

P&O Princess Cruises Pension Scheme Chair's Annual Governance Statement

Covering period 1 April 2024 – 31 March 2025

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 2024 to 31 March 2025 ("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 range of investment options 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 E**. 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 DC Section benefits 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 and considered by the Trustee on 8 December 2022. 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.

There has been no review of the investment strategy during the reporting period. The next full strategic review of the default arrangement is due to be undertaken in the 2025-26 Scheme Year.

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, a number of AVC funds are classified as default funds under legislation due to previous mapping exercises. These funds are set out below:

- Standard Life Deposit and Treasury Fund – mapping exercise in 2013
- BlackRock Managed 50:50 Global Equity Fund – mapping exercise in 2023
- Standard Life Long Corporate Bond Fund – mapping exercise in 2023
- AVC Lifestyle Strategy – mapping exercise in 2023

All of the above funds are treated as default funds and are identified as such in the 'Charges and transaction costs' section of this Statement. The funds were selected to receive assets as part of the mapping activities in line with the Trustee's overarching investment principles.

Broader 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. 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.

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 on the grounds of performance.

The Trustee paid particular attention to the LGIM Diversified Fund during the reporting period. This fund is a key component within the default strategy under the DC Section and holds most of the Scheme's DC assets. The fund aims to achieve 'equity like' returns over the long-term at a lower volatility compared with a pure equity fund. The fund had not delivered returns in line with its equity comparator

over 1,3 or 5 years. The Trustee assessed the fund alongside the market context and acknowledged that world equity returns had been largely driven by a small number of technology stocks in the USA. The LGIM Diversified Fund invests in a wide range of assets and is more likely to underperform against world equities during periods of sustained equity growth. The Trustee also assessed the fund against its long-term target of 'Bank of England Base Rate + 3.75% p.a.' which the Trustee believes is a more accurate indicator of long-term performance for this type of fund. The fund underachieved the target over 1 year but was ahead of this target over a 5 year period. The Trustee also considered qualitative analysis from its investment adviser and concluded that the fund was built on strong fundamental principles and had delivered its returns with volatility broadly half of a pure equity fund. In addition, the Trustee recognises that pension saving generally has a long-term time horizon and the Trustee focuses on longer-term performance when reviewing the funds.

Overall, 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 TRA for the majority of DC members in the Scheme). 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	6.3	6.1	4.2	8.6	Please see the notes section below for supporting information
	Drawdown Focused Lifestyle – age 45	6.3	6.1	4.2	8.6	
	Drawdown Focused Lifestyle – age 55	6.3	6.1	4.2	8.6	

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. Performance is the same across the two alternative lifestyle strategies and so these have not been reported separately.

Self-select options	Name	5 years (% pa)		1 year (%)		<i>Please see the notes section below for supporting information</i>
		Fund	BM	Fund	BM	
	Alternative lifestyle strategies – age 25	6.3	6.2	4.2	8.8	
	Alternative lifestyle strategies – age 45	6.3	6.2	4.2	8.8	
	Alternative lifestyle strategies – age 55	6.3	6.2	4.2	8.8	

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:

Self-select options	Name	5 years (% pa)		1 year (%)		<i>Please see the notes section below for supporting information</i>
		Fund	BM	Fund	BM	
	SW Legal & General Diversified Fund	6.25	6.24	4.22	8.75	
	SW BlackRock 30/70 Currency Hedged Global Equity Index Fund	13.81	14.75	7.13	8.40	
	SW Aquila Emerging Markets Equity Index Fund	7.23	7.63	7.44	8.02	
	SW LGIM Future World Global Equity Index	-	-	4.43	5.04	
	SW L&G Future World Annuity Aware Fund	-5.13	-7.31	-2.78	-4.03	
	SW BlackRock IL Over 5 Year Gilt Index Fund	-9.73	-9.73	-9.34	-9.18	
	SW BlackRock Sterling Liquidity Fund	2.30	2.38	4.86	4.88	

Notes

BM = Benchmark. 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**.

Further details on the funds including their underlying holding, risk profile and performance benchmarks can be found in the individual fund factsheets. 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' à 'pension funds') and on the Standard Life website for the AVC funds: <https://www.standardlife.co.uk/pensions/workplace-pension>

Asset allocation reporting

The Trustee is required to set out the asset allocation within each default arrangement. The asset allocation for the default strategy of the DC Section (Drawdown Focused Lifestyle) is set out below. As the asset allocation varies based on age, this has been set out for a member aged 45, 55 and 60 (based on a TRA of 60).

Drawdown Focused Lifestyle

Drawdown Focused Lifestyle	Asset class	Percentage allocation		
		Age 45	Age 55	Age 60
	Cash	1%	1%	13%
	Bonds	37%	37%	42%
	Listed equities	35%	35%	25%
	Infrastructure	6%	6%	4%
	Property / real estate	11%	11%	8%
	Private debt / credit	4%	4%	3%
	Other	6%	6%	5%

The asset allocation for the AVC investment options deemed as default funds under legislation are reported in **Appendix B**.

When preparing this analysis, the Trustee has taken into account of the DWP's statutory guidance on "Disclose and Explain asset allocation reporting and performance-based fees and the charge cap". There are no funds which contain performance-based fees.

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 70% of time critical processes were processed within the agreed SLAs during the period (7 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 benefits to avoid any detriment.

In relation to manually processed non-time critical tasks, 97% (96% in 2023/24) were processed within the agreed SLAs (91 out of 94 tasks).

SLAs have remained stable over the reporting period across both time critical processes and manually processed non-time critical tasks. The Trustee recognises that the performance of time critical tasks should be assessed albeit within the context of a much smaller number of tasks being completed.

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, which Scottish Widows considered and responded to. One complaint was upheld and has now been resolved; the other complaint was not upheld. No complaints were escalated to the Trustee during the reporting period.

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 administration tasks undertaken over the period. In total, 63% (53% in 2023/24) of these were completed within the SLA (10 out of 16 tasks). Although this is a small number of activities this is below the Trustee's expectations and it continues to seek 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

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.

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. 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	+	0.01	=	0.47	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	0.01

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 0.47% 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	+	0.01	=	0.47	0.00
	SW BlackRock 30/70 Currency Hedged Global Equity Index Fund	0.33	+	0.01	=	0.34	0.06
	SW Aquila Emerging Markets Equity Index Fund	0.42	+	0.09	=	0.51	0.00
	SW LGIM Future World Global Equity Index	0.37	+	0.00	=	0.37	0.01
	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	0.00
	SW BlackRock Sterling Liquidity	0.27	+	0.00	=	0.27	0.01

T-cost = transaction cost

All of the charges are shown as at 31 March 2025. The transaction costs reported are complete and are all in respect of the period 1 April 2024 to 31 March 2025.

Standard Life AVCs

The level of charges applying to the Standard Life AVC funds during the reporting period (including those classified as a default arrangement for the purposes of this Statement) are set out in **Appendix C**.

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 D**.

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 2025 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 0.41% p.a. – 0.47% p.a. are significantly below the charge cap, however, charges are higher than the market average. WTW did, however, acknowledge that due to the profile of the Scheme, the Trustee may not be able to secure charges at the same level as the market average either with Scottish Widows or under a master trust arrangement. The assessment also included a review of the transaction cost data, this showed that transaction costs were in line with expectations over the Scheme year.

Investment returns net of fees (as reported earlier in this statement) are a key influence in the overall value members receive. WTW compared the performance of the Scheme's default strategy against master trust defaults at various points within the glidepath.

Particular focus was given to the relative performance of the default strategy for members closer to retirement given the mature profile of the Scheme's membership. The results showed that the default strategy had delivered above median longer-term returns relative to the comparator schemes for members nearing retirement and at the point of retirement. This was largely attributable to the design of the Scheme's default strategy, in particular the continued exposure to growth seeking assets throughout the glidepath to align with the expectation that most members will remain invested after retirement and seek to transfer to a drawdown arrangement.

WTW also considered the performance of the individual fund options under the DC Section against their benchmarks. The funds had all performed broadly in line with expectations over the long-term.

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 continued to offer '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 recognised that the following elements provide 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 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 structure and design of the default strategy has provided additional value for the majority of members given their close proximity to retirement, compared with a typical master trust arrangement.

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.

Assessment conclusion – AVCs

The Trustee has considered the level of charges members pay under the AVC arrangement and the services members receive. 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 several 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.

Overall, the Trustee concluded that the AVC arrangement continues to offer 'fair' value for members.

Trustee Knowledge and Understanding (TKU)

The professional corporate sole trustee is Ross Trustees Services Limited, trading as Independent Governance Group ("IGG").

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

IGG delegates responsibility for governing the Scheme to three professional trustees, all 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, record a minimum of 25 hours CPD (Continual Professional Development) activity each calendar year, and conduct an annual Reflective Development Discussion with another accredited professional trustee. CPD undertaken may 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. The amount of non-structured CPD is limited to a maximum of 5 hours within the total. This requirement was met in the Scheme year.

As a business, IGG schedules various training sessions for all staff on a variety of topics and request that all staff undertake regular monthly online training. This training programme is designed to identify and address any knowledge gaps. The training undertaken by IGG over the reporting Scheme year has included (but not limited to):

- Cyber Resiliency (June 2024)
- GDPR (July 2024)
- Diversity, Equity and Inclusion (November 2024)
- Conflicts of Interest (December 2024)
- Anti-Money Laundering (January 2025)
- Scheme Returns (January 2025)
- Pensions Dashboard (February 2025)

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 IGG to govern the Scheme communicates and meets regularly with the Scheme Secretary to facilitate compliance with best practice.

The Pension Regulator's General Code came into force on 27 March 2024 and the Trustee has completed an assessment of compliance which considered the extent to which the Trustee has adopted policies and processes expected by the General Code, when these were last reviewed, and how these are utilised by the Trustee. The Trustee monitors on an ongoing basis compliance with the General Code to ensure it continues to effectively operate and make decisions.

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 the minimum governance standards as defined in the Occupational Pension Scheme (Charges and Governance) Regulations 2015 during the period 1 April 2024 to 31 March 2025.



Signed: Annabelle Hardiman

Date: 17 September 2025

Chair of P&O Princess 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 AVC investments (at the end of the reporting period). The AVC Lifestyle Strategy invests in a number of underlying funds and the proportion of assets in each depends on the number of years until the member's Target Retirement Age (TRA). Therefore, the investment returns are provided at a range of ages based on a TRA of 60 which is the Normal Retirement Age (NRA) for the majority of members in the Scheme. The performance information has been derived from the proportion of assets invested in each underlying fund at that age.

Default arrangements (for the purposes of this statement)

	Name	15 years (% pa)	10 years (% pa)	5 years (% pa)	1 year (%)
Default arrangements	AVC Lifestyle Strategy – age 25	7.65	7.17	12.09	5.95
	AVC Lifestyle Strategy – age 45	7.65	7.17	12.09	5.95
	AVC Lifestyle Strategy – age 55	7.65	7.17	12.09	5.95
	Standard Life Deposit and Treasury Fund	0.57	0.90	1.91	4.46
	SL BlackRock Managed (50:50) Global Equity Pension Fund	7.65	7.17	12.09	5.95
	Standard Life Long Corporate Bond Fund	3.13	-0.03	-3.85	-3.61

Other AVC funds

	Name	15 years (% pa)	10 years (% pa)	5 years (% pa)	1 year (%)
Other AVC funds	SL BlackRock ACS World ex UK Equity Tracker Pension Fund	10.66	10.73	14.23	2.33
	SL iShares UK Equity Index Pension Fund	6.18	5.37	11.31	9.32

Notes

Performance information has been provided by Standard Life. No benchmark data was provided.

Further details on the funds including their underlying holding, risk profile and performance benchmarks are available in the fund factsheets. These can be found on the Standard Life website:

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

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. More information on these funds can be found on the Standard Life website at:

<https://www.standardlife.co.uk/investments/funds/with-profits-information#guides>.

Appendix B

Asset allocation assessment – Standard Life AVCs

The Trustee is required to set out the asset allocation within each default arrangement. The asset allocation for each of the AVC fund options deemed as defaults under legislation are set out below. Where this varies based on age (such as under a lifestyle strategy), the overall asset allocation has been provided for a member aged 45, 55 and 60 (based on a Normal Retirement Age of 60).

AVC Lifestyle Strategy

AVC Lifestyle Strategy	Asset class	Percentage allocation		
		Age 45	Age 55	Age 60
	Cash	0%	0%	100%
	Bonds	0%	0%	0%
	Listed equities	100%	100%	0%
	Private equity	0%	0%	0%
	Infrastructure	0%	0%	0%
	Property / real estate	0%	0%	0%
	Private debt / credit	0%	0%	0%
	Other	0%	0%	0%

Standard Life Deposit and Treasury Fund

Standard Life Deposit and Treasury Fund	Asset class	Percentage allocation
		All ages
	Cash	71%
	Bonds	29%
	Listed equities	0%
	Private equity	0%
	Infrastructure	0%
	Property / real estate	0%
	Private debt / credit	0%
	Other	0%

BlackRock Managed 50:50 Global Equity Fund

BlackRock Managed 50:50 Global Equity Fund	Asset class	Percentage allocation
		All ages
	Cash	0%
	Bonds	0%
	Listed equities	100%
	Private equity	0%
	Infrastructure	0%
	Property / real estate	0%
	Private debt / credit	0%
	Other	0%

Standard Life Long Corporate Bond Fund

Standard Life Long Corporate Bond Fund	Asset class	Percentage allocation
		All ages
	Cash	0%
	Bonds	100%
	Listed equities	0%
	Private equity	0%
	Infrastructure	0%
	Property / real estate	0%
	Private debt / credit	0%
	Other	0%

Appendix C

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 during the Scheme year:

Default arrangements (for the purposes of this statement)

	Fund	Fund charges (% p.a.)					T-cost (%)
		AMC	+	Add exp.	=	TER	
Default arrangements	Standard Life Deposit and Treasury Fund	0.60	+	0.01	=	0.61	0.08
	SL BlackRock Managed (50:50) Global Equity Pension Fund	0.60	+	0.02	=	0.62	0.03
	Standard Life Long Corporate Bond Fund	0.60	+	0.01	=	0.61	0.14

The AVC lifestyle strategy invests in the SL BlackRock Managed (50:50) Global Equity Pension Fund and the Standard Life Deposit and Treasury Fund, the proportion invested in each fund depending on proximity to retirement. The TER under the AVC lifestyle strategy ranged from 0.61% - 0.62% over the period.

Other AVC funds

	Fund	Fund charges (% p.a.)					T-cost (%)
		AMC	+	Add exp.	=	TER	
Self-select options	SL BlackRock ACS World ex UK Equity Tracker Pension Fund	0.60	+	0.01	=	0.61	0.06
	SL iShares UK Equity Index Pension Fund	0.60	+	0.01	=	0.61	0.07

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 0.09% for the Pension With Profits Fund and 0.04% for both the Pension Millennium With Profits Fund and the Pension Millennium With Profits 2006 Fund.

Appendix D

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.

Projected pension pot in today's money: Starting Fund £92,000. Starting Contributions £900pm.

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.

Fund choice								
Years	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	106,000	106,000	106,000	106,000	102,000	101,000	106,000	106,000
3	138,000	137,000	138,000	137,000	122,000	121,000	138,000	136,000
5	173,000	171,000	173,000	170,000	142,000	140,000	173,000	169,000
10	274,000	268,000	275,000	267,000	191,000	188,000	274,000	263,000
15	399,000	387,000	401,000	384,000	240,000	233,000	399,000	377,000

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 £92,000.
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 £900 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: 4.3% above inflation
 - SW BlackRock 30/70 Curr Hdg Global Equity Ind CS1: 4.4% above inflation
 - SW BlackRock Sterling Liquidity CS1: 0.5% below inflation
 - SW Aquila Emerging Markets Equity Index CS1: 4.3% above inflation
8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

Projected pension pot in today's money: Starting Fund £92,000. Starting Contributions £900pm. 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 45	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	104,000	103,000	104,000	103,000	104,000	103,000
3	129,000	127,000	128,000	127,000	128,000	127,000
5	154,000	152,000	154,000	151,000	154,000	151,000
10			222,000	214,000	221,000	213,000
15					294,000	280,000

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 £92,000.
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 £900 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	1.50%	Above Inflation
3	1.50%	Above Inflation
5	1.50%	Above Inflation
10	1.50%	Above Inflation
15	1.50%	Above Inflation

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

Projected pension pot in today's money: Starting Fund £92,000. 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.

Fund choice

Years	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	96,000	95,700	96,000	95,700	91,500	91,300	96,000	95,500
3	104,000	103,000	104,000	103,000	90,700	89,900	104,000	103,000
5	114,000	112,000	114,000	112,000	89,800	88,500	114,000	111,000
10	141,000	137,000	142,000	136,000	87,700	85,300	141,000	134,000
15	175,000	168,000	176,000	166,000	85,700	82,100	175,000	162,000

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 £92,000.
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: 4.3% above inflation
 - SW BlackRock 30/70 Curr Hdg Global Equity Ind CS1: 4.4% above inflation
 - SW BlackRock Sterling Liquidity CS1: 0.5% below inflation
 - SW Aquila Emerging Markets Equity Index CS1: 4.3% above inflation
8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

Projected pension pot in today's money: Starting Fund £92,000. 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 45	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	93,400	92,900	93,300	92,900	93,300	92,900
3	96,500	95,200	96,100	94,700	96,100	94,700
5	99,500	97,300	98,900	96,600	98,900	96,600
10			107,000	102,000	106,000	101,000
15					115,000	107,000

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 £92,000.
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	1.50%	Above Inflation
3	1.50%	Above Inflation
5	1.50%	Above Inflation
10	1.50%	Above Inflation
15	1.50%	Above Inflation
20		
25		
30		
35		
15	1.50%	Above Inflation

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

Appendix E – SIP

Statement of Investment Principles P&O Princess Cruises Pension Scheme – DC Section July 2024

Introduction

- 1 This document is the Statement of Investment Principles (the "SIP") for the Defined Contribution ("DC") Section and describes the DC investment policy pursued by the Trustee of the P&O Princess Cruises Pension Scheme (the "Scheme").
- 2 The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. The Scheme operates a Defined Benefit ("DB") Section (with an attaching money purchase Additional Voluntary Contribution ("AVC") policy) which is closed to future accrual and a DC Section which was set up from 1 June 2016 for active members of the DB Section as at 31 May 2016. The DC Section is open to future contributions for this population, but the Scheme is fully closed to new hires. This SIP purely relates to the DC elements of the Scheme.
- 3 The Scheme is a registered pension scheme under the Finance Act 2004.
- 4 The DC Section is operated through a bundled provider, Scottish Widows, who provides administration, investment and communication services.
- 5 There is an AVC policy with Standard Life which enabled members of the DB Section to pay additional contributions on a money purchase basis. This policy closed to contributions from 1 June 2016.
- 6 The purpose of this SIP is to document those investment principles, guidelines and procedures which are appropriate for the Scheme, in a manner consistent with the requirements of the Pensions Act 1995 ("the Act") and the Pensions Act 2004 ("the 2004 Act").
- 7 The Scheme's Trustee ("the Trustee") has received advice from its investment adviser (WTW) and consulted Carnival Plc (the Company) regarding this SIP as required by the Act.
- 8 When choosing investments, the Trustee and the investment managers, to the extent delegated, are required to have regard to the criteria for investment set out in the Occupations Pension Scheme (Investment) Regulations 2005 and the principles contained in this SIP.
- 9 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to appointed investment managers, which may include an insurance company or companies. The investment managers shall provide the skill and expertise necessary to manage the investments of the Scheme competently.
- 10 The Pensions Regulator has a number of regulatory tools, including issuing Codes of Practice to enable it to meet its statutory objectives. Codes of Practice provide practical guidelines on the requirements of pensions legislation. This SIP has been drafted in the light of the DC Code of Practice and specifically its recommendations relating to the content of Statements of Investment Principles generally.

Investment objectives

- 11 The Scheme's main investment objectives are:
 - To ensure the individual fund options are suitably invested and managed to maximise the return commensurate with an acceptable level of risk.

- To provide members with a diversified range of investment options designed to give members the freedom to structure their own investment policy to suit their individual risk, return, liquidity and funding requirements.

Investment policy

- 12 The Trustee's policy is to seek to achieve its investment objectives through offering a suitable mixture of asset classes and funds. Pooled funds are made available across the main asset classes, reflecting the changing requirements of members as they progress towards retirement.
- 13 The Trustee makes available three lifestyle strategies where members' investments are initially allocated to a passively implemented diversified growth fund and are progressively switched into lower risk investments as retirement approaches. Each lifestyle strategy is focused towards a different retirement outcome – annuity purchase, cash withdrawal and drawdown, and reflect these target outcomes in their asset allocations at retirement.
- 14 In moving members automatically into the DC Section, the Trustee had to have in place a default investment option for members who did not wish to make an investment decision. The Trustee has selected the drawdown focused lifestyle strategy as the Scheme's default strategy. The objective of this lifestyle strategy is to generate capital growth over the long term through investing in a diversified portfolio that provides an appropriate balance between risk and return. In the 5 years prior to retirement, the strategy aims to reduce the volatility of the member's expected pension fund by investing in bonds and cash. This option is designed mainly for members looking to use their retirement account to maintain investment growth at retirement age and move to a drawdown arrangement which allows members to take income as and when required. At a member's target retirement date, there is a 70% allocation to a passively implemented diversified growth fund, 15% allocation to bonds and 15% allocation to cash.
- 15 In designing both the default strategy and the other investment options under the Scheme, the Trustee in conjunction with their investment advisers gave in-depth consideration to the Scheme's demographic profile and the retirement outcome needs and risk tolerance of the membership. Due consideration was also given to charge cap compliance.

Policy on illiquid assets

- 16 The default strategy does not include a direct allocation to illiquid assets i.e. investments which cannot easily or quickly be sold or exchanged for cash. However, at the discretion of the investment manager there may be an allocation to illiquid assets within the L&G Diversified Fund (a core component of the default strategy which holds the vast majority of DC assets in the Scheme). Currently, the L&G Diversified Fund has some exposure to illiquid assets through investments in property and private debt, which collectively make up less than 10% of the fund as at the date of this SIP. The level of illiquid assets held within the fund may increase or decrease depending on the views of the manager, although it is important to note that the fund remains daily dealt allowing members to realise their investments quickly when requested.
- 17 The Trustee believes long-term risk-adjusted net investment returns may be improved by investing in illiquid assets. However, having considered the largely maturing age profile of the membership (including analysis suggesting two thirds of members are within ten years of their selected retirement date) and the relatively small and declining overall value of DC assets in the Scheme, the Trustee concluded that a direct allocation to illiquid investments would not be appropriate at the current time. However, the Trustee is comfortable with the indirect exposure through investing in the L&G Diversified Fund as members may experience some of the likely benefits of investing in these assets whilst still retaining daily liquidity.
- 18 The Trustee has no current plans to introduce direct investments in illiquid assets in the future. However, the Trustee continues to keep this developing area under review and will regularly consider whether the incorporation of direct illiquid investments is appropriate.

Risk management

19 The Trustee recognises a number of risks involved in the investment of assets of the Scheme, including:

- **Capital risk** – the risk that the value of the investment will fall in value over any period of time. The Trustee has made available a cash fund for the purpose of managing this risk.
- **Inflation risk** – the risk that the contributions fail to provide an adequate amount of benefit. This could be by failing to achieve an adequate amount of return in excess of price inflation commensurate with the term of investment. The Trustee has made available equity funds for the purpose of managing this risk.
- **Manager risk** – addressed through ongoing monitoring of the investment managers as set out in on page 5.
- **Pension conversion risk** – the risk that the value of a member's account does not reflect the change in the cost of purchasing an annuity at retirement. The Trustee has made available an index-linked bond fund for those members wanting an annuity that increases during retirement and a fund which is specifically designed to track changes in the price of a level (i.e. non-increasing) annuity.
- **Currency risk** – where members invest in funds with an exposure to overseas securities, there will be an element of currency risk as these securities are converted back into Sterling. The Global Equity 30/70 Index Fund has an element of currency hedging to address this risk.
- **Contribution shortfall risk** – the risk that members do not contribute sufficiently to the Scheme and are therefore left with an inadequate pension at retirement. This is a difficult risk for the Trustee to address as all members' circumstances will be different, and most members will have significant DB service within the Scheme.
- **Political risk** - the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.
- **Liquidity risk** – the risk that assets are not easily realisable such that cash is not readily available to meet cash flow requirements. The Trustee has had regard to this in selecting appropriate funds.

20 The Trustee continues to monitor these risks on a regular basis.

Member investment options

21 Based on the Trustee's investment objectives, the Trustee has selected a range of investment options available to members. Contributions are invested with BlackRock and Legal & General Investment Management ("LGIM") through the bundled arrangement with Scottish Widows, which aim to track the performance of their respective benchmarks.

22 The fund options are shown in the table below:

Asset class	Fund	Objective and Benchmark	Total Annual Charge
Diversified	SW Legal & General Diversified CS2	The investment objective of the fund is to provide long-term investment growth through exposure to a diversified range of asset classes	0.47%
Equities	SW Aquila 30/70 Currency Hedged Global Equity Index CS1	This fund invests primarily in equities, both in the UK and overseas markets. The fund has approximately 30% invested in the shares of UK companies, 60% in developed markets, the remaining 10% is invested into emerging market equities. Any non-sterling exposure is hedged back to sterling.	0.34%
	SW Aquila Emerging Markets Equity Index CS1	The fund aims to achieve a return consistent with the MSCI Global Emerging Markets Index	0.48%
	SW Legal & General Future World Global Equity Index Fund	The investment objective of the fund is to track the performance of the Solactive L&G ESG Global Markets Index (less withholding tax where applicable) to within +/-0.60% p.a. for two years out of three.	0.37%
Fixed Interest	SW L&G Future World Annuity Aware Fund CS1	The fund aims to improve potential outcomes for investors likely to purchase fixed annuities by providing a diversified exposure to assets that reflect the broad characteristics of investments underlying a typical traditional level annuity product, incorporating Environmental, Social and Governance ("ESG") considerations as part of the investment strategy	0.31%
Index-linked	SW Aquila Index-Linked Over 5 Year Gilt Index CS1	This fund invests in UK government index-linked securities (index-linked gilts) that have a maturity period of 5 years or longer. The fund aims to achieve a return consistent with the FTSE UK Gilts Index-Linked Over 5 Years Index, which is widely regarded as the benchmark for UK pension fund investment in the longer dated end of the UK index-linked gilt market.	0.27%
Cash	SW BlackRock Sterling Liquidity CS1	The fund aims to achieve an investment that is in line with wholesale money market short-term interest rates. Specifically, the fund will aim to better the return of Seven Day LIBID before fees.	0.27%

Details of the three lifestyle strategies are contained below:



Legacy AVCs

- 23 There is a legacy AVC policy with Standard Life which closed to contributions from 1 June 2016. The funds are managed by BlackRock and Standard Life. The charges for these funds comprise of a standard Annual Management Charge (AMC) of 1.00% p.a. and variable additional expenses minus a Scheme discount which can vary on a monthly basis and is dependent on a number of factors. The charges also may differ for members joining the Scheme on or before 23 February 2002 or where fund values are above £10,000.

Fee basis

- 24 Members bear the management charges on the funds in which they invest which cover the provision of administration, communication and investment services. These fees are charged by an adjustment to the unit prices within the funds, calculated daily on the value that day. The Trustee believes the charging structure is appropriate and in line with standard market practice.
- 25 Under this fee structure, investment managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement.
- 26 The Trustee reviews the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover, including regular engagement with investment managers on this subject and through the receipt of costs and charges reporting. There is no broad targeted portfolio turnover (how frequently assets within a fund are bought and sold by investment managers) which the Trustee adheres to. The Trustee, with the help of the investment adviser, will monitor that the level of portfolio turnover remains appropriate in the context of the Investment Manager's strategy and the Scheme's investment strategy.

Monitoring and reviewing investments

- 27 The Trustee will regularly monitor Scottish Widows and Standard Life (as the investment platform providers) and the underlying managers to satisfy itself that all parties continue to carry out their work competently, cost-effectively and have the appropriate knowledge and experience to manage the DC investments of the Scheme.

Monitoring investment performance

- 28 The funds the Trustee has made available to members through the Scottish Widows platform are all passively managed index tracking funds (with the exception of the Cash Fund and the Diversified Fund). The Trustee receives regular performance monitoring data from Scottish Widows on a quarterly basis. Due to the passive nature of the funds, the Trustee will monitor investment performance insofar as to ensure they are tracking the relevant indices within a reasonable level of tolerance which will be determined by the investment adviser. Any tracking errors outside of the tolerance level will be raised with Scottish Widows in the first instance. If a fund continually fails to meet its benchmark over a period of time, the Trustee reserves the right to replace the fund with an appropriate alternative.

The Trustee undertakes qualitative monitoring of the Diversified Fund as it involves an element of strategic asset allocation albeit within a passive fund framework.

- 29 In relation to the AVCs, the Trustee undertakes a proportionate approach and reviews investment performance on at least an annual basis.

Reviewing the investment options under the Scheme

- 30 The Pensions Regulator expects trustees to regularly review their investment fund ranges and consider the demographics of the membership when doing so.
- 31 The Trustee will undertake a strategic review of the investment options including the default arrangement at least every three years and will consider the profile of the membership, any regulatory developments and the quality of the funds when undertaking its review. The last review was undertaken in November 2022.

Investment manager monitoring

- 32 The continuing suitability of the Scheme's investment managers will be reviewed by the Trustee at least annually. The review will be based on the results of the Trustee's regular monitoring of the investment managers' performance and investment processes and their compliance with the requirements of the 2004 Act concerning diversification and suitability of investments, where relevant. Scottish Widows and Standard Life have been provided with a copy of this SIP.

Sustainable investing

- 33 The Trustee takes account of financially material risks and opportunities in consultation with its advisers. All risks and opportunities are considered for materiality and impact within a risk management framework, which takes account of members' investment time horizons and objectives. The Trustee considers sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance ("ESG") considerations, including climate change, in the context of this broader risk management framework.
- 34 When considering its policy in relation to stewardship including engagement and voting, the Trustee expects investment managers to address broad ESG considerations, but has identified climate, nature and health as three areas of focus for the Scheme, and consequently, these are key areas of focus for the Trustee. The Trustee assesses that ESG risks, and in particular climate change, pose a financial risk to the Scheme and that focussing on these issues is ultimately consistent with the Trustee's fiduciary duties and the financial security of its members. Whilst the Trustee's policy is to delegate stewardship activities to the investment managers, the Trustee recognises that the responsibility for these activities remains with the Trustee. The Trustee incorporates an assessment of how well the investment managers exercise these responsibilities on an annual basis.
- 35 Additionally, when considering the appointment of new investment managers, and reviewing existing investment managers, the Trustee, together with their investment adviser, look to take account of the approach taken by investment managers with respect to sustainable investing including engagement and voting policies where relevant.

- 36 Member views on non-financial matters are not currently taken into account. However, the Trustee has provided members with one fund that is managed with reference to social, environmental or ethical considerations within the self-select fund range, namely the L&G Future World Global Equity Index Fund. This fund utilises L&G's Future World methodology for screening certain stocks that fail to meet a set of criteria and tilting towards or away from stocks based on their ESG credentials.

Rights attaching to investments

- 37 The Trustee's policy is to delegate responsibility for the exercising of ownership rights (including voting rights) attaching to investments to the investment managers. The Trustee recognises the UK Stewardship Code as best practice and encourages their investment managers, via their investment adviser, to comply with the UK Stewardship Code or explain where they do not adhere to this policy.

Relationship with investment managers

- 38 The Trustee uses different managers to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this SIP, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question. These considerations also apply in the appointment process of new investment managers and arrangements.
- 39 To maintain alignment, investment managers are provided with the most recent version of the Scheme's SIP on an annual basis to ensure managers are aware of the Trustees' expectations regarding how the Scheme's assets are being managed.
- 40 Should the Trustee's monitoring process reveal that an investment manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the investment manager to ascertain the reasons for this and whether closer alignment can be achieved. This monitoring process includes, but is not limited to, specific consideration of the sustainable investment/ESG characteristics of the fund and the investment managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the Trustee may consider alternative options available in order to consider terminating and replacing the investment manager.
- 41 For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee may select certain investment funds where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making.
- 42 The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing an investment manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate an investment manager's appointment based purely on short term performance. However, an investment manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

Compliance and review of this statement

- 43 The Trustee will monitor compliance with this SIP annually.
- 44 The Trustee will review this SIP in response to any material changes to any aspects of the Scheme, its membership profile and the attitude to risk of the Trustee, which it judges to have a bearing on the stated investment policy.
- 45 This review will occur no less frequently than every three years or at the time of any changes to the fund range. Any such review will be based on written expert investment advice and the Company will be consulted.