Electronics Co Ltd	0.23%	58 Johnson Controls Intl plc	0.17%
9 Shell PLC	0.35%	34 Realty Income Corporation REIT	0.23%	59 Roche Holding AG	0.17%
10 Equinix Inc REIT	0.34%	35 Cadence Design Systems Inc1	0.22%	60 Siemens AG	0.16%
11 BNP Paribas SA	0.33%	36 AXA SA	0.22%	61 Agilent Technologies Inc	0.16%
12 ASML Holding NV	0.33%	37 Toyota Motor Corporation	0.22%	62 Nippon Telegraph & Telephone Company	0.16%
13 Elevance Health Inc	0.33%	38 BP PLC	0.22%	63 Standard Chartered PLC	0.16%
14 Barclays PLC	0.32%	39 KDDI Corporation	0.22%	64 Canadian Imperial Bk of Commerce	0.16%
15 Mitsubishi UFJ Financial Group	0.32%	40 Amazon.com Inc	0.22%	65 The Travelers Cos Inc	0.16%
16 Koninklijke Ahold Delhaize NV	0.32%	41 Target Corporation Inc	0.22%	66 Utd Parcel Service Inc	0.16%
17 Taiwan Semiconductor Manufacturing	0.31%	42 Exelon Corporation Inc	0.21%	67 Agricultural Development Bank of China	0.16%
18 Mitsui Group	0.31%	43 Woodside Energy Group Ltd	0.21%	68 Oversea-Chinese Banking Corporation Ltd	0.16%
19 NatWest Group PLC	0.31%	44 National Australia Bk Ltd	0.20%	69 Cisco Systems Inc	0.16%
20 Rio Tinto PLC	0.30%	45 Gilead Sciences Inc	0.20%	70 Digital Realty Tst Inc REIT	0.16%
21 China Development Bank	0.29%	46 Synopsys Inc	0.20%	71 European Investment Bank	0.16%
22 Government National Mortgage Association	0.29%	47 General Mills Inc	0.20%	72 DNB Bk ASA	0.15%
23 Alphabet Inc	0.27%	48 Diageo PLC	0.20%	73 NVIDIA Corporation	0.15%
24 Nestle SA	0.27%	49 Simon Property Group Inc REIT	0.20%	74 HSBC Holdings PLC	0.15%
25 Banco Santander	0.26%	50 NextEra Energy Inc	0.19%	75 HCA Healthcare Inc	0.15%
				76 British American Tobacco PLC	0.15%
				77 Biogen Inc	0.15%
				78 Wolters Kluwer NV	0.15%
				79 Canadian National Railway Company	0.15%
				80 Hess Corporation	0.15%
				81 Novartis AG	0.15%
				82 GSK PLC	0.15%
				83 Prudential PLC	0.15%
				84 Iberdrola SA	0.15%
				85 Berkshire Hathaway Inc	0.14%
				86 JPMorgan Chase & Company	0.14%
				87 Alibaba Group Holding Ltd	0.14%
				88 Westpac Banking Corporation	0.14%
				89 Crown Castle Inc REIT	0.14%
				90 Consolidated Edison Inc	0.14%
				91 Vinci SA	0.14%
				92 The Kroger Company	0.14%
				93 Cummins Inc	0.14%
				94 US Treasury 4.5% April 2023	0.14%
				95 Old Dominion Freight Line Inc	0.13%
				96 CSX Corporation	0.13%
				97 AvalonBay Communities Inc REIT	0.13%
				98 AIA Group Ltd	0.13%
				99 Devon Energy Corporation	0.13%
				100 WW Grainger Inc	0.13%

Notes to the financial statements for the year ended 31 March 2023 continued

16. Current assets

	2023 £000	2022 £000
Contributions due in respect of:		
Employers	54,912	48,734
Employees	50,153	44,834
Other debtors	60,788	50,819
Cash balances	18,585	16,119
	184,438	160,506

Included in cash balances is £3.5m (2022: £1.3m) 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

	2023 £000	2022 £000
Unpaid benefits	19,969	29,234
Tax deducted from benefits	3,630	3,130
Contributions pending settlement with investment manager	933	1,051
Contributions prepaid	5,771	20,557
Contributions to be returned to employers	20	22
Other creditors	6,183	4,846
Amounts owed to the Administrator	5,653	5,687
	42,159	64,527

18. Related party transactions

Related party transactions and balances comprise:

- The administration fees amounting to £73,998k (2022: £65,655k) mentioned in note 7, including £5,653k (2022: £5,687k) outstanding at the year-end as detailed in note 17, which is payable to PASL.
- All fees and expenses payable to the Trustee Directors, amounting to £427k (2022: £192k), were met by PASL.
- PPHL uses the Scheme for its employees and its employer pension contributions amounted to £3,102k (2022: £2,242k).
- PAN Trustee Professional Trusteeship Limited (part of PAN Group) used the Scheme for its employees and the total pension contributions made during the year including contributions from its 6 employees amounted to £48k (2022: £38k). Steve Delo is the Executive Director of PAN Trustees UK LLP (part of the PAN Group) and majority shareholder of the PAN Professional Trusteeship Limited.
- There were no employer related investments during the year or at the year-end date (2022: nil).

