



people's
pension

Responsible Investment Policy

March 2026



Contents

Overview	02
Part 1: The Scheme's responsible investment approach	04
Introduction	05
What responsible investment means to the Scheme	06
Responsible investment objectives and beliefs	06
Responsible investment spectrum	07
Strategic framework	08
Pillar 1: Portfolio construction	10
Pillar 2: Stewardship	12
Pillar 3: Reporting	17
Part 2: The Scheme's stewardship priorities	18
Summary	19
Targeted stewardship activity	20
Measures of success	21
Company expectations	22
Climate	22
Nature	24
Human rights	25
Policymaker expectations	26
Climate	26
Nature	26
Human rights	26
Industry and collaborative engagement	28
Climate	28
Nature	28
Human rights	29
Appendix 1: Glossary	30
Appendix 2: Exclusions policy	32
Appendix 3: Net zero voting guidelines	36

The People's Pension ('the Scheme') is a defined contribution (DC) master trust open to all UK employers. The Scheme has over 7m members and is growing by more than £3bn in contributions annually. As an open and growing master trust, it has a long-term investment outlook. The People's Pension Trustee ('the Trustee') acts as fiduciary for members and the savings held within the Scheme.

The primary objective of the Scheme's responsible investment (RI) approach is to add financial value and resilience to its members' savings through its portfolio construction and stewardship approaches. As a complement to the primary objective, the Trustee also wishes to encourage companies to behave in a more sustainable way for the benefit of society and the world members retire into. Ultimately, this is likely to lead to better and more sustainable retirement outcomes for members.

The Trustee believes that it can achieve these complementary objectives by:

- Prioritising environmental, social and governance (ESG) risks and opportunities where the investment case for financial materiality over the medium to long term is strongest.
- Identifying ESG issues that contribute value to wider society and embedding them into the Scheme's stewardship approach¹
- A limited use of exclusions²

The Trustee has concluded that its fiduciary duty is to address these issues as part of its investment decision-making.

The Trustee has identified the importance of considering and managing ESG risks and opportunities as part of its portfolio construction alongside and connected to a stewardship programme that includes not only investee companies but wider industry and policymakers. Due to the breadth and scope of these issues, prioritisation is essential. The Trustee has chosen to focus on:

- Issues that relate to climate, nature, and human rights, as these are deemed to be most material to the Scheme's stakeholders.³
- Stewardship 'asks' where a business materiality to the company or sector involved can be identified.
- Industry-wide stewardship programmes where the asks are already well-established
- Stewardship initiatives where there is a comparative advantage in undertaking that particular course of stewardship.

This Policy was approved by the Trustee in March 2026. It will be reviewed and updated at least every 3 years or following any significant change in approach, policy, or demographic profile of members.



This Policy is divided into 2 main parts:

- » **Part 1:** The Scheme's Responsible Investment Approach, which highlights its responsible investment objectives and beliefs and the strategic framework through which this Policy will be implemented.
- » **Part 2:** The Scheme's Stewardship Priorities, which outline the key ESG issues and connected key stakeholder expectations upon which the Trustee will focus its stewardship activities.

1. So long as there is no material financial detriment in pursuing this activity. Also refer to Glossary for the Scheme's definition of stewardship, which does not include portfolio construction.

2. As above, so long as there is no material financial detriment in its use, in alignment with the [Law Commission's recommendation](#) regarding exclusions. For further details regarding the Scheme's methodology in its use of exclusions, please refer to the Exclusions Policy in Appendix 2.

3. As defined in the Part 1 – Introduction section of this Policy.

Part 1

The Scheme's responsible investment approach



Introduction

The Responsible Investment Policy ('Policy') describes the framework governing the approach of The People's Pension ('the Scheme') to integrate ESG and stewardship considerations into its investment decision-making. The Policy is approved by the Trustee of the Scheme ('the Trustee').

As a primary directive, the Policy has been developed to serve the Scheme's main stakeholders - its members. However, due to the technical nature of the Policy, the information contained on the Scheme's website may better serve their needs. The main audiences for this document are therefore likely to be the Scheme's asset managers, other service providers (ie, data/index providers), policymakers, and investee companies. This is because the document sets out the Trustee's 'asks' of these stakeholders, and People's Investment Limited (PIL)⁴ uses this information to inform its investment approach, including asset manager and service provider selection and oversight on the Trustee's behalf. This document may also be of interest to the Scheme's employers using the Scheme for their pension arrangements, and other wider stakeholders.

This Policy should be read in conjunction with the following associated Scheme policies and reporting:

- [Statement of Investment Principles \(SIP\)](#), which outlines the Scheme's investment strategy, objectives, policies and governance arrangements in which this Policy and the Climate Change Position Paper are included in the appendix.
- [The Climate Change Position Paper](#), which should be considered a subset of this Policy. It: (i) defines the forms of climate risk relevant to a long-term horizon, diversified investor; (ii) sets out practical tools and trade-offs; and (iii) describes a proportionate framework for action.
- [The Scheme's Climate Progress Report](#), which is required to be updated annually, outlines further details regarding the Scheme's climate-related governance, strategy, risk management and metrics and targets.
- The Scheme's yearly [Implementation Statement](#) which provides a high-level summary of its stewardship activities (including voting activity) and the Scheme's performance against its SIP.

4. PIL is the Trustee's primary investment advisor. PIL is a subsidiary of People's Partnership, the group of companies that operate the Scheme.

What responsible investment means to the Scheme

Responsible investment objectives and beliefs

The primary objective of the Scheme’s RI approach is to add financial value and resilience to its members’ savings through its portfolio construction and stewardship approaches. As a complement to the primary objective, the Trustee also wishes to encourage companies to behave in a more sustainable way for the benefit of society and the world members retire into.

The Trustee believes that it can achieve these complementary objectives by:

- Prioritising ESG risks and opportunities where the investment case for financial materiality over the medium to long term is strongest.
- Identifying ESG issues that contribute value to wider society and embedding them into the Scheme’s stewardship approach.⁵
- A limited use of exclusions.⁶

The Trustee has concluded that its fiduciary duty is to address these issues as part of its investment decision-making. The investment beliefs that underpin the aforementioned RI objectives are outlined below.⁶

Investment beliefs	
Portfolio level	<p>Many ESG issues within investee companies have the ability to impact upon member outcomes, both financial and non-financial.</p> <p>The Scheme has universal owner characteristics with a long-term investment horizon and a very diversified portfolio. This means that the Scheme’s investment returns are dependent on the wellbeing of the economy⁷ as a whole, and a wide variety of individual company ESG issues are financially material to the Scheme and its stakeholders.</p>
Company level	<p>Well-governed companies that manage material ESG risks and opportunities in their operations and supply chains, such as those that impact employees, suppliers, customers, communities and the environment, are expected to enhance value for shareholders, including the Scheme’s members, over the long term.⁸</p>

5. So long as there is no material financial detriment in pursuing this activity. Also refer to the Glossary for the Scheme’s definition of stewardship, which does not include portfolio construction.
 6. As above, so long as there is no material financial detriment in its use, in alignment with the [Law Commission’s recommendation](#) regarding exclusions. For further details regarding the Scheme’s methodology in its use of exclusions, please refer to the Exclusions Policy in Appendix 2.
 7. The Trustee believes that the Scheme and members are exposed to system-level financial risks at the level of one or more economic sectors, financial markets or economies.
 8. Edmans, Alex (2020): Grow the Pie: How Great Companies Deliver Both Purpose and Profit. Cambridge University Press.

Responsible investment spectrum

The below figure shows a spectrum of capital allocation techniques in the context of RI and highlights where the Scheme operates within that spectrum.

	Traditional	Responsible investment				Philanthropy
		Screening	ESG integration	Impact investment		
				Themed	Impact-first	
Targeted social and environmental impact						
Focus	Limited or no focus on ESG factors of underlying investment.	Negative or exclusionary screening and positive or best-in-class screening, based on criteria defined in a variety of ways (ie, by product, activity, sector, international norms).	The use of qualitative and quantitative ESG information in the investment process, by taking into account ESG-related trends at the portfolio, security or issuer level.	The selection of assets that contribute to addressing challenges such as climate change or water scarcity.	Environmental or social issues which create investment opportunities with some financial trade-off.	Focus on one or a cluster of issues where social and environmental need requires a 100% trade-off.
Examples	Can be an active choice to not include ESG or due to a lack of data for that asset class or security type.	Screening out global norms violators (eg, UN Global Compact) and Climate-related screening (eg, Thermal Coal).	<ul style="list-style-type: none"> • Tilting towards companies with higher ESG scores. • Setting constraints on emissions linked to investee companies. 	<ul style="list-style-type: none"> • Private equity renewables projects. • Emerging markets healthcare-themed fund. 	<ul style="list-style-type: none"> • Fund providing debt or equity to social enterprise or a trading charity. 	<ul style="list-style-type: none"> • Donating or creating a charitable organisation without expectation of return.
Funds	Cash Fund	<ul style="list-style-type: none"> • Global Investments (up to 100% shares) Fund • Global Investments (up to 85% shares) Fund • Global Investments (up to 60% shares) Fund • Pre-Retirement Fund • Ethical Fund • Shariah Fund • Annuity Fund 				

Dark blue denotes where on the Responsible investment spectrum The People’s Pension Scheme operates. Themed investment is being researched as a potential area of investment in the short to medium term.

Strategic framework

The Scheme has developed a strategic framework to guide its RI approach. It consists of a set of principles divided into 3 pillars: portfolio construction, stewardship and reporting. In summary, the Trustee has committed to:

Portfolio construction

- Consider and manage ESG risks and opportunities as part of the Scheme's portfolio construction (Principle 1).

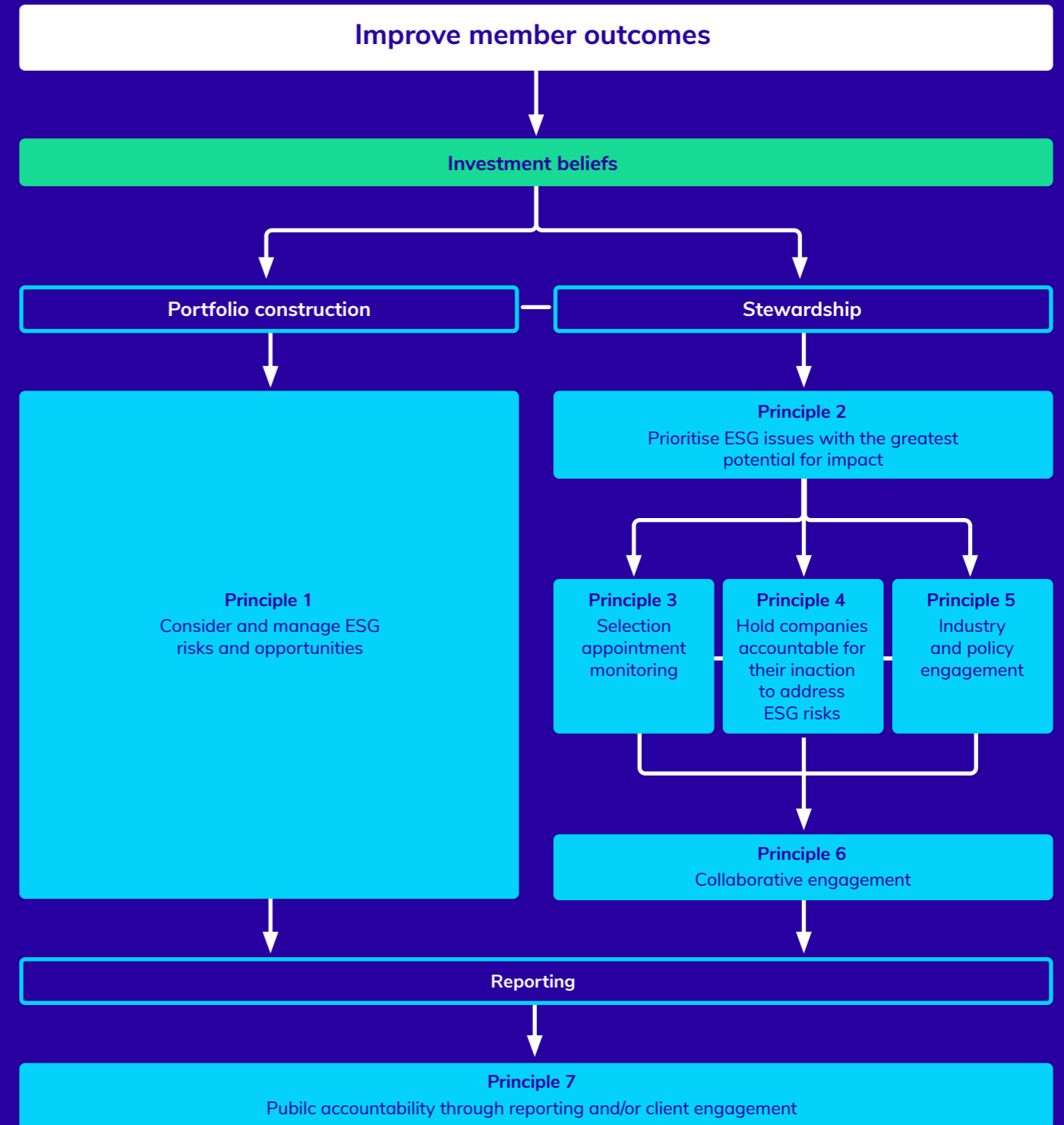
Stewardship

- Prioritise ESG issues with the greatest potential for impact (Principle 2).
- Integrate ESG and stewardship considerations into how the Scheme selects, appoints and monitors its asset managers and other service providers (Principle 3).
- Through the Scheme's asset managers' activities, hold investee companies to account for the actions they are taking to address business-material ESG risks and opportunities (Principle 4).
- Hold key industry players and policymakers to account to ensure they are able to help the Scheme achieve its RI objective (Principle 5).
- Collaborate with other like-minded investors and stakeholders to increase influence (Principle 6).

Reporting

- Annually report on the Scheme's progress (Principle 7).

The chart opposite outlines the Scheme's RI approach and how the strategic pillars and the underlying RI principles interconnect with each other.



Pillar 1: Portfolio construction

Principle 1: Consider and manage ESG risks and opportunities as part of the Scheme's portfolio construction.

The Trustee incorporates the assessment and management of ESG risks and opportunities into the investment decision-making process using two main approaches: integration and exclusion.

The Trustee considers climate change to be a systemic ESG risk with the greatest potential impact upon member outcomes. The Trustee has therefore set a Paris-aligned ambition as outlined in its Climate Change Position Paper.⁹ The appropriateness of this decision will be continually assessed to ensure this ambition remains in alignment with the Trustee's fiduciary duties and legal requirement to invest assets in the best interests of the Scheme's members. For further details regarding the targets that underpin this ambition, please refer to the Scheme's Climate Progress Report.

The Trustee remains open to exploring the integration of other ESG risks and opportunities, such as nature and human rights, into its portfolio construction, subject to an evaluation of the availability and robustness of data and analytics. As a result, this will be kept under review.

Integration

The integration of ESG analysis into the investment decision-making process is done on the basis of financial materiality. If there is a manageable unpriced risk that it is believed may negatively impact the performance of the portfolio or an accessible opportunity that it is believed may positively impact the performance of the portfolio, the Trustee will consider how this can be integrated into the portfolio construction. A key consideration in this area concerns the extent to which ESG factors are already reflected in pricing and valuation.

To date, the Scheme has begun integrating climate change into its portfolio construction decision-making. This has been done through the use of an index tracking strategy using climate-aware indices (eg, developed market equities) and integrating climate and other financially material ESG considerations into active mandates (eg, investment-grade corporate fixed income).

In addition to the portfolio-level integration, the Trustee will also assess asset managers on their ability to integrate best-practice public frameworks (eg, IIGCC's Net Zero Investment Framework) into their assessment and management of climate-related risks, opportunities, and stewardship.

Exclusions

In general, the Trustee does not believe that large-scale exclusions¹⁰ are consistent with its RI objectives, which focus primarily on potential financial factors. The Trustee believes, as a general principle, it should retain the option to make a decision on a case-by-case basis rather than make a blanket exclusion, which rules a significant number of companies out on the basis of their business. On balance, the Trustee believes that a robust stewardship programme will influence corporate behaviour more effectively than divestment. Enforcing large-scale exclusions limits our ability to work collaboratively with others to develop investment solutions designed to bring about change.

Using climate change as an illustration, the Trustee prefers a tilting methodology that can reduce its exposure to individual securities (such as those in the fossil fuel industry), potentially to zero, but this is distinctly different from blanket exclusion. With regard to investment in conflict-affected regions, the Trustee will continue to monitor where assets are held and work with its asset manager(s) to make sure all our investments are compliant with current sanctions.

There are, however, certain issues where exclusions are considered appropriate. Appendix 2 details the Scheme's exclusions policy. The exclusions policy has been developed to reflect the minimum standards to be applied, where feasible, to the investment strategy.



Potential trade-offs

Pursuing a net zero strategy may introduce additional concentration risks if there are inconsistent and uncertain government policies and actions globally.¹¹ To address this risk, the Trustee will conduct yearly monitoring of industry and policy developments, or earlier as needed, to confirm whether or not the current climate strategy remains fit for purpose.

9. <https://thepeoplespension.co.uk/downloads/climate-change-position-paper/>

10. For example: excluding whole GICS sectors.

11. Refer to the Scheme's Climate Change Position Paper for further detail.

Pillar 2: Stewardship

Introduction

Stewardship has the potential to create long-term value for clients and beneficiaries. To maximise effectiveness, stewardship priorities¹² underpinned by a robust prioritisation process are key. To address the trade-offs inherent in prioritising a small subset of stewardship activities, the Scheme has used the following criteria to decide where to allocate its stewardship resources:

- Prioritise ESG issues that are considered to be systemic financial risks.
- Focus on stewardship ‘asks’ where a connection can be made to generate shareholder value in a way that aligns with value to the Scheme’s members as well as wider society.
- Focus on stewardship activities where the Scheme has a comparative advantage¹³ in undertaking that stewardship.
- Focus on companies where a material ESG issue also has business materiality for the company or sector considered.
- Focus on stewardship ‘asks’ that are part of established industry-wide frameworks with existing momentum and track record behind them.

Principle 2: Prioritising ESG issues with the greatest potential for impact.

Using the above prioritisation framework, the Trustee has identified **climate change, nature, and human rights** as its stewardship priorities. The stewardship priorities in Part 2 of this Policy set out the following with respect to each of these priorities:

- The rationale that has driven the selection of the thematic and sectoral focus areas.
- Key investee company expectations on the issue in question, including voting.
- Key policy expectations.
- Key industry engagement and collaborations Potential trade-offs involved.

Overall, Part 2 of this Policy also outlines how these expectations and engagements will drive the Scheme’s asset manager monitoring programme (Principle 3).

Principle 3: Integrate ESG and stewardship considerations into how the Scheme selects, appoints and monitors asset managers and other service providers.

Asset managers

Minimum requirements¹⁴ – listed markets

The Trustee will incorporate the following minimum requirements into its asset manager selection process:

- Become a signatory to and remain compliant with the 2020 UK Stewardship Code or an equivalent local stewardship code applicable in their jurisdictions.
- Support the Scheme’s net zero strategy through its own net zero actions.¹⁵
- Suitable commitment to the resourcing of the manager’s own stewardship function above the average level of industry peers.
- Commitment to training and development of key fund management individuals on RI.

If circumstances arise whereby (an) existing manager(s) does/do not meet these minimal requirements, the Trustee will allow the manager(s) a suitable grace period to meet them. If, after this grace period, the minimum requirements are not met, an appropriate escalation strategy will be triggered, as highlighted on page 15.

Expectations

Introduction

The Trustee takes a balanced scorecard approach to evaluating its asset managers, which includes RI expectations as outlined in this section. The Trustee acknowledges the need for flexibility in its assessment of how asset managers meet its RI expectations to take account of investment strategies, asset classes, geography, ability to influence and/or legal control. The weightings of each expectation may also differ in the Scheme’s selection and monitoring processes, depending on the mandate.

In addition, some of the expectations may be met either immediately or within a relatively short timeframe, whereas other expectations are more challenging and longer term in nature because the barriers to success are more systemic in nature. However, as long-term investors, the Trustee recognises the importance of providing a longer-term vision of where the market should be, and not to dilute its expectations in the face of any systemic barrier, such as challenges in the political landscape. Codifying these longer-term expectations into asset manager monitoring has the potential to be an important driver for innovative RI solutions between the Scheme and the asset manager(s) in question. Ultimately, the determination to include an expectation should not be defined by its difficulty but rather by its fiduciary importance to address in the best financial interests of the Scheme’s members.

RI expectations (including those related to the Scheme’s net zero ambition) are embedded into the mandate design and implementation, taking into account the above-noted considerations.

As part of its monitoring programme, the Trustee will annually review all the Scheme’s asset managers to evaluate whether their approach to RI is:

- Continuing to meet the minimum requirements as outlined in this principle.
- Demonstrating reasonable progress against the expectations outlined in the table on the following page.

12. DWP also recommends stewardship priorities in its June 2022 guidance. [Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance - GOV.UK \(www.gov.uk\)](#)

13. [investorforum.org.uk/wp-content/uploads/securepdfs/2022/05/Stakeholder_Capitalism-report.pdf](#)

14. Applies to fund managers with which the Scheme has a direct contractual relationship.

15. In practice, this means the existence (and ongoing development) of products and services that allow the Scheme to further advance its net zero strategy.

Topic	Asset manager expectations	Key monitoring metrics
Purpose and governance	<p>Alignment with the Scheme's RI objectives and beliefs</p> <p>Robust governance systems that drive effective stewardship</p>	<ul style="list-style-type: none"> Evidence of a prioritisation framework that drives the stewardship strategy. If present, whether it is in broad alignment with the Scheme's approach. Sufficient board-level ESG oversight. Adequate stewardship resourcing, which aligns with the Scheme's RI objectives and beliefs (financial investment, skills, training, headcount, market coverage). Evidence of a diversity, equity and inclusion (DEI)¹⁶ action plan. Completion of the Asset Owner Diversity Charter questionnaire.
Voting and engagement activities	<p>Exercise voting rights on the Trustee's behalf in companies in which the Scheme has holdings (baseline expectation)</p> <p>Align stewardship activity with the Scheme's stewardship priorities</p> <p>A formalised and robust process for setting and tracking engagement milestones, including escalation</p>	<ul style="list-style-type: none"> Voting policy alignment with good-practice corporate governance principles. Executes engagement programme as outlined in the Scheme's Stewardship Priorities. Executing the Scheme's net zero voting guidelines. Appropriate disclosure of deviations from the house voting policy views and appropriate rationales. Appropriate disclosure of deviations from the proxy adviser recommendations (ie, to address issues of 'robo-voting') Evidence of a link between equity and bond stewardship activity, where doing so will increase influence and impact. Evidence of an integrated tracking system for voting and engagement activity. Evidence of a robust process for escalation activity linked to failed engagement or policy breaches.
ESG integration and exclusions	<p>Robust oversight of index construction and management process, and how ESG issues are integrated into the investment process</p>	<ul style="list-style-type: none"> How changes in ESG trends are incorporated into ESG integration, data strategy and use, and portfolio construction process, including exclusions. Evidence that any deviations from an investment strategy are handled appropriately. Provide detail on how changes to the investment strategy are/would be implemented effectively. How exclusions are implemented in different instances eg, when at a fund level rather than an index level.
Industry and policy engagement	<p>Align industry and policy engagement activities with the Scheme's stewardship priorities</p>	<ul style="list-style-type: none"> Percentage of the Scheme's industry and collaborative engagements that the asset manager participates in. Quality of industry and policy engagement (eg, leading versus supporting, light touch versus intensive, etc). Proportion of resources allocated to industry and/or policy engagement (or systemic stewardship) versus company engagement. Proportion of policy and/or industry engagement tied to the Scheme's stewardship priorities.
Quality of client reporting ¹⁷	<p>Provide best-in-class strategy-level ESG and stewardship reporting with particular note to the Scheme's stewardship priorities</p>	<ul style="list-style-type: none"> Engagement reporting, which provides company-level information on milestones, progress against them, escalation routes taken, and outcomes. Detailed voting records on the Scheme's significant votes.¹⁸ Quality of voting rationales for votes against management and controversial votes. How data and reporting are shared with clients, including user access, bespoke reporting, and method of delivery.

16. For the avoidance of doubt, DEI stands for frameworks that seek to promote the fair treatment and full participation of all people based on merit, regardless of gender, race, socioeconomic background, education, disability, or other backgrounds.

17. With regards to voting disclosure, the Trustee expects it to be in alignment with Pension UK's 2025 Vote Reporting Template: [A new industry shareholder Vote Reporting Template](#), in alignment with the [Financial Conduct Authority's Vote Reporting Group](#) recommendations.

18. As determined by the Scheme's stewardship priorities and taking into account statutory guidance.

The Trustee acknowledges that some managers may be on a journey to achieve these expectations. If significant gaps are identified, asset managers will be put on notice to improve within the agreed timelines. If those timelines are not met and collaboration with the asset manager is deemed unsuccessful by the Trustee, their appointment will be reviewed, which may result in a redirection of new investments, or their contract may be terminated. The minimum requirements and expectations will be reviewed by PIL with appropriate escalation to the Trustee at least annually to ensure alignment with industry developments.

PIL as the Trustee's Advisor

The Trustee expects PIL to demonstrate its competency in the field of RI and conducts an annual review against that expectation accordingly. Key focus areas in the competency assessment will include:

- Satisfying the Scheme's governance arrangements pertaining to RI.
- Supervising the implementation of the Scheme's RI Policy, including but not limited to maintaining satisfactory oversight of managers that draws clear lines between leading and lagging RI practice.
- Ensuring the Trustee remains compliant with all regulatory requirements pertaining to RI.

Data and index providers

The Trustee expects its data and index providers¹⁹ to:

- Operate with robust governance, with the appropriate workforce, resources and incentives to drive effective product delivery to clients (including evolving their products in line with market developments).

- Be sufficiently transparent in its/their methodology, information, and data inputs and assumptions, working with openly available inputs wherever possible, including:
 - Where data is estimated as opposed to directly measured.
 - Being open about the limitations of its/their data.
- Determine their outputs by applying systematic processes, sound systems and controls.
- Identify, manage, and disclose conflicts of interest.
- Identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
- Provide appropriate reporting to support the Scheme's requirements.
- Have the ability to provide information aligned with the Scheme's evolving needs and expectations.
- Provide additional value and services in comparison with similar offerings by other industry peers.

Monitoring index providers against the Scheme's expectations will be incorporated into the 'ESG integration and exclusions' section of its asset manager monitoring framework (refer to the table on page 16).

PIL conducts an annual review of the suitability of the ESG data and analytics strategy and, by extension, its ESG data provider(s) to determine whether its/their offering remains suitable for the Scheme.

19. Note that it is the Scheme's relevant asset manager that has a direct commercial relationship with the index providers. Therefore, the monitoring programme against the Scheme's expectations will be reflective of that relationship. The Trustee encourages data and index providers to be signatories to the FRC's Stewardship Code for Service Providers in fulfilment of these expectations.

Principle 4: Through the Scheme’s asset managers’ activities, hold investee companies to account for the actions they are taking to address business-material ESG risks and opportunities.

The Trustee currently delegates voting and engagement with investee companies to asset managers. Therefore, the primary avenue the Trustee has to implement this principle is through the voting and engagement policies of its managers and holding them accountable for their approach against its stewardship priorities. Further details on this can be found in Part 2 of this Policy. Any company-level engagement that the Trustee (through PIL on its behalf) chooses to undertake itself would be decided on an exceptional basis, informed in part by:

- The gap between the Scheme’s asset manager expectations and its asset managers’ stewardship approach.
- The systemic importance of the sector in which the company is situated or the company itself (the potential efficacy of the company’s actions in addressing the issue).
- The business materiality of the ESG issue to the company itself.
- The comparative advantage of us undertaking the stewardship as opposed to other investors.
- The ability to leverage existing investor collaborative engagement platforms such as the [Principles for Responsible Investment \(PRI\)](#) and the [Institutional Investors Group on Climate Change \(IIGCC\)](#).

The Scheme’s company expectations of its stewardship priorities are outlined in Part 2 of this Policy.

Principle 5: Hold key industry players and policymakers to account to ensure they are able to help the Scheme achieve its RI objectives (systemic stewardship).

The Trustee recognises the importance of other investment actors (eg, data and index providers, advisers and policymakers) in delivering its RI objectives. The Trustee will prioritise investor collaboration (Principle 6) in engaging with these key stakeholders and prioritise issues where material breaches in the service provider and policy expectations of the Scheme’s stewardship priorities occur. The Scheme’s key industry engagements are outlined in Part 2 of this Policy (Stewardship priorities).

For further details on the Scheme’s systemic stewardship approach pertaining to climate, please refer to the Climate Change Position Paper.

Principle 6: Collaborate²⁰ with other like-minded investors and stakeholders to increase influence.

Building coalitions of like-minded asset owners and managers is perhaps one of the most important ways the Trustee can drive real change and make a material difference, given the Scheme’s market position and influence. As a result, the Trustee will continue to:

- Lend support to selected existing collaborative initiatives that are focused, well organised, and can add more power to our stewardship approach.²¹
- Look to build coalitions of support in key, material ESG areas where we have a comparative advantage in doing so and existing initiatives do not exist.
- Convene or participate in collaborative engagement if there are particular issues the Scheme has identified, recognising that it may have more success when dealing with asset managers, service providers, data providers, and policymakers collectively.

The Scheme’s key collaborative initiatives are outlined in Part 2 of this Policy (Stewardship priorities).

Pillar 3: Reporting

Principle 7: Annually report on the Scheme’s progress.

The Scheme’s activities will be publicly reported on as part of its annual Implementation Statement and Climate Progress reporting, as well as any additional reporting deemed



necessary as the Scheme evolves its approach. The Trustee has identified improving member communications in its RI activities as a priority and has produced a member-friendly version of this Policy and its Climate Progress Report.²² The Trustee intends to apply for signatory status to the Financial Reporting Council’s (FRC) Stewardship Code in spring 2026, subject to revisions to the Code and the outcome of consultation which are currently ongoing as of the date of this Policy. The Scheme’s SIP outlines the internal monitoring and reporting of its responsible investment activities, of which the Trustee has oversight.

20. In alignment with acting on concert rules. Further guidance on this is provided here: [CMA clarifies stance on climate collaborative sustainability agreements](#)

21. Examples include being part of various PRI and IIGCC working groups to address industry challenges. For full details of the Scheme’s participation in these working groups, please refer to its website.

22. [Responsible investment | The People’s Pension](#)

Part 2

The Scheme's stewardship priorities



Summary

The Trustee has identified **climate change, nature and human rights** as its stewardship priorities. For each priority, this section lays out:

- The rationale that has driven the selection of the focus themes and sectors
- Key investee company expectations, including net zero voting guidelines
- Key policy expectations
- Key industry engagement and collaborations
- Potential trade-offs involved

The stakeholder expectations outlined in this section will be predominantly used to drive the Scheme's asset manager monitoring programme. The Trustee expects its asset managers to:

- Align with the investee company expectations and hold them accountable for adhering to them.
- Align their voting to the Scheme's net zero voting guidelines.
- Participate and demonstrate leadership in industry engagement and collaborations referenced in this document.
- Broadly align with the policy expectations and demonstrate leadership with policymakers and government bodies in holding them to account for adhering to them.



If these expectations are not materially met, the findings will be incorporated into the broader asset manager monitoring programme, as outlined in Part 1 of this Policy (Principle 3).

Targeted stewardship activity

The tables below provide a summary of the key targeted stewardship activities within the Scheme's stewardship priorities. Further details regarding company and policy expectations, as well as the Scheme's participation in industry and collaborative engagement, are presented in subsequent sections.

Rationale for prioritisation	Focus sectors and themes	Key stakeholder expectations
Company expectations and voting escalation		
Insufficient progress on company net zero strategies requires increased voting escalation.	<ul style="list-style-type: none"> Climate Action 100+ (CA100+) companies Banks 	Investee companies – adhere to the Scheme's company expectations.
	<ul style="list-style-type: none"> Net zero commitment Science-based targets TCFD reporting Decarbonisation strategies 	Asset managers – adhere to the Scheme's company expectations and align to its net zero guidelines.
Further scrutiny (in addition to the above) on: a) Fossil fuel-reliant sectors (including supply and demand) given their importance in the energy transition. b) Banks, given their gatekeeping role in fossil fuel financing.	<ul style="list-style-type: none"> Oil and gas Auto Utilities Steel Banks 	
	<ul style="list-style-type: none"> CAPEX disclosure Report and accounts Lobbying 	
Net zero cannot be achieved without addressing deforestation.	Sectors linked to agricultural-linked commodities ²³	
	Deforestation policy and/or commitment	

23. As identified by the Science Based Targets Network (2023) SBTN High Impact Commodity List.

Rationale for prioritisation	Focus sectors and themes	Key stakeholder expectations
Policymaker expectations		
Inadequate policy frameworks weaken stewardship effectiveness, especially with well-diversified investors (universal owners).	<ul style="list-style-type: none"> Climate Nature Human rights 	<p>Policymakers – adhere to the Scheme's policy expectations.</p> <p>Investee companies – to implement responsible lobbying practices (see page 22).</p> <p>Asset managers – to participate and take a leading role in policy engagement activities.</p>
Industry and collaborative engagements		
With respect to company engagement, prioritising existing industry and collaborative engagements over individual engagements will greatly increase the likelihood of a successful outcome.	<ul style="list-style-type: none"> CA100+ (climate) Nature 100+, PRI's Spring (nature) PRI's Advance (human rights) Global Investor Commission on Mining 2030 	Asset managers – to participate and take a leading role in these collaborative engagements.
Given its nascency, prioritising enhancement to human rights data and analytics through industry and collaborative engagement is the most effective way to advance the Scheme's approach to this issue.	Human rights	Asset managers – to participate and take a leading role in industry and collaborative engagements to drive better-quality human rights data and analytics.

Measures of success

The Trustee measures the success of the Scheme's stewardship programme by considering indicators such as:

- How the Scheme's asset managers exercise company engagement, proxy voting, industry, policy, and collaborative engagement in alignment with the Scheme's expectations.
- The Scheme's participation in industry, policy, and/or collaborative engagement resulted in a tangible positive impact, with emphasis on those initiatives where the Scheme took a leading role.

Company expectations

The company expectations outlined below will be predominantly used to drive the Scheme's asset manager monitoring programme. The Trustee expects its asset managers to embed these company expectations into their stewardship activities and align to its net zero voting guidelines.

Good corporate governance is the foundation of any well-run business. How the company's board aligns with shareholders' long-term interests is a critical underpinning of whatever stewardship priority has been selected. The Trustee encourages all companies in which it invests on a global scale to closely align with the International Corporate Governance Network's [Global Governance Principles](#), the Organisation for Economic Co-operation and Development's [\(OECD\) Principles of Corporate Governance](#), as well as regional good practice frameworks such as the UK's [Corporate Governance Code](#), all of which set out the fundamentals of corporate governance. The Trustee encourages companies to begin aligning their sustainability reporting to the [International Sustainability Standards Board's](#) sustainability standards.

Climate

For further details on the investor and company-level materiality of climate, please refer to the Scheme's Climate Change Position Paper. Some companies operate in sectors where climate change risks are closely related to the core business or have a business materiality. In these areas, the Trustee expects boards to pursue value creation in ways that align with the grain of climate change mitigation activities. The Trustee believes that this is best enacted by aligning with the requirements of Climate Action 100+ and the Transition Pathway Initiative's banking tool.²⁴ Appendix 2 outlines the net zero voting guidelines which will be used to benchmark the Scheme's fund managers' voting performance as part of its monitoring programme.

Specifically, the Trustee expects²⁵ all CA100+ focus companies and banks to:

- Set an ambition to achieve net zero by a target date that is appropriate for their market.
- Work towards achieving a credible business plan to achieve this ambition that sets out clear interim targets and milestones, material actions, activities and accountability mechanisms that are appropriate for their sector and market.
- Align their disclosures to relevant recognised industry benchmarks.²⁶

24. [Banking Tool - Transition Pathway Initiative](#).

25. The Trustee expects company directors to implement their respective net zero strategies insofar as economic, political and technological circumstances reasonably allow (ie, the policy environment), and ultimately in the long-term best interests of the company. Further details on this can be found here: [NZAQA The future of investor engagement.pdf](#). Appropriate explanations regarding these constraints and how they impact upon net zero delivery should be explained in public disclosures.

26. Examples include the [Climate Action 100+ Net Zero Company Benchmark](#), the Transition Plan Taskforce Disclosure Framework, and sector-specific guidance such as Net Zero Standards for [Oil and Gas, Banks](#) and [Diversified Mining](#).



- Disclose evidence of board or board committee oversight of the management of climate change risks and demonstrate that it has capabilities and competencies to assess and manage climate-related risks and opportunities at board level.
- Provide robust reporting on the effectiveness of systems of internal control and risk management for climate-related risks and how climate change issues are considered when reviewing the company's financial performance, corporate governance, strategy and business plans.
- Appropriately define and consider any material climate-related risks in preparing the financial statements.
- Set short, medium, and long-term science-based targets²⁷ for Scope 1, 2 and material Scope 3 emissions built around robust methodologies.
- Disclose evidence of a decarbonisation strategy that explains how it intends to meet its medium and long-term GHG reduction targets.
- Disclose evidence of:
 - how it is working to decarbonise its capital expenditures (CAPEX) and/or lending practices
 - how it intends to invest in climate solutions
- Make an explicit statement of how it has phased out or is planning to phase out capital expenditure and/or lending in new unabated carbon-intensive assets or products by a specified year.
- Review all trade association funding and corporate lobbying activities and ensure it is fully aligned with the company's public position and policies on climate change.²⁸
- Show a commitment to the principles of a "just transition" (see glossary for further detail).

27. Example: Science-based Targets Initiative.

28. The Trustee supports the [Global Standard for Responsible Climate Lobbying](#) and thus, on a comply or explain basis, expects companies to adhere to it.



Potential trade-offs

Just Transition

Pursuing as fast as possible decarbonisation and energy transition will impose uneven costs on countries and societies. For example, in the developing world 600m people are without electricity today, and an accelerated global decarbonisation pathway might slow their ability to gain access. In addition, many jobs, especially in the developing world, depend on the fossil fuel extraction and transport chain. Fast reduction in fossil fuel consumption puts these jobs and livelihoods at risk, creating societal harms which in turn can impact upon the ability to achieve a net zero economy. To address this, the Trustee believes in a commitment to the principles of a Just Transition.²⁹

Shareholder value

A fast decarbonisation pathway may conflict with shareholder value generation in certain companies and sectors. At some point it may become clear that certain business models and even entire sectors are no longer able to generate shareholder value in ways consistent with mitigating climate change. A notable example of this is the oil and gas sector, where shareholder value may be eroded if it significantly reduces oil output.

The Trustee acknowledges there is currently no framework for directors of a business to voluntarily move away from creating shareholder value. To address this, the Trustee will:

- Review its position on these sectors on a yearly basis to determine whether it remains suitable to maintain exposure to these assets.
- Put stewardship emphasis on the demand side of the fossil fuel reliance value chain – notably the automotive sector – where incentives to decarbonise are high.

- Continue to prioritise industry and policy engagement as part of its stewardship activities.

Selling assets

A company's net zero strategy may involve the selling of assets (eg, oil and gas), which may then be bought by a third party who may not have net zero commitments and/or are transparent about their climate strategy (eg, private equity). This is a complex issue which will need to be dealt with on a case-by-case basis as part of the Scheme's asset manager monitoring programme.

Nature

The Trustee expects companies in high-impact sectors³⁰ to:

- Begin disclosing their approach to address nature-related financial risks in alignment with the [Taskforce for Nature-related Financial Disclosures](#) (TNFD), and work towards setting Science-Based Targets.³¹
- As a compliment to the above, work towards adhering to the high-level investor expectations of [Nature Action 100](#) related to the areas of: Ambition, Assessment, Targets, Implementation, Governance, and Engagement.
- Adhere to the Finance Sector Deforestation Action's more specific investor expectations of companies³² in sectors associated with agricultural-linked commodities.³³
- Consider embedding circular economy principles into their business model. Applying a circular economy business model can help companies address regulatory obligations, reduce waste and disposal costs, improve company image, and create new business opportunities through innovative new products and services.

29. It is also a CA100+ indicator.

30. Such as those identified by Nature 100.

31. Example: Science-based Targets for Nature.

32. [FSDA Investor expectations of companies - 16.09.2022.docx](#)

33. As identified by the Science Based Targets Network (2023) SBTN High Impact Commodity List.

Potential trade-offs

Just Nature Transition

Similar to that of the Just Transition, a rapid journey to a nature-positive economy could also result in impacts to livelihoods. The Trustee believes in a commitment to a Just Nature Transition.³⁴ It implements that belief primarily through its expectation of asset managers to participate in Nature 100, in which one of its key engagement asks is that the implementation plan should prioritise rights-based approaches and be developed in collaboration with Indigenous Peoples and local communities when they are affected.

Human rights

The Trustee expects all companies to respect human rights in accordance with the UN Universal Declaration of Human Rights and the International Labour Organisation's (ILO) Core Labour Standards. Companies should comply with the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights (UNGPs).

Under the UNGPs, the Trustee expects companies to have:

- A governance structure for human rights which identifies board-level oversight and executive accountability;
- A statement of their policy commitment to respect human rights;
- A human rights due diligence process to:
 - assess their actual and potential human rights impacts;
 - integrate the findings and take action to prevent or mitigate potential impacts;
 - track their performance; and
 - communicate their performance.

- Processes to provide or enable remedy to those harmed, in the event that the company causes or contributes to a negative impact.

Potential trade-offs

Companies may face trade-offs in incorporating human rights into their business model, which could result in additional costs that are then passed on to their customers. As highlighted in the Scheme's investment belief, the Trustee expects companies to address this tension through a stakeholder value creation approach.³⁵

34. [Just Nature How finance can support a just transition at the interface of action on climate and biodiversity.pdf \(lse.ac.uk\)](#)

35. [2018-10-03 AlexEdmans PurposefulBusiness-T.pdf \(gresham.ac.uk\)](#)

Policymaker expectations

The policymaker expectations outlined below will be predominantly used to drive the Scheme's asset manager monitoring programme. Using these policy expectations as an underpin, the Trustee expects its asset managers to take a leading role in driving policy change where material gaps exist that undermine the Trustee's ability to meet its own RI objective.

The Trustee expects governments to maintain a stable policy environment for its stewardship priorities as outlined in the below policymaker expectations, as this is fundamental to making the case for investment and long-term business model change in material sectors.

Climate

The Trustee expects governments to comply with the goals of the Paris Agreement as summarised [here](#) and adhere to the climate policy principles set out by the [Investor Agenda](#).

Nature

The Trustee expects governments to adhere to the [Kunming-Montreal Global Biodiversity Framework](#) and:

- Dedicate sufficient and predictable domestic and public expenditure to consideration of critical ecosystems.
- Support green public finance and repurpose harmful subsidies and incentives driving degradation of nature, green budget tagging.
- Create enabling conditions to catalyse private investment through policy and regulations that level the playing field for sustainable practices.
- Develop environmental markets that allow private sectors to monetise ecosystem services.

- Promote nature-related data, standards, labels and disclosure to encourage market transparency and integration of nature-related risks in financial decision making.
- Promote nature-related data, standards, labels and disclosure to encourage market transparency and integration of nature-related risks in financial decision-making.

Human rights

The Trustee expects governments to align their policies with the [UN Guiding Principles on Human Rights](#) (UNGPs), in which it states that in meeting their duty to protect, they should:

- Enforce laws that are aimed at, or have the effect of, requiring business enterprises to respect human rights and periodically to assess the adequacy of such laws and address any gaps;
- Ensure that other laws and policies governing the creation and ongoing operation of business enterprises, such as corporate law, do not constrain but enable business respect for human rights;
- Provide effective guidance to business enterprises on how to respect human rights throughout their operations;
- Encourage, and where appropriate require, business enterprises to communicate how they address their human rights impacts.





Industry and collaborative engagement

The Trustee believes that driving change through supporting industry-wide initiatives and holding its asset managers accountable to participate in leading industry coalitions offers the best chance of driving the stakeholder value it thinks is warranted and gives it the most comparative advantage in its stewardship efforts.

The Trustee has identified the following industry initiatives to prioritise predominantly based on: their focus, current momentum and alignment of objectives.

Climate

Memberships:

- Institutional Investors Group on Climate Change (IIGCC)
- UK Sustainable Investment and Finance Association (UKSIF)

Supporter of:

- CA100+
- Global Investor Coalition on Mining 2030

Additional information:

The Scheme's IIGCC and UKSIF memberships help the Trustee to address key industry and policy challenges to achieving net zero through its forums for investor collaboration. Key working groups that the Scheme has or is involved in include: net zero benchmarks, indexed investors, proxy voting, asset owners, sovereign debt, and climate audit and accounting.

The [Global Investor Commission on Mining 2030](#) is a collaborative, investor-led initiative that recognises the mining sector's pivotal role in the energy transition and considers key systemic issues faced by the sector that currently challenge, or could challenge, existing good practice and the sector's social licence to operate.

The Scheme is a supporter of this initiative.

Nature

Memberships:

- [FAIRR Initiative](#) (FAIRR)

Supporter of:

- [Nature Action 100](#)
- [Spring: A PRI stewardship initiative for nature](#)
- [Investor Policy Dialogue on Deforestation](#) (IPDD)

Additional information:

Nature Action 100 is a global investor engagement initiative that aims to mobilise institutional investors to establish a common high-level agenda for engagements and a clear set of expectations to drive greater corporate ambition and action on nature and biodiversity loss.

Spring engages with companies that have an influential voice in shaping public policies relating to deforestation dynamics, either through their direct political engagement or indirectly through their membership in or association with trade associations, think tanks and similar bodies. Support of this initiative stems from the systemic importance of corporate lobbying to deliver real-world outcomes. Note that this company ask is not part of Nature Action 100 company expectations.

FAIRR is a collaborative investor network that raises awareness of the ESG risks and



opportunities in the global food sector. Their mission is to build a global network of investors who are aware of the issues linked to intensive animal production and seek to minimise the risks within the broader food system. Given its links to agricultural commodities and thus deforestation, creating a sustainable food system is a key component of a net zero economy.

The IPDD seeks to ensure long-term financial sustainability of investments in the countries they are invested in by promoting sustainable land use and forest management and respect for human rights, with an initial focus on tropical forests and natural vegetation. It will work with key stakeholders to encourage adoption and implementation of regulatory frameworks that ensure protection of such natural assets and human rights. Secretariat support is provided by the Tropical Forest Alliance (TFA), an initiative hosted by the World Economic Forum. IPDD is an initiative supported by the PRI.

Human rights

Given its nascency, the key focus area for industry and collaboration engagement will be the improvement of both company disclosures and industry data/analytics on human rights. The Scheme is a supporter of [Advance](#), a PRI-led stewardship initiative where institutional investors work together to take action on human rights and social issues. The Scheme is a participant in two investor coalitions aiming to improve human rights disclosures:

1. The first's purpose is to hold key stakeholders in the investment chain - data and index providers and proxy advisers - to account for the lack of credible, comparable human rights data and analytics. This impinges upon the Scheme's ability to fully integrate human rights considerations into its stewardship approach.
2. The second is to develop and launch a disclosure framework to assess company fair pay practices.



Appendix 1: Glossary

Greenhouse gases (GHGs)

There are four primary GHGs linked to global warming: carbon dioxide (CO₂), methane, nitrous oxide and fluorinated gases. The Greenhouse Gas Protocol, an international accounting tool, categorises GHG emissions into three scopes. Scope 1 covers direct emissions from the reporting company's owned or controlled sources. Scope 2 covers indirect emissions from purchased electricity, steam energy, heating and cooling that have been consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in the reporting company's value chain.³⁶

Institutional Investors Group on Climate Change (IIGCC)

A European membership body for institutional investor action on climate change. Its work focuses on corporate governance, investor practices and public policy.

Just Transition and Just Nature Transition

'Just Transition' was included as part of the Paris Agreement to ensure that workers and communities are not left behind as the world's economy responds to climate change. The Investing in a Just Transition initiative is led by the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science (LSE)³⁷ and

the Initiative for Responsible Investment at the Harvard Kennedy School.

The Grantham Institute defines the 'Just Nature Transition' as one delivering decent work, social inclusion and the eradication of poverty in the shift to a net zero and climate-resilient economy that simultaneously delivers biodiversity goals in agriculture, forestry, land use and the oceans.³⁸

Net zero and Nature Positive

The term "net zero" means cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions being reabsorbed from the atmosphere. A 'gross-zero' target would mean reducing all emissions to zero. This is not realistic, so instead the net-zero ambition recognises that there will be some emissions in hard-to-abate sectors for which the transition to net zero is either technologically or financially difficult (eg, steel and cement industries). Therefore, the emissions associated with these hard-to-abate sectors would need to be offset through negative emissions technologies or some other mechanism. Negative emissions technologies are mechanisms for the absorption and storage of carbon and other atmospheric greenhouse gases (eg, carbon capture).

Nature Positive is a global societal goal defined as 'Halt and Reverse Nature Loss by 2030 on a 2020 baseline, and achieve full recovery by 2050'. To put this more simply, it means ensuring more nature in the world in 2030 than in 2020 and continued recovery after that.³⁹

Paris Agreement

The Paris Agreement was reached at COP21 in 2015. Its aim is to ensure global warming in the 21st century remains well below 2°C above the average level recorded for the period 1850 to 1900 and to support efforts to limit global warming to 1.5°C. The Agreement also takes into account a 'Just Transition,' meaning 'taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities.'⁴⁰

Principles for Responsible Investment (PRI)

A United Nations-supported international network of financial institutions working together to implement its six aspirational principles. Its goal is to understand the implications of sustainability for investors and support signatories to facilitate incorporating these issues into their investment decision-making and ownership practices. In implementing these principles, signatories contribute to the development of a more sustainable global financial system.

Responsible investment

The Scheme defines responsible investment as an approach to investment that explicitly acknowledges the relevance to the investor, from both a financial and non-financial perspective, of environmental, social, and governance factors at

investee companies, as well as the long-term health and stability of the market as a whole. Responsible Investment recognises that:

- The generation of long-term sustainable returns is dependent on stable, well-functioning, and well-governed social, environmental, and economic systems.⁴¹
- Companies can choose to create value for shareholders in ways that create harm to the wider environment or society, which detract from member outcomes in non-financial ways.

Stewardship

Given the risk of conflation between the term 'stewardship' and 'responsible investment' and the activities that underpin them⁴², for the purpose of this Policy, the term 'stewardship' and its remit will be defined by the RI Strategic Framework as outlined in this Policy.

The UK Stewardship Code 2026⁴³ sets high stewardship standards for those investing money on behalf of UK savers and pensioners and those that support them.

36. [Homepage | GHG Protocol](#)

37. [Investing in a just transition - global project - Grantham Research Institute on climate change and the environment \(lse.ac.uk\)](#)

38. [Just Nature How finance can support a just transition at the interface of action on climate and biodiversity.pdf \(lse.ac.uk\)](#)

39. [Nature Positive](#)

40. [The Paris Agreement | UNFCCC](#)

41. Source: [What is responsible investment? | Cambridge Institute for Sustainability Leadership \(CISL\)](#)

42. As an illustration, the FRC's 2026 definition of stewardship includes capital allocation. [UK Stewardship Code 2026](#)

43. [UK Stewardship Code 2026](#)



Appendix 2: Exclusions Policy

Introduction

The Trustee believes that it can achieve its responsible investment objectives by:

- Prioritising ESG risks and opportunities where the investment case for financial materiality over the medium to long term is strongest.
- Identifying ESG issues that contribute value to wider society and embedding them into the Scheme's stewardship approach.
- A limited use of exclusions.

'A limited use of exclusions' means that exclusions are not enacted on a large scale but are instead used in a targeted manner following an assessment of the need for the exclusion, provided there is no material financial detriment in its use and it aligns with the Law Commission's recommendation regarding exclusions.

The Trustee believes that a robust stewardship programme will influence corporate behaviour more effectively than large-scale exclusions eg, excluding whole GICS sectors. There, are however, certain issues where exclusions are considered appropriate for the portfolio. The ability to apply a stewardship escalation approach and the following questions are considered when deciding whether or not to introduce an exclusion:

- Is there an international ban or treaty against the manufacture/use of a product? eg, a UN treaty against certain weapons.
- Are there reasonably foreseeable risks associated with the business activity where there is a fundamental belief that the risk is not being appropriately captured in the asset price? e.g. stranded asset risk linked to climate change.
- Is there good reason to believe that members would agree with the exclusion?

Following this assessment, further analysis will be conducted to understand the financial materiality of any potential exclusion. The recommendations from the Law Commission on the use of exclusions forms the basis of the Trustee's decision-making process.

Scope and Implementation Considerations

This exclusions policy reflects minimum standards to be applied where feasible to the investment strategy.

The initial scope of the policy includes assets where the Trustee has control or significant influence over the investment mandate or solutions and where the Scheme has a contractual relationship with the manager. The ability to introduce exclusions to an investment strategy will be assessed on a case-by-case basis. Any strategies that are included within the Scheme's portfolio that do not fully align to this policy will be regularly monitored and, where possible, will become in scope when the mandate or index selection decision is up for renewal.

Widening the scope and implementation of the policy across the Scheme's portfolio will remain under review. The policy is treated as a 'living' document and, as such, will be continually reviewed and will evolve as data availability, ability to apply exclusions across certain asset types improves, and as the Scheme's investment strategy develops into the future.

Some assets may be excluded from the policy due to the nature of how they are invested or other challenges around the implementation. The following are examples of where this may happen:

Index-tracking mandates

Where the Scheme includes index-tracking mandates in its investment structure, there may not be the opportunity to apply the full exclusions policy, but there will likely be an opportunity to seek at least partial alignment. This is particularly true for funds that track non-customised indices (also known as 'off-the shelf indices'). In these instances, work will be done to ensure that there is at least partial alignment in the exclusions found in the index. The index selection process will be assessed on a regular basis, and any deviation from the exclusions policy will be considered as part of any future update to a strategy.

There may also be additional investment strategies where it is not feasible for the exclusions policy to be applied, such as where data is so nascent that exclusion criteria cannot be validated, where the exclusion would risk significant financial detriment for a specific strategy, or where access to the strategy requires an approach that has limited ability to apply an in-house exclusions policy. In some instances, eg, private markets, multiple issues may be present, and this will require further development to allow for a consistent approach to be applied across the portfolio.

What does exclusion mean?

An exclusion (sometimes also called 'divestment' if a company or asset is already in the portfolio) is a decision to not invest money with a company based on certain criteria.

This could be in the form of saying no to investing in companies that:

- Are deemed to be breaching international bans on certain products,
- Gain a significant portion of their revenue from a business activity which is deemed too risky,
- Gain a significant portion of their revenue from a business activity which we believe goes against the values of members,
- Are believed to be breaching global norms on how to do business

If a company or multiple companies are found to be doing any of the above, the Trustee will follow guidance from the UK Law Commission and ensure that any exclusion introduced would not harm the ability for the Trustee to act in the best interests of the Scheme's members over the long term



Buy and hold/buy and maintain strategies

There are investment strategies that are designed to buy securities with the intention of holding them to maturity, where a forced sale may cause financial detriment. In these instances, the exclusions policy will be applied to restrict new purchases and to allow any remaining holdings to roll off as they mature, unless otherwise directed by the asset manager.

Cash Management

Currencies, cash, cash equivalents and money market funds which are held for cash management/ liquidity purposes will not be assessed for compliance with the exclusions policy due to the short-term nature of the holding.

Securities Lending

The exclusion list used by the service provider to determine the acceptability of collateral accepted as part of a securities lending programme used by the Scheme may not fully align with the exclusions policy as outlined here. As part of this process, in the event that the Scheme receives securities that are not aligned with the exclusions policy, it will work with the service providers to sell/limit exposure to/reduce exposure to the securities within an appropriate timeframe.

People's Pension exclusions

The assessment described above resulted in the following activities being deemed to be eligible for exclusion for assets in scope of this policy:

- Companies involved in the Controversial Weapons business.
- Companies which are deemed to be in breach of expectations of responsible business eg, UN Global Compact ('UNGC') Principles (see box 1).
- Companies involved in the tobacco-related business.
- Companies involved in thermal coal extraction and mining.
- Companies involved in unconventional oil and gas and Arctic drilling.

The extent to which these exclusions can be operationalised is likely to vary depending on data source and availability, external fund or index-level exclusion policies, and asset manager exclusion methodology. The Trustee therefore acknowledges that there may be slight differences in the application of this policy within the portfolio. The degree of alignment with this policy will form part of the ongoing monitoring of the portfolio and form part of the asset manager monitoring programme.

When assessing the ability to implement the exclusions the following criteria will be used:

Controversial weapons

Companies which are involved in the production of the weapon, key components of the weapon, or have significant ownership of or are owned by a company which is involved in the production of the weapon are in scope of this exclusion.

The following weapons form the basis of this exclusion:

Cluster Bombs, Landmines, Depleted uranium weapons, Blinding laser weapons, non-detectable fragments, and Incendiary weapons (white phosphorous).

UNGC violations and/or global norms violations

Companies which are found to be in violation of any of the ten principles of the UNGC are in scope of this exclusion. The Scheme acknowledges that data providers and asset managers may define controversies using a slightly different definition or include other standards, conventions, or principles. Different criteria for global norms violations will be accepted as long as violations of the UNGC are included within the methodology.

Tobacco

Companies classified as a tobacco producer or deriving 5% of their revenue from the production, distribution, retail, supply, and licensing of tobacco-related products are in scope of this exclusion.

Thermal coal

Companies deriving 10% of their revenue from the extraction/mining of thermal coal and its sale to external parties will be in scope of this exclusion.

Unconventional oil and gas and Arctic drilling

Companies deriving 10% of their revenue from sources such as oil sands extraction, shale energy extraction, and Arctic oil and gas drilling.

In addition to the exclusions in the funds which make up the investment profiles offered by the Scheme, the investment strategies of the self-select funds may also have different exclusions in place in order to align with the objectives of the funds.

For more information on the Ethical Fund, please see 'Our Ethical Fund in focus' webpage: [Ethical fund - The People's Pension for Members](#)

For more information on the Shariah Fund, please see 'Our Shariah Fund in focus' webpage: [The Shariah Fund - The People's Pension for Members](#)

Box 1: The United Nations Global Compact ('UNGC') has developed a list of ten principles that act as minimum standards and fundamental responsibilities of being a responsible business.

The [ten principles](#) of the UNGC are:

Human rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

Labour

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

Appendix 3: Net zero voting guidelines

Year	Voting guidelines	Focus sector(s)
Climate		
Directors – baseline expectations		
2025 onwards	<p>Where a company fails one or more of the following after three or more years of engagement:</p> <ul style="list-style-type: none"> TCFD reporting. Net zero ambition that is appropriate for their sector and market.⁴⁴ Short, medium, and long-term science-based emission reduction targets. A decarbonisation strategy in place, with a defined set of quantitative and qualitative actions to reach the emission reduction targets. <p>Vote against the entire Board</p>	<ul style="list-style-type: none"> All CA100 companies Banks⁴⁵
Directors – deeper scrutiny of key sectors for fossil fuel reliance		
2025	<p>If a company meets baseline expectations but does not provide sufficient disclosure with respect to:</p> <p>How it plans to align its capital expenditure and lending practices to net zero.</p> <ul style="list-style-type: none"> How material climate-related matters are incorporated into the financial statements (UK/EU only). How the auditor of the company has assessed the material impacts of climate-related matters (UK/EU only). How its lobbying activities are aligned to net zero. <p>Vote against the Audit Committee Chair (all markets) and the auditor (UK/EU only)</p>	<ul style="list-style-type: none"> Oil and gas Auto Steel Utilities Banks
2026	If the above remains unmet, vote against the entire Audit Committee	
Criteria for shareholder resolution⁴⁶ support		
2024 onwards	<p>Vote FOR climate-related shareholder proposals:</p> <ul style="list-style-type: none"> Supported by management, so long as the proposal is not vague, leading to the suspicion of greenwashing. Asking for enhanced disclosure on climate-related risks and opportunities, ideally in alignment with TCFD. Requesting the company to set reduction targets on their scope 1 and/or 2 emissions, and/or material scope 3 reduction ambitions. Requesting more transparency on corporate lobbying and membership of industry organisations. Submitting non-executive board member candidates who have relevant climate-related expertise and/or asking to increase relevant climate-related expertise at the board level where such knowledge is currently absent and where climate-related risks are material in the near future. 	<ul style="list-style-type: none"> CA100 companies Banks

44. And subject to the policy and economic and technological constraints as highlighted under the 'Company Expectations – Climate' section of this Policy.

45. Any reference to 'Banks' in the net zero voting guidelines will refer to those banks covered by TPI's banking tool.

46. As a general rule, the Trustee is supportive of well-crafted shareholder proposals that support the above-noted net zero voting guidelines but that are also not overly burdensome, a duplication of existing company actions and disclosures, or seeking to micromanage the company.

Year	Voting guidelines	Focus sector(s)
Deforestation and land use		
Directors		
2025 ⁴⁷	<p>If the company does not publicly demonstrate a commitment to end deforestation⁴⁸ in its supply chains or lending practices.</p> <p>Vote against the Chair</p>	<ul style="list-style-type: none"> Sectors associated with agricultural-linked commodities Banks
Criteria for shareholder resolution support		
2024 onwards	<p>Vote FOR shareholder proposals:</p> <ul style="list-style-type: none"> Supported by management, so long as the proposal is not vague leading to the suspicion of greenwashing. Asking companies to assess, monitor and disclose how they contribute to nature depletion via their own operations and supply chains. Asking companies to assess, monitor and disclose their direct and indirect exposure to deforestation. Asking companies to adopt a science-based deforestation target⁴⁹ Asking companies to adopt policies and targets to improve the level of traceability in their supply chain. Asking companies to develop and/or disclose the grievance mechanisms in place to deal with eventual incidents of deforestation in their own operations and supply chain. Requesting more transparency on corporate lobbying and membership of industry organisations. Submitting non-executive board member candidates who have relevant nature-related expertise and/or asking to increase relevant nature-related expertise at the board level where such knowledge is currently absent and where nature-related risks are material in the near future. 	<ul style="list-style-type: none"> Sectors associated with agricultural-linked commodities Banks

47. Voting escalation beyond 2025 will be updated subject to industry developments.

48. This escalation does not attempt to scrutinise the quality of the deforestation commitment eg, a no versus no net deforestation target – it is a presence/absence assessment. However, this baseline escalation trigger will be kept under review and will become more stringent over time with industry developments.

49. Example: SBTN/TNFD Joint [Guidance for corporates: Guidance for corporates on science based targets for nature v1.pdf](#)

To find out more, or to register:
www.thepeoplespension.co.uk
info@peoplespartnership.co.uk

Or call us
Existing clients: 0129 358 6666
New enquiries: 0800 612 8080

The information in this document is correct as of June 2025 and may be subject to change.