

Chair's Annual Governance Statement

Covering period 1 April 2022 – 31 March 2023

Introduction

This Statement has been prepared by the Trustee of the P&O Princess Cruises Pension Scheme (“the Scheme”) to demonstrate how the Scheme has complied with the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015 in relation to:

1. Providing a default investment arrangement for members (the “default arrangement”)
2. The performance of the Scheme’s DC investment options net of charges
3. Processing financial transactions promptly and accurately
4. Details and impact of charges and transaction costs borne by members
5. Assessment of the value members received from being a member of the Scheme
6. Meeting the requirements for trustees’ knowledge and understanding

The period this Statement covers is the Scheme year from 1 April 2022 to 31 March 2023 (“the reporting period”).

This Statement relates to the Defined Contribution Section (“the DC Section”) of the Scheme administered by Scottish Widows and the Additional Voluntary Contribution (“AVC”) benefits under the Defined Benefit Section of the Scheme which are held with Standard Life. Both arrangements are closed to new joiners. The DC Section remains open to contributions.

The Trustee believes that it has taken the necessary steps to ensure compliance with the governance standards.

A copy of this document has been published on a publicly accessible website and can be found at <https://www.pocruises.com/legal-and-privacy/pensions>.

Investment

General investment principles

The Trustee's main investment objectives are to:

- Provide members with a diversified fund range designed so members have the freedom to structure their investments to suit their individual risk, return, liquidity and funding requirements; and
- Ensure that each individual fund option is suitably invested and managed to maximise the return commensurate with an acceptable level of risk.

The Trustee aims to meet these objectives by:

- Identifying appropriate investment managers;
- Providing a range of investment options which aim to meet members differing personal investment requirements throughout their membership and have sufficient investment choice to satisfy their differing risk appetites and risk profiles;
- Monitoring the investment funds that are made available to members;
- Setting a general investment policy but delegating the responsibility for selection of specific investments to the investment managers; and
- Seeking advice, as appropriate, from the Scheme's advisers.

A copy of the Scheme's DC Statement of Investment Principles ("SIP") is included in [Appendix D](#). The SIP can also be found online at <https://www.pocruises.com/legal-and-privacy/pensions>.

The default arrangement

The Trustee selected a default arrangement for members who did not make an active investment decision when the DC Section opened on 1 June 2016. The default arrangement is the [Drawdown-Focused Lifestyle Strategy](#).

The objective of the default arrangement is to generate capital growth over the long term through investing in a diversified portfolio that provides an appropriate balance between risk and return. The strategy invests in a diversified fund during the growth phase when members are further from retirement. In the five years prior to retirement, the default arrangement aims to reduce the volatility of the member's expected pension fund by gradually increasing the allocation to bonds, gilts and cash over the five-year period. At a member's target retirement date, there is a 70% allocation to a diversified fund, 15% allocation to a bond/gilt fund and 15% allocation to a cash fund. The default arrangement is designed for those members looking to use their DC

Section benefits to maintain investment growth at retirement age and move to a drawdown arrangement which allows members to take income as and when required.

The Trustee is required to review the default arrangement every three years, or sooner if there has been a material change to the Scheme, membership or investment policy. The last formal strategic review of the default arrangement was undertaken during the reporting period and considered by the Trustee on 8 December 2022.

In undertaking the review, the Trustee and its investment adviser assessed whether the default arrangement remained appropriate giving due consideration to its overall risk profile, asset allocation at retirement and a qualitative and quantitative assessment of the component funds, including the performance against their objectives. The Trustee considered these areas against the backdrop of an updated analysis of the profile of the membership to ensure the default arrangement continued to be aligned with the Trustee's overall objective for the strategy (as stated above) and the expected needs of the majority of the membership.

The review concluded that the profile of the membership had not materially changed since the last full review was undertaken in 2019 and the expected risk tolerance and retirement objectives remained the same. Additionally, the review noted that the vast majority of members are predicted to have considerable Defined Contribution benefits at retirement and are therefore more likely (based on market trends) to enter into a drawdown arrangement at retirement and take an income as and when needed. This suggested that the asset mix at retirement which is aligned with entering into a drawdown arrangement remained appropriate.

Additionally, the component funds had performed in line with expectations over the long term and continued to be well rated by the Trustee's investment adviser.

The Trustee also reviewed the strategy against its Environmental, Social and Governance (ESG) beliefs (further details on which can be found in the DC Implementation Statement). Although the strategy does not explicitly integrate ESG principles at the heart of its objective, for example tilting its exposure towards companies with strong environmental credentials, the vast majority of the strategy benefits from the manager's overarching ESG framework. This includes a decarbonisation target and certain exclusions such as in relation to controversial weapons. The Trustee concluded that the strategy was broadly aligned with its ESG beliefs.

Based on the findings from the review, the Trustee decided that the existing default arrangement remained appropriate and it was agreed that no changes were required.

The next full strategic review of the default arrangement is due to be undertaken Q4 2025 or sooner should there be a material change to the membership profile or Scheme design.

As well as reviewing the default strategy, the Trustee undertook a review of the self-select fund range and concluded that the funds continued to remain broadly appropriate for members of the Scheme. As part of this review, the Trustee has agreed to implement an ESG focused fund, and at the time of preparing this

statement, this work is ongoing. Further details will be provided to members in due course and will be reported in full in the next Chair's Statement.

Other default arrangements – AVCs with Standard Life

Whilst there was no default arrangement in place for members of the Defined Benefit Section of the Scheme who paid AVCs into the Trustee's AVC policy with Standard Life, there was an investment change undertaken in 2013, whereby the Trustee decided to close a number of funds to new contributions ('legacy funds'). Members contributing into these legacy funds had their contributions automatically redirected into the Standard Life Deposit and Treasury Pension Fund unless they made an active investment decision. Therefore, this fund is defined as a default arrangement for the purposes of this Statement and is identified as such in the 'Charges and transaction costs' section of this Statement.

Strategic review of the AVC funds

The Trustee undertook a strategic review of the AVC funds during the reporting period. In undertaking the review, the Trustee and its investment adviser considered the profile of members with investments with Standard Life and the quality and long-term performance of the Standard Life funds. The review concluded that the majority of the fund range remained broadly appropriate including the AVC lifestyle strategy, which targets cash at retirement with the expectation that members are likely to use their AVCs to fund their tax-free cash under the Scheme.

The review highlighted a number of the legacy funds which are either no longer aligned with the Trustee's investment beliefs or no longer rated by the Trustee's investment adviser. The Trustee agreed with the investment adviser's recommendation to close these legacy funds and transfer members' assets into existing funds within the range. This work is being undertaken after the end of the reporting period and the outcome of this work will be reflected in the Chair's Statement covering the 2023 – 2024 Scheme year.

Investment monitoring

The Trustee delegates day-to-day investment oversight of the DC Section and AVCs, respectively, to Scottish Widows and Standard Life (as the investment platform providers), and it has separate specialist advisers providing specific investment advice and strategic guidance as and when required.

The Trustee reviews the net performance of the funds in the DC Section, including those underlying the default arrangements, formally each quarter against their objectives and benchmarks. On occasions, the Trustee may decide, having obtained investment advice, to alter the range of investment funds available to members. No changes to any of the investment funds were made during the reporting period. Given the small proportion of assets held in the AVC Policy, and the nature of those funds, the Trustee reviews the net performance of the AVCs on an annual basis.

There was a heightened level of investment volatility during the reporting period as a result of global uncertainty, the war in Ukraine, high inflation and the UK mini-budget in September 2022 which resulted in an unprecedented rise in gilt yields. These factors combined had an impact on investment performance leading to negative returns being reported across almost all asset classes over the reporting period. However, pension saving generally has a long-term time horizon and the Trustee focuses on longer-term performance when reviewing the funds.

The Trustee is comfortable that the fund options have all met their respective objectives over the long term.

Net investment returns

The Trustee is required to set out the investment returns of the Scheme’s DC funds, net of any Scheme specific charges, over the reporting period. In reporting the investment returns, the Trustee has reviewed and taken account of the DWP’s Statutory Guidance in this area. Based on the information reported in this section, the Trustee is satisfied that investment performance remains consistent with the aims and objectives stated in the SIP.

Default arrangement

Members in the default arrangement of the DC Section are in the [Drawdown-Focused Lifestyle Strategy](#) which invests in several underlying funds, the proportion of assets in each depending on the number of years until the member’s Target Retirement Age (“TRA”).

Investment returns, net of any Scheme specific charges, are shown at a range of ages based on a TRA of 60 (which is the Normal Retirement Age for the majority of DC members). The performance information has been derived from the proportion of assets invested in each underlying fund at that age.

	Name	5 years (% pa)		1 year (%)	
		Fund	BM	Fund	BM
Default arrangement	Drawdown Focused Lifestyle – age 25	3.75	4.50	-5.89	6.10
	Drawdown Focused Lifestyle – age 45	3.75	4.50	-5.89	6.10
	Drawdown Focused Lifestyle – age 55	3.75	4.50	-5.89	6.10

Please see the notes section below for supporting information

Alternative lifestyle strategies

The Trustee offers two alternative lifestyle strategies targeting annuity purchase and short-term cash withdrawal at retirement respectively. These strategies invest in several underlying funds, the proportion of assets in each depending on the number of years until the member’s TRA.

As in the previous section, the investment returns, net of any Scheme specific charges, are shown at a range of ages based on a TRA of 60. Please note that the performance is the same across the two alternative lifestyle strategies and so these have not been reported separately.

	Name	5 years (% pa)		1 year (%)	
		Fund	BM	Fund	BM
Self-select options	Alternative lifestyle strategies – age 25	3.75	4.50	-5.89	6.10
	Alternative lifestyle strategies – age 45	3.75	4.50	-5.89	6.10
	Alternative lifestyle strategies – age 55	3.75	4.50	-5.89	6.10

Please see the notes section below for supporting information

Self-select fund range

The Trustee also offers a range of alternative funds for members to self-select from, some of which are also component funds within the lifestyle strategies:

	Name	5 years (% pa)		1 year (%)	
		Fund	BM	Fund	BM
Self-select options	SW Legal & General Diversified Fund	3.75	4.50	-5.89	6.10
	SW BlackRock 30/70 Currency Hedged Global Equity Index Fund	6.56	7.26	-4.94	-3.23
	SW Aquila Emerging Markets Equity Index Fund	1.32	1.76	-6.73	-6.03
	SW L&G Future World Annuity Aware Fund	-3.40	-2.63	-20.45	-19.17
	SW BlackRock IL Over 5 Year Gilt Index Fund	-4.23	-4.09	-29.68	-29.47
	SW BlackRock Sterling Liquidity Fund	0.58	0.64	2.04	2.21

Please see the notes section below for supporting information

Notes

BM = Benchmark. Please note that the benchmark the Trustee has reported for the L&G Diversified Fund is the investment manager's target of achieving returns in line with 'Bank of England Base Rate + 3.75% p.a.' over the long term. This is different to the equity comparator reported by Scottish Widows on the fund factsheet, however the Trustee believes this is a more appropriate measure by which to assess the fund.

Performance information has been provided by Scottish Widows. Benchmark data has been provided by Scottish Widows with the exception of the L&G Diversified Fund which has been sourced from L&G.

Information relating to the Standard Life AVC funds is contained in [Appendix A](#).

Please refer to the fund factsheets for further details on the funds including their underlying holding, risk profile and performance benchmarks. These can be found on the Scottish Widows website at the following address: <https://www.scottishwidows.co.uk/save/poppc/> ('Your investment charges and choices' → 'pension

funds') and on the Standard Life website for the AVC funds:

<https://www.standardlife.co.uk/pensions/workplace-pension>.

Financial Transactions

The Trustee regularly monitors the core financial transactions of the Scheme. These include the investment of contributions, transfers into and out of the Scheme, fund switches and payments out of the Scheme. This is achieved through having appropriate Service Level Agreements ("SLAs") in place with the administrators, reviewing administration reports at quarterly Trustee meetings and having a process for raising and escalating any administration issues identified through the Trustee's monitoring process.

DC Section – Scottish Widows

The Trustee delegates the administration of the DC Section of the Scheme to Scottish Widows.

The Trustee has SLAs in place with Scottish Widows. These are the Trustee's expectations for the promptness of processing administration tasks. The SLAs vary dependent on the task (ranging from one to two business days for time critical tasks such as investment switches and processing contributions and up to ten business days for non-time critical tasks such as more complex member enquiries).

Scottish Widows has processes in place to support meeting the agreed SLAs such as a task logging system used to identify and prioritise core financial transactions, allocate tasks and manage workloads. Additionally, Straight Through Processing ("STP") is used on all core transactions which helps ensure tasks are processed accurately and quickly.

Scottish Widows provides quarterly administration reports which includes details of performance against SLAs. This allows the Trustee to monitor performance against the SLAs at each quarterly Trustee meeting to ensure administration tasks (including core financial transactions) are being processed in a timely manner.

Scottish Widows has reported that 60% of time critical processes were processed within the agreed SLAs during the period (6 out of 10 tasks). Scottish Widows has confirmed that where any time critical processing has been delayed, action has been taken to ensure the member was not disadvantaged, with any necessary adjustments made to their policy value to avoid any detriment.

In relation to manually processed non-time critical tasks, on average 88% were processed within the agreed SLAs (67 out of 76 tasks). Although this is a decrease compared with last year when 92% of tasks were completed on time, the Trustee recognises that this 4% decrease reflects only five fewer cases being completed within the agreed SLAs.

The Trustee has closely monitored performance over the Scheme year and seeks to engage with Scottish Widows on a regular basis to understand the reason for any delays in processing tasks. This enables the Trustee to consider the materiality of any delay including any potential impact to members.

Scottish Widows has confirmed that there were two member complaints received over the period. One of the complaints was upheld which related to a delay in processing a retirement. Scottish Widows ensured that the member had not been financially disadvantaged by the delay.

In addition to monitoring administration performance, the Trustee also satisfied itself that core financial transactions were processed promptly and accurately by:

- Ensuring appropriate documentation was in place recording payments in and out of the Scheme;
- Reviewing the accuracy of the Scheme's Common and Scheme-specific data on a regular basis to ensure that financial transactions are processed promptly and accurately; and
- Ensuring Scottish Widows has in place appropriate internal processes and controls which includes the checking and reconciliation of investment and banking transactions.

AVCs – Standard Life

Standard Life aims to process 90% of all transactions within ten working days – this is the SLA the Trustee has in place with Standard Life.

There were a small number of limited administration tasks undertaken over the period. In total, 72% of these were completed within the SLA (21 out of 29 tasks). The Trustee seeks to engage with Standard Life to understand the reason for any delays in processing tasks and the materiality of any delay including any potential impact for members.

Standard Life have confirmed that there were no complaints received over the reporting period.

No administration issues were identified during the reporting period.

Wider oversight

The Trustee appoints an independent auditor to audit the Scheme's accounts, which includes an audit of the payments into and out of the Scheme. As at the date of signing this Statement, the audit of the Scheme's accounts in relation to the reporting period is underway.

Conclusion

Based on the above, the Trustee is satisfied that the majority of the Scheme's core financial transactions have been processed promptly and accurately during the Scheme year and where there have been delays, members have not been adversely impacted.

Charges and Transaction Costs

P&O Princess Cruises Pension Scheme

The Total Expense Ratio (“TER”) applied to the funds available for selection by members of the Scheme are set out in the tables overleaf, all to two decimal places. TER is a measure of the costs associated with managing and operating an investment fund. These costs consist primarily of Annual Management Charges (“AMCs”) and variable additional expenses such as trading, legal and auditor fees and other operational expenses.

Transaction costs are those incurred by the investment managers as a result of buying, selling, lending or borrowing investments and are usually taken into account via the unit price for each of the funds. The Financial Conduct Authority (“FCA”) has set out a specific method for providers and managers to calculate transaction costs and they are typically categorised as being explicit costs or implicit costs:

- **Explicit costs** are directly observable and include broker commissions and taxes.
- **Implicit costs** cannot be observed in the same way but occur, for example, where the price on placing a trade instruction is different to the price paid when the trade is executed. This can also lead to ‘negative’ transaction costs or small ‘gains’ where the price when placing a trade instruction is higher than the price when the actual trade is executed.

Please note a zero cost has been reported where there has been a negative transaction cost (i.e. an overall gain was made on the transaction, which can happen as a result of changes in the pricing of the assets being bought or sold). It is not expected that transaction costs will always be negative. It is important to note that using a negative or zero cost during any one Scheme year may not accurately represent the actual transaction costs a member may expect to see in any future Scheme year.

Default arrangement – Scottish Widows

The charges applied to the funds over the reporting period that make up the Scheme’s default arrangement with Scottish Widows are as follows:

	Fund	Fund charges (% p.a.)				T-cost (%)
		AMC	+	Add exp.	= TER	
Default arrangement	SW L&G Diversified Fund	0.46	+	0.02	= 0.48	0.00
	SW L&G Future World Annuity Aware Fund	0.31	+	0.00	= 0.31	0.00
	SW BlackRock Sterling Liquidity	0.27	+	0.00	= 0.27	0.02

T-cost = transaction cost

Members are invested in these funds in varying proportions depending on their term to retirement. The maximum TER for the default arrangement is 0.48% p.a.

Alternative lifestyle strategies and self-select fund range – Scottish Widows

The charges applied to the self-select fund range (which are also component funds in the alternative lifestyle strategies) are shown in the table below:

	Fund	Fund charges (% p.a.)				T-cost (%)	
		AMC	+	Add exp.	=		TER
Self-select options	SW L&G Diversified Fund	0.46	+	0.02	=	0.48	0.00
	SW BlackRock 30/70 Currency Hedged Global Equity Index Fund	0.33	+	0.01	=	0.34	0.00
	SW Aquila Emerging Markets Equity Index Fund	0.42	+	0.07	=	0.49	0.00
	SW L&G Future World Annuity Aware Fund	0.31	+	0.00	=	0.31	0.00
	SW BlackRock IL Over 5 Year Gilt Index Fund	0.27	+	0.00	=	0.27	0.02
	SW BlackRock Sterling Liquidity	0.27	+	0.00	=	0.27	0.02

T-cost = transaction cost

All of the charges are shown as at 31 March 2023. The transaction costs reported are all in respect of the period 1 April 2022 to 31 March 2023.

Standard Life AVCs

The level of charges applying to the Standard Life AVC funds during the reporting period, including the Standard Life Deposit and Treasury Fund (classified as a default arrangement for the purposes of this Statement) are set out in [Appendix B](#).

Illustrations of costs and charges

The Trustee has taken into account the statutory guidance which requires trustees to provide an illustration comparing the cumulative effects of costs and charges on example members' funds. The illustrations and corresponding information for the DC Section can be found in [Appendix C](#).

Value for Members

The Trustee is committed to ensuring that members receive good value for the services that are provided under the Scheme, in particular those services that are paid for by the members themselves.

The Trustee's adviser – WTW – undertakes an annual 'Value for Members' assessment, taking into account the guidance provided by the DWP and The Pensions Regulator, which is considered by the Trustee in advance of preparing this Statement.

The latest assessment was undertaken by WTW in July 2023 covering the reporting period to which this statement relates. The assessment considered the following broad areas which are aligned to the DWP's latest guidance:

1. The level of charges paid by members compared to other similar schemes;
2. The performance of the Scheme's DC funds net of charges; and
3. The scope and quality of the services members receive.

Assessment conclusion – DC Section

The assessment compared the overall cost members bear against a number of comparators, including similarly structured plans based on other DC schemes, the wider DC Master Trust market and the default fund maximum charge of 0.75% p.a. for qualifying schemes such as the Scheme. This comparison showed the charges members pay in the Scheme's default arrangement of 0.42% p.a. – 0.48% p.a. are significantly below the charge cap, but slightly higher than the market average. The assessment also included benchmarking information concerning the transaction costs incurred in the Scheme and concluded that the transaction costs over the reporting period for the funds were reasonable relative to the average transaction costs for similar types of investments.

Investment returns net of fees (as reported earlier in this statement) are a key influence in the overall value members receive. The L&G Diversified Fund holds the vast majority of DC assets and is a key component of the default arrangement. This fund has experienced mixed performance against its target of achieving a rate of the Bank of England Base Rate + 3.75% p.a. depending on the period assessed. However, the Trustee has focused its attention on considering longer term performance given the characteristics of this fund, the long-term nature of pension savings, and the heightened market volatility experienced over the past 12 months. Over the long term (10 years), the performance of the fund has been in excess of its Bank of England Base Rate + 3.75% p.a. target. Additionally, the fund has achieved this return at a volatility of around half of that of a pure global equity fund. The remainder of the Scheme's funds have all performed broadly in line with expectations.

The assessment also considered the services offered by the Scheme with a particular focus on those that members pay for, such as the administration provision, communications and member support provided by Scottish Widows.

WTW concluded that the Scheme is offering 'fair' value based on the services members receive for the charges incurred.

WTW also considered the features of the Scheme that members do not pay for. Although this is outside of the scope of the Value for Members assessment, it is important to highlight the following which provides additional 'broader' value to members of the Scheme:

- The structure of the investment options including a default arrangement which has been designed based on detailed membership analysis and aims to meet the needs of Scheme members;
- The provision of a focused selection of funds through managers well rated by WTW; and
- A professional corporate sole trustee is in place with detailed knowledge, extensive experience, effective risk management oversight, and the ability to leverage wider resources in its governance of the Scheme including best practice approaches and specialist support.

The Trustee discussed the report from WTW and agreed with WTW's assessment that the Scheme provides fair value for members. The Trustee recognises that although the charges incurred by members is potentially higher than the market average, the core component of the default strategy is the L&G Diversified Fund, which provides wide diversification across the asset classes and a strategic asset allocation overlay, and is therefore more sophisticated than a purely passively managed design. Over the long term, the fund has performed more in line with world equities, and at a relatively level of volatility.

The Trustee also recognises that the DC Section of the Scheme is also considerably smaller than the average scheme within the comparison used by WTW, and is not therefore able to obtain the most favourable terms from providers. However, in light of the assessment carried out by WTW, the Trustee has agreed to undertake a market review of the terms provided by Scottish Widows for the services provided. This will include consideration of what additional services may be offered to members, including a wider range of communication and support in the lead up to a member's retirement.

Assessment conclusion – AVCs

As covered earlier in the statement, the Trustee also undertook a review of the AVC arrangement in the reporting period. Part of this review considered 'value' aspects such as the level of charges members pay, the quality and performance of the funds and the services members receive.

The review concluded that the AVC arrangement is providing fair value to members of the Scheme based on the very limited services members require. Charges are higher than average, largely as a result of the small size of the arrangement, however it was concluded that it would be unlikely that the charges would be significantly less under another pension provider. There are also a number of practical constraints in relation to moving the assets elsewhere. Additionally, members are able to use their AVCs to fund their tax-free cash under the Scheme and this was likely to be of significant value to the small number of members holding AVC assets.

As noted earlier in the statement, the Trustee made the decision as part of the review to close a number of AVC funds and this is being undertaken outside of the reporting period.

Trustee Knowledge and Understanding (TKU)

The professional corporate sole trustee is Ross Trustees Services Limited (“Ross Trustees”), part of Independent Governance Group.

Ross Trustees is audited annually by the Audit and Assurance Faculty (AAF) and is currently AAF 02/07 accredited, which confirms that the processes adopted by Ross Trustees to govern schemes are appropriate. This includes providing regular training opportunities to all members of staff.

Ross Trustees delegates responsibility for governing the Scheme to two professional trustees, both of whom are accredited with the Association of Professional Pension Trustees (“APPT”) and supported by a broad, multi-disciplined and experienced team of pensions professionals.

To maintain accreditation with the APPT, the professional trustees are required to undergo regular training and record a minimum of 25 hours CPD (Continual Professional Development) activity each calendar year. This could be structured, for example a formal event such as a conference, seminar or formal trustee training session with fellow trustees, or non-structured, such as reading of relevant trade press and websites. This requirement was met in the Scheme year.

As a business, Ross Trustees schedules various training sessions for all staff on a variety of topics and request that all staff undertake regular monthly online training via Thomson Reuters. Ross Trustees have undertaken the following training over the reporting Scheme year:

- Introduction to Master Trusts (12 May 2022)
- Cyber Resilience (16 May 2022)
- Data Retention and Data Destruction Guidelines (9 June 2022)
- Diversity, Equity and Inclusion (14 July 2022)
- TPR's Single Code of Practice (6 October 2022)
- Pensions Dashboard (9 February 2023)

Part of the TKU requirements include being conversant with the Scheme’s own documentation. The combined knowledge and understanding of the delegated professional trustees, together with advice enables the Trustee to properly exercise its functions and it is fully conversant with the Scheme’s latest Trust Deed & Rules, as well as the duties and responsibilities required by trustees. The combined knowledge of the Scheme and pension matters in general, enables the Trustee to challenge its advisers where necessary. The Trustee is familiar with the Pension Regulator’s guidance and Codes of Practice to aid in ensuring that it is properly exercising its functions and that good governance is a priority with any improvements made to existing procedures and processes where appropriate. The professional trustees delegated by Ross Trustees to govern the Scheme communicates and meets regularly with the Scheme Secretary to facilitate compliance with best practice.

The Trustee has previously completed an assessment of their compliance with the new draft single code of practice (the “single code”). This assessment considered the extent to which the Trustee has adopted policies and processes expected by the single code, when these were last reviewed, and how these are utilised by the Trustee. The Trustee developed a plan to address any gaps identified from the assessment, which will continue into the next Scheme year.

Statement of compliance

On behalf of the Trustee of the P&O Princess Cruises Pension Scheme, I confirm that the Trustee is of the view that the Scheme has met and exceeded the minimum governance standards as defined in the Occupational Pension Scheme (Charges and Governance) Regulations 2015 during the period 1 April 2022 to 31 March 2023. The Trustee has also reviewed the requirements and expectations set out in the Pensions Regulator’s DC Code of Practice (July 2016) as they relate to the Scheme and will continue to monitor adherence on an ongoing basis.

Signed:

Date:

Chair of P&O Princes Cruises Pension Scheme

Appendix A

Net investment returns – Standard Life AVCs

The net performance of the AVC fund range with Standard Life is set out below. The table only includes funds in which members of the Scheme have chosen to invest (during the reporting period):

Default arrangement (for the purposes of this statement)

	Name	20 years (% pa)	15 years (% pa)	10 years (% pa)	5 years (% pa)	1 year (%)
Default	Standard Life Deposit and Treasury Fund	-	-	-0.01	0.17	1.58

Self-select AVC funds

	Name	20 years (% pa)	15 years (% pa)	10 years (% pa)	5 years (% pa)	1 year (%)
Self-select options	Standard Life Deposit and Treasury Fund	-	-	-0.01	0.17	1.58
	SL BlackRock Managed (50:50) Global Equity Pension Fund	-	7.16	7.37	6.35	0.47
	Standard Life Managed Pension Fund	-	5.71	5.46	4.15	-3.36
	SL BlackRock ACS World ex UK Equity Tracker Pension Fund	-	10.08	11.05	10.53	-4.44
	Standard Life Stock Exchange Fund	9.33	7.37	7.56	6.12	-1.17
	Standard Life Long Corporate Bond Fund	-	3.95	1.60	-2.98	-19.93
	Standard Life Far East Equity Pension Fund	-	7.04	6.57	3.08	-3.31
	SL iShares UK Equity Index Pension Fund	-	5.53	5.17	4.33	1.29
	Standard Life International Equity Fund	9.72	8.61	9.14	7.92	-2.98
	Standard Life Property Pension Fund	3.95	2.83	4.28	0.38	-17.15

Notes

Performance information has been provided by Standard Life. No benchmark data was provided. No blended lifestyle performance was provided for the AVC lifestyle strategy.

Please refer to the fund factsheets for further details on the funds including their underlying holding, risk profile and performance benchmarks. These can be found on the Standard Life website:

<https://www.standardlife.co.uk/pensions/workplace-pension>.

P&O Princess Cruises Pension Scheme

There are a number of with-profits funds in which some members are invested. These funds do not provide returns in the same way as a typical unit linked DC fund, however annual bonuses are awarded depending on the performance of the underlying funds alongside other more complex factors. For more information on these funds, please visit the Standard Life website at: <https://www.standardlife.co.uk/investments/funds/with-profits-information#guides>.

Appendix B

Charges and transaction costs – Standard Life AVCs

The AVC fund range with Standard Life and the accompanying charges are set out below. The tables only include funds in which members of the Scheme have chosen to invest:

Default arrangement (for the purposes of this statement)

	Fund	Fund charges (% p.a.)				T-cost (%)
		AMC	+	Add exp.	= TER	
Default	Standard Life Deposit and Treasury Pension Fund	0.60	+	0.01	= 0.61	0.04

Self-select AVC funds

	Fund	Fund charges (% p.a.)				T-cost (%)
		AMC	+	Add exp.	= TER	
Self-select options	Standard Life Deposit and Treasury Pension Fund	0.60	+	0.01	= 0.61	0.04
	SL BlackRock Managed (50:50) Global Equity Pension Fund	0.60	+	0.02	= 0.62	0.04
	Standard Life Managed Pension Fund	0.60	+	0.02	= 0.62	0.20
	SL BlackRock ACS World ex UK Equity Tracker Pension Fund	0.60	+	0.01	= 0.61	0.02
	Standard Life Stock Exchange Fund	0.60	+	0.03	= 0.63	0.18
	Standard Life Long Corporate Bond Fund	0.60	+	0.01	= 0.61	0.14
	Standard Life Far East Equity Pension Fund	0.60	+	0.08	= 0.68	0.12
	SL iShares UK Equity Index Pension Fund	0.60	+	0.01	= 0.61	0.13
	Standard Life International Equity Fund	0.60	+	0.02	= 0.62	0.17
	Standard Life Property Pension Fund	0.60	+	0.03	= 0.63	0.18

Notes

T-cost = transaction cost.

There are a number of with-profits funds in which some members are invested. For these funds, there is no explicit charge, however these are taken into account when Standard Life calculates the annual bonus.

Standard Life have confirmed transaction costs of 0.05% for the Pension With Profits Fund and 0.03% for both the Pension Millennium With Profits Fund and the Pension Millennium With Profits 2006 Fund.

Appendix C

Illustrations of costs and charges – DC Section

The tables on the following pages have been produced by Scottish Widows to show the compounding effect of costs and charges over time based on a range of funds available under the Scheme. The Trustee is required to include this information in the Chair's Statement and the relevant statutory guidance from the DWP has been taken into account when producing these illustrations.

The tables should be read in conjunction with the notes underneath. It is also important to note that the illustrations are purely shown to convey the impact of costs and charges over time and are in no way guarantees of the level of returns that may be achieved through investing in the representative funds.

Scheme: P&O PRINCESS CRUISES PENSION SCHEME

31/03/2023

Projected pension pot in today's money: Starting Fund £68,000. Starting Contributions £750pm.

The table shows the development of the projected pension pot over time before and after charges for members of any age assuming the pension pot is invested fully in the fund shown.

The illustrations shown below are for a representative selection of the funds members may invest in. They were selected to reflect the range of projected returns and charges for the available funds. Note that these are not necessarily the funds that make up the default lifestyle strategy. The funds are chosen as follows:

1. Lowest charges
2. Highest net return
3. Lowest return
4. Highest charges

In cases where one fund meets two criteria, another fund will also be included so that there are always four funds in the illustration.

For the Default Lifestyle Strategy the development of the projected pension pot depends on the member's current age because the mix of funds changes as the member approaches retirement. Given this, we have also provided a second table showing illustrations of the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the Default Lifestyle Strategy.

Years	Fund choice							
	SW BlackRock IL Over 5 Year Gilt Index CS1		SW BlackRock 30/70 Curr Hdg Global Equity Ind CS1		SW BlackRock Sterling Liquidity CS1		SW Aquila Emerging Markets Equity Index CS1	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	76,800	76,600	78,600	78,300	77,200	77,000	78,600	78,200
3	94,600	93,900	100,000	99,800	95,800	95,100	100,000	99,400
5	112,000	111,000	123,000	122,000	114,000	113,000	123,000	121,000
10	156,000	153,000	186,000	182,000	162,000	159,000	186,000	180,000
15	201,000	195,000	257,000	248,000	211,000	205,000	257,000	244,000
20	245,000	236,000	338,000	322,000	261,000	252,000	338,000	316,000

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 60
3. The starting pot size is assumed to be £68,000.
4. The assumptions used in this illustration follow the Financial Reporting Council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. Gross contributions of £750 per month are assumed from the start of the projection to retirement and are assumed to increase in line with inflation at 2.5% per year.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rates for each fund are:
 - SW BlackRock IL Over 5 Year Gilt Index CS1: 0.0% above inflation
 - SW BlackRock 30/70 Curr Hdg Global Equity Ind CS1: 2.4% above inflation
 - SW BlackRock Sterling Liquidity CS1: 0.4% above inflation
 - SW Aquila Emerging Markets Equity Index CS1: 2.4% above inflation
8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

P&O Princess Cruises Pension Scheme

Scheme: P&O PRINCESS CRUISES PENSION SCHEME

31/03/2023

Projected pension pot in today's money: Starting Fund £68,000. Starting Contributions £750pm. Invested in the Default Lifestyle strategy.

This table shows the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the Default Lifestyle Strategy.

For the Default Lifestyle Strategy the development of the projected pension pot depends on the member's current age because the funds change as the member approaches retirement.

For non-lifestyle investments the projected pension pot does not depend on the starting age and develops as shown in the first table.

Years	Age Now 55		Age Now 50		Age Now 40	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	77,900	77,500	77,900	77,500	77,900	77,500
3	98,200	97,000	98,200	97,000	98,200	97,000
5	118,000	116,000	119,000	116,000	119,000	116,000
10			173,000	168,000	174,000	168,000
15					233,000	222,000
20					296,000	278,000

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 60
3. The starting pot size is assumed to be £68,000.
4. The assumptions used in this illustration follow the Financial Reporting Council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. Gross contributions of £750 per month are assumed from the start of the projection to retirement and are assumed to increase in line with inflation at 2.5% per year.
6. Values shown are estimates and are not guaranteed.
7. For the default lifestyle strategy the projected growth rate varies over time as the funds invested in change.

The table below shows the average projected growth rates for the lifestyle strategy for a sample of terms to retirement:

Lifestyle approaches aim to provide a balance of growth opportunities in the early years and a degree of de-risking as you approach retirement. The actual return will depend on the funds chosen for each stage and the actual timing of any changes. When comparing possible returns from different funds, it is noted that higher risk funds will provide higher illustrative returns.

Years to Retirement	Projected Growth Rate (Average)	
1	1.30%	Above Inflation
3	1.30%	Above Inflation
5	1.40%	Above Inflation
10	1.40%	Above Inflation
15	1.40%	Above Inflation
20	1.40%	Above Inflation

8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

DRAFT

P&O Princess Cruises Pension Scheme

Scheme: P&O PRINCESS CRUISES PENSION SCHEME

31/03/2023

Projected pension pot in today's money: Starting Fund £68,000. No further contributions.

The table shows the development of the projected pension pot over time before and after charges for members of any age assuming the pension pot is invested fully in the fund shown.

The illustrations shown below are for a representative selection of the funds members may invest in. They were selected to reflect the range of projected returns and charges for the available funds. Note that these are not necessarily the funds that make up the default lifestyle strategy. The funds are chosen as follows:

1. Lowest charges
2. Highest net return
3. Lowest return
4. Highest charges

In cases where one fund meets two criteria, another fund will also be included so that there are always four funds in the illustration.

For the Default Lifestyle Strategy the development of the projected pension pot depends on the member's current age because the mix of funds changes as the member approaches retirement. Given this, we have also provided a second table showing illustrations of the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the Default Lifestyle Strategy.

Years	Fund choice							
	SW BlackRock IL Over 5 Year Gilt Index CS1		SW BlackRock 30/70 Curr Hdg Global Equity Ind CS1		SW BlackRock Sterling Liquidity CS1		SW Aquila Emerging Markets Equity Index CS1	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	67,900	67,800	69,600	69,400	68,300	68,100	69,600	69,300
3	67,900	67,400	73,000	72,300	68,900	68,400	73,000	72,000
5	67,900	67,000	76,700	75,300	69,600	68,600	76,700	74,800
10	67,900	66,000	86,500	83,500	71,300	69,300	86,500	82,300
15	67,900	65,000	97,600	92,600	73,100	70,000	97,600	90,600
20	67,900	64,100	110,000	102,000	74,900	70,700	110,000	99,700

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 60
3. The starting pot size is assumed to be £68,000.
4. The assumptions used in this illustration follow the Financial Reporting Council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. It is assumed that no further contributions are made.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rates for each fund are:
 - SW BlackRock IL Over 5 Year Gilt Index CS1: 0.0% above inflation
 - SW BlackRock 30/70 Curr Hdg Global Equity Ind CS1: 2.4% above inflation
 - SW BlackRock Sterling Liquidity CS1: 0.4% above inflation
 - SW Aquila Emerging Markets Equity Index CS1: 2.4% above inflation
8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

P&O Princess Cruises Pension Scheme

Scheme: P&O PRINCESS CRUISES PENSION SCHEME

31/03/2023

Projected pension pot in today's money: Starting Fund £68,000. No further contributions. Invested in the Default Lifestyle strategy.

This table shows the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the Default Lifestyle Strategy.

For the Default Lifestyle Strategy the development of the projected pension pot depends on the member's current age because the funds change as the member approaches retirement.

For non-lifestyle investments the projected pension pot does not depend on the starting age and develops as shown in the first table.

Years	Age Now 55		Age Now 50		Age Now 40	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	68,900	68,600	68,900	68,600	68,900	68,600
3	71,000	70,000	71,000	70,000	71,000	70,000
5	72,900	71,300	73,100	71,300	73,100	71,300
10			78,400	74,800	78,600	74,900
15					84,500	78,700
20					90,700	82,500

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 60
3. The starting pot size is assumed to be £68,000.
4. The assumptions used in this illustration follow the Financial Reporting Council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. It is assumed that no further contributions are made.
6. Values shown are estimates and are not guaranteed.
7. For the default lifestyle strategy the projected growth rate varies over time as the funds invested in change.

The table below shows the average projected growth rates for the lifestyle strategy for a sample of terms to retirement:

Lifestyle approaches aim to provide a balance of growth opportunities in the early years and a degree of de-risking as you approach retirement. The actual return will depend on the funds chosen for each stage and the actual timing of any changes. When comparing possible returns from different funds, it is noted that higher risk funds will provide higher illustrative returns.

Years to Retirement	Projected Growth Rate (Average)	
1	1.30%	Above Inflation
3	1.30%	Above Inflation
5	1.40%	Above Inflation
10	1.40%	Above Inflation
15	1.40%	Above Inflation
20	1.40%	Above Inflation

8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

Appendix D - SIP (placeholder)