

## 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 Trustee's overall policy on issues that apply equally to the defined benefit and defined contribution sections.

### Defined Benefit Section

#### Fund Investment Objective

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 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 Trustee's 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 Trustee has 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 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. 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 Trustee 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 Trustee 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 Trustee ("manager risk"). This risk is considered by the Trustee 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 Trustee and their advisers considered this risk when setting the Fund's investment strategy.

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- The possibility of failure of the Fund's sponsoring employer ("covenant risk"). The Trustee 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 Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers 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 Trustee's policy is to monitor, where possible, these risks quarterly. The Trustee receives quarterly reports from their advisers showing:

- Performance of individual funds versus their respective benchmarks, that the Trustee reviews on a quarterly basis.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

### Implementation

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

#### BlackRock

<b>BlackRock Asset Class</b>	<b>Name of Fund</b>	<b>Investment Objective</b>	<b>Active/Passive</b>
<b>Global Equities</b>	ACWI Equity Index Fund B units	The Fund aims to track the MSCI All Country World Index	Passive
<b>Long Dated Gilts</b>	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
<b>Long Dated Gilts</b>	Aquila Life 2040 Gilt Fund	The Fund aims to achieve a return consistent with T40 4 ¼% Treasury STK 40 GROSS Index	Passive
<b>Long Dated Gilts</b>	Aquila Life 2060 Gilt Fund	The Fund aims to achieve a return consistent with TR60 4% Treasury Gilt 22/01/60 Gross Index	Passive
<b>All Stock Corporate Bonds</b>	Aquila Life All Stocks Corporate Bond Index Fund	The Fund aims to track the Markit iBoxx £ Non-Gilts Overall TR Index	Passive
<b>Long Dated Corporate Bonds</b>	Aquila Life Over 15 Year Corporate Bond Index Fund	The Fund aims to track the iBoxx £ Non-Gilts, Over 15 Year Index	Passive
<b>Long Duration High Quality Credit</b>	Long Duration High Quality Credit Portfolio	The Fund aims to track the ICE BofA Sterling Non-Gilts AAA-A 15+ Yrs (UN78)	Passive

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<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
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### State Street (“SSgA”)

<b>Asset Class</b>	<b>Name of Fund</b>	<b>Investment Objective</b>	<b>Active/Passive</b>
<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 Gilts</b>	UK Conventional Gilt Oct 2071 Index Sub-Fund	The Fund aims to track the Bloomberg UK 1.625% Oct 71 TRI	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 Trustee receives an annual statement from each investment manager 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 Trustee has 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.

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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 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 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 Global 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 in line with those objectives.
<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>Beliefs-based Equity</b>	Invested in Shariah compliant equities	This fund will invest in equities that meet Shariah compliance principles as interpreted or approved by the Shariah Committee. The returns can vary and may be less predictable compared to UK government bonds. There will be currency risk due to the overseas exposure.
<b>Property &amp; Infrastructure</b>	Invested in global equities that are property-related and collective investments that invest in infrastructure	This fund will invest in global listed real estate assets and listed infrastructure. Returns are generally more volatile compared to UK government bonds. There will be currency risk due to the overseas exposure.
<b>Balanced (Multi-asset)</b>	Invested in both developed market and emerging market equities and UK gilts	This fund will invest in a range of asset classes that are listed in this section. Half of the fund invests in riskier assets that are expected to generate higher returns. However, the fund aims to reduce the volatility of returns through diversification across different asset classes (such as UK gilts) and regions (such as developed markets and emerging markets).
<b>Corporate Bond</b>	Invested in UK corporate bonds (all stocks)	This fund will invest in bonds with a range of credit ratings as determined by credit rating agencies. The bonds also have a broad range of maturities. The returns are likely to be less volatile and more secure than those of equities,

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		although more volatile than those of UK government bonds and investors expect correspondingly higher returns over the long term.
<b>Pre-Annuity Bond</b>	Invested in bonds	This fund will aim to provide exposure to both UK government bonds and corporate bonds that aim to match the pricing of a typical level annuity product. The returns are expected to be less volatile than those of equities.
<b>UK Gilts</b>	Invested in UK Gilts	This fund will aim to produce a return that is broadly correlated to the performance of UK government bonds. The returns are expected to be less volatile than those of equities, making it a more stable option for investors seeking consistent income and lower risk exposure.
<b>Inflation Linked</b>	Invested in UK Index-Linked Gilts	These funds will aim to provide exposure to inflation-linked government bonds. The returns are expected to be less volatile than those of equities.
<b>Liquidity (Cash)</b>	Invested in cash and money market instruments	This fund will aim to provide security of capital and to minimise volatility through investment in predominantly Sterling-denominated short term money market instruments and fixed deposits.

### Lifestyle options

Four lifestyle investment options are available to members, which utilise equities, a multi-asset fund, fixed interest gilts, index-linked gilts, corporate bonds and a cash fund. The four lifestyle options each have 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. The detailed lifestyle options are shown in the appendix.

### 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 twelve 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.

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

The Trustee expects the long-term return on the investment options that invest predominantly in equities, property and infrastructure 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 Trustee of the Procter & Gamble Pension Fund are required to designate a default arrangement into which members who are automatically enrolled are invested. The Trustee has designated the **P&G Default Lifestyle: Drawdown** option 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 equities initially 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 Trustee also considers the **P&G Lifestyle Fund: Cash** option 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 previous Cash Lifestyle Strategy as the default destination investment option, which was subsequently transferred to the P&G Lifestyle Fund: Cash option. This strategy is therefore subject to the same governance and charge cap requirements as the main Fund default lifestyle strategy. The P&G Lifestyle Fund: Cash option 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 Trustee's 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 Trustee does 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 Trustee recognises 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 Trustee 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 Trustee is aware that the appropriate balance between different kinds of investments will vary over time and the asset allocation may change as the membership profile evolves.



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### 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 considered this risk when setting the investment options and strategy for the Fund. The Trustee's policy in respect of risk measurement methods and risk management processes is set out below.

The Trustee considers 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 Trustee 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 Trustee offers members three lifestyle investment options to choose from and a self-select option. In the lifestyle arrangements made available through the Fund, the Trustee changes the proportion and type of investments so that in the run up to retirement the investments gradually start to more closely match how the Trustee expects members to access their retirement savings. The Trustee keeps under review the appropriateness of the strategies.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- 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 Trustee makes 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 Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustee's 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 Trustee measures 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 Trustee.

### Implementation

#### Arrangement with the Provider

The Trustee has chosen to invest in bespoke strategies designed by Aon (the "provider") in order to provide the selected range of investment options. The Fund's Lifestyle options have initially been designed to be similar to Aon Managed Core strategy, and the ESG Lifestyle Fund: Drawdown, will mirror the strategy



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closely. However, the Trustee has some discretion in relation to the funds included in the P&G Lifestyle Funds, and will receive advice from their investment adviser, Barnett Waddingham LLP before any changes are made to the Lifestyle options. The details of the investment funds offered to members through this arrangement are shown in the appendix. 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.

The Trustee was 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 Trustee will review such appointment or appointments at least once in every three years. The Trustee will carry out such review after consultation with the Company and after receiving advice from the Trustee's investment adviser.

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

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

The Trustee has 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 provider, Prudential.

### Defined Benefit and Defined Contribution sections

#### 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 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 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.

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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 this statement so far as is reasonably practicable.

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

### Governance

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

#### Decision Making Structure

##### **Trustee**

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

### 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 Trustee 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.

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When deciding whether or not to make any new direct investments the Trustee 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 Trustee relies 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 Trustee (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 Trustee's investment advisers have the knowledge and experience required under the Pensions Act 1995.

### 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 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 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. Integration here means that the fund management teams have taken appropriate steps to identify, evaluate and mitigate potential financially material ESG risks within the portfolios.

#### Stewardship – Voting and Engagement

The Trustee believes 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.

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The Trustee recognises 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 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 they 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 communicate their expectations and standards to their investment managers. These standards include:

- The Trustee expect 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 and accountability.

The Trustee regularly reviews 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 Trustee delegates 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 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 their voting activities to third party investment managers, the Trustee accepts they have ultimate responsibility for the Stewardship of the Fund's assets. To fulfil this responsibility, the Trustee 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 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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The Trustee 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 adviser. 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 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 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 member's best interests to consider and monitor associated risks.

The Trustee keeps their investment managers informed of their stewardship priority and expectations, and levels scrutiny on their 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 Non-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"<sup>1</sup>).

Within the defined contribution section, the Trustee has 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.

<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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### **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 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 their 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, 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.

The Trustee does not regularly monitor investment managers against non-financial criteria of the investments made on their behalf.

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### 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.

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 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 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.

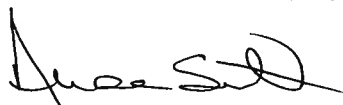
The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes, with the expectation that the larger passive mandates are likely to incur lower transaction costs. The Trustee understands that a reasonable level of 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 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 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.

### Investment Advisers

Aon Investments Limited has been selected as investment adviser to the Trustee and Investment Committee in respect of the Defined Benefit Section. Barnett Waddingham LLP has been selected as investment adviser to the Trustee and Investment Committee in respect of the Defined Contribution Section. Both operate under agreements to provide a full service designed to ensure that the Trustee 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 Trustee



**Alison Smith**

**Dated: 4<sup>th</sup> February 2025**

*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 Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.*



# Statement of Investment Principles

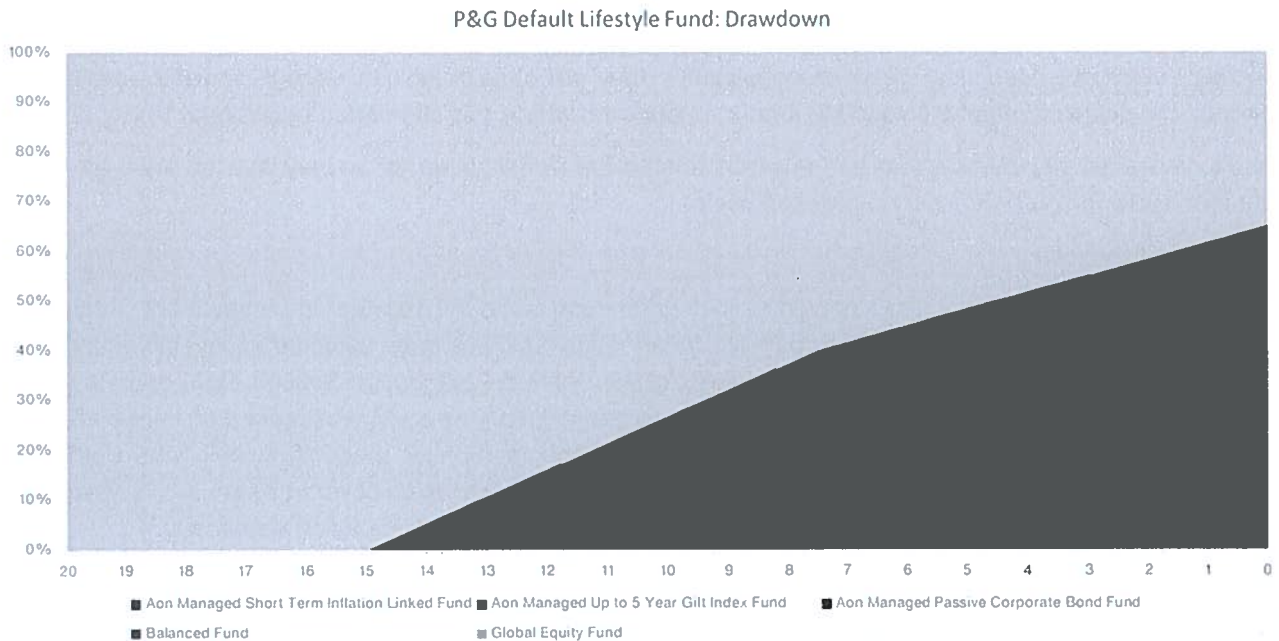
## Appendix

### Lifestyle options

**Growth phase:** Members who are more than 14 years away from retirement are invested 100% in global equities. Upon reaching 14 years to retirement, the proportion of equities is gradually reduced and the proportion of multi-asset fund and bonds is gradually increased, until 8 years to retirement, so that the pension account is invested c.62% in equities, c.19% in the multi-asset fund and c.19% in corporate bonds. From 8 years to retirement, index-linked gilts and fixed interest gilts are also introduced gradually.

**Pre-retirement phase:** Upon reaching 5 years to retirement the lifestyle investments have an initial allocation of c.51% in equities, c.22% in the multi-asset fund, c.22% in corporate bonds, 2.5% in index-linked gilts and 2.5% in fixed-interest gilts. 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.

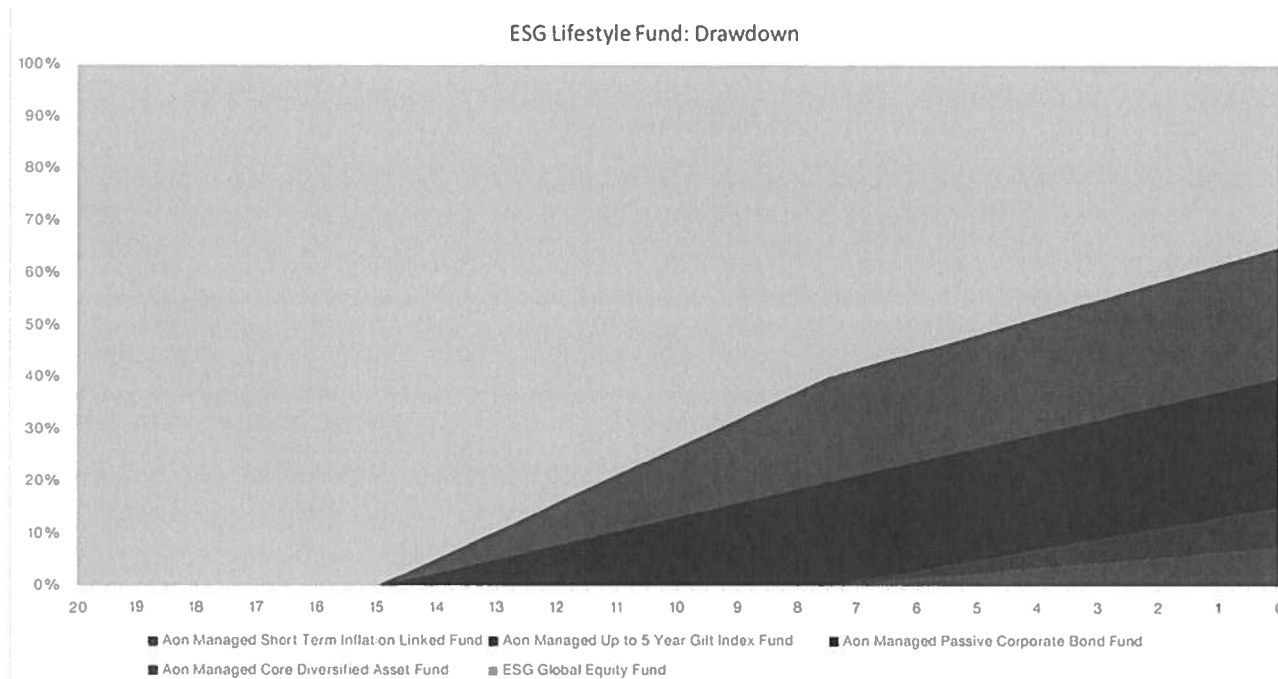
Upon reaching the pre-retirement phase of the **P&G Default Lifestyle Fund: Drawdown** option, the proportion of equities is further reduced and the proportion of multi-asset fund, corporate bonds, index-linked gilts and fixed interest gilts is further increased so that at the member's target retirement age, their pension account is invested 35% in equities, 25% in the multi-asset fund, 25% in corporate bonds, 7.5% in index-linked gilts and 7.5% in fixed-interest gilts. It is designed to be appropriate for a member remaining invested in retirement. The **P&G Default Lifestyle Fund: Drawdown** option is shown below.



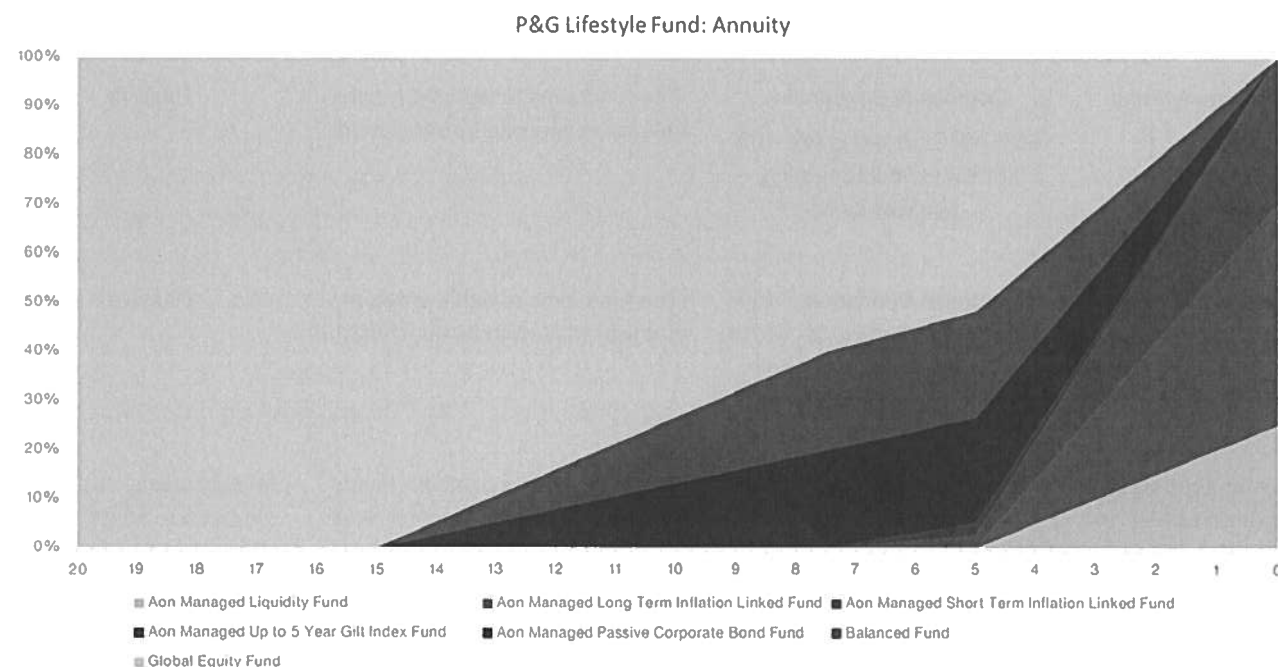
**The ESG Lifestyle Fund: Drawdown** option targets the same phased allocation as the P&G Default Lifestyle Fund: Drawdown. However, the equity and multi-asset fund allocations are invested in equities which incorporate a low-carbon tilt and utilise ESG screens. It is also designed to be appropriate for a member remaining invested in retirement. The **ESG Lifestyle Fund: Drawdown** option is shown below.

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Upon reaching pre-retirement phase of the **P&G Lifestyle Fund: Annuity** option, the investments are gradually switched from equities, the multi-asset fund 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 (30% short-term and 45% long-term) 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. The **P&G Lifestyle Fund: Annuity** option is shown below.

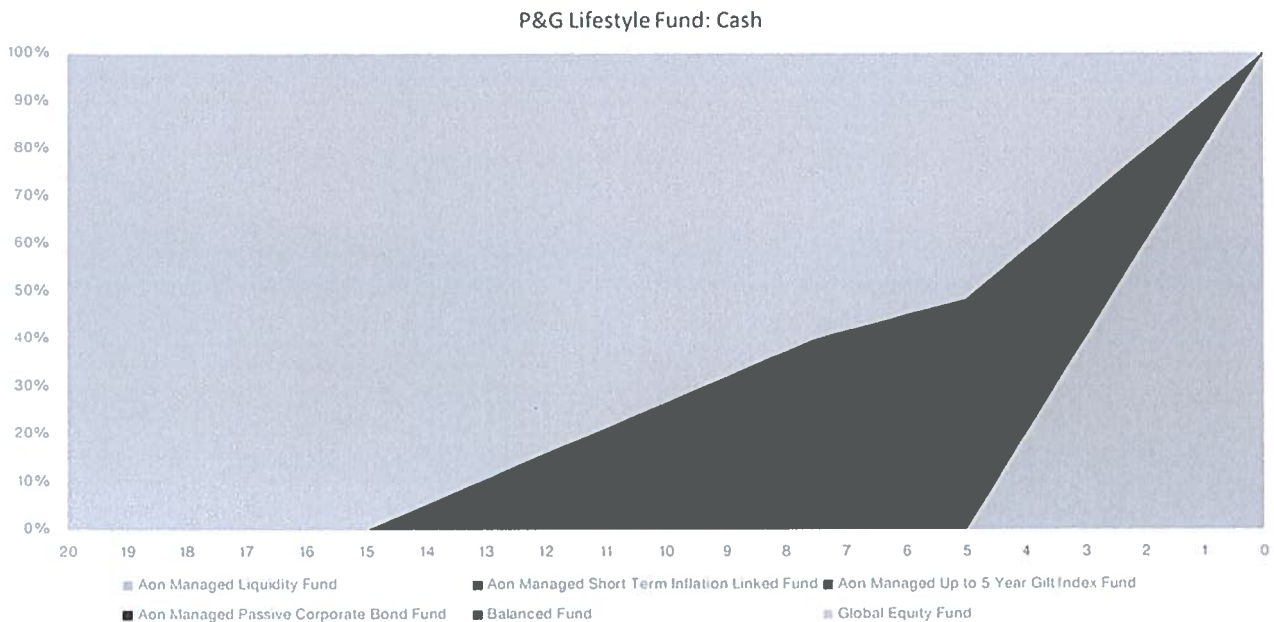


Upon reaching pre-retirement phase of the **P&G Lifestyle Fund: Cash** option, the investments are gradually switched from equities, the multi-asset fund, index-linked gilts, fixed interest gilts and corporate bonds, to an asset allocation of 100% in cash assets at the member's target retirement age. It is designed to be appropriate

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for a member wishing to take a full cash lump sum withdrawal at retirement. The **P&G Lifestyle Fund: Cash** option is shown below.



The details of the investment funds offered to members through the new policy with Aon are set out below/overleaf.

Policy with Aon			
Investment funds	Benchmark	Investment objective	Active/Passive
<b>Default Funds</b>			
Global Equity Fund	Composite Benchmark: 90% MSCI World Index, 10% MSCI Global Emerging Markets Index	The fund aims to achieve returns that are in line with its benchmark.	Passive
Balanced Fund	Composite Benchmark: 45% MSCI World Index, 5% MSCI Global Emerging Markets Index, 50% iBoxx Sterling Non Gilts All Stocks Index	The fund aims to achieve returns that are in line with its benchmark.	Passive
Aon Managed Passive Corporate Bond Fund	iBoxx Sterling Non-Gilts All Stocks Index	The fund aims to achieve returns that are in line with its benchmark.	Invests mainly or wholly in passive funds, and the choice of those funds is actively managed.
Aon Managed Short Term Inflation Linked Fund	FTSE UK Up to 5 Years Index-Linked Gilts Index	The fund aims to achieve returns that are in line with its benchmark.	Invests mainly or wholly in passive funds, and the choice of those

## The Procter &amp; Gamble Pension Fund

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funds is actively managed.

Aon Managed Up to 5 Year Gilt Index Fund*	FTSE UK Conventional Gilts Up To 5 Years Index	The fund aims to achieve returns that are in line with its benchmark.	Invests mainly or wholly in passive funds, and the choice of those funds is actively managed.
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**Self-Select Funds**

Developed World Equity Fund	MSCI World Index	The fund aims to achieve returns that are in line with its benchmark.	Passive
ESG Global Equity Fund	MSCI World Index	The fund aims to outperform its benchmark over rolling three-year periods by investing in funds that provide exposure to global equities. As the fund adopts a largely passive approach, any outperformance is expected to be modest.	Invests mainly or wholly in passive funds, and the choice of those funds is actively managed.
HSBC Islamic Global Equity Index Fund	Dow Jones Islamic Titans Index	The Fund aims to create long-term capital growth and invests only in funds that comply with Shariah law.	Passive
BlackRock Emerging Markets Equity Index Fund	MSCI Global Emerging Markets Index	The fund aims to achieve returns that are in line with its benchmark.	Passive
Property and Infrastructure Fund	Composite Benchmark: 70% FTSE EPRA Nareit Developed Green Low Carbon Target Index, 30% FTSE Developed Core Infrastructure Index.	The fund aims to achieve returns that are in line with its benchmark.	Passive
Pre-Annuity Bond Fund	Manager Bespoke: the long term expected annualised rate of return for this fund is broadly similar to that of a traditional level annuity product.	The fund aims to achieve returns that are in line with its bespoke benchmark to match the prices of typical annuity rates.	Invests in passive and active funds, and the choice of those funds is actively managed.
BlackRock All Stocks Gilts Index Fund	FTSE UK All Stocks Gilts Index	The fund aims to achieve returns that are in line with its benchmark.	Passive
Aon Managed Liquidity Fund	Sterling Overnight Index Average (SONIA)	The fund aims to preserve capital and achieve returns before the deduction of fees that are in line with its benchmark.	Invests in passive and active funds, and the choice of those funds is actively managed.

\*Not available as a self-select fund.

