

# **SCHINDLER GROUP (UK) 1988 PENSION SCHEME**

## **Engagement Policy Implementation Statement**

### **Financial Year Ending 5 April 2024**

#### **Introduction**

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 5 April 2024. This statement has been produced in accordance with the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

#### **Investment Objectives of the Scheme**

The Trustees' primary objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

#### **Investment Strategy**

The Trustees agreed a new investment strategy in November 2023, which was implemented in the financial year to 5 April 2024.

The new strategy focused on reducing risk by increasing diversification of the return seeking assets (i.e. lowering the reliance on the equity premium as a source of return) and increasing the interest rate and inflation hedge ratios. With greater hedge ratios, a larger proportion of the interest rate and inflation risk is mitigated, which serves to stabilise the Scheme's funding level.

To assess the effectiveness of the investment strategy and investment manager selection, the Trustees receive quarterly monitoring reports on the performance of the underlying investment managers from Mercer on a semi-annual basis. The report presents performance information over 6 months, 1 year and 3 years, and shows the absolute performance, performance against the manager's stated target performance (over the relevant time period) on a net of fees basis.

### **Review of SIP**

The Scheme's SIP was updated post Scheme year end to reflect the investment strategy changes (set out above) and to update it to include the current investment structure.

The Trustees consulted with the sponsoring company in finalising the SIP. The SIP was made publicly available and can be accessed on this link:

[https://www.schindler.co.uk/content/dam/website/uk/docs/company/schindler-statement-of-investment-principles-1988.pdf/\\_jcr\\_content/renditions/original./schindler-statement-of-investment-principles-1988.pdf](https://www.schindler.co.uk/content/dam/website/uk/docs/company/schindler-statement-of-investment-principles-1988.pdf/_jcr_content/renditions/original./schindler-statement-of-investment-principles-1988.pdf)

### **Scheme's Investment Structure**

The majority of the Scheme's investments are held via a Trustee Investment Policy ('TIP') with Mobius Life Limited ('Mobius'). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. Additionally, the Scheme has invested in a private credit pooled fund with Permira.

### **Policy on ESG, Stewardship and Climate Change**

The Scheme SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

The Trustees have taken into account financially material factors, including ESG issues, when determining the investment strategy for the Scheme. They believe that these considerations are implicitly reflected in the risk and return profile of the asset classes they invest in. However, the Trustees have not explicitly accounted for climate change risks due to the challenges in accurately quantifying them.

The Trustees recognise that around a third of the Scheme's current investment arrangements are implemented on a passive basis, which limits the investment managers' ability to take active decisions on whether to hold securities based on their considerations of ESG factors, including climate change.

The Scheme also has allocations to credit assets within which, whilst ESG issues are still relevant to risk control, there is less opportunity to influence investee company behaviour compared to equity holdings, although where relevant managers are encouraged to use their position as lenders of capital to engage with companies.

The Trustees have given the appointed investment managers full discretion in exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

This policy was reviewed and updated in September 2020.

### **Engagement**

In the relevant year the Trustees have not engaged with either Mobius, or the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change. However, the Trustees, with help from their investment consultant, review the stewardship and ESG policies of the fund managers periodically. All the Scheme's investment managers confirmed that they are current signatories of the UK Stewardship Code.

### **Voting Activity**

The Trustees have effectively delegated their voting rights to the managers of the funds the Scheme's investments are invested in.

The Trustees have not been asked to vote on any specific matters over the Scheme year.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e., all funds which include equity holdings) in which the Scheme's assets are invested.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will take on board industry activity in this area before the production of next year's statement.

Manager / Fund	Proxy voter used?	Votes cast		
		Votes in total	Votes against management endorsement	Abstentions
<b>Columbia Threadneedle Multi Asset Fund</b>	ISS – Voting platform for casting votes and recordkeeping.  Glass Lewis & ISS – For research	6,702 resolutions eligible for (98.8% cast)	c.11.6% of votes cast	c.1.6% of votes cast
<b>Nordea Diversified Return Fund</b>	ISS -Voting platform for casting votes and recordkeeping.  Glass Lewis & ISS – For research.	2,069 resolutions eligible for (99.9% cast)	c.12.4% of votes cast	c.2.5% of votes cast
<b>Pictet Multi-Asset Fund</b>	ISS – Voting platform for casting votes, research, and recordkeeping.	316 resolutions eligible for (100.0% cast)	c.7.0% of votes cast	c.0.0% of votes cast

**Notes:** ISS = Institutional Shareholder Services Inc.

### **Columbia Threadneedle - LDI**

Due to the LDI Nominal Dynamic LDI Fund and LDI Real Dynamic LDI Fund not having any underlying equity holdings, they are not eligible to vote at company meetings.

### **Permira - Credit Solutions IV Senior GBP SCSp**

Due to the Credit Solutions mandate not having any underlying equity holdings, they are not eligible to vote at company meetings.

### **Payden – Absolute Return Bond Fund**

Due to the Absolute Return Bond Fund not having any underlying equity holdings, they are not eligible to vote at company meetings.

### **Significant Vote Definition**

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance") one of the areas of interest was the significant vote definition. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote".

The Trustees define a significant vote as one that is linked to the Scheme's stewardship priorities/themes outlined below. The Trustees have applied a size threshold on grounds of materiality and only considered votes to be significant if in relation to a company that constitutes 1.0% or more of the specific fund.

- Environmental (E) – Climate change (e.g. vote on a company's carbon disclosures)
- Social (S) – Human rights (e.g. worker conditions, safety and pay)
- Governance (G) – Corporate Governance (e.g. Board quality, diversity, remuneration and inclusion)

The Trustees have set out their criteria for significant votes and are satisfied that these are also captured as high areas of focus in the Columbia Threadneedle and Nordea Stewardship Policies.

Over the last 12 months, the voting activity on behalf of the Trustees was as follows:

Manager	Company	Date	Why it is significant	Size of holding (% of Fund)	Shareholder Resolution	Vote cast	If against management, was intention communicated?	Rationale for voting decision	Outcome	Next steps
<b>Columbia Threadneedle Multi Asset Fund</b>	<b>Amazon.com Inc.</b>	May 24 <sup>th</sup> 2023	It regards environmental issues (E factor in ESG) which are one of the main metrics agreed by the Trustees as to what defines a significant vote.	1.10%	Report on Impact of Climate Change Strategy Consistent With Just Transition Guidelines	For	No	Shareholders would benefit from more disclosure on whether and how the company considers human capital management and community relations issues related to the transition to a low-carbon economy as part of its climate strategy. We are supportive of requests to enhance disclosure and transparency concerning climate risk so long as the resolution does not directly circumvent management discretion or seek to entirely redefine the company's existing business strategy. To meet the ambition of the Paris Agreement and avoid massive risk to shareholder value, corporations should demonstrate the nexus between their climate aspirations and business strategy via disclosure of credible Paris- or 1.5 degree-aligned emissions reduction targets. Current disclosure does not	Resolution failed	Active stewardship (engagement and voting) will continue to form an integral part of CT's research and investment process.

							sufficiently provide investors such information.		
<b>Amazon.com Inc.</b>	May 24 <sup>th</sup> 2023	It regards social issues (S factor in ESG) which are one of the main metrics agreed by the Trustees as to what defines a significant vote.	1.10%	Report on Median and Adjusted Gender/Racial Pay Gaps	For	No	The proposed enhanced disclosure would help the board and shareholders better assess existing and potential future risks related to human capital management.	Resolution failed	Active stewardship (engagement and voting) will continue to form an integral part of CT's research and investment process.
<b>Amazon.com Inc.</b>	May 24 <sup>th</sup> 2023	It regards social issues (S factor in ESG) which are one of the main metrics agreed by the Trustees as to what defines a significant vote.	1.10%	Report on Customer Due Diligence	For	No	The company faces risks related to human rights in its global operations. Good practice includes developing a clear human rights policy or code of practice, along with a narrative on how impacts are monitored and effectively mitigated.	Resolution failed	Active stewardship (engagement and voting) will continue to form an integral part of CT's research and investment process.
<b>Amazon.com Inc.</b>	May 24 <sup>th</sup> 2023	It regards social issues (S factor in ESG) which are one of the main metrics agreed by the Trustees as to what defines a significant vote.	1.10%	Commission Third Party Study and Report on Risks Associated with Use of Recognition	For	No	The company faces risks related to human rights in its global operations. Good practice includes developing a clear human rights policy or code of practice, along with a narrative on how impacts are monitored and effectively mitigated.	Resolution failed	Active stewardship (engagement and voting) will continue to form an integral part of CT's research and investment process.
<b>Amazon.com Inc.</b>	May 24 <sup>th</sup> 2023	It regards governmental issues (G factor in ESG) which are one of the main metrics agreed by the Trustees as to what defines a significant vote.	1.10%	Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining	For	No	Shareholders would benefit from increased disclosure through a third-party assessment of the company's commitment to its freedom of association policies and practices to provide assurance regarding the company's claims.	Resolution failed	Active stewardship (engagement and voting) will continue to form an integral part of CT's research and investment process.

Nordea Diversified Return Fund	Comcast Corporation	June 7 <sup>th</sup> 2023	It regards climate issues (E factor in ESG) which are one of the main metrics agreed by the Trustees as to what defines a significant vote.	1.44%	Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal (shareholder proposal)	For	No	Nordea believe that additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change-related risks.	Resolution failed	We will continue to support shareholder proposals on this issue as long as it is needed.
	Alphabet	June 2 <sup>nd</sup> 2023	It regards governmental issues (G factor in ESG) which are one of the main metrics agreed by the Trustees as to what defines a significant vote.	4.75%	Report on Lobbying Payments and Policy, Report on Framework to Assess Company Lobbying Alignment with Climate Goals etc.	Against	No	At the Alphabet AGM, Nordea supported a number of shareholder proposals, besides Report on managing risks related to data collection, privacy and security, such as Report on physical risks of climate change, Report on climate lobbying and Report on steps to improve racial and gender Board diversity. Management voting recommendations was against on all these proposals. The dominant position of Google, its impact on society and integrity of individuals is very important for Nordea as investors.	Resolution failed	We will continue to support shareholder proposals on this issue as long as it is needed.
	Microsoft Corporation	December 7 <sup>th</sup> 2023	It regards social issues (S factor in ESG) which are one of the main metrics agreed by the Trustees as to what	4.49%	Report on Risks of Operating in Countries with Significant Human Rights Concerns	For	No	Nordea voted for the shareholder proposal since increased disclosure regarding how the company is managing human rights-related risks in high-risk countries helps investors in their	Resolution failed	We will continue to support shareholder proposals on this issue as long as it is needed.

<b>Pictet Multi-Asset Fund</b>	<b>Apple Inc.</b>	February 1 <sup>st</sup> 2024	defines a significant vote. It regards social issues (S factor in ESG) which are one of the main metrics agreed by the Trustees as to what defines a significant vote.	1.89%	Report on Median Gender/Racial Pay Gap	For	No	assessment of the company. A vote for this proposal was warranted, as median pay gap statistics would allow shareholders to better compare and measure the progress of the company's diversity and inclusion initiatives.	Resolution failed	Pictet noted the outcome of the vote. Where they believe the subject of the vote could present a material concern from an ESG perspective, they will continue to monitor and engage with the company, and are doing so in this case. If warranted, Pictet will consider actions as part of their escalation strategy, including future voting decisions.
	<b>Microsoft</b>	June 7 <sup>th</sup> 2023	It regards social issues (S factor in ESG) which are one of the main metrics agreed by the Trustees as to what defines a significant vote.	2.00%	Report on Risks of Weapons Development	For	No	A vote FOR this resolution is warranted as shareholders would benefit from the requested report by allowing them to better understand Microsoft's management and oversight of risks related to weapons development	Resolution failed	Pictet noted the outcome of the vote. Where they believe the subject of the vote could present a material concern from an ESG perspective, they will continue to monitor and engage with the company, and are doing so in this case. If warranted, Pictet will consider actions as part of their escalation strategy, including future voting decisions.



<b>Microsoft</b>	December 7 <sup>th</sup> 2023	It regards environmental issues (E factor in ESG) which are one of the main metrics agreed by the Trustees as to what defines a significant vote.	2.00%	Report on Climate Risk in Retirement Plan Options	For	No	A vote for this resolution was warranted. While the company offers an option to employees that want to invest more responsibly, it is unclear how well employees understand the retirement plans available to them. The information requested in the report would not only complement and enhance the company's existing commitments regarding climate change, but also allow shareholders to better evaluate the company's strategies and management of related risks.	Resolution failed	Pictet noted the outcome of the vote. Where they believe the subject of the vote could present a material concern from an ESG perspective, they will continue to monitor and engage with the company, and are doing so in this case. If warranted, Pictet will consider actions as part of their escalation strategy, including future voting decisions.
<b>Microsoft Corporation</b>	December 7 <sup>th</sup> 2023	It regards social issues (S factor in ESG) which are one of the main metrics agreed by the Trustees as to what defines a significant vote.	2.00%	Report on Risks of Operating in Countries with Significant Human Rights Concerns	For	No	A vote for this proposal was warranted. Shareholders would benefit from increased disclosure regarding how the company is managing human rights-related risks in high-risk countries.	Resolution failed	Pictet noted the outcome of the vote. Where they believe the subject of the vote could present a material concern from an ESG perspective, they will continue to monitor and engage with the company, and are doing so in this case. If warranted, Pictet will consider actions as part of their escalation strategy, including future voting decisions.