



The Swisslog (UK) Limited Pension Scheme August 2023

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

Implementation Report

This implementation report is to provide evidence that Swisslog (UK) Limited Pension Scheme continues to follow and act on the principles outlined in the SIP.

The Implementation Report details:

- actions Swisslog (UK) Limited Pension Scheme has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which Swisslog (UK) Limited Pension Scheme has followed policies on engagement with its fund managers
- voting behaviour for and on behalf of Swisslog (UK) Limited Pension Scheme

Implementation Statement

This report demonstrates that Swisslog (UK) Limited Pension Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed *Harriet Ourscombe*

Position **Chair of Trustees**

Date **14-Sep-23 | 14:09:52 CEST**

Managing risks and policy actions DC

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Alternative lifestyles	Offering members an appropriate selection of alternative lifestyles	With pension freedoms members can choose a number of options at retirement, schemes should look to offer alternative lifestyles to target retirement outcomes. An ESG lifestyle could also be offered.	There has been no changes to the policy over the reporting year.
Self select funds	Offering members an appropriate selection of self select funds.	Members who wish to self select their investments should have a good variety of funds, offering alternative asset classes with rated fund managers. Could also offer an ESG fund to members.	There have been no changes to the policy over the reporting year. Details of the range of funds available for members to invest in are contained within the SIP.
Interest rates and inflation	Some of the Scheme's assets are held in bonds via pooled investment vehicles.	Offering members a variety of options to invest.	No action.
Liquidity	Being able to offer daily pricing for members.	Offering funds that limit this risk.	No action.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable in the default. Allowing for a suitable range of self select options for members to cater for their individual risk and return targets.	No action.

Changes to the SIP

Over the period to August 2023, the Trustee made changes to the SIP to reflect the recent regulatory requirements.

Policies added to the SIP

Date updated: August 2023 (post reporting year-end)

Voting Policy - How the Trustees expect investment managers to vote on their behalf

- The Trustees acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'

- The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf.
- The Trustees, via their investment advisers, will engage with managers about 'relevant matters' at least annually.

Implementation of the Investment Arrangements

The arrangements are assessed on an ongoing basis at Trustees' meetings. The Trustees are aware of the need to consider the impact of costs on the long-term performance of the investments in the pooled funds.

The funds are accessed via the Scottish Widows investment platform using a Trustee Investment Plan which is technically a policy of assurance. This route of access avoids de-minimis fees and can benefit from aggregation discounts on annual management charges, hence the flat rate annual management charge (AMC) levied by Clerical Medical on contributions. Reporting is co-ordinated and this represents a significant benefit to the Scheme.

Investments are reviewed on a regular basis in the light of net cash flow requirements. The pooled funds may be accessed on a daily basis and the Trustees believe that this supplies adequate liquidity for the Scheme.

During the 12 months to 30th September 2022 the Scheme has followed the allocation as outlined in the SIP and where there has been any variation this has either been intentional or as an indirect consequence of the use of pooled funds. Those that manage the Scheme continue to consider that the asset allocation is appropriate and have considered this at their meetings in the year.

Current ESG policy and approach

The SIP describes the Schemes policy with regards to ESG as a financially material risk. This section details the Trustees' ESG policy and how it is implemented.

The Trustees have considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustees expect the investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustees seek to appoint managers that have appropriate skills and processes to do this, and from time to time review how their managers are taking account of these issues in practice.

The Trustees have limited influence over managers' investment practices as assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

The Trustees do not take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

Engagement & Voting (for equity/multi asset funds only)

The Trustee/s has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

Participants in pooled investment funds do not generally acquire rights over the underlying holdings of the pool. There is no direct relationship between the Scheme and the companies whose shares are held within the pooled investment funds that we are using. In effect this means that the manager of the pool exercises voting rights on our behalf (as a participant in the pool) but without any obligation to consult with us.

The Scheme does not use a proxy voting service, in practice it does not have the right to exercise votes at the general meetings of companies held within the pooled investment funds. Generally, other than for matters of financial reconstruction, holders of gilts, bonds, physical property, and other alternative investments may not have voting rights.

Where the Scheme holds units of investment in pooled equity funds the Scheme is able to see how the manager has voted in the summary stewardship reports that the manager may produce for information. These matters are currently only reported at overall manager level and not in a specific way in respect to the funds that we invest in. This may change in the future and the Scheme is aware that there are many initiatives in the investment markets generally to improve access information and reporting in this area.

It is challenging for the Scheme to influence the manager of a pooled fund on matters of voting for individual companies. The Scheme does however take its responsibilities seriously in this area and notes that it always has the option to divest from the manager if, in the view of the Scheme, expressed by those who manage it, this was deemed appropriate. Set against this is an overall fiduciary responsibility of the Trustees as to management of the Scheme assets.

In future years we are expecting our manager to provide us with further summary stewardship reports that highlight key voting issues, particularly around matters of diversity and the environment as regards the underlying holdings in the relevant pooled fund portfolio

