

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 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.

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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	

Credit	Quality Credit Portfolio	Sterling Non-Gilts AAA-A 15+ Yrs (UN78)	Passive
Global Infrastructure	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

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State Street (“SSgA”)

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

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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).

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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
Global Equity	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.
ESG Equity	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.
Emerging Market Equity	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.
UK Index-Linked Gilts	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.
Corporate Bond	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.
Cash	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.

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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.

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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.

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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.

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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).

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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);

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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.

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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 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.

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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"¹).

¹ 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 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.

¹ The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

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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).

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.