Chair's Annual Governance Statement

Covering period 1 April 2023 – 31 March 2024

Introduction

This Statement has been prepared by the Trustee of the P&O Princess Cruises Pension Scheme ("the Scheme") to demonstrate how the Scheme has complied with the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015 in relation to:

1. Providing a default investment arrangement for members (the "default arrangement")
2. The performance of the Scheme's DC investment options net of charges
3. Processing financial transactions promptly and accurately
4. Details and impact of charges and transaction costs borne by members
5. Assessment of the value members received from being a member of the Scheme
6. Meeting the requirements for trustees' knowledge and understanding

The period this Statement covers is the Scheme year from 1 April 2023 to 31 March 2024 ("the reporting period").

This Statement relates to the Defined Contribution Section ("the DC Section") of the Scheme administered by Scottish Widows and the Additional Voluntary Contribution ("AVC") benefits under the Defined Benefit Section of the Scheme which are held with Standard Life. Both arrangements are closed to new joiners. The DC Section remains open to contributions.

The Trustee believes that it has taken the necessary steps to ensure compliance with the governance standards.

A copy of this document has been published on a publicly accessible website and can be found at https://www.pocruises.com/legal-and-privacy/pensions.

Investment

General investment principles

The Trustee's main investment objectives are to:

- Provide members with a diversified fund range designed so members have the freedom to structure their investments to suit their individual risk, return, liquidity and funding requirements; and
- Ensure that each individual fund option is suitably invested and managed to maximise the return commensurate with an acceptable level of risk.

The Trustee aims to meet these objectives by:

- Identifying appropriate investment managers;
- Providing a range of investment options which aim to meet members differing personal investment requirements throughout their membership and have sufficient investment choice to satisfy their differing risk appetites and risk profiles;
- Monitoring the investment funds that are made available to members;
- Setting a general investment policy but delegating the responsibility for selection of specific investments to the investment managers; and
- Seeking advice, as appropriate, from the Scheme's advisers.

A copy of the Scheme's DC Statement of Investment Principles ("SIP") is included in Appendix E. The SIP can also be found online at https://www.pocruises.com/legal-and-privacy/pensions.

The default arrangement

The Trustee selected a default arrangement for members who did not make an active investment decision when the DC Section opened on 1 June 2016. The default arrangement is the Drawdown-Focused Lifestyle Strategy.

The objective of the default arrangement is to generate capital growth over the long term through investing in a diversified portfolio that provides an appropriate balance between risk and return. The strategy invests in a diversified fund during the growth phase when members are further from retirement. In the five years prior to retirement, the default arrangement aims to reduce the volatility of the member's expected pension fund by gradually increasing the allocation to bonds, gilts and cash over the five-year period. At a member's target retirement date, there is a 70% allocation to a diversified fund, 15% allocation to a bond/gilt fund and 15% allocation to a cash fund. The default arrangement is designed for those members looking to use their DC

Section benefits to maintain investment growth at retirement age and move to a drawdown arrangement which allows members to take income as and when required.

The Trustee is required to review the default arrangement every three years, or sooner if there has been a material change to the Scheme, membership or investment policy. The last formal strategic review of the default arrangement was undertaken and considered by the Trustee on 8 December 2022.

In undertaking the review, the Trustee and its investment adviser assessed whether the default arrangement remained appropriate giving due consideration to its overall risk profile, asset allocation at retirement and a qualitative and quantitative assessment of the component funds, including the performance against their objectives. The Trustee considered these areas against the backdrop of an updated analysis of the profile of the membership to ensure the default arrangement continued to be aligned with the Trustee's overall objective for the strategy (as stated above) and the expected needs of the majority of the membership.

The review concluded that the profile of the membership had not materially changed since the last full review was undertaken in 2019 and the expected risk tolerance and retirement objectives remained the same. Additionally, the review noted that the vast majority of members are predicted to have considerable Defined Contribution benefits at retirement and are therefore more likely (based on market trends) to enter into a drawdown arrangement at retirement and take an income as and when needed. This suggested that the asset mix at retirement which is aligned with entering into a drawdown arrangement remained appropriate.

Additionally, the component funds had performed in line with expectations over the long term and continued to be well rated by the Trustee's investment adviser.

The Trustee also reviewed the strategy against its Environmental, Social and Governance ("ESG") beliefs (further details on which can be found in the DC Implementation Statement). Although the strategy does not explicitly integrate ESG principles at the heart of its objective, for example tilting its exposure towards companies with strong environmental credentials, the vast majority of the strategy benefits from the manager's overarching ESG framework. This includes a decarbonisation target and certain exclusions such as in relation to controversial weapons. The Trustee concluded that the strategy was broadly aligned with its ESG beliefs.

Based on the findings from the review, the Trustee decided that the existing default arrangement remained appropriate and it was agreed that no changes were required.

The next full strategic review of the default arrangement is due to be undertaken in Q4 2025 or sooner should there be a material change to the membership profile or Scheme design.

Other default arrangements – AVCs with Standard Life

Whilst there was no default arrangement in place for members of the Defined Benefit Section of the Scheme who paid AVCs into the Trustee's AVC policy with Standard Life, a number of AVC funds are classified as default funds under legislation due to previous mapping exercises. These funds are set out below:

- Standard Life Deposit and Treasury Fund – mapping exercise in 2013
- BlackRock Managed 50:50 Global Equity Fund – mapping exercise in 2023
- Standard Life Long Corporate Bond Fund – mapping exercise in 2023
- AVC Lifestyle Strategy – mapping exercise in 2023

The mapping exercise in 2023 is covered in further detail in the next section of this statement. All of the above funds are treated as default funds and are identified as such in the 'Charges and transaction costs' section of this Statement. The funds were selected to receive assets as part of the mapping activities in line with the Trustee's overarching investment principles.

Fund changes during the reporting period

Under the DC Section of the Scheme, the Trustee had made the decision during the 2022-23 reporting period to introduce an ESG focused self-select fund for members wishing to access an investment option that explicitly integrates ESG principles within the fund's objective. Following a selection process undertaken in conjunction with the Trustee's investment adviser, the Trustee selected the LGIM Future World Global Equity Index Fund which was introduced into the fund range from January 2024. This fund aims to track a global equity index which has been 'tilted' so the fund reduces its exposure to companies associated with poor ESG practices and provides greater exposure to those that are better positioned from an ESG perspective.

In relation to the Standard Life AVCs, following the review undertaken in the previous reporting period, the Trustee made the decision to close a number of legacy AVC fund options and transfer the assets into the core AVC fund range. The following funds were closed:

- Balanced Managed Universal Lifestyle
- Standard Life Managed Pension Fund
- Standard Life Stock Exchange Pension Fund
- Standard Life Far East Equity Pension Fund
- Standard Life International Equity Fund
- Standard Life Property Fund

The changes took place in November 2023 and members with benefits in these funds had the opportunity to make their own investment selection (from the AVC core fund range) before the changes were made. For those members who did not make an investment selection, their AVC benefits in the funds being closed were mapped based on the closest available funds within the core fund range, taking into account asset classes and overall risk profile. The changes resulted in a number of additional default funds being created as set out earlier in this statement. As the changes were processed as individual switches by Standard Life, no transaction cost information was made available.

Broader investment monitoring

The Trustee delegates day-to-day investment oversight of the DC Section and AVCs, respectively, to Scottish Widows and Standard Life (as the investment platform providers), and it has separate specialist advisers providing specific investment advice and strategic guidance as and when required.

The Trustee reviews the net performance of the funds in the DC Section, including those underlying the default arrangements, formally each quarter against their objectives and benchmarks. Given the small proportion of assets held in the AVC Policy, and the nature of those funds, the Trustee reviews the net performance of the AVCs on an annual basis.

On occasions, the Trustee may decide, having obtained investment advice, to alter the range of investment funds available to members. No changes to any of the investment funds were made during the reporting period on the grounds of performance.

The Trustee paid particular attention to the LGIM Diversified Fund during the reporting period. This fund is a key component within the default strategy under the DC Section and holds the vast majority of the Scheme's DC assets. The fund aims to achieve 'equity like' returns over the long-term at a lower volatility compared with a pure equity fund. The fund had not delivered returns in line with its equity comparator over 1,3 or 5 years. The Trustee assessed the fund alongside the market context and acknowledged that world equity returns had been largely driven by a small number of technology stocks in the USA. The LGIM Diversified Fund invests in a wide range of assets and is more likely to underperform against world equities during periods of sustained equity growth. The Trustee also assessed the fund against its long-term target of 'Bank of England Base Rate + 3.75% p.a.' which the Trustee believes is a more accurate indicator of long term performance for this type of fund. The fund was close to achieving this target over 1 year and 5 years and was ahead of this target over a 10 year period. The Trustee also considered qualitative analysis from its investment adviser and concluded that the fund was built on strong fundamental principles and had delivered its returns with volatility broadly half of a pure equity fund. In addition, the Trustee recognises that pension saving generally has a long-term time horizon and the Trustee focuses on longer-term performance when reviewing the funds.

Overall, the Trustee is comfortable that the fund options have all met their respective objectives over the long term.

Net investment returns

The Trustee is required to set out the investment returns of the Scheme's DC funds, net of any Scheme specific charges, over the reporting period. In reporting the investment returns, the Trustee has reviewed and taken account of the DWP's Statutory Guidance in this area. Based on the information reported in this section, the Trustee is satisfied that investment performance remains consistent with the aims and objectives stated in the SIP.

Default arrangement

Members in the default arrangement of the DC Section are in the Drawdown-Focused Lifestyle Strategy which invests in several underlying funds, the proportion of assets in each depending on the number of years until the member's Target Retirement Age ("TRA").

Investment returns, net of any Scheme specific charges, are shown at a range of ages based on a TRA of 60 (which is the Normal Retirement Age for the majority of DC members). The performance information has been derived from the proportion of assets invested in each underlying fund at that age.

	Name	5 years (% pa)		1 year (%)	
		Fund	BM	Fund	BM
Default arrangement	Drawdown Focused Lifestyle – age 25	**4.23**	**5.40**	**8.56**	**8.80**
	Drawdown Focused Lifestyle – age 45	**4.23**	**5.40**	**8.56**	**8.80**
	Drawdown Focused Lifestyle – age 55	**4.23**	**5.40**	**8.56**	**8.80**

Please see the notes section below for supporting information

Alternative lifestyle strategies

The Trustee offers two alternative lifestyle strategies targeting annuity purchase and short-term cash withdrawal at retirement respectively. These strategies invest in several underlying funds, the proportion of assets in each depending on the number of years until the member's TRA.

As in the previous section, the investment returns, net of any Scheme specific charges, are shown at a range of ages based on a TRA of 60. Please note that the performance is the same across the two alternative lifestyle strategies and so these have not been reported separately.

	Name	5 years (% pa)		1 year (%)	
		Fund	BM	Fund	BM
Self-select options	Alternative lifestyle strategies – age 25	**4.23**	**5.40**	**8.56**	**8.80**
	Alternative lifestyle strategies – age 45	**4.23**	**5.40**	**8.56**	**8.80**
	Alternative lifestyle strategies – age 55	**4.23**	**5.40**	**8.56**	**8.80**

Please see the notes section below for supporting information

Self-select fund range

The Trustee also offers a range of alternative funds for members to self-select from, some of which are also component funds within the lifestyle strategies:

	Name	5 years (% pa)		1 year (%)	
		Fund	BM	Fund	BM
Self-select options	SW Legal & General Diversified Fund	4.23	5.40	8.56	8.80
	SW BlackRock 30/70 Currency Hedged Global Equity Index Fund	9.34	10.05	19.63	19.37
	SW Aquila Emerging Markets Equity Index Fund	2.40	3.26	4.84	5.85
	SW LGIM Future World Global Equity Index	-	-	22.17	21.05
	SW L&G Future World Annuity Aware Fund	-3.57	-3.70	3.94	-1.98
	SW BlackRock IL Over 5 Year Gilt Index Fund	-6.99	-6.90	-7.85	-7.77
	SW BlackRock Sterling Liquidity Fund	1.44	1.51	4.91	4.93

Please see the notes section below for supporting information

Notes

BM = Benchmark. Please note that the benchmark the Trustee has reported for the L&G Diversified Fund is the investment manager's target of achieving returns in line with 'Bank of England Base Rate + 3.75% p.a.' over the long term. This is different to the equity comparator reported by Scottish Widows on the fund factsheet, however the Trustee believes this is a more appropriate measure by which to assess the fund.

Performance information has been provided by Scottish Widows. Benchmark data has been provided by Scottish Widows with the exception of the L&G Diversified Fund which has been sourced from L&G.

Information relating to the Standard Life AVC funds is contained in Appendix A.

Please refer to the fund factsheets for further details on the funds including their underlying holding, risk profile and performance benchmarks. These can be found on the Scottish Widows website at the following address: https://www.scottishwidows.co.uk/save/popc/ ('Your investment charges and choices' → 'pension funds') and on the Standard Life website for the AVC funds: https://www.standardlife.co.uk/pensions/workplace-pension.

Asset allocation reporting

The Trustee is required to set out the asset allocation within each default arrangement. The asset allocation for the default strategy of the DC Section (Drawdown Focused Lifestyle) is set out below. As the asset allocation varies based on age, this has been set out for a member aged 45, 55 and 60 (based on a TRA of 60).

Drawdown Focused Lifestyle

	Asset class	Percentage allocation		
		Age 45	Age 55	Age 60
Drawdown Focused Lifestyle	Cash	0%	0%	13%
	Bonds	36%	36%	41%
	Listed equities	38%	38%	27%
	Private equity	1%	1%	1%
	Infrastructure	5%	5%	4%
	Property / real estate	11%	11%	7%
	Private debt / credit	5%	5%	3%
	Other	4%	4%	4%

The asset allocation for the AVC investment options deemed as default funds under legislation are reported in Appendix B.

Please note, when preparing this analysis, the Trustee has taken into account of the DWP's statutory guidance on "Disclose and Explain asset allocation reporting and performance-based fees and the charge cap". There are no funds which contain performance-based fees.

Financial Transactions

The Trustee regularly monitors the core financial transactions of the Scheme. These include the investment of contributions, transfers into and out of the Scheme, fund switches and payments out of the Scheme. This is achieved through having appropriate Service Level Agreements ("SLAs") in place with the administrators, reviewing administration reports at quarterly Trustee meetings and having a process for raising and escalating any administration issues identified through the Trustee's monitoring process.

DC Section – Scottish Widows

The Trustee delegates the administration of the DC Section of the Scheme to Scottish Widows.

The Trustee has SLAs in place with Scottish Widows. These are the Trustee's expectations for the promptness of processing administration tasks. The SLAs vary dependent on the task (ranging from one to two business days for time critical tasks such as investment switches and processing contributions and up to ten business days for non-time critical tasks such as more complex member enquiries).

Scottish Widows has processes in place to support meeting the agreed SLAs such as a task logging system used to identify and prioritise core financial transactions, allocate tasks and manage workloads. Additionally, Straight Through Processing ("STP") is used on all core transactions which helps ensure tasks are processed accurately and quickly.

Scottish Widows provides quarterly administration reports which includes details of performance against SLAs. This allows the Trustee to monitor performance against the SLAs at each quarterly Trustee meeting to ensure administration tasks (including core financial transactions) are being processed in a timely manner.

Scottish Widows has reported that 79% of time critical processes were processed within the agreed SLAs during the period (11 out of 14 tasks). Scottish Widows has confirmed that where any time critical processing has been delayed, action has been taken to ensure the member was not disadvantaged, with any necessary adjustments made to their policy value to avoid any detriment.

In relation to manually processed non-time critical tasks, 96% were processed within the agreed SLAs (116 out of 121 tasks).

SLA performance has materially increased over the reporting period across both time critical processes and manually processed non-time critical tasks. The Trustee recognises that the performance of time critical tasks should be assessed albeit within the context of a much smaller number of tasks being completed.

The Trustee has closely monitored performance over the Scheme year and seeks to engage with Scottish Widows on a regular basis to understand the reason for any delays in processing tasks. This enables the Trustee to consider the materiality of any delay including any potential impact to members.

Scottish Widows has confirmed that there was one member complaint received over the period which is currently being investigated.

In addition to monitoring administration performance, the Trustee also satisfied itself that core financial transactions were processed promptly and accurately by:

- Ensuring appropriate documentation was in place recording payments in and out of the Scheme;

- Reviewing the accuracy of the Scheme's Common and Scheme-specific data on a regular basis to ensure that financial transactions are processed promptly and accurately; and
- Ensuring Scottish Widows has in place appropriate internal processes and controls which includes the checking and reconciliation of investment and banking transactions.

AVCs – Standard Life

Standard Life aims to process 90% of all transactions within ten working days – this is the SLA the Trustee has in place with Standard Life.

There were a small number of limited administration tasks undertaken over the period. In total, 53% of these were completed within the SLA (20 out of 38 tasks). This is below the Trustee's expectations and it continues to seek to engage with Standard Life to understand the reason for any delays in processing tasks and the materiality of any delay including any potential impact for members.

Standard Life have confirmed that there were no complaints received over the reporting period.

No administration issues were identified during the reporting period.

Wider oversight

The Trustee appoints an independent auditor to audit the Scheme's accounts, which includes an audit of the payments into and out of the Scheme. As at the date of signing this Statement, the audit of the Scheme's accounts in relation to the reporting period is underway.

Conclusion

Based on the above, the Trustee is satisfied that the majority of the Scheme's core financial transactions have been processed promptly and accurately during the Scheme year and where there have been delays, members have not been adversely impacted.

Charges and Transaction Costs

The Total Expense Ratio ("TER") applied to the funds available for selection by members of the Scheme are set out in the tables overleaf, all to two decimal places. TER is a measure of the costs associated with managing and operating an investment fund. These costs consist primarily of Annual Management Charges ("AMCs") and variable additional expenses such as trading, legal and auditor fees and other operational expenses.

Transaction costs are those incurred by the investment managers as a result of buying, selling, lending or borrowing investments and are usually taken into account via the unit price for each of the funds. The

Financial Conduct Authority (“FCA”) has set out a specific method for providers and managers to calculate transaction costs and they are typically categorised as being explicit costs or implicit costs:

- Explicit costs are directly observable and include broker commissions and taxes.
- Implicit costs cannot be observed in the same way but occur, for example, where the price on placing a trade instruction is different to the price paid when the trade is executed. This can also lead to ‘negative’ transaction costs or small ‘gains’ where the price when placing a trade instruction is higher than the price when the actual trade is executed.

Please note a zero cost has been reported where there has been a negative transaction cost (i.e. an overall gain was made on the transaction, which can happen as a result of changes in the pricing of the assets being bought or sold). It is not expected that transaction costs will always be negative. It is important to note that using a negative or zero cost during any one Scheme year may not accurately represent the actual transaction costs a member may expect to see in any future Scheme year.

Default arrangement – Scottish Widows

The charges applied to the funds over the reporting period that make up the Scheme’s default arrangement with Scottish Widows are as follows:

	Fund	Fund charges (% p.a.)					T-cost (%)
		AMC	+	Add exp.	=	TER	
Default arrangement	SW L&G Diversified Fund	**0.46**	+	**0.01**	=	**0.47**	**0.00**
	SW L&G Future World Annuity Aware Fund	**0.31**	+	**0.00**	=	**0.31**	**0.00**
	SW BlackRock Sterling Liquidity	**0.27**	+	**0.00**	=	**0.27**	**0.02**

T-cost = transaction cost

Members are invested in these funds in varying proportions depending on their term to retirement. The maximum TER for the default arrangement is 0.47% p.a.

Alternative lifestyle strategies and self-select fund range – Scottish Widows

The charges applied to the self-select fund range (which are also component funds in the alternative lifestyle strategies) are shown in the table below:

	Fund	Fund charges (% p.a.)					T-cost (%)
		AMC	+	Add exp.	=	TER	
Self-select options	SW L&G Diversified Fund	0.46	+	0.01	=	0.47	0.00
	SW BlackRock 30/70 Currency Hedged Global Equity Index Fund	0.33	+	0.01	=	0.34	0.00
	SW Aquila Emerging Markets Equity Index Fund	0.42	+	0.06	=	0.48	0.00
	SW LGIM Future World Global Equity Index	0.37		0.00		0.37	0.02
	SW L&G Future World Annuity Aware Fund	0.31	+	0.00	=	0.31	0.00
	SW BlackRock IL Over 5 Year Gilt Index Fund	0.27	+	0.00	=	0.27	0.03
	SW BlackRock Sterling Liquidity	0.27	+	0.00	=	0.27	0.02

T-cost = transaction cost

All of the charges are shown as at 31 March 2024. The transaction costs reported are complete and are all in respect of the period 1 April 2023 to 31 March 2024.

Standard Life AVCs

The level of charges applying to the Standard Life AVC funds during the reporting period (including those classified as a default arrangement for the purposes of this Statement) are set out in Appendix C.

Illustrations of costs and charges

The Trustee has taken into account the statutory guidance which requires trustees to provide an illustration comparing the cumulative effects of costs and charges on example members' funds. The illustrations and corresponding information for the DC Section can be found in Appendix D.

Value for Members

The Trustee is committed to ensuring that members receive good value for the services that are provided under the Scheme, in particular those services that are paid for by the members themselves.

The Trustee's adviser – WTW – undertakes an annual 'Value for Members' assessment, taking into account the guidance provided by the DWP and The Pensions Regulator, which is considered by the Trustee in advance of preparing this Statement.

The latest assessment was undertaken by WTW in July 2024 covering the reporting period to which this statement relates. The assessment considered the following broad areas which are aligned to the DWP's latest guidance:

1. The level of charges paid by members compared to other similar schemes;
2. The performance of the Scheme's DC funds net of charges; and
3. The scope and quality of the services members receive.

Assessment conclusion – DC Section

The assessment compared the overall cost members bear against a number of comparators, including similarly structured plans based on other DC schemes, the wider DC Master Trust market and the default fund maximum charge of 0.75% p.a. for qualifying schemes such as the Scheme. This comparison showed the charges members pay in the Scheme's default arrangement of 0.40% p.a. – 0.47% p.a. are significantly below the charge cap, however charges are higher than the market average. WTW did, however, acknowledge that due to the profile of the Scheme, the Trustee may not be able to secure charges at the same level as the market average either with Scottish Widows or under a master trust arrangement. The assessment also included benchmarking information concerning the transaction costs incurred in the Scheme and concluded that the transaction costs over the reporting period for the funds were reasonable relative to the average transaction costs for similar types of investments.

Investment returns net of fees (as reported earlier in this statement) are a key influence in the overall value members receive. WTW compared the performance of the Scheme's default strategy against master-trust defaults at various points within the glidepath. Particular focus was given to the relative performance of the default strategy for members close to retirement given the mature profile of the Scheme's membership. The results showed that the default strategy had delivered strong longer-term returns relative to the comparator schemes for members nearing retirement. This was largely attributable to the design of the Scheme's default strategy, in particular the continued exposure to growth seeking assets throughout the glidepath to align with the expectation that most members will remain invested after retirement and seek to transfer to a drawdown arrangement. The results were less favourable when comparing the performance of the default strategy against the comparator schemes for members further away from retirement as the majority of master-trust defaults typically exposed members to more investment risk at this point in the strategy and this had led to higher overall returns compared to the Trustee's diversified approach.

WTW also considered the performance of the individual fund options under the DC Section against their benchmarks. The funds had all performed broadly in line with expectations over the long-term.

The assessment also considered the services offered by the Scheme with a particular focus on those that members pay for, such as the administration provision, communications and member support provided by Scottish Widows.

WTW concluded that the Scheme continued to offer ‘fair’ value based on the services members receive for the charges incurred.

WTW also considered the features of the Scheme that members do not pay for. Although this is outside of the scope of the Value for Members assessment, it is important to highlight the following which provides additional ‘broader’ value to members of the Scheme:

- The structure of the investment options including a default arrangement which has been designed based on detailed membership analysis and aims to meet the needs of Scheme members;
- The provision of a focused selection of funds through managers well rated by WTW including a new ESG focused fund (as described earlier in this statement); and
- A professional corporate sole trustee is in place with detailed knowledge, extensive experience, effective risk management oversight, and the ability to leverage wider resources in its governance of the Scheme including best practice approaches and specialist support.

The Trustee discussed the report from WTW and agreed with WTW’s assessment that the Scheme provides fair value for members. The Trustee recognises that although the charges incurred by members is potentially higher than the market average, the structure and design of the default strategy has provided additional value for the majority of members given their close proximity to retirement, compared with a typical master-trust arrangement.

The Trustee also recognises that the DC Section of the Scheme is also considerably smaller than the average scheme within the comparison used by WTW, and is not therefore able to obtain the most favourable terms from providers.

Assessment conclusion – AVCs

As covered earlier in the statement, the Trustee undertook a detailed review of the AVC arrangements during the previous reporting period. Following the review, the Trustee made the decision to close a number of legacy fund options as described earlier in this statement. The Trustee believes the revised fund range is more aligned with the needs of the membership and the remaining funds have all performed in line with expectations.

From a broader perspective, the Trustee has considered the level of charges members pay under the AVC arrangement and the services members receive. Charges are higher than average, largely as a result of the small size of the arrangement, however it was concluded that it would be unlikely that the charges would be significantly less under another pension provider. There are also a number of practical constraints in relation to moving the assets elsewhere. Additionally, members are able to use their AVCs to fund their tax-free cash under the Scheme and this was likely to be of significant value to the small number of members holding AVC assets.

Overall, the Trustee concluded that the AVC arrangement continues to offer ‘fair’ value for members with the fund changes likely to enhance value over the longer-term.

Trustee Knowledge and Understanding (TKU)

The professional corporate sole trustee is Ross Trustees Services Limited, trading as Independent Governance Group (“IGG”).

IGG is audited annually by the Audit and Assurance Faculty (AAF) and is currently AAF 02/07 accredited, which confirms that the processes adopted by IGG to govern schemes are appropriate. This includes providing regular training opportunities to all members of staff.

IGG delegates responsibility for governing the Scheme to three professional trustees, all of whom are accredited with the Association of Professional Pension Trustees (“APPT”) and supported by a broad, multi-disciplined and experienced team of pensions professionals.

To maintain accreditation with the APPT, the professional trustees are required to undergo regular training and record a minimum of 25 hours CPD (Continual Professional Development) activity each calendar year. This could be structured, for example a formal event such as a conference, seminar or formal trustee training session with fellow trustees, or non-structured, such as reading of relevant trade press and websites. The amount of non-structured CPD is limited to a maximum of 5 hours within the total. This requirement was met in the Scheme year.

As a business, IGG schedules various training sessions for all staff on a variety of topics and request that all staff undertake regular monthly online training via LRN Catalyst. This training programme is designed to identify and address any knowledge gaps. The training undertaken by IGG over the reporting Scheme year has included (but not limited to):

- Trustee Report and Accounts (6 April 2023)
- Cashflow Marching (13 April 2023)
- Equality, Diversity and Inclusion in Professional Corporate Sole Trustee appointments (1 June 2023)
- Cyber Resiliency (6 July 2023)
- Conflicts of Interest (12 October 2023)
- GDPR (9 November 2023)

Part of the TKU requirements include being conversant with the Scheme’s own documentation. The combined knowledge and understanding of the delegated professional trustees, together with advice enables the Trustee to properly exercise its functions and it is fully conversant with the Scheme's latest Trust Deed & Rules, as well as the duties and responsibilities required by trustees. The combined knowledge of the Scheme and pension matters in general, enables the Trustee to challenge its advisers where necessary. The Trustee is familiar with the Pension Regulator's guidance and Codes of Practice to aid in ensuring that it is properly exercising its functions and that good governance is a priority with any improvements made to existing procedures and processes where appropriate. The professional trustees delegated by IGG to govern the Scheme communicates and meets regularly with the Scheme Secretary to facilitate compliance with best practice.

The Pension Regulator's General Code came into force on 27 March 2024 and the Trustee has completed an assessment of compliance which considered the extent to which the Trustee has adopted policies and processes expected by the General Code, when these were last reviewed, and how these are utilised by the Trustee. The Trustee monitors on an ongoing basis compliance with the General Code to ensure it continues to effectively operate and make decisions.

Statement of compliance

On behalf of the Trustee of the P&O Princess Cruises Pension Scheme, I confirm that the Trustee is of the view that the Scheme has met the minimum governance standards as defined in the Occupational Pension Scheme (Charges and Governance) Regulations 2015 during the period 1 April 2023 to 31 March 2024. The Trustee has also reviewed the requirements and expectations set out in the Pensions Regulator's DC Code of Practice (July 2016) as they relate to the Scheme and will continue to monitor adherence on an ongoing basis.

Signed: **Date:**

Chair of P&O Princes Cruises Pension Scheme

Appendix A

Net investment returns – Standard Life AVCs

The net performance of the AVC fund range with Standard Life is set out below. The table only includes funds in which members of the Scheme have AVC investments (at the end of the reporting period). Please note the AVC Lifestyle Strategy invests in a number of underlying funds and the proportion of assets in each depends on the number of years until the member's Target Retirement Age (TRA). Therefore, the investment returns are provided at a range of ages based on a TRA of 60 which is the Normal Retirement Age (NRA) for the majority of members in the Scheme. The performance information has been derived from the proportion of assets invested in each underlying fund at that age.

Default arrangements (for the purposes of this statement)

	Name	20 years (% pa)	15 years (% pa)	10 years (% pa)	5 years (% pa)	1 year (%)
Default arrangements	AVC Lifestyle Strategy – age 25	-	10.27	7.80	7.70	12.92
	AVC Lifestyle Strategy – age 45	-	10.27	7.80	7.70	12.92
	AVC Lifestyle Strategy – age 55	-	10.27	7.80	7.70	12.92
	Standard Life Deposit and Treasury Fund	-	0.27	0.44	1.04	4.52
	SL BlackRock Managed (50:50) Global Equity Pension Fund	-	10.27	7.80	7.70	12.92
	Standard Life Long Corporate Bond Fund	2.84	5.00	2.00	-2.70	5.91

Other AVC funds

	Name	20 years (% pa)	15 years (% pa)	10 years (% pa)	5 years (% pa)	1 year (%)
Other AVC funds	SL BlackRock ACS World ex UK Equity Tracker Pension Fund	-	13.25	12.67	12.91	24.59
	SL iShares UK Equity Index Pension Fund	-	8.81	5.07	4.78	7.65

Notes

Performance information has been provided by Standard Life. No benchmark data was provided.

Please refer to the fund factsheets for further details on the funds including their underlying holding, risk profile and performance benchmarks. These can be found on the Standard Life website: https://www.standardlife.co.uk/pensions/workplace-pension.

There are a number of with-profits funds in which some members are invested. These funds do not provide returns in the same way as a typical unit linked DC fund, however annual bonuses are awarded depending on the performance of the underlying funds alongside other more complex factors. For more information on these funds, please visit the Standard Life website at: https://www.standardlife.co.uk/investments/funds/with-profits-information#guides.

Appendix B

Asset allocation assessment – Standard Life AVCs

The Trustee is required to set out the asset allocation within each default arrangement. The asset allocation for each of the AVC fund options deemed as defaults under legislation are set out below. Where this varies based on age (such as under a lifestyle strategy), the overall asset allocation has been provided for a member aged 45, 55 and 60 (based on a Normal Retirement Age of 60).

AVC Lifestyle Strategy

	Asset class	Percentage allocation		
		Age 45	Age 55	Age 60
AVC Lifestyle Strategy	Cash	0%	0%	71%
	Bonds	0%	0%	29%
	Listed equities	100%	100%	0%
	Private equity	0%	0%	0%
	Infrastructure	0%	0%	0%
	Property / real estate	0%	0%	0%
	Private debt / credit	0%	0%	0%
	Other	0%	0%	0%

Standard Life Deposit and Treasury Fund

	Asset class	Percentage allocation
		All ages
Standard Life Deposit and Treasury Fund	Cash	71%
	Bonds	29%
	Listed equities	0%
	Private equity	0%
	Infrastructure	0%
	Property / real estate	0%
	Private debt / credit	0%
	Other	0%

BlackRock Managed 50:50 Global Equity Fund

	Asset class	Percentage allocation All ages
BlackRock Managed 50:50 Global Equity Fund	Cash	**0%**
	Bonds	**0%**
	Listed equities	**100%**
	Private equity	**0%**
	Infrastructure	**0%**
	Property / real estate	**0%**
	Private debt / credit	**0%**
	Other	**0%**

Standard Life Long Corporate Bond Fund

	Asset class	Percentage allocation All ages
Standard Life Long Corporate Bond Fund	Cash	**1.5%**
	Bonds	**98.5%**
	Listed equities	**0%**
	Private equity	**0%**
	Infrastructure	**0%**
	Property / real estate	**0%**
	Private debt / credit	**0%**
	Other	**0%**

Appendix C

Charges and transaction costs – Standard Life AVCs

The AVC fund range with Standard Life and the accompanying charges are set out below. The tables only include funds in which members of the Scheme have chosen to invest during the Scheme year:

Default arrangements (for the purposes of this statement)

	Fund	Fund charges (% p.a.)					T-cost (%)
		AMC	+	Add exp.	=	TER	
Default arrangements	Standard Life Deposit and Treasury Fund	0.60	+	0.01	=	0.61	0.08
	SL BlackRock Managed (50:50) Global Equity Pension Fund	0.60	+	0.02	=	0.62	0.03
	Standard Life Long Corporate Bond Fund	0.60	+	0.01	=	0.61	0.14

Please note that the AVC lifestyle strategy invests in the SL BlackRock Managed (50:50) Global Equity Pension Fund and the Standard Life Deposit and Treasury Fund, the proportion invested in each fund depending on proximity to retirement. The TER under the AVC lifestyle strategy ranged from 0.61% - 0.62% over the period.

Other AVC funds

	Fund	Fund charges (% p.a.)					T-cost (%)
		AMC	+	Add exp.	=	TER	
Self-select options	Standard Life Managed Pension Fund*	0.60	+	0.03	=	0.63	0.10
	SL BlackRock ACS World ex UK Equity Tracker Pension Fund	0.60	+	0.02	=	0.62	0.06
	Standard Life Stock Exchange Fund*	0.60	+	0.03	=	0.63	0.06
	Standard Life Far East Equity Pension Fund*	0.60	+	0.08	=	0.68	0.04
	SL iShares UK Equity Index Pension Fund	0.60	+	0.01	=	0.61	0.07
	Standard Life International Equity Fund*	0.60	+	0.03	=	0.63	0.09
	Standard Life Property Pension Fund*	0.60	+	0.03	=	0.63	0.23

*Fund removed during the reporting period

Notes

T-cost = transaction cost.

There are a number of with-profits funds in which some members are invested. For these funds, there is no explicit charge, however these are taken into account when Standard Life calculates the annual bonus. Standard Life have confirmed transaction costs of 0.09% for the Pension With Profits Fund and 0.04% for both the Pension Millennium With Profits Fund and the Pension Millennium With Profits 2006 Fund.

Appendix D

Illustrations of costs and charges – DC Section

The tables on the following pages have been produced by Scottish Widows to show the compounding effect of costs and charges over time based on a range of funds available under the Scheme. The Trustee is required to include this information in the Chair's Statement and the relevant statutory guidance from the DWP has been taken into account when producing these illustrations.

The tables should be read in conjunction with the notes underneath. It is also important to note that the illustrations are purely shown to convey the impact of costs and charges over time and are in no way guarantees of the level of returns that may be achieved through investing in the representative funds.

Scheme: **P&O PRINCESS CRUISES PENSION SCHEME** 31/03/2024

Projected pension pot in today's money: Starting Fund £89,000. Starting Contributions £825pm.
The table shows the development of the projected pension pot over time before and after charges for members of any age assuming the pension pot is invested fully in the fund shown.
The illustrations shown below are for a representative selection of the funds members may invest in. They were selected to reflect the range of projected returns and charges for the available funds. Note that these are not necessarily the funds that make up the default lifestyle strategy. The funds are chosen as follows:

1. Lowest charges
2. Highest net return
3. Lowest return
4. Highest charges

In cases where one fund meets two criteria, another fund will also be included so that there are always four funds in the illustration.
For the Default Lifestyle Strategy the development of the projected pension pot depends on the member's current age because the mix of funds changes as the member approaches retirement. Given this, we have also provided a second table showing illustrations of the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the Default Lifestyle Strategy.

Fund choice

Years	SW BlackRock Sterling Liquidity CS1		SW BlackRock IL Over 5 Year Gilt Index CS1		SW Legal & General Diversified CS2		SW Aquila Emerging Markets Equity Index CS1	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	98,300	98,000	102,000	102,000	100,000	99,600	102,000	102,000
3	116,000	115,000	132,000	131,000	122,000	121,000	132,000	130,000
5	135,000	133,000	164,000	162,000	146,000	143,000	164,000	161,000
10	180,000	176,000	259,000	253,000	207,000	200,000	258,000	249,000
15	224,000	218,000	376,000	363,000	274,000	260,000	374,000	355,000

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 60
3. The starting pot size is assumed to be £89,000.
4. The assumptions used in this illustration follow the Financial Reporting Council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. Gross contributions of £825 per month are assumed from the start of the projection to retirement and are assumed to increase in line with inflation at 2.5% per year.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rates for each fund are:
   - SW BlackRock Sterling Liquidity CS1: 0.5% below inflation
   - SW BlackRock IL Over 5 Year Gilt Index CS1: 4.4% above inflation
   - SW Legal & General Diversified CS2: 1.4% above inflation
   - SW Aquila Emerging Markets Equity Index CS1: 4.3% above inflation
8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

Scheme: **P&O PRINCESS CRUISES PENSION SCHEME** 31/03/2024

Projected pension pot in today's money: Starting Fund £89,000. Starting Contributions £825pm. Invested in the Default Lifestyle strategy.
This table shows the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the Default Lifestyle Strategy.
For the Default Lifestyle Strategy the development of the projected pension pot depends on the member's current age because the funds change as the member approaches retirement.
For non-lifestyle investments the projected pension pot does not depend on the starting age and develops as shown in the first table.

Years	Age Now 55		Age Now 50		Age Now 44	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	100,000	99,700	100,000	99,600	100,000	99,600
3	123,000	121,000	122,000	121,000	122,000	121,000
5	147,000	144,000	146,000	143,000	146,000	143,000
10			209,000	202,000	207,000	200,000
15					275,000	262,000
16					289,000	275,000

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 60
3. The starting pot size is assumed to be £89,000.
4. The assumptions used in this illustration follow the Financial Reporting Council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. Gross contributions of £825 per month are assumed from the start of the projection to retirement and are assumed to increase in line with inflation at 2.5% per year.
6. Values shown are estimates and are not guaranteed.
7. For the default lifestyle strategy the projected growth rate varies over time as the funds invested in change.

The table below shows the average projected growth rates for the lifestyle strategy for a sample of terms to retirement:
Lifestyle approaches aim to provide a balance of growth opportunities in the early years and a degree of de-risking as you approach retirement. The actual return will depend on the funds chosen for each stage and the actual timing of any changes. When comparing possible returns from different funds, it is noted that higher risk funds will provide higher illustrative returns.

Years to Retirement	Projected Growth Rate (Average)	
1	1.50%	Above Inflation
3	1.50%	Above Inflation
5	1.50%	Above Inflation
10	1.50%	Above Inflation
15	1.50%	Above Inflation
16	1.50%	Above Inflation

8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

Scheme: **P&O PRINCESS CRUISES PENSION SCHEME** 31/03/2024

Projected pension pot in today's money: Starting Fund £89,000. No further contributions.
The table shows the development of the projected pension pot over time before and after charges for members of any age assuming the pension pot is invested fully in the fund shown.
The illustrations shown below are for a representative selection of the funds members may invest in. They were selected to reflect the range of projected returns and charges for the available funds. Note that these are not necessarily the funds that make up the default lifestyle strategy. The funds are chosen as follows:

1. Lowest charges
2. Highest net return
3. Lowest return
4. Highest charges

In cases where one fund meets two criteria, another fund will also be included so that there are always four funds in the illustration.
For the Default Lifestyle Strategy the development of the projected pension pot depends on the member's current age because the mix of funds changes as the member approaches retirement. Given this, we have also provided a second table showing illustrations of the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the Default Lifestyle Strategy.

Fund choice

Years	SW BlackRock Sterling Liquidity CS1		SW BlackRock IL Over 5 Year Gilt Index CS1		SW Legal & General Diversified CS2		SW Aquila Emerging Markets Equity Index CS1	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	88,500	88,300	92,900	92,600	90,300	89,800	92,900	92,400
3	87,700	87,000	101,000	100,000	92,900	91,600	101,000	99,700
5	86,900	85,700	110,000	108,000	95,700	93,400	110,000	107,000
10	84,900	82,500	137,000	133,000	102,000	98,100	136,000	130,000
15	82,900	79,400	170,000	162,000	110,000	103,000	169,000	157,000

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 60
3. The starting pot size is assumed to be £89,000.
4. The assumptions used in this illustration follow the Financial Reporting Council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. It is assumed that no further contributions are made.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rates for each fund are:
   SW BlackRock Sterling Liquidity CS1: 0.5% below inflation
   SW BlackRock IL Over 5 Year Gilt Index CS1: 4.4% above inflation
   SW Legal & General Diversified CS2: 1.4% above inflation
   SW Aquila Emerging Markets Equity Index CS1: 4.3% above inflation
8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

Paid up. Default Lifestyle Strategy

Scheme: **P&O PRINCESS CRUISES PENSION SCHEME** 31/03/2024

Projected pension pot in today's money: Starting Fund £89,000. No further contributions. Invested in the Default Lifestyle strategy.
This table shows the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the Default Lifestyle Strategy.
For the Default Lifestyle Strategy the development of the projected pension pot depends on the member's current age because the funds change as the member approaches retirement.
For non-lifestyle investments the projected pension pot does not depend on the starting age and develops as shown in the first table.

Years	Age Now 55		Age Now 50		Age Now 44	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	90,300	89,900	90,300	89,800	90,300	89,800
3	93,300	92,100	92,900	91,600	92,900	91,600
5	96,200	94,100	95,700	93,400	95,700	93,400
10			103,000	98,800	102,000	98,100
15					111,000	103,000
16					112,000	104,000

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 60
3. The starting pot size is assumed to be £89,000.
4. The assumptions used in this illustration follow the Financial Reporting Council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. It is assumed that no further contributions are made.
6. Values shown are estimates and are not guaranteed.
7. For the default lifestyle strategy the projected growth rate varies over time as the funds invested in change.

The table below shows the average projected growth rates for the lifestyle strategy for a sample of terms to retirement:
Lifestyle approaches aim to provide a balance of growth opportunities in the early years and a degree of de-risking as you approach retirement. The actual return will depend on the funds chosen for each stage and the actual timing of any changes. When comparing possible returns from different funds, it is noted that higher risk funds will provide higher illustrative returns.

Years to Retirement	Projected Growth Rate (Average)	
1	1.50%	Above Inflation
3	1.50%	Above Inflation
5	1.50%	Above Inflation
10	1.50%	Above Inflation
15	1.50%	Above Inflation
16	1.50%	Above Inflation

8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

Appendix E - SIP (placeholder)