THE CHAIR'S STATEMENT REGARDING DEFINED CONTRIBUTION ("DC") GOVERNANCE: 6 APRIL 2022 – 5 APRIL 2023

This Statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the Trustees of the Schindler Group (UK) Ltd 1998 Pension Scheme ("the Scheme") have met the governance standards that apply to occupational pension schemes that provide money purchase benefits (i.e. Defined Contribution schemes – DC) for the Scheme year ending 5 April 2023.

These governance standards cover the below principle areas:

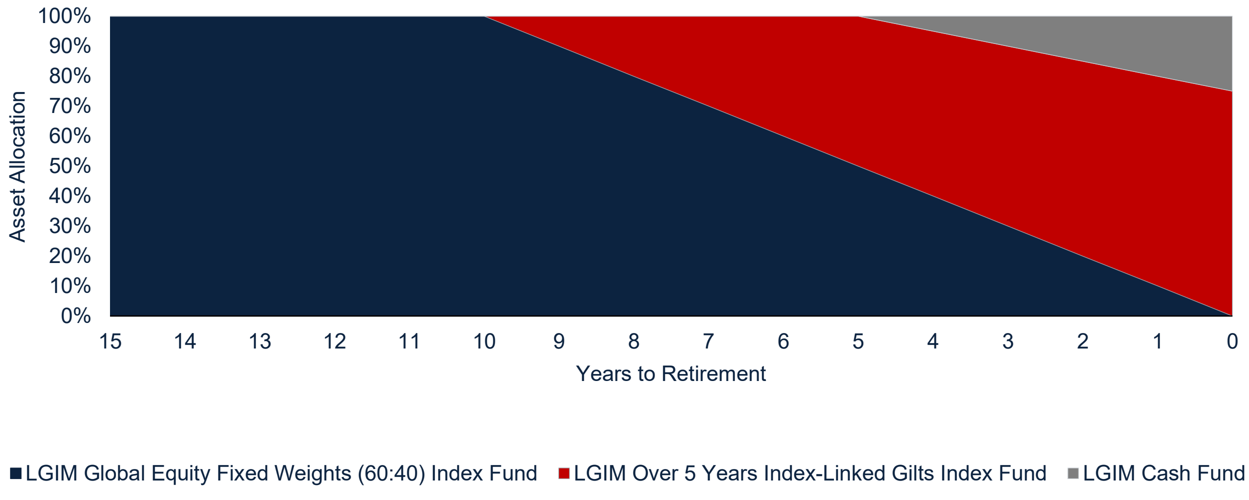
1. The investment strategy relating to the Scheme's default investment option;
2. The processing of core financial transactions;
3. Charges and transaction costs within the Scheme;
4. Value for members; and
5. The Trustees' compliance with the statutory knowledge and understanding requirements.

This Statement describes how the Trustees have embedded these governance standards into the running of the Scheme, including actions taken over the Scheme year and covers the period 6 April 2022 to 5 April 2023. The Trustees will publish this Statement on a website that can be accessed publicly via the use of a search engine:

https://www.schindler.co.uk/en/system/search.html

1. The Scheme's default investment option

The current default investment option is a lifestyle strategy which invests 100% of contributions in the Legal & General Investment Management ("LGIM") Global Equity Fixed Weights (60:40) Index Fund up to 10 years from retirement (assumed to be at age 65). Savings and ongoing contributions are then gradually switched into the LGIM Over 5 Years Index-Linked Gilts Index Fund and then later the LGIM Cash Fund. This means that at a member's chosen retirement date (or their normal retirement date if none chosen), their pension assets will be invested 25% in the LGIM Cash Fund and 75% in the LGIM Over 5 Years Index-Linked Gilts Index Fund. The default investment option aims to provide the opportunity for growth by investing in equities until 10 years to retirement, when the aim is to reduce the level of risk through the lifestyling programme. It is tailored towards members who will withdraw their 25% tax-free lump sum and use the remainder of their savings to purchase an annuity. The lifestyle strategy can be illustrated as follows:



The current default investment option is described in further detail in the Scheme's Statement of Investment Principles (SIP) dated July 2023, a copy of which is included in the Appendix of this Statement. The SIP is reviewed as a minimum every three years (the next review will take place by July 2026) or as soon as any significant developments in investment policy or member demographics take place. Note that the SIP appended here is the latest version, dated July 2023, which was agreed by the Trustees after the Scheme Year end. This SIP applies to the current investment strategy in place as at 5 April 2023.

Investment Strategy Review

The Scheme's default investment option and the wider fund range was formally reviewed at the Trustees' meeting on 3 April 2023. As part of the review the Trustees obtained and considered advice from their investment adviser. The review covered the following:

- Demographic analysis of the Scheme's current membership and expected member choices at retirement (e.g. annuity, cash or drawdown);
- Comparative analysis of the current default strategy and alternative lifestyle designs;
- Consideration of Environmental, Social and Governance ("ESG") integration within the default;
- Consideration of the appropriate retirement target for the default investment option and whether other retirement targets (cash or drawdown) should be offered, including consideration of their composition;
- Review of the existing self-select investment options available to members and whether additional / different self-select funds should be made available.

As a result of the Investment Strategy Review, the Trustees agreed in principle on a number of changes to the default investment option, the addition of alternative lifestyle strategies and changes to the self-select fund range. The Trustees are considering the implementation options for these investment changes and further information will be provided in the next Statement.

The next formal review of the default investment option and self-select fund range will commence by April 2026, or sooner if there are any significant changes in investment policy or member demographics.

Performance Monitoring

The Trustees are required to regularly review the performance of all funds available to members (including the default investment option) via regular performance reports. In the Scheme Year, the Trustees reviewed performance as part of the default investment strategy review. The performance reports were received by the Trustees and reviewed outside of the formal Trustees' meetings. The Trustees will take steps to ensure that regular performance reviews are undertaken going forward and formally recorded.

2. The processing of core financial transactions

The Trustees have a specific duty to ensure that core financial transactions relating to the Scheme are processed promptly and accurately. These include the investment of contributions, transfer of member assets into and out of the Scheme, switches between different investments within the Scheme and payments to and in respect of members. The Scheme administrator, Mercer Limited, and the investment platform provider, Mobius Life, undertake these transactions on the Trustees' behalf.

Mercer, as Scheme administrator, produced half-yearly administration reports during the Scheme year. The administration reports were received by the Trustees and reviewed outside of the formal Trustees' meetings.

During the period covered by this Statement, 99% of work in relation to core financial transactions was completed within the agreed SLA as detailed in the table below:

Core Work item	Case Completed	Standard Working Days	Number responded to Within Standard	%
Death Actual	28	5 working days	28	100.00%
Deferred Leavers Actual	164	10 working days	164	100.00%
Settlement of Retirement Benefits	133	5 working days	131	98.50%
Transfer Out Actual	150	5 working days	149	99.33%
Transfer In Actual	39	5 working days	37	94.87%
Total	**514**		**509**	**99.00%**

Overall, 99% of all work was completed within the agreed SLAs during the Scheme Year.

The Trustees have agreed changes to the administration reporting process, which have been introduced for the 2023/24 Scheme Year:

- Reporting frequency has been increased from bi-annually to quarterly. The first quarterly report covered the period from 1 April to 30 June 2023.
- The administration reports contain additional information in order that core financial transactions (and other items) can be more easily monitored by the Trustees.
- The Trustees will review the administration reports as a standing agenda item at Trustee meetings, and between meetings as appropriate.

The Trustees have received the annual Assurance Report on Internal Controls (AAF 01/06) from the Scheme's administrator, Mercer. However, there is no record that this has been formally reviewed. The Trustees recognise this and will look to review this annually, to be documented in Trustee meeting minutes in the 2023/24 Scheme Year.

During the Scheme Year, the Trustees have also increased the frequency of Trustee meetings to be at least six monthly (with additional meetings as required).

The Trustees are satisfied that the Scheme's core financial transactions have been processed promptly and accurately during the period to which this Statement relates.

3. Charges and transaction costs within the Scheme

The Regulations require the Trustees to disclose the charges and transactions costs borne by members of the Scheme and to assess the extent to which those charges and costs represent good value for members. The costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds. The Trustees have taken account of statutory guidance when preparing this section of the Statement.

In this context, "charges" means (subject to some specific exemptions, such as charges relating to pension sharing orders) all administration charges other than transaction costs. "Transaction costs" are costs incurred as a result of the buying, selling, lending or borrowing of investments.

Transaction costs have been provided by the Scheme's platform provider and are calculated using slippage methodology. That is, the transaction costs represent the difference between the expected trading price of a security within a fund and the price at which the trade is actually executed at (as typically a trade is executed a few working days after an order is placed). Therefore, in a buy order, for example, if the execution price is less than the expected price, a transaction cost may be negative.

Details of the Total Expense Ratios (TERs), which is the total annual charge payable for each fund, as well as the transaction costs for the funds which make up the default investment option are as follows:

Fund	TER (%)	Transaction Cost (%)
LGIM Global Equity Fixed Weights (60:40) Index Fund	0.140	0.065
LGIM Over 5 Years Index-Linked Gilts Index Fund	0.098	0.211
LGIM Cash Fund	0.120	0.042

Source: Mobius. Transaction costs shown are for the period 06/04/2022 to 05/04/2023. TERs as at 5 April 2023.

The Trustees also make available a range of funds which may be chosen by members as an alternative to the default investment option. These funds allow members to take a more tailored approach to managing their own pension investments and attract annual charges (TERs) and transaction costs as follows:

Fund	TER (%)	Transaction Cost (%)
LGIM Global Equity Fixed Weights (60:40) Index Fund	0.140	0.065
LGIM Over 5 Years Index-Linked Gilts Index Fund	0.098	0.211
LGIM Cash Fund	0.120	0.042
LGIM AAA-AA Fixed Interest Over 15 Years Targeted Duration Fund	0.140	0.354
LGIM UK Equity Index Fund	0.099	0.070

Source: Mobius. Transaction costs shown are for the period 06/04/2022 to 05/04/2023.TERs as at 5 April 2023.

The Trustees are comfortable that the costs for the default investment option and self-select funds are reasonable both in terms of the outcomes the funds are targeting and compared to fees in the wider market applicable to similar investment strategies. The Trustees' assessment of value for members is discussed further in a later section of this Statement.

Cumulative effect of charges

Using the charges (TERs) and transaction cost data provided by the platform provider and in accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustees have prepared illustrations detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance has been considered when providing these examples.

In order to represent the range of funds available to members the Trustees are required to show the effect on a member's retirement savings pot of investment in a selection of significant funds within the Scheme for the term based on the youngest member. The funds the Trustees are required to illustrate to represent the fund range are:

- The fund or strategy with the most members invested (*Default investment option – Lifestyle Strategy*)
- The most expensive fund (*LGIM AAA-AA Fixed Interest Over 15 Years Fund*)
- The cheapest fund (*LGIM UK Equity Index Fund*)

The Trustees have chosen to illustrate the impact of charges on both the youngest member and a typical active member's retirement savings pot. The illustrations account for all estimated member costs, including the TER, transaction costs and inflation.

Illustrations for an "average" active member						
	Default investment option - Lifestyle Strategy ***(most popular)***		**LGIM AAA-AA Fixed Interest Over 15 Years Fund** ***(most expensive fund)***		**LGIM UK Equity Index Fund** ***(cheapest fund)***	
Age	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**
46	£30,269	£30,221	£29,331	£29,275	£30,268	£30,233
48	£40,919	£40,745	£37,560	£37,369	£40,917	£40,790
50	£52,443	£52,096	£45,880	£45,521	£52,438	£52,186
55	£85,558	£84,529	£67,084	£66,159	£85,544	£84,795
60	£120,139	£118,033	£88,878	£87,170	£125,853	£124,274
64	£143,284	£140,138	£106,748	£104,253	£164,330	£161,765
65 (retirement)	£148,038	£144,629	£111,277	£108,562	£174,934	£172,069

Illustrations for a "young" active member						
	Default investment option - Lifestyle Strategy ***(most popular)***		**LGIM AAA-AA Fixed Interest Over 15 Years Fund** ***(most expensive fund)***		**LGIM UK Equity Index Fund** ***(cheapest fund)***	
Age	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**
23	£14,109	£14,086	£13,694	£13,668	£14,108	£14,092
25	£21,619	£21,531	£19,993	£19,897	£21,618	£21,554
27	£29,744	£29,561	£26,362	£26,171	£29,742	£29,609
32	£53,094	£52,505	£42,594	£42,055	£53,086	£52,658
37	£81,528	£80,225	£59,277	£58,226	£81,510	£80,562
42	£116,155	£113,716	£76,424	£74,689	£116,119	£114,343
47	£158,321	£154,177	£94,048	£91,451	£158,260	£155,241
52	£209,669	£203,062	£112,162	£108,516	£209,572	£204,754
57	£269,536	£259,540	£130,780	£125,889	£272,050	£264,696
62	£318,037	£304,312	£149,916	£143,577	£348,124	£337,264
65 (retirement)	£336,108	£320,380	£161,652	£154,343	£401,500	£387,950

Assumptions The above illustrations have been produced for an "average" member and a "young" member of the Scheme based on the Scheme's membership data. The "Default investment option - Lifestyle Strategy" illustration assumes the member's asset allocation remains fully invested in the current default investment option. The individual fund illustrations assume 100% of the member's assets are invested in that fund up to the Scheme retirement age. The results are presented in real terms, i.e. in today's money, to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above as shown. The values shown are estimated projections and are not guaranteed.	
Age • "Typical" member • "Young" member	 45 *(the median age of the Scheme members)* 22 *(the youngest age of the Scheme members)*
Scheme Retirement Age	65
Starting Pot Size • "Typical" member • "Young" member	 £25,250 *(the median pot size of the Scheme's members)* £10,570 *(the median pot size for the youngest 10% of members)*
Starting Salary • "Typical" member • "Young" member	 £41,390 *(the median salary of the Scheme's members)* £32,190 *(the median salary for the youngest 10% of members)*
Inflation	2.5% p.a.
Rate of Salary Growth	2.5% p.a.(in line with inflation)
Employer annual contributions • "Typical" member • "Young" member	 6.0% p.a. *(the median rate of the Scheme's members)* 6.0% p.a. *(the median rate for the youngest 10% of members)*
Employee annual contributions • "Typical" member • "Young" member	 3.5% p.a. *(the median rate of the Scheme's members)* 3.5% p.a. *(the median rate for the youngest 10% of members)*

Gross expected returns on investment:	
• LGIM Global Equity Fixed Weights (60:40) Index Fund	4.00% above inflation
• LGIM Over 5 Years Index-Linked Gilts Index Fund	0.50% above inflation
• LGIM Cash Fund	0.50% above inflation
• LGIM AAA-AA Fixed Interest Over 15 Years Targeted Duration Fund	0.50% above inflation
• LGIM UK Equity Index Fund	4.00% above inflation

Net Return on Investments

The Occupational Pension Schemes (administration, Investment, Charges and Governance (Amendment) Regulations 2021 ('the 2021 Regulations') introduced new requirements for trustees of 'relevant' occupational pension schemes.

From 1 October 2021 trustees of all relevant pension schemes are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges. This information must be recorded in the annual Chair's Statement and published on a publicly available website.

The tables below set out annualised net performance for the 1 and 5 year periods for the default investment option (for age 25, 45, 55 and 60) and for the self-select fund range.

Default investment option	Annualised returns to 31 March 2023 (%)	
Age of member	**1 year**	**5 years**
25	2.1	6.7
45	2.1	6.7
55	1.2	2.6
60	1.2	-1.3

Source: Mobius Life, Mercer calculations as at 31 March 2023.

Self-Select Funds	Annualised returns to 31 March 2023 (%)	
	1 year	**5 years**
LGIM Global Equity Fixed Weights (60:40) Index Fund	2.1	6.7
LGIM Over 5 Years Index-Linked Gilts Index Fund	-30.5	-4.2
LGIM Cash Fund	2.1	0.6
LGIM AAA-AA Fixed Interest Over 15 Years Targeted Duration Fund	-27.7	-6.0
LGIM UK Equity Index Fund	2.3	5.0

Source: Mobius Life as at 31 March 2023.

4. Value for members

The Trustees have received an assessment of the value for members. The Trustees understand that value for money does not necessarily mean selecting the cheapest offering and in their ongoing reviews of value for money the Trustees consider many factors including quality of customer service, member communications and support, efficiency of administration services, robustness of scheme governance, fund management and performance of the funds.

The law requires trustees to calculate at least annually all member-borne charges and, where possible, transaction costs, and to assess the extent to which they represent good value for members. A scheme offers value where the costs and charges deducted from members' pots or contributions provide good value in relation to the benefits and services provided, when compared to other options in the market. It does not necessarily mean the lowest cost. The statutory requirements focus only on charges and costs borne by members. For the Scheme, this covers investment management costs which were the most prominent part of the analysis. Some of the governance and administration costs of the Scheme are met by the Sponsoring Employer.

As part of the assessment, the Trustees have also reviewed net investment performance for the default investment option and the self-select funds, and the governance and administration of the Scheme.

The Trustees are required to assess the extent to which the Scheme delivers value for members across three key areas:

Assessment area	Type of assessment
Costs and charges	Comparative assessment against three larger DC arrangements, considering the level of ongoing member-borne charges and transaction costs.
Net investment performance	Comparative assessment against three larger DC arrangements, considering investment performance net of all member-borne costs and charges.
Governance and administration	Standalone assessment of the Scheme's governance and administration arrangements, covering: core financial transactions; record keeping; default investment strategy; investment governance; trustee knowledge and understanding; member communications; and management of conflicts of interest.

The Trustees carried out a value for members' assessment as at 5 April 2023. The conclusions of this assessment are set out in the table below:

Assessment area	Conclusion
Costs and charges	The Trustees have assessed the Scheme as offering **good** value from a costs and charges perspective. The Scheme's costs and charges for the default investment option are lower than those of the comparator funds across all ages. Whilst the Scheme's fees appear to be significantly lower compared to the comparator arrangements, for an investment only arrangement, this is to be expected. The comparator arrangement charges include fees for their administration, communications and interface charges which the Trustees pay for separately and aren't reflected in the overall charge paid by members of the Scheme. Whilst the majority of members are invested in the default lifestyle, some members have opted for the 5 self-select investment funds that are available. The most popular of these over the Scheme Year was the LGIM UK Equity Index Fund and LGIM Global Equity Fixed Weights (60:40) Index. The Scheme's costs and charges across these two funds have been assessed as lower than those of the most similar available funds within the comparator arrangements.
Net investment performance	The Scheme's net investment returns for members aged 25 and 45 were higher than those of comparator arrangements. As all of a member's assets are invested in equities until 10 years to retirement, performance of the default investment option for members has been strong over all periods measured. This has been due, in large part, to the higher risk allocation of the Lifestyle (60:40 UK: Overseas Equity portfolio up to 10 years to retirement) during a period that has seen pure equity portfolios outperform more broadly diversified strategies. For older members (aged 55), the Scheme's default investment option underperformed the comparator arrangements. This has largely been due to the higher allocation to government bonds (50% from 5 years to retirement) designed for a member intending to purchase an annuity at retirement. This is less diverse than the comparator arrangements, which are designed for members to access their pot flexibly (via income drawdown). The Scheme's retirement target was assessed as part

Assessment area	Conclusion
	of the triennial investment strategy review that took place in Q1 2023 with a recommendation to change this to a drawdown targeting endpoint. Whilst majority of members are invested in the default investment option, some members have chosen to self-select from the 5 self-select investment funds that are available. The most popular of these over the Scheme Year was the LGIM UK Equity Index Fund and LGIM Global Equity Fixed Weights (60:40) Index Fund. The Scheme's net investment returns across these two funds have been mixed when compared with those of similar funds within the comparator arrangements. It should be noted that due to the nature of the funds available in the three comparator schemes, the comparator funds are not 'like-for-like' in respect of objectives and underlying assets. For example, the NEST Higher Risk Fund is a multi-asset fund whilst the Scheme's self-select funds are equity funds. Overall, we view the Scheme's performance as representing **reasonable** value for members. During the investment strategy review delivered around year end, the Trustees agreed in principal to further changes to the investment strategy to introduce more diversification in the default and provide more self-select options. The Trustees are considering the implementation options for these investment changes and further information will be provided in the next Statement.
Governance and administration	The Trustees have assessed the Scheme as offering **reasonable** to **poor** value from a governance and administration perspective and have identified key actions in each area to address these gaps going forward. A summary of the assessment, including the key actions, is provided below. ***Promptness and accuracy of core financial transactions*** The Trustees use a specialist third party administrator (Mercer) to undertake administration. Mercer provides an AAF report on the quality of the administration but there is no record that the Trustees have reviewed this. The Trustees received the AAF Report in August 2023 which covered the year to 31 December 2022. ***Quality of record keeping*** The Scheme's data has not been reviewed in recent periods. Common data was last reviewed in 2019 when the Common Data score was 87%. **Action**: The Trustees to review Common and Scheme specific Data and put actions in place to improve the data quality. ***Appropriateness of the default investment option*** The default investment option was reviewed during the Scheme Year, with a number of changes agreed in principle for both the default and self-select range. **Action:** The Trustees are considering the implementation options for these investment changes and further information will be provided in the next Statement. ***Level of trustee knowledge, understanding and skills to operate the pension scheme effectively***

Assessment area	Conclusion
	The Trustee Board comprises five Trustees, all of which are employees of the Company. There were two formal Trustee meetings during the year. The Trustees also met on an ad hoc basis for training, e.g. DC Governance requirements and Trustee responsibilities in October 2022. ***Quality of communication with scheme members*** Members have access to BenPal, which is an online portal that enables members to review their pension pots, update their investment choices, and complete forms such as nominated beneficiary forms. There is also a member booklet providing members with more information regarding the pension scheme and signposting to additional guidance and information. There is no record that Benefit Statements as at 5 April 2023 have been issued. There is no record of any other member communications being reviewed or issued to date. **Action**: The Trustees to ensure Benefit Statements are issued in accordance with prescribed timescales. Trustees to review the quality and frequency of communications issued to members.
Overall	Overall, considering all three areas set out above, the Trustees have assessed the Scheme in its current form as offering **reasonable** value for members. The Trustees are considering the ways in which value for members can be improved and will take steps to implement the actions set out above.

Additional Voluntary Contributions (AVCs)

The Trustees also make available a facility to members to pay in additional contributions to boost Defined Benefit Section benefits. The AVCs are invested in the same manner as the rest of the DC assets as detailed earlier in this statement and are therefore reviewed at the same time as the main Scheme benefits.

5. Trustees' Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13. This requirement has been met during the period to which this Statement relates as follows:

- The Trustees have spent time considering their pension arrangements, and have taken advice from the DC Consultant and DC Investment Consultant as appropriate. The 2022 Chair's Statement and Value for Members assessment were discussed during 1 December 2022 Trustees' meeting and actions considered. In addition to this, the triennial investment strategy review was delivered during the Scheme Year.
- The Trustees have monitored fund performance and options throughout the year, via bi-annual investment monitoring reporting, discussion of the 2022 Value for Members assessment (on 1 December 2022) and the investment strategy review (on 3 April 2023). The SIP outlines the Trustees' objectives for the investment strategy and these objectives are taken into account during investment strategy reviews, such as the one completed during the Scheme Year. The Trustees also reviewed and updated the SIP in July 2023.

- The Trustees are required to familiarise themselves with the Scheme's trust deed, rules and governing documents. New Trustees are expected to complete the Pensions Regulator's Trustee Toolkit within six months of appointment.

The Trustees have undertaken ongoing training, to keep them abreast of pensions' legislation and regulations, and relevant developments; all such training is recorded on a training log, which was also implemented post Scheme Year (in July 2023). The training covered the following areas:

- 18 October 2022 - key differences between DC and DB pension schemes, including where risk is held and how members receive their pension savings.
- 1 December 2022 - DC Governance requirements and Trustee responsibilities, including statutory obligations.
- 3 April 2023 - investment principles and strategy, including default strategies, characteristics and aims of a DC pension scheme, member charges, and key considerations and restrictions.
- 3 April 2023 - different types of DC vehicles.

During the Scheme Year two new Member Nominated Trustees (MNTs) were appointed with effect from 20 June 2022. Additionally, a new Chair of Trustees was appointed with effect from 1 July 2022 and the previous Chair of Trustees resigned as a Trustee with effect from the same date.

This Chair's Statement regarding DC governance was approved by the Trustees and signed on their behalf by:

Olubukola Marcinkowski

Chair of the Trustees

Date: 26.10.2023

APPENDIX:

STATEMENT OF INVESTMENT PRINCIPLES

SCHINDLER GROUP (UK) 1998 PENSION SCHEME

JULY 2023

1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the Schindler Group (UK) 1998 Pension Scheme, ("the Scheme") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations. It also meets the requirements of the Occupational Pension Schemes (Investment) Regulations 2005 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015, as amended from time to time. Section 4.1 provides the required statement in relation to the Scheme's default investment option.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- Obtained and considered written advice from a suitably qualified individual, employed by their investment advisers, Mercer Limited ("Mercer"), whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- Consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees' investment policy for the Scheme.

The Trustees will review the Statement formally at least every three years to ensure its ongoing suitability. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy or membership demographics. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

The investment responsibilities of the Trustees are governed by the Scheme's Trust Deed and Rules and relevant legislation. The Trustees have ultimate power and responsibility for the Scheme's investment arrangements.

The format of this Statement is designed to provide a logical statement rather than an ordered response to the Act. The Trustees believe, however, that it incorporates a response to all the requirements of the Act.

The Trustee is aware of the recommendations as set out in the Pension Regulator's Code of Practice No. 13 governance and administration of occupational defined contribution trust-based pension scheme ("the DC code"). In preparing this Statement and in setting investment policy, the Trustees have been mindful of the spirit of the Principles and the DC Code.

2 INVESTMENT OBJECTIVES

The Trustees’ main objective is to provide members with an investment strategy aligned to their needs that will optimise the return on investments in order to build up a savings pot which will be used in retirement.

The Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds and a suitable default investment option.

Details of the approach the Trustees have taken to meet these investment objectives are set out in Section 4.

The Trustees have determined their investment policy in such a way as to address the risks set out in Section 6 of this Statement. To help mitigate the most significant of the risks, the Trustees have:

- Made a lifestyle strategy available as the default investment option, which moves members’ investments from higher risk investments to lower risk investments as members approach retirement, and
- Offered a range of self-select funds across various asset classes.

The Trustees will review the investment approach from time to time, and make changes as and when it is considered to be appropriate.

The items set out in Section 2, 4 and 6 of this Statement are in relation to what the Trustees deem as ‘financially material considerations’ both for the Scheme and the default investment option. The Trustees believe the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the members’ age and when they expect to retire. It is for this reason that the default investment option is a lifestyle strategy.

3 INVESTMENT RESPONSIBILITIES

3.1 TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the investment strategy to achieve the objectives.

The Trustees carry out their duties and fulfil their responsibilities as a single body. The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- Setting of investment objectives and formulating investment strategy
- The regular approval of the content of this Statement and consulting with the Company
- The appointment and review of the investment managers and investment adviser
- Selecting funds for members to choose from
- The compliance of the investment arrangements with the principles set out in the Statement.

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed Mercer as the investment adviser to the Scheme. Mercer provides advice as and when the Trustees require, as well as raising any investment related issues, of which it believes the Trustees should be aware. Matters on which Mercer expects to provide advice or assistance to the Trustees include the following:

- Setting of investment objectives
- Reviewing investment performance to monitor the Scheme's investment managers
- Determining investment strategy and structure of the default investment option
- Advising on appropriate member fund choices
- Selecting and replacing investment managers
- Transition of assets and implementing investment strategy changes.

In considering appropriate investments for the Scheme, the Trustees will obtain and consider written advice from Mercer, whom the Trustees believe to be suitability qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995, as amended.

Mercer will also advise the Trustees of any significant developments of which it is aware relating to the investment managers, or funds managed by the investment managers in which the Scheme is invested, such that in its view there exists a significant concern that any of these funds will not be able to meet their long-term objectives. If the investment manager and fund are not covered by Mercer's manager research process, Mercer will advise the Trustees accordingly.

Mercer makes a fund based charge which covers the services of Mercer as specified within the Implemented Investment Consultancy Services Agreement.

3.3 INVESTMENT MANAGER ARRANGEMENTS AND RESPONSIBILITIES

The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis. All the funds are open-ended with no set end date for the arrangement. The fund range and default investment option are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default investment option or the general fund range.

The Trustees, after considering appropriate investment advice, have appointed professional, authorised investment managers to manage the assets of the Scheme. The investment managers are selected by the Trustees with assistance from Mercer. The details of investment managers are set out in Appendix 1, together with the details of each manager's mandate.

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class in which they invest. The Trustees, with the help of Mercer, is also responsible for appointing a suitable investment platform, which will provide the infrastructure to support the Scheme's investments and host the underlying investment managers' funds. The current investment platform provider is Mobius Life ("Mobius"). Mobius is authorised by the Prudential Regulation Authority ("PRA") and regulated by the FCA and the PRA.

The Trustees consider their investment adviser's forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on an assessment of the manager's idea generation, portfolio construction, implementation and business management in relation to the particular investment fund that the Scheme invests in.

The Trustees consider how Environmental, Social and Governance ("ESG") considerations and stewardship are integrated into the investment process as well as ensuring fees are competitive within the asset class. The Trustees also consider the investment adviser's manager research ratings when taking decisions on selection and retention of manager appointments.

If the investment objective for a particular manager's fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives. As the Trustees invest in pooled investment vehicles, they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates have been selected to align with the overall investment strategy. The underlying investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

All of the investment managers will be authorised and regulated by the Prudential Regulation Authority ("PRA"), the FCA or both.

The underlying investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme. The Trustees accept that they cannot influence the charging structure of the pooled funds in which the Scheme is invested, but are satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics. The Trustees are therefore satisfied that this the most appropriate basis for remunerating the underlying investment managers and is consistent with the policies as set out in this SIP.

None of the underlying managers in which the Scheme's assets are invested have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets. The Trustees therefore consider that the method of remunerating fund managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustees have adopted a default investment option for the Scheme and the details of the funds used within the lifestyle strategy are set out in Appendix 1. The default investment option operates as a default if a member does not wish to make their own investment selection. The default is designed to be appropriate for a typical member of the Scheme. Further information on the strategy is set out in Section 4.2 below.

If members do not wish to be invested in the default investment option, they can invest in any fund made available in the self-select fund range as described in Section 4.3.

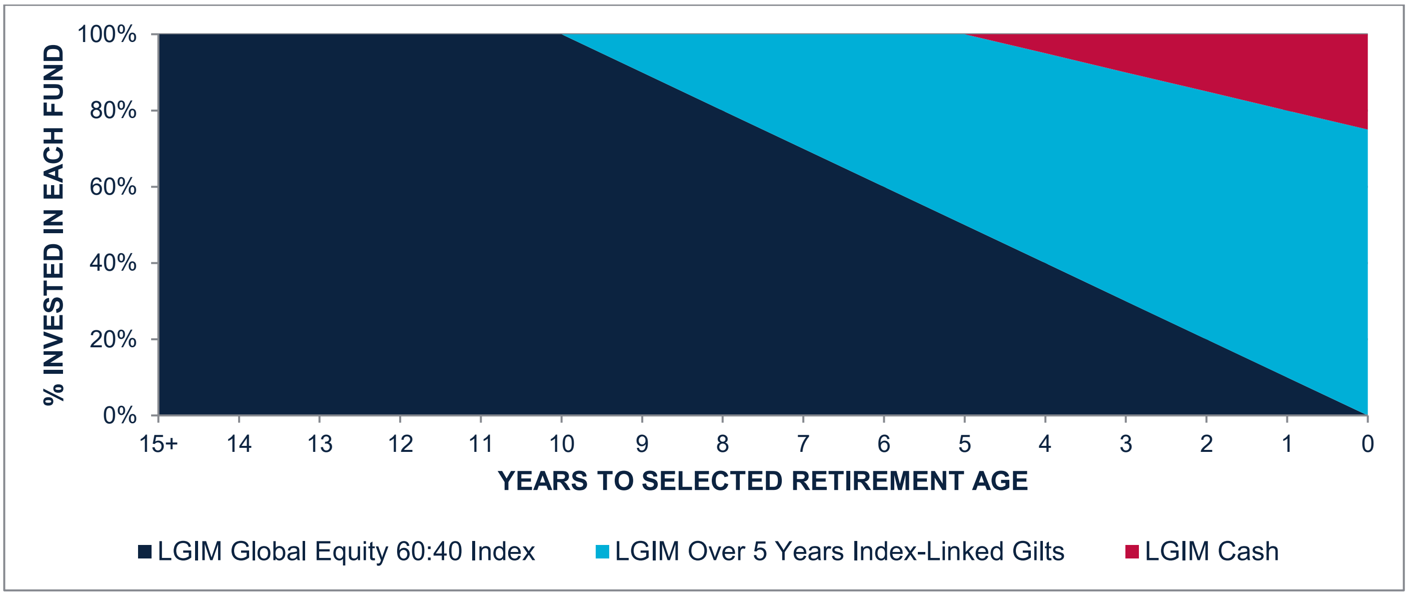
4.2 DEFAULT INVESTMENT OPTION

The Trustees have assumed responsibility for setting an investment strategy that provides a broad level of protection against the key risks identified in Section 6. This is achieved by using a lifestyle strategy for the default investment option. In determining the investment strategy, the Trustees undertook extensive investigations and have received formal written investment advice from Mercer. Further information is set out below.

The default investment strategy is split into two distinct phases:

- **The Growth Phase** (more than ten years from members' chosen retirement age) invests members' retirement savings in assets with a greater level of expected risk (compared to the de-risking phase; see below) in order to achieve higher expected long-term returns while members are further away from retirement. During this phase, all savings are invested the LGIM Global Equity 60:40 Index Fund
- **The De-Risking Phase** (less than ten years from members' chosen retirement age), aims to gradually switch investments into funds with a lower expected level of risk closer to retirement. During this phase, members' savings are gradually switched from the LGIM Global Equity 60:40 Index Fund into the LGIM Over 5 Years Index-Linked Gilts Fund and the LGIM Cash Fund. By the members' chosen retirement age, there is 75% invested in the LGIM Over 5 Years Index-Linked Gilts Fund and 25% in the LGIM Cash Fund.

The default investment option is set out below;



The investment mix at a member's retirement age is designed to be suitable for members intending to purchase an annuity with their retirement savings.

The aims of the default investment option:

- The default investment option manages investment and other risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. Any investment in derivative instruments contributes to risk reduction, or efficient portfolio management.
- In designing the default investment option, the Trustee has explicitly considered the trade-off between risk and expected returns.
- If members wish to, they can opt to choose their own investment strategy.
- Assets in the default investment option are invested in the best interests of members and beneficiaries, taking into account the profile of members.
- Assets in the default investment option are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- Assets are invested mainly on regulated markets (those that are not must be kept to prudent levels).

The performance of the default investment option is monitored at least every six months and the Trustees will continue to review the strategy over time, at least triennially, or after any significant changes to the Scheme's demographic, if sooner.

4.3 SELF-SELECT FUND RANGE

If members do not want to be invested in the default investment option they also have the option to invest in self-select funds. The range of investment options cover multiple asset classes and provide appropriate strategic choices for members' different savings objectives, risk profiles and time horizons.

When self-selecting, the balance between funds and asset classes is the member's decision. This balance will determine the expected return on assets and should be related to the member's own risk appetite and tolerance.

The Trustees make 5 funds available through the Mobius platform (more information can be found in Appendix 1);

- LGIM Global Equity 60:40 Index Fund
- LGIM UK Equity Index Fund
- LGIM Over 5 Years Index-Linked Gilts Fund
- LGIM AAA-AA Fixed Interest Over 15 Year Fund
- LGIM Cash Fund

The Trustees will continue to keep the fund range under review, and will make changes if appropriate.

4.4 TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes, both active and passive. The majority of funds described in Sections 4.2 and 4.3 are passively managed. All of the funds in which the Scheme invests are pooled and unitised. Details of each fund can be found in Appendix 1.

4.5 AVC INVESTMENTS

The Scheme permits members to provide additional benefits for themselves by paying additional voluntary contributions ("AVCs"). The Trustees recognise that members investing in AVCs will have differing investment needs. In addition, the Trustees need to offer a range of funds with which the members feel comfortable but to balance the number of funds available with the administrative burden.

5 RESPONSIBLE INVESTING

5.1 RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE

The Trustees believe ESG factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees understand that they must consider all factors that have the ability to impact the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to ESG factors. The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in members' best interests that these factors are taken into account within the investment process.

As noted earlier, the Scheme's assets are invested in pooled funds. The Trustees accept the fact that they have very limited ability to influence the ESG policies and practices of the companies in which their managers invest. The Trustees will therefore rely on the policies and judgement of their investment managers. The Trustee expects its underlying managers to evaluate ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice.

The Trustees consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis. The Trustees will also review the ESG ratings assigned by Mercer to each of the Scheme's funds.

The Trustees wish to encourage best practice in terms of active engagement with entities in which they invest. The Trustees expect the underlying investment managers to undertake engagement activities and encourages the Scheme's investment managers to discharge their responsibilities in respect of investee companies in accordance with the principles underlying the UK Corporate Governance Code and the UK Stewardship Code, in respect of all resolutions at annual and extraordinary meetings.

As the Scheme invests in pooled funds, the Trustees' scope to vote on the Scheme's shares directly is currently limited. The Trustees have therefore concluded that the decision on how to exercise voting rights should be left with the underlying investment managers who will exercise these rights in accordance with their respective published corporate governance policies. These policies take into account the financial interests of shareholders, and should be for the members' benefit.

The Trustees will request annual reports on the voting undertaken by the Scheme's underlying investment managers during the period and review the voting to ensure it remains broadly consistent with the Trustees' view of good stewardship standards.

5.2 MEMBER VIEWS AND NON-FINANCIAL CONSIDERATIONS

The Trustees do not explicitly take account of member views when selecting investments for the Scheme, however, the Trustees believe that they have a good understanding of membership demographics, behaviours and preferences and strive to provide a fund range that meets both financial and non-financially relevant member needs.

The Trustees do not explicitly take into account non-financial matters in the selection, retention and realisation of investments.

6 RISK

The Trustees are aware, and seek to take account, of a number of risks in relation to the Scheme's investments, including those set out below. Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed.

The Trustees recognise that in a defined contribution arrangement, members assume the investment risks themselves. The Trustees further recognise that members are exposed to different types of risk at different stages of their working lifetimes. Broadly speaking, five main types of investment risk can be identified, as noted below:

<table>
<tr><th>Type of Risk</th><th>Risk</th><th>Description</th><th>How is the risk monitored and managed?</th></tr>
<tr><td rowspan="5">Market Risk</td><td>Inflation Risk</td><td>The risk that a member's investments will not grow quickly enough to sufficiently outpace inflation (the cost of living).</td><td rowspan="5">The Trustees make available a range of funds across various asset classes, with a number of the options expected to keep pace with inflation over the long term.

Members are able to set their own investment allocations, in line with their risk tolerances.

The default investment option is designed with the intention of diversifying these risks to reach a level of risk deemed appropriate given the objectives. This is set with the advice from Mercer.</td></tr>
<tr><td>Currency Risk</td><td>This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.</td></tr>
<tr><td>Credit Risk</td><td>This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.</td></tr>
<tr><td>Interest Rate Risk</td><td>This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.</td></tr>
<tr><td>Other Price Risk</td><td>This is the risk that principally arises in relation to the return seeking portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.</td></tr>
<tr><td colspan="2">Environmental and social and governance risks</td><td>This is the risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets.

These risk factors can have a significant effect on the long-term performance of the assets the Scheme holds.</td><td>Where applicable these factors will be considered in the investment process but is considered the responsibility of the investment manager.

Please see Section 5 for the Trustees' responsible investment statement.</td></tr>
</table>

Pension Conversion Risk	This is the risk where assets are invested to target a specific retirement objective which differs from how members are expected to use their pots at retirement.	While the default investment strategy is designed to target an annuity purchase as a retirement income decision, the Trustees have made available other investment options on a self-select basis.
Manager risk	This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.	It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process through the semi-annual performance updates provided by Mercer.
Liquidity risk	The risk that the Scheme's assets cannot be realised at short notice in line with member or Trustees' demand.	As far as is practicable and necessary, the Trustees invest in liquid assets that can be quickly realised as required. It is managed by investing only in readily realisable pooled funds that can be bought and sold on a daily basis.

7 MONITORING OF INVESTMENT ADVISER AND MANAGERS

7.1 INVESTMENT ADVISER

The Trustees continually assess and review the performance of Mercer in a qualitative way.

7.2 INVESTMENT MANAGERS

The Trustees receive semi-annual monitoring reports on the performance of the underlying investment managers from Mercer, which presents performance information over 3 month, 1 and 3 year periods. The reports show the absolute performance and performance against the manager's stated target performance (over the relevant time period) on a net of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers' performance.

The Trustees focus on long term performance but may review a manager's appointment if, but not limited to:

– There are sustained periods of underperformance;

– There is a change in the portfolio manager;

– There is a change in the underlying objectives of the investment manager;

– There is a significant change to the investment adviser's rating of the manager.

The Trustees recognise that the active managers' performance relative to their benchmarks may be volatile and that they will not always achieve their target. Nonetheless, the managers should demonstrate that the skill exercised in managing the portfolios is consistent with the target given the levels of risks adopted.

The Trustees may meet with the investment managers if they are dissatisfied with their performance or engagement activity, and may choose to terminate the relationship with the manager if they see fit.

Manager fees are calculated as a percentage of assets under management. If managers fail to meet their performance objectives, the Trustees may ask managers to review their fee. As part of the annual value for members assessment, the Trustees review the investment manager fees.

7.3 PORTFOLIO TURNOVER COSTS

The Trustees consider portfolio turnover costs as part of the annual value for members assessment and asks investment managers to include portfolio turnover costs in their presentations and reports to the Trustees.

The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

Given that the Scheme invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Scheme.

8 CODE OF BEST PRACTICE

The Pensions Regulator has published a new code on standards for DC schemes and this came into effect in November 2013 as part of a wider initiative to get DC right. This was updated further on 28 July 2016 and this revised version is shorter and simpler than its predecessor and has been updated to include the DC flexibilities and governance legislation introduced from April 2015.

The Code of Practice 13 on the governance and administration of occupational DC trust based schemes places bigger than ever emphasis on good quality investment arrangements and stricter requirements for reviewing these on the Trustees. Particular attention has to be paid to the design of default strategies and on-going monitoring of their continuing suitability for scheme membership. The Code can be found here:

https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-13-governance-and-administration-of-occupational-trust-based-schemes-providing-money-purchase

When formulating their investment policy, the Trustees have acted in line with the Code of Practice 13.

9 COMPLIANCE

The Scheme's Statement of Investment Principles is available to members.

A copy of the Scheme's current Statement plus Appendices is also supplied to the Principle Employer, the Scheme's investment managers, auditors and administrators.

This Statement of Investment Principles, taken as a whole with the Appendices was approved by the Trustees on

Signed on behalf of the Trustees by	**...**	**..**
On	**...**	**..**
Full Name	**...**	**..**
Position	**...**	**..**

APPENDIX 1: INVESTMENT MANAGER INFORMATION AND DEFAULT INVESTMENT OPTION

For members who are invested in the default investment option, the following table sets out the switches between the funds that will be carried out on a member's behalf up to their chosen retirement date:

Years to chosen retirement date	LGIM Global Equity 60:40 Index Fund (%)	LGIM Over 5 Years Index-Linked Gilts Fund (%)	LGIM Cash Fund (%)
10+	100	0	0
9	90	10	0
8	80	20	0
7	70	30	0
6	60	40	0
5	50	50	0
4	40	55	5
3	30	60	10
2	20	65	15
1	10	70	20
0	0	75	25

The Trustees will monitor the suitability of the funds used on an ongoing basis and make changes as they consider appropriate. The table below shows the details of the current mandates with each manager:

Default Investment Option Funds

Investment manager/ fund	Fund benchmark	Objective	Total Expense Ratio
LGIM Global Equity 60:40 Index Fund	Composite of 60/40 distribution between UK and overseas equity indices	To provide diversified exposure to UK and overseas equity markets. The Fund will invest 60% in the UK and 40% overseas.	0.140%
LGIM Over 5 Years Index-Linked Gilts Fund	FTSE A Index-Linked (Over 5 Year) Index	To track the performance of the FTSE A Index-Linked (Over 5 Year) Index to within +/-0.25% p.a. for two years out of three.	0.098%

LGIM Cash Fund	Sterling Overnight Index Average ("SONIA")	To perform in line SONIA, without incurring excessive risk.	0.120%

Self-Select Funds

Investment manager/ fund	Fund benchmark	Objective	Total Expense Ratio*
LGIM AAA-AA Fixed Interest Over 15 Years Targeted Duration Fund	FTSE Actuaries UK Conventional Gilts Over 15 Year Index	To produce a total return in line with the FTSE A Government (15- 35 Year) Index and capture the yield spread over gilts of AAA-AA rated fixed interest securities.	0.140%
LGIM UK Equity Index Fund	FTSE All-Share Index	To track the performance of the FTSE All-Share Index (less withholding tax where applicable) to within +/-0.25% p.a. for two years out of three.	0.099%

*Total Expense Ratio as at May 2023.

Realisation of Investments

The funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on either Trustee or member demand. The selection, retention and realisation of investments within the pooled arrangements are the responsibility of the relevant investment manager.