

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

## Annual Implementation Statement for the Year Ended 5 April 2024

### 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 2024 (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 July 2023 was in place. However, the SIP was updated shortly after the end of the Scheme Year (SIP dated April 2024). A copy of the latest version of the SIP is available on Schindler's website; [https://www.schindler.co.uk/content/dam/website/uk/docs/company/schindler-statement-of-investment-principles.pdf/\\_jcr\\_content/renditions/original./schindler-statement-of-investment-principles.pdf](https://www.schindler.co.uk/content/dam/website/uk/docs/company/schindler-statement-of-investment-principles.pdf/_jcr_content/renditions/original./schindler-statement-of-investment-principles.pdf)

### 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 April 2024. The SIP was updated to include the Trustees' policy on illiquid assets.



#### 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?

During the Scheme Year, there were no changes made to the investment strategy. A triennial investment strategy review occurred on 3 April 2023, within the last Scheme Year and a number of changes were recommended which the Trustees agreed in principle to. However, the Trustees agreed to postpone the implementation of these changes pending conclusions regarding the long-term future of the Scheme. At the time of writing this statement the Trustees are still in the process of reviewing the various options available to them.

### 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 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 quarterly basis to ensure that core financial transactions are processed within Service Level Agreements ("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.

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 and other risks were monitored during the Scheme Year as part of quarterly performance reporting. This included the fund ratings (both overall and ESG ratings) from the investment consultant’s manager research team as well as how each manager delivered against its specific objectives. The majority of the Scheme’s underlying funds remained highly rated during the Scheme Year. Where managers are not highly rated from an ESG perspective, the Trustees continue to monitor them.

As part of the triennial investment strategy review held during the previous Scheme Year, ESG factors were a key consideration, however, as noted earlier in this statement, the implementation of these changes has been put on hold pending the long-term future of the Scheme.

Over the Scheme Year, non-financial considerations were not considered in the selection, retention and realisation of investments, in line with the SIP policy.



## 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. Voting activity carried out over the Scheme Year on behalf of the Trustees is shown in the Appendix of this statement. 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).

The active ownership activity disclosed reflects stewardship areas the Trustees view as significant for the Scheme, as described in the Appendix. Over the period covered by this statement, based on its assessment, the Trustees are comfortable that the manager's voting activity was consistent with the Trustees' stewardship priorities. The Trustees have not actively challenged managers on voting activity or carried out any direct engagement activity.



## 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 quarterly 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 in relation to the investment managers.

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 quarterly 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?

The Trustees reviewed long-term investment performance of the Scheme's underlying funds on a quarterly basis during the Scheme Year, as well as its investment consultant's forward-looking assessment of the funds' ongoing ability to achieve their respective return objectives.

Over the previous Scheme Year, performance was also considered as a factor within the triennial investment strategy review, during which a number of changes were recommended which the Trustees agreed in principle to. However, the Trustees agreed to postpone the implementation of these changes pending the long-term future of the Scheme. At the time of writing this statement the Trustees are in the process of reviewing the various options available to them.

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, most of which invest across a wide range of securities, 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 quarterly basis; this included how each investment fund manager was delivering against their specific targets. No changes were made to the investment consultant's manager research ratings (both overall and ESG ratings) of these funds during the Scheme Year and no managers or underlying funds were terminated.



## 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 with the most recent review conducted on 3 April 2023. A number of changes were recommended and agreed in principle by the Trustees. However, the Trustees agreed to postpone the implementation of these changes pending conclusions regarding the long-term future of the Scheme. At the time of writing this statement the Trustees are in the process of reviewing the various options available to them.

During the Scheme Year, the Trustees received quarterly 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. The Trustees were comfortable with the performance of the funds noting they were all passively managed and tracking their benchmarks within a reasonable tolerance.

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. The Trustees remained comfortable with the options available to members noting that they 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.

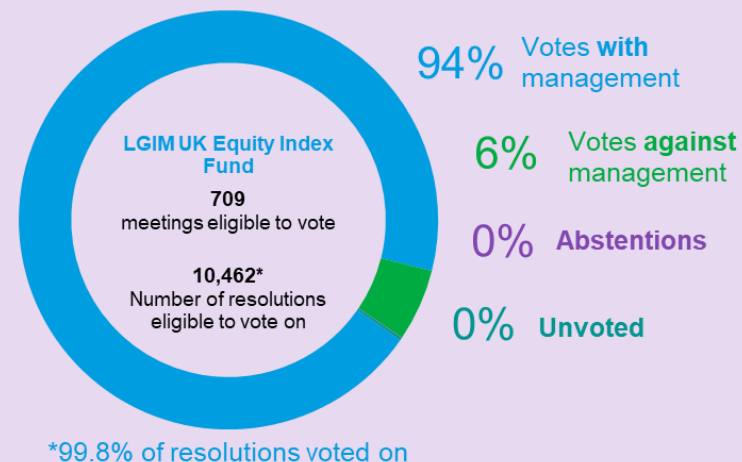
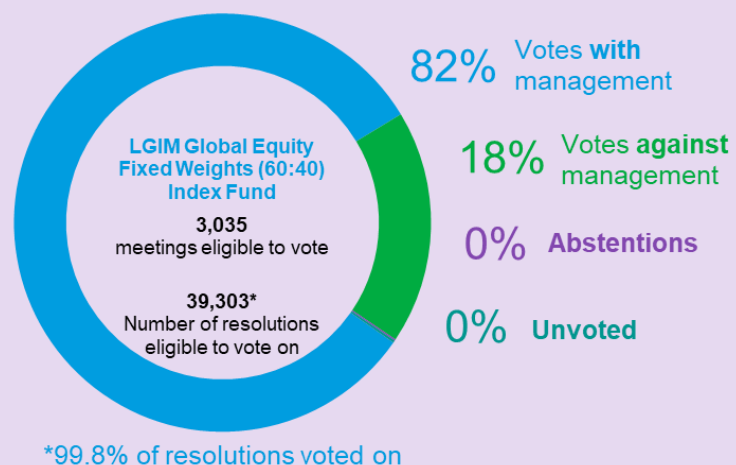
#### How has this policy been met over the Scheme Year?

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 previous Scheme Year. Other risks were monitored during the Scheme Year as part of ongoing performance monitoring, by way of reviewing the quarterly 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 significant 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 (80.3% of Scheme assets are invested in the LGIM Global Equity Fixed Weights 60:40 Index Fund). The Trustees consider the votes where, the Company holdings in the fund are greater than 1%, to be the 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	Date of vote	Summary of the resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Stewardship priority	Next steps
Shell Plc	4.24%	23-May-23	Approve the Shell Energy Transition Progress	Against (against management recommendation)	LGIM votes against the company on climate change, while acknowledging its progress in meeting 2021 climate commitments and pursuing low carbon products. However, they express concerns about the lack of disclosure on future oil and gas production plans and targets, which are crucial for demonstrating alignment with the 1.5°C trajectory. LGIM emphasizes the importance of transparency in these areas.		Climate change	LGIM continues to undertake extensive engagement with Shell on its climate transition plans.
Glencore Plc*	1.52%	26-May-23	Resolution in respect of the next Climate Action Transition Plan	For (against management recommendation)	In 2021, Glencore made a public commitment to align its targets and ambition with the goals of the Paris Agreement. However, it remains unclear how the company’s planned thermal coal production aligns with global demand for thermal coal under a 1.5°C scenario. Therefore, LGIM has co-filed this shareholder proposal (alongside Ethos Foundation) at Glencore’s 2023 AGM, calling for disclosure on how the company’s thermal coal production plans and capital allocation decisions are aligned		Climate change	LGIM will continue to engage with the company and monitor progress.

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.

\*LGIM co-filed this shareholder resolution and pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, there was regular communication with the company ahead of the meeting.

## 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 summarised below.**

### Legal & General Investment Management

LGIM's Investment Stewardship team uses ISS's '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. Their use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting 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. These instructions apply to all markets globally and seek to uphold what they consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to their voting judgement. They have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

LGIM regularly monitor the proxy voting service through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out their expectations, an analysis of any issues they have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.