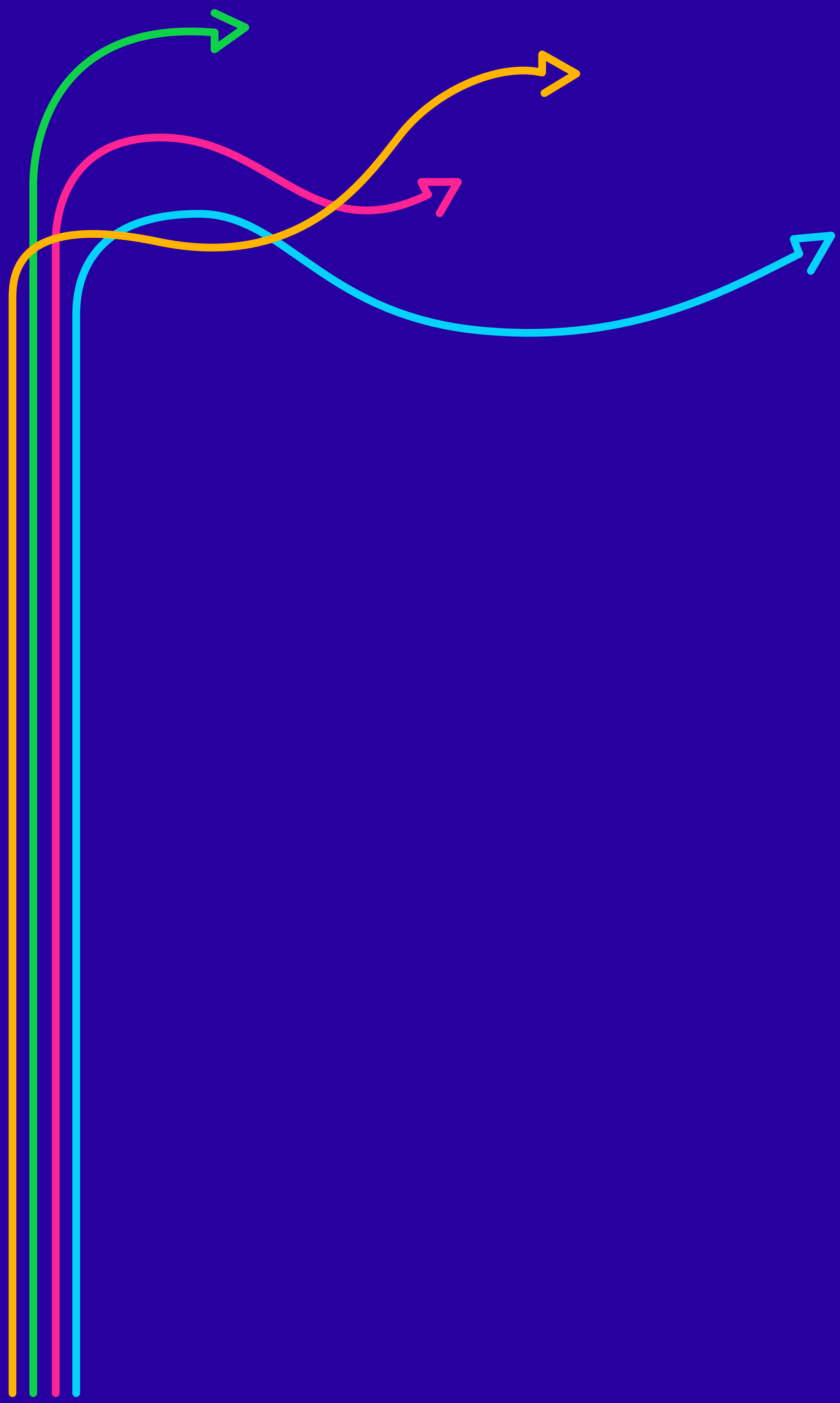
Statement of investment principles

1 April 2025

Profit for people



Contents

Introduction

1. Introduction

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

- This statement sets down the principles that govern the investment decisions that enable the Scheme to meet the requirements of relevant regulations currently in force, including:
- The Pensions Acts 1995 and 2004.
- The Occupational Pension Schemes (Investment) Regulation 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015, as well as to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK.
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
- The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023.

1.2 The Trustee has consulted a suitably qualified person by obtaining written advice from People's Investment Ltd. (PIL), the Trustee's primary investment advisers. PIL is authorised and regulated by the Financial Conduct Authority.

1.3 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.

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

Statement of investment principles

2. Choosing investments

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

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

2.3 The day-to-day management of the Scheme's assets is delegated to the Scheme's asset managers. As at 01/04/2025, the Trustee has approved Amundi, Invesco, and State Street Global Advisers for use by the Scheme. For the Shariah Fund, State Street Global Advisers has delegated the stock selection to HSBC Asset Managers. The asset managers are authorised and regulated by the Financial Conduct Authority and are responsible for stock selection. The asset managers will be responsible for the exercise of voting rights, in line with their policies.

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

3. Investment objectives

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

It should be noted that those funds whose objectives reference CPI have their long-term performance objectives net of fees.

Fund	Long-term performance objective
Global Investments (up to 85% shares) Fund	CPI +2.5%
Pre-Retirement Fund	CPI +0.5%
Global Investments (up to 60% shares) Fund	CPI +2.0%
Global Investments (up to 100% shares) Fund	CPI +3.0%
Ethical Fund	CPI +3.0%
Shariah Fund	CPI +3.0%
Cash Fund	Returns equivalent to cash returns
Annuity Fund	To protect against the rise in the level of annuity prices.

3.2 The default strategy is designed to be appropriate for the majority of our members, 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, private market assets, 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. Policy on illiquid investments

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

5.2 PIL is currently in the process of building up research capability and expertise in private markets investing. If suitable opportunities can be found, the Scheme will, subject to Trustee approval, allocate some of the members assets into private markets.

6. The balance between different kinds of investments

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

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

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

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

7. Investment risk

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

7.2 A comprehensive list of risks is set out in the Trustee risk register. The main investment risks affecting all members and the ways the Trustee measures and manages 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, therefore eroding the purchasing power of the member's retirement savings.	The Trustee makes available investment options that are expected to provide a long-term real rate of return.
Conversion risk	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the amount likely to be received.	In the investment profile options made available through the Scheme, the Trustee changes the proportion and type of investments so that in the run-up to retirement, the investments gradually start to more closely match how the Trustee expects members to access their retirement savings. The Trustee keeps the appropriateness of the strategies under review. The Trustee also makes alternative funds available, which members may select to better suit their own circumstances.
Retirement benefit risk	The risk that a member's retirement benefit falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid.	The Trustee periodically reviews the appropriateness of the investment options offered to consider whether there are opportunities to improve members' expected outcomes. The level of contributions is outside the Trustee's control. Members will receive regular Statutory Money Purchase Illustration (SMPI) projections, providing them with an indication of the size of their pension pot at retirement.

Risk	Description	Mitigation
Performance risk	The risk that an asset manager or benchmark does not perform as expected over the long-term assessment period. This encapsulates both systemic and 'active' risk.	The Trustee monitors the performance of the Scheme's assets on a regular basis. The Trustee will review the performance of the funds against their benchmarks, whether the selected benchmarks remain appropriate, and will have regular meetings with the asset managers. The Trustee has a written agreement with the asset managers that contains a number of investment restrictions on how they may operate.
Market risk	Market risk refers to the risk that an investment may fall in value due to fluctuations in the market.	The investment consultant is expected to invest in properly diversified portfolios and spread assets across a number of individual shares and securities.
Sequencing risk	The risk that the sequence of returns, particularly poor returns in the early stages of a member taking drawdown income from their pension, may impact that member's ability to sustainably withdraw income through the whole of their retirement.	The Pre-Retirement fund is a broadly diversified fund, with a maximum of 20% invested in equities. The remainder is split between 60% in fixed interest securities and 20% in money market securities. This should, in most market conditions, reduce the downside risk of the fund.
Currency risk	Some of the funds made available to members by the Trustee 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.
Illiquidity risk	The risk that some assets the Scheme invests in are more difficult or take longer to sell.	The Scheme will only invest a relatively small proportion of its assets in illiquid investments. The Trustee will closely monitor the level of those assets to ensure the Scheme has sufficient liquidity.
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.

8. Expected return on investments

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

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

9. Realisation of investments

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

10. Financially material considerations

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

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

10.3 The Trustee has a fiduciary duty to consider all material financial risks when making all investment decisions and makes no distinction in this between the default and self-select funds. In fulfilling this duty, the Trustee also expects its asset 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. People's Investment Ltd. will receive, review, and publish reports from the asset managers on the steps they take on the Scheme's behalf, including voting and engagement.

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

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

11. Member views and non-financial factors

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

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

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

12. Voting rights, corporate governance, and engagement principles

12.1 The Trustee has a duty to act responsibly with regards to the assets it owns on behalf of its members. The Trustee believes that in order to fulfil this duty and to protect and enhance the value of the Scheme's investments over the long term, it must act as a responsible asset owner and market participant.

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

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

The Trustee recognises the important role it plays in influencing positive ESG and stewardship standards, both through voting on key policies and decisions at general meetings and through its managers' ability to engage with companies on the Scheme's behalf as an asset owner. The Trustee expects its asset managers to implement the Scheme's net zero voting guidelines through an 'expression of wish', as outlined in the Trustee's Responsible Investment Policy (Appendix 2).

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

12.2 The Trustee's Responsible Investment Policy (Appendix 2) outlines its minimum requirements and expectations of the asset manager on voting and engagement[2] activities. The Scheme works closely with its asset managers to help it support good corporate behaviour. Part of the Trustee's procurement process for choosing asset managers involves ensuring their voting policies are sufficiently robust and achieve broad alignment with the Trustee's Responsible Investment Policy. The Responsible Investment Policy is therefore framed around how the Trustee interacts with, monitors, and may seek to influence its asset managers. Should an asset manager be failing in these respects, this should be captured in the regular monitoring of the manager's activity.

13. Asset manager arrangements

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

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

1 Includes company, industry, and policy engagement activities, as well as collaborative initiatives.

2 Ibid

The Scheme's investment adviser is PIL. PIL is a subsidiary of People's Partnership, the group of companies that operate The People's Pension. PIL is independent and does not provide asset management services. This, and its Financial Conduct Authority (FCA)-Regulated status, makes the Trustee confident that the asset manager recommendations it makes are free from conflict of interest. The Trustee has confidence that PIL has sufficient resources and expertise to provide them with appropriate investment advice.

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

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

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

13.2 The Trustee is mindful that the impact on the 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 asset 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 three to five years, is consistent with ensuring the asset manager makes decisions based on an appropriate time horizon.

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

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

The Scheme invests in both pooled funds and segregated mandates. The asset managers are remunerated by the Trustee based on the assets they manage on behalf of the Trustee.

In general, the Trustee believes that the fee-based structure without performance fees enables the asset managers to focus on long-term performance without worrying about short-terms dips significantly affecting their revenue. However, the Trustee accepts that there may be certain fund structures for particular types of assets that will include performance fees.

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

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

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

The Trustee does not target a specific portfolio turnover. The Trustee recognises that turnover costs are necessary where they are incurred to ensure the Scheme remains in investments that will provide rather than detract from performance over the long term. The Trustee is mindful of the costs associated with portfolio turnover, while the portfolio will primarily use passive investment, which typically has low turnover. The Trustee recognises that there may be some areas of investment where active management can provide value to members even if portfolio turnover costs are higher. When monitoring turnover costs, both the level and reason behind them are considered and, if necessary, investigated further.

13.5 For the open-ended pooled funds in which the Scheme invests, there is no scope to amend the terms of agreement with the asset managers.

Each of the segregated mandates the Scheme invests in is governed by an individual Investment Management Agreement (IMA), between the Scheme and the asset 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 asset managers and the specific funds used is assessed.

14. Monitoring

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

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

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

14.4 **Engagement and stewardship:** The Trustee monitors the engagement and stewardship activities undertaken by the manager of the pooled funds on an annual basis.

15. Agreement

15.1 This Statement was agreed 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, asset managers, and the Scheme auditor upon request.

Signed: Mark Condron

Date: 1 April 2025

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 2025

1. Scheme investment objective

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

1.2 In relation to the default option in particular, the objective is to provide an investment strategy that is intended to be suitable for the majority of the Scheme's members.

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

2. The default option

2.1 Having analysed the Scheme's membership profile, the Trustee 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.

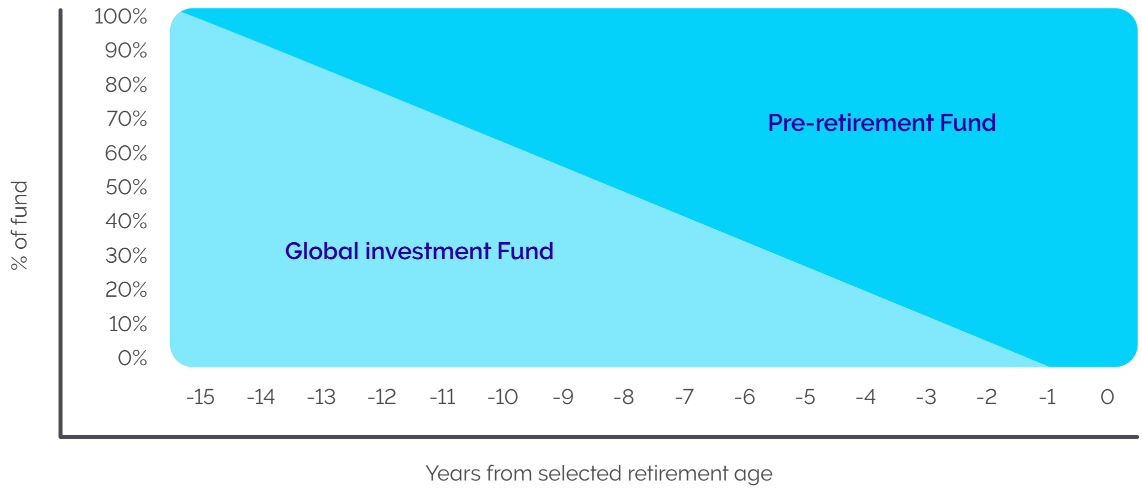
2.3 The investment profile gradually moves a member between the two funds depending on their proximity to retirement age (state pension age unless the member has selected otherwise), as illustrated below:

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

Fund name	Objective	Asset allocation
Global Investments (up to 85% shares) Fund	**Purpose:** The fund is a balanced-risk fund focused on long-term capital growth. **Return frame:** To generate returns in excess of consumer price inflation (CPI). **Return objective:** CPI+2.5% per annum on a net of fees basis.	76.8% Global Equity 3.2% Infrastructure 13.5% Global Corporate Bonds 6.5% Global Sovereign Bonds
Pre-Retirement Fund	**Purpose:** The fund is a low to medium-risk fund that balances capital preservation and capital growth. **Return frame:** To generate returns in excess of consumer price inflation (CPI). **Return objective:** CPI+0.5% per annum on a net of fees basis.	19.2% Global Equity 0.8% Global Infrastructure 40.5% Global Corporate Bonds 19.5% Global Sovereign Bonds 20% Money Market

Correct at 1 April 2025

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.

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.

3.2 **Investment profiles**

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

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

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

3.3 **Self-select options**

The Trustee has made a number of funds available for members to self-select from. These are shown in the table on page 16.

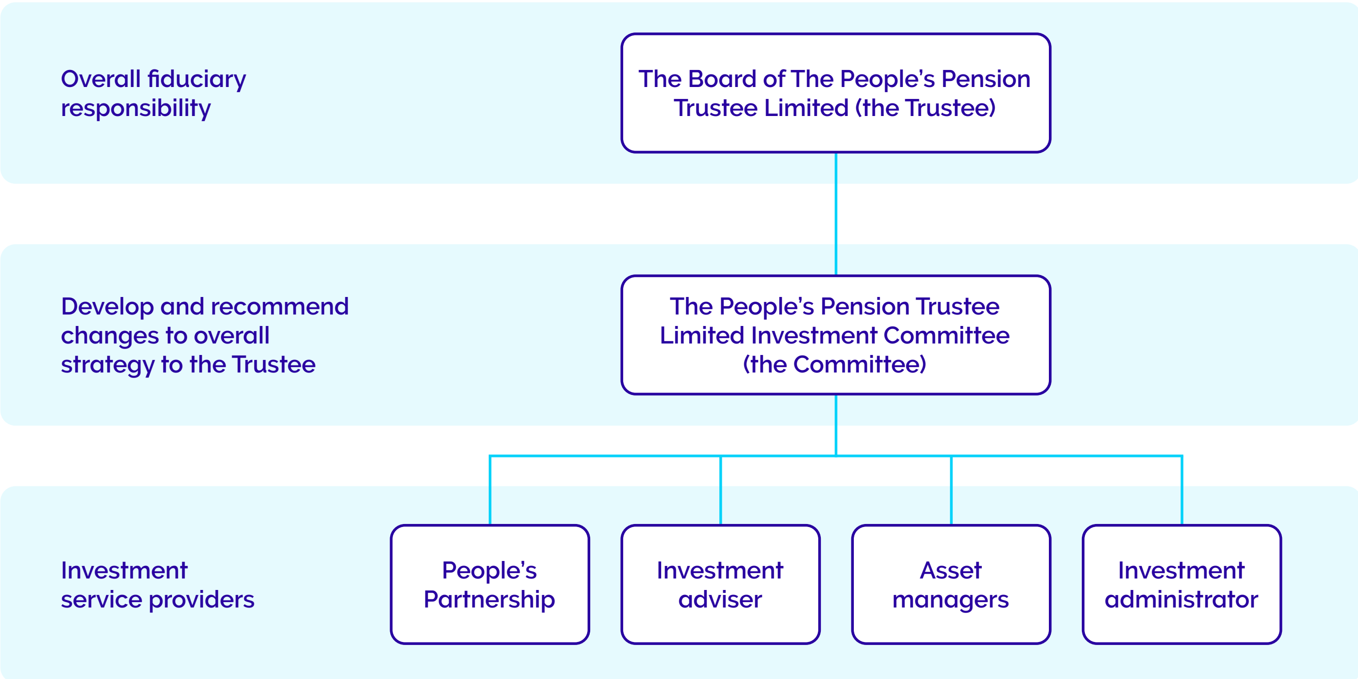
Members may also self-select from the Global Investments (up to 85% shares) Fund and the Pre-Retirement Fund.

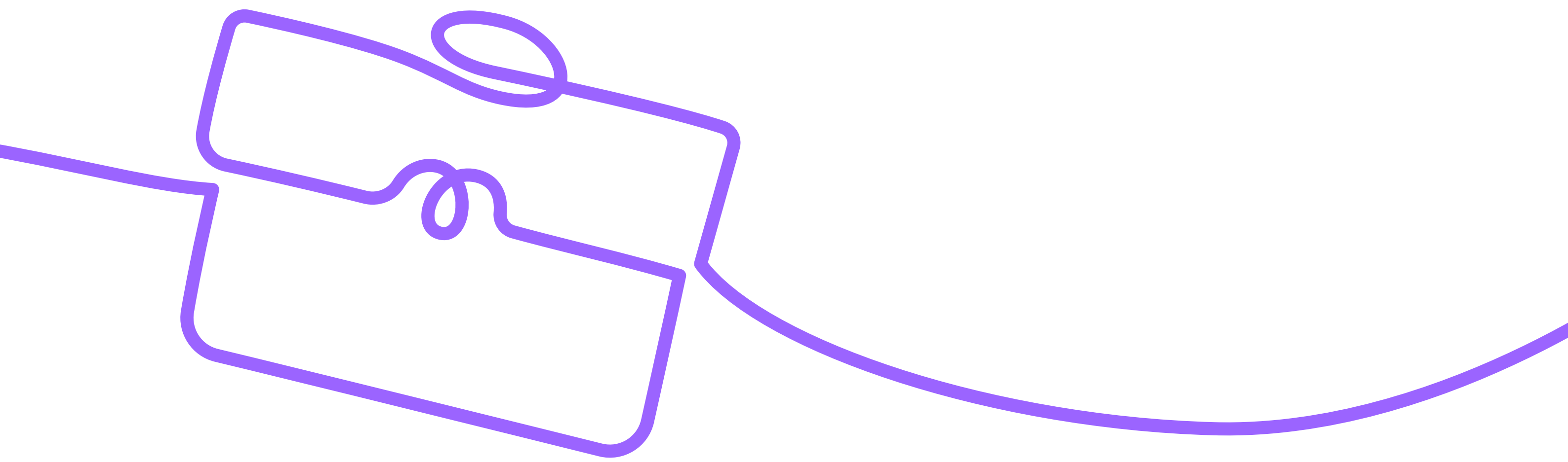
Fund name	Objective	Asset allocation
Global Investments (up to 60% shares) Fund	**Purpose:** The fund is a moderate-risk, long-term capital growth fund. **Return frame:** To generate returns in excess of the Consumer Price Index (CPI). **Return objective:** CPI+2.0% per annum on a net of fees basis.	57.6% Global Equity 2.4% Global Infrastructure 26.0% Global Corporate Bonds 14.0% Global Sovereign Bonds
Global Investments (up to 100% shares) Fund	**Purpose:** The fund is a higher-risk, long-term capital growth fund. **Return frame:** To generate returns in excess of the Consumer Price Index (CPI). **Return objective:** CPI+3.0% per annum on a net of fees basis.	96% Global Equity 4% Global Infrastructure
Ethical Fund	**Purpose:** The fund is a higher-risk, long-term capital growth fund. **Return frame:** To generate returns in excess of the Consumer Price Index (CPI) while screening out companies that do not exhibit high ESG standards. **Return objective:** CPI+3.0% per annum on a net of fees basis.	100% Global Equity
Shariah Fund	**Purpose:** The fund is a higher-risk, long-term capital growth fund. **Return frame:** To generate returns in excess of the Consumer Price Index (CPI) while investing in the largest global shariah-compliant companies. **Return objective:** CPI+3.0% per annum on a net of fees basis.	100% Global Equity
Cash Fund	**Purpose:** The fund is a low-risk capital preservation fund. **Return frame:** To maintain the capital value of investments. **Return objective:** Returns equivalent to cash returns net of 0.5% annual management charge.	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 2025

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:





4.2 Roles and responsibilities

The Trustee

- 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.

Investment committee

- Selects and monitors the planned asset allocation strategy.
- Reviews the self-select fund range and investment profiles on a regular basis.
- Monitors investment adviser and asset managers.
- Makes ongoing decisions relevant to the operational principles of the Scheme's investment strategy.
- Monitors investment performance and costs.

People's Partnership

- Administrative and operational liaison with the asset managers.
- Negotiation of fee terms and contractual terms.
- Recommendations on generic fund options required to keep the Scheme attractive to participating employers.
- Scheme secretarial and reporting liaison with the asset manager.

Investment adviser

- 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.

Asset managers

- Operates within the terms of this SIP and its written contracts.
- Selects individual investments with regard to their suitability.
- The Trustee expects the asset 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.

Investment administrator

- Fund administration.
- Unit pricing.

Appendix 2

Responsible investment policy

the people's pension

Responsible investment policy

April 2024

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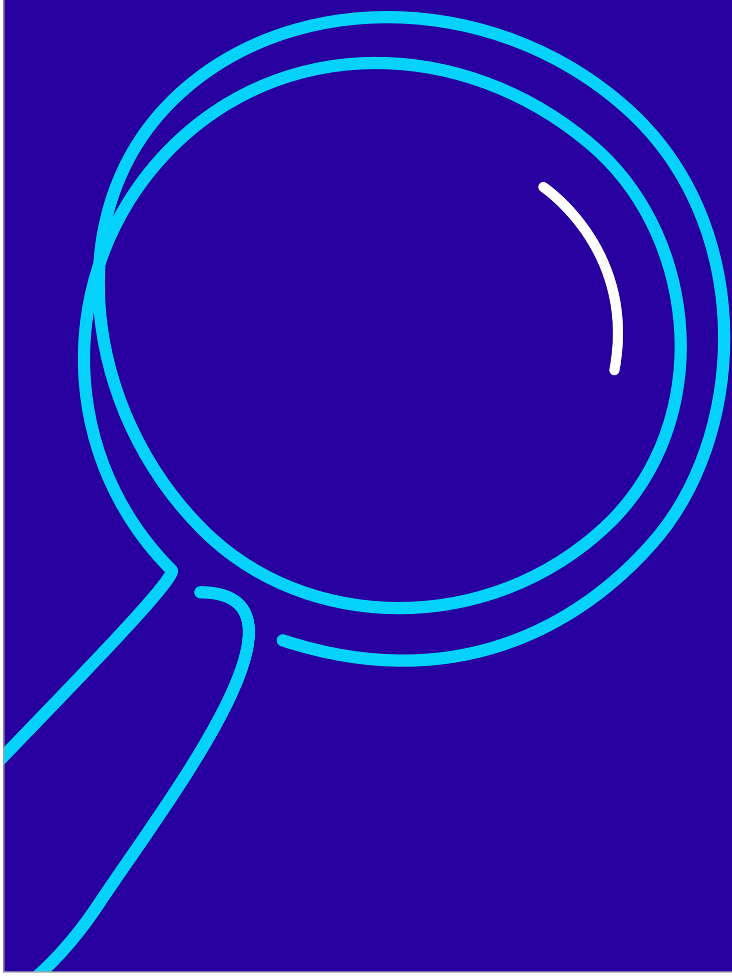


Menu

Overview

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

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

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

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

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

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

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

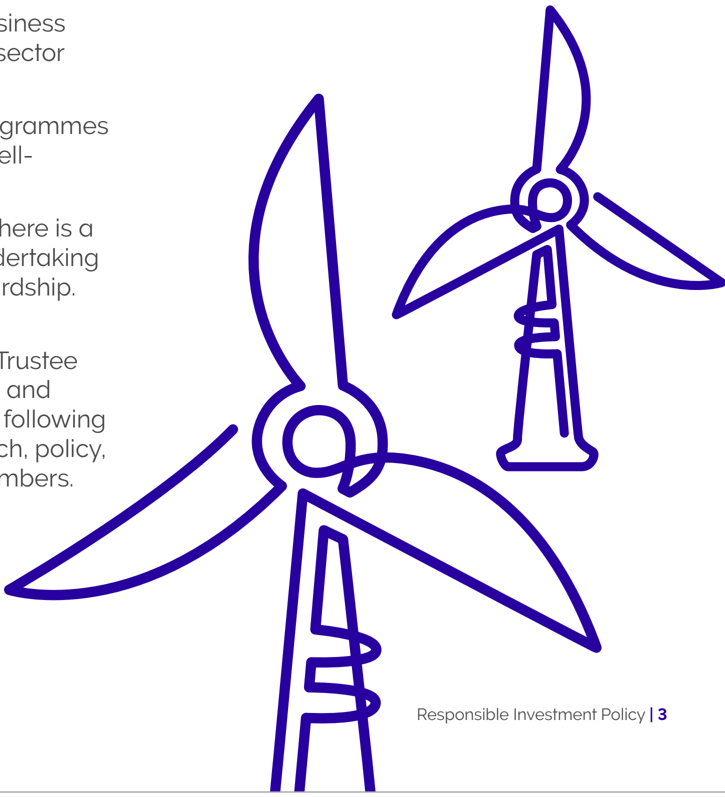
The Trustee has chosen to focus on:

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

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

This Policy is divided into 2 main parts:

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



Part 1

The Scheme's responsible investment approach

4 | Responsible Investment Policy

Introduction

Menu

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

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

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

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

What responsible investment means to the Scheme

Responsible investment objectives and beliefs

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

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

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

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

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

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

Responsible investment spectrum

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

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

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

Strategic framework

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

Portfolio construction

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

Stewardship

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

Reporting

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

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

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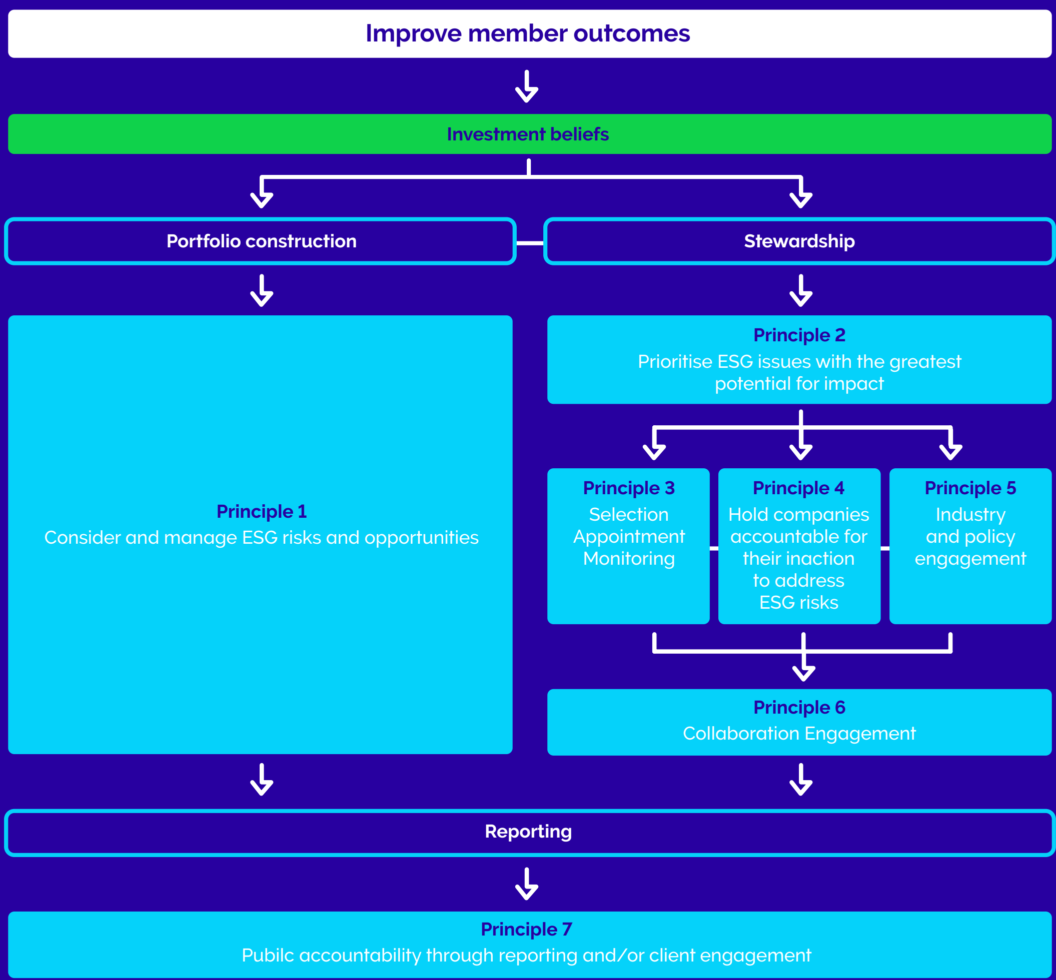


Responsible Investment Policy | 9

Strategic framework

Pillar 1: Portfolio construction

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

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

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

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

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

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

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

Integration

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

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

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

Through the introduction of this strategy, these assets:

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

Exclusions

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

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

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

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

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

Strategic framework

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

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

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

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

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

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

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

Potential trade-offs

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

Pillar 2: Stewardship

Introduction

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

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

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

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

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

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

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

Strategic framework

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

Asset managers

Minimum requirements

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

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

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

Expectations

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

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

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

Menu

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

Strategic framework

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

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

Advisers

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

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

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

Data and Index Providers

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

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

Menu

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

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

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

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

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

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

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

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

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

Strategic framework

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

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

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

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

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

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

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

Pillar 3: Reporting

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

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

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

Menu

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

Part 2

The Scheme's stewardship priorities

Summary

Menu

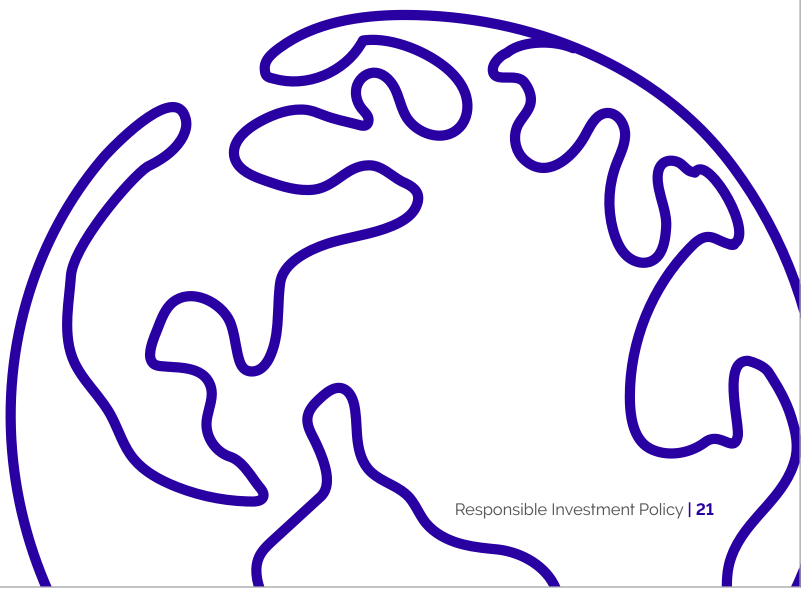
The Trustee has identified climate change, nature and human rights as its stewardship priorities. For each priority, this section lays out:

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

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

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

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



Summary

Targeted stewardship activity

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

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

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

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

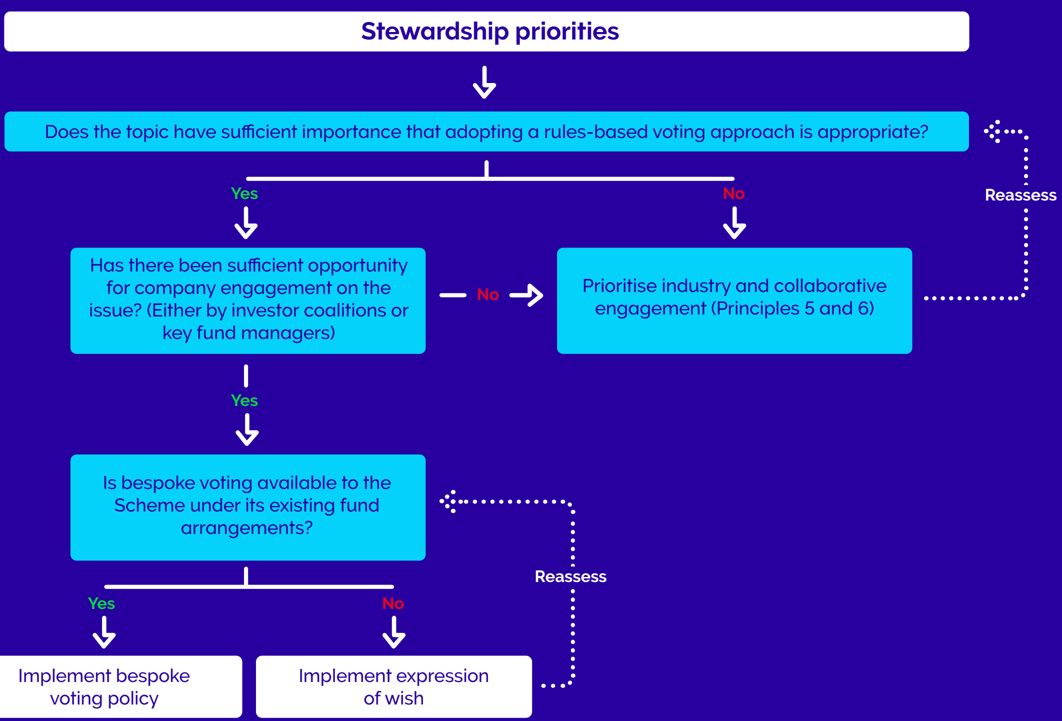
16 As identified by the Science Based Targets Network (2023) SBTN High Impact Commodity List.

Summary

Maturity map

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

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

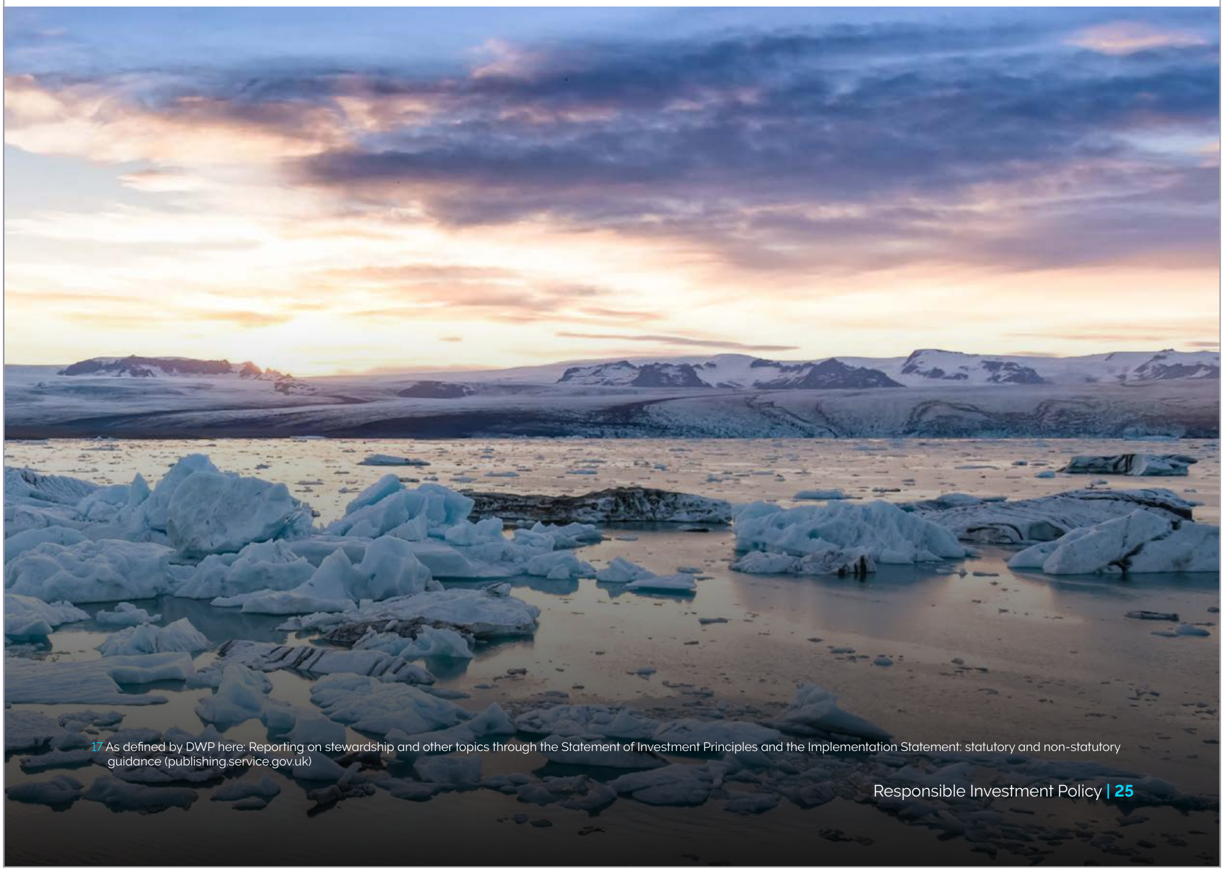


Menu

Measures of success

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

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



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

Company expectations

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

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

Climate

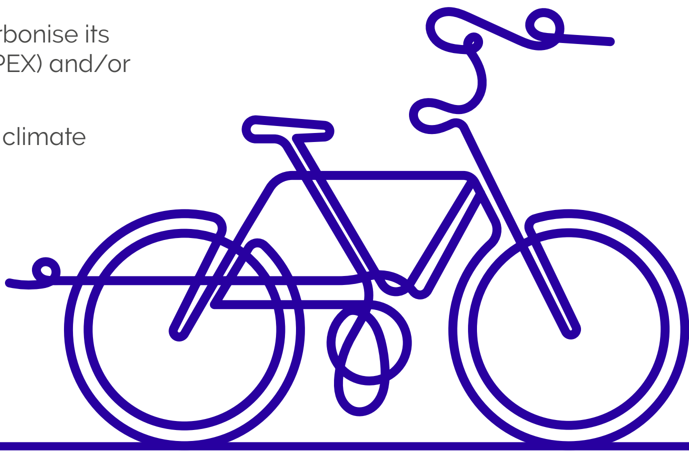
For further details on the investor and company-level materiality of climate, please refer to the Scheme's Climate Change Policy. Some companies operate in sectors where climate change risks are closely related to the core business or have a business materiality. In these areas, the Trustee expects boards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

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

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

Menu

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



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

Company expectations

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

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

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

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


LPG
LPG
30 | Responsible Investment Policy

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Potential trade-offs

Just transition

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

Shareholder value

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

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

Selling assets

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

26 It is also a CA100+ indicator.

Company expectations

Nature

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

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

Potential trade-offs

Just nature transition

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

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Human rights

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

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

Potential trade-offs

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

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

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

Policymaker expectations

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

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

Climate

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

Nature

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

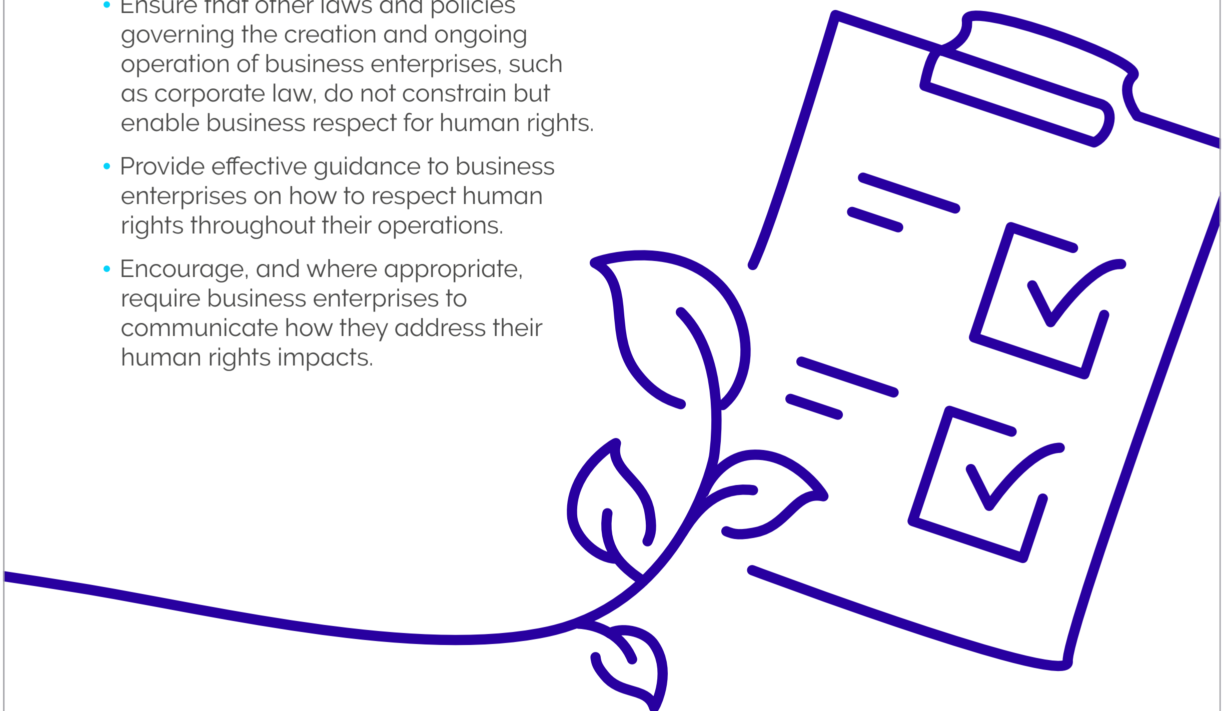
- Dedicate sufficient and predictable domestic and public expenditure to the consideration of critical ecosystems.
- Support green public finance and repurpose harmful subsidies and incentives driving the degradation of nature through green budget tagging.
- Create enabling conditions to catalyse private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

Menu

Human rights

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

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



Industry and collaborative engagement

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

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

Climate

Memberships:

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

Supporter of:

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

Additional information:

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

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

Nature

Memberships:

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

Supporter of:

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

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Additional information:

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

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

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

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

Human rights

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

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

Appendix

Glossary

Greenhouse gases (GHGs)

There are 4 primary GHGs linked to global warming: carbon dioxide (CO_2), methane, nitrous oxide, and fluorinated gases. The Greenhouse Gas Protocol, an international accounting tool, categorises GHG emissions into 3 scopes. Scope 1 covers direct emissions from the reporting company's owned or controlled sources. Scope 2 covers indirect emissions from purchased electricity, steam energy, heating, and cooling that have been consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in the reporting company's value chain.[32]

Institutional Investors Group on Climate Change (IIGCC)

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

Just transition and Just Nature transition

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

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

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Net zero and Nature Positive

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

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

Paris Agreement

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

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

Appendix

Principles for Responsible Investment (PRI)

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

Responsible Investment

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

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

Stewardship

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

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

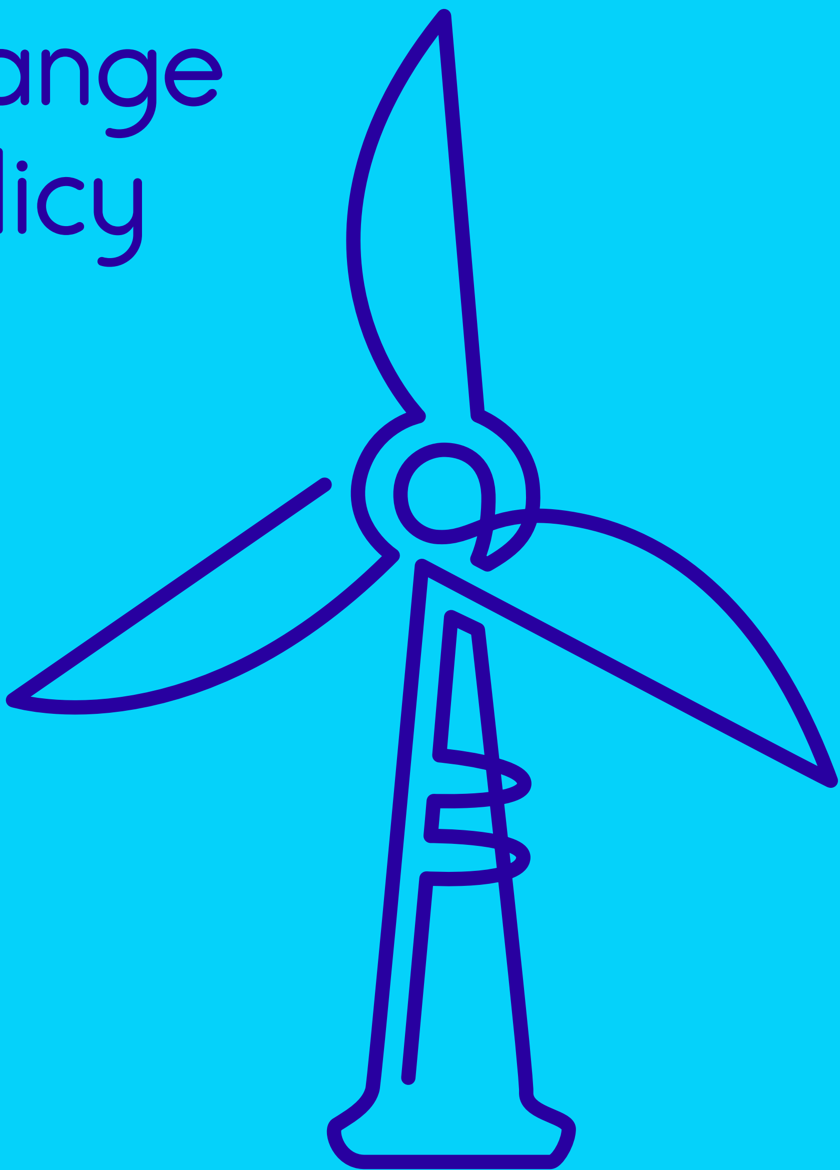
37 Source: Principles for Responsible Investment
38 UK Stewardship Code (frc.org.uk)
39 UK Stewardship Code (frc.org.uk)

Appendix 3

Climate change policy

Climate change policy

April 2023



the people's pension

Profit for people

Overview

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

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

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

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

This Policy is divided into the following sections:

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

Click here to go straight to a particular section

Section 1 – Introduction

Climate-related regulatory landscape for trustees

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

Associated policies and reporting

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

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

Figure 1

Source: TCFD, 2017

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

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

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

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

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

4 | Climate change policy

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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.

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

Figure 2

	1.5°C	2°C	Impact of 2°C compared to 1.5°C
Loss of plant species	8% of plants will lose 1/2 their habitable area	16% of plants will lose 1/2 their habitable area	2x worse
Loss of insect species	6% of insects will lose 1/2 their habitable area	18% of insects will lose 1/2 their habitable area	3x worse
Decline in coral reefs	80% of coral reefs will decline	99% of coral reefs will decline	19% worse
Extreme heat	14% of the global population exposed to severe heat every 1 in 5 years	37% of the global population exposed to severe heat every 1 in 5 years	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.

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

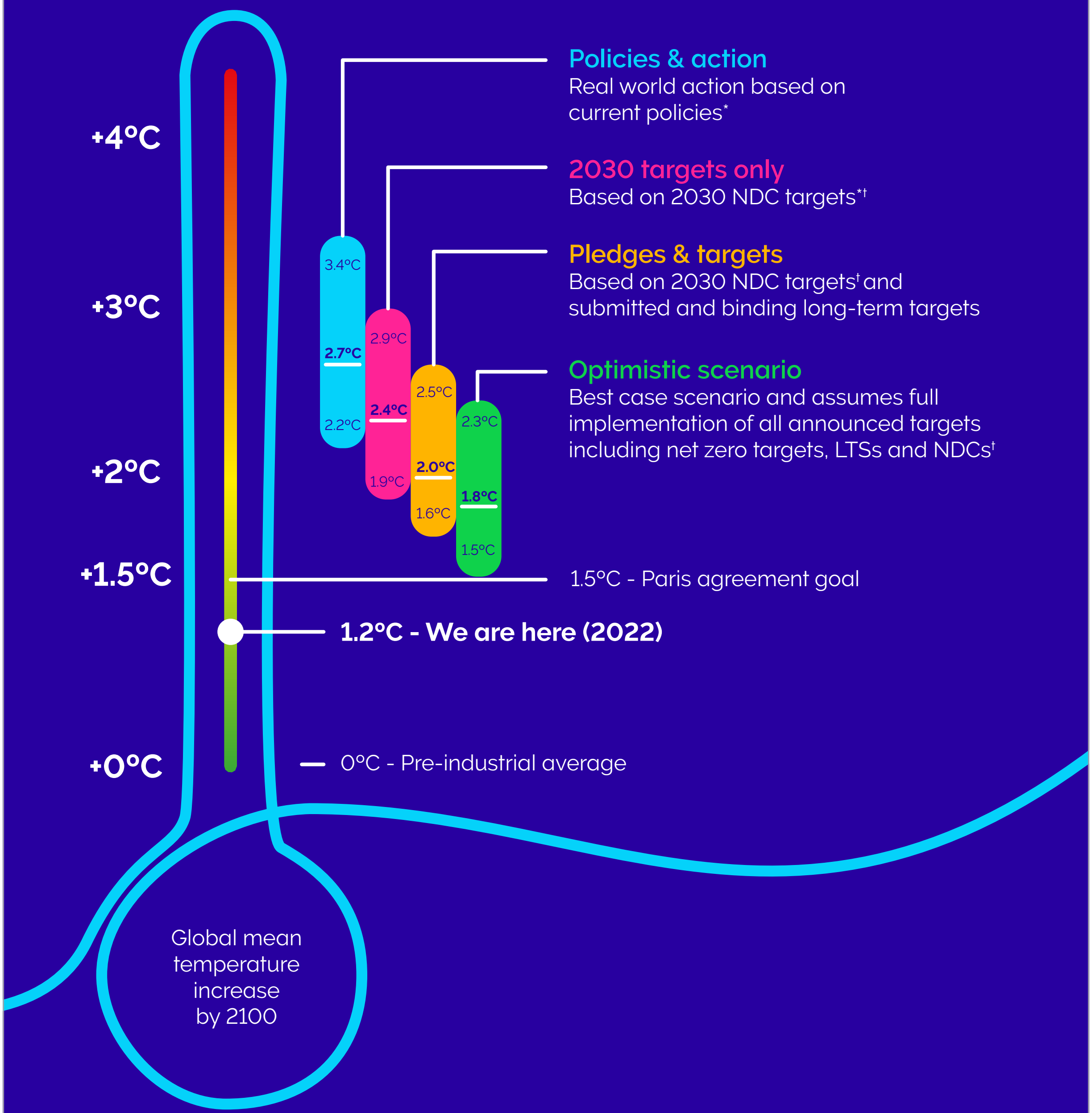
According to Lord Nicholas Stern, Head of the 2006 **Stern Review on the Economics of Climate Change**, "net zero will require the biggest economic transformation ever seen in peacetime".[5]

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

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

Figure 3

Global warming projections by 2100



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

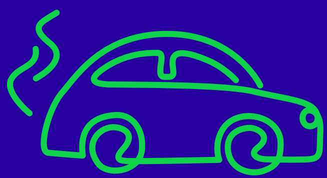
As set out in our TCFD reporting, the Trustee has identified 3 main financial risks associated with climate change. These are physical risk, transition risk, and liability risk, as depicted in the diagram below.

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

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

Physical risk:

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



Transition risk:

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

Liability risk:

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

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Section 3 – Why climate is important to the Scheme

Climate-related investment beliefs

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

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

Fiduciary duty and climate change

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

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

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

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

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

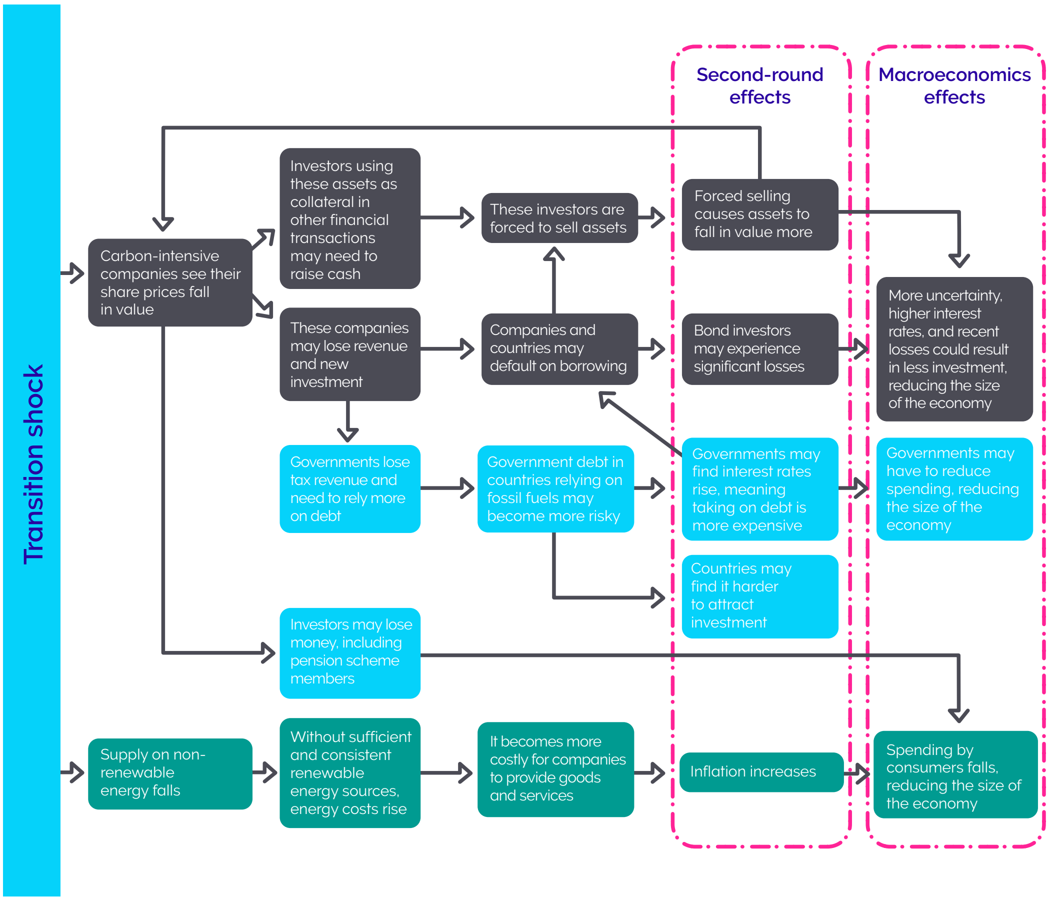
The Scheme's portfolio is particularly exposed to the latter two financial risks because of its index exposure, as it is not in a position to be forced sellers of assets due to market repricing or other transition shock events.

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

[6] Refer to Appendix for further details

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

Figure 4



Source: Vivid Economics, March 2020

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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

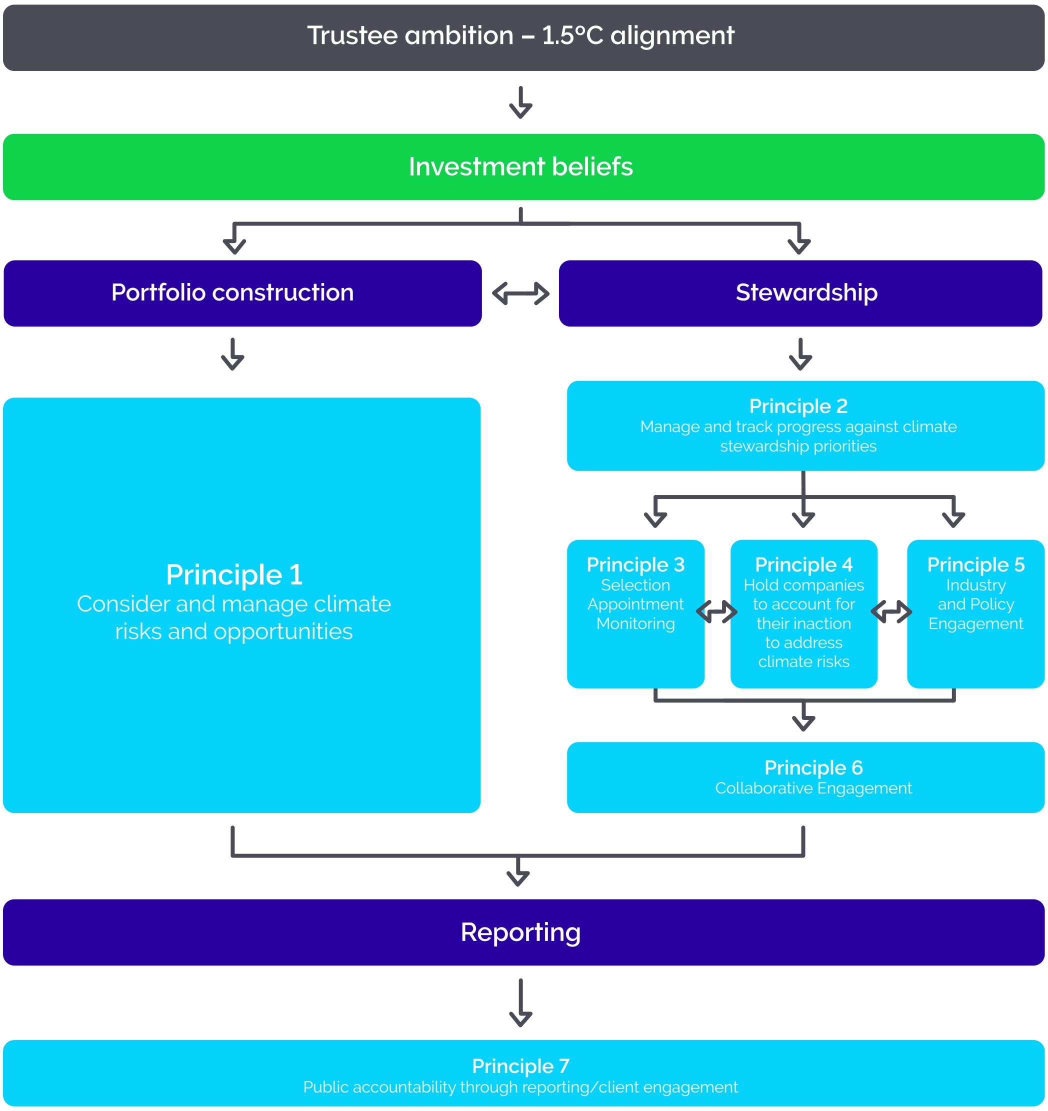
- Manage and track progress against our climate stewardship priorities (Principle 2)
- Integrate climate risk into how the Scheme selects, appoints and monitors its fund managers and other service providers (Principle 3)
- Hold investee companies to account for the actions they are taking to address 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.

Figure 5


Trustee ambition – 1.5°C alignment
Investment beliefs
Portfolio construction
Stewardship
Principle 1
Consider and manage climate risks and opportunities
Principle 2
Manage and track progress against climate stewardship priorities
Principle 3
Selection
Appointment
Monitoring
Principle 4
Hold companies to account for their inaction to address climate risks
Principle 5
Industry and Policy Engagement
Principle 6
Collaborative Engagement
Reporting
Principle 7
Public accountability through reporting/client engagement

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Pillar 1: Portfolio Construction

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

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

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

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

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

Pillar 2: Stewardship

Introduction

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

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

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

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

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

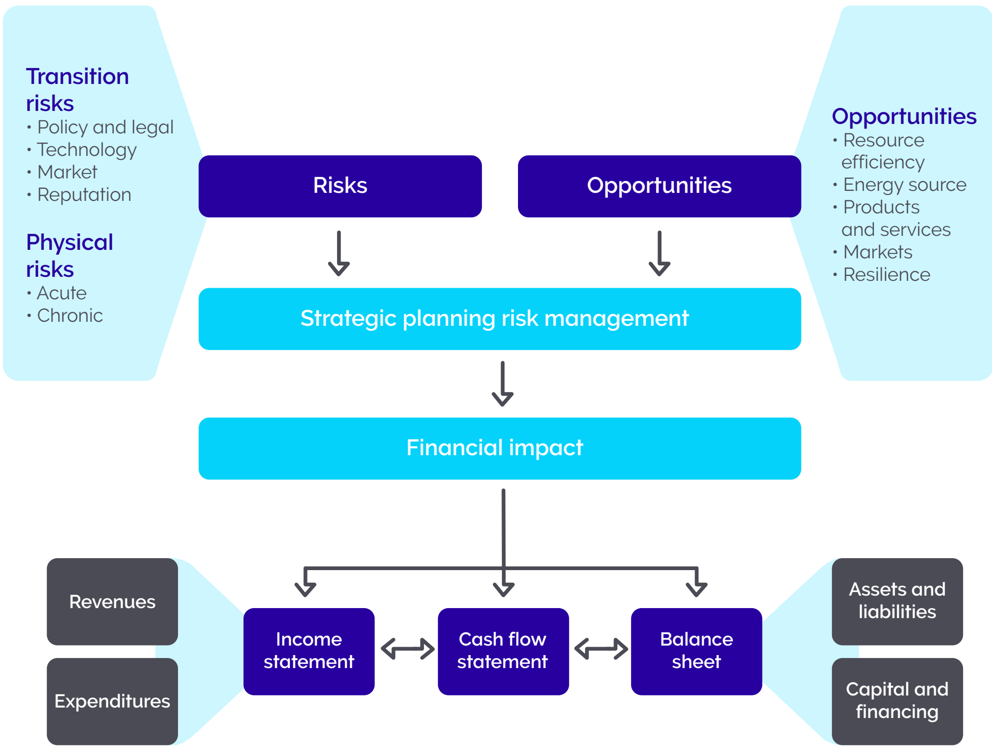
Key company disclosures under this priority area that deserve particular attention include but are not limited to:

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

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

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

Figure 6



Source: TCFD, 2017

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

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

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

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

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

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

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

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

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

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

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

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

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

Pillar 3: Reporting

Principle 7: Annually report on our progress

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

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

Appendix

Glossary

Greenhouse gases (GHGs)

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

Institutional Investors Group on Climate Change (IIGCC)

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

Intergovernmental Panel on Climate Change (IPCC)

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

Just Transition

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

Net zero

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

Paris Agreement

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

Principles for Responsible Investment (PRI)

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

Responsible Investment

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

Stewardship

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

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

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Key research

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

Net zero commitment

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

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

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

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

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

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

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

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

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

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

Mispricing climate risk

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

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

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

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

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

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

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

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

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The information in this document is correct as of April 2024 and may be subject to change.

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