Jungheinrich UK Limited Retirement Benefit Scheme

Statement of Investment Principles ("SIP")

Purpose of this Statement

This SIP has been prepared by the Trustees of the Jungheinrich UK Limited Retirement Benefit Scheme (the "Scheme"). This statement sets out the principles governing the Trustees' decisions to invest the assets of the Scheme.

The Scheme's investment strategy is derived from the Trustees' investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

The Trustees have also taken the Myners' Principles into consideration when making decisions about the Scheme's investment arrangements.

Investment objective

The Trustees invest the assets of the Scheme with the aim of ensuring that all members' accrued benefits can be paid. The Scheme's funding target is specified in the Statement of Funding Principles, and the Scheme's funding position is monitored quarterly to assess the position relative to the funding target and whether the investment policy remains appropriate to the Scheme's circumstances.

The Scheme's investment objective is to achieve a best estimate return of 0.9% per annum above the return on UK Government bonds (which are considered to move in a similar fashion to the calculated value of the Scheme's liabilities).

Investment strategy

The Trustees take a holistic approach to considering and managing risks when formulating the Scheme's investment strategy.

The Scheme's present strategy is to invest according to the following broad asset allocation:

Asset Class	**Proportion %**	**Expected Return[1] (relative to fixed gilts) %**
UK Equities	12.0	4.0
European Equity (GBP Hedged)	8.0	4.0
Corporate Bonds	10.0	0.6
Gilts+Cash[2]	70.0	0.0
TOTAL	**100.0**	**0.9**

1) 10 year assumptions as at 31 June 2024 net of investment manager fees.
2) Includes index-linked gilt and fixed interest gilt funds. Cash fund sits alongside the gilt funds for temporary cash holdings following non-gilt fund rebalancing events.

The above table shows the Trustees' long-term expectation of the returns for each asset class above UK government bonds. However, the Trustees accept that short-term returns will exhibit considerable variability.

The above investment strategy was derived following careful consideration of the factors set out in Appendix B. The considerations include the nature and duration of the Scheme's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Scheme, and also the strength of the sponsoring company's covenant. The Trustees considered the merits of a range of asset classes.

The Trustees recognise that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. The risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities. The assets of the Scheme wholly consist of investments which are traded on regulated markets.
At the request of the sponsoring employer, and in line with the Trustees' understanding of the views of the wider Group, the Trustees do not make use of derivatives to deliver return.

Investment Manager Arrangements
The Trustees have appointed L&G Investment Management ("L&G") to manage the assets of the Scheme in passively managed pooled funds as listed in the SIP. The fund manager is regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to L&G via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustees take investment managers' policies into account when selecting and monitoring managers. The Trustees also take into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment manager.

The table below sets out the fund structure and quarterly rebalancing instructions provided to L&G.

Portfolio (% of assets)	Fund structure	Rebalancing and sector exposures
Gilts and Cash (70%)	• Single stock fixed interest gilt funds • Single stock index-linked gilt funds • Cash Fund	Purchases to the Gilts and Cash portfolio shall only be applied to the Cash Fund. Surrenders to the Gilts and Cash portfolio shall be taken from the Cash Fund until the point of exhaustion, whereby further surrenders shall be taken pro rata from the single stock gilts and index-linked gilts funds.
Equity (20%)	• 12% UK Equity Index Fund • 8% European Equity (Ex-UK) Index Fund (currency hedged)	**Maximum exposure:** The Trustees have decided to automatically rebalance by selling equities if they rise above 22.5% of the total portfolio at the quarter end (but not rebalance by selling gilts at any point). New money will be used to aid rebalancing and with no new money being allocated to equities if their value exceeds 20% of the overall portfolio. The exposure will be allowed to rise above 20% in between formal quarter end rebalancing points. **Sector exposure:** The Trustees monitor the sector allocation of the equity assets to ensure that they remain comfortable with the exposure to individual sectors.
Corporate Bond (10%)	• 10% Investment Grade Corporate Bond All-Stocks Index Fund	**Maximum exposure:** The Trustees have decided to rebalance by selling corporate bonds if they rise above 12.5% of the total portfolio at the quarter end (but not rebalance by selling gilts at any point). New money will be used to aid rebalancing and with no new money being allocated to corporate bonds if their value exceeds 10% of the overall portfolio. The exposure will be allowed to rise above 10% in between formal quarter end rebalancing points. **Sector exposure:** The Trustees monitor the sector allocation of the corporate bond assets to ensure that they remain comfortable with the exposure to individual sectors.

Investment Manager Monitoring and Engagement

The Trustees monitor and engage with the Scheme's investment manager and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustees seek to engage on these matters with the investment manager.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	• The Trustees receive regular performance reports which detail information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting. • The Scheme's investment manager is not invited to present to the Trustees as	• There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment manager have increased to a level above and beyond the Trustees' expectations. • Underperformance vs the performance objective over the period that this objective

	all of the funds in which the Scheme's invests are index-tracking in nature.	applies. Specifically, if funds do not track their relevant benchmark within a suitable tolerance.
Environmental, Social, Corporate Governance factors and the exercising of rights	• The Trustees' investment manager provides annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Trustees receive information from their investment advisers on the investment managers approaches to engagement.	• The manager has not acted in accordance with their policies and frameworks. • The manager's policies and priorities are not in line with the Trustees' policies and priorities in this area.

There is expected to be a limited focus by the investment managers on ESG factors due to the funds in which the Scheme invests being index-tracking in nature. c.70% of Scheme assets are invested in UK government bonds where ESG factors are not applicable.

L&G management fees

L&G charge the following management fees for each fund held:

- UK Equity Index Fund: 0.075% p.a.
- Europe (ex UK) Equity Index – GBP Hedged: 0.200% p.a.
- Investment Grade Corporate Bond – All Stocks Index: 0.080% p.a.
- Single Stock Gilt Funds: 0.040% p.a.
- Cash Fund: 0.130% p.a.

The fund manager's remuneration is based upon a percentage value of the assets under management. The fees are competitive in comparison to other alternative providers.

Custodian

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the fund manager. The custodian provides safekeeping for the assets, and performs all associated administrative duties such as the collection of dividends.

Social, environmental and ethical considerations

The Trustees primary consideration on formulating investment strategy is to act in the best financial interests of the beneficiaries of the Scheme, and to seek the best return that is consistent with taking a prudent/appropriate level of risk. However, it is recognised that social, environmental and ethical considerations can have an impact on financial performance.

Day to day management of the Scheme's investments is delegated to the investment manager, who take account of social, environmental and ethical considerations in so far as they have an impact on performance, in selecting and retaining investments and in the exercise of voting and other rights. This will involve the manager considering companies' policies on these issues alongside other issues that may affect long-term performance. However, this may not be possible where the Scheme is utilising index-tracking funds (which currently account for 100% of the Scheme's assets).

Exercise of rights

The Trustees believe that the exercise of rights (including voting rights) attaching to investments should be exercised by the investment manager to whom the day-to-day responsibilities have been delegated. The Trustees believe that this will ultimately be in the best interests of the Scheme.

Realisation of investments

The Scheme's assets are invested in quoted markets and are as readily realisable as the Trustees feel appropriate given the cashflow position of the Scheme and the expected development of the Scheme's liabilities. The investment manager can be required to realise investments as soon as it becomes appropriate to do so.

Employer-related investments

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 [except where the Scheme invests in collective investment schemes that may hold employer-related investments, in which case the total exposure to employer-related investments will not exceed 5% of the Scheme's total asset value]. The Trustees will monitor this on an ongoing basis to ensure compliance.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

The Trustees do not currently hold any direct investments.

Governance

The Trustees of the Scheme make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees' investment advisers, Isio, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience. The investment adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustees consulted the sponsoring employer and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Signed ……………………………………….. Date: ………………….

For and on behalf of the Trustees of the Jungheinrich UK Limited Retirement Benefits Scheme

Appendix A – Investment Beliefs

1. Investment strategy is the most important decision and should be based on clear objectives

Our long term goal is to generate returns required to fund our members' current and future pensions.

Clear objectives are at the heart of our investment strategy. Risk tolerance, return requirement and time frame are our central considerations.

Our strategy should aim to achieve the objectives with a high degree of confidence across a range of possible economic scenarios.

2 There's more to robust portfolio construction than diversification alone

Excessive diversification can introduce inefficiency, cost and fail to protect our portfolio in a downturn.

Pay-off profile of assets: We tailor the expected payoff profile of the Scheme's investments around our required objectives.

***True diversification*:** We optimise true diversification of underlying risk drivers.

3 We aim to select the most appropriate opportunities in the market

A strategy that buys the right asset, at a fair price, will serve us better than buying the wrong asset at a cheap price.

We consider the most appropriate potential market opportunities in order to help us achieve our long-term objective.

4 A long-term mind-set can be used to enhance returns

As a long-term investor we pursue incremental growth that rewards adherence to our strategic plan, rather pursuing short-term opportunities rewarding speculation.

We will mitigate or manage risks that we are not rewarded for.

Returns are more predictable over a longer time period, as risk is diversified across different economic cycles.

5 Excessive costs will erode performance

An appealing investment opportunity can be wholly undermined by too high a cost base.

Passive management, where viable, is considered the default approach.

Active management is employed where value-add can be expected with confidence.

6 Good governance improves our decision making

We continuously strive to enhance our knowledge of the investment opportunities and risks facing the Scheme.

We monitor the performance of our strategy and investment managers to improve our decision making.

7 Our investment process reflects our beliefs on responsibly investing and Stewardship

We consider environmental, social and corporate governance factors when selecting, monitoring and engaging in the investments we make. The extent to which ESG and ethical considerations are taken into account in these decisions is delegated to the investment manager. The Trustees have very limited scope to influence this decision making as the Scheme's investments are in index-tracking funds.

Appendix B – Risks, Financially Material Considerations (including ESG and climate change) and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustees have considered and sought to manage is shown below.

The Trustees adopt an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. • Investing c.70% of the Scheme's assets in UK government bonds.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	• When developing the Scheme's investment and funding objectives, the Trustees take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme's assets and present value of liabilities from changes in interest rates and inflation expectations.	To target an investment of 70% of the Scheme's assets in long dated UK government bonds (both fixed and index-linked).
Liquidity	Difficulties in raising sufficient cash when required without adversely	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they

	impacting the fair market value of the investment.	fall due (including transfer values). The Scheme invests in weekly dealt funds.
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. Limited allocation to equity markets (20% target of total Scheme assets).
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing across different sectors.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory 6. UK Stewardship Code signatory The Trustees monitor the manager on an ongoing basis. Receive updates from investment advisors regarding ESG factor risk, noting that all of the Scheme's assets are invested in index-tracking funds. A target of 70% of Scheme assets are invested in UK government bonds where ESG factors are not applicable.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Exchange rate risk is hedged on the Scheme's European equities.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix C

The Trustees have the following policies in relation to the investment management arrangements for the Scheme:

How the investment manager is incentivised to align its investment strategy and decisions with the Trustees' policies.	• As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustees' policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective.
How the investment manager is incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	• The Trustees review the investment manager's performance relative to medium and long-term objectives as documented in the investment management agreements. As the Scheme is invested in passive funds the objective for each fund is to match the performance of the appropriate index. • The Trustees monitor the investment manager's engagement and voting activity as part of the implementation statement which is included in the Trustee Report and Accounts. • The Trustees do not incentivise the investment manager to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for their services are in line with the Trustees' policies.	• The Trustees review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustees evaluate performance over the time period stated in the investment manager's performance objective, which is typically 3 to 5 years. • Investment manager fees are reviewed periodically to make sure the correct amounts have been charged and that they remain competitive. The Trustees note that the current investment manager fees are very low and are discounted from standard rates as the Scheme has been a long-term client of L&G.
The method for monitoring portfolio turnover costs incurred by the investment manager and how they define and monitor targeted portfolio turnover or turnover range.	• The Trustees do not directly monitor turnover costs. However, the investment manager is incentivised to minimise costs as they are measured on a net of cost basis. High turnover costs would therefore be borne out through underperformance of the relevant market index. The Scheme holds a number of "bullet" maturity fixed and index-linked gilts which are buy and

	hold investments – i.e. turnover is zero.
The duration of the Scheme's arrangements with the investment manager.	• The Scheme only invests in open-ended funds with weekly liquidity, as such the holding periods are flexible. The Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.
Voting Policy - How the Trustees expects the investment manager to vote on their behalf.	• The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment manager on their behalf.
Engagement Policy - How the Trustees will engage with the investment manager, direct assets and others about 'relevant matters'	• The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment manager on their behalf. • The Trustees, via their investment advisers, will engage with the manager about 'relevant matters' periodically. • Example stewardship activities that the Trustees have considered are listed below. o Asset manager engagement and monitoring – the Trustees assess the voting and engagement activity of their asset managers periodically. The results of this analysis feeds into the Trustees investment decision making o Collaborative investor initiatives – the Trustees may consider joining/ supporting collaborative investor initiatives