

Registered number: 10002185

**THE PROCTER & GAMBLE PENSION FUND  
REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2024**

# THE PROCTER & GAMBLE PENSION FUND

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# THE PROCTER & GAMBLE PENSION FUND

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## TRUSTEE AND ITS ADVISERS YEAR ENDED 30 JUNE 2024

<b>Trustee</b>	Procter & Gamble UK Pension Trustee Limited (appointed 1 September 2023)
<b>Trustees</b>	A Smith (Chair) (resigned 1 September 2023) J Birch (resigned 1 September 2023) C D Bragg (resigned 1 September 2023) R Fleming (resigned 1 September 2023) J Hollows (resigned 1 September 2023) Dr C D Leahy (resigned 1 September 2023) C Millar (resigned 1 September 2023) L Spearing (resigned 1 September 2023) K Whitham (resigned 1 September 2023)
<b>Company Appointed Directors</b>	A Smith (Chair) (appointed 12 July 2023) C D Bragg (appointed 12 July 2023) S Carver (appointed 13 December 2024) J Hollows (appointed 12 July 2023) (resigned 31 October 2024) L Holmes (appointed 14 May 2024) Dr C D Leahy (appointed 12 July 2023) K Whitham (appointed 12 July 2023) C Whittaker (appointed 19 March 2024)
<b>Member-Nominated Directors</b>	J Birch (appointed 12 July 2023) (resigned 12 December 2024) V Bryan (appointed 13 December 2024) R Fleming (appointed 12 July 2023) (resigned 12 December 2024) M Kuyumciyan (appointed 13 December 2024) C Millar (appointed 12 July 2023) L Spearing (appointed 12 July 2023)
<b>Principal Employer</b>	Procter & Gamble Limited
<b>Participating Employers</b>	Gillette Management LLC Gillette UK Limited Lamberts Healthcare Limited Procter & Gamble (Health & Beauty Care) Limited Procter & Gamble Consumer Healthcare Limited Procter & Gamble Product Supply (UK) Limited Procter & Gamble Technical Centres Limited Procter & Gamble UK Seven Seas Limited
<b>Secretary to the Trustee</b>	J Hearn
<b>Actuaries (DB Section)</b>	R Mellor, FIA (resigned 30 September 2024) Aon Solutions UK Limited S Hamid, FIA (appointed 1 October 2024) Aon Solutions UK Limited
<b>Administrators (DB Section)</b>	Capita Pension Solutions Limited (resigned 25 May 2024) Aon Solutions UK Limited (appointed 28 May 2024)
<b>Administrators (DC Section)</b>	Capita Pension Solutions Limited (resigned 25 May 2024) Aegon UK plc ('Aegon') (appointed 21 May 2024)
<b>Independent Auditor</b>	Deloitte LLP

## THE PROCTER & GAMBLE PENSION FUND

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### TRUSTEE AND ITS ADVISERS YEAR ENDED 30 JUNE 2024

<b>Bankers</b>	National Westminster Bank plc HSBC Bank plc (opened 6 March 2024)
<b>Investment Adviser (DB Section)</b>	Aon Investments Limited ('AIL')
<b>Investment Adviser (DC Section)</b>	Aon Investments Limited ('AIL') (resigned 1 February 2024) Barnett Waddingham LLP ('BW') (appointed 1 February 2024)
<b>Investment Managers (DB Section)</b>	BlackRock Advisors (UK) Limited ('BlackRock') BlackRock Alternatives Management LLC ('BlackRock') State Street Global Advisors Limited ('SSGA')
<b>Investment Managers (DC Section)</b>	State Street Global Advisors Limited ('SSGA') Aon Managed Funds which are managed by Aon Investments Limited and subcontracted to Aegon UK plc ('Aegon') (appointed 21 May 2024')
<b>AVC Providers (DB Section)</b>	Clerical Medical ('Clerical') Phoenix Life ('Phoenix') Prudential Assurance Company Limited ('Prudential') Utmost Life and Pensions Limited ('Utmost')
<b>Insurance Providers (annuity) (DB Section)</b>	Aviva Life and Pensions Limited ('Aviva') Canada Life Limited ('Canada Life') Cigna Healthcare Limited ('Cigna') Phoenix Life Limited ('Phoenix Life') Prudential Assurance Company Limited ('Prudential') Reassure Limited ('Reassure')
<b>Custodian (DB Section)</b>	State Street Bank and Trust Company ('State Street')
<b>Legal Adviser</b>	Womble Bond Dickinson LLP
<b>Contact Details</b>	The Procter & Gamble Pension Fund Aon Solutions UK Limited Scanning Division PO Box 196 Huddersfield HD8 IEG  <a href="mailto:pg.dbpensions@aon.com">pg.dbpensions@aon.com</a> 0330 123 1209

# THE PROCTER & GAMBLE PENSION FUND

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## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Introduction

The Trustee of The Procter & Gamble Pension Fund (the 'Fund') is pleased to present the annual report together with the audited financial statements for the year ended 30 June 2024.

### Constitution and management

The Fund is an occupational hybrid pension scheme Fund comprising Defined Benefit ('DB') and Defined Contribution ('DC') sections. The Fund is governed by a Trust Deed as amended from time to time and is administered by Aon Solutions UK Limited in accordance with the establishing document and Rules solely for the benefit of its members and other beneficiaries.

The Trustee Directors are shown on page 1.

Under the Trust Deed and Rules of the Fund, the Trustee is appointed and may be removed by the Principal Employer, Procter & Gamble Limited.

The power of appointing and removing the Trustee Directors is contained in the Articles of Association of Procter & Gamble UK Pension Trustee Limited, subject to the Member-Nominated arrangements.

In accordance with The Pensions Act 2004 at least one third of the total number of Trustee Directors must be nominated by Fund members. The Member-Nominated Trustee Directors ('MNTDs') are elected from the membership. Each Member Nominated Trustee Director will serve for an initial period of three years and can be re-appointed for a further period of three years, provided they continue to meet the Member Nominated Trustee Director criteria.

A Trustee Director can choose to retire from office at any time. A Member-Nominated Trustee Director can only be removed with the agreement of all other Trustee Directors.

The Trustee has appointed professional advisers and other organisations to support it in delivering the Fund's objectives. These individuals and organisations are listed on pages 1 and 2. The Trustee has written agreements in place with each of them.

### Trustee meetings

The full Trustee Board and sub-committees met formally twenty six times during the year to consider the business of the Fund.

### Change of Actuary

On 30 September 2024, R Mellor resigned as the Actuary and was replaced on 1 October 2024 by S Hamid. As required under legislation the outgoing Actuary confirmed that there were no circumstances connected with her resignation which significantly affects the interests of current or prospective members and beneficiaries of the Fund.

### Fund changes

On 21 May 2024 part of the Fund's DC Section was transferred to a master trust with Aegon.

There were no other significant changes to the Fund in the year.

# THE PROCTER & GAMBLE PENSION FUND

## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Financial statements

The financial statements included in this annual report have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

### Membership

Details of the membership changes of the Fund in the year are as follows:

DB Section	Actives	Deferreds	Pensioners	Total
Members at the start of the year	752	7,100	7,309	15,161
Adjustments to members	(28)	(141)	102	(67)
New spouses and dependants	-	-	80	80
Retirements	(45)	(157)	202	-
Trivial commutations	-	(5)	(2)	(7)
Members leaving with preserved benefits	(5)	5	-	-
Deaths	(1)	(10)	(291)	(302)
Transfers out	-	(9)	-	(9)
Leavers with no further liability	-	-	(4)	(4)
Members at the end of the year	673	6,783	7,396	14,852
DC Section	Actives	Deferreds	Pensioners	Total
Members at the start of the year	2,295	3,980	-	6,275
Adjustments to members	(105)	124	-	19
New actives	421	-	-	421
Retirements	(4)	(4)	-	(8)
Inactive members	(64)	(2)	-	(66)
Withdrawn	(8)	(19)	-	(27)
Members leaving with preserved benefits	(273)	273	-	-
Preserved members with reinstated benefits	36	(36)	-	-
Trivial commutations	-	(8)	-	(8)
Deaths	(5)	(2)	-	(7)
Refunds	(8)	-	-	(8)
Group transfers to Aon master trust	-	(3,224)	-	(3,224)
Members with previous DB benefits	54	349	-	403
Transfers out	-	(60)	-	(60)
Members at the end of the year	2,339	1,371	-	3,710
Total members at the end of the year	3,012	8,154	7,396	18,562

Pensioners include 1,185 (2023: 1,197) individuals receiving pensions upon the deaths of their spouses who were members of the Fund. Pensioners also include 13 (2023: 10) dependants in receipt of pensions.

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

The adjustments shown above are the result of retrospective updating of member records, including data cleanse following the change in administration.

Included in the above are 480 (2023: 480) DB Section pensioners whose benefits are financed by insurance (annuity) policies with Phoenix Life.

# THE PROCTER & GAMBLE PENSION FUND

## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Pension increases

Pensions in payment were increased as follows:

Scheme	Category	Service period	Increase date	Rule	Increase
P&G PF	Pre 6 April 1997 (Excess of GMP)	Pre 6 April 1997	1 April 2024	Discretionary	3.30%
	Post 6 April 1997 to 5 April 2005	6 April 1997 to 5 April 2005	1 April 2024	December RPI Max 5%	5.00%
	Post 6 April 2005	Post 6 April 2005	1 April 2024	December RPI Max 2.5%	2.50%
Clairol	Pre 6 April 1997 (Excess of GMP)	Pre 6 April 1997	1 April 2024	Fixed 3%	3.00%
	97 - 99	6 April 1997 to 5 April 1999	1 April 2024	December RPI Min 3% Max 5%	5.00%
	99 - 05	6 April 1999 to 5 April 2005	1 April 2024	December RPI Max 5%	5.00%
	Post 05	Post 6 April 2005	1 April 2024	December RPI Max 2.5%	2.50%
Duracell	Pre 6 April 1997 (Excess of GMP)	Pre 6 April 1997	1 April 2024	Discretionary	3.30%
	Post 6 April 1997	Post 6 April 1997	1 April 2024	December RPI Max 5%	5.00%
Gillette	Pre 6 April 1988 GMP	6 April 1978 to 5 April 1988	N/A	Statutory (Nil increases)	N/A
	Post 5 April 1988 GMP	6 April 1988 to 5 April 1997	1 April 2024	Statutory (September CPI Max 3%)	3.00%
	Pension in Excess of GMP	Pension in Excess of GMP	1 July 2023	April RPI Max 5%	5.00%
Gillette Group	All elements excluding TOPUP pension	All service	1 October 2023	June RPI Max 5%	5.00%
P&G Wella	Members who joined scheme pre 17th May 94	All service	1 January 2024	September RPI Min 3% Max 5%	5.00%
	Members who joined scheme post 17th May 94	All service	1 January 2024	September RPI Max 5%	5.00%
	Special members	All service	1 January 2024	October RPI Min 3% Max 5%	5.00%
GMP	Post 5 April 1988 GMP	6 April 1988 to 5 April 1997	1 April 2024	Statutory (September CPI Max 3%)	3.00%
	Pre 6 April 1988 GMP	6 April 1978 to 5 April 1988	1 April 2024	Statutory (Nil increases)	N/A

Deferred benefits are increased in line with legislation and the Fund Rules.

### Transfers

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Funds Act 1993 and do not include discretionary increases.

Members leaving service can normally transfer the value of their benefits under the Fund to another Fund that they join or to an insurance contract or personal pension.

# THE PROCTER & GAMBLE PENSION FUND

## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Contributions

Contributions were paid in accordance with the Schedules of Contributions certified by the Fund Actuary on 30 June 2023, 20 October 2023 and 20 February 2024.

For the DB Section, members pay up to 8% of pensionable salaries. Administration costs were previously met by the Employer and are now met by the Fund.

For the DC Section, the Employer double matches the employee contributions.

### Guarantees

The Fund benefits from a guarantee provided by The Gillette Company LLC (a US group company) which will, under certain circumstances, pay the liabilities due to the Fund by the UK employing companies.

### Going concern

The Fund's financial statements have been prepared on the going concern basis. In making this assessment, the Trustee has assessed the ability of the Principal Employer to continue to meet its obligations to the Fund and for the Fund to meet its future obligations to pay members' benefits as they fall due. The Trustee has reviewed information available to it from the Principal Employer and its advisers and, as a consequence, the Trustee believes the Fund is well positioned to manage its risks successfully. In light of this the Trustee has a reasonable expectation that the Fund will continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of these financial statements. Accordingly, it continues to adopt the going concern basis in preparing the Fund's financial statements.

### Report on Actuarial Liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under Section 222 of the Pensions Act 2004, every Fund is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to, based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Fund members on request.

The Trustee commissions an actuarial valuation every three years. A projection of the amount of assets needed to meet the benefits promised to members is carried out by an Actuary.

The most recent full actuarial valuation of the Fund was carried out as at 30 June 2023. This showed that on that date:

The value of the Technical Provisions was:	£2,596 million
The value of the assets at that date was:	£3,162 million

The method and significant actuarial assumptions used to determine the Technical Provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

### Method

The actuarial method to be used in the calculation of the Technical Provisions is the Projected Unit Method.



# THE PROCTER & GAMBLE PENSION FUND

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## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Report on Actuarial Liabilities (continued)

#### Significant actuarial assumptions

**Discount interest rate:** Gilt yield curve + 0.5% p.a. pre-retirement and gilt yield curve + 0.4% p.a. post-retirement.

**Future Retail Price inflation:** Break-even approach implied from the fixed interest and index linked gilt yield curves less 0.1% p.a. for the Inflation Risk Premium.

**Future Consumer Price Index ('CPI'):** RPI inflation less 0.9% p.a. for the period to February 2030 and less 0.1% p.a. for the period thereafter.

**Salary Inflation:** CPI inflation

**Post-retirement mortality assumption – base table:** S3PA tables with best-estimate scaling factors derived from experience analysis combined with postcode analysis.

**Post-retirement mortality assumption – projection:** CMI\_2022 with the default parameters except with S-kappa equal to 7.0 and A equal to 0.5, with a long-term improvement rate of 1.5% p.a.

The date of the next full valuation is as at 30 June 2026, and the Trustee and the Principal Employer have until 30 September 2027 to complete this exercise.

#### Investment matters

##### Management and custody of investments

Some of the Fund's assets are invested in insurance (annuity) policies with Phoenix Life who is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority.

The Trustee has delegated management and the rest of its investments to the investment managers shown on page 2. These managers, who are regulated by the FCA in the United Kingdom, manage the investments in line with the investment managers' agreements which are designed to ensure that the objectives and policies captured in the Statement of Investment Principles ('SIP') are followed.

The Trustee has considered environmental, social and governance ('ESG') factors for investments (including but not limited to climate change) and has delegated to the investment managers the responsibility for taking these considerations into account when assessing the financial potential and suitability of an investment and for exercising the rights (including voting rights) relating to the Fund's investments.

The investment managers are paid fees for their services. The fees are calculated as a percentage of the market value of the part of the Fund that they manage.

The Trustee has appointed State Street as custodian of the Fund's segregated investments. Pooled fund investment managers appoint their own custodians.

The Custodian is responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the Custodian's nominee company, in line with common practice for pension scheme investments.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Fund's investments and believe them to be appropriate relative to the reasons for holding each class of investments.

# THE PROCTER & GAMBLE PENSION FUND

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## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Investment report

#### Overview

The Trustee, with the assistance of its appointed investment advisers, determines the overall investment strategy for the Fund and sets out the broad policy to be adopted by each of the appointed fund managers.

#### Investment managers

The names of those who have managed the Fund's investments during the year are listed on page 2. The Trustee has delegated the day-to-day management of investment to its appointed fund managers. A written agreement between the Trustee and each manager sets out the terms on which the manager will act.

The managers' duties include the consideration of social, environmental, or ethical issues in their voting and corporate governance in relation to the Fund's assets. The Trustee has a policy which sets out their approach to responsible investment which can be found in the SIP. The Trustee has met with the investment managers and reviewed their policies on these issues. The Trustee believes that the policies adopted by the managers are consistent with their own views.

The majority of DC investments are held in Aon Managed Funds which are managed by Aon Investments Limited with effect from May 2024, having been previously managed by State Street Global Advisors. Some DC funds remain with State Street Global Advisors with respect to the Duracell UK Pension Plan.

DB investments are managed by BlackRock Advisors (UK) Limited, BlackRock Alternatives Management LLC, and State Street Global Advisors.

#### DC investment strategy

In investing the assets the Trustee's key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. It has taken into account members' likely circumstances, in particular members' attitudes to risk and a range of terms to retirement. The Trustee set the investment strategy for the Fund after taking advice from the previous DC investment adviser, Aon.

Towards the end of the year, the Trustee moved the DC Section's assets to a new investment strategy managed by Aon. Following this move a new default was put in place, targeting drawdown. The lifestyles targeting annuity purchase and cash lump sum were also replaced with new lifestyles. The new investment strategy provides members with an additional lifestyle arrangement (targeting a portfolio suitable for income drawdown in retirement with an ESG tilt) and an improved choice of twelve self-select funds. Given the previous investment strategy was in place for the majority of the year, the performance shown in this report is in relation to this strategy.

#### Investment principles

In accordance with Section 35 of the Pensions Act 1995, the Trustee has prepared a SIP. A copy of the SIP is provided on pages 90 to 105 of this Report. This SIP may change from time to time according to advice received from the investment managers or consultants.

#### Departures from investment principles

To the best of their knowledge, the Trustee can report that there has not been any departure from the SIP by the Fund's investment managers during the year ended 30 June 2024.

# THE PROCTER & GAMBLE PENSION FUND

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## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Investment report (continued)

#### General investment policy

For both Sections it is the Trustee's policy to consider:

- A full range of asset classes, including alternative asset classes such as private equity, hedge funds, infrastructure, and Liability Driven Investments. These were considered in relation to the defined benefit Section in conjunction with the Trustee's DB investment adviser and the Principal Employer. Other than equities, sterling bonds and infrastructure it was decided not to include them as part of the current investment strategy due to their benefit and risk profile, and the Principal Employer's desire not to add extra potential risks to the overall financial structure, whilst still committing to fund the scheme fully, based upon the existing asset classes in use;
- The risks and rewards of a range of alternative asset allocation strategies;
- The suitability of each asset class in the DB Section's planned asset allocation strategy;
- The suitability of each asset class for investment in the DC Section;
- The suitability of the possible styles of investment management and the option of providing manager diversification for members of the DC Section; and
- The need for appropriate diversification both across asset classes and within asset classes.

The Trustee's policy is to delegate all day-to-day decisions about the investments that fall within each mandate or fund to the relevant investment manager.

The Trustee expects each fund manager of the underlying assets to carry out the powers of investment delegated to them with a view to giving effect to the principles in the SIP so far as is reasonably practicable.

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Principal Employer over any changes to the SIP.

#### Responsible investment

##### Environmental, Social, and Governance considerations

In setting both the DB Section's investment strategy and the DC Section's default investment strategy, the Trustee's primary concern is to act in the best financial interests of the Fund and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

In this context, 'risk' includes the risk that environmental, social and governance ('ESG') factors (including climate change) negatively impact the value of investments held if not understood and evaluated properly.

The Trustee takes the following steps to monitor and assess ESG related risks and opportunities:

- Periodic training on responsible investment to understand how ESG factors, including climate change, could impact the Fund's assets and liabilities.
- Ask its investment advisers to model the Fund's climate change related financial risks and assess the options available to reduce those risks.
- Use ESG ratings information provided by its investment advisers, where relevant and available, to monitor the level of the Fund's investment managers' integration of ESG on a quarterly basis.
- Meet annually with each of the Fund's investment managers to understand and challenge the level of ESG integration within the managers' investment processes.

#### Stewardship – voting and engagement

The Trustee believes that in order to fulfil its fiduciary responsibilities it (or the Fund's investment managers on their behalf) must act as responsible stewards of the assets in which the Fund invests.

# THE PROCTER & GAMBLE PENSION FUND

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## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Investment report (continued)

### Responsible investment (continued)

### Stewardship – voting and engagement (continued)

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Trustee recognises that ultimately this protects the financial interests of the Fund and its beneficiaries.

The Fund invests in index-tracking equity and bond funds as the Trustee believes passive investing delivers the best financial performance (net of fees) to the Fund. Passively managed funds use an index-tracking approach whereby they may hold all securities in the underlying market indices in line with the weighting (by market capitalisation) of each security in the benchmark/index.

The Trustee recognises that, at present, the passive nature of the investments limits the extent to which it can direct the investment managers to implement changes within the Fund's portfolio to address ESG-related risk factors. However, the Trustee believes that active engagement and monitoring of the investment managers on ESG-related matters (including stewardship), combined with long-term decision making, can add value to the Fund and its beneficiaries. To this end, the Trustee carefully reviews the managers' approaches to stewardship, and other ESG-related matters and communicates its expectations and standards to its investment managers. These standards include:

- The Trustee expects the Fund's investment managers to use their influence as major institutional investors to exercise the Trustee's rights and duties as a shareholder including voting, along with — where relevant and appropriate — engagement with underlying investee companies and assets to promote good corporate governance, accountability and positive change.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from its investment advisers about any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

The Trustee delegates all stewardship activities, including voting and engagement, to its appointed investment managers. Managers are expected to vote at company meetings and engage with companies on the Trustee's behalf in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest). This engagement aims to ensure that robust active ownership behaviours, reflective of the Trustee's active ownership policies, are being actioned.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Fund's assets, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained.

Whilst the Trustee has delegated its voting activities to third party investment managers, the Trustee accepts it has ultimate responsibility for the Stewardship of the Fund's assets. To fulfil this responsibility, the Trustee regularly reviews the suitability of the Fund's appointed asset managers and take advice from its investment advisers with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers, including recent voting records. If an incumbent manager is found to be falling short of the standards the Trustee has set, the Trustee undertakes to engage with the manager and seek a more sustainable position but may look to replace the manager.

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## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Investment report (continued)

#### Responsible investment (continued)

#### Stewardship – voting and engagement (continued)

The Trustee will request that its investment managers provide details of their stewardship policy and voting activities on at least an annual basis and will monitor this with input from its investment advisors. The transparency provided by managers should include detailed examples of engagements covering engagement objectives, method of engagement, outcomes to date, escalation points and procedures, as necessary. The Trustee will engage with its investment managers where necessary for more information and periodically meet with its investment managers to receive updates in this regard and to make the Trustee's views in this area known. Prospective investment managers will also be required to provide this information for the Trustee to review on an ongoing basis following appointment.

Should the Trustee's monitoring process reveal that a manager's voting or engagement policies, or its stewardship actions are not aligned with the Trustee's expectations, the Trustee will engage with the manager, via different medium such as emails and meetings, to seek a more sustainable position. If, following engagement with the manager, it is the view of the Trustee that the degree of improvement remains unsatisfactory, the arrangements with the manager may be altered or their appointment terminated.

Ordinarily, the Trustee would not engage directly with an issuer of debt or equity, or with other stakeholders, and instead delegate this authority to the investment managers.

Through climate change scenario analysis, the Trustee has identified climate change as a key stewardship priority. This theme has been identified as a financially material ESG issue that has the potential to significantly impact the value of the Fund's investments, and so the Trustee believes it is in members' best interests to consider and monitor associated risks.

The Trustee keeps its investment managers informed of its stewardship priority and expectations, and levels scrutiny on its investment managers accordingly. It is the expectation of the Trustee that the Fund's investment managers and/or their voting service providers will prioritise and actively monitor for these risks within their investment portfolios, providing transparency on engagement and voting actions with respect to mitigating these risks.

#### Members' views and on-financial factors

In setting and implementing the Fund's investment strategy the Trustee does not explicitly take into account the views of Fund members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as 'non-financial factors').

Within the DC Section, the Trustee has made the ESG Global Equity Fund available to members who would like to invest in funds with specific ESG considerations. The Trustee will look to make further ESG choices available to members as and when take up of the existing option increases sufficiently. The underlying funds that make up the default strategy and other self-select funds should not apply personal ethical or moral judgements as the sole basis for an investment decision.

#### Arrangements with investment managers

As stated above, the Fund, in line with the Trustee's investment beliefs, invests exclusively in index-tracking funds. However, the Trustee does monitor the Fund's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies. This includes monitoring the extent to which investment managers engage with issuers of debt or equity in order to improve their performance in the medium to long term.

# THE PROCTER & GAMBLE PENSION FUND

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## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Investment report (continued)

#### Responsible investment (continued)

#### Arrangements with investment managers (continued)

The Trustee receives at least quarterly reports and verbal updates from the investment advisers on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Fund's objectives.

The Trustee also receives regular stewardship reports on the monitoring and engagement activities carried out by its investment managers.

Before appointment of a new investment manager (or fund), the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. As the Fund is expected to predominantly invest in passive, pooled vehicles, the Trustee has limited direct influence on the investment holdings, processes and policies in place. Whilst the Trustee will encourage investment managers to improve their practises where possible, it acknowledges that, in practice, managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors.

Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the investment manager but could ultimately replace the funds in question where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment for all investment managers will be reviewed periodically, and at least every three years. The Trustee does not regularly monitor investment managers against non-financial criteria of the investments made on its behalf.

#### Cost transparency

The Trustee is aware of the importance of monitoring its investment managers' total costs and the impact these costs can have on the overall value of the Fund assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by its investment managers that can increase the overall cost.

The Trustee collects annual cost transparency reports covering all of its investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ('CTI') template. This allows the Trustee to understand exactly what it is paying its investment managers.

Within the DC Section specifically, these costs, along with estimated impact on representative members, are made publicly available within the annual DC Chair's Statement, which is available at <https://www.pg.co.uk/pension-fund-scheme-information/>.

The Trustee is aware of the portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated with its underlying investments through the information provided by its asset managers. The monitoring of the target portfolio turnover and turnover range is monitored annually with the assistance of the Trustee's investment advisers.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes, with the expectation that the larger passive mandates are likely to incur lower transaction costs. The Trustee understands that a reasonable level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and historic trends. Where the Trustee's monitoring identifies a lack of consistency it will initially look to engage with the investment manager but could ultimately replace the funds in question where this is deemed necessary.

# THE PROCTER & GAMBLE PENSION FUND

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## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Investment report (continued)

#### Cost transparency (continued)

The Trustee does not believe that performance related fees offer value for money and as such all asset managers are appointed on a percentage fee basis.

#### Custodial arrangements

The Trustee has appointed State Street Bank and Trust Company as custodian of the former P&G Section's assets. The fees for custody are included within the classification of the fees charged by the investment managers as described above. This is a legacy arrangement from previous years, and is in use with the current segregated credit portfolio. The former GUK Section has been invested entirely in pooled fund units for at least the last 15 years (i.e. prior to The Procter & Gamble Co acquiring Gillette) and has not used a separate custodian during that period.

#### Task Force on Climate-related Financial Disclosures (TCFD)

The Trustee published its TCFD report which covers the period from 1st July 2023 to 30 June 2024.

A copy of the report can be viewed and downloaded on the Procter & Gamble Pension Fund website at the following address: <https://www.pg.co.uk/pension-fund-scheme-information/>.

#### Asset allocation (DB Section)

The Fund's asset allocation is set by the SIP agreed with the Sponsoring Employer and approved by the Trustee Board on 21 May 2024. The table below highlights the targets set by the SIP for each type of asset compared to the total investment assets held by the Fund at 30 June 2024.

Asset class	Target allocation of investment assets	
	%	investment assets %
Equities	32.0	32.3
Sterling Bonds	65.0	61.9
Alternatives	3.0	1.1
Cash	0	4.7

#### Investment commentary

Global equity markets rose over the last twelve months. The MSCI ACWI rose 21.3% in local currency terms. Inflation began to moderate in most major economies as the global economy proved more resilient than previously anticipated. The Information Technology (39.2%) and Communication Services (33.5%) sectors were the major contributors to rallying the market over the past year.

The UK equities delivered positive returns over the year, rising by 13.2%. Rising commodity prices helped the sizeable resource sector as Energy and Materials rose by 20.3% and 16.9%, respectively. The index-heavyweight Financial sector rose by 17.9%, while other heavyweight sectors such as Consumer Staples and Industrials returned -1.6% and 32.4%, respectively.

# THE PROCTER & GAMBLE PENSION FUND

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## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Investment report (continued)

#### Investment commentary (continued)

The US equities were the best-performing market in sterling terms and second-best in local currency terms. In Q1 2024, earnings growth was strongest in the Communication Services, Utilities, Consumer Discretionary, and I.T. sectors. Several amongst the "Magnificent-7" stocks performed well after reporting solid earnings amidst high demand for A.I. technology. Index-heavyweight sectors such as Information Technology and Financials returned 40.4% and 26.1%, respectively. Communication Services was the best-performing sector with a return of 43.5%.

Emerging markets (EM) have delivered positive returns both in local currency and sterling terms. Slower-than-expected economic recovery, and renewed US-China tensions put pressure on Chinese equities. Taiwan equities rose the most at 47.3% while Chinese equities fell by 1.7%. Indian, Korean, and Brazilian equities rose 37.1%, 13.4%, and 6.8%, respectively over the year. Meanwhile, JP Morgan added Indian government bonds to its GBI-EM index in June 2024 with a maximum weight threshold of 10%.

On a global sector level over the last twelve months, Information Technology (39.2%) and Communication Services (33.5%) were the best performers in local currency terms. Consumer Staples (3.0%) and Real Estate (5.9%) were the worst-performing sectors.

Global bond yields generally trended higher over the last twelve months with the JP Morgan Global Aggregate Bond Index rising 1.3% in local currency terms. In Q3 2023, yields rose due to tighter monetary policy across major central banks. In Q4 2023, yields fell sharply as major central banks around the world kept their interest rates unchanged and market participants expected a greater chance of interest rate cuts in 2024. In the first half of 2024, bond yields moved higher following falling market expectations for central bank rate cuts this year. The JP Morgan Global Aggregate Bond Index rose 1.9% in sterling terms.

The UK nominal gilt curve had a mixed performance over the past twelve months as the gilt curve fell at shorter and medium-term maturities but rose at longer-term maturities. In Q3 2023, the UK nominal gilt curve fell at the short to medium maturities but rose at the longer end of the curve. In Q4 2023, the UK nominal gilt curve shifted downwards as yields fell sharply across maturities. In the first half of 2024, the UK nominal gilt curve shifted upwards as yields rose across maturities. The spread between 2-year and 10-year gilt yields fell to 18bps from 102bps over the past twelve months. The 10-year nominal bond yield fell by 14bps to 4.24%. Overall, according to FTSE All-Stocks indices, UK fixed-interest gilts rose 4.8% while index-linked gilts fell by 0.4% over the last twelve months.

The UK credit market performed positively over the past twelve months. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, narrowed by 46bps to 109bps. The index rose 9.7% over the year.

Sterling ended the twelve months 1.3% higher on a trade-weighted basis.



# THE PROCTER & GAMBLE PENSION FUND

## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Investment report (continued)

#### Review of investment performance

The following tables indicated the annualised performance of the Fund's invested assets over one, three and five years.

<b>DB Section</b>	<b>1 year %</b>	<b>3 year % (p.a.)</b>	<b>5 year % (p.a.)</b>
Managed Pension Funds Fundamental Index Global Equity*	<b>2.6</b>	<b>N/A</b>	<b>N/A</b>
Managed Pension Funds UK Conventional Gilts > 15 years Index	<b>1.2</b>	<b>(16.3)</b>	<b>(8.9)</b>
Managed Pension Funds UK Index Linked Gilt Nov 2047 Index	<b>(2.6)</b>	<b>N/A</b>	<b>N/A</b>
Managed Pension Funds UK Index Linked Gilt Mar 2050 Index	<b>(5.4)</b>	<b>N/A</b>	<b>N/A</b>
Managed Pension Funds UK Index Linked Gilt Nov 2055 Index*	<b>(2.1)</b>	<b>N/A</b>	<b>N/A</b>
Managed Pension Funds UK Index Linked Gilt Mar 2062 Index*	<b>(6.0)</b>	<b>N/A</b>	<b>N/A</b>
Managed Pension Funds UK Index Linked Gilt Mar 2068 Index*	<b>(10.1)</b>	<b>N/A</b>	<b>N/A</b>
Managed Pension Funds Sterling Non-Gilts All Stock Index	<b>9.7</b>	<b>(3.9)</b>	<b>(0.7)</b>
BlackRock Aquila ACWI Equity Index Fund B	<b>20.4</b>	<b>8.9</b>	<b>11.2</b>
BlackRock UK CORP portfolio	<b>6.6</b>	<b>N/A</b>	<b>N/A</b>
BlackRock Aquila Life Corporate Bond Index	<b>9.8</b>	<b>(3.9)</b>	<b>(0.8)</b>
BlackRock Aquila Life Over 15 Year Corporate Bond Index	<b>8.1</b>	<b>(11.2)</b>	<b>(4.5)</b>
BlackRock Aquila Life 2040 Gilt Fund	<b>4.6</b>	<b>N/A</b>	<b>N/A</b>
BlackRock Aquila Life Over 15 Year Gilt Index TRM	<b>1.2</b>	<b>(16.3)</b>	<b>(8.9)</b>
BlackRock Institutional Cash Series Sterling Liquidity Agency Acc*	<b>0.6</b>	<b>N/A</b>	<b>N/A</b>
BlackRock Global Infrastructure Fund IV**	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

For those funds where performance is not available over the one year, three year or five year periods, this is because the funds have not been invested in over these periods. (\*) *The Fund first invested in this fund during the year ending 30 June 2024, therefore performance shown is since inception.* (\*\*) *This fund is still in the early drawdown stage, and so performance is not available.*

# THE PROCTER & GAMBLE PENSION FUND

## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Investment report (continued)

#### Review of investment performance (continued)

DC Section	1 year %	3 year % (p.a.)	5 year % (p.a.)
<b>Procter &amp; Gamble</b>			
Managed Pension Funds ESG Equity Index Sub-Fund	17.24	7.79	N/A
Managed Pension Funds UK Index Linked Gilts Over 5 Years Index Sub-Fund	3.18	(13.50)	N/A
Managed Pension Fund Sterling Non-Gilts Bond All Stocks Index Sub-Fund	7.94	(3.62)	N/A
Managed Pension Fund Emerging Markets Equity Index Sub Fund	13.11	(1.23)	N/A
Managed Pension Fund Sterling Liquidity Sub-Fund	4.37	2.71	N/A
Managed Pension Fund All World Developed Equity Index Sub-Fund	22.77	11.06	N/A
<b>Duracell UK Pension Plan</b>			
UK Screened Index Equity Sub-Fund	12.52	6.30	4.59
North America Screened Index Equity Sub-Fund	25.48	12.31	14.89
Europe ex UK Screened Index Equity Sub-Fund	12.59	6.41	8.82
Japan Screened Index Equity Sub-Fund	13.22	5.28	6.85
Asia Pacific ex Japan Screened Index Equity Sub-Fund	8.49	(0.69)	3.63
MPF UK Conventional Gilts Over 15 Years Index Sub-Fund	1.20	(16.28)	(8.93)
Sterling Non-Gilts Bond Over 15 Years Screened Index Sub-Fund	8.48	(10.60)	(4.14)

The inception date for the MPF World ESG Equity Index Sub-Fund was 3 January 2020. For all other funds the inception date was 12 April 2019. All State Street funds other than the ESG Equity Index Sub-Fund were disinvested from on 21 May 2024 as the Fund moved into an investment strategy managed by Aon. The ESG Equity Index Sub-Fund was terminated on 19 April 2024 and was disinvested from on this date. Performance figures for the Procter & Gamble funds are shown above up to date of disinvestment net of fees, whereas the Duracell UK Pension plan is shown gross of fees up to 30 June 2024. The Duracell UK Pension Plan assets remain with State Street Global Advisors.

No overall performance for the DC Section is given, as members can chose their own portfolio from the above funds and so each member will have an individual performance figure relevant to them.

#### Implementation Statement ('IS')

The Trustee has prepared an Implementation Statement in accordance with legislation. This statement is shown in Appendix I.

#### Employer-related investments

The investments of the Fund are invested in accordance with Section 40 of the Pensions Act 1995. Details of any Employer-related investments are disclosed in note 23 to the financial statements.

# THE PROCTER & GAMBLE PENSION FUND

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## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Further information

Further information about the Fund is available, on request, to members, their spouses and other beneficiaries. In particular, the documents constituting the Fund, the Rules and a copy of the latest actuarial report and the Trustee's SIP can be inspected. A copy of the SIP can also be viewed online at: <https://www.pg.co.uk/pension-fund-scheme-information/>

Individual benefit statements are provided to active members annually and for deferred members on request. In addition to the information shown on these statements, members can request details of the amount of their current transfer values. Such requests are available free of charge once a year.

If members have any queries concerning the Fund or their own pension position, or wish to obtain further information, they should contact Aon Solutions UK Limited Scanning Division at the contact details on page 2 who will also be able to provide them with a further copy of the Fund's booklet should they require one and answer any queries that they may have about entitlement to benefits.

Aon Solutions UK Limited processes the personal data as contained in this report and financial statements for the purpose of providing the Trustee with a report and financial statement on the operation of the Fund. Aon Solutions UK Limited processes personal data in the context of the operation of the Fund on behalf of the Trustee, the data controller. Aon Solutions UK Limited, in its capacity as data processor who provides the members of the Fund with pension services on behalf of the Trustee, will comply with the applicable legislation including any data protection legislation and the instructions of the Trustee.

The Trustee or the Principal Employer will ensure the data subjects of whom personal data is processed for the purposes of this report and financial statement are informed of the processing activities in accordance with the requirements of the applicable data protection legislation.

# THE PROCTER & GAMBLE PENSION FUND

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## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Governing bodies, regulators and sources of reference

#### Pension Tracing

The Fund is registered with the Pension Tracing Service which maintains a list of up to date addresses of schemes to assist ex-members in tracing their rights if they have lost contact with their previous employers' scheme. The Pension Tracing Service can be contacted at:

The Pension Service  
Post Handling Site A  
Wolverhampton  
WV98 1AF

0800 731 0193  
[www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)

#### The Pensions Regulator

The Pensions Regulator ('TPR') is the United Kingdom ('UK') regulator of work-based pension Funds.

TPR's role is to act to protect the interest of pension scheme members and to enforce the law as it applies to occupational pension schemes.

The regulations set out clearly the areas that TPR covers and the powers that are vested in it. For example, TPR can prohibit or disqualify trustees for acting unlawfully, and can impose fines on wrong doers.

TPR can be contacted at:

The Pensions Regulator  
Telecom House  
125-135 Preston Road  
Brighton  
BN1 6AF

0345 600 0707  
[customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)  
[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

#### The Pension Protection Fund

The Pension Protection Fund was established to provide compensation to members of eligible pension schemes, when there is a qualifying insolvency event in relation to employers and where there are insufficient assets in pension schemes to cover Pension Protection Fund levels of compensation.

The Pension Protection Fund can be contacted at:

PPF Member Services  
Pension Protection Fund  
PO Box 254  
Wyndham  
NR18 8DN

0330 123 2222  
[ppfmembers@ppf.co.uk](mailto:ppfmembers@ppf.co.uk)  
[www.ppf.co.uk](http://www.ppf.co.uk)

# THE PROCTER & GAMBLE PENSION FUND

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## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Governing bodies, regulators and sources of reference (continued)

#### Questions about pensions

If you have any questions about your pension, MoneyHelper, which is part of the Money and Pensions Service, provides professional, independent and impartial help with pensions for free. Services include independent information and general guidance on pension matters.

Money Helper can be contacted at:

Money and Pensions Service  
Bedford Borough Hall  
138 Cauldwell Street  
Bedford  
MK42 9AP

0800 011 3797  
[www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

#### Resolving difficulties/Internal Dispute Resolution

It is expected that most queries relating to benefits can be resolved with the Fund's Administrator. In the event that a member's complaint cannot be resolved by the Administrator they may make a formal complaint using the Fund's Internal Dispute Resolution Procedure ('IDRP'), details of which can be obtained from the Administrator or use the Pensions Ombudsman's informal Early Resolution Service.

If the complaint is not resolved satisfactorily, the Government-appointed Pensions Ombudsman can investigate complaints of injustice due to bad administration either by the Trustee or the Fund's Administrator, or disputes of fact of law. The Pensions Ombudsman can be contacted at:

The Pensions Ombudsman  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

0800 917 4487  
[enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)  
[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

Complaints can be made by downloading an online complaints form and sending to:  
[CentralSupportMailbox@pensions-ombudsman.org.uk](mailto:CentralSupportMailbox@pensions-ombudsman.org.uk)

# THE PROCTER & GAMBLE PENSION FUND

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## TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2024

### Statement of Trustee's Responsibilities

The financial statements, which are prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), are the responsibility of the Trustee. Pension Fund regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Scheme (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Fund will not be wound up.

The Trustee is also responsible for making available certain other information about the scheme in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time revising a Schedule of Contributions showing the rates of contributions payable towards the Fund by or on behalf of the Employer and the active members of the Fund and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Fund and for adopting risk-based processes to monitor whether contributions are made to the Fund by the Employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

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

### Approval

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

Trustee Director:   
Alison Smith (Jan 31, 2025 14:35 GMT)

Trustee Director: 

Date: 31st January 2025

# THE PROCTER & GAMBLE PENSION FUND

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## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE PROCTER & GAMBLE PENSION FUND YEAR ENDED 30 JUNE 2024

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of The Procter & Gamble Pension Fund (the 'Fund'):

- show a true and fair view of the financial transactions of the Fund during the year ended 30 June 2024 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

We have audited the financial statements which comprise:

- the fund account;
- the statement of net assets (available for benefits); and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

# THE PROCTER & GAMBLE PENSION FUND

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## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE PROCTER & GAMBLE PENSION FUND YEAR ENDED 30 JUNE 2024

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the Trustee**

As explained more fully in the Statement of Trustee's Responsibilities, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



# THE PROCTER & GAMBLE PENSION FUND

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## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE PROCTER & GAMBLE PENSION FUND YEAR ENDED 30 JUNE 2024

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Fund's industry and its control environment and reviewed the Fund's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of the Trustee, Fund management, and the Fund actuary about their own identification and assessment of the risks of irregularities, including those that are specific to the Fund's business sector.

We obtained an understanding of the legal and regulatory framework that the Fund operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Pension Act 1995, the Pensions Act 2004, the Occupational Pension Funds (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Fund's ability to operate or to avoid a material penalty. These included the Fund's regulatory requirements.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the misappropriation of investment assets due to the significant size of investment transactions and balances. In response our procedures to respond to the risk identified included the following:

- Obtaining an understanding of relevant controls over the existence of investment holdings and transactions;
- Agreeing investment holdings to independent third-party confirmations; and
- Agreeing investment and cash reconciliations to independent evidence and bank statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

# THE PROCTER & GAMBLE PENSION FUND

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## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE PROCTER & GAMBLE PENSION FUND YEAR ENDED 30 JUNE 2024

### Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of the Trustee, Fund management, the administrator and the Fund actuary concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of Trustee and subcommittees' meetings and reviewing correspondence with the Pensions Regulator.

### Use of our report

This report is made solely to the Fund's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.



**Deloitte LLP**  
Statutory Auditor  
Birmingham, United Kingdom

Date: 31 January 2025

## THE PROCTER & GAMBLE PENSION FUND

### FUND ACCOUNT FOR THE YEAR ENDED 30 JUNE 2024

	Note	DB £000	DC £000	2024 Total £000	DB £000	DC £000	2023 Total £000
Employer contributions	4	812	21,589	22,401	2,165	18,307	20,472
Employee contributions	4	7	1,655	1,662	1,859	1,451	3,310
		819	23,244	24,063	4,024	19,758	23,782
Transfers in	5	-	258	258	31	11	42
Other income	6	9	157	166	5	77	82
		828	23,659	24,487	4,060	19,846	23,906
Benefits paid or payable	7	(115,477)	(1,315)	(116,792)	(110,877)	(466)	(111,343)
Payments to and on account of leavers	8	(22,208)	(102,245)	(124,453)	(16,931)	(2,509)	(19,440)
Administrative expenses	9	(2,146)	-	(2,146)	(991)	-	(991)
		(139,831)	(103,560)	(243,391)	(128,799)	(2,975)	(131,774)
<b>Net (withdrawals)/additions from dealings with members</b>		(139,003)	(79,901)	(218,904)	(124,739)	16,871	(107,868)
Investment income	10	26,902	32	26,934	19,792	6	19,798
Change in market value of investments	11	277,255	44,376	321,631	(163,752)	13,029	(150,723)
Investment management expenses	12	(1,604)	-	(1,604)	(1,208)	-	(1,208)
<b>Net returns on investments</b>		302,553	44,408	346,961	(145,168)	13,035	(132,133)
<b>Net increase/(decrease) in the fund during the year</b>		163,550	(35,493)	128,057	(269,907)	29,906	(240,001)
Transfers between sections		3,748	(3,748)	-	-	-	-
<b>Net assets of the Fund at 1 July</b>		3,189,103	271,613	3,460,716	3,459,010	241,707	3,700,717
<b>at 30 June</b>		3,356,401	232,372	3,588,773	3,189,103	271,613	3,460,716

The notes on pages 27 to 48 form part of these financial statements.

## THE PROCTER & GAMBLE PENSION FUND

### STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 30 JUNE 2024


	Note	DB £000	DC £000	2024 Total £000	DB £000	DC £000	2023 Total £000
<b>Investment assets</b>							
Bonds	11	509,178	-	509,178	478,556	-	478,556
Pooled investment vehicles	14	2,765,158	229,987	2,995,145	2,650,625	268,024	2,918,649
Insurance policies	15	25,700	-	25,700	28,100	-	28,100
AVC investments	16	26,381	-	26,381	25,720	-	25,720
Cash	17	2,024	-	2,024	2,103	152	2,255
Other investment balances	17	11,307	-	11,307	11,387	-	11,387
		<u>3,339,748</u>	<u>229,987</u>	<u>3,569,735</u>	<u>3,196,491</u>	<u>268,176</u>	<u>3,464,667</u>
<b>Investment liabilities</b>							
Other investment balances	17	(5,498)	-	(5,498)	(6,877)	-	(6,877)
		<u>(5,498)</u>	<u>-</u>	<u>(5,498)</u>	<u>(6,877)</u>	<u>-</u>	<u>(6,877)</u>
<b>Total net investments</b>							
		<u>3,334,250</u>	<u>229,987</u>	<u>3,564,237</u>	<u>3,189,614</u>	<u>268,176</u>	<u>3,457,790</u>
<b>Current assets</b>							
	21	29,468	2,386	31,854	8,940	3,442	12,382
<b>Current liabilities</b>							
	22	(7,317)	(1)	(7,318)	(9,451)	(5)	(9,456)
<b>Net assets available for benefits at 30 June</b>							
		<u>3,356,401</u>	<u>232,372</u>	<u>3,588,773</u>	<u>3,189,103</u>	<u>271,613</u>	<u>3,460,716</u>

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included in the Trustee's Report on page 6. These financial statements and the Actuarial Certificate should be read in conjunction with this report.

The notes on pages 27 to 48 form part of these financial statements.

These financial statements on pages 25 to 48 were approved by the Trustee and were signed on its behalf by:

Trustee Director:

  
Alison Smith (Jan 31, 2025 14:35 GMT)

Trustee Director:



Date:

31st January 2025

# THE PROCTER & GAMBLE PENSION FUND

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 1. Basis of preparation

The individual financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 ('FRS 102') – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice ('SORP') (2018) - Financial Reports of Pension Funds, published by the Pensions Research Accountants Group ('PRAG').

The financial statements have been prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Fund has adequate resources to realise its assets and meet benefit obligations in the normal course of affairs (continue to operate) for at least the next twelve months from the approval of these financial statements. This assessment gives the Trustee confidence to prepare the financial statements on a going concern basis.

### 2. Identification of financial statements

The Procter & Gamble Pension Fund is a hybrid occupational pension scheme, comprising both a Defined Benefit ('DB') and a Defined Contributions ('DC') Section established under trust under English Law.

The address of the Fund's principal place of business is Cobalt 12, Silver Fox Way, Newcastle upon Tyne, NE27 0QW.

### 3. Accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. The policies have been consistently applied unless otherwise stated.

#### Functional and presentational currency

The Fund's functional and presentational currency is GBP.

Assets and liabilities in other currencies are converted to GBP at the rates of exchange ruling at the year end. Transactions in other currencies are translated into GBP at the spot exchange rate at the date of the transaction.

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

#### Contributions

Normal and additional voluntary contributions, both from employees and Employer, are accounted for on an accruals basis in the period to which they relate.

Employer's augmentation and other contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received.

Employee's contributions made under a salary sacrifice arrangement are accounted for on an accruals basis and are categorised as Employer's contributions.

Expense contributions made by the Employer to reimburse costs and levies are accounted for when they fall due in accordance with the Schedule of Contributions.

# THE PROCTER & GAMBLE PENSION FUND

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 3. Accounting policies (continued)

#### Transfers in

Individual transfers from other schemes are accounted for when member liability is accepted which is normally when the transfer amount is received.

#### Benefits paid or payable

Pensions in payment, including pensions funded by annuity contracts, are accounted for in the period to which they relate.

Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type and amount of the benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

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

#### Payments to and on account of leavers

Individual transfers to other Funds are accounted for when member liability is discharged which is normally when the transfer amount is paid.

Group transfers out are accounted for in accordance with the terms of the transfer agreement.

#### Administrative expenses

Administrative expenses are accounted for on an accruals basis.

#### Other income

Other income is accounted for on an accruals basis.

#### Investment income

Income from bonds is accounted for on an accruals basis and includes income bought and sold on purchases and sales of bonds.

Income from pooled investment vehicles is accounted for when declared by the fund manager.

Income from cash and short-term deposits is dealt with in these financial statements on an accruals basis.

All investment income is stated inclusive of any related recoverable taxation but net of any irrecoverable tax, including overseas withholding taxes and the costs of collection.

Income arising from insurance (annuity) policies held by the Trustee to fund benefits payable to Fund members is included within investment income and is accounted for on an accruals basis.

#### Change in market value of investments

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

# THE PROCTER & GAMBLE PENSION FUND

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 3. Accounting policies (continued)

#### Investment management expenses

Investment management fees are accounted for on an accruals basis, net of recoverable VAT.

Management fees for pooled investment vehicles are incorporated in the unit price and reflected in the change in the market value of investments in the Fund Account.

Consultancy fees are accounted for on an accruals basis.

#### Valuation of investment assets and liabilities

Investment assets and liabilities are included in the financial statements at fair value. The methods of determining fair value for the principal classes of investment are:

Bonds are valued on a basis which excludes the value of interest accruing from the previous interest payment date and the valuation date. Accrued interest is accounted for within investment income and other investment balances.

Pooled investment vehicles which are unquoted or not actively traded are stated at bid price or single price where there is no bid/offer spread as provided by the investment managers at the year end.

Insurance (annuity) policies are valued by the Actuary as the amount of the present value of the related obligation, determined using the most recent Fund Funding valuation assumptions updated for market conditions at the reporting date. These policies are to provide retirement benefits for certain deferred and pensioner members. Insurance (annuity) policies bought to provide members' benefits are included in the Statement of Net Assets (Available for Benefits) at their actuarial value as determined by the Actuary as at 30 June 2024.

AVC funds are included within the Statement of Net Assets (Available for Benefits) on the basis of fair values provided by the AVC providers at the year end.

With profits insurance policies (including those held as AVC investments) are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus.

Other investment balances are included in the Statement of Net Assets (Available for Benefits) on the basis of fair values provided by the investment managers at the year end.

#### Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Critical judgements in applying the accounting policies

Insurance (annuity) policies have been valued by the Fund Actuary as detailed in note 15.

#### Key accounting estimates and assumptions

The Trustee makes an estimate and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Fund, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Fund investments and, in particular, those classified in Level 3 of the fair value hierarchy. Explanation of the key assumptions underpinning the valuation of investments are included above and within the notes to the financial statements for Insurance (annuity) policies.

# THE PROCTER & GAMBLE PENSION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 4. Contributions

	DB £000	DC £000	2024 Total £000	DB £000	DC £000	2023 Total £000
<b>Employer</b>						
Normal	19	21,589	21,608	21	18,210	18,231
Augmentations	793	-	793	926	97	1,023
Other	-	-	-	1,218	-	1,218
<b>Employee</b>						
Normal	7	27	34	6	33	39
Additional voluntary	-	1,628	1,628	1,853	1,418	3,271
	<b>819</b>	<b>23,244</b>	<b>24,063</b>	<b>4,024</b>	<b>19,758</b>	<b>23,782</b>

Employer normal contributions include £7,378,000 (2023: £6,154,000) contributions in respect of salary sacrifice arrangements made available to certain members by the Employer.

The other Employer DB contribution of £Nil (2023: £1,218,000) relates to the funding of the Fund's Pension Protection Fund levy, as required per the Schedule of Contributions.

### 5. Transfers in

	DB £000	DC £000	2024 Total £000	DB £000	DC £000	2023 Total £000
Individual transfers in	-	243	243	-	11	11
Individual transfers of AVC's	-	15	15	31	-	31
	<b>-</b>	<b>258</b>	<b>258</b>	<b>31</b>	<b>11</b>	<b>42</b>

### 6. Other income

	DB £000	DC £000	2024 Total £000	DB £000	DC £000	2023 Total £000
Claim on term insurance policies	-	155	155	-	76	76
Other income	9	2	11	5	1	6
	<b>9</b>	<b>157</b>	<b>166</b>	<b>5</b>	<b>77</b>	<b>82</b>



## THE PROCTER & GAMBLE PENSION FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

#### 7. Benefits paid or payable

	DB £000	DC £000	2024 Total £000	DB £000	DC £000	2023 Total £000
Pensions	95,640	-	95,640	89,577	-	89,577
Commutations of pensions and lump sum retirement benefits	17,888	905	18,793	16,963	63	17,026
GMP liabilities	-	-	-	(661)	-	(661)
Income drawdown	-	-	-	-	226	226
Purchase of annuities	-	54	54	1,802	-	1,802
Lump sum death benefits	44	323	367	5	131	136
Taxation where lifetime or annual allowance exceeded	1,905	33	1,938	3,191	46	3,237
	<u>115,477</u>	<u>1,315</u>	<u>116,792</u>	<u>110,877</u>	<u>466</u>	<u>111,343</u>

#### 8. Payments to and on account of leavers

	DB £000	DC £000	2024 Total £000	DB £000	DC £000	2023 Total £000
Individual transfers to other funds	8,239	3,920	12,159	5,030	2,509	7,539
Refunds to members	-	2	2	-	-	-
Payments of Employer contributions to DC Section	13,969	-	13,969	11,901	-	11,901
Group transfers out	-	98,323	98,323	-	-	-
	<u>22,208</u>	<u>102,245</u>	<u>124,453</u>	<u>16,931</u>	<u>2,509</u>	<u>19,440</u>

From 1 January 2019 the expected surplus of the DB Section has been used to pay Employer normal contributions for the DC Section.

The group transfer out of £98,323,000 represents the assets transferred to a master trust with Aegon in respect of 3,224 members who transferred on 21 May 2024.

#### 9. Administrative expenses

	DB £000	DC £000	2024 Total £000	DB £000	DC £000	2023 Total £000
Administration and processing	2,146	-	2,146	991	-	991
	<u>2,146</u>	<u>-</u>	<u>2,146</u>	<u>991</u>	<u>-</u>	<u>991</u>

Administration and processing include costs of administration, actuarial, legal, PPF levies and sundry charges. The increase in the year is mainly due to the changes in the Schedule of Contributions, which requires the Fund to pay the PPF levy and the Fund paying for costs of administration previously met by the Employer.

# THE PROCTER & GAMBLE PENSION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 10. Investment income

	DB £000	DC £000	2024 Total £000	DB £000	DC £000	2023 Total £000
Income from bonds	23,595	-	23,595	15,578	-	15,578
Income from pooled investment vehicles	(131)	-	(131)	799	-	799
Interest on cash deposits	302	32	334	72	6	78
Profit on foreign exchange	-	-	-	(6)	-	(6)
Annuity income	3,136	-	3,136	3,349	-	3,349
	<u>26,902</u>	<u>32</u>	<u>26,934</u>	<u>19,792</u>	<u>6</u>	<u>19,798</u>

### 11. Investments

	Opening value at 1 July 2023 £000	Purchases at cost £000	Sales Proceeds £000	Change in market value £000	Closing value at 30 June 2024 £000
<b>DB Section</b>					
Bonds	478,556	170,698	(148,323)	8,247	509,178
Pooled investment vehicles	2,650,625	792,078	(947,075)	269,530	2,765,158
AVC investments	25,720	-	(1,217)	1,878	26,381
Insurance policies	28,100	-	-	(2,400)	25,700
	<u>3,183,001</u>	<u>962,776</u>	<u>(1,096,615)</u>	<u>277,255</u>	<u>3,326,417</u>
Cash	2,103				2,024
Other investment balances	4,510				5,809
<b>Total DB net investments</b>	<u><u>3,189,614</u></u>				<u><u>3,334,250</u></u>
<b>DC Section</b>					
Pooled investment vehicles	268,024	262,364	(344,777)	44,376	229,987
	<u>268,024</u>	<u>262,364</u>	<u>(344,777)</u>	<u>44,376</u>	<u>229,987</u>
Cash in transit	152				-
<b>Total DC net investments</b>	<u><u>268,176</u></u>				<u><u>229,987</u></u>
<b>Total net investments</b>	<u><u>3,457,790</u></u>				<u><u>3,564,237</u></u>

Bonds, cash and other investment balances include assets and liabilities which are presented separately in the Statement of Net Assets (Available for Benefits).

During the year the following significant events occurred:

- On 21 May 2024 part of the Fund's DC Section was transferred to a master trust with Aegon
- A private equity infrastructure fund was set up with BlackRock within the DB Section

Included within DC Section purchases and sales figures above are £15,732,000 in relation to members' switches between investment funds.

# THE PROCTER & GAMBLE PENSION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 11. Investments (continued)

An analysis of DC investment assets within pooled investment vehicles are allocated to members and the Trustee as follows:

	<b>2024</b> <b>£000</b>	<b>2023</b> <b>£000</b>
Allocated to members	229,987	267,991
Allocated to Trustee	-	33
	<u>229,987</u>	<u>268,024</u>

### Transaction costs

Transaction costs are included in the cost of purchases and deducted from sale proceeds in the reconciliation above. Direct transaction costs include costs charged to the Fund such as fees, commissions and stamp duty. BlackRock transaction costs for year were £699,580 (2023: Nil).

In addition, indirect costs are incurred through the bid-offer spread on pooled investment vehicles. It is not possible for the Trustee to quantify these indirect costs.

### 12. Investment management expenses

	<b>DB</b> <b>£000</b>	<b>DC</b> <b>£000</b>	<b>2024</b> <b>Total</b> <b>£000</b>	<b>DB</b> <b>£000</b>	<b>DC</b> <b>£000</b>	<b>2023</b> <b>Total</b> <b>£000</b>
Administration and management fees	1,604	-	1,604	1,208	-	1,208
	<u>1,604</u>	<u>-</u>	<u>1,604</u>	<u>1,208</u>	<u>-</u>	<u>1,208</u>

Administration and management fees includes consultancy fees from ALL, which have been charged for a full year and consultancy fees from Barnett Waddingham LLP (BW) for part of the year. Consultancy fees for Aon Investments Limited "AIL" the prior year were only charged for part of the year.

### 13. Taxation

The Fund is a registered pension scheme in accordance with the Finance Act 2004 and is exempt from income tax and capital gains tax, except for withholding tax on overseas investment income. This means that the contributions paid by both the Employer and the members qualify for full tax relief.

## THE PROCTER & GAMBLE PENSION FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

#### 14. Pooled investment vehicles

	DB £000	DC £000	2024 Total £000	DB £000	DC £000	2023 Total £000
Bond funds	1,523,175	10,828	1,534,003	1,462,557	56,946	1,519,503
Equity funds	1,061,053	208,691	1,269,744	1,188,068	207,377	1,395,445
Private equity	35,221	-	35,221	-	-	-
Property and infrastructure funds	-	8	8	-	-	-
Money Market - Sterling	-	18	18	-	3,701	3,701
Multi asset funds	-	8,998	8,998	-	-	-
Cash and liquidity funds	145,709	1,444	147,153	-	-	-
	<u>2,765,158</u>	<u>229,987</u>	<u>2,995,145</u>	<u>2,650,625</u>	<u>268,024</u>	<u>2,918,649</u>

The legal nature of the Fund's pooled arrangements is:

	DB £000	DC £000	2024 Total £000	DB £000	DC £000	2023 Total £000
Infrastructure	35,221	-	35,221	-	-	-
Limited liability insurance company	-	65	65	-	268,024	268,024
Managed via grant or trust agreement	760,378	-	760,378	976,326	-	976,326
Registered liquidity fund	145,709	-	145,709	-	-	-
Unit linked insurance policies	1,823,850	229,922	2,053,772	1,674,299	-	1,674,299
	<u>2,765,158</u>	<u>229,987</u>	<u>2,995,145</u>	<u>2,650,625</u>	<u>268,024</u>	<u>2,918,649</u>

#### Stock Lending

State Street acts as lending agent is collateralised by non-cash collateral with a margin of 102–110%. Collateral types and collateralisation levels are under continual review based on prevailing market conditions.

#### 15. Insurance policies

	DB £000	DC £000	2024 Total £000	DB £000	DC £000	2023 Total £000
Insurance policies	25,700	-	25,700	28,100	-	28,100

The Trustee holds insurance (annuity) policies with Phoenix Life and other companies which provide annuity income to cover pensions for certain members.

The policy was purchased in 1990 to buy-in annuities due to certain deferred members who were entitled to contingent or prospective benefits from the Gillette UK Pension Scheme. Annuities are issued by Phoenix Life and are valued by the Fund Actuary.

# THE PROCTER & GAMBLE PENSION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 15. Insurance policies (continued)

#### Key assumptions made during actuarial valuations

The bulk annuity policies have been valued using a roll-forward calculation based on the 30 June 2023 valuation of the annuity policy value.

The member data has been taken from the data provided for the valuation as at 30 June 2023, and the members identified as part of the populations insured with Phoenix Life as at 30 June 2023. No further updates to the member data have been provided as at 30 June 2024.

The assumptions are based on the Technical Provisions assumptions for the 30 June 2023 funding valuation, updated for changes in market conditions and capital market assumptions as at 30 June 2024.

### 16. AVC investments

	<b>DB £000</b>	<b>DC £000</b>	<b>2024 Total £000</b>	<b>DB £000</b>	<b>DC £000</b>	<b>2023 Total £000</b>
Clerical	264	-	264	255	-	255
Phoenix	25,463	-	25,463	25,463	-	25,463
Prudential	652	-	652	-	-	-
Utmost	2	-	2	2	-	2
	<b>26,381</b>	<b>-</b>	<b>26,381</b>	<b>25,720</b>	<b>-</b>	<b>25,720</b>

The Trustee holds assets which are separately invested from the main Fund to secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement made up to 30 June each year confirming the amounts held to their account and movements during the year.

A valuation at the year end for Phoenix has not been received, as a result the valuation shown above is based on the previous valuation, adjusted for subsequent cash movements.

AVC providers can be further analysed as:

	<b>2024 £000</b>	<b>2023 £000</b>
With profits	26,065	25,615
Unit trusts	111	105
Deposit fund	205	-
	<b>26,381</b>	<b>25,720</b>

# THE PROCTER & GAMBLE PENSION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 17. Cash and other investment balances

	DB £000	DC £000	2024 Total £000	DB £000	DC £000	2023 Total £000
Cash	2,024	-	2,024	2,103	152	2,255
Dividends and withholding tax	8,147	-	8,147	7,016	-	7,016
Unsettled sales	3,160	-	3,160	4,371	-	4,371
Unsettled purchases	(5,498)	-	(5,498)	(6,877)	-	(6,877)
	<u>7,833</u>	<u>-</u>	<u>7,833</u>	<u>6,613</u>	<u>152</u>	<u>6,765</u>

Dividends and withholding tax related to accrued income on bonds.

### 18. Fair value hierarchy

FRS 102 requires for each class of financial instrument an analysis of the level in the following fair value hierarchy into which the fair value measurements are categorised. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Level 1: The unadjusted quoted price in an active market for an identical asset or liability that the entity can access at the assessment dates;

Level 2: Inputs other than quoted prices included within Level 1 which are observable (i.e. developed using market data) for the asset or liability either directly or indirectly;

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Fund's investment assets and liabilities fall within the above hierarchy as follows:

DB Section	Level 1 £000	Level 2 £000	Level 3 £000	2024 Total £000
<b>Investment assets</b>				
Bonds	-	509,178	-	509,178
Pooled investment vehicles	-	2,729,937	35,221	2,765,158
Insurance policies	-	-	25,700	25,700
AVC investments	-	-	26,381	26,381
Cash	2,024	-	-	2,024
Other investment balances	11,307	-	-	11,307
	<u>13,331</u>	<u>3,239,115</u>	<u>87,302</u>	<u>3,339,748</u>
<b>Investment liabilities</b>				
Other investment balances	(5,498)	-	-	(5,498)
	<u>(5,498)</u>	<u>-</u>	<u>-</u>	<u>(5,498)</u>
	<u>7,833</u>	<u>3,239,115</u>	<u>87,302</u>	<u>3,334,250</u>

# THE PROCTER & GAMBLE PENSION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 18. Fair value hierarchy (continued)

	Level 1 £000	Level 2 £000	Level 3 £000	2024 Total £000
<b>DC Section</b>				
<b>Investment assets</b>				
Pooled investment vehicles	-	229,987	-	229,987
	-	229,987	-	229,987
	7,833	3,469,102	87,302	3,564,237
<b>DB Section</b>				
<b>Investment assets</b>				
Bonds	-	478,556	-	478,556
Pooled investment vehicles	-	2,650,625	-	2,650,625
Insurance policies	-	-	28,100	28,100
AVC investments	-	-	25,720	25,720
Cash	2,103	-	-	2,103
Other investment balances	11,387	-	-	11,387
	13,490	3,129,181	53,820	3,196,491
<b>Investment liabilities</b>				
Other investment balances	(6,877)	-	-	(6,877)
	(6,877)	-	-	(6,877)
	6,613	3,129,181	53,820	3,189,614
<b>DC Section</b>				
<b>Investment assets</b>				
Pooled investment vehicles	-	268,024	-	268,024
Cash	152	-	-	152
	152	268,024	-	268,176
	6,765	3,397,205	53,820	3,457,790

Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair values applies, valuation techniques are adopted and the investment assets or investment liabilities are included in Level 3.

Valuation techniques and assumptions in determining fair value are described in notes 3 and 15 in relation to insurance (annuity) policies.

# THE PROCTER & GAMBLE PENSION FUND

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 19. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks.

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

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

**Currency risk:** this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

**Interest rate risk:** this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

The Trustee determines their investment strategy after taking advice from a professional investment adviser. The Fund has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, by mandating their investment managers to invest in pooled funds which provide diversification across the underlying equities and fixed income investments. The performance of each pooled fund is measured monthly by external providers against the relevant benchmarks, and the investment managers provide quarterly reports showing the top-10 underlying investments within each pooled fund. Any investment performance which diverges significantly from the benchmark is investigated by the Trustee's investment adviser and reported to the Trustee, at which point any action to be taken is considered.

Further information on the Trustee approach to risk management, credit and market risk is set out below. This does not include the legacy insurance policies nor AVC investments as these are not considered significant in relation to the overall investments of the Fund.

### DB Section

#### Investment strategy

The investment objective of the DB Section is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the DB Section payable under the Trust Deed and Rules as they fall due.

The Trustee sets the investment strategy for the DB Section taking into account considerations such as the strength of the Employer covenant, the long term liabilities of the DB Section and the funding agreed with the Employer. The investment strategy is set out in its SIP.

The current strategy is to hold:

- 65% in investments that move in line with the long-term liabilities of the Fund. This comprises a range of UK and overseas government and corporate bonds via pooled investment vehicles to ensure investment risk diversification.
- 32% in return seeking investments comprising UK and overseas equities. This comprises a range of UK and overseas equities via pooled investment vehicles to ensure diversification of investment risk.
- 3% in alternative investments that provide long-term returns and inflation protection. This comprises a range of global infrastructure investments via pooled investment vehicles to ensure diversification of investment risk.



# THE PROCTER & GAMBLE PENSION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 19. Investment risks (continued)

#### DB Section (continued)

#### Investment strategy (continued)

Additionally, in 1990 the Trustee purchased annuities for a number of members of the former GUK Section from Phoenix Life, currently valued at £25.7 million (2023: £28.1 million). Annuity payments are received from Phoenix Life each month, with membership data being reconciled between Phoenix Life and the Fund administrators to ensure that the correct levels of benefits are received by the Fund.

As Phoenix Life are covered by the Financial Services Compensation Scheme, the Trustee does not consider any material level of any risk attached to the investment. The Prudential Regulation Authority oversees the assets held by Phoenix Life to meet its obligations, and any risks which the Authority identify are brought to Phoenix Life's attention for corrective action to be taken.

#### Credit risk

The Fund is subject to credit risk as the Fund invests in bonds, pooled investment vehicles, and has cash balances. The Fund invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in these vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

#### As at 30 June 2024

	Investment grade £000	Non- investment grade £000	Unrated £000	Total £000
Cash and other investment balances	7,833	-	-	7,833
Bonds	509,178	-	-	509,178
Pooled investment vehicles:				
Equities	1,061,053	-	-	1,061,053
Bonds	1,523,175	-	-	1,523,175
Liquidity	145,709	-	-	145,709
Infrastructure	-	-	35,221	35,221
	3,246,948	-	35,221	3,282,169

#### As at 30 June 2023

	Investment grade £000	Non- investment grade £000	Unrated £000	Total £000
Cash	99	-	-	99
Pooled investment vehicles:				
Equities	1,188,068	-	-	1,188,068
Bonds	1,462,557	-	-	1,462,557
Infrastructure	-	-	-	-
	2,650,724	-	-	2,650,724

# THE PROCTER & GAMBLE PENSION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 19. Investment risks (continued)

#### DB Section (continued)

#### Credit risk (continued)

The Fund's policy is to hold a diverse portfolio of high-quality sterling denominated bonds with the broad objective of achieving a yield in line with that of a typical AA rated bond index. The Trustee manages the associated credit risk by requesting the investment manager to diversify the portfolio to minimise the impact of default by any one issuer.

Cash is held within financial institutions which are at least investment grade credit rated.

The Fund's holdings in pooled investment vehicles are investment grade, with the exception of the infrastructure holding. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the regulatory and operating environment of the pooled manager.

A summary of pooled investment vehicles by type of arrangements is as follows:

	<b>2024</b> <b>£000</b>	<b>2023</b> <b>£000</b>
Unit linked insurance contracts	1,969,559	1,674,299
Managed via a Grantor Trust Agreement	760,378	976,326
Limited Partnerships (LP)	35,221	-
	<u>2,765,158</u>	<u>2,650,625</u>

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicles. At the year end the total value of underlying investments subject to credit risk was £884 million (2023: £808 million) as advised by the pooled managers. This risk is mitigated by requiring pooled managers to invest in at least investment grade credit rated investments.

There is some direct credit risk attached to the insurance policies whereby the insurance provider may cause financial loss to the Fund by failing to discharge its obligations; however, this is mitigated by the Trustee investing the annuity policy with a regulated insurance provider. The annuity policy matches the pensions secured and additional comfort is provided by the regulatory system under which the insurance company providing the legacy policy operates.

#### Currency risk

The Fund is subject to currency risk because some of the Fund's investments are held in overseas markets via pooled investment vehicles.

# THE PROCTER & GAMBLE PENSION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 19. Investment risks (continued)

#### DB Section (continued)

#### Currency risk (continued)

The Fund's total net unhedged exposure by major currency at the year-end was as follows:

Currency	2024 £000	2023 £000
US Dollar	680,672	740,612
Euro	93,534	99,491
Japanese Yen	65,333	67,771
Other	210,829	237,003
	1,050,368	1,144,877

The above analysis includes the net exposure to foreign currency arising from the underlying investment in the pooled investment vehicles held by the Fund as advised by the pooled investment managers. The managers are mandated to invest in pooled funds which provide diversification by virtue of investing in the underlying equities on the basis of their individual global market-weighting. The performance of each pooled fund is measured monthly by external providers against the relevant benchmarks, and the investment managers provide quarterly reports showing the top-10 underlying investments within each pooled fund. Any investment performance which diverges significantly from the benchmark is investigated by the Trustee's investment adviser and reported to the Trustee, at which point any action to be taken is considered.

The Fund is directly exposed to movements in the US dollar as it has investments of £760 million (2023: £976 million) and £41 million (2023: nil) as at the Fund year end in the BlackRock ACWI Equity Index Fund B and the BlackRock Global Infrastructure Fund IV respectively. This risk is known and accepted by the Trustee.

#### Interest rate risk

The Fund is subject to interest rate risk because some of the Fund's investments are held in bonds, either as segregated investments or via pooled investment vehicles, and cash. The managers are mandated to invest in pooled funds which provide diversification, by virtue of investing in the underlying fixed income investments. The performance of each pooled fund is measured monthly by external providers against the relevant benchmarks, and the investment managers provide quarterly reports showing the top-10 underlying investments within each pooled fund. Any investment performance which diverges significantly from the benchmark is investigated by the Trustee's investment adviser and reported to the Trustee, at which point any action to be taken is considered. The exposure to interest rate risk arising from the bond investments, either segregated investments or via pooled investment vehicles held by the Fund as advised by the pooled managers was as follows:

	2024 £000	2023 £000
<b>Direct</b>		
Bonds	509,178	478,556
<b>Indirect</b>		
Pooled investment vehicles	1,523,175	1,462,557
	2,032,353	1,941,113

# THE PROCTER & GAMBLE PENSION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 19. Investment risks (continued)

#### DB Section (continued)

##### Other price risk

Other price risk arises principally in relation to the Fund's investments held in pooled vehicles.

The Fund manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets. The investment managers maintain the underlying investments to reflect an individual company's weighting within the global stock market, and any adverse effect on an individual stock price is accompanied by a reduced holding in that company.

At the year end, the Fund's exposure to investments subject to other price risk was:

	<b>2024</b> <b>£000</b>	<b>2023</b> <b>£000</b>
Indirect		
Pooled investment vehicles	1,096,274	1,188,068

#### DC Section

##### Investment strategy

The Trustee's objective is to make available to members of the Fund an appropriate range of investment options designed to generate income and capital growth, which together with new contributions from members and their Employer, will provide a retirement amount with which the member can purchase a pension annuity (or other type of retirement product). The SIP outlines the investment objectives and strategy for the DC assets of the Fund.

The investment funds offered to members are white label funds managed by Aon (previously by State Street Global Advisors) as follows:

- a. Equities
- b. Gilts
- c. Corporate Bonds
- d. Money Market Sterling Liquid Funds

The Trustee has an investment management agreement in place with Aon (previously with State Street Global Advisors) that sets out guidelines for the underlying investments in pooled investment units held by their sub-funds. The day to day management of the underlying investments of the funds is the responsibility of the managers appointed by Aon (previously the responsibility of State Street Global Advisors' subsidiary Managed Pension Funds Limited), including the direct management of credit and market risks.

The Trustee monitors the underlying risks by quarterly reviews of Aon's investment performance against the allocated benchmark for each type of investment unit. Aon also provides quarterly factsheets for each of the investment funds, which identifies the top 10 largest individual holdings within each fund. The individual fund factsheets and the measurement of each fund against specific benchmarks, enables the Trustee to monitor investment performance and diversity.

# THE PROCTER & GAMBLE PENSION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 19. Investment risks (continued)

#### DC Section (continued)

##### Credit risk

The DC Section is subject to direct credit risk through its holding in units of the funds provided by Aon (previously in relation to State Street Global Advisors through its holding in unit linked funds provided by Managed Pension Funds Limited).

Aon Investments Limited is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. Aon Investments Limited invests all The Procter & Gamble Pension Fund's investments in other investment funds or reinsurance arrangements. In the event of default by Aon Investments Limited or any of the underlying managers the Fund is protected by the Financial Services Compensation Scheme.

The Trustee only invests in funds where the financial instruments and all counterparties are at least investment grade.

2024 and 2023	Credit risk	Foreign exchange risk	Interest rate risk	Other price risk
SSGA Managed Pension Funds Equities	N	Y	N	Y
SSGA Managed Pension Funds Index-Linked Gilts	Y	N	Y	-
SSGA Managed Pension Funds Money Market	Y	N	Y	-
SSGA Managed Pension Funds Corporate Bonds	Y	N	Y	Y
Global Equity Fund	N	Y	N	Y
Balanced Fund	Y	Y	Y	Y
Aon Managed Passive Corporate Bond Fund	Y	N	Y	Y
Aon Managed Short Term Inflation Linked Fund	Y	N	Y	-
Aon Managed Up to 5 Year Gilt Index Fund	Y	N	Y	-
Developed World Equity Fund	N	Y	N	Y
ESG Global Equity Fund	N	Y	N	Y
Aegon HSBC Islamic Global Equity Index Fund	N	Y	N	Y
Aegon BlackRock Emerging Markets Equity Index Fund	Y	Y	N	Y
Property and Infrastructure Fund	Y	Y	Y	Y
Pre-Annuity Bond Fund	Y	N	Y	Y
Aegon BlackRock All Stocks Gilts Index Fund	Y	N	Y	-
Aon Managed Liquidity Fund	Y	N	Y	-

# THE PROCTER & GAMBLE PENSION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 19. Investment risks (continued)

#### DC Section (continued)

##### Market risk

The DC Section is subject to indirect credit and market risk arising from the underlying investments held in the white label funds. The funds which have significant exposure to these risks are set out below:

The analysis of these risks set out above is at Fund level. Member level risk exposures will be dependent on the funds invested in by the individual member.

##### Market risk: Interest rates

The Fund is subject to interest rate risk because some of the Fund's investments are held in bonds, interest rate swaps, either as segregated investments or through pooled vehicles, and cash.

Investments in Gilt units and Index-Linked Gilt units give rise to Interest rate risks. There is a minor Interest rate risk attached to the Money Market investments such as the Aon Managed Sterling Liquidity Fund, but the majority of those have a maturity date of less than 90 days. This risk, for funds such as the Pre-Annuity Bond Fund, is mitigated as the annuities they are meant to track are also subject to the same interest rate risk and are expected to move in the same direction as the funds.

##### Market risk: Currency

The Fund is exposed to currency risk because some of its investments are held in overseas markets. For example, the Fund invests indirectly in overseas equities, bonds and property through a pooled investment vehicle. This risk is mitigated by investing in GBP denominated share classes of the relevant funds.

The investments in Gilt units, Index-Linked Gilt units and Money Market Sterling Liquidity units such as Aon Liquidity Fund units do not attract any currency risk.

To meet the investment strategy outlined in the SIP, the Trustee has selected the above funds, having considered the full spectrum of risks which members are likely to encounter.

A summary of pooled investment vehicles by type of arrangements is as follows:

	<b>2024</b>	<b>2023</b>
	<b>£000</b>	<b>£000</b>
Limited Liability Insurance Company	-	268,024
Unit-Linked Insurance Contract	<b>229,987</b>	-

##### Other price risk

Other risks arise as a result of changes in the market prices of the underlying investments across the range of the investment units made available to Fund members.

The Fund manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets. The investment managers maintain the underlying investment to reflect individual companies' weightings within the UK and global stock markets and any adverse effect on an individual stock price is accompanied by a reduced holding in that company.

At the year end, the Fund's exposure to investments subject to other price risk was:

	<b>2024</b>	<b>2023</b>
	<b>£000</b>	<b>£000</b>
<b>Indirect</b>		
Pooled investment vehicles	<b>213,165</b>	<b>207,377</b>

# THE PROCTER & GAMBLE PENSION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 20. Concentration of investments

The following investments, excluding UK Government securities, account for more than 5% of the Fund net assets of the Fund.

	2024		2023	
	£000	%	£000	%
<b>DB Section</b>				
BlackRock ACWI Equity Index Fund B	760,378	21.2	976,326	28.2
MPF Sterling Non-Gilts Bond All Stock	344,312	9.6	313,760	9.0
MPF Fundamental Index Global Equity Sub-Fund *	300,675	8.4	-	-
MPF UK Conventional Gilts Over 15 Years	293,929	8.2	172,379	5.0
BlackRock Aquila Life Corporate Bond All Stock Fund	245,569	6.8	322,123	9.3
MPF All World Equity Index **	-	-	211,742	6.1
BlackRock Aquila Life Corporate Bond Over 15 Years ***	-	-	220,064	6.3

### DC Section

Aegon Global Equity Fund *	201,162	5.6	-	-
MPF Pension Fund All World Developed Equity Index Sub-Fund **	-	-	181,820	5.2

\*New fund in the year

\*\*Disposed during the year

\*\*\*Less than 5% this year

### 21. Current assets

	DB	DC	2024	DB	DC	2023
	£000	£000	Total	£000	£000	Total
			£000			£000
Employer contributions due	2	717	719	2	477	479
Employee contributions due	1	3	4	42	106	148
Cash balances	29,082	496	29,578	5,699	2,003	7,702
Sundry debtors	383	29	412	2,805	-	2,805
Amounts due from other	-	1,141	1,141	-	855	855
Section						
Due from Employer	-	-	-	392	1	393
	29,468	2,386	31,854	8,940	3,442	12,382

All contributions due to the Fund were received in accordance with the Schedule of Contributions.

# THE PROCTER & GAMBLE PENSION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 22. Current liabilities

	DB £000	DC £000	2024 Total £000	DB £000	DC £000	2023 Total £000
Accrued expenses	1,001	-	1,001	602	-	602
Accrued benefits	495	-	495	3,380	-	3,380
HM Revenue & Customs	1,829	-	1,829	1,548	1	1,549
Other taxes payable	12	-	12	166	4	170
GMP	2,839	-	2,839	2,839	-	2,839
Amounts due to other Section	1,141	-	1,141	885	-	885
Other creditors	-	1	1	31	-	31
	<u>7,317</u>	<u>1</u>	<u>7,318</u>	<u>9,451</u>	<u>5</u>	<u>9,456</u>

### 23. Employer-related investments

The Fund had indirect holdings of The Procter & Gamble Co. ordinary shares through its pooled investment vehicles which amounted to 0.15% (2023: 0.28%) of the Fund's net assets at the year-end. At year end the Employer owed the Fund £Nil (0.00% of the Fund's net assets) (2023: 0.03% of the Fund's net assets).

### 24. Related party transactions

Related party transactions and balances comprise:

#### Key management personnel

Benefits paid in respect of Trustee Directors who are members of the Fund have been made in accordance with the Trust Deed and Rules.

The membership status of the Trustee Directors at the year end is as below:

#### Company Appointed Directors

A Smith (Chair) – active (2023: active)  
 C D Bragg – pensioner (2023: pensioner)  
 J Hollows – active (2023: active)  
 L Holmes – active (appointed 14 May 2024)  
 Dr C D Leahy – deferred (2023: deferred)  
 K Whitham – non-member (2023: non-member)  
 C Whittaker – active (appointed 19 March 2024)

#### Member-Nominated Directors

J Birch – pensioner (2023: pensioner)  
 R Fleming – active (2023: active)  
 C Millar – active (2023: active)  
 L Spearing – pensioner (2023: pensioner)



# THE PROCTER & GAMBLE PENSION FUND

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 25. Related party transactions (continued)

#### Employer and other related parties

The Principal Employer is considered a related party.

The participating Employer companies paid £Nil (2023: £1,218,000) to the Fund in respect of PPF levies previously paid by the Fund, this was paid through a mix of cash and a drawdown of deferred contributions.

In addition, Procter & Gamble UK has undertaken to cover any costs the Fund incurs in respect of death in service benefits. Amounts received from Procter & Gamble UK to cover deaths of members were £154,000 (2023: £80,000).

At the year end, £719,000 (2023: £872,000) was due from the participating Employer companies including £719,000 (2023: £479,000) for contributions which were received in the normal time period.

The surplus of the DB Section has been used to pay Employer normal contributions for the DC Section. During the year £13,969,000 (2023: £11,901,000) was transferred for this reason.

### 26. Contingent assets and liabilities

The June 2023 funding valuation indicated a funding level of 121.8%. The Schedule of Contributions dated 19 September 2024 requires no employer contributions payments to be made.

At the year end the value of funds held in Escrow were £4,106 (2023: £23,874). The funds in the Escrow account were invested in a cash account held with Citibank and used to pay bank fees.

A supplemental judgement has been issued regarding the impact of GMP equalisation on historic transfers out payments. The Trustee is aware that the issue will affect historic transfers paid from the Fund and are working with their advisers and administrators to identify the impacted member transfers and to then consider the next steps in the process.

#### Section 37 certificate ruling - Virgin Media case

In June 2023, the High Court found in the Virgin Media case that certain historic changes to benefits after 6 April 1997 for pension schemes contracted-out of the State Earnings Related Pension Scheme required confirmation by the scheme actuary that the change would not prevent the scheme from meeting the minimum benefit requirements of contracting-out. In July 2024, the Court of Appeal upheld the High Court's decision that unless the relevant certification was in place, the change is not legally binding. The Trustee notes that the Procter & Gamble DB main section and the Duracell section of the Fund were not contracted out and therefore this ruling would not impact their defined benefit obligations. The Trustee is considering, together with its advisers, whether or not this judgment has any impact on the benefits payable under the Fund. As such, a liability may be present relevant to the other sections of the Fund, but at this moment this liability has not been quantified as the Trustee await further guidance from the Department for Work and Pensions.

In the opinion of the Trustee, the Fund had no other contingent assets and liabilities as at 30 June 2024 (2023: £Nil).

# THE PROCTER & GAMBLE PENSION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### 27. Capital commitments

The Trustee has invested in a private equity arrangement where there are capital commitments which have not been fully drawn. Such commitments are detailed below:

<b>Manager</b>	<b>Total Commitment</b>	<b>Commitment Paid</b>	<b>Remaining Capital Commitment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
BlackRock	98,839	34,567	64,272
Total 2024	98,839	34,567	64,272
Total 2023	-	-	-

During the year the Trustee invested in a global infrastructure fund with BlackRock.

### 28. Guarantees

The Fund benefits from a Guarantee provided by The Gillette Company LLC (a US group company) which will, under certain circumstances, pay the liabilities due to the Fund by the UK employing companies.

### 29. Subsequent events

On 30th June 2024, one participating employer (Gillette Management LLC) ceased to employ active members of the Fund. Connected with this, the Trustee is likely to enter into a Flexible Apportionment Arrangement (FAA) with the participating employers and Procter & Gamble Technical Centres Limited in order to apportion any debt arising under Section 75 in the P&G Section of the Fund to Procter & Gamble Technical Centres Limited.

# THE PROCTER & GAMBLE PENSION FUND

## INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE PROCTER & GAMBLE PENSION FUND FOR THE YEAR ENDED 30 JUNE 2024

We have examined the Summary of Contributions to The Procter & Gamble Pension Fund for the Fund year ended 30 June 2024 which is set out on page 50.

### **Qualified statement about contributions payable under the Schedule of Contributions**

In our opinion, except for the effects of the departure from the Schedule of Contributions, contributions for the Fund year ended 30 June 2024 as reported in the Summary of Contributions and payable under the Trust Deed and Rules and recommendations of the Actuary and the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions and Fund Rules and recommendations of the Actuary (for the DC Section) certified by the Fund Actuary as follows:

- From 1 July 2023 to 19 October 2023 at least in accordance with the Schedule of Contributions certified by the actuary on 30 June 2023;
- From 20 October 2023 to 19 February 2024 at least in accordance with the Schedule of Contributions certified by the actuary on 20 October 2023; and
- From 20 February 2024 to 30 June 2024 at least in accordance with the Schedule of Contributions certified by the actuary on 20 February 2024.

### **Basis for qualified Statement about Contributions**

Employer normal and Employee normal contributions totalling £579,750 for the month ended 31 May 2024 were paid between two and three days later than the due date set out in the Schedules of Contributions.

### **Scope of work on statement about contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached Summary of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the Schedules of Contributions.

### **Respective responsibilities of trustee and the auditor**

As explained more fully in the trustee's responsibilities statement, the Fund's Trustee is responsible for preparing, and from time to time reviewing and if necessary, revising a Schedule of Contributions and for monitoring whether contributions are made to the Fund by the employer in accordance with the Schedules of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedules of Contributions and to report our opinion to you.

### **Use of our report**

This statement is made solely to the Trustee, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body for our work, for this statement, or for the opinion we have formed.



**Deloitte LLP**  
Statutory Auditor  
Birmingham, United Kingdom

Date: 31 January 2025

## THE PROCTER & GAMBLE PENSION FUND

### SUMMARY OF CONTRIBUTIONS FOR THE YEAR ENDED 30 JUNE 2024

During the year ended 30 June 2024 the contributions payable to the Fund were as follows:

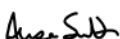
	DB Employers £000	DB Employees £000	DB Total £000	DC Employers £000	DC Employees £000	DC Total £000
<b>Contributions payable under the Schedules of Contributions as reported by the Fund auditor</b>						
Normal	19	7	26	21,589	27	21,616
Augmentation	793	-	793	-	-	-
<b>Contributions payable in addition to those payable under the Schedules of Contributions as reported by the Fund auditor</b>						
Additional voluntary	-	-	-	-	1,628	1,628
<b>Total contributions reported in the financial statements</b>	<b>812</b>	<b>7</b>	<b>819</b>	<b>21,589</b>	<b>1,655</b>	<b>23,244</b>

#### Late Contributions

Employer normal and Employee normal contributions totalling £579,750 for the month ended 31 May 2024 were paid between two and three days later than the due date set out in the Schedules of Contributions.

The Summary of Contributions was approved by the Trustee and signed on its behalf:

Trustee Director:

  
Alison Smith (Jan 31, 2025 14:35 GMT)

Trustee Director:



Date:

31st January 2025

# THE PROCTER & GAMBLE PENSION FUND

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## ACTUARIAL CERTIFICATE

### ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

Name of Fund: The Procter & Gamble Pension Fund

#### Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

I also certify that any rates of contributions forming part of this schedule which the Fund requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the schedule and the Statement of Funding Principles.

#### Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 19 September 2024.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Fund's liabilities by the purchase of annuities, if the Fund were to be wound up.

Signature:	<div style="border: 1px solid black; padding: 2px; display: inline-block;"><p>Signed by:</p><p>E3F67C4461E043A</p></div>	Date:	19 September 2024
Name:	Robert Mellor	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	3 The Embankment Sovereign Street Leeds West Yorkshire LS1 4BJ	Name of employer:	Aon Solutions UK Limited

# THE PROCTER & GAMBLE PENSION FUND

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## APPENDIX I - IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

### Implementation Statement ("IS")

#### The Procter and Gamble Pension Fund (the "Fund")

#### Fund Year End – 30 June 2024

The purpose of the Implementation Statement is for us, the Trustee of the Procter and Gamble Pension Fund, to explain what we have done during the year ending 30 June 2024 to achieve our objectives and implement our policies as set out in the Statement of Investment Principles ("SIP"). It includes:

1. A summary of any review and changes made to the SIP over the year;
2. How our policies in the SIP have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

#### Our conclusion

**Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.**

In our view, the Fund's investment managers were able to disclose good evidence of voting and/or engagement activity, that the activities completed by the managers align with our expectations regarding stewardship of the Fund's assets, and that our voting rights have been exercised effectively on our behalf.

Where managers have been unable to provide the full amount of information or did not provide the information in the format requested, we, along with our investment advisers, are engaging with these managers to set expectations regarding the provision of this data in the future and encourage improvement in future reporting.

## THE PROCTER & GAMBLE PENSION FUND

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### APPENDIX I - IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

#### Changes to the SIP during the year

We reviewed the SIP during the scheme year and updated it in January 2024 and May 2024.

The changes made included:

- Inclusion of the Fund's policy on illiquid assets;
- Inclusion of updated wording in light of the new guidance around the General Code;
- Updates to include a more comprehensive list of risks the Trustee looks to measure and mitigate against;
- Addition of Barnett Waddingham ("BW") alongside Aon as investment advisers to the Trustee;
- Updates to the Stewardship Policy to reflect the updated guidance released by the Department for Work and Pensions ("DWP");
- Revisions to the investment strategy to reflect the new infrastructure investment, including amendments to the target allocations.

The Fund's latest SIP can be found here: [SIP\\_Signed\\_May\\_2024.pdf](#)

Following the scheme year end, the SIP is undergoing a review to reflect the updated investment strategy for the DC section implemented in May 2024.

An updated SIP that includes the DC investment strategy changes is currently under review and will be published in February 2025.

# THE PROCTER & GAMBLE PENSION FUND

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## APPENDIX I - IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

### How the policies in the SIP have been followed

The Trustee outlines in the SIP several key objectives and policies. These are noted in *blue* in this report, together with an explanation of how these objectives and policies have been met and adhered to over the course of the year.

#### **Defined Benefit Section Policies**

##### **Ongoing Monitoring**

The Trustee receives regular investment updates from their investment adviser and receive quarterly monitoring reports from the individual investment managers. The Trustee's ongoing monitoring takes different forms, including investment performance monitoring, ad-hoc investment market updates and annual investment risk disclosures.

To measure funding risks, the Trustee receives a quarterly update from their actuarial adviser highlighting the value of the Fund's assets and liabilities. To measure asset risks, the Trustee also receives a quarterly monitoring report from their investment adviser outlining the valuation of all investments held at the end of each quarter. The report provides the performance of these investments over the quarter, on an annual basis and on a 3-year basis. Investment returns are compared with appropriate performance objectives to monitor the relative performance of these investments. The asset allocation is also monitored and compared to the strategic asset allocation set out in the SIP. If the bandwidths outlined in the SIP are breached, then the Trustee discusses and agrees whether or not to rebalance the assets to the Fund's central strategic asset allocation.

##### **Strategy**

As detailed in the SIP, the Fund's investment objective is as follows:

*The Trustee aims to invest the assets of the Fund to ensure that the benefits promised to members are provided. In setting investment strategy, the Trustee considered a range of different asset allocation strategies aimed at achieving a balance between the risk of deterioration in the funding level and the costs and funding requirements of the Fund. The asset allocation strategy has been selected after detailed consultation with the employer.*

An Asset Liability Modelling (ALM) study was presented by the sponsoring employer in early 2023 to assess the current strategy. Based upon the updated results, and after taking advice from Aon, the Trustee agreed to reduce the equity allocation and make a first allocation to index-linked gilts. Following further funding improvements, at the start of the scheme year, the Trustee agreed to further de-risking to improve the interest rate and inflation hedging of the asset strategy through switching assets to longer dated corporate bonds and more index-linked gilts.



## THE PROCTER & GAMBLE PENSION FUND

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### APPENDIX I - IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

Additionally, throughout the year there have also been discussions between the Trustee's investment advisers and sponsoring employer, regarding how alternative investments could help improve the Fund's risk and return profile and lessen the potential impact of inflation risks, whilst providing an attractive level of return. Based upon this and advice from Aon and the sponsoring employer, the Trustee agreed to reduce the strategic allocation to equities and use the proceeds to make an initial investment in Infrastructure assets. The selected BlackRock Infrastructure fund has steadily called capital over the first half of 2024 and has continued to do so post year-end.

Towards the end of the scheme year, discussions took place between the Trustee and the sponsoring employer regarding opportunities to diversify the equity holdings of the Fund. These discussions were motivated by high concentration risk within global equity markets increasing the volatility of the existing index tracking equity strategies. Following these discussions, and after taking advice from Aon, it was agreed to reduce the overall equity allocation back to target, and move 30% of the total equity allocation into a new equity fund tracking a fundamental index. This change was implemented in April 2024.

#### **Risk**

*The Trustee recognises that the key risk to the Fund is insufficiency of assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Defined Benefit Section's funding level and therefore contribute to funding risk.*

*Having set an investment objective which relates directly to the Fund's liabilities and implemented it using a range of fund managers, the Trustee's policy is to monitor, where possible, these risks quarterly.*

The Trustee reports on the risks associated with the Fund's investments annually in the investment risk disclosure report which accompanies the annual reports and accounts. In this report, the Trustee monitors the risks associated within the Fund's defined benefit investments, concentrating on market risks, credit risk, interest rate risk, and other price risks. Please refer to the "Ongoing Monitoring" section for further details on how risks within the Fund are monitored and reported.

# THE PROCTER & GAMBLE PENSION FUND

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## APPENDIX I - IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

### Defined Contribution Section Policies

#### Investment Objective

*In investing the assets, the Trustee's key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives.*

*They have taken into account members' likely circumstances, in particular members' attitudes to risk and a range of terms to retirement.*

*The key objective for the default investment strategy, so far as is reasonably practicable, is to provide a strategy that is suitable for meeting members' long and short-term investment objectives, taking into account members' circumstances.*

Over the course of the scheme year, the Trustee has provided members with a range of investment fund choices. For members who do not wish to make an active investment decision, a default lifestyle arrangement which targets a portfolio suitable for income drawdown in retirement is in place. This lifestyle gradually moves members from predominantly equities to a more diversified portfolio as they approach retirement. In addition, there were two further lifestyle arrangements (targeting annuity purchase and full cash lump sum respectively) and six self-select funds available which members could choose from depending on their risk appetite and if they were comfortable making their own investment decisions. Towards the end of the scheme year, the Trustee moved the DC section's investments on to the Aegon platform and implemented a new investment strategy managed by Aon, and a new default was put in place, targeting drawdown. The lifestyles targeting annuity purchase and cash lump sum were also replaced with new lifestyles. The new investment strategy provides members with an additional lifestyle arrangement (targeting a portfolio suitable for income drawdown in retirement with an ESG tilt) and an improved choice of twelve self-select funds. Given the previous investment strategy was in place for the majority of the scheme year, this statement mostly refers to this strategy.

The Trustee conducted a thorough review of the Fund's membership in 2021, which forms the basis of their understanding of members' attitudes to risk and likely at-retirement aims. This considered the membership's age, salary, contribution levels and term to retirement.

Importantly, this analysis formed the basis of the Trustee's decision to utilise the income drawdown lifestyle as the default investment strategy. Following the end of the scheme year, the Trustee commenced their triennial membership analysis to determine whether the investment strategy is still in line with any changes in members' attitudes to risk and suitable for meeting members' long and short-term investment objectives.

The Trustee has provided members over the course of the scheme year with suitable information so that they can make appropriate investment decisions based on their individual circumstances, including a member guide, access to their account online and members' annual benefit statement. Further information was provided to members prior to the implementation of the new strategy, including notifying members of how their savings would be invested and the new choices available to them.

## THE PROCTER & GAMBLE PENSION FUND

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### APPENDIX I - IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

#### **Risk Measurement and Management**

*The Trustee recognises the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations.*

*The Trustee also considers the following sources of risk:*

- *Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices.*
- *Risk of fund managers not meeting their objectives ("manager risk").*
- *Risk of the default fund being unsuitable for the requirements of some members*
- *The risk of fraud, poor advice or acts of negligence ("operational risk")*
- *Inflation risk: The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings.*
- *Concentration/market risk: Each investment manager is expected to manage properly diversified portfolios and to spread assets across a number of individual shares and securities.*
- *Currency risk: The Fund may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.*

On an ongoing basis, the Trustee is comfortable that the complex and interrelated risks associated with running the Fund were monitored and mitigated to a satisfactory degree via:

- The provision of annual benefits statements to members which set out their projected retirement outcomes (based on current fund value and assumptions about future investment returns and inflation).
- Monitoring provided by the investment adviser in relation to assets held in the investment strategy – including results of assessments of the investment manager's forward-looking credentials.
- The diversified nature of the default investment strategy and wider lifestyle and self-select range of vehicles available to members.
- The use of advisers and third-party service providers who are suitably qualified and experienced – and contracts in place with these advisers that include appropriate liability and compensation clauses.

During the scheme year, the Fund's advisers (Aon over the period from July 2023 to January 2024 and BW since January 2024) provided regular updates to the Trustee on areas for potentially increased risk, including difficult market conditions and ongoing geopolitical tensions. This allowed the Trustee to monitor risks over the year and make decisions as to the management of the DC investments.

# THE PROCTER & GAMBLE PENSION FUND

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## APPENDIX I - IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

### DB and DC Section Policies

#### Environmental, Social, and Governance ("ESG") Considerations

*In setting both the Defined Benefit Section's investment strategy and the Defined Contribution Section's default investment strategy, the Trustee's primary concern is to act in the best financial interests of the Fund and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.*

*In this context, 'risk' includes the risk that environmental, social and governance ('ESG') factors (including climate change) negatively impact the value of investments held if not understood and evaluated properly.*

*The Trustee takes the following steps to monitor and assess ESG related risks and opportunities:*

- *Periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Fund's assets and liabilities.*
- *Ask their investment advisers to model the Fund's climate change related financial risks and assess the options available to reduce those risks.*
- *Use ESG ratings information provided by their investment adviser, where relevant and available, to monitor the level of the Fund's investment managers' integration of ESG on a quarterly basis.*
- *Meet annually with each of the Fund's investment managers to understand and challenge the level of ESG integration within the managers' investment processes.*

In light of the increased regulations within the pensions industry relating to ESG considerations, the Trustee has established an ESG Sub Committee. The role of the ESG Sub Committee is to own matters directly relating to ESG considerations and assist the Trustee, to ensure the Fund is compliant with regulatory requirements, such as the Task-force on Climate-related Financial Disclosures (TCFD) framework, as well as support on other framework and guidance.

Over the year, the ESG Sub-Committee has received training from Aon to:

- Understand the broad spectrum of Responsible Investment and trends within the industry;
- Be aware of the regulations and guidance, including the mandatory requirements for Year 2 TCFD reporting;
- Have a high-level understanding of the climate change aspects within the General Code, and how this overlaps with TCFD.

The ESG Sub Committee has been progressing throughout the year towards meeting the TCFD requirements and will be publishing the Fund's second report as part of this year's annual reporting process. The TCFD establishes a set of eleven clear, comparable and consistent recommended disclosures about the risks and opportunities presented by climate change. The increased transparency encouraged through the TCFD recommendations is intended to lead to decision-useful information and therefore better-informed decision-making on climate-related financial risks.

The ESG Sub Committee developed a detailed action plan to meet the TCFD reporting requirements by the relevant deadline.



# THE PROCTER & GAMBLE PENSION FUND

## APPENDIX I - IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

As part of the ongoing monitoring, the Trustee also receives quarterly monitoring reports from their investment advisers, which includes an update on the rating of the managers on a variety of criteria. This includes a specific ESG rating to indicate the extent to which the investment advisers' research teams believe ESG matters are integrated into the investment managers' investment process. Aon evaluates levels of ESG integration by one of three descriptors: Limited, Integrated and Advanced. The equity and fixed income portfolios managed by the Fund's investment managers have been assessed as 'Integrated', suggesting that the fund management teams have taken appropriate steps to identify, evaluate and mitigate potential financially material ESG risks within the portfolios. BW evaluates levels of ESG integration by one of the three sustainability ratings: Low Conviction, Acceptable and High Conviction. For the Fund's new DC investments managed by Aon, BW rate the majority of the underlying funds as either Acceptable or High Conviction, are working towards undertaking a formal review and providing a rating for the remaining small subset of funds. Considering this view, the Trustee is satisfied with the extent of ESG integration in the Fund's investments.

The ESG Sub Committee is responsible, on behalf of the Trustee, for the development of the Trustee's stewardship and engagement action plan. In short, this concerns how the Fund can best use its influence from its investments to engage with the companies the Fund is invested in. On an annual basis as a minimum, the Trustee meets with the investment managers to review their stewardship and engagement activities.

With regards to voting and engagement for the Fund's investment managers, both managers identify climate change as one of their key focus areas.

The State Street World ESG Equity Index Fund was available to DC members. This fund, referred to within member documentation as the ESG Equity Fund, seeks to track the performance of the MSCI World ESG Universal Index. For the Fund's new investments, an ESG drawdown lifestyle option and new self-select ESG Equity Fund are available to DC members who wish to invest their pensions in a sustainable way.

### Arrangements with asset managers

*Before appointment of a new investment manager (or fund), the Trustee review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. As the Fund is expected to predominantly invest in passive, pooled vehicles, the Trustee has limited direct influence on the investment holdings, processes and policies in place. Whilst the Trustee will encourage investment managers to improve their practises where possible, they acknowledge that, in practice, managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors.*

*Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the investment manager but could ultimately replace the fund(s) in question where this is deemed necessary.*

*There is typically no set duration for arrangements with investment managers, although the continued appointment for all investment managers will be reviewed periodically, and at least every three years.*

### What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights. Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

## THE PROCTER & GAMBLE PENSION FUND

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### APPENDIX I - IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

Aon's Investment Manager Research ("IMR") Team are responsible for researching, rating and monitoring investment managers across all asset classes. This includes some aspects of the manager's alignment with the Trustee's policies generally, for example, whether the manager is expected to achieve the performance objective and a review of their approach to ESG issues. The IMR Team meet with the managers regularly and receive a quarterly update on the portfolio, performance and any major developments (such as changes to the business).

BW's Manager Research Team ("MRT") is responsible for researching, rating and monitoring investment managers across all asset classes. This research is used by BW to provide ratings and updates to the Trustee for the Fund's DC investments as part of the quarterly monitoring process and at meetings, where required. This includes some aspects of the manager's alignment with the Trustee's policies for the DC section generally, for example, whether the manager is expected to achieve the performance objective and a review of their approach to ESG issues. The MRT receives ongoing updates on the underlying funds' portfolios, performance and any major developments (such as changes to the business).

The awareness regarding potential ESG risks in the investment strategy is also considered as part of monitoring and assigning the overall rating to the fund.

#### **Cost transparency**

*The Trustee is aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Fund assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by their investment managers that can increase the overall cost.*

*The Trustee collects annual cost transparency reports covering all of their investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template. This allows the Trustee to understand exactly what they are paying their investment managers.*

The Trustee has appointed ClearGlass to provide annual Cost Transparency report to record and analyse the costs incurred by their investment managers for the management of the Fund's assets. The calendar year 2022 cost report was reviewed by the Trustee during the year, with the 2023 report reviewed shortly after year-end.

For the DC Section, the Trustee provides cost information on their investments annually within the Chair's Statement in the Trustee Report & Accounts. The Trustee reviewed the data which included both explicit and implicit costs and charges. As part of a standalone Value for Members assessment, Aon, on behalf of the Trustee, also reviewed the member borne costs against expected charges for a similar sized arrangement, and none appeared to be unreasonable in their view.

Across both DB and DC sections, costs and charges were very low relative to similar pension scheme arrangements. These lower fees are partially driven by Procter & Gamble ("the company") using its global scale to negotiate competitive investment charges with all investment managers used by the Fund.

## THE PROCTER & GAMBLE PENSION FUND

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### APPENDIX I - IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

Particularly with regard to the DC section, fees within the default arrangement (as measured by the Total Expense Ratio) range from 0.080% to 0.089% p.a., depending on members term to retirement – significantly below the 0.75% charge cap for schemes that are used for auto-enrolling their employees.

### Our Engagement Action Plan

Based on the work we have done for the IS, we have decided to take the following steps over the next 12 months:

1. State Street Global Advisors (“SSGA”) did not provide any information requested for the Fund’s fixed income fund. The manager informed us that it does not track engagement examples at the fund-level when engagement information was requested. The manager also highlighted that it does not track the “Outcome of Vote” information required in the Pensions and Lifetime Savings Association (“PLSA”) voting questionnaire for its equity funds. We will meet with the manager to better understand their engagement practices and discuss the areas which are behind those of their peers. Given the assets for the DC section have now moved from SSGA, no further action will be taken by BW.
2. BlackRock did not provide engagement data for Global Infrastructure Fund IV. We will meet with the manager to better understand their engagement practices and discuss the areas which are behind those of their peers.
3. We will undertake continued ESG monitoring of our managers.
4. We will undertake an annual review of our investment managers’ Responsible Investment policies to ensure they are in line with our own.

# THE PROCTER & GAMBLE PENSION FUND

## APPENDIX I - IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

### Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Fund's investments is an important factor in deciding whether a manager remains the right choice for the Fund.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Fund's equity-owning investment managers to responsibly exercise their voting rights.

### Voting statistics

The table below shows the voting statistics for each of the Fund's material funds with voting rights for the year to 30 June 2024.

Section	Funds	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
DB	BlackRock - ACWI Equity Index Fund	46,851	97.0%	7.5%	1.5%
	SSGA - All World (ESG Screened) Equity Index Sub-Fund <sup>(1)</sup>	70,253	96.8%	16.3%	1.1%
DC	SSGA - All World Developed (ESG Screened) Equity Index Fund	30,945	93.2%	12.3%	0.3%
	SSGA - As Of Priced Emerging Markets (ESG Screened) Equity Index Fund	38,608	96.9%	18.3%	1.9%
	SSGA -World ESG Equity Index Fund	21,299	99.2%	7.8%	0.2%

Source: Managers. Please note that the 'abstain' votes noted above are a specific category of vote that has been cast, and are distinct from a non-vote. (1) Redeemed 19 Apr 2024

### Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on various issues. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Fund's managers use proxy voting advisers.

Managers	Description of use of proxy voting adviser(s) (in the managers' own words)
BlackRock	"We use Institutional Shareholder Services' ("ISS") electronic platform to execute our vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, we work with proxy research firms who apply

### Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

### Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.



## THE PROCTER & GAMBLE PENSION FUND

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### APPENDIX I - IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

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our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

While we subscribe to research from the proxy advisory firms ISS and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research."

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State Street Global Advisors  
(SSGA)

"We use a variety of third-party service providers to support our stewardship activities. Data and analysis from service providers are used as inputs to help inform our position and assist with prioritization. However, all voting decisions and engagement activities are undertaken in accordance with our in-house policies and views, ensuring the interests of our clients remain the sole consideration when discharging our stewardship responsibilities. We have contracted Institutional Shareholder Services ("ISS") to assist us with managing the voting process at shareholder meetings. We use ISS to: (1) act as our proxy voting agent (providing State Street Global Advisors with vote execution and administration services), (2) assist in applying our voting guidelines, (3) provide research and analysis relating to general corporate governance issues and specific proxy items, and (4) provide proxy voting guidelines in limited circumstances. In addition, we also have access to Glass Lewis and region-specific meeting analysis provided by the Institutional Voting Information Service. Research and data provided by these third parties complement our in-house analysis of companies and individual ballot items. All final voting decisions are based on our proxy voting policies and in-house operational guidelines."

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Source: Managers

#### Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Fund's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Fund's investment strategies. A sample of these significant votes can be found in the appendix.

## THE PROCTER & GAMBLE PENSION FUND

### APPENDIX I - IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

#### Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure.

The table below shows some of the engagement activity carried out by the Fund's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e. is not necessarily specific to the funds invested in by the Fund.

Section	Funds	Number of engagements		Themes engaged on at a strategy-level
		Fund specific	Firm level	
DB	BlackRock - ACWI Equity Index Fund	2,016		Environment - Climate Risk Management; Water & Waste; Other Company Impacts Social - Human Capital Management; Social Risks/Opportunity; Diversity & Inclusion Governance - Corporate Strategy; Board Composition & Effectiveness; Remuneration
DB	BlackRock - Aquila Life Over 15 Year Corporate Bond Index Fund	59		Environment - Climate Risk Management Social - Human Capital Management Governance - Corporate Strategy; Remuneration; Board Effectiveness - Independence/Oversight
DB	BlackRock - Global Infrastructure Fund IV	Not provided	3,768	Environment* - Climate & Natural Capital Social* - Company Impacts on People Governance* - Board Quality and Effectiveness Strategy, Financial & Reporting* - Strategy & Finance Resilience Other* - Incentives Value Creation
DB	BlackRock - High Quality Long Duration Corporate Bonds (Segregated Mandate)	29		Environment - Climate Risk Management; Other Company Impacts Governance - Board Effectiveness - Independence/Oversight; Sustainability Reporting; Corporate Strategy
DB	BlackRock - Aquila Life All Stocks Corporate Bond Index Fund	228		Environment - Climate Risk Management Social - Human Capital Management Governance - Remuneration; Corporate Strategy; Board Composition & Effectiveness
DB	SSGA - All World (ESG Screened) Equity Index Sub-Fund <sup>1</sup>	558		Social - Shareholder Proposal Governance - Board Refreshment; Board Leadership; Director Time Commitments Strategy, Financial & Reporting - Strategy & Risk & Control
DC	SSGA - All World Developed (ESG Screened) Equity Index Fund	563	768	Environmental - Deforestation and Land Use, Plastics, Packaging Circularity and Waste Management, Shareholder Proposal, Water Management and Aquatic Ecosystems, Climate Transition Plan Stewardship Priorities - Climate-related Reporting, COVID-19, Corporate Culture, Gender Diversity, Human Capital, Racial Equity and Board Accountability Social - Cybersecurity, Human rights, Political, Shareholder Proposal, Supply Chain Management and Safety Compensation - Excessive pay, One-off payments, Overall compensation matters, Remuneration Consultation, Poor Disclosure, Poor structure, Retesting/Repricing and Severance/Golden Parachute Governance - Board Leadership, Board Refreshment, Board Structure, Director Time Commitments, Shareholder Proposal, Shareholder Rights and Succession Issues Strategy - Capital Related and Strategy, Risk and Internal Controls
DC	SSGA - As Of Priced Emerging Markets (ESG)	7	768	Environmental - Deforestation and Land Use, General, Water Management and Aquatic Ecosystems and Climate Transition Plan

## THE PROCTER & GAMBLE PENSION FUND

### APPENDIX I - IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

Section	Funds	Number of engagements		Themes engaged on at a strategy-level
		Fund specific	Firm level	
	Screened) Equity Index Fund			Stewardship Priorities – Climate-related Reporting, Corporate culture, Gender diversity and Human capital Compensation – Excessive Pay, One-off payments, Overall compensation matters and Poor Structure Strategy - Capital Related, Strategy, Risk and Internal Controls
DC	SSGA – World ESG Equity Index Fund	549		Environmental – Deforestation and Land Use, Plastics, Packaging, Circular and Waste Management, Shareholder Proposal, Water Management and Aquatic Ecosystems and Climate Transition Plan Stewardship Priorities - Climate-related Reporting, Corporate Culture, Gender Diversity, Human Capital, Racial Equity, COVID -19 and Board Accountability Compensation - Overall compensation matters, Poor Disclosure, Excessive pay, One-off payments, Poor structure, Remuneration Consultation, Retesting/Repricing and Severance/Golden Parachute Governance - Board Refreshment, Board Leadership, Board Structure, Director Time Commitments, Shareholder Proposal, Shareholder Rights and Succession Issues Social – Human Rights, Political, Cybersecurity, Supply Chain Management, Safety and Shareholder Proposal Strategy – Capital Related, Strategy, Risk and Internal Controls
DC	SSGA – Sterling Non-Gilts Bond All Stocks (ESG Screened) Index Fund	Not provided		Not provided

Source: Managers.

\*BlackRock did not provide strategy-level themes for the Global Infrastructure Fund IV; themes provided are at a firm-level. (1)  
Redeemed 19 Apr 2024.

#### Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- SSGA did not provide any information requested for the Fund's fixed income fund. The manager informed us that it does not track engagement examples at the fund-level when engagement information was requested. The manager also highlighted that it does not track the "Outcome of Vote" information required in the PLSA voting questionnaire for its equity funds.
- BlackRock did not provide engagement data for the Global Infrastructure Fund IV.

This report does not include commentary on certain asset classes such as gilts or cash because of the limited materiality of stewardship to these asset classes. Further, this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Fund's assets that are held as AVCs.

## THE PROCTER & GAMBLE PENSION FUND

### APPENDIX I - IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

#### Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Fund's managers. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below:

DB	BlackRock - ACWI Equity Index Fund	<b>Company name</b>	Eicher Motors Limited
		<b>Date of vote</b>	23 August 2023
		<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	Not provided
		<b>Summary of the resolution</b>	Re-elect Siddhartha Vikram Lal as Director
		<b>How you voted?</b>	Votes supporting resolution
		<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	We endeavour to communicate to companies when we intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. We publish our voting guidelines to help clients and companies understand our thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. Our voting decisions reflect our analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and our active investment colleagues.
		<b>Rationale for the voting decision</b>	BlackRock Investment Stewardship supported management's recommendation on the election of the CEO to the board of directors based on the company's responsiveness to shareholder concerns, including its announcement of a review of board and committee composition.
		<b>Outcome of the vote</b>	Pass
		<b>Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	BlackRock's approach to corporate governance and stewardship is explained in our Global Principles. Our Global Principles describe our philosophy on stewardship, including how we monitor and engage with companies. These high-level principles are the framework for our more detailed, market-specific voting guidelines. We do not see engagement as one conversation. We have ongoing direct dialogue with companies to explain our views and how we evaluate their actions on relevant ESG issues over time. Where we have concerns that are not addressed by these conversations, we may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, we monitor developments and assess whether the company has addressed our concerns.
		<b>On which criteria have you assessed this vote to be most significant?</b>	Board quality and effectiveness
DB	SSGA – All World (ESG Screened) Equity Index Sub-Fund	<b>Company name</b>	Amazon.com, Inc.

## THE PROCTER & GAMBLE PENSION FUND

### APPENDIX I - IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

		<b>Date of vote</b>	22 May 2024
		<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	2.54
		<b>Summary of the resolution</b>	Disclose All Material Scope 3 GHG Emissions
		<b>How you voted?</b>	Votes against resolution
		<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	We do not publicly communicate our vote in advance.
		<b>Rationale for the voting decision</b>	This proposal does not merit support as the company's climate-related disclosures are reasonable.
		<b>Outcome of the vote</b>	Not provided
		<b>Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	Where appropriate we will contact the company to explain our voting rationale and conduct further engagement.
		<b>On which criteria have you assessed this vote to be most significant?</b>	SH - Environmental Proposal
DC	SSGA – All World Developed (ESG Screened) Equity Index Fund	<b>Company name</b>	Amazon.com, Inc.
		<b>Date of vote</b>	24-May-2023
		<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	~2.6%
		<b>Summary of the resolution</b>	Report on Impact of Climate Change Strategy Consistent With Just Transition Guidelines
		<b>How you voted</b>	Abstain
		<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	SSGA do not publicly communicate their vote in advance.
		<b>Rationale for the voting decision</b>	SSGA did not provide their rationale for the vote against the resolution
		<b>Outcome of the vote</b>	Not provided
		<b>Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.
		<b>On which criteria have you assessed this vote to be "most significant"?</b>	SH - Environmental Proposal
DC	SSGA – As Of Priced Emerging Markets (ESG Screened) Equity Index Fund	<b>Company name</b>	OTP Bank Byrt
		<b>Date of vote</b>	26-Apr-24
		<b>Approximate size of fund's/mandate's holding as at</b>	~0.2%

## THE PROCTER & GAMBLE PENSION FUND

### APPENDIX I - IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

		the date of the vote (as % of portfolio)	
		Summary of the resolution	Approve Remuneration Policy and Authorise Supervisory Board to Define Remuneration Rules in Details
		How you voted	Against
		Where you voted against management, did you communicate your intent to the company ahead of the vote?	SSGA do not publicly communicate their vote in advance.
		Rationale for the voting decision	This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.
		Outcome of the vote	Not provided
		Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.
		On which criteria have you assessed this vote to be "most significant"?	Compensation
DC	SSGA – World ESG Equity Index Fund	Company name	Berkshire Hathaway Inc.
		Date of vote	4-May-24
		Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	~0.6%
		Summary of the resolution	Establish Environmental/Social Issue Board Committee
		How you voted	Against
		Where you voted against management, did you communicate your intent to the company ahead of the vote?	SSGA do not publicly communicate their vote in advance.
		Rationale for the voting decision	This item does not merit support due to concerns with the terms of the proposal.
		Outcome of the vote	Not provided
		Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.
		On which criteria have you assessed this vote to be "most significant"?	SH - E&S Proposal

Source: /Managers

# THE PROCTER & GAMBLE PENSION FUND

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## APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

### The Procter & Gamble Pension Fund

#### Chair's statement regarding the governance of defined contribution arrangements Fund Year - 1 July 2023 to 30 June 2024

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#### Introduction

This statement has been prepared by the Trustee of The Procter & Gamble Pension Fund ("the Trustee" and "the Fund" respectively), to report on compliance with governance standards.

The Fund is a hybrid arrangement as it provides both Defined Benefit (DB) and Defined Contribution (DC) benefits.

The governance standards apply to DC arrangements and are designed to help members achieve good outcomes from their pension savings.

This statement covers the Fund year 1 July 2023 to 30 June 2024 ('the Reporting Period').

#### The Fund's DC arrangements

The Fund's DC arrangements comprise:

Main DC Section of the Fund, the GGRP Section and DB Additional Voluntary Contributions (AVCs) are referred to collectively as the 'DC Section'.

AVCs provided through 'bundled' service arrangements (administration, investment and communication services) with Clerical Medical, Phoenix Life and Prudential and referred to collectively as the 'AVC Section'. These provide additional benefits for members of the Defined Benefit Section, (the 'DB Section').

These arrangements are open to future service contributions.

There has been a significant amount of change during the Reporting Period including:

The Fund's DC Section administration transferred to Aon Solutions Limited from Capita Pension Solutions Limited in May 2024.

DC Section assets were transferred from the management of State Street Global Advisors ('SSGA') to Aon Investments Limited in May 2024.

The Fund's DC Section advisors transferred to Barnett Waddingham from Aon Investments Limited.

The Trustee undertook a number of bulk transfers of its deferred members to the newly created Procter & Gamble Section of the Aon Master Trust, following advice from Aon Solutions Limited.

The Principal Employer, Procter & Gamble Limited, uses the Fund as a 'Qualifying Scheme' in order to satisfy its auto-enrolment obligations.

#### Default investment arrangements

Following the changes to the investment default strategy and fund range during the Reporting Period, the Fund has one default investment strategy for the purposes of the governance standards – P&G Default Lifestyle: Drawdown ("drawdown" or the "new default") at the end of the Reporting Period.

# THE PROCTER & GAMBLE PENSION FUND

## APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

### The new default – Drawdown

For members who are auto-enrolled into the Fund's DC Section and do not make an alternative selection, contributions are invested in the new default. The key features include:

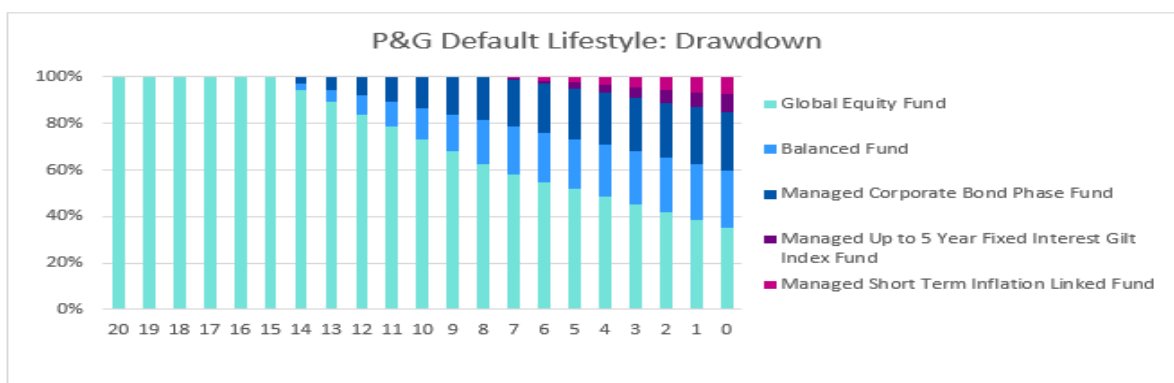
Using a 'lifestyle' strategy to automatically reduce risk/volatility in the years approaching retirement age.

Up until 15 years before a member's retirement age, the default allocates 100% to the Global Equity Fund.

Over the 15 years to a member's retirement age, the default automatically and gradually switches out of the Global Equity Fund into a mixture of different assets targeting greater stability. Investment in the Global Equity Fund reduces to a 35% allocation. This aims to invest members in an appropriate way for them to start flexible access to their benefits.

Details of the new default are set out in the attached 'Statement of Investment Principles', dated 21 May 2024. This covers the investment policy in relation to the entire Fund. The document can be found online at <https://www.pg.co.uk/pension-fund-scheme-information/>

A chart to illustrate how member funds are switched is shown below.



### Aim of the new default

The Trustee's key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. The lifestyle options aim to achieve returns above inflation over the long term and to be appropriate for members targeting different methods of accessing their pension at retirement, either through drawdown, annuity purchase or cash lump sum.

### The old defaults

DC Section assets were transferred from the old defaults to the new default in May 2024. The old defaults consisted of the 'Drawdown Lifestyle Strategy' and the 'Cash Lifestyle Strategy', which were both closed. A new default investment arrangement was created, 'Drawdown'. Details of the old defaults are included below.

### The Drawdown Lifestyle Strategy

The Drawdown Lifestyle Strategy (the "primary default") was previously used for any new members of the Fund.



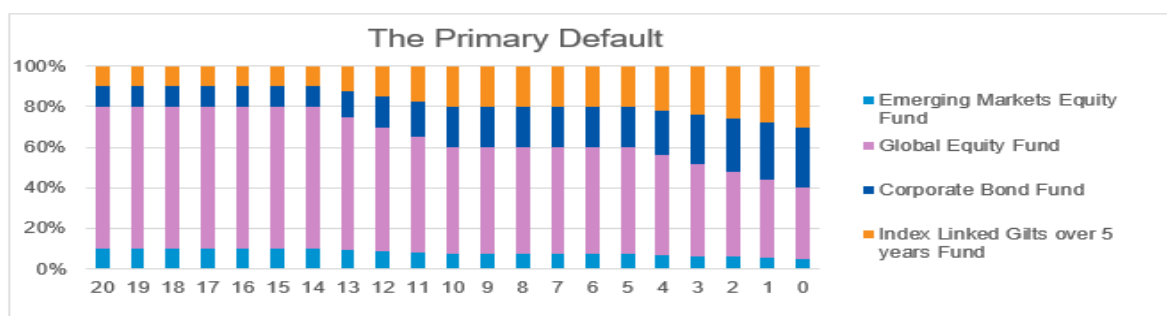
# THE PROCTER & GAMBLE PENSION FUND

## APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

The primary default used a lifestyle approach to reduce risk gradually and automatically in the 14 years approaching a member's selected retirement age.

Members were invested 80% in equities and 20% in fixed interest investments until 14 years before a member's retirement date. A portion of the equity investments were then gradually switched into the fixed interest funds such that at 10 years before a member's retirement date, the default was invested 60% in equities and 40% in fixed interest investments. The investment split remained unchanged until the final 5 years before the member's retirement date, at which point there was a further gradual switch of equity investments to fixed interest investments such that at a member's normal retirement date, the default was invested 40% in equities and 60% in fixed interest investments.

A chart to illustrate how member funds were switched is shown below.



### The Cash Lifestyle Strategy

The Cash Lifestyle Strategy (the "additional default"), was previously created in respect of AVCs that had been switched within the Fund.

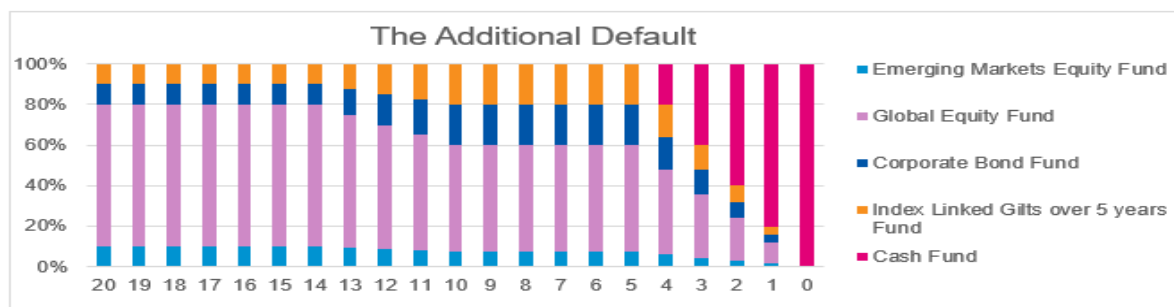
The additional default also used a lifestyle approach to reduce risk gradually and automatically in the 14 years approaching a member's selected retirement age. It was felt to be appropriate for members who wished to access their savings as one or more cash lump sums over a relatively short time period in retirement.

The additional default arrangement was invested in exactly the same way as the primary default arrangement until a point 5 years from a member's retirement age. At this point the investments were gradually switched from a 60% equity and 40% fixed interest allocation to the Cash fund, such that they were invested 100% in the Cash fund at a member's normal retirement age.

A chart to illustrate how member funds were switched is shown below.

# THE PROCTER & GAMBLE PENSION FUND

## APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)



### Review of the default

The default was not formally reviewed during the period covered by this statement. The last review was completed on 28 September 2021. The next one is underway, to be completed outside of the current reporting period.

An informal review of the new default was carried out in the October 2023 in preparation for moving to the new DC investment strategy managed by Aon.

On 22 May 2024, the Trustee moved the DC section's assets to a new investment strategy managed by Aon. Following the move, the new default was put in place targeting drawdown.

### Alternative Lifestyles

The lifestyles targeting annuity purchase and cash lump sum were replaced with new lifestyles. The new investment strategy provides members with an additional lifestyle that targets a portfolio suitable for income drawdown in retirement with an ESG tilt, and an improved choice of 12 self-select funds.

### Ongoing Monitoring

The Trustee monitors the performance of all investment options, including the default, on a quarterly basis. These quarterly reviews are part of the regular governance of the Fund and do not constitute a formal review of the default, which ordinarily follows a three-year cycle.

The Trustee has been unable to assess the performance of the new default against the set aims due to the short period of time the assets have been invested over the reporting period.

### Asset allocation of the new default

We have provided further details in the table below of the underlying asset allocation of the new default investment arrangement. We have provided this information in line with statutory guidance.

Within the new default investment arrangement, the underlying assets change over time. Asset allocations are shown for members aged 25, 45, 55 and 1 day before retirement age, all assuming retirement at age 65.

## THE PROCTER & GAMBLE PENSION FUND

### APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

#### Default Investment Arrangement

Asset Class	Allocation (%) 25-year-old	Allocation (%) 45-year-old	Allocation (%) 55-year-old	Allocation (%) 1 day before retirement age (65)
Cash	0%	0%	0%	0%
Bonds	0%	0%	20%	52.5%
Listed Equities	100%	100%	80%	47.5%
Private Equity	0%	0%	0%	0%
Infrastructure	0%	0%	0%	0%
Property/Real Estate	0%	0%	0%	0%
Private Debt/Credit	0%	0%	0%	0%
Other	0%	0%	0%	0%

#### Asset allocation of the old defaults

We have provided further details in the table below of the underlying asset allocation of the default investment arrangements mentioned above. We have provided this information in line with statutory guidance.

Within the default investment arrangements, the underlying assets change over time. Asset allocations are shown for members aged 25, 45, 55 and 1 day before retirement age, all assuming retirement at age 65.

#### The Drawdown Lifestyle Strategy

Asset Class	Allocation (%) 25-year-old	Allocation (%) 45-year-old	Allocation (%) 55-year-old	Allocation (%) 1 day before retirement age (65)
Cash	0%	0%	0%	0%
Bonds	20%	20%	40%	60%
Listed Equities	80%	80%	60%	40%
Private Equity	0%	0%	0%	0%
Infrastructure	0%	0%	0%	0%

## THE PROCTER & GAMBLE PENSION FUND

### APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

Property/Real Estate	0%	0%	0%	0%
Private Debt/Credit	0%	0%	0%	0%
Other	0%	0%	0%	0%

#### The Cash Lifestyle Strategy

Asset Class	Allocation (%) 25-year-old	Allocation (%) 45-year-old	Allocation (%) 55-year-old	Allocation (%) 1 day before retirement age (65)
Cash	0%	0%	0%	100%
Bonds	20%	20%	40%	0%
Listed Equities	80%	80%	60%	0%
Private Equity	0%	0%	0%	0%
Infrastructure	0%	0%	0%	0%
Property/Real Estate	0%	0%	0%	0%
Private Debt/Credit	0%	0%	0%	0%
Other	0%	0%	0%	0%

#### Core financial transactions

The Trustee has a duty to ensure that 'core financial transactions' are processed promptly and accurately.

Core financial transactions comprise the following:

- payment investment of contributions
- transfers into and out of the Fund
- investment switches within the Fund
- payments out of the Fund

Core financial transactions for the DC Section are undertaken by Aon, the administrator.

Core financial transactions for the AVC arrangements are undertaken by Clerical Medical, Prudential and Phoenix Life respectively.

# THE PROCTER & GAMBLE PENSION FUND

## APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

### Controls and monitoring arrangements

The controls in place in relation to ensuring the promptness and accuracy of core financial transactions are:

The Trustee had Service Level Agreements (SLA) in place with Capita, the prior administrator, after which new ones were put in place with Aon when they took over. The SLA sets out the timeline standards expected for each of the Fund's main administration tasks, including the core financial transactions.

Capita - Core financial transaction	Service level
Contribution/allocations	3 working days
Transfer payments in	5 working days
Transfer payments out	5 working days
Investment switches	5 working days
Retirement payments out of the Fund	5 working days
Death	5 working days

Aon - Core financial transaction	Service level
Contribution/allocations	1 working day
Transfer payments in	3 working days
Transfer payments out	3 working days
Investment switches	1 working day
Retirement payments out of the Fund	5 working days
Death	20 working days

The Trustee receives quarterly reports on performance against the SLA from the administrator and reviews the latest report at each quarterly Governance Sub-Committee meeting. Where necessary, questions are raised to ensure service levels are met. The administration report enables the Trustee to see whether there are any unresolved administration issues each quarter and to clarify what actions are being taken.

In terms of accuracy, Capita worked to set controls and processes, including full member reconciliations which were undertaken annually in preparation for the Fund's Annual Report and Accounts. Capita also undertook monthly cash and unit reconciliation, investigating any discrepancies, as well as monitoring bank account overdrafts on a daily basis.

The Trustee continued to work through actions resulting from the Capita data breach in March 2023, issuing communications to members where required.

An additional measure that helps to monitor the accuracy of core financial transactions is the external audit of the Fund's annual report and accounts.

# THE PROCTER & GAMBLE PENSION FUND

## APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

Any material issues uncovered regarding inaccuracies with core financial transactions are included within the administrator's quarterly reporting to the Trustee.

### Performance during the Fund year

The Trustee received quarterly reports from the administrator during the Fund year whereby Capita did not meet SLA targets of 90%, with overall performance for SLA attainment at 75%. The Trustee has viewed this poor performance seriously and took the decision to replace Capita as the administrator.

The Trustee was unable to assess Aon due to the limited period acting as the appointed administrator within the Fund year, having taken over in May 2024.

### Assessment

The Trustee recognises the varied administrative performance from Capita, noting periods where core financial transactions were not processed promptly. However, in light of the change away from Capita to Aon, the Trustee is expecting a significant improvement. This will be monitored throughout the next Fund year and reported on within next year's report.

### Member-borne charges and transaction costs

Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:

**Charges:** these are expressed as a percentage of the value of a member's holdings within an investment fund, and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).

**Transaction costs:** these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

### Charges in relation to the DC Section

The following table provides details of the charges and transaction costs for each of the investment options provided through the DC Section over the Fund year (data sourced from each relevant investment manager). For the default, charges and transaction costs are shown for members aged 25, 45, 55 and 1 day before retirement age, all assuming retirement at age 65.

#### **New default fund and self-select range**

Investment option		TER (p.a.)	Transaction costs (p.a.)
	Overall default range	0.10% - 0.11%	0.00% - 0.01%
P&G Default Lifestyle: Drawdown* (Default investment arrangement)	Age 25	0.11%	0.00%
	Age 45	0.11%	0.00%
	Age 55	0.11%	0.00%
	1 day before retirement age	0.10%	0.01%
P&G Lifestyle Fund: Cash		0.11% - 0.18%	0.00% - 0.02%
P&G Lifestyle Fund: Annuity		0.11%	0.00% - 0.02%

## THE PROCTER & GAMBLE PENSION FUND

### APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

Investment option	TER (p.a.)	Transaction costs (p.a.)
ESG Lifestyle Fund: Drawdown	0.10%	0.03% - 0.05%
Global Equity Fund	0.11%	0.00%
Developed World Equity Fund	0.09%	0.00%
ESG Global Equity Fund	0.10%	0.05%
BlackRock Emerging Markets Equity Index Fund	0.26%	0.00%
HSBC Islamic Global Equity Index Fund	0.38%	0.01%
Balanced Fund	0.11%	0.00%
Property and Infrastructure Fund	0.21%	0.10%
Pre-Annuity Bond Fund	0.20%	0.00%
AM Passive Corporate Bond Fund	0.10%	0.00%
BlackRock All Stocks Gilts Index Fund	0.09%	0.04%
AM Short Term Inflation Linked Fund	0.08%	0.04%
AM Liquidity Fund	0.21%	0.02%

\* The charges and transaction costs for the new default investment arrangement are calculated as a composite of the underlying fund charges and transaction costs. These fund holdings and therefore also the charges and transaction costs will vary depending upon each member's term to retirement age.

#### Old default fund and self-select range

Investment option	TER (p.a.)	Transaction costs (p.a.)
The Primary Default	0.08% - 0.09%	0.028% - 0.038%
The Additional Default	0.08% - 0.10%	0.005% - 0.033%
All World Screened Index Equity Sub-Fund	0.00%	0.013%
MPF Fundamental Index® Global Equity Sub-Fund	0.04%	0.013%
As Of Priced (Net) All World Developed Screened Index Equity Sub-Fund	0.07%*	0.007%
As Of Priced (Net) Emerging Markets Screened Index Equity Sub-Fund	0.24%	0.137%
As Of Priced (Net) Sterling Non-Gilts Bond All Stocks Screened Index Sub-Fund	0.10%	0.070%
MPF As <u>Of</u> Priced (Net) Sterling Liquidity Sub-Fund	0.10%*	0.005%
MPF As <u>Of</u> Priced (Net) UK Index Linked Gilts Over 5 Years Index Sub-Fund	0.05%*	0.025%
MPF World ESG Equity Index Sub-Fund	0.05%	0.013%

\* Please note these figures are as at May 2024 when the funds closed.

## THE PROCTER & GAMBLE PENSION FUND

### APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

#### Charges in relation to AVCs

The following table provides details of the charges and transaction costs for each of the investment options provided through the AVC arrangement over the Fund year (data sourced from Clerical Medical, Phoenix Life and Prudential):

AVC provider	Investment option	TER (p.a.)	Transaction costs (p.a.)
Clerical Medical	Non-Equity Pension	0.495%	0.11%
	Managed Retirement Protection Pension Fund	0.495%	0.10%
	Halifax Pension Fund	0.495%	0.00%
	With Profits Single Fund	0.495%	0.22%
	With Profits Regular Fund	0.495%	0.22%
	Cash Pension Fund	0.495%	0.02%
	UK Growth Pension Fund	0.495%	0.23%****
	International Growth Pension Fund	0.495%	0.18%
	UK Equity Income Pension Fund	0.495%	0.23%****
	Far Eastern Pension Fund	0.495%	0.36%
	European Pension Fund	0.495%	0.06%
	North American Pension Fund	0.495%	-0.08%**
	UK Equity Tracker Pension Fund	0.495%	0.07%****
	Non-Equity Pension Fund	0.495%	0.11%
	Balanced Pension Fund	0.495%	0.19%
Cautious Pension Fund	0.495%	0.12%	
Phoenix Life	With-Profits Policy	1.00%	0.08%
	Building Society Account	Not applicable*	Not applicable*
Prudential	Prudential With-Profits Cash Accumulation (WPCA)	Not applicable*	0.16%
	Prudential Deposit Fund	Not applicable*	0.00%

\* There are no explicit charges.

\*\* In certain circumstances, the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes down the price of the asset being traded, whilst the transaction was in progress, resulting in the asset being purchased for a lower price than when the trade was initiated.

\*\*\* Please note these figures are as at 31 December 2023 as annual values were provided.

\*\*\*\* Please note these figures are as at 30 April 2024.



# THE PROCTER & GAMBLE PENSION FUND

## APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

### Impact of costs and charges

To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustee has produced a [number of](#) useful illustrations and these are set out in Appendix 1.

### Net investment returns

The Trustee is required to disclose returns, net of charges and transaction costs, for the default investment arrangement and for each fund that members are able, or were previously able, to select and in which members' assets were invested during the Fund year. When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

For the default investment arrangement, the underlying funds used and therefore the net returns changes over time. Net returns are shown over 1-year period to the end of the Fund year for a member aged 25, 45 and 55 at the start of the period and assuming a retirement age of 65. The Funds were launched in February 2024 and the performance figures below are based on actual returns from 1 March 2024 to 30 June 2024 and simulated returns prior to 1 March 2024. Simulated returns are calculated using the underlying manager returns and current strategic asset allocation.

### New default fund and self-select range

#### New default investment arrangement – P&G Default Lifestyle: Drawdown

Age of member at start of period	Annualised Return –1 year to 30 June 2024
25	20.54%
45	20.54%
55	18.52%

### Self-select funds

Investment fund	Annualised Return –1 year to 30 June 2024
P&G Lifestyle Fund: Annuity	3.05% - 20.45%
P&G Lifestyle Fund: Cash	5.41% - 20.45%
ESG Lifestyle Fund: Drawdown	14.16% - 20.16%
Global Equity Fund	20.4%
Developed World Equity Fund	21.4%
ESG Global Equity Fund	20.2%
BlackRock Emerging Markets Equity Index Fund	11.6%
HSBC Islamic Global Equity Index Fund	29.9%
Balanced Fund	15.1%
Property and Infrastructure Fund	4.3%
Pre-Annuity Bond Fund	7.3%
AM Passive Corporate Bond Fund	9.8%
BlackRock All Stocks Gilts Index Fund	4.4%
AM Short Term Inflation Linked Fund	5.7%
AM Liquidity Fund	5.4%

## THE PROCTER & GAMBLE PENSION FUND

### APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

#### Old default fund and self-select range

Investment option	Annualised Return –1 year to 30 June 2024	Annualised Return –3 year to 30 June 2024	Annualised Return –5 year to 30 June 2024
The Primary Default	8.17% - 16.85%	-0.53% - 6.56%	N/A
The Additional Default	4.30% - 16.85%	2.43% - 6.56%	N/A
All World Screened Index Equity Sub-Fund*	17.24%	N/A	N/A
As Of Priced (Net) All World Developed Screened Index Equity Sub-Fund**	23.17%	11.81%	N/A
As Of Priced (Net) Emerging Markets Screened Index Equity Sub-Fund**	7.31%	-1.84%	N/A
As Of Priced (Net) Sterling Non-Gilts Bond All Stocks Screened Index Sub-Fund**	5.73%	-3.50%	N/A
MPF As <u>Of</u> Priced (Net) Sterling Liquidity Sub-Fund**	4.30%	2.43%	N/A
MPF As <u>Of</u> Priced (Net) UK Index Linked Gilts Over 5 Years Index Sub-Fund**	-6.74%	-11.74%	N/A
MPF World ESG Equity Index Sub-Fund**	22.98%	12.13%	N/A
MPF UK Conventional Gilts Over 15 Years Index Sub-Fund	1.20%	-16.28%	-8.93%

\* Please note the All World Screened Index Equity Sub-Fund was terminated 19th April 2024 and transferred to MPF Fundamental Index Global Equity Sub-Fund. As such, performance figures for the All World Screened Index Equity Sub-Fund have been provided for the year to 19<sup>th</sup> April 2024.

\*\* Please note these figures are as 31 March 2024.

## THE PROCTER & GAMBLE PENSION FUND

### APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

#### AVCs

AVC provider	Investment option	Annualised Return –1 year to 30 June 2024	Annualised Return –3 year to 30 June 2024	Annualised Return –5 year to 30 June 2024
	Non-Equity Pension Fund	6.43%	-1.65%	-0.14%
	Managed Retirement Protection Pension Fund	1.74%	-17.60%	-10.11%
	Halifax Pension Fund	0.00%	0.00%	0.00%
	With Profits Single Fund	2.75%	0.92%	1.71%
	With Profits Regular Fund	N/A	N/A	N/A
	Cash Pension Fund	4.36%	2.17%	1.29%
	UK Growth Pension Fund	16.78%	12.03%	6.14%
Clerical Medical	International Growth Pension Fund	20.73%	15.17%	10.34%
	UK Equity Income Pension Fund	14.94%	11.16%	6.62%
	Far Eastern Pension Fund	15.25%	6.07%	0.51%
	European Pension Fund	13.59%	15.84%	6.22%
	North American Pension Fund	25.66%	17.85%	13.70%
	UK Equity Tracker Pension Fund	12.77%	10.38%	6.80%
	Balanced Pension Fund	10.50%	5.83%	2.51%
	Cautious Pension Fund	8.72%	3.41%	1.08%
Phoenix Life	With-Profits Policy	7.00%	-1.71	2.06%
	Building Society Account	8.06%	-2.40%	0.12%
Prudential	Prudential With-Profits Cash Accumulation (WPCA)	0.00%	0.00%	0.00%
	Prudential Deposit Fund	0.00%	0.00%	0.00%

#### Value for members

The Trustee is required to assess annually the extent to which the charges and transaction costs borne by members represent good value.

Analysis was undertaken by the Trustee's professional advisers, Barnett Waddingham LLP, and the findings set out in a report dated 31 January 2025. The Trustee considered the report and confirmed its value for members assessment.

Recognising that low cost does not necessarily mean good value, the assessment considered whether the services for which members pay or share the costs are suitable for, relevant to and (likely to be) valued by

# THE PROCTER & GAMBLE PENSION FUND

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## APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

members and whether performance of the services had been effective. Consideration was also made of the costs relative to other options available in the market.

Various investment-related services for which members do not directly bear the costs are nevertheless inextricably linked to creating the environment under which investment returns are delivered, e.g. strategy, [monitoring](#) and the investment governance structure, so these were included in the assessment.

Other services paid for by Procter & Gamble Limited ("the Company") were excluded but nevertheless deliver value to members, e.g. the services of professional advisers and the operation of the Trustee Board, with a duty to act in the best interest of members.

### DC Section

In relation to the DC Section, the member-borne charges and transaction costs relate to investment services only. All other charges, including the costs of administration and communication services are met by the Company.

In relation to the investment services, the assessment considered:

- the investment strategy, e.g. the design of the default and range of alternative options
- the arrangements for monitoring the performance of the investment options and reviewing the investment strategy
- the investment governance arrangements

The Trustee concluded that the DC Section offers excellent value in relation to the charges and transaction costs borne by members. This overall rating considers an absolute and relative assessment of the Fund.

In reaching this conclusion, the Trustee recognised:

A robust investment governance structure is in place as well as an Investment Sub-Committee so the Trustee can [give sufficient consideration to](#) investment matters, as required, and report to the full Trustee Board at each meeting.

The Trustee undertake regular monitoring of all investment options with assistance from their DC Section investment advisers, Barnett Waddingham.

Members have access to an investment guide, providing an overview of investment choices.

During the Reporting Period the Fund implemented a new default strategy and fund range. In addition, the transition of members assets was managed on a pre-funded basis with Aon meeting the transaction costs so there were no charges borne by the members [as a result of](#) the transfer of assets.

The Trustee had support from their advisers, Aon and Barnett Waddingham through the changes noted and undertook significant work in respect of the engagement with members regarding the changes.

### AVCs

In relation to AVCs, the member-borne charges and transaction costs relate to:

- investment services
- administration services and
- communication services

The assessment considered the broad value for members of these services, taking a proportionate approach that reflects the relatively low value of the AVC pension savings concerned.

# THE PROCTER & GAMBLE PENSION FUND

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## APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

The Trustee concluded that the AVC arrangements offers reasonable value in relation to the charges and transaction costs borne by members.

In reaching this conclusion, the Trustee recognised:

- the range of investment options is limited and does not provide automatic protection over the years approaching retirement age via a lifestyle strategy

- all AVC providers deliver basic administration services

- communication services are basic and there is no online member access

- the costs are broadly in line with AVC arrangements of a similar size and closed nature and there is likely to be limited opportunity for the Trustee to change the service provider

### Trustee knowledge and understanding

#### The Trustee Board

The Trustee Board comprises eleven Trustee Directors, who are a mixture of both member nominated and Company appointed. The composition of the Trustee Board demonstrates diversification of skills and experience. The diversification of the board is supported by the following details:

- Trustee Directors come from multiple different functions within P&G; Finance, R&D, Sales, IT and Communications.

- There are six men and five women on the board. P&G is a recognised employer recognising diversity in all aspects and these principles are carried through to the Board.

- The Board comprises members who have been Trustees for varying periods of time. This range of service provides a wealth of experience coupled with new insight and questions.

On 1 September 2023, all Trustees were removed from office as Trustees of the Fund and a new Trustee, Procter & Gamble UK Pension Trustee Limited, was appointed to the office as the sole corporate trustee of the Fund. All the Trustees who resigned on 1 September 2023 were appointed as Directors of the corporate trustee, having been appointed on 12 July 2023.

#### Trustee knowledge and understanding requirements

Trustee Directors are required to be conversant with the Fund's main documents, and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets.

#### Approach

The Trustee Directors aim to remain conversant with the Fund's Trust Deed and Rules as well as all other Fund documents such as the Statement of Investment Principles, the risk register and current policies, e.g. Conflicts of Interest. They do so through their experience in governing the Fund, as well as specific activities over the Fund year and access to professional advice.

The Trustee Directors aim to achieve and maintain knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of Fund assets through a combination of training and taking professional advice.

A training log is maintained by the Fund Secretary in relation to training undertaken.

There is a formal Trustee Director selection process in place and new Directors are required to undertake training at the earliest opportunity after selection. All Trustee Directors have completed the Pension Regulator's toolkit which is an online training resource including modules on pension and trust law.

# THE PROCTER & GAMBLE PENSION FUND

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## APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

The Trustee Directors consult with professional advisers as and when required, for example on consultancy, [investment](#) and legal matters. The professional advisers are engaged to pro-actively alert the Trustee Directors on relevant changes to pension and trust law. Professional advisers also provide support in relation to understanding and reviewing the Fund's documents; The Fund's appointed advisers [provide updates](#) on legislation and delivered training throughout the Fund year.

As a minimum, the Trustee meets four times a year, with Sub Committees also meeting in between to progress actions and monitor the administration, governance and investment performance.

### Activities over the Reporting Period

[During the course of](#) the reporting period the Trustee considered setting stewardship priorities that aligned with the Company's values. The Trustee subsequently decided to continue delegating all stewardship activities, including voting and engagement to their appointed investment managers.

Following from regulation announced in October 2023, all DC Schemes are now required to include a policy on illiquid assets within the Statement of Investment Principles (SIP). The Trustee updated their SIP in May 2024 to reflect the Fund's policy on illiquid investments during the year, with advice from their investment consultant, Barnett Waddingham, and after consulting the employer, as required.

On 22 May 2024 there was a bulk transfer of members from the Fund's old strategy managed by State Street Global Advisors to the Procter & Gamble section of The Aon Master Trust.

Over the course of the year, the Trustee replaced their previous DC investment consultant, Aon, with Barnett Waddingham.

Prior to the administration transition to Aon, the Trustee undertook a thorough data cleanse exercise with Capita.

The Trustee scheduled engagement meetings with investment managers to ensure Trustee Directors are up to date with what is going on in the industry with regards to ESG.

As per the regulatory requirement, the Trustee undertook a triennial review of the AVC arrangements held within the Fund.

The Trustee put in place a Cyber Resilience Framework with the aim of reducing member data losses and reducing cyber risk for the Fund.

In line with legislation, the Trustee has completed the Task Force on Climate-Related Financial Disclosures (TCFD) report, allowing effective disclosure of climate-related risks and opportunities. It was published in December 2023.

The Trustee Directors reviewed the following Fund documents:

- Risk Register
- Payment Schedule
- Member Booklet
- Trustee ESG Beliefs
- DC Subcommittee Beliefs
- The Annual Report and Accounts
- Cyber Policy
- Member Nominated Director Policy
- Lump Sum Death Benefit Form

# THE PROCTER & GAMBLE PENSION FUND

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## APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

Statement of Investment Principles

Implementation Statement

The Trustee Directors received training at meetings over the Fund year on the following topics:

Gender Pensions Gap

Suitability of AVC arrangements

P&G Global Treasury

Private investment markets

Barnett Waddingham's provider assessment tool

The General Code, focusing on governance, risk assessment member communications and compliance with new regulations.

Living Pension Standard

DWP guidance on approaching stewardship, consideration of financially material ESG factors and non-financial factors.

Ongoing DC current issues including the Mansion House Pension Reform proposals, progression of a common value for Money framework and Government commitment to a lifetime provider model.

Consideration of Environmental, Social and Governance (ESG) risks in relation to investment strategy

Two new Trustee Directors were appointed during the Fund year, whereby the induction process was utilised.

During the Fund year, the Trustee Directors took professional advice on:

Reviewing the default investment arrangement as well as self-select options, with subsequent changes to the SIP.

Mapping across member self-select funds to ensure suitability.

The transition to Aon from their legal advisors, Womble Bond Dickinson.

Abolition of the Lifetime Allowance.

Preparation on the benefit specification for Aon to administer the Fund in place of Capita.

Assessing the Fund's DC arrangements against the Pensions Regulator's Code of Practice 13 ("DC Code")

Undertaking the annual value for members assessment.

Disclosure of costs, charges and investments.

### Assessment

The Trustee Directors consider that their combined knowledge and understanding, together with their access to professional advice, enables them to properly and effectively exercise their trustee functions in the following ways:

The Trustee Directors are able to challenge and question advisers, service providers and other parties effectively

# THE PROCTER & GAMBLE PENSION FUND

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## APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

Trustee decisions are made in accordance with the Fund rules and in line with trust law duties

The Trustee Directors' decisions are not compromised by such things as conflicts or hospitality arrangements

  
Alison Smith (Jan 31, 2025 14:35 GMT)

Alison Smith, Chair of the Trustee

31-Jan-2025

Date



# THE PROCTER & GAMBLE PENSION FUND

## APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

### Appendix 1 – Illustrations on the impact of cost and charges

To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, the Trustee has produced illustrations in accordance with statutory guidance.

#### Parameters used for the illustrations

**Pot size:** pot sizes of £66,000 and £55,000 have been used; these represent pot values of an average active and deferred member respectively (rounded to the nearest £1,000).

**Contributions:** illustrations have been provided for active members assuming total regular contributions of 21% (the average for an active member), and for deferred members assuming no future contributions.

**Pensionable salary:** a starting pensionable salary of £52,000 has been used as this represents the median (rounded to the nearest £500) of active DC Section members. Pensionable salary is assumed to grow at 2.5% per year.

**Timeframe:** the illustrations are shown over a 45-, 25- and 20-year time frame as this covers the approximate duration that the youngest, average active and average deferred members respectively would take to reach retirement age.

**Investment options:** illustrations are provided for the default investment arrangement and the highest and lowest charge self-select funds.

#### Guidance to the illustrations

For each illustration, the savings pot has been projected twice: firstly for the assumed investment return gross of costs and charges; and secondly for the assumed investment return net of costs and charges.

Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.5% per year. It is for this reason that real growth (after inflation) may be negative.

The real-terms rates of growth used in the illustrations are calculated by reference to the Financial Reporting Council's AS TM1 and as used for benefit statements.

The projected growth rates (gross, i.e. before inflation) as provided by Aon, along with the costs and charges used are as follows:

Fund/Strategy	Assumed return	TER	Transaction costs*
P&G Default Lifestyle: Drawdown	3.4% - 6.0%	0.10% - 0.11%	0.00% - 0.01%
Short Term Inflation Linked Fund (lowest charge)	2.0%	0.08%	0.04%
HSBC Islamic Global Equity Index Fund (highest charge)	6.0%	0.39%	0.01%

\* The statutory guidance requires trustees to use an average of the last five years' transaction costs (insofar as they are able) when producing the illustrations, however as the fund opened within the Reporting Period, only 1-year figures are available.

Values shown are estimates and not guaranteed.

The starting date for the illustrations is 30 June 2024.

The illustrations are presented in two different ways:

## THE PROCTER & GAMBLE PENSION FUND

### APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

For the default, a lifestyle strategy, the illustrations should be read based on the number of years until the member reaches their retirement age. This is because the underlying funds used and therefore the costs and charges changes over time and this is reflected in the illustrations.

For the self-select funds, the illustrations should be read based upon the number of future years that a member expects to be invested in those funds.

#### Youngest Active member

Years from taking benefits	P&G Default Lifestyle: Drawdown		Short Term Inflation Linked Fund		HSBC Islamic Global Equity Index Fund	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
	Starting pot size: £0 Future contributions: 9%		Starting pot size: £0 Future contributions: 9%		Starting pot size: £0 Future contributions: 9%	
0	£0	£0	£0	£0	£0	£0
1	£1,718	£1,717	£1,685	£1,684	£1,718	£1,714
5	£9,195	£9,170	£8,343	£8,317	£9,195	£9,105
10	£20,071	£19,961	£16,484	£16,385	£20,071	£19,671
15	£32,934	£32,658	£24,428	£24,210	£32,934	£31,931
20	£48,150	£47,598	£32,181	£31,800	£48,150	£46,158
25	£66,146	£65,178	£39,746	£39,161	£66,146	£62,666
30	£87,432	£85,864	£47,129	£46,301	£87,432	£81,822
35	£112,274	£109,876	£54,333	£53,227	£112,610	£104,051
40	£138,546	£135,106	£61,364	£59,944	£142,389	£129,845
45	£164,735	£160,057	£68,224	£66,460	£177,612	£159,775

Note on how to read this table: If a new employee began contributing into the new default investment option on 30 June 2024, when they came to retire in 45 years the savings pot could grow to £164,735 if no charges are applied but to £160,057 with charges applied.

#### Average Active member

Years from taking benefits	P&G Default Lifestyle: Drawdown		Short Term Inflation Linked Fund		HSBC Islamic Global Equity Index Fund	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
	Starting pot size: £66,000 Future contributions: 21%		Starting pot size: £66,000 Future contributions: 21%		Starting pot size: £66,000 Future contributions: 21%	
0	£66,000	£66,000	£66,000	£66,000	£66,000	£66,000
1	£78,168	£78,092	£75,403	£75,318	£78,168	£77,888
5	£131,137	£130,592	£112,559	£112,024	£131,137	£129,140
10	£208,181	£206,595	£157,994	£156,664	£208,181	£202,408
15	£299,008	£295,730	£202,331	£199,963	£299,308	£287,426
20	£399,029	£393,325	£245,597	£241,960	£407,093	£386,081
25	£502,725	£493,854	£287,819	£282,694	£534,581	£500,559

Note on how to read this table: If an active member had £66,000 invested in the new default investment option on 30 June 2024, when they came to retire in 25 years the savings pot could grow to £502,725 if no charges are applied but to £493,854 with charges applied.

## THE PROCTER & GAMBLE PENSION FUND

### APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

#### Average Deferred member

Years of investment	P&G Default Lifestyle: Drawdown Starting pot size: £55,000 Future contributions: No		Short Term Inflation Linked Fund Starting pot size: £55,000 Future contributions: No		HSBC Islamic Global Equity Index Fund Starting pot size: £55,000 Future contributions: No	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£55,000	£55,000	£55,000	£55,000	£55,000	£55,000
1	£56,878	£56,819	£54,732	£54,665	£56,878	£56,661
5	£65,054	£64,717	£53,672	£53,347	£65,054	£63,821
10	£76,173	£75,387	£52,375	£51,743	£76,945	£74,058
15	£86,969	£85,630	£51,110	£50,188	£91,011	£85,936
20	£96,803	£94,818	£49,876	£48,679	£107,647	£99,719

Note on how to read this table: If a deferred member had £55,000 invested in the new default investment option on 30 June 2024, after 20 years of membership the savings pot could grow to £96,803 if no charges are applied but to £94,818 with charges applied.

# THE PROCTER & GAMBLE PENSION FUND

## APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

The Procter & Gamble Pension Fund

### Statement of Investment Principles

This Statement of Investment Principles covers the defined benefit and the defined contribution sections of the Fund. It is set out in three parts: firstly, the objectives and implementation of the defined benefit section, secondly those of the defined contribution section, and finally the Trustees' overall policy on issues that apply equally to the defined benefit and defined contribution sections.

#### Defined Benefit Section

##### Fund Investment Objective

The Trustees aim to invest the assets of the Fund to ensure that the benefits promised to members are provided. In setting investment strategy, the Trustees considered a range of different asset allocation strategies aimed at achieving a balance between the risk of deterioration in the funding level and the costs and funding requirements of the Fund. The asset allocation strategy has been selected after detailed consultation with Procter & Gamble (the "sponsoring employer" or the "company").

#### Strategy

The current medium term target asset allocation strategy was agreed in 2023. It is set out below, together with the assumptions made about the returns for each asset class in determining the strategy. The investment strategy was agreed following an asset liability study with advice from the Trustees' investment advisers and detailed consultation with the sponsoring employer.

Asset Class	Target Weighting %	Ranges %	Expected Return % per annum
Equities	32	30 - 40	6-9
Sterling Bonds	65	60 - 70	0-4
Alternatives	3	0 - 10	4-8
Cash	0	0 - 5	3-6

The Trustees have agreed a long-term funding strategy with the Company, which will see our level of equities gradually decrease over the next 14 years, with more Corporate Bonds, Gilts and Index-Linked Gilts replacing them. This will decrease the funding level volatility and risk of the Fund, namely by increasing the Fund's asset matching and hedging of liability interest rate and inflation risks.

#### Risk measurement and management

The Trustees recognise that the key risk to the Fund is insufficiency of assets to make provisions for 100% of its liabilities ("funding risk"). The Trustees have identified a number of risks which have the potential to cause a deterioration in the Defined Benefit Section's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustees and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Fund's immediate liabilities ("cash flow risk"). The Trustees and their advisers will manage the Fund's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustees ("manager risk"). This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustees and their advisers considered this risk when setting the Fund's investment strategy.

## THE PROCTER & GAMBLE PENSION FUND

### APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

#### The Procter & Gamble Pension Fund

- The possibility of failure of the Fund's sponsoring employer ("covenant risk"). The Trustees and their advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

#### Statement of Investment Principles

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Fund's liabilities and implemented it using a range of fund managers, the Trustees' policy is to monitor, where possible, these risks quarterly. The Trustees receive quarterly reports showing:

- Performance versus the Fund investment objective as measured by an independent performance measurer.
- Performance of individual fund managers versus their respective targets as measured by an independent performance measurer.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustees.

In addition to receiving quarterly reports from an independent performance measurer the Trustees receive quarterly monitoring reports from the individual fund managers. It is also the Trustees' policy to regularly review the fund managers' investment performance.

#### Implementation

The investment manager structure and investment objectives for each fund ("mandates") are set out in the tables below:

#### BlackRock

BlackRock Asset Class	Name of Fund	Investment Objective	Active/Passive
Global Equities	ACWI Equity Index Fund B units	The Fund aims to track the MSCI All Country World Index	Passive
Long Dated Gilts	Aquila Life Over 15 Years UK Gilt Index Fund	The Fund aims to track the FTSE Actuaries UK Conventional Gilts Over 15 Years Index	Passive
Long Dated Gilts	Aquila Life 2040 Gilt Fund	The Fund aims to achieve a return consistent with T40 4 ¼% Treasury STK 40 GROSS Index	Passive
All Stock Corporate Bonds	Aquila Life All Stocks Corporate Bond Index Fund	The Fund aims to track the Markit iBoxx £ Non-Gilts Overall TR Index	Passive
Long Dated Corporate Bonds	Aquila Life Over 15 Year Corporate Bond Index Fund	The Fund aims to track the iBoxx £ Non-Gilts, Over 15 Year Index	Passive
Long Duration High Quality	Long Duration High	The Fund aims to track the ICE BofA	

## THE PROCTER & GAMBLE PENSION FUND

### APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

The Procter & Gamble Pension Fund

<b>Credit</b>	Quality Credit Portfolio	Sterling Non-Gilts AAA-A 15+ Yrs (UN78)	Passive
<b>Global Infrastructure</b>	Global Infrastructure IV Fund	The Fund aims to build a diversified portfolio of essential, contracted infrastructure assets and businesses worldwide that are well-positioned to capitalise on three long-term, structural trends being accelerated by the global energy transition – decarbonisation, decentralisation and digitalisation. The Fund targets a return in US Dollar terms of 12-14% Gross IRR (internal rate of return) with a 7% annual cash yield.	Active

#### Statement of Investment Principles

State Street ("SSgA")

Asset Class	Name of Fund	Investment Objective	Active/Passive
<b>Global Equities</b>	MPF All World Equity Index Sub-Fund	The Fund aims to track the FTSE All World Index	Passive
<b>All Stock Corporate Bonds</b>	MPF Sterling Corporate Bond All Stocks Index Fund	The Fund aims to track the Barclays Capital Sterling Aggregate 100mm Non Gilts Index	Passive
<b>Long Dated Gilts</b>	MPF UK Conventional Gilts Over 15 Years Index Fund	The Fund aims to track the FTSE Actuaries British Government Over 15 year Index	Passive
<b>Long Dated Index-Linked Gilts</b>	MPF UK Index Linked Gilt Nov 2047 Index Sub-Fund	The Fund aims to track the Bloomberg UKTI 0.75% Nov 47 TRI	Passive
<b>Long Dated Index-Linked Gilts</b>	MPF UK Index Linked Gilt Mar 2050 Index Sub-Fund	The Fund aims to track the Bloomberg UKTI 0.50% Mar 50 TRI	Passive
<b>Long Dated Index-Linked Gilts</b>	MPF UK Index Linked Gilt Mar 2055 Index Sub-Fund	The Fund aims to track the Bloomberg UKTI 1.25% Nov 55 TRI	Passive
<b>Long Dated Index-Linked Gilts</b>	MPF UK Index Linked Gilt Mar 2062 Index Sub-Fund	The Fund aims to track the Bloomberg UKTI 0.375% Mar 62 TRI	Passive
<b>Long Dated Index-Linked Gilts</b>	MPF UK Index Linked Gilt Mar 2068 Index Sub-Fund	The Fund aims to track the Bloomberg UKTI 0.125% Mar 68 TRI	Passive

All fund managers are remunerated on a percentage value of fund basis. The fees have been negotiated to be competitive. In addition, fund managers pay commissions to third parties on many trades they undertake in the management of the assets. The Trustees receive an annual statement from each investment manager

## THE PROCTER & GAMBLE PENSION FUND

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### APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

The Procter & Gamble Pension Fund

setting out all the costs of the investment of the Fund and this is reviewed annually at a meeting of the Investment Committee. The Investment Committee uses these statements to ensure that the costs incurred are commensurate with the goods and services received.

The Trustees have appointed State Street Bank and Trust Company as the Fund's custodian for the BlackRock investments. The custodian provides safekeeping for the Fund's assets and performs the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions.

Members of the Defined Benefit Section of the Fund can pay Additional Voluntary Contributions (AVCs).



# THE PROCTER & GAMBLE PENSION FUND

## APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

The Procter & Gamble Pension Fund

### Statement of Investment Principles

Procter and Gamble Pension Fund Defined Contribution Section and Gillette Group Retirement Plan top up section

#### Investment Objective

In investing the assets the Trustees' key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. They have taken into account members' likely circumstances, in particular members' attitudes to risk and a range of terms to retirement.

The Fund's Investment Objective is implemented using the range of investment options set out in the table below.

Investment option	Investment description	Investment characteristics
<b>Global Equity</b>	Invested in global equities.	The returns will be more volatile and less secure than those of UK government bonds. To compensate for this extra risk, investors expect higher investment returns. Diversification across different equity markets helps to reduce stock specific risk, but there will be currency risk due to the overseas exposure.
<b>ESG Equity</b>	Invested in global equities, with a tilt toward companies stronger 'ESG' scores	This fund will invest in global equities, with the same properties as above. However, this fund will allocate monies with certain environmental, social and governance ('ESG') criteria in mind. It may be suitable for members wishing to invest their funds ethically.
<b>Emerging Market Equity</b>	Invested in equities in developing countries (globally)	The returns will be more volatile and less secure than those of UK government bonds. To compensate for this extra risk, investors expect higher investment returns. Risk and return is expected to be slightly higher than in developed equities in the long term. There will be currency risk due to the overseas exposure.
<b>UK Index-Linked Gilts</b>	UK (Over 5 years) Index-Linked gilts.	This fund aims to produce a return that is broadly correlated to annuity prices for inflation-linked annuities. The return is expected to be less volatile than that of the equity funds.
<b>Corporate Bond</b>	UK corporate bonds (all stocks)	The returns are likely to be less volatile and more secure than those of equities, although more volatile than UK government bonds and investors expect correspondingly higher returns over the long term.
<b>Cash</b>	Short-term cash instruments.	This fund aims to provide security of capital and to minimise volatility through investment in predominantly Sterling-denominated short term money market instruments and fixed deposits.



# THE PROCTER & GAMBLE PENSION FUND

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#### Lifestyle options

Three lifestyle investment options are available to members which utilise equities, index-linked gilts, corporate bonds and cash funds. The three lifestyle options each with an aim to achieve returns above inflation over the long term and to be appropriate for members targeting a different method of accessing their pension account at retirement, either through drawdown, annuity purchase or a cash lump sum. Each lifestyle option invests in the same way during the growth phase until a member reaches 5 years prior to retirement.

**Growth phase:** Members who are more than 14 years away from retirement are invested 80% in equities, 10% in index-linked gilts and 10% in corporate bonds. Upon reaching 14 years to retirement, the proportion of equities is gradually reduced and the proportion of gilts and bonds is gradually increased, until 10 years to retirement, so that the pension account is invested 60% in equities, 20% in index-linked gilts and 20% in corporate bonds. This asset allocation then stays constant until 5 years to retirement, the pre-retirement phase.

**Pre-retirement phase:** Upon reaching 5 years to retirement the lifestyle investments have an initial allocation of 60% equities, 20% index-linked gilts and 20% corporate bonds. This is gradually switched to aim to align to the member's target retirement outcome depending on the lifestyle option selected, i.e. drawdown, annuity or cash.

Upon reaching the pre-retirement phase of the **drawdown** lifestyle, the proportion of equities is gradually reduced and the proportion of bonds is gradually increased so that at the member's target retirement age, their pension account is invested 34% in equities, 33% in index-linked gilts and 33% in corporate bonds. It is designed to be appropriate for a member remaining invested in retirement.

Upon reaching pre-retirement phase of the **annuity** lifestyle, the investments are gradually switched from equities and corporate bonds to index-linked gilts and cash so that at the member's target retirement age, their pension account is invested 75% in index-linked gilts and 25% cash. It is designed to be appropriate for a member wishing to purchase an annuity with 75% of their pension account and taking the remaining 25% as a tax-free cash allowance at retirement.

Upon reaching pre-retirement phase of the **cash** lifestyle, the investments are gradually switched from equities, index-linked gilts and corporate bonds, to an asset allocation of 100% in cash assets at the member's target retirement age. It is designed to be appropriate for a member wishing to take a full cash lump sum withdrawal at retirement.

#### Self-select

Members are also able to make their own investment choice i.e. Self-Select option. Members can allocate investments to any of the six investment options detailed in the table above. The members can invest in just one fund or in a combination of these funds. The member will be responsible for reviewing and re-allocating investments as necessary as switching, including in the approach to retirement, is not automatic.

It is the Trustees' policy to provide suitable information for members so that they can make the appropriate investment decisions. The range of funds was chosen by the Trustees after taking expert advice from the Trustees' investment advisers and will be reviewed on a periodic basis. The Trustees have full discretion as to the range of funds offered to members.

The Trustees expect the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. The long term returns on the bonds and cash options are expected to be lower than the predominantly equity options. The index-linked gilt funds are expected to broadly match the price of annuities, giving some protection in the amount of secured pension for members closer to retirement. Cash funds will provide protection against changes in short-term capital values, and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash.

# THE PROCTER & GAMBLE PENSION FUND

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The Procter & Gamble Pension Fund

### Statement of Investment Principles

#### Default Investment Arrangements

This section is included for the purpose of compliance (to the extent applicable) with Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 amended from 6 April 2015.

The Trustees of the Procter & Gamble Pension Fund are required to designate a default arrangement into which members who are automatically enrolled are invested. The Trustees have designated the *Drawdown Lifestyle Strategy* (described above), as the default arrangement for the Fund.

The key objective for the default investment strategy, so far as is reasonably practicable, is to provide a strategy that is suitable for meeting members' long and short-term investment objectives, taking into account members' circumstances.

It aims to do this by providing members with the potential for growth above the level of inflation during the accumulation of their retirement savings through exposure to equity, index-linked gilts and corporate bonds, and then to gradually adjust the asset allocation of their investments in the years approaching retirement, to reduce volatility and align with an asset class allocation suited to staying invested in retirement and drawing income using flexible drawdown.

The default lifestyle option has been designed to be suitable for the membership of the Fund, taking into account factors including age, salary, contribution levels and term to retirement.

The asset allocation throughout the Lifestyle option and the phasing of the gradual switching of investments takes into account members' greater capacity for risk early on and reduced capacity for risk in later years.

The Trustees also consider the *Cash Lifestyle Strategy* to be a default arrangement. This follows an exercise to bulk transfer member legacy AVC and other Defined Contribution ("DC") benefits into the DC section using the Cash Lifestyle Strategy as the default destination investment option. This strategy is therefore subject to the same governance and charge cap requirements as the main Fund default lifestyle strategy. The Cash Lifestyle Strategy meets the same criteria as described above in terms of suitability and taking member needs and circumstances into account and has been selected as the default arrangement for this group based on the expectation that the majority are likely to access these funds as a cash lump sum at the point of retirement.

The performance of both default options and projected outcomes will be reviewed periodically with reference to the extent to which they meet the aims and objectives considering the returns on investments after charges and the manner in which members take their benefits from the Fund. This periodic review will also take into account any significant changes in the demographic profile of the relevant members.

The Trustees' policies in relation to the default arrangements in respect of matters set out in Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005, as amended are those set out in the following sections of this document.

The Trustees do not currently hold any illiquid investments, such as private equity, infrastructure and real estate, on behalf of DC members in the default arrangements. Whilst the Trustees recognise that there may be benefits to investing in illiquid investments, they are currently not comfortable with the higher levels of associated fees and risk of being unable to realise investments at short notice, relative to any potential improvements in diversification and risk-adjusted returns for members. The Trustees would be willing to consider the use of illiquid investments in the future. This is a consideration that would form part of any future review of investment strategy or selection of investment manager.

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

# THE PROCTER & GAMBLE PENSION FUND

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### Statement of Investment Principles

#### Risk measurement and management

The Trustees recognise the key risk is that members will have insufficient income (in retirement or an income that does not meet their expectations). The Trustees considered this risk when setting the investment options and strategy for the Fund. The Trustees' policy in respect of risk measurement methods and risk management processes is set out below.

The Trustees consider the following sources of risk:

- Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices. Communications to members will seek to encourage them to regularly review the level of their contributions, but ultimately this is a risk which lies with each member.
- Risk of fund managers not meeting their objectives ("manager risk"). This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
- Risk of the default fund being unsuitable for the requirements of some members. The Trustees offer members three lifestyle investment options to choose from and a self-select option. In the lifestyle arrangements made available through the Fund, the Trustees change the proportion and type of investments so that in the run up to retirement the investments gradually start to more closely match how the Trustees expect members to access their retirement savings. The Trustees keep under review the appropriateness of the strategies.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- Inflation risk: The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustees make available investment options that are expected to provide a long-term real rate of return.
- Concentration/market risk: Each investment manager is expected to manage properly diversified portfolios and to spread assets across a number of individual shares and securities.
- Currency risk: The Fund may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.

Due to the complex and interrelated nature of these risks, the Trustees consider these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustees' policy is to review the range of funds offered and the suitability of the lifestyle options annually.

These risks are considered as part of each normal strategy review. In addition, the Trustees measure risk in terms of the performance of the assets compared to the benchmarks on a regular basis, usually quarterly, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustees.

#### Implementation

##### **Policy with State Street Global Advisors Limited**

The Trustees have chosen a policy with State Street Global Advisors Limited (the "provider") in order to provide the selected range of investment options. The details of the investment funds offered to members through this policy are set out below/overleaf.

Policy with State Street Global Advisors Limited



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### APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

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Investment funds offered	Benchmark	Investment objective	Active/Passive
Global Equity	FTSE All World Developed Index	The Fund aims to track the FTSE All World Developed Index within + or - 35 basis points per annum	Passive
ESG Equity	MSCI World ESG Universal Index	The Fund aims to track the MSCI World ESG Universal Index within + or - 50 basis points per annum	Passive
Emerging Market Equity	FTSE Emerging Index	The Fund aims to track the FTSE Emerging Index within + or - 45 basis points per annum	Passive
UK Index-Linked Gilt	FTSE Actuaries British Government Index Linked Over 5 Years Index	The Fund aims to track the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index within + or - 20 basis points per annum	Passive
Corporate Bond	Bloomberg Barclays Sterling Aggregate 100 mm Non Gilts Index	The Fund aims to track the Bloomberg Barclays Sterling Aggregate 100 mm Non Gilts Index within + or - 20 basis points per annum	Passive
Cash	SONIA Compounded Index.	The Fund seeks to maintain a high level of liquidity, preserve capital and stability of principal expressed in Sterling and consistent with those objectives, earn current income.	Active

Actively managed funds use an approach that means they make decisions on the appropriate asset mix and selection of the securities within each fund. Active management may result in periods of out and under performance of the investment markets as a whole. Passively managed funds use an index-tracking approach whereby they may hold all securities in the underlying markets in line with the value of each security in the benchmark.

State Street Global Advisors Limited is remunerated through a percentage of fund charge. A fixed administration charge is paid to Capita and is borne by the Company. The charges have been negotiated to ensure competitiveness and are reviewed regularly.

The Trustees were historically required to appoint one or more Additional Voluntary Contribution (AVC) providers to enable members to pay additional contributions to the Fund in order to purchase additional benefits. The Trustees will review such appointment or appointments at least once in every three years. The Trustees will carry out such review after consultation with the Company and after receiving advice from the Trustees' investment adviser.

In choosing an AVC provider the Trustees' objective is to provide members with a range of funds which will give members choice according to their own circumstances.

The Trustees make available the range of investment funds listed on this and the previous page with SSgA for members of both sections of the Fund who wish to pay Additional Voluntary Contributions (AVCs).

The Trustees have appointed Clerical Medical and Phoenix Life (previously Scottish Mutual) as AVC providers for the defined benefit section.

A review of the continued suitability of both the AVC providers and the available investments options will be carried out at regular intervals.

There are also member funds remaining with the Fund's previous AVC providers, Prudential and Utmost Life & Pensions (previously the Equitable Life Assurance Society).

# THE PROCTER & GAMBLE PENSION FUND

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### Statement of Investment Principles

Defined Benefit and Defined Contribution sections

#### General Investment Policy

For both sections it is the Trustees' policy to consider:

- A full range of asset classes, including alternative asset classes such as private equity, hedge funds, infrastructure, and Liability Driven Investments. These were considered in relation to the defined benefit section in conjunction with the Trustees' investment adviser and the sponsoring company. Other than equities, sterling bonds and infrastructure it was decided not to include them as part of the current investment strategy due to their benefit and risk profile, and the sponsoring company's desire not to add extra potential risks to the overall financial structure, whilst still committing to fund the scheme fully, based upon the existing asset classes in use;
- The risks and rewards of a range of alternative asset allocation strategies;
- The suitability of each asset class in the defined benefit section's planned asset allocation strategy;
- The suitability of each asset class for investment in the defined contribution section;
- The suitability of the possible styles of investment management and the option of providing manager diversification for members of the defined contribution section; and
- The need for appropriate diversification both across asset classes and within asset classes.

The Trustees' policy is to delegate all day-to-day decisions about the investments that fall within each mandate or fund to the relevant investment manager.

The Trustees expect each fund manager of the underlying assets to carry out the powers of investment delegated to them with a view to giving effect to the principles in this statement so far as is reasonably practicable.

The Trustees will review this Statement of Investment Principles at least every three years and immediately following any significant change in investment policy. The Trustees will take investment advice and consult with the sponsoring employer over any changes to the Statement of Investment Principles.

#### Governance

The Trustees of the Fund are responsible for the investment of the Fund assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustees have established the decision-making structure set out below:

#### Decision Making Structure

##### **Trustees**

- Set structures and processes for carrying out their role;
- Propose suitable members for the Investment Committee;
- Consider recommendations from the Investment Committee.

##### **Investment Committee**

- Makes recommendations to Trustees on:
  - selection of investment advisers, providers and fund managers;
  - structure for implementing investment strategy;
  - selection of direct investments (see below);

# THE PROCTER & GAMBLE PENSION FUND

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## APPENDIX II - ANNUAL CHAIR'S STATEMENT (forming part of the Trustee's Report)

The Procter & Gamble Pension Fund

### Statement of Investment Principles

#### Decision Making Structure

##### *Investment Committee*

- Monitors investment advisers, providers and fund managers;
- Monitors and makes recommendations regarding actual and planned asset allocation strategy and the content of this statement;
- Makes recommendations relevant to the operational principles of the Sections' investment strategy.

##### *Investment Advisers*

- Advise on all aspects of the investment of the Fund assets, including implementation;
- Advise on this statement;
- Provide required training.

##### *Fund Managers and (where appropriate) Providers*

- Operate within the terms of this statement and their written contracts;
- Select individual investments with regard to their suitability and diversification;
- Advise Trustees on suitability or otherwise of the indices in their benchmark.

##### *Actuary*

- Advises upon the funding policy with respect to meeting the Defined Benefit Section's liabilities.

##### *Custodian*

- Provides safekeeping of the Fund's assets;
- Provides performance-measurement services.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased without a contract. The latter are known as direct investments.

When deciding whether or not to make any new direct investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager(s). For existing direct investments, the Trustees rely on the quarterly reports from Aon Investments Limited and Barnett Waddingham LLP (and any interim updates) to highlight any changes to the quality or suitability of the managers for the Defined Benefit and Defined Contribution sections respectively.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustees investment advisers have the knowledge and experience required under the Pensions Act 1995.

The Trustees have delegated the responsibility for buying and selling investments to the investment managers.

# THE PROCTER & GAMBLE PENSION FUND

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### Statement of Investment Principles

#### Responsible Investment

Environmental, Social, and Governance considerations

In setting both the Defined Benefit Section's investment strategy and the Defined Contribution Section's default investment strategy, the Trustees' primary concern is to act in the best financial interests of the Fund and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

In this context, 'risk' includes the risk that environmental, social and governance ('ESG') factors (including climate change) negatively impact the value of investments held if not understood and evaluated properly.

The Trustees take the following steps to monitor and assess ESG related risks and opportunities:

- Periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Fund's assets and liabilities.
- Ask their investment advisers to model the Fund's climate change related financial risks and assess the options available to reduce those risks.
- Use ESG ratings information provided by their investment advisers, where relevant and available, to monitor the level of the Fund's investment managers' integration of ESG on a quarterly basis.
- Meet annually with each of the Fund's investment managers to understand and challenge the level of ESG integration within the managers' investment processes.

Stewardship – Voting and Engagement

The Trustees believe that in order to fulfil their fiduciary responsibilities they (or the Fund's investment managers on their behalf) must act as responsible stewards of the assets in which the Fund invests.

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which their investments reside. The Trustees recognise that ultimately this protects the financial interests of the Fund and its beneficiaries.

The Fund invests in index-tracking equity and bond funds as the Trustees believe passive investing delivers the best financial performance (net of fees) to the Fund. Passively managed funds use an index-tracking approach whereby they may hold all securities in the underlying market indices in line with the weighting (by market capitalisation) of each security in the benchmark/index.

The Trustees recognise that, at present, the passive nature of the investments limits the extent to which they can direct the investment managers to implement changes within the Fund's portfolio to address ESG-related risk factors. However, the Trustees believe that active engagement and monitoring of the investment managers on ESG-related matters (including stewardship), combined with long-term decision making, can add value to the Fund and its beneficiaries. To this end, the Trustees carefully review the managers' approaches to stewardship, and other ESG-related matters and communicate their expectations and standards to their investment managers. These standards include:

- The Trustees expect the Fund's investment managers to use their influence as major institutional investors to exercise the Trustees' rights and duties as a shareholder including voting, along with — where relevant and appropriate — engagement with underlying investee companies and assets to promote good corporate governance, accountability and positive change.

The Trustees regularly review the continuing suitability of the appointed managers and take advice from their investment advisers about any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

## THE PROCTER & GAMBLE PENSION FUND

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The Trustees delegate all stewardship activities, including voting and engagement, to their appointed investment managers. Managers are expected to vote at company meetings and engage with companies on the Trustees' behalf in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest). This engagement aims to ensure that robust active ownership behaviours, reflective of the Trustees' active ownership policies, are being actioned.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Fund's assets, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained.

Whilst the Trustees have delegated their voting activities to third party investment managers, the Trustees accept they has ultimate responsibility for the Stewardship of the Fund's assets. To fulfil this responsibility, the Trustees regularly reviews the suitability of the Scheme's appointed asset managers and take advice from their investment advisers with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers, including recent voting records. If an incumbent manager is found to be falling short of the standards the Trustees have set, the Trustees undertake to engage with the manager and seek a more sustainable position but may look to replace the manager.



# THE PROCTER & GAMBLE PENSION FUND

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### Statement of Investment Principles

The Trustees will request that their investment managers provide details of their stewardship policy and voting activities on at least an annual basis and will monitor this with input from their investment advisor. The transparency provided by managers should include detailed examples of engagements covering engagement objectives, method of engagement, outcomes to date, escalation points and procedures as necessary. The Trustees will engage with their investment managers where necessary for more information and periodically meet with their investment managers to receive updates in this regard and to make the Trustees' views in this area known. Prospective investment managers will also be required to provide this information for the Trustees to review on an ongoing basis following appointment.

Should the Trustees' monitoring process reveal that a manager's voting or engagement policies, or its stewardship actions are not aligned with the Trustees' expectations, the Trustees will engage with the manager, via different medium such as emails and meetings, to seek a more sustainable position. If, following engagement with the manager, it is the view of the Trustees that the degree of improvement remains unsatisfactory, the arrangements with the manager may be altered or their appointment terminated.

Ordinarily, the Trustees would not engage directly with an issuer of debt or equity, or with other stakeholders, and instead delegate this authority to the investment managers.

Through climate change scenario analysis, the Trustees have identified climate change as a key stewardship priority. This theme has been identified as a financially material ESG issue that has the potential to significantly impact the value of the Fund's investments, and so the Trustees believe it is in member's best interests to consider and monitor associated risks.

The Trustees keep their investment managers informed of their stewardship priority and expectations, and levels scrutiny on their investment managers accordingly. It is the expectation of the Trustees that the Fund's investment managers and/or their voting service providers will prioritise and actively monitor for these risks within their investment portfolios, providing transparency on engagement and voting actions with respect to mitigating these risks.

### Members' Views and Non-Financial Factors

In setting and implementing the Fund's investment strategy the Trustees do not explicitly take into account the views of Fund members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

<sup>1</sup> The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

Within the defined contribution section, the Trustees have made the ESG Equity fund available to members who would like to invest in funds with specific ESG considerations. The Fund will look to make further ESG choices available to members as and when take up of the existing option increases sufficiently. The underlying funds that make up the default strategy and other self-select funds should not apply personal ethical or moral judgements as the sole basis for an investment decision.

### Arrangements with Investment Managers

As stated above, the Fund, in line with the Trustees' investment beliefs, invests exclusively in index-tracking funds. However, the Trustees do monitor the Fund's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustees' policies. This includes monitoring the extent to which investment managers engage with issuers of debt or equity in order to improve their performance in the medium to long term.

The Trustees receive at least quarterly reports and verbal updates from the investment advisers on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Fund's objectives.

## THE PROCTER & GAMBLE PENSION FUND

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The Trustees also receive regular stewardship reports on the monitoring and engagement activities carried out by their investment managers.

Before appointment of a new investment manager (or fund), the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. As the Fund is expected to predominantly invest in passive, pooled vehicles, the Trustees have limited direct influence on the investment holdings, processes and policies in place. Whilst the Trustees will encourage investment managers to improve their practises where possible, they acknowledge that, in practice, managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors.

Where investment managers are considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the investment manager but could ultimately replace the fund(s) in question where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment for all investment managers will be reviewed periodically, and at least every three years.

The Trustees do not regularly monitor investment managers against non-financial criteria of the investments made on their behalf.

<sup>1</sup> The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

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#### Statement of investment Principles

##### Cost transparency

The Trustees are aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Fund assets. The Trustees recognise that in addition to annual management charges, there are a number of other costs incurred by their investment managers that can increase the overall cost.

The Trustees collect annual cost transparency reports covering all of their investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template. This allows the Trustees to understand exactly what they are paying their investment managers.

Within the Defined Contribution Section specifically, these costs, along with estimated impact on representative members, are made publicly available within the annual Defined Contribution Chair's Statement (which is available at [www.hartlinkonline.co.uk/procterandgamble](http://www.hartlinkonline.co.uk/procterandgamble)).

The Trustees are aware of the portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated with their underlying investments through the information provided by their asset managers. The monitoring of the target portfolio turnover and turnover range is monitored annually with the assistance of the Fund's investment adviser.

The Trustees accept that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes, with the expectation that the larger passive mandates are likely to incur lower transaction costs. The Trustees understand that a reasonable level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and historic trends. Where the Trustees' monitoring identifies a lack of consistency they will initially look to engage with the investment manager, but could ultimately replace the fund(s) in question where this is deemed necessary.

The Trustees do not believe that performance related fees offer value for money and as such all asset managers are appointed on a percentage fee basis.

##### Investment Advisers

Aon Investments Limited has been selected as investment adviser to the Trustees and Investment Committee in respect of the Defined Benefit Section. Barnett Waddingham LLP has been selected as investment adviser to the Trustees and Investment Committee in respect of the Defined Contribution Section. Both operate under agreements to provide a full service designed to ensure that the Trustees and Investment Committee are fully briefed both to take the decisions they take themselves and to monitor those they delegate. Both Aon Investments Limited and Barnett Waddingham LLP are paid a fixed fee which covers all services needed on a regular basis. For some one-off projects a fixed or time-based fee may be negotiated separately.

##### Issued for and on behalf of the Trustees



**Alison Smith**

**Dated: 21st May 2024**

*This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustees also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements.*













# P&G Accounts 2024

Final Audit Report

2025-01-31

Created:	2025-01-31
By:	John Pearson (pearson.j.5@pg.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAMuRjMFVPFy5XzwrR3DetGooXrAW2PHy3

## "P&G Accounts 2024" History

-  Document created by John Pearson (pearson.j.5@pg.com)  
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-  Document emailed to Ispearing65@gmail.com for signature  
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-  Email viewed by Alison Smith (smith.am.1@pg.com)  
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-  Alison Smith (smith.am.1@pg.com) has agreed to the terms of use and to do business electronically with The Procter & Gamble Company FPSS  
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-  Signer Ispearing65@gmail.com entered name at signing as Laura Spearing  
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