SCHINDLER GROUP (UK) 1998 PENSION SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

SEPTEMBER 2019

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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.

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 consultants, JLT Employee Benefits ("JLT EB"), a trading name of JLT Benefit Solutions is a part of Mercer a Marsh & McLennan Company, 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. 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.

2 INVESTMENT OBJECTIVES

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.

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 a default solution, which transitions 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 DC Section of the Scheme and the default lifestyle strategy. 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 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 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 the Statement.
- The appointment and review of the investment manager and investment adviser
- Selecting funds for member choices
- The setting and review of the investment parameters within which the investment managers can operate
- The approval and review of the asset allocation benchmark for the Scheme
- 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 JLT EB as the independent investment adviser to the Scheme. JLT EB provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which JLT EB expects to provide advice or assistance to the Trustees include the following:

- Setting of investment objectives
- Determining investment strategy and structure of the default strategy
- Advising on appropriate member fund choices
- Selecting and replacing investment managers

In considering appropriate investments for the Scheme, the Trustees will obtain and consider written advice from JLT EB, 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.

JLT EB monitors the performance of the Scheme’s investment managers against their benchmarks.

JLT EB 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 JLT EB’s manager research process, JLT EB will advise the Trustees accordingly.

Section 3.3 describes the responsibilities of Mobius Life Limited (“Mobius”), the Platform Provider to the Scheme.

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

Any additional services provided by JLT EB will be remunerated primarily on a time-cost basis.

In particular, JLT does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice, and as noted below, any discounts negotiated by JLT with the underlying managers and these discounts are passed on in full to the Scheme.

The Trustees are satisfied that this is the most appropriate adviser remuneration structure for the Scheme.

JLT is authorised and regulated by the Financial Conduct Authority ("FCA").

3.3 INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustees, after considering appropriate investment advice, have appointed professional, authorised investment managers to manage the assets of the Scheme.

The investment managers held on the Platform are selected by the Trustees with assistance from JLT EB.

JLT EB monitor the Scheme's investment managers to ensure their continuing appropriateness to the mandates given and notify the Trustees if a manager is downgraded to a REVIEW or SELL rating by JLT's Manager Research Team.

The details of investment managers are set out in Appendix 1, together with the details of each manager's mandate.

The underlying investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the underlying investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

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 believe that this is the most appropriate basis for remunerating managers.

3.4 SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, so far as they relate to the Scheme's investments, is set out at Appendix 3.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The default lifestyle strategy 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 and is comprised of three funds. The default lifestyle strategy is described in more detail in Section 4.1.

Members can opt out of the default strategy, and invest in any fund made available in the self-select fund range as described in Sections 4.3.

4.2 DEFAULT STRATEGY

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.

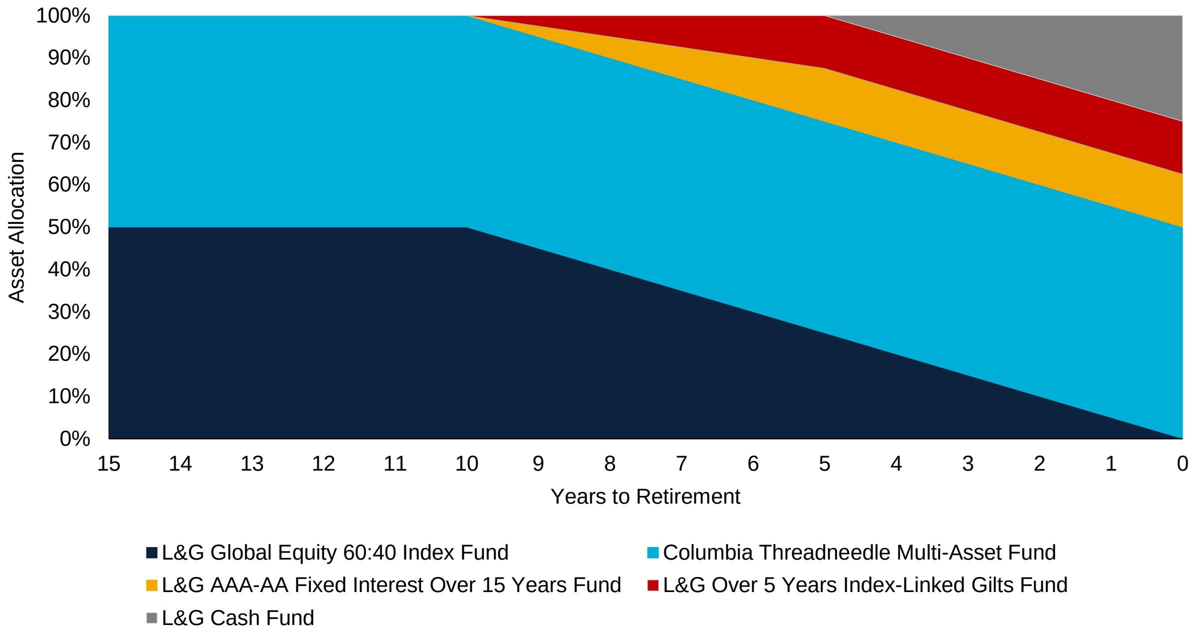
In determining the investment strategy, the Trustees undertook extensive investigations and have received formal written investment advice from their investment consultants. The Trustees have explicitly considered the trade-off between risk and expected returns. The expected amount of risk is considered appropriate for the typical member and will differ by member depending on their age as well as their expected retirement date. Further information is set out below.

Under the Scheme's lifestyle strategy and until the age of 55, a member's contributions are equally split between the L&G Global Equity 60:40 Index Fund and the Threadneedle Multi-Asset Fund. This allows Scheme members to have a more diversified asset exposure and ensure members' pots are better placed in the event of an equity market crash compared with investing fully in equities.

As members approach age 55, under the new regulations they could take out their savings as cash and bad equity market performance could be very detrimental at such time, hence, risk needs to be reduced during this time. For this reason, in the consolidation stage of the strategy (ages 55-60), two new funds are added gradually so that the allocation at age 60 is 50% Threadneedle Multi-Asset Fund, 25% L&G Global Equity 60:40 Index Fund, 12.5% L&G Fixed Interest Over 15 Years Fund and 12.5% L&G Over 5 Years Index-Linked Gilts Fund. This helps to reduce risk by reducing the allocation to equity.

In the final 5 years before retirement, the remaining 25% in the L&G Global Equity 60:40 Index Fund is switched to the L&G Cash Fund reducing risk further. The Trustees believe that this asset mix is appropriate for members at retirement as it will provide some growth as well as preserve some capital until such time that members make their own choices. The 25% allocated to cash is there as the Trustees expect the majority of members to take advantage of their 25% tax free cash allowance.

This strategy is illustrated overleaf.



The performance of the default strategy 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 RANGE

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.

The Trustees have made 6 funds available for self-selecting, details of which can be found in Appendix 1.

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 4.1 to 4.3 are passively managed but active management is used for two of the self-select funds. All of the funds in which the Scheme invests are pooled and unitised. Details of each fund can be found in Appendix 1.

5 RESPONSIBLE INVESTING

5.1 FINANCIALLY MATERIAL CONSIDERATIONS

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.

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 Trustees will work with the Investment Consultant to help select the investment managers that have passed the initial ESG screening. ESG screening will involve some of the following activities, but is not limited to: ensuring the managers are signatories to UNPRI, reviewing the managers' own ESG policies, investigating the extent to which these policies are integrated into their standard procedures of investment research and analysis etc. The Trustees will also review the ESG ratings assigned by their investment advisers to each of the funds used within the Scheme.

The Trustees will continue to review the available products and approaches in this space and strive for the Scheme to continue to deliver strong risk-adjusted returns, incorporating responsible investments principles into the process, where possible.

5.2 NON-FINANCIAL CONSIDERATIONS

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

5.3 CORPORATE GOVERNANCE AND STEWARDSHIP POLICY

The Scheme could currently be regarded as a small scheme by the size of assets; hence, bespoke segregated mandates are not currently available to the Trustees. Therefore, the Scheme's stewardship approach focuses on selection, monitoring and, where necessary, switching of underlying investment managers. 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.

The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and encourage the Scheme's underlying managers who are regulated by the Financial Conduct Authority to comply with the UK Stewardship Code. Such managers are expected to report on their adherence to the Code on an annual basis. For managers that choose not to comply with any of the principles in the UK Stewardship Code, or not to follow the guidance at all, the Trustees will request a clear rationale from the managers on their alternative approach to stewardship.

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.

5.4 MEMBER VIEWS

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 are committed to reviewing this policy on an ongoing basis.

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="4">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="4">The Trustees make available a range of funds across various asset classes, with the majority expected to keep pace with inflation.

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

The default strategy 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 the investment adviser.</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>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 ("ESG") 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>
<tr><td colspan="2">Pension Conversion</td><td>This is the risk where assets are invested</td><td>The Trustees increase the proportion</td></tr>
</table>

Risk	to target a specific retirement objective which differs from how members are expected to use their pots at retirement.	of assets that more closely match how they expect members to use their pots at retirement. The default is a lifestyle strategy which automatically switches member assets into investments whose value is expected to be less volatile on an absolute 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 JLT EB
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

6.1 INVESTMENT ADVISER

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

6.2 INVESTMENT MANAGERS

The Trustees receive semi-annual monitoring reports on the performance of the investment managers from JLT. The reporting reviews the performance of the Scheme’s individual funds against their benchmarks. JLT EB will 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 assets of the Scheme are invested, such that in JLT EB's view there exists a significant concern that these funds will not be able to meet their long-term objectives.

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	1/10/2019	1/10/2019.
Full Name	Tobias Biggs	Paul Burnett
Position	CFO	Trustee - (UK Product Line Director)

APPENDIX 1: INVESTMENT MANAGER INFORMATION AND DEFAULT LIFESTYLE STRATEGY

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

	10 Year Lifestyle				
Years to Age 65	**Legal & General Global Equity 60:40 Index Fund (%)**	**Columbia Threadneedle Multi-Asset Fund (%)**	**L&G AAA-AA Fixed Interest Over 15 Years Targeted Duration Fund**	**Legal & General Over 5 Years Index-Linked Gilts Fund (%)**	**Legal & General Cash Fund (%)**
0	0	50	12.5	12.5	25
1	5	50	12.5	12.5	20
2	10	50	12.5	12.5	15
3	15	50	12.5	12.5	10
4	20	50	12.5	12.5	5
5	25	50	12.5	12.5	0
6	30	50	10	10	0
7	35	50	7.5	7.5	0
8	40	50	5	5	0
9	45	50	2.5	2.5	0
10	50	50	0	0	0
10+	50	50	0	0	0

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 Strategy Funds

Investment manager/ fund	Fund benchmark	Objective	Dealing frequency
L&G 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.	Daily
Columbia Threadneedle Multi-Asset	Bank of England Base Rate	To outperform the benchmark by 4% p.a. gross of fees over rolling three to five year periods.	Daily
L&G AAA-AA Fixed	None	To produce a total return in line with the	Daily

Interest Over 15 Years Targeted Duration Fund		FTSE A Government (15- 35 Year) Index and capture the yield spread over gilts of AAA-AA rated fixed interest securities.	
L&G 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.	Daily
L&G Cash Fund	7 Day LIBID	To perform in line with 7 Day LIBID, without incurring excessive risk.	Daily

Self-Select Funds

Investment manager/ fund	Fund benchmark	Objective	Dealing frequency
Columbia Threadneedle Multi-Asset	Bank of England Base Rate	To outperform the benchmark by 4% p.a. gross of fees over rolling three to five year periods.	Daily
L&G 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.	Daily
L&G 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.	Daily
L&G Cash Fund	7 Day LIBID	To perform in line with 7 Day LIBID, without incurring excessive risk.	Daily
L&G AAA-AA Fixed Interest Over 15 Years Targeted Duration Fund	None	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.	Daily
L&G 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.	Daily

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.

APPENDIX 2: RESPONSIBILITIES OF PARTIES

TRUSTEES

The Trustees' responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate
- Selecting the Investment Managers
- 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 the Investment Adviser
- Consulting with the sponsoring employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis

INVESTMENT ADVISER

The Investment Adviser's responsibilities include the following:

- Participating with the Trustees in the review of this Statement of Investment Principles
- Production of semi-annual performance monitoring reports
- Advising 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 its long term objectives.
- Updating the Trustees on changes in the investment environment, and advising the Trustees, at their request, on how such changes could present either opportunities or problems for the Scheme
- Undertaking project work, as requested, including reviews of asset allocation policy and research into and reviews of Investment Managers
- Advising on the selection of new managers and/or custodians

INVESTMENT MANAGERS

As noted in this SIP, Mobius has been appointed as the Platform Provider to the Scheme. The underlying investment managers contract with Mobius and therefore do not have any direct responsibility to the Trustees. The responsibilities include the following:

- Mobius provide the Trustees with a statement and valuation of the assets on a monthly basis (or as frequently as required)
- Informing the Trustees of any changes in the internal performance objectives and guidelines of their funds
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Managing their funds in accordance with their stated mandates