The People's Pension Scheme

Annual report and financial statements
for the year ended 31 March 2021

Pension scheme registry number: 12005993

20|21

For people, not profit

Contents

At a glance

1.8m active members – and over 5.3m members in total

(2020: 5.0m in total)

The People's Pension now has over 5.3m members – around 34% of which are actively contributing to their pension pots.

Most of our members have benefitted from the government's policy of automatically enrolling people into a workplace pension scheme.

99,000 employer accounts

(2020: 94,000)

We now have 99,000 employer accounts.

£13.8bn net assets

(2020: £8.4bn)

Members of The People's Pension have an aggregated pot of £13.8bn.

At the same time last year, net assets were £8.4bn and the increase includes £0.2bn of transfers in from other schemes (2020: £0.2bn).

£3.0bn in contributions

(2020: £3.0bn)

Increase in net assets includes £3.0bn in contributions to the Scheme.

£221m benefits drawn

(2020: £105m)

During the year to 31 March 2021, we paid out a total of £221m to members in benefits.

£2.5bn return on investments

(2020: £740m negative return)

The Scheme default investment strategy performed well over the year resulting in a £2.5bn return (2020: £740m negative return).

Ratings

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

Chair's review

Welcome to the Annual report and financial statements for The People's Pension Scheme (the Scheme), covering the year to 31 March 2021, issued by The People's Pension Trustee Limited (the Trustee).

In those 12 months the Scheme continued to grow.

Bolstered by regulatory authorisation and a new fee structure designed to offer better value for members, scheme membership grew to 5.3m (2020: 5.0m), of whom 1.8m are actively contributing. Overall, the Scheme has 99,000 employer accounts (2020: 94,000). At the same time, assets under management rose to £13.8bn (2020: £8.4bn).

The focus for the Trustee and Scheme during the financial year was the response to the impact of the pandemic ensuring good service and value to members was maintained.

The Scheme felt this impact in 3 ways: on its investments, on the way it works to serve members and on the way we as a Trustee Board ensure the Scheme is governed as effectively as possible.

The investment response started just before the start of the financial year in question. Back in January 2020, the Scheme's assets stood at £9.3bn. This is a significant asset size, representing a considerable demonstration of trust and commitment from our members and employers. It is also a testament to both the popularity of the Scheme and the investment decisions made by the Trustee Board and B&CE which administers the Scheme.

But by 1 April 2020, economic and market volatility reduced the Scheme's total assets to £8.4bn.

In response, the Trustee and B&CE's Investment team took 2 specific actions to manage investment risks.

First, we put an appropriate currency hedging strategy in place. In March 2020 the pound fell dramatically against the euro and dollar. It then spent about 6 months clawing its way back.

While the Scheme's liabilities are all in sterling, the default fund has a well-diversified global portfolio designed to maximise returns and reduce risk for members.

We're now using a range of financial tools to reduce the risk of unwanted movements between currencies - and thanks to our scale, we were able to deploy the right products to manage our currency risk quickly and cost effectively.

Second, we used incoming member contributions to build up a cash buffer of £400m. In times of market volatility cash is a useful tool because, unlike shares and bonds, it isn't subject to market movements. Between February and May 2020, equity markets showed levels of volatility unseen since the great financial crisis in 2008.

An aspiration in investing member money is to ensure sufficient liquidity in the funds. When the Trustee became sufficiently confident that the worst of the volatility had passed, having taken advice, we authorised B&CE's investment team to deploy this cash into the default fund's underlying investments.

Our ability to direct incoming member contributions into the most appropriate investments – from cash, as we did in this instance, to responsible investments, as we explain later in this report and financial statements – is one of the key advantages of being a growing, well-governed defined contribution master trust.

During the financial year, the growth element of the Scheme's default strategy delivered a 29.81% return to members. At the same time an index of global shares rose 39.6%, one of the global bonds fell 5.9% and UK inflation averaged 0.7%. By 31 March 2021 the Scheme assets were valued at approximately £13.8bn.

The Trustee's approach is to service delivery and support through the channel that members choose. This means that many of the administration staff who handle member enquiries are desk-based, call-centre workers who use a reliable infrastructure at the offices of the Scheme's Administrator, B&CE Group, in Crawley, West Sussex.

Chair's review (continued)

When the first UK lockdown started on 23 March 2020, and office workers were mandated to work from home, the Administrator responded by adopting a more agile system of working. Given the scale of the Scheme, this was a significant undertaking requiring the deployment of additional and new technology.

This change to a more agile system of working was completed with impressive speed, and with appropriate level of controls.

The Trustee therefore sees the virtues born out of necessity in the pandemic as having helped fast track the use of new technology and ways of working that will be strong features of the Scheme's ongoing service delivery.

Moreover, this also enables the Administrator to diversify its workforce in future, with more flexible roles.

This governance response came at a time when the Trustee Board welcomed 2 new Trustee Directors.

As Chair of the Trustee Board, I focus on finding routes to exceed market standards of governance. In the previous financial year, we concluded that this could be achieved by increasing the Trustee Board composition from 5 to 6 Trustee Directors – the largest it's ever been – and in the process bring in a deeper level of expertise.

We announced our 2 new Trustee Directors, Baroness Jeannie Drake CBE and Mark Condron, last year. I'm delighted to report that their impact has more than met expectations, as Jeannie and Mark hit the ground running and swiftly fused their considerable skills with the Trustee Board's work.

In part this is a testament to the experience of each of our 6 Trustee Directors. For example, Baroness Drake was one of the original architects of auto-enrolment, while Mark Condron brings over 30 years of pensions experience. I feel confident in saying the Trustee Board is something bigger than the sum of its parts.

This is all the more remarkable given the current Trustee Board didn't meet in person during the financial year – in line with Government restrictions. In fact, the ease of holding video conferencing meetings and the increased frequency of those meetings in exceptional times, has in many ways led to more targeted discussions and more efficient decision making.

A good example is the way in which the Investment Committee, a sub-committee of the Trustee Board detailed on page 4, moved from monthly to weekly meetings with the B&CE investment team at the start of the pandemic, when there was much uncertainty needing close attention. This model of working led to agile, timely decisions as we managed investment risks and identified opportunities.

The Trustee Board spends a significant amount of time considering where risks sit within the Scheme and its administration. For example, we're mindful that, notwithstanding its impressive response to the pandemic, it would be naive to think that no adverse issues could occur from the Administrator's move to home working. We therefore keep good links with the Administrator's managers to question and understand how they are monitoring, adapting, and evolving their approach.

A sad fact of the pandemic is that it has proved fertile ground for financial scams generally. We've therefore boosted our focus on helping members identify and avoid pension scams.

Last year, I reported on the new charging structure, which effectively reduces member charges at higher pot sizes. This has proved a popular, easy-to-understand measure that has been generally well received by members and employers alike.

Investment governance

The Trustee is responsible for setting the investment strategy and governing the Scheme's investments.

The Trustee's Investment Committee oversees the Scheme's investments in line with the Trustee's agreed strategies and the Statement of Investment Principles (SIP).

We explain our governance and our approach to responsible investment on page 13.

Aside from responding to the pandemic, the financial year also saw the Trustee Board thinking more deeply about the long-term implications of master trust authorisation – which the Scheme achieved in August 2019, and which I covered in detail in last year's report and financial statements.

We remain, to some extent, in uncharted territory with master trust authorisation and the sector continues to grow and develop, including some consolidation of schemes.

Chair's review (continued)

The People's Pension remains at the forefront of development and the Trustee Board is carefully considering the likely needs of the Scheme – particularly in respect of administration delivery, the use of technology and investment solutions, as it navigates the next phase of master trust development.

Passion and enthusiasm for The People's Pension has been the key to its success – and will be the key to it continuing.

The Trustee Board and its Committees

The Trustee Board typically meets quarterly – although this increased to 5 meetings in the 12 months to 31 March 2021. The meetings cover Scheme governance and representatives of B&CE management attend to present to the Trustee on relevant items.

The Trustee delegates some aspects of governance to 2 sub-committees:

- The Investment Committee is responsible for considering changes to the overall investment strategy, investment monitoring and formulating recommendations to the Board on all aspects of investment strategy and implementation.
- The Risk, Administration and Communications Committee (RACC) is responsible for risk assessment and monitoring, oversight and evaluation of administrative services and the effectiveness and accuracy of Scheme communications. It also has responsibility for maintaining and monitoring the Scheme's risk register, evaluating risks, and creating and implementing strategies to manage or minimise those risks.

The Trustee Board may also address specific issues by forming ad-hoc sub-committees or working parties. Each will have clear terms of reference or a project brief and must report to the Board, for noting, approval and/or ratification of decisions and actions, as appropriate.

The Trustee Board is supported by a Trustee Pension Manager and a Trustee Pension Specialist, both employed by B&CE, who are responsible for progressing Trustee business and controlling projects.

The Trustee's objective is to maintain a standard of governance that befits a scheme of this scale and which meets the standards envisaged by The Pensions Regulator's Code of Practice 13 and 15, The Institute of Chartered Accountants in England and Wales (ICAEW) assurance framework for master trusts and the Master Trust Supervisory regime operated by The Pensions Regulator.

The high quality of Scheme governance is verified by an annual independent Master Trust Assurance Report (Tech 05/20 AAF) audited by Crowe U.K. LLP.

Scheme management skills

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

Trustee Directors also declare in writing that they meet the standards required by the Trustee 'fitness and propriety' policy.

In July 2020 the Trustee Directors completed a skills questionnaire, the results of which are used to continuously improve governance. In November 2020, I conducted an internal effectiveness review of the Trustee Board. This included a remote survey of Directors and a report to the Trustee Board, which expressed satisfaction with the levels of effectiveness. Following the end of the financial year I will authorise an independent, third-party assessment of the Board's effectiveness.

I believe we have an excellent, motivated, and professional Trustee Board – but that doesn't mean we can stand still. I'm keen to look for ways to improve our governance still further.

Administration

The Trustee works closely with the Administrator to meet agreed administration standards and to implement continuous improvements in areas where enhancements are possible.

B&CE's approach is to continue to improve its customer service, through automation of risk management, controls and security, with the objective of helping members have a consistent, better and safer experience across the full length of their retirement savings journey.

Chair's review (continued)

Value for members

The Trustee has a clear understanding of the costs and charges of running the Scheme.

The Trustee's view is that the Scheme represents good value. The blend of a comparatively low fee and a strong, clear investment strategy together creates a savings vehicle entirely appropriate for its members. This Trustee assessment is supported by responses to research with our members and employers, and evidence of market acceptance and demand demonstrated by the increase in the number of employers and members over the year.

More details are included in the Chair's Annual Governance Statement on page 94.

Communicating and reporting

As a corporate member of the Plain Language Commission, B&CE works hard to understand members' needs and present information with the utmost simplicity and clarity to help them make good decisions about their savings and financial future.

The communications delivered by the Administrator focused on: dedicated material to support members and employers through the COVID-19 pandemic; an explanation of the changes we've made to the charging structure – and the benefits of those changes; member education on the pernicious issue of financial scams; plus our usual updates on the Scheme's performance and progress.

On behalf of the Trustee, I would like to thank every member of B&CE's team for a terrific effort in the most exceptional circumstances. I'd also like to acknowledge the inspiring work of my fellow Trustee Directors. Collectively, their skills and perseverance have helped ensure the Scheme is something we can all be rightly proud of.

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

Steve Delo
Chair

The People's Pension Trustee Limited
23 September 2021

Scheme information

Advisers

Secretary	Alena Aliokhna
Registered office	The People's Pension Trustee Limited Manor Royal Crawley West Sussex, RH10 9QP
Scheme administrator	B&CE Financial Services Limited
Banker	HSBC Bank plc
Independent Auditor	KPMG LLP
Investment manager	State Street Global Advisors Limited and HSBC Global Asset Management
Investment adviser	Barnett Waddingham LLP
Investment administration provider	The Northern Trust Company
Legal adviser	Eversheds Sutherland (International) LLP

Contact us

Online	Home page: **www.thepeoplespension.co.uk** Online help: **thepeoplespension.co.uk/contact-us/member/**
Telephone:	Employers and advisers: **01293 586 666** Members: **0300 2000 555**
Email:	**info@thepeoplespension.co.uk**
Post:	The People's Pension Trustee Limited Manor Royal Crawley West Sussex RH10 9QP

Trustee's report for the year ended 31 March 2021

The Trustee of the Scheme presents its annual report for the year ended 31 March 2021.

Scheme constitution and management

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

The Trustee has responsibility for implementing the strategy and overseeing the operation of the Scheme. During the year, the Trustee had a total of 6 Directors, identified on pages 99 to 101 with 2 appointments and no resignations. The Directors of the Trustee are appointed by, and can be removed by, People's Financial Services Limited (the Scheme Founder). The Directors are paid a salary and reimbursed by B&CE for expenses incurred in the performance of their duties as Directors of the Trustee.

The Investment Committee consists of 3 of the Directors who oversee the Scheme's investments in line with the Trustee's agreed strategies and the Scheme's Statement of Investment Principles (SIP). The Committee reports on investment performance to the Trustee and makes recommendations on investment strategy and implementation to the Trustee.

The Risk, Administration and Communication Committee, comprising of 3 Directors during the year, is responsible for risk assessment, the administration services and the effectiveness and accuracy of Scheme communications. It also has responsibility for the risk register and Annual Report and Financial Statements.

The Administrator carries out the day-to-day operation of the Scheme, including communicating with members and processing contributions and allocations to members' pension funds (or the default fund if they haven't made a choice) on behalf of the Trustee.

A service level agreement is in place with the Administrator and quarterly service reports are provided to the Trustee, which include details of whether these levels have been attained and the timeliness of all transactions.

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

The Trustee appoints professional advisers and other organisations to support it in delivering the Scheme's objectives. These individuals and organisations are listed on page 6. The Trustee has written agreements in place with each of them.

Details of the number of meetings and the Directors' attendance at Trustee Board and Committee meetings are in the table below. Where a Director was not in place for the full year or had not completed their onboarding programme, the maximum number of meetings is given in brackets.

	Trustee Board 5 meetings	**Investment Committee 8 meetings**	**Risk, Administration and Communication Committee 4 meetings**
Mark Condron	4 (of 4)	N/A	4
Steve Delo	5	8	N/A
Jeannie Drake	4 (of 4)	N/A	4
Chris Fagan	5	8	N/A
David Maddison	5	N/A	4
Alan Pickering	5	8	N/A

Trustee's report (continued)

Financial developments and financial statements

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

Membership and benefits

The change in membership during the year is as follows:

	Members
At the start of the year	4,976,329
New members joining	486,426
Members opting out	(8,496)
Cancellation of duplicate accounts[1]	(59,590)
Net members before leavers	**5,394,669**
Members retired	(3,043)
Members transferred out	(69,864)
Members deceased / terminal illness	(3,633)
At the end of the year	**5,318,129**
Active members	1,834,528
Deferred members	3,483,601
At the end of the year	**5,318,129**

[1] Duplicate accounts can arise when a member is enrolled in the Scheme by more than one employer or when an employer enrols a member in error.

At the end of the year, there were 99,000 employer accounts in the Scheme (2020: 94,000).

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

Trustee's report (continued)

Membership and benefits (continued)

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

Retirement

Members aged 55 or over can generally choose from the following options (some are available earlier than age 55 when retiring on ill-health grounds):

- Keep their money where it is. Members who don't need to access their pension pot yet can leave it invested.
- Take it all in one go. 25% is usually tax free and the remainder will be taxed at the member's marginal rate.
- If they have over £10,000 in their pension pot, they can take it in stages through flexible lump sums. There are 2 ways for members to do this depending on how they want to take their 25% tax-free cash. With the first option, members take their tax-free cash gradually. Each time they take money from their pension pot, 25% of what is taken is usually tax free and they pay tax at the marginal rate on the other 75%. The technical name for this option is an 'uncrystallised funds pension lump sum' (or UFPLS). With the second option, members take their 25% tax-free cash up front and the remainder is moved to a 'flexi-access drawdown' account within the Scheme, where they can then withdraw as income taxable at the member's marginal rate.
- Buy a guaranteed income on the open market (annuity). Up to 25% of the pension pot can be paid out as tax-free cash while the remainder is used to purchase an annuity with an insurer to provide a guaranteed level of income usually for life. (B&CE does not offer annuity products).

Transfer

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

Death

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

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

Key developments

The Trustee took all reasonable steps to address the impact of the economic and stock market volatility caused by the COVID-19 pandemic. From an operational perspective, it prioritised key financial transactions and vulnerable clients – until the Administrator implemented a new operational infrastructure, enabling staff to operate the Scheme and support members while working from home.

From an investment perspective the Trustee, in conjunction with the Administrator's investment team, used incoming member contributions to build a cash reserve, which it then deployed into the Scheme default funds once they were confident the worst of market volatility was past.

From a governance perspective, the Trustee increased the number of sub-committee meetings, to ensure swift and effective decision making throughout the crisis period.

Investment management

Investment strategy and principles

In accordance with Section 35 of the Pensions Act 1995, the Trustee has prepared a SIP, agreed in September 2020. A copy is included on pages 24 to 63.

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

Funds and investment risk

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

There are currently 3 investment profiles for members to choose from in the Scheme:

Profile	Summary
Balanced	• Medium to high-risk • Potential for long-term growth with some security • Moves to lower-risk investments as the member approaches retirement • For members who prefer to take some risk but would also like some of their investments to be secure
Cautious	• Lower-risk and volatility • Moderate growth over the long-term • Moves to lower-risk investments as the member approaches retirement • For members who are prepared to accept some degree of risk, but who look for investments with lower volatility
Adventurous	• Higher-risk and increased volatility • Aims to maximise growth in the long-term • Moves to lower-risk investments as the member approaches retirement • For members who are prepared to take on more risk with the potential for increased growth

Trustee's report (continued)

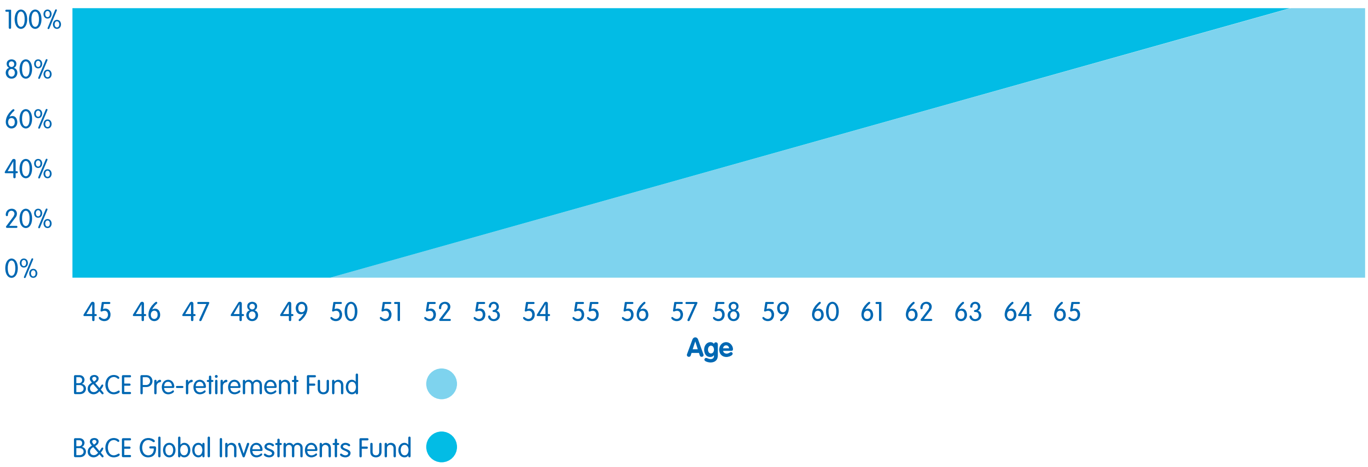
Investment management (continued)

Funds and investment risk (continued)

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

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

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



Alternatively, members can decide for themselves what funds their money is invested in. They can choose from the Scheme's range of funds, which are classified by risk so that members can see which of them have the potential for higher returns, and which of them may remain more stable. However, any members choosing this 'self-select' option will not see their money move automatically into lower-risk investments as they approach retirement – they have to request that the money be moved between investment funds or be invested in one of the investment profiles.

Investment management (continued)

Funds and investment risk (continued)

The Scheme has a range of passive investment funds for members to choose from. These are shown in the table below with the target asset allocations as at 31 March 2021.

Fund	Summary
B&CE Global Investments (up to 60% shares) Fund	• Used in the 'cautious' investment profile • 48.9% global equity, 10.5% alternatives, 10.0% corporate bonds, 10.0% gilts, 20.0% global bonds, 0.6% cash • A 'cautious' fund available as a self-select option
B&CE Global Investments (up to 85% shares) Fund	• Used in the 'balanced' investment profile • 65.2% global equity, 14.0% alternatives, 5.0% corporate bonds, 5.0% gilts, 10.0% global bonds, 0.8% cash • A 'balanced' fund available as a self-select option
B&CE Global Investments (up to 100% shares) Fund	• Used in the 'adventurous' investment profile • 81.5% global equity, 17.5% alternatives, 1.0% cash • An 'adventurous' fund available as a self-select option
B&CE Ethical Fund	• A higher-risk fund available as a self-select option • Has an investment strategy that, by tilting away from free-float market cap weights, seeks to gain exposure to those companies demonstrating both a robust environmental, social and governance (ESG) profile as well as a positive trend in improving that profile, using minimal exclusions from the MSCI World Index • 100% global equity
B&CE Shariah Fund	• A higher-risk fund available as a self-select option • Has an investment approach based on Islamic Shariah principles • 100% global equity
B&CE Pre-Retirement Fund	• Used within each investment profile and available as a self-select option • 15% corporate bonds, 15% gilts, 30% global bonds, 20.2% money market, 16.3% global equity, 3.5% alternatives
B&CE Cash Fund	• Invests in short-term money markets such as bank deposits and treasury bills
B&CE Annuity Fund	• A medium/low-risk fund available as a self-select option • 70% corporate bonds, 30% gilts

Asset allocations are reviewed regularly and updated when appropriate. For information on current asset allocations, contact B&CE using the details on page 6.

Investment management (continued)

Management and custody of investments

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

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

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and considers them to be appropriate and relative to the reasons for holding each class of investment. More details about investments are given in the notes to the financial statements.

Policy on responsible investment

The Trustee introduced its Policy on responsible investment in 2018. This sets out at a high level the steps the Trustee needs to undertake to carry out its fiduciary duty in respect of environmental, social and governance issues.

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

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

Financially material considerations

The Trustee believes that 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.

The Trustee's policy on responsible investment outlines its approach to ESG factors and whether or not they are considered financially material.

ESG factors are integrated into the portfolio when they are believed to positively affect return or negatively affect risk characteristics by a material amount. Integration may mean using the ESG factor to influence the weights of securities, sectors or asset classes held in a portfolio.

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

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

The Trustee relies on the expert opinion from the Intergovernmental Panel on Climate Change (IPCC), United Nations Framework Convention on Climate Change (UNFCCC), Committee on Climate Change (CCC), and UK government and regulators in concluding that climate change poses a material financial risk to member investment values. Whilst the scientific evidence is compelling, we acknowledge that there is still debate about the politics and process of addressing climate change, which will reward or harm different strategies.

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

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

The Trustee recognises 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 fund.

Trustee's report (continued)

Investment management (continued)

Policy on responsible investment (continued)

Non-financial factors

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

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

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

The Trustee has agreed a Policy on responsible investment that outlines its approach to ESG and ethical factors and whether or not they are financially material.

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

Voting rights, corporate governance and engagement principles

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

The Trustee accepts that pooled vehicles will be governed and constrained by the individual investment policies of the investment manager. However, the Trustee recognises the important role it has to influence positive ESG standards both through voting on key policies and decisions at general meetings, and the manager's ability to engage with boards on the Scheme's behalf as an asset owner.

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

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

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

Trustee's report (continued)

Investment management (continued)

Policy on responsible investment (continued)

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

The Trustee requires its investment managers to be signatories to the principles for responsible investment (PRI) and calls on all institutional participants in markets to adopt these global principles.

The Trustee acknowledges the importance of ESG and climate risk within their investment decision making framework. The Scheme invests exclusively in pooled funds at present and this policy is therefore framed around how the Trustee interacts with, monitors, and may seek to influence, the pooled fund managers. When delegating investment decision making to their investment managers, the Trustee provides their investment managers with a benchmark they expect the investment managers to either follow or outperform. The benchmarks to be used reflect the positioning the investment manager is expected to take within an investee company's corporate structure.

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

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

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

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

Asset manager arrangements

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

When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be materially out of line with their own investment objectives for the part of the portfolio being considered, they will consider another manager for the mandate.

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

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

Trustee's report (continued)

Investment management (continued)

Policy on responsible investment (continued)

Investment manager ESG policies are reviewed in the context of best industry practice and feedback is/will be provided to the investment manager.

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

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

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

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

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

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

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

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

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

The Trustee recognises that turnover costs are necessary where they are incurred to ensure the Scheme remains in investments that will provide, rather than detract from performance over the long term. They are mindful that high turnover costs have the potential to adversely affect overall performance. When monitoring turnover costs both the level and reason behind them are considered and, if necessary, investigated further.

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

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

Climate change policy

Furthermore, in September 2019, the Trustee published a standalone policy on climate-related investment issues. This reflects the materiality of climate change and creates a framework for the Trustee to fulfil its fiduciary duty on climate related issues that affect member outcomes. The Trustee plans to review the policy at least every 3 years.

Employer-related investments

Details of employer-related investments are given in note 13 to the financial statements on pages 115 and 116.

Master trust authorisation

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

Trustee's report (continued)

Investment management (continued)

Auditor

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

Statement of Trustee's responsibilities

Trustee's responsibilities in respect of the financial statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustee. Pension Scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

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

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

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

- Assessing the Scheme's ability to continue as a going concern; and disclosing, as applicable, matters related to going concern.
- Using the going concern basis of accounting unless it either intends to wind up the Scheme or has no realistic alternative but to do so.
- Making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is fair and impartial.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

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

The Trustee is responsible under pensions legislation for ensuring that there is a prepared, maintained and from time-to-time revised payment schedule showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

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

Further information

Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be made to the contact listed on page 6.

Approval

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

Steve Delo

Chair of The People's Pension Trustee Limited

23 September 2021

Chair's annual governance statement
for the year ended 31 March 2021

Statement objective

This is an annual Chair's Statement from the Trustee regarding the governance of the Scheme. This Statement is included in the Scheme's annual report in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the Administration Regulations). The People's Pension is designed to provide both employees and employers with a well-governed, value for members pension scheme. As at 31 March 2021, the Trustee has responsibility for pension savings worth approximately £13.8bn for over 5.3m members, from 99,000 participating employers.

COVID-19 pandemic

Whilst the COVID-19 pandemic has affected us all in 2020 and continues to do so in 2021, the Trustee has been working closely with the Scheme's service providers, monitoring the administration and investment services, as well as the Scheme's investment performance and Business Continuity Plans (BCP) that affect the delivery of these services. The member website has continuously been updated throughout the year with support, information, and warnings about the rise of pension-related scams. With the future of the pandemic still unclear, the Trustee will continue to carry out this additional monitoring throughout the year to provide our members with the assurance that their retirement savings are being closely monitored during these times.

Default investment arrangement

Within the range of investment options available to members, the Scheme offers 3 investment profiles, as detailed in the Trustee's report. These are designed to build up a member's savings and, 15 years before their State Pension age or the date they've told us they'd like to retire, the profiles start moving those savings into lower-risk investments.

Chair's annual governance statement (continued)

Default investment arrangement (continued)

If no selection is made, a member's pension savings go into the default arrangement – which is the 'balanced' investment profile.

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

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

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

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

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

- Maintaining an up-to-date SIP, which can be found in the Chair's annual governance statement on pages 24 to 63, setting out the principles governing how decisions about investments must be made.
- Considering the needs and demographic profile of the Scheme's membership when designing and reviewing all investment options, including the 'default' investment profile.
- Considering and setting appropriate investment strategies for all investment options, including the 'default' investment profile.
- Regularly reviewing the investment strategy and performance of all investment options, including the 'default' investment profile, and making recommendations on investment strategy changes to the full Trustee Board.

During the year, the Trustee – acting in the interests of members – continued to review and update the default arrangement and other investment options offered by the Scheme. The last review took place on 10 November 2020. Following the review, the Trustees concluded that the investment performance and the design of the default arrangements is consistent with both the aims and objectives of the SIP and the Scheme demographics and therefore remains a suitable investment strategy for all of our members. The next review of the investment strategy will be conducted on 4 November 2021.

Key highlights this year included:

- To enable close monitoring and rapid decision making during the early part of the pandemic and lockdown, the Investment Committee met on a significantly more regular basis from 20 March 2020 through to 7 May 2020. The Scheme also took steps during this period to ensure sufficient liquidity, both for any member redemptions or switches into cash and to cover the cost of the currency hedging. The liquidity holdings were also diversified with the addition of the State Street Sterling Liquidity Fund. These measures were applied to the default fund and other core funds.
- In August 2020, after a period of market stabilisation and recovery, the cash positions of the default and core funds were reduced.
- In October 2020 and November 2020, the relative size of the holdings in the World Adaptive Capping Index were increased in the default and core funds, with the regional equity holdings being reduced. The World Adaptive Capping Index now comprises 17.5% of the growth portfolio.
- From 31 March 2021, in line with the Scheme's responsible investment policy, the Scheme will remove from the global and regional equity funds companies who manufacture controversial weapons as well as those who have had a severe ESG controversy from the default and core funds.

Chair's annual governance statement (continued)

Default investment arrangement (continued)

The Trustee Board operates an Investment Committee – this provides investment oversight on behalf of The People's Pension Trustee Limited of the Scheme. The Committee met on 2 April 2020, 9 April 2020, 16 April 2020, 30 April 2020, 7 May 2020, 6 August 2020, 10 November 2020 and 4 February 2021. Key areas for review at each meeting included:

- The overall performance of the default arrangement particularly measured against the performance of its benchmark and was consistent with the aims and objectives of the Scheme's default investment arrangement, as set out within the SIP on pages 24 to 63.
- The performance attribution of the default arrangement (ie how each of the different components within the fund contributed to its overall performance).
- The one-year volatility of the funds.
- Analysis of the default investment profile – namely the returns and annualised volatility for a member in the default arrangement.
- Alternative choices selected by members who are not in the default arrangement.

The Trustee Board is advised by Barnett Waddingham, which is an FCA authorised advisory organisation with a prominent reputation in the pensions industry. Representatives from the appointed investment adviser attended all the Investment Committee meetings.

Fund performance

The performance of the funds as at 31 March 2021 (net of the 0.5% management charge) is shown on page 21.

The investment returns for the Scheme have been very strong over the last year as global equity markets rallied after the COVID-19 induced crash of February to March 2020. The combination of positive news regarding vaccine development and very significant government stimulus has led to equity markets being markedly higher in the last 12 months.

From the market trough in March 2020, all the world's major equity markets rebounded strongly, the US market in particular enjoying spectacular growth partly as a result of a boom in the tech sector.

Fixed Interest overall has proved more challenging with gilt and global bond yields falling sharply over the last quarter of 2020 and first quarter of 2021.

Chair's annual governance statement (continued)

Fund performance (continued)

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

Fund	Fund Performance**	Benchmark Performance	Benchmark*	Asset Allocation
B&CE Global Investments (up to 60% shares) Fund	22.05% 1 Year 7.26% 3 Year 8.67% 5 Year	3.25% 1 Year 7.26% 3 Year 4.31% 5 Year	UK CPI +3% (Gross of fees)UK CPI 2.5% (Net of fees) Performance shown on a net of fee basis	5.14% FTSE All-Share ex Controversies ex CW Index5.14% FTSE All-World Developed North America Index ex Controversies ex CW Index 5.14% FTSE All-World Developed Europe ex UK Index ex Controversies ex CW Index 2.573.21% FTSE All-World Japan ex Controversies ex CW Index 2.57% FTSE All-World Developed Asia Pacific ex Japan ex Controversies ex CW Index 3.75% FTSE Emerging Index 12.00% MSCI World Adaptive Capped 2X ex Controversies ex CW Index 12.60% MSCI World Select 5-Factor ESG Low Carbon Target Index 5.25% Dow Jones Global Select Real Estate Securities Index 5.25% Morningstar Global Multi-Asset Infrastructure Index 10.00% Barclays Sterling Corporate All Stocks Index 10.00% FTSE Actuaries British Government All Stocks Index 20.00% Bloomberg Barclays Global Aggregate Bond Index 0.60% SONIA
B&CE Global Investments (up to 85% shares) Fund	29.81% 1 Year 8.52% 3 Year 10.09% 5 Year	4.26% 1 Year 4.92% 3 Year 5.33% 5 Year	UK CPI +4% (Gross of fees) UK CPI 3.5% (Net of fees) Performance shown on a net of fee basis	6.85% FTSE All-Share ex Controversies ex CW Index 6.85% FTSE All-World Developed North America ex Controversies ex CW Index 6.85% FTSE All-World Developed Europe ex UK ex Controversies ex CW Index 3.43% FTSE All-World Japan ex Controversies ex CW Index 3.43% FTSE All-World Developed Asia Pacific ex Japan ex Controversies ex CW Index 5.00% FTSE Emerging Index 16.00% MSCI World Adaptive Capped 2X ex Controversies ex CW Index 16.80% MSCI World Select 5-Factor ESG Low Carbon Target Index 7.00% Dow Jones Global Select Real Estate Securities Index 7.00% Morningstar Global Multi-Asset Infrastructure Index 5.00% Barclays Sterling Corporate All Stocks Index 5.00% FTSE Actuaries British Government All Stocks Index 10.00% Bloomberg Barclays Global Aggregate Bond Index 0.80% SONIA
B&CE Global Investments (up to 100% shares) Fund	37.95% 1 Year 9.73% 3 Year 11.29% 5 Year	5.27% 1 Year 5.93% 3 Year 6.35% 5 Year	UK CPI +5% (Gross of fees) UK CPI 4.5% (Net of fees) Performance shown on a net of fee basis	8.56%% FTSE All-Share ex Controversies ex CW Index 8.56%% FTSE All-World Developed North America ex Controversies ex CW Index 8.56%% FTSE All-World Developed Europe ex UK ex Controversies ex CW Index 4.28% FTSE All-World Japan ex Controversies ex CW Index 4.28% FTSE All-World Developed Asia Pacific ex Japan ex Controversies ex CW Index 6.25% FTSE Emerging ex Controversies ex CW Index 20.00% MSCI World Adaptive Capped 2X ex Controversies ex CW Index 21.00% MSCI World Select 5-Factor ESG Low Carbon Target Index 8.75% Dow Jones Global Select Real Estate Securities Index 8.75% Morningstar Global Multi-Asset Infrastructure Index 1% SONIA
B&CE Ethical Fund	36.40% 1 Year 13.39% 3 Year 13.88.% 5 Year	5.27%% 1 Year 5.93% 3 Year 6.35% 5 Year	UK CPI +5% (Gross of fees) UK CPI 4.5% (Net of fees) Performance shown on a net of fee basis	100.00% Global equity

Chair's annual governance statement (continued)

Fund performance (continued)

Fund	Fund Performance**	Benchmark Performance	Benchmark*	Asset Allocation
B&CE Shariah Fund	35.72% 1 Year 19.30% 3 Year 17.25% 5 Year	5.27%% 1 Year 5.93% 3 Year 6.35% 5 Year	UK CPI +5% (Gross of fees) UK CPI 4.5% (Net of fees) Performance shown on a net of fee basis	100.00% Global equity
B&CE Pre-Retirement Fund	7.78% 1 Year 3.92% 3 Year 5.85% 5 Year	1.24%% 1 Year 1.88% 3 Year 2.28% 5 Year	UK CPI +1% (Gross of fees) UK CPI 3.5% (Net of fees) Performance shown on a net of fee basis	1.71% FTSE All-Share ex Controversies ex CW Index 1.71% FTSE All-World Developed North America ex Controversies ex CW Index 1.71% FTSE All-World Developed Europe ex UK ex Controversies ex CW Index 0.861.07% FTSE All-World Japan ex Controversies ex CW Index 0.861.07% FTSE All-World Developed Asia Pacific ex Japan ex Controversies ex CW Index 1.25% FTSE Emerging ex Controversies ex CW Index 4.00% MSCI World Adaptive Capped 2X ex Controversies ex CW Index 4.20% MSCI World Select 5-Factor ESG Low Carbon Target Index 1.75% Dow Jones Global Select Real Estate Securities Index 1.75% Morningstar Global Multi-Asset Infrastructure Index 15.00% Barclays Sterling Corporate All Stocks Index 15.00% FTSE Actuaries British Government All Stocks Index 30.00% Bloomberg Barclays Global Aggregate Bond Index 20.20% SONIA
B&CE Cash Fund	-0.35% 1 Year 0.06% 3 Year 0.00% 5 Year	-0.10% 1 Year 0.32% 3 Year 0.28% 5 Year	SONIA	100.00% Money Market
B&CE Annuity Fund	2.53% 1 Year 5.75% 3 Year *** 5 Year	2.29% 5.14%. *** 5 Year	Composite+	70.00% Barclays Sterling Aggregate 100 mm Non-Gilts Over 15 Years Index 15.00% FTSE Actuaries British Government Over 15 Years Index 10.00% Barclays UK 4.25% Dec 55 TRI 5.00% Barclays UK 4.00% Jan 60 TRI

3 year and 5-year returns are annualised

* The Trustee may review and amend the benchmark of the funds as appropriate. The benchmarks above are the target benchmark correct as of 31 March 2021.
** The performance figures shown are after the deduction of 0.5% management charge. The Scheme uses single priced funds, so investment performance figures include any anti-dilution levies applied.

*** Figures unavailable as fund launched on 5 September 2016.

Fund performance (continued)

Statement of Investment Principles

The current Statement of Investment Principles (SIP) was agreed by the Trustee on 3 September 2020. A copy of the SIP can be found below on pages 24 to 63. It is also available on the Scheme's website at **www.thepeoplespension.co.uk/jargonbuster/statement-investment-principles-sip/**

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

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

Environmental, Social and Governance ("ESG") overview

The Trustees believes that ESG factors can affect the performance of investment portfolios and have a Responsible Investment Policy in place to outline this, alongside the SIP.

The process set by the Trustee for implementing this policy includes integration, screening and engagement.

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

A summary of the voting activity undertaken by the Scheme's fund managers on behalf of the Trustee is provided in the Implementation Statement, a copy of which is included on pages 64 to 81 after the Statement of Investment Principles.

Statement of Investment Principles (continued)

the people's pension

The People's Pension Scheme Statement of Investment Principles

September 2020

For people, not profit

Statement of Investment Principles (continued)

Contents

Statement of Investment Principles (continued)

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 which 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

1.2 The Trustee has consulted a suitably qualified person by obtaining written advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham are 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 Clause 51 of the Definitive Trust Deed and Rules, dated 25 May 2018. This statement is consistent with those powers.

2. Choosing investments

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

2.2 The Trustee carefully considers its investment objectives, shown in appendix 1, when designing the range of investment options to offer to the Scheme's members. The Trustee also acknowledges that members will have different attitudes to 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 investment manager State Street Global Advisors. The investment manager is authorised and regulated by the Financial Conduct Authority and is responsible for stock selection and the exercise of voting rights.

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 investment manager with respect to its performance within any guidelines set.

Statement of Investment Principles (continued)

3. Investment objectives

3.1 The Trustee has discussed and agreed key investment objectives in light of an analysis of the Scheme's membership profile as well as the constraints the Trustee faces in achieving these objectives. These are set out in more detail in appendix 1.

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

4. The kind of investments to be held

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

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

5. The balance between different kinds of investments

5.1 The Trustee has made available a range of investment profile options. Through these options, members' assets are automatically invested in line with a pre-determined strategy that changes at different stages of membership. For example, whilst a member is a long way off accessing their retirement savings, emphasis is placed on medium to higher risk funds (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.

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

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

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

Statement of Investment Principles (continued)

6. Investment risk

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

6.2 A comprehensive list of risks is set out in the Trustee risk register. The main investment risks affecting all members and the ways the Trustee measures and manages these are listed below.

Risk	Description	Mitigation
Inflation risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the member's retirement savings	The Trustee makes available investment options that are expected to provide a long-term real rate of return.
Conversion risk	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the amount likely to be received.	In the investment profile options made available through the Scheme, the Trustee changes the proportion and type of investments so that in the run up to retirement the investments gradually start to more closely match how the Trustee expects members to access their retirement savings. The Trustee keeps under review the appropriateness of the strategies. The Trustee also makes available alternative funds which members may select to better suit their own circumstances.
Retirement benefit risk	The risk that a member's retirement benefit falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid.	The Trustee periodically reviews the appropriateness of the investment options offered to ensure member outcomes can be maximised. The level of contributions is outside the Trustee's control.

Statement of Investment Principles (continued)

Risk	Description	Mitigation
Investment manager risk	The risk that an investment manager underperforms against the benchmark which they're assessed against in the long term	The Trustee monitors the performance of the Scheme's investment manager on a regular basis, through performance information and regular meetings with them. The Trustee has a written agreement with the investment manager, which contains a number of restrictions on how the investment manager may operate.
Market risk	Market risk refers to the risk that an investment may fall in value due to fluctuations in the market.	The investment manager is expected to invest in properly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	Some of the funds made available to members by the Trustee can invest in overseas assets which will be denominated in currencies other than Sterling. There is, therefore, a risk that the relative movements of Sterling and other currencies lead to losses (or gains) in the value of the investment.	The Trustee monitors the impact of currency risk on the portfolios. The currency exposure associated with a proportion of certain assets held is hedged back to Sterling to reduce the potential impact.
Operational risk	The risk of fraud, poor advice, errors, administrative failure or acts of negligence.	The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.
Environmental, Social and Governance (ESG) risk	ESG risks can have a significant effect on the long-term performance of assets held by the Scheme.	The Trustee has a policy on responsible investment that addresses how these risks should be managed. This is included in appendix 2.
Index selection risk	The risk that an inappropriate index is selected.	The Trustee takes advice from regulated advisers when making investment decisions.

Statement of Investment Principles (continued)

7. Expected return on investments

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

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

8. Realisation of investments

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

9. Financially material considerations

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

9.2 The Trustee's policy on responsible investment (appendix 2) outlines its approach to ESG factors and whether or not they are considered financially material.

9.3 ESG factors are integrated into the portfolio when they are believed to positively affect return or negatively affect risk characteristics by a material amount. Integration may mean using the ESG factor to influence the weights of securities, sectors or asset classes held in a portfolio.

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

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

9.4 The Trustee relies on the expert opinion from the Intergovernmental Panel on Climate Change (IPCC), United Nations Framework Convention on Climate Change (UNFCCC), Committee on Climate Change (CCC) and UK government and regulators in concluding that climate change poses a material financial risk to member investment values. Whilst the scientific evidence is compelling, we acknowledge that there is still debate about the politics and process of addressing climate change, which will reward or harm different strategies.

9.5 The Trustee has agreed a Climate change policy (appendix 3) as climate change is likely to be the most financially material of the ESG issues as it will affect every business sector and geographical area.

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

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

The Trustee recognises 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.

Statement of Investment Principles (continued)

10. Non-financial factors

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

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

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

10.4 The Trustee has agreed a Policy on responsible investment (appendix 2) that outlines its approach to ESG and ethical factors and whether or not they are financially material.

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

11. Voting rights, corporate governance and engagement principles

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

The Trustee accepts that pooled vehicles will be governed and constrained by the individual investment policies of the investment manager. However, the Trustee recognises the important role it has to influence positive ESG standards both through voting on key policies and decisions at general meetings, and the manager's ability to engage with boards on the Scheme's behalf as an asset owner.

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

11.2 The Trustee's policy on responsible investment (appendix 2) includes proxy voting and engagement principles. The most likely areas the Trustee expects the investment managers to engage with companies on are:

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

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

11.4 The Trustee requires its investment managers to be signatories to the principles for responsible investment (PRI) and calls on all institutional participants in markets to adopt these global principles.

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

Statement of Investment Principles (continued)

11.5 The Trustee acknowledges the importance of ESG and climate risk within their investment decision making framework. The Scheme invests exclusively in pooled funds at present and this policy is therefore framed around how the Trustee interacts with, monitors, and may seek to influence, the pooled fund managers. When delegating investment decision making to their investment managers, the Trustee provides their investment managers with a benchmark they expect the investment managers to either follow or outperform. The benchmarks to be used reflect the positioning the investment manager is expected to take within an investee company's corporate structure.

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

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

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

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

12. Asset manager arrangements

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

When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be materially out of line with their own investment objectives for the part of the portfolio being considered, they will consider another manager for the mandate.

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

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

Investment manager ESG policies are reviewed in the context of best industry practice and feedback is/will be provided to the investment manager.

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

Statement of Investment Principles (continued)

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

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

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

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

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

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

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

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

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

The Trustee recognises that turnover costs are necessary where they are incurred to ensure the Scheme remains in investments that will provide, rather than detract from performance over the long term. They are mindful that high turnover costs have the potential to adversely affect overall performance. When monitoring turnover costs both the level and reason behind them are considered and, if necessary, investigated further.

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

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

Statement of Investment Principles (continued)

13. Monitoring

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

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

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

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

14. Agreement

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

Signed:

Steve Delo
Chair of The People's Pension Trustee Limited

Date: 3 September 2020

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

Statement of Investment Principles (continued)

Appendix 1

Note on investment policy in relation to the current Statement of Investment Principles dated 3 September 2020.

1. Scheme investment objective

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

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

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

2. The default option

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

The default strategy is known as the balanced investment profile.

2.2 The balanced investment profile is made up of two funds.

Fund name	Objective	Asset allocation
Global Investments (up to 85% shares) Fund	Purpose: The fund is a balanced risk long-term capital growth fund. Return frame: To generate returns in excess of Consumer Price Index (CPI) inflation. Return objective: CPI+4% per annum on a gross of fees basis.	66% Equity 7% Infrastructure 7% Property 5% Corporate Bonds 5% Gilts 10% Global Fixed Interest
Pre-Retirement Fund	Purpose: The fund is a low to medium risk fund which balances capital preservation and capital growth. Return frame: To generate returns in excess of Consumer Price Index (CPI) inflation. Return objective: CPI+1% per annum on a gross of fees basis.	15% UK Gilts 15% Corporate Bonds 16.4% Equity 1.8% Infrastructure 1.8% Property 20% Money Market 30% Global Fixed Interest

Correct at 3 September 2020

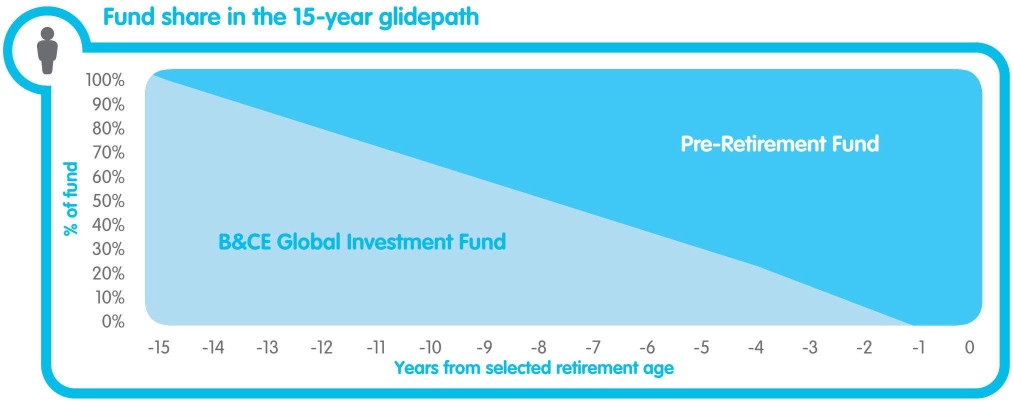
Statement of Investment Principles (continued)

2. The default option

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

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

Statement of Investment Principles (continued)



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 B&CE Global Investments (up to 60% Shares) Fund instead of the B&CE Global Investments (up to 85% Shares) Fund.

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

Statement of Investment Principles (continued)

Fund name	Objective	Asset allocation
Global Investments (up to 60% shares) Fund	Purpose: The fund is a moderate risk long-term capital growth fund. Return frame: To generate returns in excess of Consumer Price Index (CPI) inflation. Return objective: CPI+3% per annum on a gross of fees basis.	49.4% Equity 5.3% Infrastructure 5.3% Property 10% Corporate Bonds 10% Gilts 20% Global Fixed Interest
Global Investments (up to 100% shares) Fund	Purpose: The fund is a higher risk long-term capital growth fund. Return frame: To generate returns in excess of Consumer Price Index (CPI) inflation. Return objective: CPI+5% per annum on a gross of fees basis.	82.4% Equity 8.8% Infrastructure 8.8% Property
Ethical Fund	Purpose: The fund is a higher risk long-term capital growth fund. Return frame: To generate returns in excess of Consumer Price Index (CPI) inflation while screening out companies that do not exhibit high ESG standards. Return objective: CPI+5% per annum on a gross of fees basis.	100% Global Equity
Shariah Fund	Purpose: The fund is a higher risk long-term capital growth fund. Return frame: To generate returns in excess of Consumer Price Index (CPI) inflation, while investing in the largest global shariah compliant companies. Return objective: CPI+5% per annum on a gross of fees basis.	100% Global Equity

Correct at 3 September 2020

Statement of Investment Principles (continued)

Fund name	Objective	Asset allocation
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.	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% UK Gilts

Correct at 3 September 2020

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

4. Governance

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

Overall fiduciary responsibility	The Board of The People's Pension Trustee Limited (the Trustee)
Develop and recommend changes to overall strategy to the Trustee	The People's Pension Trustee Limited Investment Committee (the Committee)
Investment service providers	B&CE; Investment adviser; Investment manager; Investment administrator

Statement of Investment Principles (continued)

4. Governance

4.2 Roles and responsibilities

The Trustee	Investment committee	B&CE	Investment adviser	Investment manager	Investment administrator
• Sets the structures and processes for carrying out its role. • Selects appropriate experts to provide advice as and when required. • Sets the structure for the implementation of the investment strategy.	• Selects and monitors the planned asset allocation strategy. • Reviews the self-select fund range and investment profiles on a regular basis. • Monitors investment advisers and investment managers. • Makes ongoing decisions relevant to the operational principles of the Scheme's investment strategy. • Monitors investment performance and costs.	• Administrative and operational liaison with the investment managers. • Negotiation of fee terms and contractual terms. • Recommendations on generic fund options required to keep the Scheme an attractive option to participating employers. • Scheme secretarial and reporting liaison with the investment managers. • The Trustee expects the investment managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this SIP so far as is reasonably practicable.	• Advises on all aspects of the investment of the Scheme's assets, including implementation. • Advises on this SIP. • Provides required training to the Trustee. • Ensures that it delivers advice that is compliant with the requirements of the Financial Conduct Authority. • Recommendations on generic fund options required to keep the Scheme an attractive option to participating employers. • Scheme secretarial and reporting liaison with the investment managers. • The Trustee expects the investment managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this SIP so far as is reasonably practicable.	• Operates within the terms of this SIP and its written contracts. • Selects individual investments with regard to their suitability.	• Fund administration •Unit pricing

Statement of Investment Principles (continued)

Appendix 2

Policy on responsible investment

November 2018

For people, not profit

Chair’s annual governance statement (continued)

Statement of Investment Principles (continued)

Appendix 2

Responsible investment

Our core belief

Investment decisions should reflect environmental, social and governance considerations

Statement of Investment Principles (continued)

Appendix 2

Policy statement

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

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

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

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

This fact-finding and analysis is delegated to B&CE and our independent investment advisers.

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

Responsible investment is simply a set of tools to sort out environmental issues, social behaviours and governance practices in the companies we invest member money in.

Process

For us, responsible investment means using three tools:

1. **Integrate:** Construct portfolios to reflect environmental, social and governance (ESG) factors that could positively or negatively affect investment returns.
2. **Screen:** Exclude companies from investment portfolios that do not meet certain minimum ethical criteria. Include companies and investments that are likely to have a positive impact on the wider society.
3. **Engage:** Work with companies in an investment portfolio about the issues that are likely to have a material impact (both positive and negative) on future returns.

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

When we make decisions like this, we evaluate:

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

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

Chair's annual governance statement (continued)

Statement of Investment Principles (continued)

Appendix 2

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

- ensure our research process can identify investment approaches with a positive impact on both returns and, potentially, ESG issues
- focus on proposals from our advisers that specifically benefit our members and their needs, rather than other special interest groups
- test, challenge and (in some cases) research any new ideas or options to make sure they're fully appropriate for our members' needs.

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

Definitions:

Responsible investment (or 'RI') helps ensure members' money is invested in the right way. We use the three tools (explained above): integrate, screen and engage.

Environment, social and governance (or 'ESG') refers to any issue not covered by traditional financial analysis that could impair or improve long-term investment returns. These issues can be split into a number of factors, which we list and explain on page 4. We also state our core beliefs about these factors on page 8.

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

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

Statement of Investment Principles (continued)

Appendix 2

Decision-making process

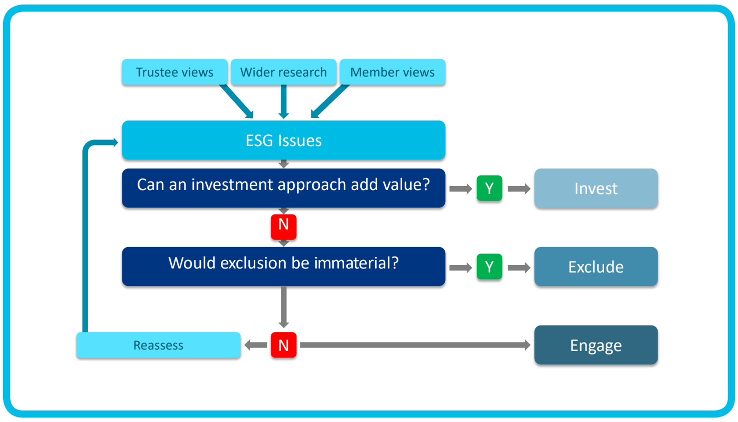
The People's Pension works with its founder, B&CE.

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

B&CE and The People's Pension act in partnership on responsible investment and agree the broad research agenda together. However, we may take different views from each other on topics from time to time, recognising the different characteristics, membership and objectives we have.

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

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



Chair's annual governance statement (continued)

Statement of Investment Principles (continued)

Appendix 2

1. We identify and understand responsible investment issues

B&CE communicates with companies, regulators, non-governmental organisations (NGOs) and other organisations in the investment chain.

We do this to understand the following:

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

This generates a list of issues which we then research and build into our investment process. The Trustee reviews this list and agrees what B&CE will research as a priority.

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

2. We assess issues

When we identify a responsible investment issue, B&CE goes through our responsible investment framework to determine the most effective method of addressing it. This involves the following:

- A formal assessment to determine whether an investment approach to altering our portfolios could improve member outcomes
- Determining the most appropriate approach to exclusion – one that looks at just the issue in question (narrow) or one that considers a whole range of different issues (wide) – more on this is our section on 'Exclusion and screening'.

Finally, for any priority ESG issue that our portfolios remain exposed to, we'll include the issue when we engage with investee companies and decide upon its prioritisation alongside other issues.

Here's how we assess which approach is appropriate.

2.1 Our investment approach

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

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

Once an approach is identified B&CE, will present evidence to the Trustee to demonstrate whether the stated approach is likely to:

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

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

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

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

Statement of Investment Principles (continued)

Appendix 2

2.2 Exclusion and screening

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

This consideration is only relevant to issues that don't appear to improve risk and return characteristics. We're very aware that excluding investments can have a cumulative effect and result in a more concentrated portfolio.

We recognise two types of exclusion:

1. Narrow issues

2. Wide issues

2.2.1 Narrow issues

Some issues affect a small number of potential investee companies – and a wholesale exclusion from our portfolios might be suitable.

These narrow issues can have a material reputational impact and/or not comply with broad social norms. An example is 'controversial weapons', as identified by the UN Global Compact. A narrow issue can be considered as a stand-alone exclusion.

B&CE uses ESG research from MSCI – one of the world leaders in this field – to identify and analyse a company's involvement in major ESG controversies. This assesses adherence to international norms and principles.

MSCI ranks companies using the following scale:

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

Where an issue has been flagged as Red, we'll consider this as a ground for exclusion from the portfolio.

2.2.2 Wide issues

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

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

Chair's annual governance statement (continued)

Statement of Investment Principles (continued)

Appendix 2

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

MSCI has assessed 37 key ESG issues:

3 Pillars	10 Themes	37 ESG key Issues	
Environment	**Climate change**	**Carbon emissions*** Product carbon footprint	Financing environmental impact Climate change vulnerability
	Natural resources	**Water stress*** Biodiversity and land use	Raw material sourcing
	Pollution and waste	**Toxic emissions and waste*** Packaging material and waste	Electronic waste
	Environmental opportunities	Opportunities in clean tech Opportunities in green building	Opp's in renewable energy
Social	**Human capital**	**Labour management*** **Health and safety***	Human capital development Supply chain labour standards
	Product liability	Product safety and quality Chemical safety Financial product safety	Privacy and data security Responsible investment Health and demographic risk
	Stakeholder opposition	Controversial sourcing	
	Social opportunities	Access to communications Access to finance	Access to health care Opp's in nutrition and health
Governance	**Corporate governance***	**Board**** **Pay****	**Ownership**** **Accounting****
	Corporate behavior	**Business ethics*** **Anti-competitive practices*** **Tax transparency***	Corruption and instability Financial system instability

*Indicates 'universal' issue assessed for all companies in the MSCI World Index
**Board, pay, ownership and accounting carry weight in the ESG rating for all companies.

Statement of Investment Principles (continued)

Appendix 2

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

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

One of the key things in investment is weighting – which means devoting an appropriate amount of time to a given company or issue. It doesn't mean dividing time equally across a number of unequally sized companies. The MSCI ratings work in the same way. They look at how a company performs against the industry average, rating them somewhere between best (AAA) and worst (CCC) and this helps us build a picture of wide issues.

We use these ratings to exclude or reduce our exposure to companies with the worst ESG performance and therefore reduce our exposure to a wide number of financial and reputational risks.

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

2.3 Engagement

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

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

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

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

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

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

3. Trustee review process

B&CE manages the majority of the day-to-day activity within this process, working with the Trustee to agree issues that are being worked on and strategies to address them.

We expect to work in full partnership with B&CE. But if there are any differences of opinion between the Trustee and B&CE, we'll make a note of that in our annual statements on this policy.

4. Ongoing diligence and review

The responsible investment landscape is continually changing and more research is constantly published on many ESG issues. The way we prioritise issues and risks enables B&CE to focus on the most important ones – but we can change those priorities at any time in response to new evidence.

Similarly, we might conclude that a given issue can only be dealt with as part of our wider exclusions and engagement activity. But, even where this is the case, we'll re-assess ESG issues every 3 years to help us ensure we draw the right conclusions.

Statement of Investment Principles (continued)

Appendix 2

Appendix 1: Passive management – engagement principles

We measure our managers against the following principles.

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

We expect our managers to...

- **be transparent and accountable by**
  - engaging in dialogue, honest evaluation, continuous enhancement and increased transparency of their stewardship practices.
- **enhance and evolve ESG practices in markets by**
  - applying higher voting standards where governance practices do not meet global investor expectations
  - identifying clear engagement priorities that focus on sector, thematic and/or market specific issues
  - collaborating with other investors when collective action is needed.
- **Develop long-term partnerships with companies and guide them through the evolution of ESG practices by**
  - engaging constructively with management/boards to bring about change in investee companies
  - publishing thought-leadership papers to inform directors on changing ESG practices
  - communicating clearly our expectations and vote rationale during engagement.

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

State Street Global Advisors (SSGA)

We have agreed with SSGA, the scheme's core passive investment manager, that strong relationships with boards and management teams of investee companies together with the monitoring of their performance, can enhance the long-term value of our members' investments.

On behalf of the Trustee, the Chief Investment Officer has evaluated (and will continue to evaluate) the breadth and capability of SSGA's function, in line with the above principles.

SSGA has a team of asset stewardship professionals who help it to carry out its duties as a responsible investor. These duties include researching companies, identifying issues and then engaging with them as necessary. SSGA voting and engagement focuses on a range of themes, including the following:

- Election of Directors and Boards
- Accounting and audit related issues
- Capital structure, reorganisation and mergers
- Compensation
- Environmental and social issues

As we invest in funds alongside other investors, we recognise that SSGA's prioritisation of issues for engagement and voting may not always be identical to ours. But we do our utmost, through regular contact with them and a formal annual engagement process, to make sure SSGA is as aligned as possible with us – now and in future.

Statement of Investment Principles (continued)

Appendix 2

Monitoring and reporting on responsible investment

We receive, review and publish reports on SSGA's:

- voting activity on our behalf
- engagement activity on our behalf.

We're also looking into ways to measure ESG risk across all of our assets under management – rather than on a case-by-case basis. Our new scoring system will enable us to report on how elements of our investment approach reduce ESG risks relative to market averages.

We provide copies of this policy, our voting and our engagement records on our website.

In 2019, we'll produce a responsible investment report that will include the following:

- How ESG and responsible investment principles have been integrated into our investment approach.
- Ownership of activities (voting, engagement, and/or policy dialogue),
- The outcome of our responsible investment research and the steps we're taking as a result
- What we're working on or discussing with other stakeholders in the interests of members.

We are working on ways to allow our members to highlight or endorse ESG issues.

Investment options

We recognise that member attitudes and view on responsible investment varies. For example, we may not engage with companies that members with money in our Ethical Fund may prefer to exclude. This fund invests passively in the MSCI World ESG Universal Index which is made up of companies that demonstrate a robust ESG profile and a positive trend in improving that profile.

Statement of Investment Principles (continued)

Appendix 2

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

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

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

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

Directors and boards of investee companies

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

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

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

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

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

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

Audit-related issues

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

Appointment of external auditors

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

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

Shareholder rights and capital related issues

Issuing new shares

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

Share repurchase programmes

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

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

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

Dividends

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

Statement of Investment Principles (continued)

Appendix 2

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

Mergers and acquisitions

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

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

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

Anti-takeover measures

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

Remuneration

Executive pay

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

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

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

- Adequate disclosure of different remuneration elements.
- Absolute and relative pay levels.
- Peer selection and benchmarking.
- The mix of long-term and short-term incentives.
- Aligning pay structures with shareholder interest, as well as with corporate strategy and performance.

Equity incentive plans

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

Non-executive director pay

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

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

Risk management

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

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

Environmental and social issues

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

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

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

Statement of Investment Principles (continued)

Appendix 2

Appendix 3: Draft policy wording

Taking account of ESG factors is an intrinsic part of our investment and engagement processes, as reflected in our investment belief.

Investment decisions should reflect environmental, social and governance considerations

Incorporating ESG factors in our investment not only has the potential to influence change in corporate behaviour, it also has the potential to generate positive returns over the long-term.

Pension scheme investments are long-term in nature and factors such as poor corporate governance or unsustainable business practices, together with other long-term risk factors such as climate change, can have a significant detrimental impact on returns. We believe it's our responsibility to manage our investments to deliver a positive contribution to society and future generations where this does not negatively affect returns.

We believe that:

- a company's **environmental actions** can signal:
  - operational efficiency: higher or lower costs
  - environmental liability: reduced or enhanced
  - revenue sources: opportunities or threats
- a company's **social behaviours** can signal:
  - human capital: effective or ineffective management of people
  - product/service safety: reduced or enhanced financial and reputational risks
  - customer base: expanding or declining
- a company's **governance practices** can signal:
  - decision-making: shareholder value enhanced or reduced
  - controls: reduced risk from impaired reputation or weak financial controls
  - management: better or worse performance from reaction to and implementation of change.

Chair's annual governance statement (continued)

Statement of Investment Principles (continued)

Appendix 2

The ESG issues we're addressing

We're serious about ensuring our portfolios reflect beliefs held by us and our members.

We talked about prioritisation earlier on in this policy. The first order of priorities for our work are issues relating to climate change and also items identified in the UN Global Compact.

Issue	Description	Rationale	Activity
Climate change	Carbon footprint and reserves; exposure to climate change effects; exposure to the transition to a low-carbon economy.	Seeking compelling evidence that specific investment approaches offer material performance improvements.	Working with research agencies to assess how to incorporate carbon reduction metrics into portfolio construction.
Controversial weapons	Securities issued by companies that manufacture controversial weapons, as defined by the UN Global Compact.	Material reputational issue. Immaterial financial impact – a small number of investments excluded.	Exploring how best to introduce exclusions into the portfolio, and the effect this has on the resulting portfolio.
Asbestos mining	Companies extracting and processing asbestos.	Material reputational issue. Immaterial financial impact – a small number of investments excluded.	Researching how to define and monitor exclusions of companies involved in any form of asbestos processing.

Once this research have been completed, we have highlighted the following issues for further research.

Issue	Description	Rationale	Activity
Gender diversity	Balance of genders by level of seniority.	Seeking compelling evidence that specific investment approaches offer material performance improvements.	Researching the impact of gender diversity on company performance. Engaging with companies.
Pay inequality	Distribution of pay by level of seniority.	Seeking compelling evidence that specific investment approaches offer material performance improvements.	Researching the impact of gender diversity on company performance. Engaging with companies.
Board diversity	Composition of board appointments and decision-making.	Seeking compelling evidence that specific investment approaches offer material performance improvements.	Researching the impact of gender diversity on company performance. Engaging with companies.

Version	Document name	Nature of change	Implemented
Version 1	Initial creation		01/02/2018
Version 2	Update	Reflecting changes policy and strategy	01/10/2018

Chair's annual governance statement (continued)

Statement of Investment Principles (continued)

Appendix 2

For people, not profit

To find out more, or to register:

➔ **www.thepeoplespension.co.uk**

info@bandce.co.uk

Or call us on:
Existing clients: **0333 230 1362**
New enquiries: **0333 230 1365**

The information in this document is correct as at November 2018 and may be subject to change.

The People's Pension Trustee Limited
Manor Royal, Crawley, West Sussex, RH10 9QP.
Tel 0300 2000 555 Fax 01293 586801 www.bandce.co.uk

PS TPP 0003.1118

Statement of Investment Principles (continued)

Appendix 3

the people's pension

Climate change policy

September 2019

For people, not profit

Statement of Investment Principles (continued)

Appendix 3

Introduction

The People's Pension (the Scheme) is a defined contribution (DC) master trust open to all UK employers. We have over 4 million members and grow by more than £1bn in contributions annually. As an open and growing master trust, we have a long-term investment outlook.

This direction is over a longer period of time than many UK pension funds, given the majority of defined benefit plans are closed. Because of this we must consider and react appropriately to all risks that are likely to be material over the long term.

We have a policy on responsible investment which outlines our approach to all environmental, social, and governance (ESG) issues whether or not they're financially material. In the policy we highlight the need to prioritise research on ESG issues by their materiality. This policy on climate change reflects that prioritisation. We accept that climate change is likely to be the most financially material of the ESG issues as it will affect every business sector and geographical area.

Climate risks

Climate change poses a number of risks to the value of our members' pension pots. These have the potential to compound and lead to significant permanent losses. The Bank of England's Prudential Regulation Authority[1] reported on three primary risk factors that are likely to materialise as the temperature rises. They are:

Physical risk:
These result from the 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 will 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).

While there are a number of ways to capture the range of risks, we believe these primary risks are useful and will adopt them for this and subsequent policies.

In addition to increased risk of loss, we also recognise the opportunities that will arise in businesses supporting the transition to the low carbon economy. Companies which are more successful in the research, development and scaling of climate-related technologies stand to gain in this transition. Likewise, companies with better environmental performance in their sector may lead to long-term cost savings relative to their peers. Climate risk encompasses both downside (loss) and upside (gain) events for business.

Statement of Investment Principles (continued)

Appendix 3

Our fiduciary duty

The Trustee of The People's Pension (Trustee) acts as fiduciary over the savings held in the Scheme. Our policy on responsible investment sets out at a high level the steps we need to undertake to carry out our 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 to be financially material to member outcomes. Our initial focus on climate change through this policy is because we consider climate change to be the most likely to be material. The reasons for this are set out in the next section.

The second step is to research the issue and understand:

1. whether the issue is likely to affect asset values
2. whether we've sufficient confidence that data on companies will enable us to alter portfolios to improve member outcomes.

Where we believe the risk is material and that we've sufficient insight from data into how to protect or benefit member investments we're obliged to act. This policy sets out why we've prioritised action on climate change and the research we'll carry out to seek to improve member outcomes.

Where we don't believe the risk is material, or where we don't have confidence that data is available that will give us insight into improving returns, we can either:

1. exclude the issue from our portfolios if it affects a small proportion of our assets
2. engage with investee companies on the issue and changes we would like to see if it's widespread.

The prioritisation of climate change risk

A greenhouse gas (GHG) is a gas that absorbs the thermal infrared radiation emitted by the Earth, warming the lower atmosphere. GHGs are generally measured in CO_2 equivalents, the quantity of CO_2 that would have the same warming potential, so that consistent assessments of temperature rises and other effects can be made.

Different gases have different warming strengths and will remain in the atmosphere for different lengths of time. Not all GHGs are equal and the finer detail of our approach may have to incorporate this point.

Human activities since the beginning of the industrial revolution have produced a large increase in the atmospheric concentration of GHGs, and CO_2 emissions are currently the highest in history[2]. A wide range of scientific and governmental bodies have confirmed that this is the cause of the rising global temperature. Global temperature and climate risks are predicted to increase dramatically in the 21st century unless GHG emissions are reduced significantly. There is increasing consumer, corporate and regulatory pressure to shift business models in a way that allows for a smooth transition to a low-carbon economy. In response to this, numerous organisations have been established and existing organisations and regulators are now developing their own recommendations for those under their responsibility.

Intergovernmental Panel on Climate Change (IPCC)

The IPCC was formed in 1988 and is a global body of the world's leading climate scientists. It's a collaboration between the World Meteorological Office (WMO) and the United Nations (UN) Environment Programme (UNEP). It publishes regular reports gathering the current scientific literature reviewing climate science. Its current consensus is that global warming above pre-industrial levels should be kept below 1.5°C[3]. The IPCC predicts that based on 2010 levels, emissions of CO_2 and its equivalents will need to decline approximately 45% by 2030 and be at net zero by 2050 to limit the warming to 1.5°C.

Statement of Investment Principles (continued)

Appendix 3

The prioritisation of climate change risk (continued)

The UN Framework Convention on Climate Change (UNFCCC)

The UN has convened an annual 'Conference of the Parties' (COP) since 1995 aiming to bring all governments around the world together to agree how to address climate change. This has resulted in a number of agreements, but the most recent and widest-reaching was the Paris Agreement signed in 2015. This is a major driving force in the conversation on how to begin to tackle climate change. The goal of policymakers who negotiated the agreement is for countries to submit carbon reduction pledges in an effort to keep global temperatures well below 2°C above pre-industrial levels.

The Committee on Climate Change (CCC)

The Climate Change Act (2008) made the UK the first country to establish a long-term legally binding framework to cut carbon emissions. It contained a target requiring emissions reductions of 80% by 2050 compared to 1990 with five-yearly carbon budgets acting as stepping stones towards this target. The Act also created the Committee on Climate Change (CCC) to advise the UK government and devolved administrations on tackling and preparing for climate change. The CCC is independent of government to ensure a long-term apolitical process is in place. Since the introduction of the CCC, there have been policy proposals globally to combat climate change and this is likely to continue. According to the CCC, as of 2017, the UK has met or is on track to meet the first three carbon budgets but not the fourth, which covers 2023-27. In 2019, based on recommendations from the CCC, the UK passed laws that contained a revised target of net zero GHG emissions by 2050. To meet the carbon budgets and an updated 2050 target, further reductions are needed which may lead to more challenging requirements on UK industries within the next few years. The CCC regularly reports on the progress made in reducing GHG emissions and has a prominent role in advising further UK strategy.

UK government and regulators

The Bank of England has highlighted the fact that climate change, and society's responses to it present financial risks which impact upon the Bank's objectives. The Financial Conduct Authority (FCA) has confirmed that it believes climate change to be a material factor in the financial performance of pension funds and has proposed plans to require all financial services entities to report publicly on how they manage climate risks. In addition to this, it's consulting on how best to ensure issuers of securities disclose appropriate climate related information.

In 2018, the Department for Work and Pensions (DWP) announced plans for all trust-based schemes to be required to explain how they take account of financially material considerations including, but not limited to, those arising from ESG considerations, including climate change.

Task Force on Climate-related Financial Disclosures (TCFD)

The Financial Stability Board launched the TCFD in 2017 and proposed a list of voluntary risk disclosures in four key areas:

- governance
- strategy
- risk management
- metrics and targets.

The TCFD has over 500 supporters consisting of companies, industry associations and governments. The companies represent a broad range of sectors including financial firms responsible for assets of nearly $100 trillion as of September 2018.

Statement of Investment Principles (continued)

Appendix 3

Our climate change policy

The Trustee relies on expert opinion from IPCC, UNFCCC, CCC and UK government and regulators in concluding that climate change poses a material financial risk to the value of members' savings. While the scientific evidence is compelling, we acknowledge that there is still debate around the politics and process of addressing climate change.

We acknowledge that while potentially challenging, we support the objective set through the UNFCCC, COP and IPCC processes of keeping warming compared to pre-industrial levels below 1.5°C and our policy is aligned to this objective. Likewise, we recognise the role of the IPCC in defining the emissions pathways that should achieve this target. In future, should the objective be altered by the UNFCCC or IPCC we will review this policy.

We have a fiduciary duty to consider all material financial risks when making investment decisions and we make no distinction in this between our default and self-select funds. We must manage climate change risks across all member options as best we can, recognising our greatest scale and ability to influence investments ourselves is in the default funds.

In addition to the financial costs associated with the transition to a low carbon economy, we accept that there is also a potential social cost for workers, communities, and countries as this shift takes place. We will make efforts to ensure that this social cost is shared fairly by integrating the workforce and social dimension into our processes. For this reason, we have signed the Statement of Investor Commitment to Support a Just Transition on Climate Change that has been prepared by the Principles of Responsible Investment (PRI).

Process

We're able to approach climate risk recognising we're a growing fund whose size is still primarily driven by contribution inflows rather than pension payments or returns. Assuming our membership stays similar in the future, this means:

- By 2030 when the IPCC states emissions need to have dropped by 45% relative to 2010 levels, we'll have received contributions of circa £40bn compared to around £5bn today.
- By 2050 when the IPCC states the global economy needs to be not emitting any GHGs at all, we'll have received contributions of circa £100bn compared to around £5bn today.

This means that the sooner we can research and find investments for net zero emissions portfolios, the fewer legacy assets we'll have to deal with in achieving the IPCC's recommended emissions pathways.

We've taken initial steps to reduce fossil fuel reserves and carbon intensive companies by investing in a multi-factor fund which screens out higher exposures to these, but this is only a start. We know because of our growth that we don't need to over-react and risk financial value in the short-term, but at the same time we recognise the significant amount of research that needs to be carried out by all stakeholders to create a broad and diversified portfolio representing the whole economy with net zero GHG emissions. This is our task over the coming years.

In keeping with our Policy on responsible investment, the broad steps we intend to take are:

- research on the risks and opportunities highlighted by better data
- engage with investee companies and exchanges to ensure our data requirements are met
- progressively make low carbon investments, firstly by focussing on getting investments that could make the contribution flow into a net zero emissions portfolio. Secondly, by dealing with legacy high-carbon assets in the portfolio.

Any approach we develop and implement now is likely to need adjusting and evolve as we grow, the market develops, and as new evidence is published. We'll keep this policy under review as our research process proceeds, and in any case every three years.

Net emissions reduction

There are several ways in which a net emissions reduction can be achieved. We will research the best option(s) for achieving this. One possibility is to apply a tilt to create a low carbon fund.

Tilting is the practice of increasing or decreasing the weighting of a specific factor within the fund compared to the parent index. An example of this would be where the index is roughly followed but there is a slightly higher percentage given to companies with low carbon emissions and a lower percentage invested in high carbon emitters.

The first step in the reduction began in December 2018 with a percentage of the portfolio being allocated to a multi-factor ESG + low carbon fund. This fund will both improve the ESG profile of the funds (climate change forms part of the 'E' component) and also use a tilt to reduce fossil fuel

Climate change policy | 5

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

Statement of Investment Principles (continued)

Appendix 3

Our climate change policy (continued)

reserves and carbon emission intensity. The low carbon tilt results in a reduction in the carbon emission intensity and potential emissions of at least 50% compared to the parent index.

Setting the timeframe

We believe it's important the portfolio eventually represents net zero carbon emissions. However, we don't believe that complete divestment from all carbon intensive sectors at this time would be in the best interest of our members, as it could negatively impact the eventual size of their pension pots.

We expect the portfolio to grow dramatically in the next few years and this will primarily come from contributions. In keeping with the IPCC's current emissions pathways our current aim is that from the mid-2020s we're able to make all future contributions into investments that have net zero GHG emissions. This will help us achieve the reduction of emissions by 45% relative to 2010 levels. As contributions go to net zero GHG emissions, this will reduce the overall percentage of the portfolio invested in companies that are high/medium GHG emitters. By reducing the carbon intensity of the portfolio in this way, it reduces the percentage of returns linked to carbon emissions and should allow for a smoother transition to a net zero emissions portfolio without some of the risks associated with mass divestment over a short period of time.

Engagement with security issuers, regulators and exchanges

There is currently a lack of disclosure of appropriate climate-related metrics in financial filings and we'll encourage disclosure becoming mandatory for all issuers of investment products. The recommendations of the TCFD provide a useful framework for this. Obtaining consistent quantitative data on GHG emissions is currently a difficult task especially with indirect emissions that occur in the value chain (GHG Protocol's Scope 3 emissions). Data collection methods and sources are continuously improving, and we'll work with data providers and asset managers to gain their insight on how to best address this issue and assess how we can manage climate change risks in the most effective way to improve the overall risk and return characteristics of the portfolio.

Our engagement is, therefore, on two topics:

1. We engage with providers of data and disclosure codes on the appropriate metrics of emissions and other features of climate change risks.
2. Through our investment managers we engage with the investee companies on the actions they're taking to address climate change risks.

As a large investor, we're likely to be currently invested in some of the companies that have assets that are at risk of becoming stranded in a low carbon scenario. 'Stranded assets' are assets that have suffered from unanticipated or premature write-downs, devaluations or conversion to liabilities. Examples of the climate change risks that could alter asset values include:

- changes to regulations
- changes in costs/prices of fossil fuels and alternatives
- evolving social norms (changing consumer demand).

We'll look to identify those companies we believe have not taken the necessary steps that would allow them to provide sustainable financial returns in a low carbon economy and will attempt to work with them on issues that could have a material financial impact. Engagement is not always successful, and companies are not always willing to engage with shareholders on solutions to what they view as an issue. In the case of failed engagement with companies, further action may be required such as voting against current board members, reducing the amount invested, negotiating a change to the dividend, or removing them from the portfolio entirely.

Statement of Investment Principles (continued)

Appendix 3

Review & bibliography

We'll review this policy at least every three years or as our research produces outputs.

[1] Prudential Regulation Authority. 2015. "The Impact of Climate Change on the UK Insurance Sector: A Climate Change Adaptation Report." Climate Change Adaptation Report, London.

[2] Core Writing Team, Rajendra K. Pachauri, and Leo A. Meyer. 2014. IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change. Geneva, Switzerland: IPCC.

[3] Masson-Delmotte, V., P. Zhai, H. O. Pörtner, D. Roberts, J. Skea, P. R. Shukla, A. Pirani, et al. 2018. IPCC, 2018: Summary for Policymakers. In: Global warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways... Geneva, Swtizerland: World Meteorological Organisation.

For more information:

0333 230 1363 or **0333 230 1364**

info@thepeoplespension.co.uk

www.thepeoplespension.co.uk

The People's Pension Trustee Limited
Manor Royal, Crawley, West Sussex, RH10 9QP.
Tel 0300 2000 555 Fax 01293 586801 www.bandce.co.uk

Implementation statement

This is the Implementation Statement prepared by the Trustee of the Scheme and sets out:

- How the Trustee has followed the Statement of Investment Principles ("SIP") over the year.
- How the Trustee's policies on exercising rights (including voting rights) and engagement have been followed over the year to 31 March 2021, and
- The voting behaviour of the Trustee, or that undertaken on their behalf, over the year.

This Implementation Statement focuses on investment-related activity.

Trustee's responsibilities in respect of scheme investments/implementation of SIP policies

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

- The Scheme offers a suitable default strategy for members. This was reviewed in November 2020 and deemed appropriate by the Scheme's Investment Consultant, based on the membership profile and Trustee objectives.
- The Scheme offers a range of self-select fund options which give members a reasonable choice from which to select their own strategy. The self-select fund range was reviewed as part of the wider investment strategy review described above, which was carried out in November 2020. As part of this review, the Scheme's Investment Consultant concluded that the fund choices currently offered to members remain reasonable.
- The Trustee monitors the performance of the manager funds quarterly relative to their stated objectives. In addition to this, consideration is given to the qualitative views held by the Investment Consultant with respect to the investment managers. These qualitative views are based upon research into the managers' investment operations including an analysis of the firm's business environment, the investment team involved, and the investment processes employed. The Trustee's Investment Consultant and managers provide quarterly reports for review.
- The Scheme's SIP is reviewed as part of any changes to underlying funds or strategy. The SIP was last updated in September 2020 to reflect new regulation in relation to documenting manager arrangements and providing an extended stewardship policy. The SIP was previously reviewed in July 2019 to reflect regulatory requirements on documenting policies around financially material factors including ESG and climate risk.
- The Trustee made no new manager appointments over the year.
- The Trustee introduced measures to protect the liquidity in the members funds over the year by adding a small holding in a Sterling Liquidity Fund to the Growth Feeder Fund used by the core fund range including the default investment profile. The Trustee also rebalanced the Growth Feeder Fund in March of 2020 as a result of market movements caused by the Covid-19 pandemic.
- The Trustee set out strategic objectives for their independent advisers in 2019 and reviewed them against these objectives in February 2021.

Responsible investment

- The Trustee considers the ESG capabilities of each of the Scheme's managers as part of their approach to responsible investing. The Trustee set out its Responsible Investment Policy in November 2018 and the manager's approach is consistent with this. The Responsible Investment Policy will be updated in 2021 to reflect exclusionary indices for the Scheme's equity investments which have been introduced following dialogue with the investment manager.
- The Trustee regularly reviews the ESG capabilities of the managers as part of the monitoring process.
- The Trustee believes that environmental, social and governance (ESG) factors can affect the performance of investment portfolios and have a Responsible Investment Policy in place to outline this, alongside their Statement of Investment Principles. The process set by the Trustee for implementing this policy includes integration, screening, and engagement.
- In line with this process, exclusions based on controversial weapons and severe ESG controversies have been introduced for the majority of the equity funds the Scheme invests in. The Trustee has a fiduciary duty to consider all material financial risks when making all investment decisions and makes no distinction in this between the default and self-select funds.

Implementation statement (continued)

Responsible investment (continued

- The exclusions based on controversial weapons and severe ESG controversies are designed to reduce the risk of the portfolio being exposed to reputational and ESG risks although are not expected to have a material impact on either the risk or the return characteristics.
- These exclusions follow the introduction of the Multifactor ESG fund that was first added to the strategy in 2018 which reduces carbon intensity of the portfolio by using the 'Invest' approach described which expected to have a positive impact on the risk and return characteristics of the portfolio over time. As described in the SIP, the Trustee will integrate ESG factors into the Scheme where it can be satisfied it will positively affect return or negatively affect risk.

How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and as such the Trustee delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.

The Trustee's policy on voting and engagement states that the Trustee expects the investment manager to:

- vote and engage with companies and other relevant persons in global markets
- be a signatory to the Principles of Responsible Investment (PRI)
- assess and monitor developments in the capital structure for each of the companies in which the manager invests
- assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk
- employ the same degree of scrutiny for pooled funds as if the investment had been made on a direct basis.

The Trustee also encourages the investment manager to comply with the UK Stewardship Code.

The Trustee undertook a review of the stewardship and engagement activities of State Street, the current investment manager for the majority of Scheme assets, at the November 2020 meeting of the Trustee's investment subcommittee. The Trustee considered:

- State Street's scoring against and participation in various industry standards, including the PRI (Principles for Responsible Investment), the UK Stewardship Code, TCFD (Task Force on Climate-related Financial Disclosures) and Insticube (asset manager research platform).
- high level voting statistics
- the degree of alignment of State Street's voting and engagement principles with the Trustee's own
- State Street's Annual Climate Stewardship Review, and
- a presentation from State Street on their responsible investment approach.

The Trustee concluded that State Street's policies were reasonable and strongly aligned with the Trustee's own policies. No remedial action was required at that time. The Trustee continues to hold an open dialogue with State Street on the Trustee's engagement and stewardship priorities. HSBC Asset Management are also a signatory to the PRI and the UK Stewardship Code.

Chair's annual governance statement (continued)

Implementation statement (continued)

Voting data

The table below provides a summary of the voting activity undertaken by SSGA and HSBC over the year to 31 March 2021, together with information on any key voting priorities and information on the use of proxy voting advisors by the managers.

Manager	HSBC	SSGA										
Fund name	HSBC Islamic Global Equity Index Fund	SSGA World Adaptive Capping Equity Index Fund	SSGA ACS Multi-Factor Global ESG Equity Index Fund	SSGA UK ESG Screened Index Equity Fund	SSGA North America ESG Screened Equity Index Fund	SSGA Europe ex UK ESG Screened Equity Index Fund	SSGA Japan ESG Screened Equity Index Fund	SSGA Asia Pacific ex Japan ESG Screened Equity Index Fund	SSGA Emerging Markets ESG Screened Equity Index Fund	SSGA World ESG Equity Index Fund	SSGA Global Real Estate Equity Index Fund	SSGA Multi-Asset Global Infrastructure Index Fund
	Self-select (Shariah)	Growth pool	Growth pool	Growth pool	Growth pool	Growth pool	Growth pool)	Growth pool	Growth pool	Self-select (Ethical)	Growth pool	Growth pool
Structure	Pooled											
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.											
Number of company meetings the manager was eligible to vote at over the year	109	1,732	291	740	674	538	518	442	3,310	1,646	103	633
Number of resolutions the manager was eligible to vote on over the year	1,597	23,459	4,004	10,486	8,377	9,178	6,223	3,104	30,252	22,283	913	6,958
Percentage of resolutions the manager voted on	91.6%	99.7%	96.1%	100.0%	100.0%	99.3%	100.0%	100.0%	98.4%	99.7%	99.7%	99.0%
Percentage of resolutions the manager abstained from, as a percentage of the total number of resolutions voted on	0.0%	0.6%	1.0%	0.6%	0.7%	0.5%	0.0%	0.6%	2.5%	0.6%	0.4%	2.4%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	87.8%	90.1%	91.1%	91.4%	90.4%	88.7%	91.6%	83.1%	84.3%	90.2%	93.5%	87.8%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	12.2%	9.3%	7.9%	8.0%	8.9%	10.8%	8.4%	16.4%	13.2%	9.2%	6.1%	9.8%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	8.4%	7.9%	7.2%	8.2%	10.5%	5.9%	6.6%	10.1%	9.1%	8.0%	6.0%	7.0%

Implementation statement (continued)

Significant votes

For the first year of implementation statements, the Trustee has selected 3 significant votes for each SSGA fund. The significant votes are selected based on a mixture of:

- the size of the fund's holding in the relevant company and
- the topic of the vote. The Trustee has prioritised disclosing votes on climate change and related issues, in line with the priorities identified in their Responsible Investment and Climate Change policies, and in line with what member polls suggest is of most importance to members.

For the HSBC Islamic Global Equity Index Fund, the Trustee has delegated to the investment manager to define what a "significant vote" is. 3 significant votes were chosen from the list provided by the manager based on the size of the fund's holding in the relevant company.

A summary of the data provided by the managers is set out below for the year up to 31 March 2021.

Chair's annual governance statement (continued)

Implementation statement (continued)

Significant votes (continued)

HSBC, Islamic Global Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Alphabet Inc.	Facebook, Inc.	Exxon Mobil Corporation
Date of vote	03 June 2020	03 June 2020	03 June 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	6.6%	3.9%	1.3%
Summary of the resolution	Approve Recapitalization Plan for all Stock to Have One-vote per Share	Report on Median Gender/Racial Pay Gap	Require Independent Board Chairman
How the manager voted	For	For	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	HSBC have not in this instance, but they have communicated after the meeting.		
Rationale for the voting decision	HSBC supports the principle of one share-one vote as they believe that this is the best means of ensuring accountability to all shareholders, in the long-term interest of the company.	HSBC favours transparency around gender pay as they believe this can encourage appropriate management of the issue.	HSBC regard the role of Chairman of the board as extremely important as it is time-consuming and requires a particular perspective. Whilst HSBC recognises that the role is often combined with that of CEO in some markets, they believe that the roles should normally be distinct and separate.
Outcome of the vote	Supported Management	Supported Management	Supported Management
Implications of the outcome	HSBC contacted the company to explain their rationale. HSBC requested the opportunity to discuss this further and to explain that they may vote similarly at future Annual General Meetings (AGMs), if this issue arises again.	HSBC contacted the company to explain their rationale. They requested the opportunity to discuss this further and will vote similarly at future AGMs when this issue arises again.	HSBC supports investors in the Climate Action 100+ engagement with ExxonMobil and will continue to raise concerns about the lack of a detailed strategy which addresses the company's exposure to carbon transition in the energy system.
Criteria on which the vote is considered "significant"	HSBC considers this vote to be relevant on the basis that it was cast against the management recommendation and covered a relevant shareholder right issue.	HSBC considers this vote to be relevant on the basis it was cast against the management recommendation and covered a relevant issue affecting the company's governance and social reputation.	HSBC consider the separation of the roles of CEO and Chairman to be an important governance principle. It has particular relevance at ExxonMobil as HSBC are concerned that the company has not yet sufficiently addressed the strategic challenge of transition to a low carbon economy and believe that increased independent board representation could help with this.

Implementation statement (continued)

Significant votes (continued)

SSGA, World Adaptive Capped Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Tesla, Inc.	United Parcel Service, Inc.	FedEx Corporation
Date of vote	22 September 2020	14 May 2020	21 September 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.3%	0.1%	0.2%
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation; 2 Miscellaneous Proposals - Environmental & Social	Report on Climate Change	Link Executive Pay to Social Criteria
How the manager voted	Against all	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	The manager believes the first item does not merit support as they have concerns with the proposed remuneration structure for senior executives at the company. The manager believes the second and third items do not merit support due to concerns with the terms of the proposals.	The manager believes this proposal does not merit support as the company's disclosure and/or practices related to climate change are reasonable.	The manager believes this item does not merit support due to concerns with the terms of the proposal.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on which the vote is considered "significant"	The greater size of this holding as a proportion of the overall portfolio relative to the other fund holdings the manager voted on.	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.

Implementation statement (continued)

Significant votes (continued)

SSGA, ACS Multi-Factor Global ESG Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Intel Corporation	The Kroger Co.	Rio Tinto Limited
Date of vote	14 May 2020	25 June 2020	7 May 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.4%	1.3%	1.2%
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Recycling	Report on Climate Change
How the manager voted	Abstain	Against	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	The manager believes this proposal merits qualified support as they have some concerns with the remuneration structure for senior executives at the company.	The manager believes this proposal does not merit support as the company's disclosure and/or practices related to recycling are reasonable.	The manager believes this proposal merits support as the company's disclosure and/or practices related to climate change can be improved.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on which the vote is considered "significant"	The greater size of this holding as a proportion of the overall portfolio relative to the other fund holdings the manager voted on.	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.

Implementation statement (continued)

Significant votes (continued)

SSGA, UK ESG Screened Index Equity Fund

	Vote 1	Vote 2	Vote 3
Company name	Royal Dutch Shell Plc	Ferguson Plc	Ocado Group Plc
Date of vote	19 May 2020	3 December 2020	6 May 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.3%	1.1%	0.5%
Summary of the resolution	Greenhouse Gas (GHG) Emissions	Advisory Vote to Ratify Named Executive Officers' Compensation	Advisory Vote to Ratify Named Executive Officers' Compensation
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	The manager believes this proposal does not merit support as the company's disclosure and/or practices related to GHG emissions are reasonable.	The manager believes this proposal merits qualified support as SSGA has some concerns with the remuneration structure for senior executives at the company.	Awards under 2020 Restricted Share Plan (RSP) may be made subject to performance conditions, as determined by the Board at the time an RSP Award is granted. The Value Creation Plan includes provision for a retest of performance conditions. The proposed framework combines the annual bonus and the long-term incentive plan into a single scheme.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on which the vote is considered "significant"	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.	The greater size of this holding as a proportion of the overall portfolio relative to the other fund holdings the manager voted on.	The greater size of this holding as a proportion of the overall portfolio relative to the other fund holdings the manager voted on.

Chair's annual governance statement (continued)

Implementation statement (continued)

Significant votes (continued)

SSGA, North America ESG Screened Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Walmart Inc.	JPMorgan Chase & Co.	Chevron Corporation
Date of vote	3 June 2020	19 May 2020	27 May 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.6%	1.0%	1.0%
Summary of the resolution	Item 1: Community - Environment Impact Item 2: Miscellaneous Proposal -- Environmental & Social	Item 1: Report on Climate Change Item 2: Report on Climate Change	Item 1: Establish Environmental/Social Issue Board Committee Item 2: Product Toxicity and Safety Item 3: Report on Climate Change
How the manager voted	Item 1: For Item 2: Against	Item 1: Against Item 2: For	Item 1: Against Item 2: Abstain Item 3: Abstain
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	Item 1: The manager believes this proposal merits support as the company's environmental disclosure and/or practices can be improved. Item 2: The manager believes this proposal does not merit support as the company's disclosure and/or practices pertaining to the item are reasonable.	Item 1: The manager believes this proposal does not merit support as the company's disclosure and/or practices related to climate change that this item refers to are reasonable. Item 2: The manager believes this proposal merits support as the company's disclosure and/or practices related to climate change that this item refers to can be improved.	Item 1: The manager believes this item does not merit support due to concerns with the terms of the proposal. Item 2: SSGA abstained on the proposal as the company's disclosure and/or practices pertaining to the item were considered to be broadly in line with market standard, recognising they could be enhanced. Item 3: SSGA abstained on the proposal as the company's disclosure and/or practices related to climate change were considered to be broadly in line with market standard but could be enhanced.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on which the vote is considered "significant"	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.

Implementation statement (continued)

Significant votes (continued)

SSGA, Europe ex UK ESG Screened Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Sanofi	Total SA	LVMH Moet Hennessy Louis Vuitton SE
Date of vote	28 April 2020	29 May 2020	30 June 2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.7%	1.4%	1.7%
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Climate Change Action	Advisory Vote to Ratify Named Executive Officers' Compensation; Approve Remuneration Policy
How the manager voted	Against	Abstain	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	The manager believes this item does not merit support as they have concerns with the proposed remuneration structure for senior executives at the company.	SSGA abstained on the proposal as the company's disclosure and/or practices related to climate change were believed to be broadly in line with market standard, recognising they could be enhanced.	The manager believes these items do not merit support as they have concerns with the proposed remuneration structure for senior executives at the company.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on which the vote is considered "significant"	The greater size of this holding as a proportion of the overall portfolio relative to the other fund holdings the manager voted on.	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.	The greater size of this holding as a proportion of the overall portfolio relative to the other fund holdings the manager voted on.

Implementation statement (continued)

Significant votes (continued)

SSGA, Japan ESG Screened Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Mizuho Financial Group, Inc.	Chubu Electric Power Co., Inc.	The Kansai Electric Power Co., Inc.
Date of vote	25 June 2020	25 June 2020	25 June 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.8%	0.2%	0.2%
Summary of the resolution	Report on Climate Change	Phase Out Nuclear Facilities GHG Emissions	Phase Out Nuclear Facilities Report on Climate Change GHG Emissions Renewable Energy
How the manager voted	For	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	The manager believes this proposal merits support as the company's disclosure and/or practices related to climate change can be improved.	The manager believes these proposals do not merit support as the company's disclosure and/or practices related to the items above are reasonable.	The manager believes these proposals do not merit support as the company's disclosure and/or practices related to nuclear power, GHG emissions and renewable energy are reasonable.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on which the vote is considered "significant"	The greater size of this holding as a proportion of the overall portfolio relative to the other fund holdings the manager voted on.	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.

Chair's annual governance statement (continued)

Implementation statement (continued)

Significant votes (continued)

SSGA, Asia Pacific ex Japan ESG Screened Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	CSL Limited	National Australia Bank Limited	Rio Tinto Limited
Date of vote	14 October 2020	16 December 2020	7 May 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.3%	1.6%	1.0%
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Report on Climate Change	Report on Climate Change
How the manager voted	Abstain	Against	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	The manager believes this proposal merits qualified support as they have some concerns with the remuneration structure for senior executives at the company.	The manager believes this proposal does not merit support as the company's disclosure and/or practices related to climate change are reasonable.	The manager believes this proposal merits support as the company's disclosure and/or practices related to climate change can be improved.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on which the vote is considered "significant"	The greater size of this holding as a proportion of the overall portfolio relative to the other fund holdings the manager voted on.	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.

Implementation statement (continued)

Significant votes (continued)

SSGA, Emerging Markets ESG Screened Equity Index

	Vote 1	Vote 2	Vote 3
Company name	Naspers Ltd.	China Mobile Limited	FirstRand Ltd.
Date of vote	21 August 2020	20 May 2020	2 December 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.3%	0.7%	0.2%
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation and approve Remuneration Policy	Elect Director	Advisory Vote to Ratify Named Executive Officers' Compensation
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	The manager believes this item does not merit support as they have concerns with the proposed remuneration structure for senior executives at the company.	SSGA voted against the nominee due to the lack of gender diversity on the board.	The manager believes this item does not merit support as they have concerns with the proposed remuneration structure for senior executives at the company.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on which the vote is considered "significant"	The greater size of these holdings as a proportion of the overall portfolio relative to the other fund holdings the manager voted on.		

Chair's annual governance statement (continued)

Implementation statement (continued)

Significant votes (continued)

SSGA, World ESG Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Verizon Communications Inc.	The Procter & Gamble Company	PepsiCo, Inc.
Date of vote	7 May 2020	13 October 2020	6 May 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.5%	1.0%	0.7%
Summary of the resolution	Link Executive Pay to Social Criteria	Community -Environment Impact	Product Toxicity and Safety
How the manager voted	Against	For	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate our vote in advance.		
Rationale for the voting decision	The manager believes this item does not merit support due to concerns with the terms of the proposal.	The manager believes this proposal merits support as the company's environmental disclosure and/or practices can be improved.	The manager believes this proposal does not merit support as the company's disclosure and/or practices pertaining to the item are reasonable.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on which the vote is considered "significant"	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.

Implementation statement (continued)

Significant votes (continued)

SSGA, Global Real Estate Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Goodman Group	Scentre Group	Kilroy Realty Corporation
Date of vote	19 November 2020	8 April 2020	19 May 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.9%	0.7%	0.6%
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Advisory Vote to Ratify Named Executive Officers' Compensation	Advisory Vote to Ratify Named Executive Officers' Compensation
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	The manager believes this item does not merit support as they have concerns with the proposed remuneration structure for senior executives at the company.	The manager believes this proposal merits qualified support as they have some concerns with the remuneration structure for senior executives at the company.	The manager believes this item does not merit support as they have concerns with the proposed remuneration structure for senior executives at the company.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on which the vote is considered "significant"	The greater size of these holdings as a proportion of the overall portfolio relative to the other fund holdings the manager voted on.		

Chair's annual governance statement (continued)

Implementation statement (continued)

Significant votes (continued)

SSGA, Multi-Asset Global Infrastructure Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Union Pacific Corporation	United Parcel Service, Inc.	Enel SpA
Date of vote	14 May 2020	14 May 2020	14 May 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.5%	2.4%	2.1%
Summary of the resolution	Report on Climate Change	Report on Climate Change	Approve Remuneration Policy
How the manager voted	Abstain	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	SSGA does not publicly communicate their vote in advance.		
Rationale for the voting decision	SSGA abstained on the proposal as they believe the company's disclosure and/or practices related to climate change are broadly in line with market standard, recognising these could be enhanced.	The manager believes this proposal does not merit support as the company's disclosure and/or practices related to climate change are reasonable.	The manager believes this item does not merit support as they have concerns with the proposed remuneration structure for senior executives at the company.
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on which the vote is considered "significant"	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.	The topic of the vote is linked to climate change, which the Trustee has identified as a key responsible investment priority.	The greater size of this holding as a proportion of the overall portfolio relative to the other fund holdings the manager voted on.

Implementation statement (continued)

Fund level engagement

The table below provides a summary of the engagement activities undertaken by each manager on behalf of the Trustee over the year to 31 March 2021. HSBC and SSGA are not able to provide fund specific engagement examples. The Trustee and its investment adviser are engaging with the investment managers to obtain specific examples directly relating to the Scheme's holdings in the future.

Manager	HSBC	SSGA
Fund name	Islamic Global Equity Index Fund	SSGA
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	82	Data not available
Number of engagements undertaken at a firm level in the year	2,280	564
Examples of engagements undertaken at a firm level	**Climate change - BHP** HSBC are European lead investor with the company under the Climate Action 100+. HSBC met the company more than a dozen times over the course of the year, providing feedback on various aspects of its climate strategy, as well as coordinating support investors and engaging with other listed members of the controversial Minerals Council of Australia lobby group. Outcome: BHP added to its existing net zero operational emissions commitment with a 2030 target to reduce operational emissions by 30%, announced work to explore reductions in scope 3 emissions in its use of shipping and in steel production, strengthened the link between executive remuneration and the climate plan and improved its analysis of the impact of a 1.5 degree scenario on its portfolio. It also sold its thermal coal business. **Japanese board independence – multiple companies** Many Japanese companies have very few independent directors. The market requirement is for two outside directors who need not be independent. HSBC writes every year to companies in the TOPIX100 index without one third independent directors asking them to indicate if they will improve their board balance. HSBC escalated this issue in 2020 for companies which still did not meet the one third standard by voting against all non-independent directors, other than the CEO and founder / President. In particular, HSBC have engaged with 9 entities on this engagement theme within the Islamic Global Equity Fund.	**Board effectiveness - Fearless Girl Campaign** The Fearless Girl Campaign led by SSGA's stewardship team started in 2017, aiming to raise awareness and drive a conversation around the need to improve gender diversity in corporate leadership roles. The campaign was initially carried out in US, UK and Australia but has since expanded to other countries including Japan and Canada. Since the launch of the campaign, SSGA's preference has been to meet with/speak to independent chairpersons/lead independent directors and/ or representatives of key board committees. They have also voted against 313 companies for lack of board gender diversity. Outcome: Since the launch of the campaign, out of the 1,486 companies SSGA identified as lacking a single woman on their board, 862 companies have appointed at least one female director. **Climate Change** SSGA believe that, in recent years, climate change has emerged as a key systemic threat, representing both a strategic and business challenge for all companies. They have therefore prioritized climate change as a core theme of their stewardship activities since 2014. In November 2020, SSGA became a signatory to Climate Action 100+. Outcome: Since 2014, SSGA has engaged with over 600 companies across multiple industries on climate-related issues. Their engagement approach leverages the four dimensions of the Task Force on Climate-related Financial

Implementation statement (continued)

Manager	HSBC	SSGA
Examples of engagements undertaken at a firm level	Outcome: There has been a gradual increase in the number of companies meeting the one third independent standard but progress is slow. **Deforestation - Nike Inc.** (relevant for the Islamic Global Equity Fund) **and Costco Wholesale** Initially, as part of the PRI engagement campaign, HSBC contacted companies revealing the objectives of their engagement. HSBC then had separate calls/meetings through which they asked them about: 1. Their current monitoring programmes to prevent deforestation linked to cattle in their supply chain 2. Their involvement in the Leather Working Group (responsible for environmental certification for the leather manufacturing industry) 3. The status of their policies on deforestation Both companies demonstrated an advanced understanding of the issue and are gradually phasing out leather. They collaborate with other members of the Leather Working Group to advance audit and monitoring standards.	Disclosures (TCFD) framework — governance, strategy, risk management and metrics. **Integrating R-Factor into Stewardship** The R-Factor measures the performance of a company's business operations and governance as it relates to financially material and industry-specific ESG risk factors, as defined by the Sustainability Accounting Standards Board (SASB). SSGA shared companies' R-Factor scores with them and guided companies towards resources on how to improve their ESG practices and ultimately their score. The R-Factor score provided companies with tangible feedback on how well they were meeting our need for material ESG information, and the SASB framework creates clarity on what that information is. As of 31 December 2020, 698 companies requested their R-Factor score and this represents 44% of SSGA's equity assets under management. Outcome: Beginning in the 2020 proxy season, SSGA started taking action against board members at companies in major market indices that are laggards based on their R-Factor scores and that cannot articulate how they plan to improve their score. In the event that SSGA feels a company is not committed to engaging with them or improving their disclosure or performance related to financially material ESG matters, SSGA may not support the re-election of the board's independent leader.

Core financial transactions

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

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

These transactions are carried out on the Trustee's behalf by the Administrator, the investment administration provider (Northern Trust Company) and its investment managers, State Street Global Advisors (SSGA) and HSBC Global Asset Management.

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

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

All of these are covered by stringent, long standing and regularly reviewed service level agreements (SLAs), which detail what the Administrator will do for us, the standards expected and how quickly any tasks will be carried out. The SLA spans the full member engagement from information and requirement gathering to the final response.

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

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

Electronic transfers through the electronic portal Origo Options enjoy full safeguards in terms of regulatory permissions and source of funds. For paper transfers outside of the portal, agreed due diligence processes are carried out and validated to successfully identify the ceding and receiving scheme's regulatory credentials and source of funds in line with anti-money laundering guidelines. Any potential suspicious activities are referred to the B&CE Group's risk and compliance teams for further investigations.

In the coming financial year, the Administrator expects to implement improvements to this electronic portal, to make transfers quicker and more efficient. This is seen by the Trustee as a proactive improvement from the Administrators given the volume of transfer requests received in the last couple of years.

Cyber security is given the utmost attention by the Administrator. It employs a continuous vulnerability assessment system that evaluates all known assets and systems every day and prioritises any remedial work required and regularly reports to the Trustee's Risk, Administration and Communications Committee (RACC) on progress of the ongoing development of the Cyber Security framework.

Chair's annual governance statement (continued)

Core financial transactions (continued)

The Administrator processes core financial transactions through the B&CE Group's operations team. Core financial transactions are also addressed by 2 further teams within the Group – a separate controls and assurance team monitors and assesses the efficiency and accuracy of processing and the finance department monitors and reconciles financial transactions and reports back to the Trustee Board.

The Administrator reports to the Trustee 8 times a year – on a quarterly basis to the Trustee Board and to its RACC. During this exceptional year, the Trustee and the Administrator also held monthly telephone calls for the latter to update the former on known issues, COVID-19 resilience, and business resumption activities.

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

The RACC ensures members' needs are properly considered and that the requirements for processing core financial transactions are met. Monitoring of the promptness and accuracy of processing of core financial transactions is a key function of the RACC, which met on 4 occasions.

Amongst other things this committee has:

- Reviewed the processes and controls operated and considers them to be suitably designed to ensure that core financial transactions are processed promptly and accurately. This included the investment and reconciliation of contributions, transfers of assets into and out of the Scheme, switches of assets within the Scheme and payments from the Scheme to members that are processed in line with agreed service levels.
- Assessed the annual communications plan, during August 2020, with specific attention to the effective communication of the changes to the annual management charge which includes the management charge rebate to members.
- Discussed with the Administrator the effectiveness and ongoing improvements of information technology security and controls.
- Received regular management information and reviewed in detail the information provided. This information included:
  - Membership demographics (numbers, fund sizes, claims and inflows)
  - Opt-out rates
  - Service level performance
  - Customer satisfaction performance
  - Complaints and breaches
  - Contribution arrears updates
  - Common and conditional data scores
- Worked with the operations team, who carry out monthly contribution reconciliations based on a sample level and included detailed results in the quarterly administration report reviewed by the RACC and Trustee.
- Agreed service levels and received reports to assess performance against those service levels.
- Commissioned B&CE's internal audit function to perform an ongoing assessment of whether the processes and controls are operating effectively.
- Received reports based on sampling by B&CE's regulatory assurance team on the quality of the processing of core financial transactions.
- Monitored the completeness and accuracy of member data at each quarterly Trustee meeting.

There were considerable demands placed on the administration service during the year.

While the Trustee and the B&CE Group expected a natural rise in activity, in line with growth in members, employers and assets under management, they could not have foreseen the actual scale of transactions. These rose to around 1.1m in the year to 31 March 2021 (2020: around 1m). Moreover, the volume of claims and transfers was also comparatively high with the Scheme paying out £285.2m across the year. In general, call centre and digital member activity spiked in June 2020 due to the 3 UK national lockdowns.

Core financial transactions (continued)

However, the most significant impact on the Administrator was the requirement for its staff to work from home for the entirety of the financial year – in line with legislation. This necessitated the creation of a new way of working, to ensure the processing of core financial transactions and the delivery of agreed services to members, either from people's homes or in a COVID-19 safe office environment (and during the year there was not one confirmed case of in-office COVID-19 transmission).

The Administrator created and delivered these temporary ways of working by 7 April 2020. Following its success, and based on the learnings of the past 14 months, the Administrator is looking to implement a more flexible hybrid working model to utilise and retain the benefits to employee engagement and customer experience.

Given this unique operating environment, the Trustee and the Administrator agreed to temporary amendments to some of the service level agreements (SLAs) between the 2 entities. This explains why the back-office administration SLA was 81% against a usual target of 90%. However, customer satisfaction remained on target at 82% (2020: 72%) against a target of 77%, the Scheme's Trustpilot rating actually increased from 2.3 to 4.1, customer complaints were 1.18 per 1,000 transactions (2020: 1.5 per 1,000) against a target of 2 per 1,000 transactions. Transaction monitoring achieved an 88% pass rate (based on a sample of more than 2,000 transactions) against a target of 90%.

The COVID-19 restrictions and 3 national lockdowns have placed unique challenges on the Administrator's customer service delivery function during the financial year. While the future outlook is uncertain, in terms of future lockdowns, the Administrator is taking steps to safeguard and improve the current service level performance. Funding has been secured to invest in automation, straight-through processing and increasing digital self-service capability to significantly improve customer experience and response times. A series of deployments will commence from the 2nd half of the year.

The Trustee will be kept updated on the impact and success of this investment through the periodic board meetings and management information reports. In addition, 2nd line assurance through audits, compliance review and existing assurance functions will continue to provide oversight and guidance on the impact and effectiveness of the customer service performance.

The Trustee believes the Administrator performed well, given the circumstances and threats to staff safety, to process core financial transactions promptly and accurately and deliver member services. Weekly testing by the Administrator's compliance team has been conducted from April 2020 which has given the Trustee substantial assurance that the operational team has been coping well with the change in their ways of working. Moreover, the Trustee is confident that the Administrator's new operating model brings a level of flexibility and scalability that will stand the Scheme in good stead over the coming years.

Member-borne charges and transaction costs

The Trustee is required to set out the on-going charges borne by members in this statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs.

To keep things simple for our members, the Trustee and Administrator refer to this as the member annual management charge.

It is made up of 3 elements:

1. An annual charge of £2.50 for all members.
2. A 0.5% management charge levied on a member's pot each year deducted automatically through a reduction in the unit price of the fund(s) that the member's invested in.
3. A rebate on the management charge. This depends on the member's pot size and they'll receive a rebate of between 0.1% on savings over £3,000 and 0.3% on savings over £50,000. This is designed to encourage members to stick with retirement saving.

Chair's annual governance statement (continued)

Member-borne charges and transaction costs (continued)

The Trustee confirms that the Scheme's member annual management charge is comfortably within the charge cap set out by government for schemes with combination charges. The Scheme is permitted to charge a maximum of £10.00 or less per annum as a flat fee charge as well as a maximum percentage of funds under management rate (%) of 0.6%.

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

The Trustee reviews the transaction costs associated with the investment funds used by the Scheme at least annually, and most recently at the 5 August 2021 Trustee Investment Committee meeting. Transaction costs are a component of the overall costs borne by members, as they have the effect of reducing the net investment returns of the funds.

Transaction costs are incurred by pension schemes in 2 ways. Firstly, a fund manager will trade in markets to invest money flowing into or out of a fund (when scheme members contribute to or leave a fund). Secondly, they will implement investment decisions in the course of the day-to-day management to achieve the fund's objectives.

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

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

The average transaction costs over the 5 years to 31 March 2021 are shown in the table below.
The transaction cost data was provided by the Scheme's investment manager, State Street Global Advisors (SSGA).

Default arrangement: charges and transaction costs

The Scheme's default arrangement is used by 98.78% of the membership.

Fund	Management charge	Transaction costs
Global Investments (up to 85% shares) Fund*	0.5%	0.05%
Pre-Retirement Fund*	0.5%	0.04%

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

Chair's annual governance statement (continued)

Member-borne charges and transaction costs (continued)

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

Fund	Management charge	Transaction costs
Global Investments (up to 60% shares) Fund	0.5%	0.05%
Global Investments (up to 100% shares) Fund	0.5%	0.05%
Ethical Fund	0.5%	0.01%
Annuity Fund	0.5%	-0.01%
Cash Fund	0.5%	0.003%
Shariah Fund	0.5%	0.01%

The Annuity Fund is based on the average of the last 4 years as the fund launched in 2016.

Illustration of charges and transaction costs

Illustrative examples of the effect of the management charge of 0.5%, the £2.50 annual charge and the transaction costs for the 'balanced' investment profile (the Scheme default option) are shown in the table below. The illustrations have been prepared in accordance with the Department for Work and Pensions' statutory guidance on "Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational pension schemes" on the projection of an example member's pension savings.

Member-borne charges and transaction costs (continued)

Illustration of charges and transaction costs (continued)

The 'balanced' investment profile* (age 22, starting pot size of £0)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 Years	£1,640	£1,630
3 Years	£5,210	£5,160
5 Years	£9,170	£9,040
10 Years	£21,000	£20,500
15 Years	£36,000	£34,900
20 Years	£55,100	£53,000
25 Years	£78,900	£75,400
30 Years	£108,000	£103,000
35 Years	£143,000	£135,000
40 Years	£182,000	£171,000
to age 68	£232,000	£216,000

The 'balanced' investment profile* (age 30, starting pot size of £1,751)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 Years	£3,440	£3,430
3 Years	£7,120	£7,050
5 Years	£11,200	£11,000
10 Years	£23,300	£22,700
15 Years	£38,800	£37,500
20 Years	£58,200	£55,900
25 Years	£82,300	£78,500
30 Years	£110,000	£104,000
35 Years	£140,000	£132,000
to age 68	£159,000	£149,000

The 'balanced' investment profile* (age 40, starting pot size of £2,803)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 Years	£4,530	£4,510
3 Years	£8,270	£8,180
5 Years	£12,400	£12,200
10 Years	£24,700	£24,100
15 Years	£40,300	£39,000
20 Years	£58,800	£56,400
25 Years	£79,800	£76,000
to age 68	£93,200	£88,400

Member-borne charges and transaction costs (continued)

Illustration of charges and transaction costs (continued)

The 'balanced' investment profile* (age 50, starting pot size of £3,688)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 Years	£5,440	£5,410
3 Years	£9,240	£9,140
5 Years	£13,400	£13,100
10 Years	£25,400	£24,700
15 Years	£39,600	£38,200
to age 68	£48,900	£47,000

The 'balanced' investment profile* (deferred member age 39, average pot size £1,367)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 Years	£1,400	£1,390
3 Years	£1,490	£1,460
5 Years	£1,580	£1,530
10 Years	£1,830	£1,710
15 Years	£2,120	£1,920
20 years	£2,420	£2,110
25 years	£2,690	£2,270
to age 68	£2,880	£2,360

* Scheme default arrangement

Member-borne charges and transaction costs (continued)

Illustration of charges and transaction costs (continued)

Although the majority of the Scheme members use the default investment profile, the Scheme has a number of options available to choose. Projections for these are shown below.

The Global Investments (up to 85% shares) Fund (age 22, starting pot size of £0)**

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 Years	£1,640	£1,630
3 Years	£5,210	£5,160
5 Years	£9,170	£9,040
10 Years	£21,000	£20,500
15 Years	£36,000	£34,900
20 Years	£55,100	£53,000
25 Years	£78,900	£75,400
30 Years	£108,000	£103,000
35 Years	£145,000	£136,000
40 Years	£189,000	£178,000
to age 68	£257,000	£239,000

The Global Investments (up to 100% shares) Fund (age 22, starting pot size of £0)**

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 Years	£1,640	£1,640
3 Years	£5,240	£5,200
5 Years	£9,280	£9,150
10 Years	£21,500	£21,000
15 Years	£37,400	£36,200
20 Years	£57,900	£55,600
25 Years	£83,900	£80,200
30 Years	£116,000	£111,000
35 Years	£158,000	£149,000
40 Years	£210,000	£197,000
to age 68	£289,000	£269,000

Member-borne charges and transaction costs (continued)

Illustration of charges and transaction costs (continued)

The Global Investments (up to 60% shares) Fund (age 22, starting pot size of £0)**

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 Years	£1,640	£1,630
3 Years	£5,170	£5,120
5 Years	£9,060	£8,930
10 Years	£20,500	£20,000
15 Years	£34,700	£33,700
20 Years	£52,400	£50,400
25 Years	£74,200	£70,900
30 Years	£100,000	£95,700
35 Years	£133,000	£125,000
40 Years	£172,000	£161,000
to age 68	£229,000	£214,000

The Pre-Retirement Fund (age 22, starting pot size of £0)**

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 Years	£1,630	£1,620
3 Years	£5,100	£5,050
5 Years	£8,840	£8,720
10 Years	£19,500	£19,000
15 Years	£32,300	£31,300
20 Years	£47,600	£45,800
25 Years	£65,800	£62,900
30 Years	£87,300	£83,000
35 Years	£112,000	£106,000
40 Years	£142,000	£134,000
to age 68	£184,000	£173,000

Member-borne charges and transaction costs (continued)

Illustration of charges and transaction costs (continued)

The Ethical Fund** (age 22, starting pot size of £0)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 Years	£1,640	£1,640
3 Years	£5,240	£5,200
5 Years	£9,280	£9,150
10 Years	£21,500	£21,000
15 Years	£37,400	£36,300
20 Years	£57,900	£55,700
25 Years	£83,900	£80,300
30 Years	£116,000	£111,000
35 Years	£158,000	£149,000
40 Years	£210,000	£197,000
to age 68	£289,000	£269,000

The Annuity Fund** (age 22, starting pot size of £0)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 Years	£1,630	£1,620
3 Years	£5,060	£5,020
5 Years	£8,740	£8,630
10 Years	£19,000	£18,600
15 Years	£31,200	£30,400
20 Years	£45,400	£44,000
25 Years	£62,100	£59,800
30 Years	£81,500	£78,100
35 Years	£104,000	£99,400
40 Years	£130,000	£123,000
to age 68	£166,000	£158,000

Member-borne charges and transaction costs (continued)

Illustration of charges and transaction costs (continued)

The Shariah Fund** (age 22, starting pot size of £0)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 Years	£1,640	£1,640
3 Years	£5,240	£5,200
5 Years	£9,280	£9,150
10 Years	£21,500	£21,000
15 Years	£37,400	£36,300
20 Years	£57,900	£55,800
25 Years	£83,900	£80,500
30 Years	£116,000	£111,000
35 Years	£158,000	£150,000
40 Years	£210,000	£198,000
to age 68	£289,000	£271,000

The Cash Fund** (age 22, starting pot size of £0)

Year in Scheme	Pot value before charges	Pot value after all costs and charges deducted
1 Years	£1,620	£1,620
3 Years	£5,020	£4,980
5 Years	£8,630	£8,520
10 Years	£18,600	£18,200
15 Years	£30,100	£29,300
20 Years	£43,400	£41,900
25 Years	£58,600	£56,400
30 Years	£76,100	£72,900
35 Years	£96,100	£91,700
40 Years	£119,000	£113,000
to age 68	£150,000	£143,000

** Non-default arrangements

Member-borne charges and transaction costs (continued)

Illustration of charges and transaction costs (continued)

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained below:

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. This is consistent with the Financial Reporting Council's AS TM1: Statutory Money Purchase Illustrations.
- The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.
- Contributions are assumed to be £135 per month from age 22 to 68 (unless otherwise stated) and increase each year in line with inflation (2.5%) (average monthly contribution was £137 at 31 March 2021). Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- Values are estimates and not guaranteed.
- Charges include the management charge, the annual charge and transaction costs.
- Starting pot size is assumed to be £0, unless otherwise stated.

The projected annual returns used are as follows (before inflation):

- The 'balanced' investment profile consists of the Global Investments (up to 85% shares) Fund (growth rate 3.0%), gradually switching into the Pre-Retirement Fund (growth rate 1.5%) in the last 15 years
- Global Investments (up to 85% shares) Fund 3.0% p.a.
- Global Investments (up to 100% shares) Fund 3.5% p.a.
- Global Investments (up to 60% shares) Fund 2.5% p.a.
- Pre-Retirement Fund 1.5% p.a.
- Ethical Fund 3.5% p.a.
- Annuity Fund 1.0% p.a.
- Shariah Fund 3.5% p.a.
- Cash Fund 0.5% p.a.
- Inflation is assumed to be 2.5% p.a.
- No allowance for active management has been made.

Full details of the Scheme transaction costs and projections for other funds available in the Scheme can be found at **www.thepeoplespension.co.uk/costs-and-charges/**

Chair's annual governance statement (continued)

Value for members

When thinking about whether the Scheme offers members good value for money, the Trustee looked at different aspects of what the Scheme offers and took account of those areas suggested by The Pensions Regulator in Code of Practice No. 13 (Governance and administration of occupational trust-based schemes providing money purchase benefits). Whilst it is difficult to give a precise legal definition of "good value", the Trustee considers that good value can be determined through answering a number of questions.

For example, are the charges made to members reasonable, are appropriate investment choices available, are the features of the Scheme appropriate and likely to provide good outcomes for members, and does the Scheme compare well to other similar arrangements? It does not necessarily mean the Scheme is low cost. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this year's assessment.

The value members receive will be influenced by how much a member pays in, the investment returns on their contributions, the choices members make and how the Scheme is run – namely, what happens between members joining and leaving.

Having considered these questions, the Trustee believes the Scheme is good value for 5 reasons:

1. The costs and charges are reasonable and appropriate.

As explained above, a member pays a low, flat £2.50 annual fee and a management charge that is 0.5% of their pension pot, a portion of which can be rebated according to the size of that pot. This structure was introduced with the aim of improving fairness in the Scheme through better aligning charges with the costs of operation, whilst reducing the level of cross subsidy between larger pension pots and smaller ones.

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

The Trustee reviews all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The Trustee reviewed this at the 6 August 2020 Investment Committee meeting.

Internal charges analysis undertaken in July 2020 shows that the Scheme's charges are competitive in our target market segments and that member-borne costs are in line (and for most member segments marginally lower) with the alternative schemes considered.

2. The value added through investment performance.

The value added to date through investment performance has been significant with all funds exceeding their return objectives over both 3 and 5 years.

	5 years to 31 Mar-21 (annualised gross of fees)
B&CE Global Investments (up to 85% shares) Fund	
Performance	10.6%
Objective: CPI + 4%	5.8%
Pre-Retirement Fund	
Performance	6.4%
Objective: CPI + 1%	2.8%

The performance of the B&CE Global Investments (up to 85% shares) Fund is ahead of the objective (+4.8% p.a.) whilst the Pre-Retirement Fund is also ahead of its objective (+3.6% p.a.). CPI was 1.8% annualised over this period. These funds are the component parts to the default investment arrangement.

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

Chair's annual governance statement (continued)

Value for members (continued)

In addition to the Scheme's performance, analysis was also undertaken comparing the returns and volatility against a selection of alternative schemes available on the market. The data (sourced by Corporate Adviser) provides an average return delivered by 27 default strategies (Corporate Adviser Pensions Average, 'CAPA'), which covers the performance of more than 95% of the master trust market, as well as some key life insurers active in the provision of workplace pensions. The CAPA covers all 8 alternative providers in our comparison group and covers more than 10 million UK pension savers in total.

	The People's Pension	CAPA
30 years before retirement		
Performance	10.68%	10.31%
Volatility	10.19%	11.19%
5 years before retirement		
Performance	8.36%	7.94%
Volatility	7.19	8.11%

The data as at 31 March 2021 shows that the Scheme outperformed for both returns and volatility compared to the average performance in the market.

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

Members of The People's Pension have a choice of where to invest their savings. There are 3 investment profile options or a range of self-select funds. If members don't choose an option, their savings are invested in the default 'balanced' investment profile which initially invests in the B&CE Global Investments (up to 85% shares) Fund before gradually switching their savings into the B&CE Pre-Retirement Fund which carries less risk in the years before retirement.

As at 31 March 2021, 98.78% of the Scheme's members' savings are invested in the default investment arrangement. The investment performance of the 3 B&CE Global Investment Funds compared well to their benchmarks and overall performance has been monitored.

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

Never has this been more clearly demonstrated than over the last Scheme year – in which our member contact centre and digital services saw significant spikes in activity, including huge numbers of requests for information, as well as processing many transactions and claims. From a communications perspective we responded with targeted, clear, and supportive materials.

Members were pleased with the response, with customer satisfaction data holding up well at 82% (2020: 72%), and many members showing understanding of the issues facing the Trustee and Administrator during these unprecedented times. Despite these difficult operating conditions, the Scheme's Trustpilot rating increased from 2.3 to 4.1 during the period.

5. The Scheme is well governed and managed.

The Scheme operates to strong governance and administration standards and is well run by an independent board of Trustee Directors. During the Scheme year the Trustee Board has expanded from 5 to 6 Trustee Directors. This has strengthened the overall skills and experience on the Board, and the Board has a dedicated Trustee Training Plan to help it maintain the necessary competencies to provide strong governance of the Scheme. During the year, the Trustee undertook a full programme of training to continually develop their knowledge and understanding in addition to undertaking both individual skills and effectiveness assessments to ensure that the training plan developed is focused and beneficial.

Value for members (continued)

Further evidence that the Scheme is well run is provided by the audit of a report of the Scheme's controls covering its systems and processes (this is called the Tech 05/20AAF Master Trust Assurance Framework Report). As part of the supervisory return made to The Pensions Regulator each year, authorised master trusts must demonstrate that their Trustee Board has oversight of, and monitors, certain governance activities, arrangements, relevant systems and processes. The Trustee uses external assurance of these governance controls and procedures to confirm with the Regulator that these responsibilities have been fulfilled. Following the audit, the 6th annual report was approved by the Trustee Board on 15 June 2021 setting out details of the controls and oversight in place to help provide stability and protection to its members with no exceptions noted by the independent service auditor.

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

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

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

- An amendment to the charging structure, to remove the annual fee for pots with a value of below £102.50.
- The introduction of a webchat facility for members.
- Enhancements to the small pot claims journey through the member online portal.

In addition to the above, work has commenced and will continue over the next couple of years on designing and implementing a suitable retirement proposition framework for our members, which will include increasing the flexibility of the existing Flexi-Access Drawdown offering and implementing a regular income drawdown option.

Trustee's knowledge and understanding

In accordance with section 248 of the Pensions Act 2004 and TPR's Code of Practice 07, the Trustee has, and will maintain, relevant knowledge and understanding to run the Scheme effectively.

An annual skills assessment is conducted to review the Trustee Directors' strengths and to identify future training needs. This skills assessment for the Scheme year was completed in July 2020 and identified areas of additional training which have been built into the 2020/2021 training plan.

Throughout the Scheme year, the Trustee Directors have demonstrated they have met the requirement for Trustee Knowledge and Understanding in the following ways:

- The law relating to pensions and trusts – the professional independent trustees are familiar with the laws relating to pensions which can be demonstrated through their qualifications, their collective industry awards and achievements, which include serving as Chairman of the National Association of Pension Funds (now PLSA) and being a former president of the Pensions Management Institute, and their continued involvement with many different pension schemes.
- Scheme Trust Deed and Rules – the Trustee Directors have demonstrated a working knowledge of the Trust Deed and Rules (which they have access to via the Scheme document portal) by making decisions in line with the Rules.
- The principles relating to the investment of the Scheme assets – the Trustee Directors have a working knowledge of the Statement of Investment Principles, having considered the performance of both the default investment arrangement and self-select funds against the requirements as set out in the statements through performance information provided and discussed in the Scheme Investment Committee meetings held throughout the year. Moreover, they have a good understanding of the overall principles relating to the funding and investment of occupational pension schemes.
- Trustee policies – the Trustee Directors have demonstrated a working knowledge of the Scheme policies as they are reviewed on a regular basis to ensure they are still fit for purpose. All policies have been reviewed during the Scheme year in accordance with the Policy Review Log.

Chair's annual governance statement (continued)

Value for members (continued)

Trustee Board skills and training

Trustee Directors also complete and maintain a personal training log and are expected to develop their general knowledge. For example, the Chair has an unbroken completed continuing professional development (CPD) record with the Pensions Management Institute dating back to commencement of its CPD programme in the early 1990s and maintains a detailed log of all CPD in his wider role as an independent trustee which he submits to the Trustee Pension Manager.

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

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

The cumulative training for the Trustee Directors for 1 April 2020 to 31 March 2021 was as follows:

Key areas	Governance	Investment	Administration	Scheme management	Knowledge and understanding	Communication
Strength						
Training completed hours*	104	87	74	53.8	207.5	24.7

* This is a significant increase on the previous year, mainly due to the addition of a 6th Trustee Director.

Moreover, in July 2020 the Directors on the Trustee Board have completed a self-assessed skills matrix. A review of the data received from each Board member was completed during the year and the gap analysis was used to determine the development and training programme required for 2020/21. This process will be carried out annually to maintain the high level of skill and application on the Board. On 19 November 2020, the Trustee Board had an extensive training session to cover the gaps identified in the skills analysis. This covered administration, IT security, governance, investment and risk management. Further training will take place throughout the year as part of the Trustee's ongoing development plan.

The Chair of the Trustee and the Trustee Pension Manager also carried out an evaluation of the skills in November 2020 of each Director and how these skills combine at board level, presenting the information graphically to assist year on year monitoring of trends.

Trustee Board and structure

The Scheme Founder, People's Financial Services Limited, has appointed 6 Directors to sit on the Board of The People's Pension Trustee Limited, which is the Trustee of the Scheme, to provide effective governance to the Scheme. None of the Trustee Directors are directly affiliated to any company that provides advisory, administration, investment or other services or undertakings to the Scheme or have taken payment or benefits from such organisations and have no affiliations to B&CE Holdings Limited (the B&CE Group's parent company) or any of its subsidiary companies. None of the individual Trustee Directors has served on the Trustee Board for a period of 5 years since 6 April 2015 or for more than 10 years in total.

Each Trustee Director has extensive defined contribution, administration, investment, trusteeship and/or consumer industry experience – their names are detailed on pages 99 to 101. The Trustee continues to safeguard effective standards of governance, taking into account the size and complexity of the Scheme.

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

Chair's annual governance statement (continued)

Trustee Board and structure (continued)

The Articles of Association of the Trustee confirms all Trustee Directors shall be appointed and may be removed and be in office for a term determined by the Parent Company.

Trustee Directors have the discretion to appoint the Chair of the Trustee, in accordance with the model articles of association, as determined by the Articles of Association of The People's Pension Trustee Limited. The Chair is not affiliated in any capacity with The People's Pension and his term of office expires on 31 March 2023. The appointment process is covered in more detail on page 102.

The Board is supported on technical matters by its Trustee Pension Manager, its Trustee Pension Specialist, the Scheme Secretary and by professional advisers. The Trustee has in place a policy for evaluating adviser performance and selecting new advisers. Relevant skills and experience are crucial criteria.

Trustee Director term of office and status

Trustee Director	Appointed	End of Current Term	Complete years served (to 31 March 2021)
Steve Delo	Reappointed 1 March 2020 (Prior to 31 March 2015 acted under the appointment of PAN Trustees UK LLP)	31 March 2023	6
Alan Pickering	Re-appointed 1 March 2019 (previously effective from 6 April 2015)	31 March 2023	5
David Maddison	Re-appointed 1 April 2021 (previously effective from 1 June 2018)	31 March 2024	2
Chris Fagan	1 July 2018	31 March 2022	2
Baroness Drake	1 April 2020	31 March 2024	1
Mark Condron	1 April 2020	31 March 2025	1

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

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

Directors of The People's Pension Trustee Limited

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

Steve Delo

Chair of the Trustee (reappointed on 1 March 2020)

Steve Delo is the Chairman of PAN Trustees UK LLP, an award-winning independent trustee firm, and is a former President of the Pensions Management Institute. Steve has twice been named 'Independent Trustee of the Year' by Engaged Investor and been listed as one of the Top 50 people in pensions by Pensions Insight.

His 30-year career has included senior roles in scheme management, consulting, asset management and trusteeship. He now specialises in the governance of large-scale pension arrangements. He is a leading independent trustee who has been sitting on major pension scheme trustee boards for the last 12 years.

He currently works with a wide range of occupational defined benefit and defined contribution schemes, in most cases acting as chair of trustees, with total assets of around £20bn. He sits on 3 master trust boards – 2 defined contribution, 1 defined benefit. He is a Fellow of the Pensions Management Institute.

Mark Condron

Trustee Director (appointed on 1 April 2020)

Mark has 30 years' experience with Mercer, where he was a scheme actuary, senior partner, and non-executive member of the company's audit committee. He is also an independent trustee on the Scottish & Newcastle Pension Plan, part of Heineken.

Chair's annual governance statement (continued)

Directors of The People's Pension Trustee Limited (continued)

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

Baroness Drake is a former member of the Turner Pension Commission which recommended the introduction of auto-enrolment. She was also on the Board of the Pension Protection Fund, the Board of The Pensions Advisory Service, and was Acting Chair of PADA, the forerunner of NEST.

She has more than 30 years' experience in the trade union movement, including as President of the Trade Union Congress (TUC) and was a member of the Equal Opportunities Commission.

Chris Fagan
Trustee Director

Chris is an independent trustee and investment specialist with over 30 years of pensions industry experience.

In addition to his role at The People's Pension, he is Chairman of Trustees at a final salary pension scheme and he works with Investment Governance Services which provides executive and non-executive support to pension scheme and other asset owners.

Prior to his appointment by The People's Pension, he was a Trustee of the Towers Watson Pension Scheme and worked in Willis Towers Watson's Investment Advisory and Fiduciary Management teams. He has also led the internal investment team at a major UK pension fund.

Directors of The People's Pension Trustee Limited (continued)

David Maddison
Trustee Director

David has over 30 years' pension industry experience across multiple functions. He's a Chartered Director with the Institute of Directors and a fellow of the Pensions Management Institute with a degree in Law.

David has retired from RPMI Ltd, the executive arm of the Railways Pension Trustee Company Limited, where he fulfilled a number of senior roles within the business.

David is also Senior Independent Director for Healthshield friendly society where he serves on the Audit and Nomination and Remuneration Committees.

Alan Pickering CBE
Trustee Director

Alan is President of BESTrustees and is a Trustee of a number of pension schemes, including The Plumbing Industry Pension Scheme.

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

Induction process for new Trustee Directors

New Trustee Directors must complete TPR's Trustee Toolkit within their first 6 months. In that same period, they must also complete a detailed induction programme. This has the following 5 components:

- A comprehensive reading list that includes the SIP, the Scheme Rules and the conflicts of interest policy. Trustee Directors must read 12 items in all, many of which are provided through an online training system that logs completed activity.
- Induction sessions provided through an online training tool and additional conference calls.
- Familiarisation with relevant documents such as TPR's 'Welcome to pension scheme trusteeship'.
- Newly appointed Trustee Directors must provide the Secretary with a detailed list of items, including but not limited to a signed fit and proper person declaration, the Trustee knowledge and understanding log and a conflicts of interest register update.
- The induction may, on agreement with the Chair, include externally provided training courses. Following on from the induction, further training will be provided on an ongoing basis and each Trustee Director will have the opportunity to suggest future training requirements.

All Trustee Directors with the Scheme, including the recent appointments, had completed TPR's Trustee Toolkit – an online learning programme for trustees – by 31 March 2021.

Non-affiliation of Trustees

The Trustee Board is currently made up of 6 Trustee Directors, all of whom (including the Chair of the Trustee) are independent of and have no affiliations to B&CE. Their names and professional experience are detailed on pages 99 to 101. The Trustee continues to safeguard effective and leading standards of governance, taking into account the size and complexity of the Scheme.

The independent members of the Trustee Board are each "non-affiliated" as defined in regulation 27(8) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996. This is demonstrated by the fact that they are all independent from any firm which provides advisory, administration, investment or other services in respect of the Scheme.

The additional requirement of Regulation 28 regarding the process for appointments and terms of office in order to count as non-affiliated have been satisfied as the majority of the Trustee Directors have been appointed as a Trustee Director of the Scheme (since 6 April 2015) when this requirement was introduced for less than 5 years and if re-appointed may serve a maximum of 10 years in total, from the start date noted above.

Trustee appointment process

Appointments to the Trustee Board are open and transparent.

The process comprises the following steps:

- An assessment of the composition and breadth of skills, experience and knowledge on the Trustee Board, followed by a gap analysis. The profile of the candidate role is drawn from these conclusions.
- The new role is advertised publicly, and an external headhunting specialist may be retained. CVs are requested and all are examined by the Trustee Pension Manager.
- A thorough two-stage interview process managed by B&CE in conjunction with the Trustee. Final interviews are conducted by the Chair of the Trustee, or a Trustee Director in the event of a potential conflict of interest, and the Chief Executive Officer of B&CE.

The Trustee Board appointed 2 Trustee Directors on 1 April 2020, Baroness Drake and Mark Condron, and had previously reappointed Steve Delo as Chair, on 1 March 2020. The expansion of the Trustee Board, described earlier in this annual report and financial statements, was designed to address the complex, growing and evolving regulatory requirements on master trust pension schemes.

The new Trustee Directors undertook the Scheme's induction programme, as detailed above.

In addition, the Trustee Pension Manager has a job objective to ensure that all Trustee Directors meet The Pensions Regulator's requirements for Trustee knowledge and understanding.

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

Chair's annual governance statement (continued)

Member views

The People's Pension exists for the benefit of its members – and their views play a key role in its management.

The Trustee works closely with B&CE to discover, monitor and, whenever possible, act on these views to improve the experience for members.

Member feedback about service levels at the end of calls and emails showed that the majority of customers remained positive about The People's Pension's customer service throughout the pandemic. In the second half of 2020, when the Administrator was able to obtain a comprehensive volume of feedback, the monthly overall satisfaction score ranged from 77% to 87%.

Moreover, the Trustee has continued to play a pivotal role in helping ensure that communications to members are appropriately clear and simple – particularly given the social and economic challenges facing employers and employees during the Scheme year.

One of the key features of the Trustee's approach was a video recording, published on the Scheme's website in early 2021, in which the Trustee, the Administrator and also members discussed the key features of the Scheme, and the advantages of maintaining savings within a pension. Members' views and questions were initially sought via a Survey Monkey questionnaire and members were informed, in The People's Pension website, where and when they could expect to view the recording. After the recording was published online, emails were sent to members providing them a link to view either the full recording or bitesize clips on the website.

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

- An explanation of the Scheme's new charging structure.
- Information on how COVID-19 may affect a member's pension and investments – together with help and support updates on addressing the end of the Coronavirus Job Retention Scheme, such as a redundancy Q&A.
- Warnings about pension scams, both on the Scheme website and through social media channels.
- Details of further information about the support available from third party organisations, including Pension Wise, The Pensions Advisory Service (TPAS), and Money Advice Service (MAS). MAS and TPAS have been replaced by a new consuming-facing brand called MoneyHelper from 30 June 2021.
- Guidance on how members and employers can self-serve using their online accounts and how to obtain further support where it's needed.
- More accessible details about the way in which the Scheme approaches responsible investment.

In addition, the member contact centre remained open throughout the pandemic – although for some periods with a reduced service, such as for vulnerable members only.

The Trustee and B&CE acted early to implement resources and processes to ensure that core financial transactions and key processes (such as death and retirement benefit claims) were prioritised to support members and their families during this unprecedented time.

The Trustee receives detailed information each quarter from the Administrator regarding the profile of the Scheme's membership, and about any complaints or disputes. All second stage decisions on submissions through the Internal Disputes Resolution Procedure are tabled and discussed at a quarterly Trustee Board meeting.

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

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

Steve Delo
Chair of The People's Pension Trustee Limited

23 September 2021

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

Opinion

We have audited the financial statements of The People's Pension Scheme ("the Scheme") for the year ended 31 March 2021 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes to the financial statements, including the accounting policies as set out in pages 107 to 118.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 March 2021 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as it does not intend to wind up the Scheme, and as it has concluded that the Scheme's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Scheme will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee and inspection of policy documentation, including the conflicts of interest register, as to the Scheme's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board minutes.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that the Trustee (or its delegates including the Scheme administrator) may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

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

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee (as required by auditing standards), and from inspection of the Scheme's regulatory and legal correspondence and discussed with the Trustee the policies and procedures regarding compliance with laws and regulations.

As the Scheme is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Scheme's procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Scheme is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Scheme is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Scheme's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation, recognising the financial and regulated nature of the Scheme's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

Other information

The Trustee is responsible for the other information, which comprises the Trustee's report, the Chair's Statement, and the Implementation Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in its statement set out on page 17, the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities.**

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Scheme Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.

Gemma Broom
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 24 September 2021

Fund account
for the year ended 31 March 2021

	Note	2021	2020
		£000	£000
Contributions and benefits			
Employer contributions		1,476,188	1,389,267
Employee contributions		1,559,252	1,620,686
Total contributions	4	3,035,440	3,009,953
Transfers in		213,295	229,322
		3,248,735	3,239,275
Benefits paid or payable	5	(220,862)	(105,257)
Payments to and on account of leavers	6	(8,318)	(9,512)
Transfers to other plans		(56,024)	(96,690)
Administrative expenses	7	(51,876)	(31,572)
		(337,080)	(243,031)
Net additions from dealings with members		2,911,655	2,996,244
Returns on investments			
Increase / (decrease) in market value of investments	8	2,506,636	(733,050)
Investment management expenses		9,506)	(6,971)
Net return on investments		2,497,130	(740,021)
Net increase in the fund during the year		5,408,785	2,256,223
Opening net assets		8,420,638	6,164,415
Closing net assets		13,829,423	8,420,638

The notes on pages 109 to 118 form part of these financial statements.

Statement of net assets available for benefits
as at 31 March 2021

	Note	2021	2020
		£000	£000
Investment assets			
Pooled investment vehicles	8	13,729,588	8,336,159
Total net investments	8	13,729,588	8,336,159
Current assets	14	141,789	131,799
Current liabilities	15	(41,954)	(47,320)
Net assets available for benefits		13,829,423	8,420,638

The financial statements summarise the transactions of the Scheme and deal with the net assets available for benefits at the disposal of the Trustee. They don't take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

The notes on pages 109 to 118 form part of these financial statements.

These financial statements were approved by the Trustee on 23 September 2021 and signed on its behalf by:

Director

Mr Christopher Fagan

23 September 2021

Notes to the financial statements
for the year ended 31 March 2021

1. Basis of preparation

The financial statements of The People's Pension Scheme (the Scheme) have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the guidance set out in the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (revised 2018) (SORP).

The financial statements are prepared on a going concern basis, which the Trustee believe to be appropriate as they believe that the Scheme has adequate resources to meet its obligations as they fall due for at least the next 12 months from the date of approval of these financial statements.

In reaching this conclusion, the Trustee considered the impact of the ongoing COVID-19 pandemic and plausible downside scenarios which may impact the Scheme – and has sufficient liquid investments to cover benefits or transfers out as required.

This assessment, together with capital growth from its assets, gives the Trustee confidence to prepare the financial statements on a going concern basis.

2. Identification of the financial statements

The Scheme is a defined contribution occupational pension scheme established as a trust under English law.

The Scheme was established to provide an auto-enrolment workplace pension scheme for employers. The address of the Scheme's registered office is Manor Royal, Crawley, West Sussex RH10 9QP.

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004 (Pension Scheme Registration (PSR) number: 12005993). This means that contributions by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Currency

The Scheme's functional currency and presentational currency is pounds sterling (GBP).

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

(b) Contributions

Normal and additional voluntary contributions, both from members and employers, when submitted by the employers are accounted for on an accruals basis based on the pay period to which they relate. Contributions made directly by members are accounted for when they are received from the members.

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

(c) Transfers from and to other plans

Individual transfers in and out are accounted for on a cash basis, as recipient schemes are normally not liable for any pensions benefits in respect of the transferring member until assets have actually been received.

(d) Benefits and payments to and on account of leavers

Benefits payable to members are accounted for on an accruals basis from the date the Trustee is notified.

Refunds and opt-outs are accounted for when the Trustee is notified of the member's decision to leave the Scheme.

Where the Trustee agrees or is required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Scheme, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within Benefits on the Fund account.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

(e) Administrative expenses

An annual management charge (AMC) is levied against members' funds which is accounted for on an accruals basis. The AMC has 3 elements:

- The Management Charge (MC) is calculated daily on the value of the investments at 0.5% per annum. The charge is reflected through a reduction in the unit price of the fund that the member is invested in and is received monthly in arrears from the investment manager.
- The Annual Charge (AC) is a fixed amount deducted once a year where a member had money saved with the Scheme on 1 April and up to the point the AC is deducted.
- The Management Charge Rebate (MCR) is a potential rebate of some of the MC depending on the value of a member's pot. The MCR is calculated monthly and applied to the member's pot.

The AMC is the only administration cost borne by the Scheme. All direct costs of administration, including fees payable to the Trustee Directors, are met by B&CE. The AMC, less any investment management fees payable, is payable to the Administrator.

(f) Investment income and expenditure

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, the change in market value also includes such income.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Other investment management expenses are accounted for on an accruals basis and shown separately within investment returns.

(g) Valuation and classification of investments

Investment assets and liabilities are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used.

The fair value for the unitised pooled investment vehicles which are not traded on an active market but are priced daily, weekly or at each month end, and which are traded on substantially all pricing days, are included at the last price provided by the manager at or before the year end.

Notes to the financial statements (continued)

4. Contributions

	2021	2020
	£000	£000
Employers		
Normal	1,476,188	1,389,267
Employees		
Normal	1,539,785	1,605,071
Additional voluntary contributions	19,467	15,615
	1,559,252	1,620,686
	3,035,440	3,009,953

5. Benefits

	2021	2020
	£000	£000
Lump sum retirement benefits	216,189	97,536
Lump sum death benefits	4,673	7,721
	220,862	105,257

6. Payments to and on account of leavers

	2021	2020
	£000	£000
Refund of contributions in respect of:		
Opt-outs	8,318	9,512

7. Administrative expenses

	2021	2020
	£000	£000
Administrative expenses	51,876	31,572

The AMC deducted from members' funds during the year totalled £61,381k (2020: £38,973k). The AMC is net of management charge rebates of £6.6m (2020: £0.5m) and include an 'Annual Charge' of £12.0m (2020: £nil).

The administration fee paid to the Administrator is calculated by taking the AMC and deducting any investment management fees paid or payable directly by the Scheme. The administrative expenses have increased due to higher fund values throughout the year and the new Annual Charge.

Notes to the financial statements (continued)

8. Reconciliation of net investments

	Opening value	Purchases	Sales proceeds	Change in market value	AMC	**Closing value**
	£000	£000	£000	£000	£000	**£000**
Pooled investment vehicles	8,336,159	2,971,988	(23,813)	2,506,636	(61,382)	**13,729,588**
Represented by:						
Allocated to members	8,336,159					**13,729,588**

The investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustee. The Administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Scheme that relate to members leaving the Scheme prior to vesting.

9. Pooled investment vehicles

The underlying assets of the pooled investment vehicles are:	**2021**	**2020**
	£000	£000
Equity	9,340,937	5,737,842
Bond	3,755,727	2,371,347
Cash	632,924	226,970
	13,729,588	8,336,159

10. Fair value of investments

The fair value of investments has been determined using the following fair value hierarchy:

- **Level 1:** Unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- **Level 2:** Inputs (other than quoted prices included in Level 1) that are observable for the assets or liabilities, for example developed using market data, either directly or indirectly.
- **Level 3:** Inputs are unobservable, ie for which market data is unavailable, for the assets or liabilities.

The Scheme's investment assets and liabilities have been included at fair value and all fall into Level 2 in this and the prior period.

Notes to the financial statements (continued)

11. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks set out by FRS 102 are as follows:

Credit risk: his is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines the investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out in the Trustee's report.

The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits that reflect the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment manager. These are monitored by the Trustee through regular reviews of the investment portfolio.

The following table summarises the extent to which the underlying investments held in pooled investment vehicles are affected by financial risks:

	Direct Credit risk	Indirect Credit risk	Indirect market risk			2021	2020
			Currency	Interest rate	Other price	£000	£000
B&CE Global Investments (up to 60%)	Yes	Yes	Yes	Yes	Yes	31,502	21,737
B&CE Global Investments (up to 85%)	Yes	Yes	Yes	Yes	Yes	11,356,098	6,775,520
B&CE Global Investments (up to 100%)	Yes	Yes	Yes	No	Yes	354,972	181,760
B&CE Ethical Fund	Yes	Yes	Yes	No	Yes	37,271	19,438
B&CE Shariah Fund	Yes	Yes	Yes	No	Yes	36,591	15,942
B&CE Pre-Retirement Fund	Yes	Yes	Yes	Yes	Yes	1,868,608	1,277,736
B&CE Cash Fund	Yes	Yes	No	Yes	No	44,052	43,517
B&CE Annuity Fund	Yes	Yes	Yes	Yes	Yes	494	509
						13,729,588	8,336,159

Further information on the Trustee's approach to risk management, credit risk and market risk is set out on page 114.

11. Investment risks (continued)

Investment strategy

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

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

The SIP outlines the investment objectives and strategy for the assets of the Scheme – namely the investment options built from pooled investment funds provided by SSGA, which is overseen by an investment management agreement.

The day-to-day management of the underlying investments in the funds is the responsibility of SSGA, including the direct management of credit and market risks.

The Trustee monitors the underlying risks and receives quarterly investment monitoring reports from its investment adviser which covers SSGA.

The risks disclosed here relate to the Scheme's investments as a whole. Members who choose their own investments may face a different profile of risks from their individual choices compared with the Scheme as a whole.

Credit risk

The Scheme is subject to direct credit risk in relation to SSGA through their holding in unit-linked insurance funds provided by SSGA. These pooled investment funds are not rated by credit rating agencies. This risk is mitigated by monitoring the financial strength of SSGA and the regulatory environment that SSGA operates in. SSGA is regulated by the Prudential Regulation Authority (PRA) and maintains separate funds for its policy holders. The Trustee monitors the creditworthiness of SSGA by reviewing published credit ratings and regulatory solvency positions. SSGA invest all the Scheme's funds in their own unit-linked investment funds and do not use other investment funds or reinsurance arrangements. In the event of default by SSGA, members may be entitled to limited compensation from the Financial Services Compensation Scheme (FSCS) or other regulatory body in the country in which the fund is domiciled.

The Scheme is also subject to indirect credit and market risk arising from the underlying investments held in the pooled investment vehicles. Member level risk exposures will be dependent on the funds invested in by members.

The Trustee only invests in funds where the financial instruments and all counterparties are at least investment grade – which is a financial term meaning a level of credit rating that carries a lower level of risk to investors.

Market risk

The Scheme is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by SSGA.

Currency risk

The Scheme is subject to currency risk because most of the Scheme's investments are held in overseas markets via pooled investment vehicles (indirect exposure). The Scheme's liabilities are denominated in sterling and to mitigate the exposure to non-sterling currencies the Trustee has a currency overlay strategy in place, which is kept under regular review to ensure it remains appropriate.

Notes to the financial statements (continued)

12. Concentration of investments

Investments accounting for more than 5% of the net assets of the Scheme were:

	2021		2020	
	£000	%	£000	%
B&CE Global Investments (up to 85% shares) Fund	11,356,098	82	6,775,520	80
B&CE Pre-Retirement Fund	1,868,608	14	1,277,736	15
	13,224,706	96	8,053,256	95

These investments are pooled investment vehicles which have multiple underlying assets, none of which exceeds 5% of the net assets of the Scheme.

13. Employer-related investments

The top 100 investments as at 31 March 2021 have been calculated on a look-through basis to the underlying holdings of the pooled funds invested in by the Scheme. There are currently no employer-related investments in the top 100 investments. The employer-related investments would be participating employers in which the Scheme invests at arms-length through the investment manager.

13. Employer-related investments (continued)

	Investment	% of Investment		Investment	% of Investment
1	Apple	1.12%	51	UK Treasury Gilt 1.5% 2026	0.16%
2	Microsoft	0.66%	52	NextEra Energy	0.16%
3	Amazon	0.42%	53	Alphabet	0.16%
4	Texas Instruments	0.40%	54	UK Treasury Gilt 4.5% 2042	0.16%
5	Accenture	0.39%	55	LVMH	0.16%
6	Prologis REIT	0.37%	56	UK Treasury Gilt 4.25% 2036	0.16%
7	Samsung Electronics	0.37%	57	Alphabet	0.16%
8	NVIDIA	0.35%	58	UK Treasury Gilt 0.875% 2029	0.16%
9	Target	0.33%	59	Toyota Motor	0.15%
10	Intel	0.32%	60	Segro REIT	0.15%
11	Taiwan Semiconductor Manufacturing	0.32%	61	UK Treasury Gilt 0.625% 2025	0.15%
12	Tencent	0.29%	62	Rio Tinto Ltd	0.15%
13	Unilever	0.28%	63	UK Treasury Gilt 5% 2025	0.15%
14	Nestle	0.28%	64	Welltower REIT	0.15%
15	Intuit	0.27%	65	UK Treasury Gilt 2% 2025	0.15%
16	Iberdrola	0.27%	66	UK Treasury Gilt 1.25% 2027	0.15%
17	AstraZeneca	0.26%	67	T Rowe Price	0.15%
18	Vodafone	0.26%	68	UK Treasury Gilt 3.5% 2045	0.15%
19	Norfolk Southern	0.26%	69	Royal Dutch Shell PLC	0.15%
20	Novo Nordisk	0.25%	70	Cooperatieve Rabobank 2021	0.15%
21	Alibaba	0.25%	71	Cadence Design Systems	0.15%
22	BNP Paribas	0.24%	72	SAP UK Treasury Gilt 4.75% 2038	0.15%
23	ASML	0.23%	73	UK Treasury Gilt 1.625% 2028	0.14%
24	Tesla	0.23%	74	UK Treasury Gilt 4.25% 2027	0.14%
25	Roche	0.22%	75	UK Treasury Gilt 4.25% 2046	0.14%
26	National Grid	0.21%	76	Ferguson	0.14%
27	Goodman REIT	0.21%	77	Agilent Technologies	0.14%
28	UK Treasury Gilt 4.75% 2030	0.21%	78	Lululemon Athletica	0.14%
29	Eaton	0.20%	79	Enel	0.14%
30	Digital Realty REIT	0.19%	80	eBay	0.14%
31	Exelon	0.19%	81	Commonwealth Bank of Australia	0.14%
32	Diageo	0.19%	82	UK Treasury Gilt 3.25% 2044	0.14%
33	UK Treasury Gilt 4.25% 2032	0.19%	83	UK Treasury Gilt 4.25% 2040	0.14%
34	Simon Property REIT	0.19%	84	UK Treasury Gilt 3.75% 2052	0.14%
35	Pub Storage REIT	0.19%	85	Travelers	0.14%
36	AXA	0.18%	86	United Parcel Service	0.14%
37	GlaxoSmithKline	0.18%	87	Eversource Energy	0.14%
38	British American Tobacco	0.18%	88	Cummins	0.14%
39	Rio Tinto PLC	0.18%	89	UK Treasury Gilt 2.75% 2024	0.14%
40	UK Treasury Gilt 4.5% 2034	0.18%	90	Koninklijke Ahold Delhaize	0.14%
41	Facebook	0.18%	91	Allstate Corp	0.14%
42	National Australia Bank 2021	0.18%	92	Edwards Lifesciences	0.14%
43	UK Treasury Gilt 4.25% 2055	0.17%	93	UK Treasury Gilt 2.25% 2023	0.13%
44	AIA	0.17%	94	UK Treasury Gilt 4% 2022	0.13%
45	Ecolab	0.17%	95	SAP	0.13%
46	BP	0.17%	96	AvalonBay Communities REIT	0.13%
47	Union Pacific	0.16%	97	UK Treasury Gilt 3.5% 2068	0.13%
48	Woolworths	0.16%	98	UK Treasury Gilt 0.375% 2030	0.13%
49	Lonza	0.16%	99	UK Treasury Gilt 1% 2024	0.13%
50	UK Treasury Gilt 4% 2060	0.16%	100	UK Treasury Gilt 0.75% 2023	0.13%

Notes to the financial statements (continued)

14. Current assets

	2021	2020
	£000	£000
Contributions due in respect of:		
Employers	38,165	40,308
Employees	48,143	48,302
Other debtors	40,556	21,781
Cash balances	14,925	21,408
	141,789	131,799

Contributions due to the Scheme from employers and employees at 31 March 2021 totalled £86,308k (2020: £88,610k).

Included in cash balances is £3.0m (2020: £0.3m) which is not allocated to members. All other current assets are allocated to members.

15. Current liabilities

	2021	2020
	£000	£000
Tax deducted from benefits	2,188	1,241
Contributions pending settlement with investment manager	406	483
Contributions prepaid	14,680	25,113
Contributions to be returned to employers	161	161
Other creditors	20,358	7,601
Amounts owed to the Administrator	4,161	12,721
	41,954	47,320

Notes to the financial statements (continued)

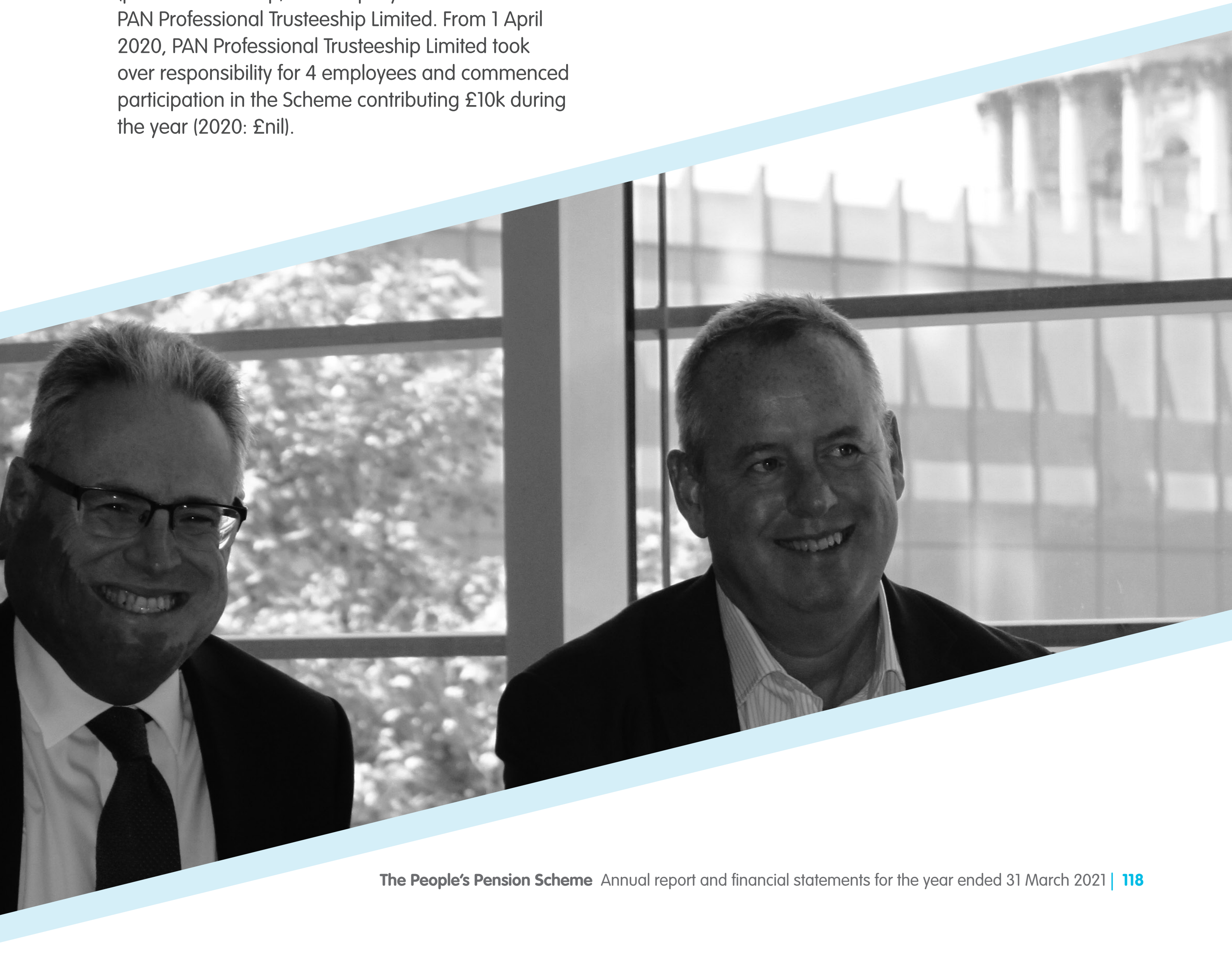
16. Related party transactions

Related party transactions and balances comprise:

- The administration fees amounting to £51,876k (2020: £31,572k) mentioned in note 7, including £4,161k (2020: £12,721k) outstanding at the year-end as detailed in note 15, which is payable to B&CE Financial Services Limited.
- All fees and expenses payable to the Trustee Directors, amounting to £152k (2020: £178k), were met by B&CE Financial Services Limited.
- B&CE Holdings Limited uses the Scheme for its employees and its employer pension contributions amounted to £1,962k (2020: £1,955k).
- From 1 April 2019 to 29 February 2020, PAN Trustee Services Limited (part of PAN Group) used the Scheme for its employees and its employer pension contributions amounted to £nil (2020: £7k. Steve Delo is the Executive Director of PAN Trustees UK LLP (part of PAN Group) and majority shareholder of the PAN Professional Trusteeship Limited. From 1 April 2020, PAN Professional Trusteeship Limited took over responsibility for 4 employees and commenced participation in the Scheme contributing £10k during the year (2020: £nil).

17. COVID-19

COVID-19 continues to impact a significant number of countries globally. It has caused disruption to economic activity which has been reflected in ongoing fluctuations in global stock markets and, in turn, in the valuation of Scheme assets. The Trustee has designed and implemented the Scheme's investment strategy taking a long-term view and has built in resilience to withstand short-term fluctuations and will work closely with the investment adviser to assess the potential impact and adjust the Scheme's investment strategy if necessary.



For more information:

01293 586666

info@bandce.co.uk

www.bandce.co.uk

The People's Pension Trustee Limited
Manor Royal, Crawley, West Sussex, RH10 9QP. Tel 0300 2000 555 Fax 01293 586801 www.bandce.co.uk