

the
people's
pension

Protecting your pension, and the world you retire into

Your guide to our Responsible Investment Policy



What do we mean by responsible investment?

The money you save into your pension is likely to be predominantly invested in companies. Our commitment to responsible investment means we consider how a company is managing issues like pollution, achieving net zero emissions and labour rights - often called environmental, social and governance (ESG) issues - as part of any investment decision we make.

Responsible investment at The People's Pension also means using our influence as a pension scheme to encourage companies to behave in a more sustainable way for the benefit of society and the world our members will retire into.

By improving ESG practices in the companies in which we invest, we hope to protect and boost members' pots while improving the environment and society we all live and retire in.

What do we mean by net zero emissions?

Net zero emissions means reducing greenhouse gas emissions as much as possible and removing any remaining emissions that are still being released. By achieving this, society as a whole will no longer be contributing to the total amount of greenhouse gases in the atmosphere. For further information on net zero and our net zero strategy, please see our [member summary on climate-related financial disclosures](#).

About The People's Pension

The People's Pension is a workplace pension scheme open to all UK employers, in every sector, and for businesses of any size. We are run by **People's Partnership**, which is a commercially-minded, not-for-profit organisation. This means that rather than paying shareholders, we choose to re-invest any profit we make back into services that help our customers.

This member-friendly Responsible Investment Policy has been developed and is owned by the Trustees of The People's Pension, and the use of 'we' and 'our' throughout this document refers to the **independent trustee board**, which bears overall responsibility for our responsible investment approach.

This document is a simplified version of our full **Responsible Investment Policy**, available on the People's Pension website.

Why our beliefs matter to you?

ESG issues, like reducing carbon emissions or treating workers fairly, impact both financial and social outcomes for our members. This is especially true for major investors like The People's Pension, who invest globally and for the long term.

Well governed companies that manage ESG risks well, not just in their own operations but throughout their supply chains, are best-positioned to grow value for investors like us - making your pension savings go further.

Our members also care about the world they will retire into. So even if an ESG issue, like damaging a natural habitat, might not pose a short-term financial issue to a company it still matters to us. We believe it's an important part of our duty to consider the long term impacts of a company's behaviour as part of the investment decisions we make.



Our Responsible Investment Policy in a snapshot

Protecting the assets of The People's Pension's members

Asset management

Our investment strategy is implemented through external asset managers (investment specialists that we appoint to invest our members' pension savings).

2 Responsible Investment Objectives

Objective 1: Our primary objective is to add financial value and resilience to members' savings through our portfolio construction and stewardship approach.

Objective 2: Encourage companies to behave in a more sustainable way for the benefit of society and the world members retire into.

Supported by 3 Pillars



Portfolio construction:

Investing, where we can, in companies that are conscientious about reducing harmful impacts on the environment and people – and avoiding those with the most severe sustainability impacts.



Stewardship:

Using our influence to encourage the companies we invest in to behave more sustainably, to benefit the long-term interests of our members. This includes setting clear expectations and minimum requirements in priority areas such as climate, nature and human rights.



Reporting:

We are transparent about our responsible investment activities and commit to reporting annually on how we are progressing against our objectives.

7 Principles for responsible investing



Principle 1:

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



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



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



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 (ie the financial impacts on a company).



Principle 5: Hold key industry players and policymakers accountable to ensure they can help the Scheme achieve its responsible investment objectives.



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



Principle 7:

Annually report on the Scheme's progress.

What our 7 Principles are all about



Principle 1: Consider sustainability factors

Alongside our asset managers, we analyse how companies and governments manage their most relevant ESG risks and opportunities. This forms part of any investment decision. We do not invest in companies focused on controversial weapons, tobacco production or thermal coal extraction – although in general we find large-scale exclusion of an entire sector to be a generally ineffective tool in achieving our responsible investment objectives. We prefer to work collaboratively with others to develop investment solutions designed to bring about change.



Principle 2: Prioritise

We have undertaken a prioritisation process to identify the ESG issues that will most affect the value of our members' savings over the long term and where we have the most potential for positive impact.

This has resulted in our 3 stewardship priorities: **climate change**, **nature** and **human rights**.



Principle 3: Recruitment and retention

We have set minimum responsible investment standards for our asset managers and other service providers to meet if they want to work with us.

These include an obligation to support our **net zero** strategy through their own **net zero**-related actions and demonstrating they have the resources and commitment to fulfil our requests to engage with companies on ESG issues when required. This includes requiring our asset managers to be signatories to best practice standards like the **UK Stewardship Code**.



Principle 4: Hold companies to account

We have set clear expectations for companies in relation to accountable corporate governance and management of climate, nature and human rights. For example, we expect all investee companies in high climate-impact sectors to develop credible targets to reduce their greenhouse gas emissions and to have a robust business plan and decarbonisation strategy to achieve this ambition. We act through our asset managers and collaborative initiatives.



Principle 5: Work with wider industry players

We recognise the need to drive public policy change in areas where market forces alone cannot be relied upon to meet our responsible investment objectives. We set clear expectations for governments, including to maintain a stable policy environment in relation to our stewardship priorities, and to comply or align with global concords such as the Paris Climate Agreement or UN Guiding Principles on Human Rights. We act on this through our asset managers and collaborative initiatives.



Principle 6: Collaborate

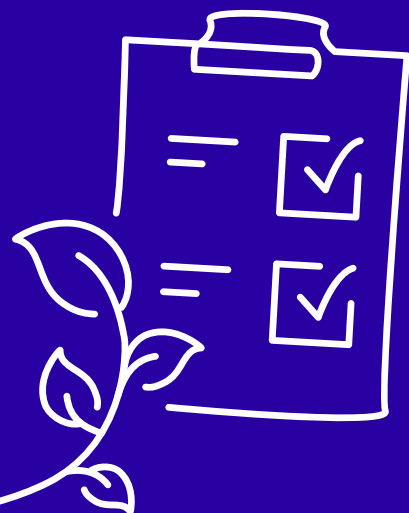
We aim to collaborate with and build coalitions of like-minded investors to drive real change.

We support coalitions such as **Climate Action 100+** that are focused, well-organised, and can add more power to our approach, and which support our stewardship priorities.



Principle 7: Transparency


We will annually report on climate progress, including against the internationally-recognised TCFD (Task Force on Climate-related Financial Disclosures) framework and aim to submit an annual stewardship report in compliance with the UK Stewardship Code.




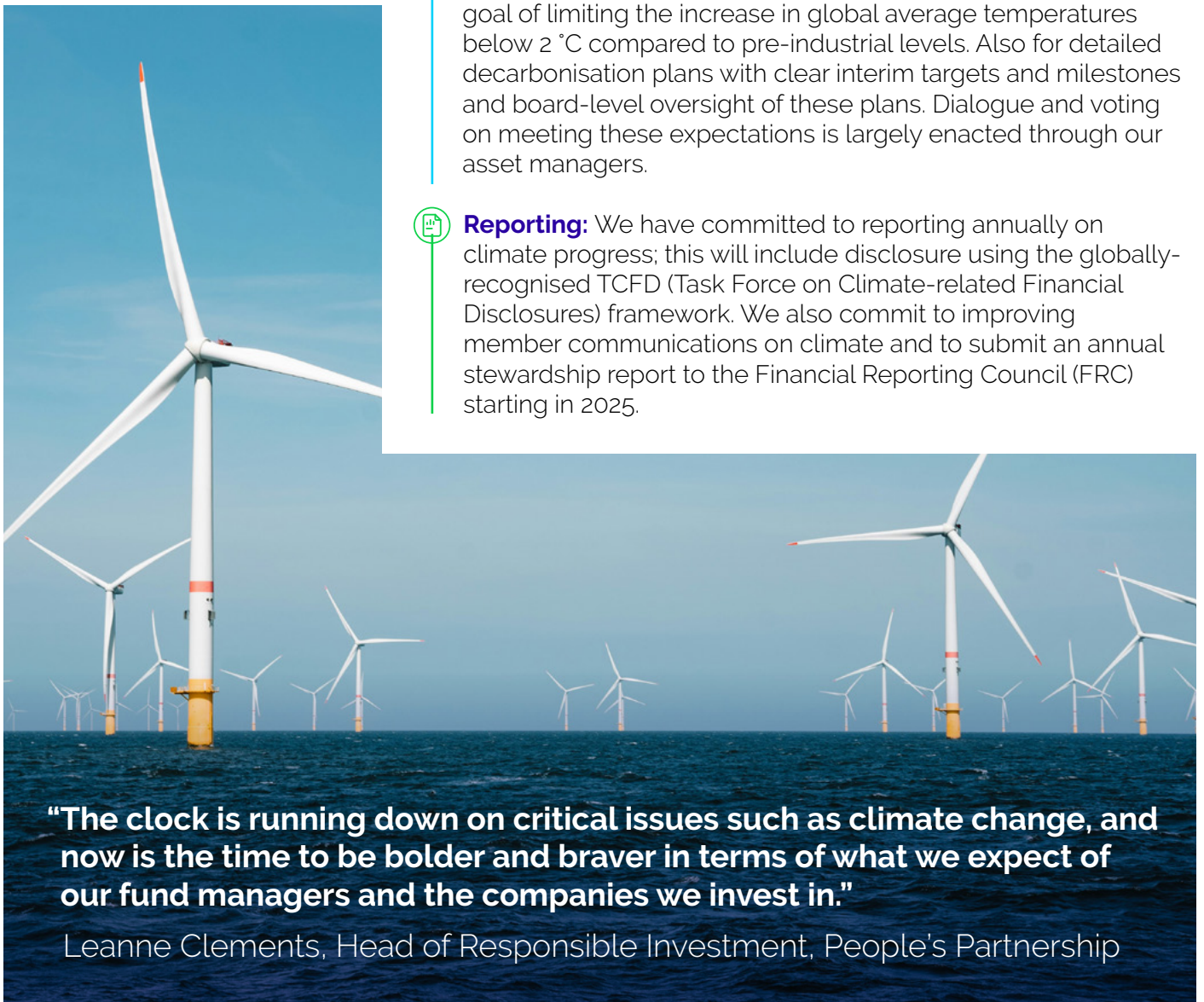
How we put our policy into action on climate change

We have a goal to reduce the amount of greenhouse gas emitted for each million pounds we invest (known as 'carbon intensity') by 30% by 2025 and to achieve net zero emissions by 2050.

 **Portfolio construction:** In our fund focused on large companies in the developed world, we have a goal to reduce the amount of greenhouse gas emitted for each million pounds we invest (known as 'carbon intensity') by **30% by 2025** and to achieve **net zero emissions by 2050**. In 2024, this saw the Scheme move **70% of our Global Investments (up to 85% shares) Fund** into 'climate-aware strategies', an approach that will help us reduce investments in companies highly exposed to climate risks, and instead tilt towards companies such as Ørsted (pictured), a global leader in offshore wind energy.

 **Stewardship:** We have set comprehensive expectations for companies in high climate-impact sectors such as energy, and the banks that support them. These include the need for emission reduction targets in line with what climate science says is required to achieve the Paris Climate Agreement goal of limiting the increase in global average temperatures below 2 °C compared to pre-industrial levels. Also for detailed decarbonisation plans with clear interim targets and milestones and board-level oversight of these plans. Dialogue and voting on meeting these expectations is largely enacted through our asset managers.

 **Reporting:** We have committed to reporting annually on climate progress; this will include disclosure using the globally-recognised TCFD (Task Force on Climate-related Financial Disclosures) framework. We also commit to improving member communications on climate and to submit an annual stewardship report to the Financial Reporting Council (FRC) starting in 2025.



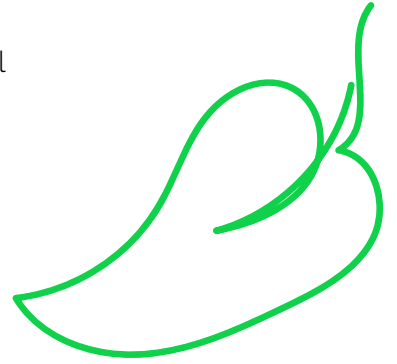
"The clock is running down on critical issues such as climate change, and now is the time to be bolder and braver in terms of what we expect of our fund managers and the companies we invest in."

Leanne Clements, Head of Responsible Investment, People's Partnership

Nature stewardship

A healthy world economy is ultimately reliant on having healthy air, clean water and a thriving natural environment. So we believe it's a priority to set meaningful expectations for companies and sectors that have high potential impacts on nature. We put these into effect through our asset managers and through collaborations with nature-related investor initiatives. These expectations of companies include:

- Reporting how nature-related financial risks are addressed, and work towards setting a 'Science-Based Target' to reduce negative impacts on nature and enhance positive ones.
- Using best efforts to eliminate agricultural commodity-driven deforestation.
- Embedding 'circular economy' principles into corporate business models to increase the reuse and recycling of materials.



Human rights stewardship

We expect all investee companies to respect human rights in accordance with the UN Universal Declaration of Human Rights and the International Labour Organisation's Core Labour Standards. Companies should comply with established international principles, and we expect all companies with high exposure to human rights risks to have:

- A policy commitment to respect human rights, and a governance structure to provide board-level oversight and executive accountability to enforce this commitment.
- A human rights due diligence process to:
 - assess actual and potential human rights impacts
 - integrate the findings and take action to prevent or mitigate potential impacts
 - track human rights performance
 - communicate their performance.
- A process to provide or enable remedies to those harmed if the company causes or contributes to a human rights incident.



Potential trade-offs

All our priority stewardship issues are complex and are likely to involve 'trade-offs'. That means we recognise that progress in 1 area might be to the detriment of other factors we care about. We aim to be transparent and strategic about the trade offs we are, and are not, willing to make in each area – and deal with complex cases on a case-by-case basis.

Issues of a 'just transition' (ie, ensuring that workers and communities are not left behind as the world's economy responds to climate change) in both climate and nature are an example of this. Pursuing as fast as possible decarbonisation and a transition to a nature-positive economy will impose uneven costs on countries and societies. For example, many jobs, especially in the developing world, depend on fossil fuel extraction, and a fast reduction in fossil fuel consumption puts these jobs and livelihoods at risk. To address this, the Trustees believe in a commitment to the principles of a just transition - where these social issues are taken into account within short- and long-term climate plans.

We believe our best chance of driving the real-world change required to achieve our responsible investment objectives is to drive and support large industry-wide initiatives and to hold our asset managers accountable to participate in these leading industry coalitions.

Institutional Investors Group on Climate Change (IIGCC)

A climate-focused investor network helping address industry and policy challenges to achieving net zero.

UK Sustainable Investment Forum (UKSIF)

A membership organisation supporting a wide range of sustainable finance initiatives.

Global Investor Coalition on Mining 2030

An investor-led initiative working for a socially and environmentally responsible mining sector.

Climate Action 100+

An investor-led initiative, pressuring the world's biggest greenhouse gas emitters to take appropriate action on climate change.

FAIRR Initiative

An investor led network engaging with the food and agriculture sector on climate, biodiversity and other ESG issues.

Principles for Responsible Investment's (PRI) Circular Economy Reference Group

A group building investor capacity to promote circular economy principles across the economy.

Nature Action 100

A global initiative 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.

Investor Policy Dialogue on Deforestation (IPDD)

An investor-led sovereign engagement initiative that aims to halt deforestation in some of the world's most biodiverse, carbon-absorbing biomes.

Spring

A PRI-led stewardship initiative to address the systemic risk of nature loss to societies and long-term portfolio value creation.

Member

Supporter

Advance

A PRI-led stewardship initiative to help institutional investors work together to act on human rights and social issues.

“As a part-owner of thousands of companies across the global economy your pension can act as a change agent. We want it to work to protect not only the returns required for your retirement plan but also, to the extent it can, the human rights, climate and natural environment that any fulfilling retirement relies on.”

Dan Mikulskis, Chief Investment Officer,
The People's Pension

The full version of our **Responsible Investment Policy** is available
on **The People's Pension website**

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