Schindler Group (UK) 1998 Pension Scheme ('the Scheme')

Annual Implementation Statement for the Year Ended 5 April 2023

1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustees in relation to the Scheme has been followed during the year to 5 April 2023 (the "**Scheme Year**"). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator. The table later in the document sets out the how, and the extent to which, the policies in the SIP have been followed.

The statement is based on, and should be read in conjunction with, the relevant version of the SIP that was in place for the Scheme Year. For this Scheme Year, the SIP dated September 2020 was in place. However, the SIP was updated shortly after the Scheme Year (SIP dated July 2023) and given that the Trustees did not make significant changes to their policies between the two versions, the SIP dated July 2023 has been used for the purpose of signposting in this Statement. A copy of the latest version of the SIP is available on Schindler's website.

2. Statement of Investment Principles

2.1. Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

- The Trustees' main objective is to provide members with an investment strategy aligned to the needs of their members 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 strategy.
- The Trustees undertake a review of the Scheme's fund choices offered to members and the investment manager arrangements at least every three years or after significant changes in the membership of the Scheme.

The policies set out in the SIP are intended to help meet the overall investment objectives of the Scheme. Detail on the Trustees' objectives with respect to the default investment option and the self-select fund range are outlined in the SIP.

2.2. Review of the SIP

The SIP was reviewed over the Scheme Year, with a revised version put in place following the Scheme Year end, dated July 2023. The SIP was updated to reflect the Scheme's current investment strategy. Any changes agreed as part of the 2023 investment strategy review will be reflected in a future iteration of the SIP.

2.3. Assessment of how the policies in the SIP have been followed for the Scheme Year

The information provided in table below highlights the work undertaken by the Trustees during the Scheme Year and over the longer term, where relevant, and sets out how this work followed the Trustees' policies in the SIP, relating to the Scheme as a whole and the default investment option. **In summary, it is the Trustees' view that the policies in the SIP have been followed during the Scheme Year.**

Investment Mandates

Securing compliance with the legal requirements about choosing investments

Policy

The Scheme's SIP (section 3.1 & 3.2) outlines the Trustees' policy:

> *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.*

How has this policy been met over the Scheme Year?

No changes were made to the investment strategy over the Scheme Year, however, the triennial investment strategy review took place during the Scheme Year on 3 April 2023. The review considered the following:

- The appropriateness of the Scheme's default investment option, including the suitability of the current retirement target;
- Provision of alternative lifestyle strategies targeting different retirement targets;
- Review of the self-select funds offered to members.

As a result of this review, the Trustees agreed to make a number of changes to the Scheme's investment strategy and are aiming to implement these changes during the 2023/24 Scheme Year. A formal advice letter under Section 36 will be issued to the Trustees prior to the implementation taking place.

Realisation of Investments

Policy

The Scheme's SIP (section 6 and appendix 1) outlines the Trustees' policy:

> *As far as practicable and necessary, the Trustees invest in liquid assets that can be quickly realised as required.*
>
> *Liquidity risk is managed by investing only in readily realisable pooled funds that can be bought and sold on a daily basis.*

How has this policy been met over the Scheme Year?

All funds are daily-dealt pooled investment arrangements, with assets mainly invested on regulated markets, and therefore should be realisable at short notice, based on member demand. No known liquidity issues arose on any of the Scheme's funds over the Scheme Year.

The Trustees receive an administration report on a regular basis to ensure that core financial transactions are processed within SLAs and regulatory timelines.

Environmental, Social and Governance ("ESG")

Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments

Policy

Section 2 and 4 of the Scheme's SIP note that:

> *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.*

The Scheme's SIP (section 5.1 and 5.2) also outlines the Trustees' policy in relation to responsible investment and corporate governance:

> *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 environmental, social and governance (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.*
>
> *The Trustees do not explicitly take into account non-financial matters in the selection, retention and realisation of investments.*

Finally, section 6 of the Scheme's SIP sets out the main risks the Trustees consider and how they are monitored and managed.

How has this policy been met over the Scheme Year?

The Trustees offer a lifestyle strategy to members designed to be appropriate for a typical member of the Scheme. This strategy is reviewed triennially, and was reviewed during the Scheme Year.

As detailed in the risk table in section 6 of the SIP, the Trustees consider both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes.

These factors were taken into account during the triennial investment strategy review and other risks were monitored during the Scheme Year as part of semi-annual performance reporting. This included the fund ratings (both overall and ESG ratings) from the investment consultant's manager research team. The majority of the managers remained highly rated during the Scheme Year.

Where managers are not highly rated from an ESG perspective, the Trustees continue to monitor them. When implementing a new manager the Trustees consider the ESG rating of the manager. Over the Scheme Year, the Trustees conducted the triennial investment strategy review, in which, ESG factors were a key consideration.

The Trustees beliefs on financial and non-financial considerations, including ESG and risk factors are reviewed at least triennial as part of a SIP review.

Voting and Engagement Disclosures

The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustees would monitor and engage with relevant persons about relevant matters).

Policy

The Scheme's SIP (section 5.1) outlines the Trustees' policy:

> *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.*
>
> *The Trustees believe that choosing the right managers who fully engage with issuers of equity or debt instruments in their portfolios will lead to better financial results for members.*

How has this policy been met over the Scheme Year?

As the Scheme invests solely in pooled funds, the Trustees require their investment manager to engage with the investee companies on their behalf. As such, the Trustees have delegated the exercise of voting rights to the underlying investment managers, on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Trustees expect the investment managers to have produced written guidelines of their process and practice in this regard. The Trustees note that Legal and General Investment Management ("LGIM") are a signatory to the UK Stewardship Code.

Investment managers are expected to provide voting reporting on a regular basis, at least annually. The reports are reviewed by the Trustees to assess the extent to which the managers are engaging with the underlying companies in which they invest. The Trustees have equity exposure through the following funds:

- **LGIM Global Equity Fixed Weights 60:40 Index Fund** (underlying component of the default investment option and a self-select option).
- **LGIM UK Equity Index Fund** (self-select option only).

Over the prior 12 months, the Trustees have not actively challenged managers on voting activity or carried out any direct engagement activity. Section 3 of this Statement sets out a summary of voting activity and the most significant votes cast on behalf of the Trustees by the Scheme's investment managers.

Monitoring the Investment Managers

Incentivising asset managers to align their investment strategies and decisions with the Trustees' policies / how the arrangement incentivises managers to make decisions based on medium to long term financial and non-financial performance

Policy

The Scheme's SIP (section 3.3) outlines the Trustees' policy:

> *The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis.*
>
> *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 being selected for.*
>
> *A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.*
>
> *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.*

How has this policy been met over the Scheme Year?

The Trustees' responsibilities include assessing the quality of the performance and processes of the investment managers by means of regular reviews of investment returns and other relevant information, in consultation with their investment consultant.

The Trustees received investment reports monitoring the performance of the investment managers against their stated objectives/benchmarks on a semi-annual basis during the Scheme Year. These reports showed the absolute performance (discrete and calendar year, over the relevant time period) on a net of fees basis. The investment reports also included changes to the investment consultant's manager research ratings (both overall and ESG ratings) and notes any other relevant developments at the investment managers.

The investment strategy review conducted during the Scheme year also took performance into account, with an in-depth review of all funds used within the strategy.

Based on this and ongoing monitoring, the Trustees are happy that the contractual arrangements in place continue to incentivise the managers to make decisions based on medium to long-term financial and non-financial performance.

Monitoring the Investment Managers

Evaluation of asset managers' performance and remuneration for asset management services

Policy

The Scheme's SIP (section 3.3) outlines the Trustees' policy:

> *The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis.*
>
> *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 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.*

How has this policy been met over the Scheme Year?

During the Scheme year, the Trustees considered the investment performance of the investment managers as part of the monitoring assessment (via semi-annual performance reports), as well as their investment consultant's views of the investment manager (both overall and ESG ratings). Over the Scheme Year, performance was also considered as a factor within the triennial investment strategy review.

As part of the annual Value for Members' assessment, the Trustees reviewed the investment managers' fees and concluded that they were competitive relative to comparators.

Monitoring the Investment Managers

Monitoring portfolio turnover costs

Policy

The Scheme's SIP (section 7.3) outlines the Trustees' policy:

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

How has this policy been met over the Scheme Year?

Over the year covered by this Statement, the Trustees considered the levels of transaction costs as part of their annual Chair's Statement (via the annual value for members' assessment). The Trustees found that the transaction costs reported were reasonable, but note the challenges in assessing these costs due to the lack of an industry-wide benchmarks for transaction costs.

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.

The duration of the arrangements with asset managers

Policy

The Scheme's SIP (section 3.3) outlines the Trustees' policy:

> *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.*

How has this policy been met over the Scheme Year?

All of the invested funds are open-ended with no set end date for the arrangement. The investment performance of all funds was reviewed by the Trustees on a semi-annual basis; this included how each investment fund manager was delivering against their specific targets. The investment report also included changes to the investment consultant's manager research ratings (both overall and ESG ratings).

The Trustees also completed a triennial investment strategy review over the Scheme Year which considered the ongoing suitability of all funds held by the Scheme. The Trustees agreed to make a number of changes to the Scheme's investment strategy and are aiming to implement these changes during the 2023/24 Scheme Year.

Strategic Asset Allocation

Kinds of investments to be held, the balance between different kinds of investments and expected return on investments

Policy

The Scheme's SIP (section 4) outlines the Trustees' policy:

The Trustees are permitted to invest across a wide range of asset classes both active and passive. All of the funds in which the Scheme invests are pooled and unitised. The Trustees make available a range of funds across various asset classes, with the majority expected to keep pace with inflation.

The default strategy is designed with the intention of diversifying risks to reach a level of risk deemed appropriate given the objectives. In designing the default, the Trustees have explicitly considered the trade-off between risk and expected returns.

If members do not want to be invested in a lifestyle strategy 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 a member's assets and should be related to the member's own risk appetite and tolerance.

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.

How has this policy been met over the Scheme Year?

The default investment option is reviewed on a triennial basis and was reviewed during the Scheme Year, alongside the self-select fund options. The expected return on investments, the trade-off between risk and return and ESG factors were key considerations in the review.

During the Scheme Year, the Trustees received semi-annual investment performance reports which monitored the returns of both the default and self-select options within the Scheme, looking at the funds' performances against their benchmarks over both short and longer-term periods.

Members can opt out of the default investment option and invest in any investment fund made available in the self-select fund range, giving members the ability to choose the balance between different kinds of investments themselves.

During the Scheme Year the default investment option and self-select fund range remained consistent with the policies and objectives as set out in the SIP.

Strategic Asset Allocation

Risks, including the ways in which risks are to be measured and managed

Policy

The Scheme's SIP (section 6) outlines the Trustees' policy:

> *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.*

Section 6 of the SIP sets out the main risks the Trustees consider and how they are monitored and managed.

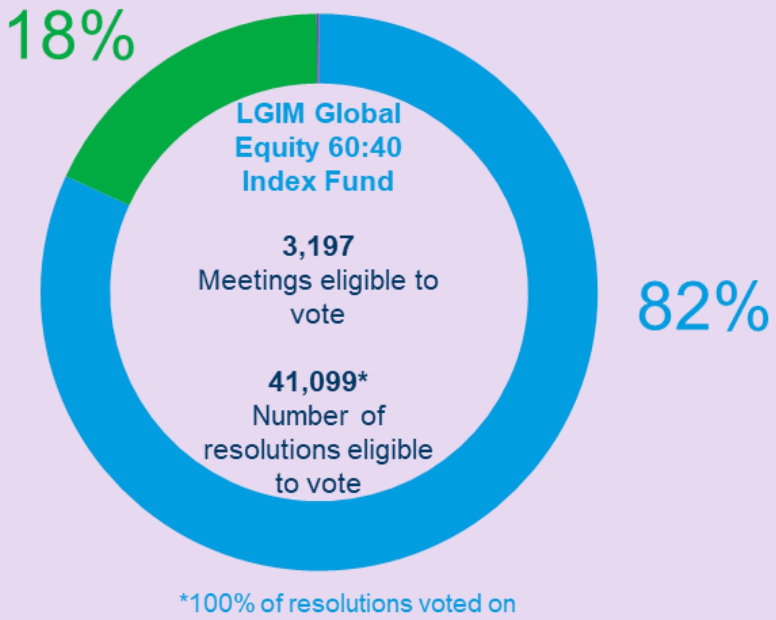
How has this policy been met over the Scheme Year?

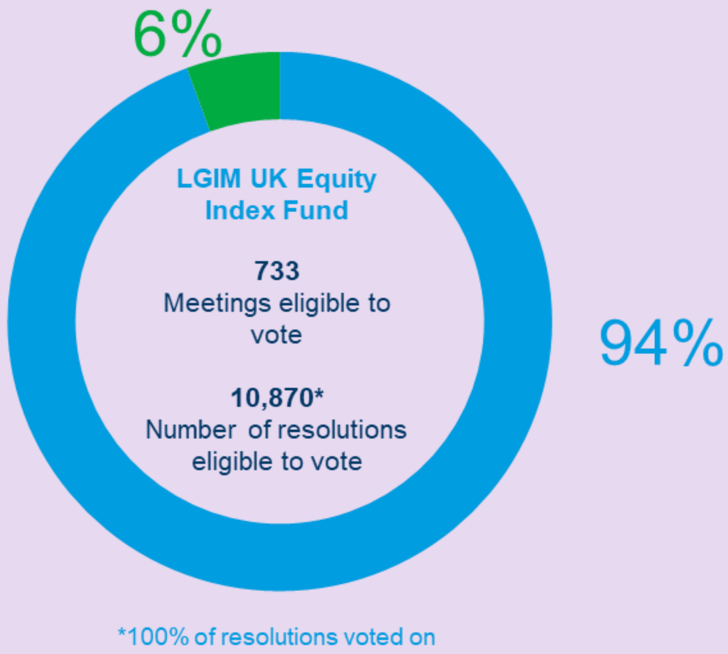
As detailed in the risk table in section 6 of the SIP, the Trustees consider both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes. The majority of these factors were taken into account during the triennial investment strategy review conducted during the Scheme Year. Other risks were monitored during the Scheme Year as part of ongoing performance monitoring, by way of reviewing the semi- annual investment performance reports.

The Scheme maintains a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarise existing mitigations and additional actions.

3. Voting Activity during the Scheme Year

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the Scheme. Votes "**for** / **against** management" assess how active managers are voting for and against management. Mandates where shareholder voting is not applicable are not included below.





Source: LGIM.

Most signficant votes

✗ Resolution **not** passed ✓ Resolution passed

The Trustees have selected the ‘most significant votes’ by focussing on shareholder resolutions with a specific focus on the following Environmental, Social and Governance priorities, which are closely linked to UN Sustainable Development Goals:

- **Environmental:** Climate change: low-carbon transition & physical damages resilience; pollution & natural resource degradation: air, water, land (forests, soils, biodiversity).
- **Social:** Human rights: modern slavery, pay, health and safety in workforce and supply chains, abuses in conflict zones.
- **Governance:** Diversity, Equity and Inclusion - inclusive & diverse decision making, executive remuneration and board composition.

The Trustees have focused on the fund that is used in the growth phase of the default investment option (LGIM Global Equity Fixed Weights 60:40 Index Fund) given that, by virtue, this is where the majority of members’ assets were invested over the Scheme Year. The Trustees consider the votes where the Scheme had over 1% in the Company’s holding to be most significant.

The most significant votes for the LGIM Global Equity Fixed Weights 60:40 Index Fund are set out below.

Company	Proportion of Fund as at date of vote (%)	Date of vote	Summary of the resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Why Vote is Significant
Glencore	1.61%	28-Apr-22	Approve Climate Progress Report	Against	A vote against is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C.While LGIM note the progress the company has made in strengthening its medium-term emissions reduction targets to 50% by 2035, it remains concerned over the company's activities around thermal coal and lobbying, which LGIM deem inconsistent with the required ambition to stay within the 1.5°C trajectory.	✓	The Trustees have deemed votes related to climate change to be a significant vote.
Anglo American Plc	1.19%	19-Apr-22	Approve Climate Change Report	Against	LGIM recognise the substantial progress the company has made in climate reporting, primarily on transparency and the expansion of GHG emissions reduction targets (including the ambition to work to decarbonise its value chain), as well as the importance of the company's products in enabling the low-carbon transition. However, LGIM remain concerned that the company's interim operational emissions targets (to 2030) are insufficiently ambitious to be considered aligned with the 1.5C trajectory.	✓	The Trustees have deemed votes related to climate change to be a significant vote.

Company	Portion of Fund (%)	Date of vote	Summary of the resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Why Vote is Significant
Royal Dutch Shell Plc	4.14%	24-May-22	Approve Climate Action Plan	Against	Vote against is applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remains concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.	✓	The Trustees have deemed votes related to climate change to be a significant vote.
BP Plc	1.87%	12-May-22	Approve Net Zero - From Ambition to Action Report	For	A vote in favour is applied, though not without reservations. While LGIM note the inherent challenges in the decarbonisation efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. LGIM recognises that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened.	✓	The Trustees have deemed votes related to climate change to be a significant vote.
Rio Tinto	1.62%	4-Aug-22	Approve Climate Action Plan	Against	LGIM recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while LGIM acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, LGIM remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile.	✓	The Trustees have deemed votes related to climate change to be a significant vote.

Source: LGIM.

Note: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics. Further, LGIM will continue to engage with their investee companies, publicly advocate their position and monitor company and market-level progress.

Proxy Voting Summary

The Trustees do not use the direct services of a proxy voter, details of the proxy voting services used by the Scheme's investment managers are shown below.

LGIM's Investment Stewardship team uses Institutional Shareholder Services, Inc. (ISS) 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.