Trane UK Limited Retirement Benefits Plan
Implementation Statement for year ending 5 April 2025

1. Introduction

This document is the Annual Implementation Statement ("the Statement") prepared by the Trustees of the Trane UK Limited Retirement Benefits Plan ("the Plan") covering the Plan year ("the year") to 5 April 2025.

The purpose of this statement is to:

- detail any reviews of the Statement of Investment Principles ("SIP") that the Trustees have undertaken, and any changes made to the SIP over the year as a result of the reviews
- set out the extent to which, in the opinion of the Trustees, the Plan's SIP has been followed during the Plan year; and
- describe the voting behaviour, including "most significant" votes, by, or on behalf of, the Trustees, and any use of a proxy voter, during the year ending 5 April 2025.

The Plan makes use of a range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact. As the Plan has a defined contribution (money purchase) ("DC") underpin in place in respect of some members, it means that the Plan is subject to a higher level of disclosure within the Implementation Statement than a plan that solely provides defined benefit (final salary) ("DB") benefits. The DC underpin may apply to DB benefits at the point at which members/beneficiaries begin drawing benefits. When a member of the Plan takes their retirement benefits, transfers out or dies (resulting in death benefits becoming payable), their benefits are tested to check if the underpin applies. This is referred to as the Personal Pension Accounts ("PPA") in the Plan Rules. If the value of the PPA is greater than the value of the DB benefits, the DC underpin 'bites and the Trustees must ensure that the value of the benefits paid out to the member is in line with the PPA.

The Trustees acknowledge the importance of being responsible stewards. Whilst the Trustees delegate voting rights and the execution of those rights to the underlying investment managers, an assessment of that voting activity, engagement and ESG integration is undertaken on behalf of the Trustees on a periodic basis through the form of an annual Sustainable Investment Review and through monitoring of voting data as part of the Statement process. Also, WTW as the Plan's Investment Consultant reviews the investment managers and provides quarterly updates to the Trustees. No issues were raised during the year.

In addition, the Trustees, with input and advice from their Investment Consultant, look to identify and undertake appropriate training to ensure they keep abreast of developments and maintain an appropriate level of knowledge and understanding across investment and sustainability related topics.

A copy of this Implementation Statement has been made available on the following website: https://trane.eu/uk/contact-us.html. A copy of the Plan's annual report and accounts, including this Implementation Statement, is available on request from Trane@willistowerswatson.com.

The Trustees receive regular financial updates from the Company and will continue to undertake independent covenant assessments as part of the actuarial valuation process.

Review of and changes to the SIP during the Plan year ending 5 April 2025

DB Section

There is one SIP currently in place for the Plan, last updated in September 2023. There is a statutory requirement to review the SIP at least once every three years.

The SIP was last reviewed during the 2023/24 year, and some changes were made under the 'Investment strategy' section to reflect the latest investment strategy review that took place in June 2023. The updated version also includes wording from the latest Statement of Funding Principles following the 5 April 2022 Actuarial Valuation.

AVCs and DC underpin

The SIP was also updated during the 2023/24 year to reflect a review of the AVC arrangements in March 2023. The Trustees agreed to make no changes to the investments under the AVC policies during the period.

There have been no changes to the terms of the DC underpin.

Adherence to the SIP during the Plan year ending 5 April 2025

This Statement reviews adherence against the current SIP, dated September 2023, which reflects policies that were in place throughout the year ending 5 April 2025.

Overall, the Trustees believe the policies outlined in the SIP have been followed during the Plan year ending 5 April 2025.

Full details of Plan's individual investment and risk management policies can be found in the latest version of the SIP, which is publicly available to access by all members of the Plan, and the below table summarises the key policies in place regarding the incentivisation, alignment and monitoring of the Plan's investment managers.

Policy area	Approach
Incentivising Investment Managers to align their investment strategy and decisions with the Trustees' investment policies as set out in this SIP	Each Investment Manager is chosen for a targeted asset class or market exposure within the Plan's investment strategy. Managers will be assigned appropriate performance benchmarks against which portfolio risk and return will be regularly measured. Benchmarks will be periodically reviewed to ensure that they continue to be appropriate for the individual mandates and the strategic objectives of the Plan. The Plan invests with multiple Investment Managers for the implementation of the Plan's investment strategy, which provides additional mitigation of any single manager being misaligned.
Incentivising Investment Managers to base their decisions on assessments of the medium to long-term financial performance of an issuer of debt or equity, and to engage with those issuers to improve their medium to long-term performance	The Trustees appoint their investment managers with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustees would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

	The Investment Consultant conducts formal reviews of Investment Managers at least annually to ensure that their investment approach is robust, long-term focussed and sustainable. The Trustees inform Investment Managers of the Trustees' Stewardship and Engagement policy when they are first appointed and provides updates to them as required. The Investment Consultant also provides the Trustees with monitoring of the Plan's investment managers from an ESG perspective.
Method and timescale for evaluating that Investment Managers' performance and fees align with the Trustees' investment policies	Performance is monitored and reported to the Trustees net of fees and on a regular basis. The Investment Consultant conducts a detailed assessment of Investment Managers' performance and other factors at least annually. As part of this review, fees and charges are monitored. The Trustees understand the importance of assessing performance over longer time periods. Investment Managers' fees are reported to the Trustee regularly.
Monitoring turnover costs incurred by Investment Managers and how the Trustees define and monitor targeted portfolio turnover	The Trustees review the costs incurred in managing the Plan's assets annually, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustees will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.
The length of arrangements with Investment Managers	The Trustees appoint their investment managers with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustees would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.
Stewardship and engagement	In assessing the stewardship and engagement activities of the investment managers, the Trustees will consider relevant matters including the capital structure of investee companies, actual and potential conflicts, other stakeholders and the ESG impact of underlying holdings. During the year, the Trustees considered the ESG ratings provided by the Investment Consultant and were comfortable with the investment managers' credentials in the area, warranting no further follow up. The stewardship priorities of the Plan's investments are reflective of the priorities of the underlying investment managers.

2. Voting and Engagement

DB section

The Plan's equity holdings are held within pooled investment vehicles and the Trustees delegate voting rights and the execution of those rights to the underlying managers for the securities they hold. WTW engage managers on areas for development, not least around resourcing, and improving the breadth and depth of corporate engagements.

Further information on the voting and engagement activities of those managers with equity investments is provided in the summary tables below.

Some of the Plan's underlying investment strategies, such as fixed income holdings, do not have any voting rights attached and have been excluded from the table below. These include the Plan's Corporate Bonds mandate (managed by AXA), and the Plan's Segregated Gilts/Index-Linked Gilts mandate (managed by BlackRock).

Use of proxy voting:

Manager	Use of proxy advisor services:
SSgA	(Statement from SSgA): In order to facilitate our proxy voting process, we retain Institutional Shareholder Services Inc. ("ISS"), a firm with expertise in proxy voting and corporate governance. We utilize ISS to: (1) act as our proxy voting agent (providing State Street Global Advisors with vote execution and administration services), (2) assist in applying the Guidelines, (3) provide research and analysis relating to general corporate governance issues and specific proxy items, and (4) provide proxy voting guidelines in limited circumstances.

Further information on the voting and engagement activities of those managers with equity investments is provided in the summary table below.

Manager/Fund	No. of resolutions eligible to vote on	Proportion eligible votes voted	Of resolutions voted: For management	Against management	Abstained	Against proxy advice
SSgA UK Equity Index Fund	2634	94.23%	83.0%	16.92%	0.04%	16.64%
SSgA North America Equity Index Fund	7196	100.0%	92.8%	7.13%	0.03%	8.81%
SSgA Europe ex UK Equity Index Fund	8154	96.7%	90.7%	9.28%	0.09%	5.21%
SSgA Asia Pacific ex Japan Equity Index Fund	3,065	100.00%	85.4%	14.55%	0.29%	9.82%
SSgA Japan Equity Index Fund	5,698	100.0%	93.2%	6.79%	0.0%	6.56%
SSgA Middle East & Africa Fund (50% Hedged)	560	100.0%	85%	15.00%	1.43%	7.32%
SSgA Emerging Markets Equity Index Fund	35,779	98.13%	85.8%	14.20%	3.37%	5.39%

The investment manager has provided an extensive list of significant votes cast throughout the year, and this list is available upon request. Details of two of the most significant votes cast by each of the equity regional sub-funds are included below.

Fund	Most significant votes cast during the 12 months to year ending 31 March 2022
SSgA UK Equity Index Fund	Significant vote 1: Company: Shell Plc Meeting Date: 21 May 2024 Type of resolution: Shareholder – Environmental Proposal Resolution: Advise Shell to Align its Medium-Term Emissions Reduction Targets Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement How the manager voted: For Rationale: SSgA did not provide voting rationale. Vote outcome: N/A Significant vote 2: Company: The Sage Group PLc Meeting Date: 06 Febuary 2025 Type of resolution: Compensation Resolution: Approve Remuneration Policy How the manager voted: Against Rationale: SSgA did not provide voting rationale. Vote outcome: N/A
SSgA North America Equity Index Fund	Significant vote 1: Company: Tesla Meeting Date: 13 June 2024 Type of resolution: Shareholder – Environmental Proposal Resolution: Commit to a Moratorium on Sourcing Minerals from Deep Sea Mining Rationale: This proposal does not merit support as the company's disclosures on this item are reasonable. Vote outcome: Fail Significant vote 2: Company: Suncor Energy Inc. Meeting Date: 7 May 2024 Type of resolution: Shareholder – Environmental Proposal Resolution: End 2050 Net Zero Pledge How the manager voted: Against Rationale: Vote outcome: F
SSgA Europe ex UK Equity Index Fund	Significant vote 1: Company: Novo Nordisk S/A Meeting Date: 27 March 2025 Type of resolution: Shareholder – E&S Proposal Resolution: Approve Proposal Regarding Regulated Working Conditions at Construction Sites. How the manager voted: Against Rationale: This proposal does not merit support as the company's disclosures related to facility safety are reasonable. Vote outcome: Fail Significant vote 2: Company: Nestle SA Meeting Date: 18 April 2024 Type of resolution: Shareholder – E&S Proposal Resolution: Report on Non-Financial Matters Regarding Sales of Healthier and Less Healthy Foods. How the manager voted: Against

	Rationale: This proposal does not merit support as the company's sustainability disclosures are reasonable. Vote outcome: Fail
SSgA Asia Pacific ex Japan Equity Index Fund	<u>Significant vote 1:</u> Company: National Australia Bank Limited Meeting Date: 18 December 2024 Type of resolution: Shareholder – Environmental Proposal Resolution: Approve Transition Plan Assessments How the manager voted: Against Rationale: This proposal does not merit support as the company's climate-related disclosures are reasonable Vote outcome: Withdrawn <u>Significant vote 2:</u> Company: Domino’s Pizza Enterprises Limited Meeting Date: 06 November 2024 Type of resolution: Compensation Resolution: Approve Remuneration Report How the manager voted: Against Rationale: SSgA did not provide voting rationale. Vote outcome: Pass
SSgA Japan Equity Index Fund	<u>Significant vote 1:</u> Company: Chubu Electric Power Co., Inc. Meeting Date: 26 June 2024 Type of resolution: Environmental Proposal Resolution: Amend Articles to Ban Reprocessing of Spent Nuclear Fuels How the manager voted: Against Rationale: SSgA did not provide voting rationale. Vote outcome: Fail <u>Significant vote 2:</u> Company: Toei Animation Co., Ltd. Meeting Date: 25 June 2024 Type of resolution: Director Election Resolution: Elect Director Takagi, Katsuhiro How the manager voted: Against Rationale: Voting against the nominee due to the lack of gender diversity on the board and SSGA has board independence concerns. Vote outcome: Pass
SSgA Middle East & Africa Fund (50% Hedged)	<u>Significant vote 1:</u> Company: Camtek Ltd. Meeting Date: 25 September 2024 Type of resolution: Compensation Resolution: Approve amended Compensation Policy for the Directors and Officers of the Company How the manager voted: Against Rationale: This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company. Vote outcome: N/A <u>Significant vote 2:</u> Company: Melisron Ltd. Meeting Date: 18 April 2024 Type of resolution: Compensation Resolution: Approve Compensation Policy for the Directors and Officers of the Company How the manager voted: Against

	Rationale: This proposal does not merit support due to concern with the potential dilution of all plans Vote outcome: N/A
SSgA Emerging Markets Equity Index Fund	Significant vote 1: Company: Med Life SA Meeting Date: 10 October 2024 Type of resolution: Compensation Resolution: Approve Remuneration Policy How the manager voted: Against Rationale: This proposal does not merit support due to concern with the potential dilution of all plans. Vote outcome: N/A Significant vote 2: Company: Arion Banki HF Meeting Date: 12 March 2025 Type of resolution: Compensation Resolution: Approve Remuneration Policy and Other Terms of Employment for Executive Management How the manager voted: Against Rationale: This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company. Vote outcome: N/A

AVCs / DC Underpin

Use of proxy voting:

Manager	Use of proxy advisor services:
M&G Investment Management **M&G Treasury & Investment Office**	M&G use the research provided by ISS and the Investment Association; and the ProxyExchange platform for managing the proxy voting activity.
BlackRock	BlackRock subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into their vote analysis process, and they not blindly follow their recommendations on how to vote. They primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where their own additional research and engagement would be beneficial. Other sources of information they use include the company's own reporting (such as the proxy statement and the website), their engagement and voting history with the company, and the views of their active investors, public information and ESG research.

Note: As the Prudential Dynamic Growth fund invests in BlackRock pooled funds, voting is carried out by BlackRock.

Further information on the voting and engagement activities of those managers with equity investments is provided in the summary table below.

Manager/Fund	No. of resolutions eligible to vote on	Proportion eligible votes voted	For management	Against management	Abstained	Against proxy advice
Prudential UK Equity Passive	8,137	98.4%	97.3%	2.4%	0.3%	0.0%
Prudential UK Equity S3	15,788	98.8%	98.1%	1.7%	0.2%	0.0%
Prudential Dynamic Growth I	77,110	96.6%	93.3%	6.1%	0.6%	0.8%
Prudential With Profits Fund	59,435	98.9%	92.2%	7.0%	0.9%	0.6%

Details on the most significant votes cast by these funds are captured in the table below:

Fund	Most significant votes cast during the 12 months to year ending 31 March 2025
Prudential UK Equity Passive	Significant vote 1: Company: Shell Plc Meeting Date: 21st May 2024 Summary of Resolution: 1 & 2 - Advise Shell to Align its Medium-Term Emissions Reduction Targets Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement 3 – Approve the Shell Energy Transition Strategy How the manager voted: 1 – Against. 2 & 3 - For Rationale for 1 – The request is either not clearly defined, too prescriptive, not in the purview of shareholders or unduly constraining on the company. Rationale for 2 – While the company has made progress towards its medium-term Scope 3 ambitions, a vote FOR this proposal is warranted as the alignment of the existing medium-term reduction target covering the greenhouse gas (GHG) emissions of the use of its energy products (Scope 3) with the goal of the Paris Climate Agreement would aid shareholders in understanding the company's assessment of how it could reduce its carbon footprint to limit global warming well below 2 degrees Celsius above pre-industrial levels and to limit the temperature increase to 1.5 degrees Celsius. Vote outcome: 1 & 2 – Fail. 3 - Pass Significant vote 2: Company: Exxon Mobil Corporation Meeting Date: 29th May 2024 Summary of Resolution: Report on Reduced Plastics Demand Impact on Financial Assumptions How the manager voted: Against Rationale: The company already provides sufficient disclosure and/or reporting regarding this issue or is already enhancing its relevant disclosures. Vote outcome: Fail
Prudential UK Equity S3	Significant vote 1: Company: Shell Plc Meeting Date: 21st May 2024 Summary of Resolution: 1 & 2 - Advise Shell to Align its Medium-Term Emissions Reduction Targets Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement 3 – Approve the Shell Energy Transition Strategy How the manager voted: 1 – Against. 2 & 3 - For Rationale for 1 – The request is either not clearly defined, too prescriptive, not in the purview of shareholders or unduly constraining on the company.

	Rationale for 2 – While the company has made progress towards its medium-term Scope 3 ambitions, a vote FOR this proposal is warranted as the alignment of the existing medium-term reduction target covering the greenhouse gas (GHG) emissions of the use of its energy products (Scope 3) with the goal of the Paris Climate Agreement would aid shareholders in understanding the company's assessment of how it could reduce its carbon footprint to limit global warming well below 2 degrees Celsius above pre-industrial levels and to limit the temperature increase to 1.5 degrees Celsius. Vote outcome: 1 & 2 – Fail. 3 - Pass <u>Significant vote 2:</u> Company: Univer Plc Meeting Date: 1st May 2024 Summary of Resolution: Approve Climate Transition Action Plan How the manager voted: For Rationale: Supportive as it meets our expectations Vote outcome: Pass <u>Significant vote 3:</u> Company: Shell Plc Meeting Date: 21st May 2024 Summary of Resolution: Approve Shell Energy Transition Strategy How the manager voted: Against Rationale: Concern over the company's transition plan not being aligned to 1.5 degrees, the lack of a scope 3 target and the withdrawal of the 2035 target. Vote outcome: Pass
Prudential Dynamic Growth I	<u>Significant vote 1:</u> Company: Amazon.com, Inc. Meeting Date:22nd May 2024 Summary of Resolution: Report on Efforts to Reduce Plastic Use How the manager voted: For Rationale: A vote FOR this proposal is warranted, as shareholders would benefit from additional information on how the company is managing risks related to the creation of plastic waste Vote outcome: Fail <u>Significant vote 2:</u> Company: Toyota Motor Corp Meeting Date: 18th June 2024 Summary of Resolution: Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement How the managed voted: For Rationale: A vote FOR this shareholder proposal is recommended because: * Toyota doubled the number of industry organizations reviewed in the 2023 climate lobbying report, which is positive. However, although Toyota Motor this year retained a third-party appraiser, unlike in 2022 when the company itself conducted a review, the identity of the appraiser is not disclosed. * Particularly in light of the compliance concerns at Toyota group companies, the proposal would help restore trust through transparent disclosures aligned with the Paris Agreement. * An evaluation of how the company's lobbying activities align with the Paris Agreement goals would provide information that would allow shareholders to better evaluate the company's risk related to its lobbying activities. Vote outcome: Fail
Prudential With Profits fund	<u>Significant vote 1:</u> Company: Shell Plc Meeting Date: 21st May 2024 Summary of Resolution: 1 & 2 - Advise Shell to Align its Medium-Term Emissions Reduction Targets Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement

	3 – Approve the Shell Energy Transition Strategy How the manager voted: 1 – Against. 2 & 3 - For Rationale for 1 – The request is either not clearly defined, too prescriptive, not in the purview of shareholders or unduly constraining on the company. Rationale for 2 – While the company has made progress towards its medium-term Scope 3 ambitions, a vote FOR this proposal is warranted as the alignment of the existing medium-term reduction target covering the greenhouse gas (GHG) emissions of the use of its energy products (Scope 3) with the goal of the Paris Climate Agreement would aid shareholders in understanding the company's assessment of how it could reduce its carbon footprint to limit global warming well below 2 degrees Celsius above pre-industrial levels and to limit the temperature increase to 1.5 degrees Celsius. Vote outcome: 1 & 2 – Fail. 3 - Pass <u>Significant vote 2:</u> Company: Toyota Motor Corp Meeting Date: 18th June 2024 Summary of Resolution: Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement How the manager voted: Against Rationale: Concerns over enshrining requirement in the company's articles Vote outcome: Fail

Statement of Investment Principles
Trane UK Limited Retirement Benefits Plan

Adopted with effect from September 2025

Introduction

1 This document is the Statement of Investment Principles ("SIP") written by the Trustees of the Trane UK Limited Retirement Benefits Plan (the "Plan") in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it).

2 The Plan is a Registered Pension Scheme for the purposes of the Finance Act 2004.

3 Before finalising this statement, the Trustees have obtained and considered written advice from their Investment Consultant and consulted with the Corporate Treasury Department of Trane Technologies plc ("Trane Corporate Treasury"). The Trustees have also consulted Trane UK Limited (the "Employer") on the principles set out in this statement and will consult the Employer and Trane Corporate Treasury on any changes to it. The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustees.

4 The Trustees will review this SIP at least every three years and without delay after any significant change in investment policy.

Plan objectives

5 The Trustees' main aims are:

- To ensure they can meet their obligations to the beneficiaries of the Plan; and
- To pay due regard to the Employer's interests on the size and incidence of Employer's contribution payments.

6 In seeking to achieve these objectives, the Trustees are mindful of the need to:

- Take account of current market conditions when positioning the portfolio at any time; and
- Limit the risk of the assets failing to meet the liabilities over the long term, noting that future asset values will depend on both investment returns and future contributions.

7 The Trustees will review these objectives regularly and amend as appropriate.

Investment strategy

8 The Trustees' policy is to seek to achieve the objectives through investing in a suitable mixture of asset classes. The Trustees recognise that return-seeking assets (such as equities) are expected to offer greater returns over the long term but they are also likely to be more volatile than liability-matching assets (such as index-linked gilts) which will provide a better hedge against the interest rate and inflation sensitivity of the Plan's liabilities.

9 The Trustees have received investment advice from the Investment Consultant and consulted with Trane Corporate Treasury to determine an appropriate investment strategy for the Plan (which has been agreed with the Employer).

10 Following the results of the Actuarial Valuation in 2022, the Trustees reviewed the investment strategy and Journey Plan as at March 2023. The Trustees, with advice from the Investment Consultant, agreed that the long-term (“end state”) portfolio of 10% allocation to return-seeking assets and 90% to liability matching assets remained appropriate.

11 The plan’s expected return has remained stable since the Strategy Review in June 2020, whilst overall risk has fallen materially over that time, attributable to the high interest rate and inflation hedge that the Plan has in place, and the value of the liabilities has reduced materially.

12 The Trustees have a desire to diversify the Plan’s risk exposures and to manage the Plan’s investments efficiently.

13 The investment strategy makes use of two main types of investments:

- A diversified portfolio of global equities; and
- A range of instruments that provide a better match to changes in liability values, including (but not limited to) fixed interest and index-linked government bonds, and corporate bonds.

14 The balance within and between these investments will be determined from time to time with regard to maximising the chance of achieving the Plan’s investment objectives.

15 The Plan will hold assets in cash and other money market instruments from time to time as may be deemed appropriate.

16 The Trustees, in conjunction with the Investment Consultant and the Scheme Actuary, and in consultation with Trane Corporate Treasury, will monitor the liability profile of the Plan and will regularly review the appropriateness of its investment strategy.

17 The expected returns of the Plan’s investments will be monitored regularly and will be directly related to the Plan’s investment objectives.

18 The Trustees' policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Plan's overall investments, where possible. The Trustees, together with the Plan's administrators, will hold sufficient cash to meet benefit and other payment obligations.

Investment managers

19 In accordance with the Financial Services and Markets Act 2000, the Trustees will set general investment policy and will approve the selection of investment managers and strategies, but will delegate the responsibility for the selection of specific investments to an appointed investment manager or managers. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Plan competently.

20 Managers will be recommended by the Investment Consultant for the Trustees’ approval based on the following criteria:

- Organisational stability;
- Quality of investment process;
- Experience and scale to manage desired strategy;
- Record of success in meeting objectives; and
- Competitive fees.

21 The Trustees have considered the extent to which Environmental, Social and Governance (“ESG”) factors should be taken into account in the selection, retention and realisation of investments, and their policy in relation to the exercise of the rights (including voting rights) attaching to investments.

22 **Financially material investment considerations**

The Trustees have delegated selection, retention, and realisation of investments to the Plan's investment managers. The Trustees recognise that long-term sustainability issues could have a material impact on risk and outcomes, both financial and non-financial, though the Trustees' fundamental mission is to meet the Plan's financial obligations, and therefore financial considerations must take precedence. The Trustees' policy is that the extent to which social, environmental, or ethical considerations are taken into account in these decisions is left to the discretion of its investment managers, in particular the extent to which these issues may have a fundamental impact on portfolio returns.

The Plan uses different managers and mandates to implement its investment policies. The Trustees ensure that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2 of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustees will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with their policies, where relevant to the mandate in question. Where segregated mandates are used, the Trustees will use their discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustees’ policies, where relevant to the mandate.

23 To maintain alignment, managers are provided with the most recent version of the Plan’s Statement of Investment Principles on an annual basis and are required to confirm that the management of the assets is consistent with those policies relevant to the mandate in question.

24 **Non-financial matters**

The Trustees do not at present take in to account non-financial matters (such as members' ethical considerations, social and environmental impact matters, or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. At this time, the Trustees have no plans to seek the views of the membership on ethical considerations.

25 **Rights attached to investments**

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings.

26 It is expected that the Plan's portfolio will be primarily invested in indexed strategies in order to minimise fees and active management risk. Active strategies may be utilised in those asset classes in which there is deemed to be no suitable index or are deemed to be "inefficient". When deciding whether to implement a given mandate with active or passive management, the Trustees will consider the likelihood of active management adding value above fees and transaction costs on a predictable and consistent basis.

27 The Trustees are not involved in the investment managers' day-to-day method of operation and do not directly seek to influence attainment of their performance targets. The Trustees will maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Plan's long term objectives, and an acceptable level of risk.

28 Managers will be assigned appropriate performance benchmarks against which portfolio risk and return will be regularly measured. Benchmarks will be periodically reviewed to ensure that they continue to be appropriate for the individual mandates and the strategic objectives of the Plan. The Trustees expect the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods.

29 Should the Trustees' monitoring process reveal that a manager's portfolio is not aligned with the Trustees' policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.

30 The Trustees appoint its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short-term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors, such as a significant change in business structure or the investment team.

31 Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services, which includes consideration of long-term factors and engagement.

32 The Trustees review the costs incurred in managing the Plan's assets annually, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustees will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate. Monitoring of portfolio turnover is produced annually, with data received directly from the investment managers specific to each fund they manage and covers: 1) The experienced portfolio turnover of the fund over the year; 2) A range of expected long-term portfolio turnovers; and 3) A high level range of typical long-term portfolio turnovers for that specific asset class (provided by WTW).

Additional Voluntary Contributions (AVC)

33 The Plan's AVC arrangements provide for benefits to be accrued on a money purchase basis, with the value of members' funds being determined by the value of accumulated contributions adjusted for investment returns net of charges. In selecting appropriate investments, the Trustees are aware of the need to provide a range of investment options broadly satisfying the risk profiles of all members, given that members' benefits will be directly determined by the value of the underlying investments.

34 The Plan has two AVC providers – Utmost (formerly Equitable Life) and Prudential.

35 From time to time, the Trustees (via their DC sub-committee) will review the AVC arrangements with the assistance of the Investment Consultant, and in consultation with Trane Corporate Treasury, to ensure that the investment performance achieved is acceptable and the investment profile of the available funds remains consistent with the objectives of the Trustees and the needs of the members. A review was carried out in March 2023, and no changes were made following this review.

DC Underpin

36 Some members of the Plan have a DC 'underpin' applied to their DB benefits at the point at which they "crystallise" (begin drawing benefits). When a member of the Plan takes their retirement benefits, transfers out, or dies, their benefits are tested to check if the underpin applies. This is referred to as a Personal Pension Accounts ("PPA") in the Plan Rules. If the value of the PPA is greater than the value of the DB benefits, the DC underpin 'bites' and the Trustees must ensure that the value of the benefits paid out to the member is in line with the PPA. This rule applies very rarely to the Plan, and has no specific investment objectives linked to it, however in the instance where the underpin does 'bite' then it is equivalent to a DC benefit, and the Trustee will produce a Chair's Statement that addresses the underpin (if triggered).

Appendix A – Risk Measurement and Management

The Trustees recognise a number of risks involved in the investment of the Plan’s assets:

Deficit risk

- Is measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies.
- Is managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy and agreeing an appropriate level of Employer contributions that cover ongoing accruals and amortizes prior deficits.

Interest rate and inflation risk

- Is measured by comparing the sensitivity of the Plan’s liabilities and assets to movements in inflation and interest rates.
- Is mitigated by holding a portfolio of matching assets that enable the Plan’s assets to better match movements in the value of the liabilities due to inflation and interest rates.

Manager risk

- Is measured by the expected deviation of the return relative to the benchmark set.
- Is managed by limiting exposure to any one investment manager, consideration of the appropriate amount of the Plan to allocate to each portfolio and by monitoring the actual deviation of returns relative to the benchmark and factors supporting the managers’ investment process.

Liquidity risk

- Is measured by the level of cashflow required by the Plan over a specified period.
- Is managed by the Plan's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy and through holding assets of appropriate liquidity.

Currency risk

- Is measured by the level of exposure to non-Sterling denominated assets.
- Is managed by monitoring the actual level of assets held in non-Sterling denominated currencies and determining the appropriate level of hedging for currency exposures.

Political risk

- Is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
- Is managed by regular reviews of the actual investments relative to policy and through the level of diversification within the existing policy.

Sponsor risk

- Is measured by receiving regular financial updates from the Employer and periodic independent covenant assessments.
- Is managed through an agreed contribution and funding schedule.

ESG risk

- Is measured by the adverse performance due to Environmental, Social and Governance (ESG) related factors including climate change
- Is managed through an initial ESG assessment at the point of investment with the investment managers and the ongoing investment manager monitoring process.

Appendix B – Statement of Funding Principles

The Trustees considered the future returns expected on the Plan's assets when setting the discount rate assumptions used for the Plan's 5 April 2022 formal funding valuation, as documented in their Statement of Funding Principles (SFP) dated June 2023.

The Trustees recognise that the discount rates used for funding purposes take a prudent view of the likely investment returns achieved by the Plan's assets and, therefore, the actual long term returns from their asset portfolio are expected to be higher than the assumptions used for funding.

The SFP states that *"the discount rate will be set taking account of the full (term-dependent) UK Government gilt yield curve, with an explicit margin added to reflect a prudent estimate of the expected investment return on the portfolio of assets which the Trustees hold at the date of the valuation and expect to hold in future."*

The Appendix to the SFP states that, as at 5 April 2022:

"The discount rate approach selected for this valuation was based upon the term structure of returns available on UK Government Gilts. The gilt yield spot curve was taken to represent the return available, at the valuation date, on a low-risk investment portfolio.

- An addition was made to this yield curve to reflect the additional returns expected on the Plan's assets. A prudent margin of 0.4% pa over gilts was selected to represent the returns anticipated in the long term

This approach was determined by the Trustees based on market conditions as at the valuation date, with regard to the Plan's investment strategy at the valuation date (retaining a holding period in return-seeking assets of 10%).

The Trustees expect to keep these margins under review at future valuations to reflect any change in the Plan's investment strategy, or in the outlook for investment returns on the portfolios of assets.

For reference, the single discount rate equivalent to using the gilt curve with these margins applied at the appropriate durations was 2.1% pa."