

Allegion UK Pension Plan Implementation Statement – 5 April 2024

Why have we produced this Statement?

The Trustees of the Allegion UK Pension Plan (“the Plan”) have prepared this statement to comply with the requirements of the Occupational Pension Plans (Investment and Disclosure) (Amendment) Regulations 2019.

This statement sets out how the Trustees have complied with the voting and engagement policies detailed in the Plan’s Statement of Investment Principles (SIP).

What is the Statement of Investment Principles (SIP)?

The SIP sets out key investment policies including the Trustees’ investment objectives and investment strategy.

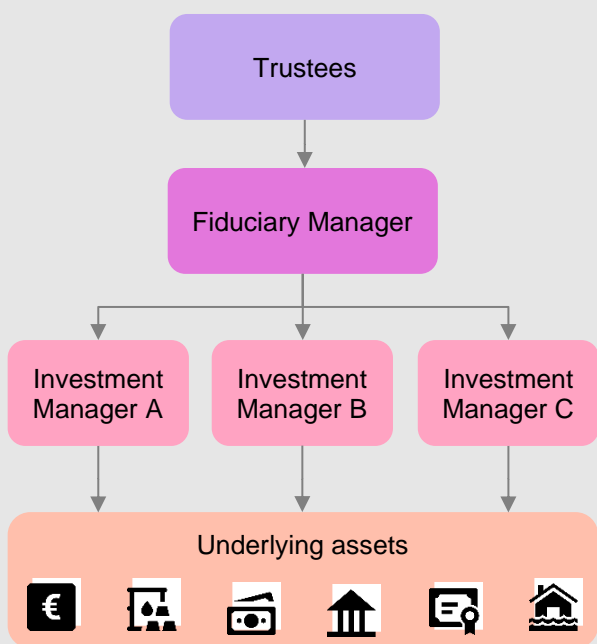
It also explains how and why the Trustees delegate certain responsibilities to third parties, the risks the Plan faces and the mitigated responses.

The Trustees last updated the SIP in November 2022.

What is the purpose of this Statement?

1. To explain how the Trustees’ engagement policy has been applied over the year.
2. To describe how the voting rights attached the Plan’s assets have been exercised over the year.

How are the Plan’s investments managed?



Trustees - The Trustees’ key objective is to ensure sufficient assets to pay members’ benefits as they fall due. The Trustees retain overall responsibility for the Plan’s investment strategy but delegates some responsibilities to ensure they are undertaken by somebody with the appropriate skills, knowledge and resources.

Fiduciary Manager (WTW) – The Trustees employ a Fiduciary Manager to implement the Trustees’ investment strategy. The Fiduciary Manager allocates the Plan’s assets between asset classes and investment managers.

Investment managers – The Fiduciary Manager appoints underlying investment managers either using a pooled vehicle or a segregated mandate (where the assets are held directly in the Plan’s name). The Fiduciary Manager will look for best in class specialist managers for each asset class.

Underlying assets – The investment managers pick the underlying investments for their specialist mandate e.g. shares in a company or government bonds.

Why do the Trustees believe voting and engagement is important?

The Trustees' view is that Environmental, Social and Governance (ESG) factors can have a significant impact on investment returns, particularly over the long-term, and therefore contribute to the security of members' benefits. The Trustees further believe that voting and engagement are important tools to influence these issues.

The Trustees have appointed a Fiduciary Manager who shares this view and has embedded the consideration of ESG factors, voting and engagement in its processes.

The Trustees incorporate an assessment of the Fiduciary Manager's performance in this area as part of its overall assessment of the Fiduciary Manager's performance.

What is the Trustees' voting and engagement policy?

When considering its policy in relation to stewardship, including engagement and voting, the Trustees expect investment managers to address broad ESG considerations, but have identified climate and human and labour rights as key areas of focus.

The day-to-day integration of ESG considerations, voting and engagement are delegated to the investment managers. The Trustees expect investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital.

Where ESG factors are considered to be particularly influential to outcomes, the Trustees expect the Fiduciary Manager to engage with investment managers to improve their processes.

What are the Fiduciary Manager's policies?

Climate change and net zero pledge

The Trustees believe Climate Change is a current priority when engaging with public policy, investment managers and corporates.

The Fiduciary Manager has committed to targeting net zero greenhouse gas emissions by 2050 at the latest, with a 50% reduction by 2030, in the portfolios that it manages including the Plan's.

Public policy and corporate engagement

The Fiduciary Manager partners with EOS at Federated Hermes, whose services include public policy engagement, and corporate voting and engagement on behalf of its clients (including the Trustees).

Some highlights from 2023 include:

- Engagements with 1,041 companies on a total of 4,272 issues and objectives.
- 31 responses to consultations or proactive equivalents and 90 discussions with relevant regulators and stakeholders.
- Voting recommendations on 128,101 resolutions, with 22,716 against management.
- Active participation in a range of global stewardship initiatives.

Industry collaboration initiatives

The Fiduciary Manager engages in several industry initiatives including:

- Signatory of the UK Stewardship Code
- Co-founder of the Net Zero Investment Consultants Initiative
- Member of Net Zero Asset Managers Initiative
- Signatory of the Principles for Responsible Investment (PRI)
- Member of the Institutional Investors Group on Climate Change (IGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC)
- Co-founder of the Investment Consultants Sustainability Working Group
- Founding member of The Diversity Project
- Supporter of the Transition Pathway Initiative

How does the Fiduciary Manager assess the investment managers?

Investment manager appointment - The Fiduciary Manager considers the investment managers' policies and activities in relation to ESG factors and stewardship (which includes voting and engagement) at the appointment of a new manager. In 2023 the Fiduciary Manager conducted engagements with over 150 managers on sustainability and stewardship. In 2022 it also introduced engagement priorities on climate, modern slavery and engagement reporting for all our asset managers.

Investment manager monitoring - The Fiduciary Manager produces detailed reports on the

investment managers' ESG integration and stewardship capabilities on an annual basis. We have provided the Fiduciary Manager's ratings of the equity managers' ESG integration and stewardship capabilities in the later pages.

Investment manager termination - The Fiduciary Manager engages with investment managers to improve their practices and increase the bar by which they are assessed as best practice evolves. The Fiduciary Manager may terminate an investment manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no investment managers were terminated on these grounds during the year.

Example of engagement activity carried out over the year

Structured Credit Manager A General ESG issue

Issue: No ESG reporting, measurement of carbon emissions or scoring of portfolios ESG risks

Outcome: Formalise ESG reporting, measurement of carbon emissions and scoring of portfolios ESG risks

Equity Manager B General ESG issue

Issue: ESG Monitoring

Outcome: WTW have had frequent discussions with the manager about their assessment of a portfolio company, which is subject to criticisms about their governance structure and dividend payout policy. We evaluated how governance was assessed for this firm and the actions that had been taken to engage with the company to improve their governance practice to protect minority shareholder's interests.

Structured Credit Manager C Climate issue

Issue: Climate reporting at mandate level

Outcome: Manager is looking to map loan level data to Partnership for Carbon Accounting Financials (PCAF) data where available

What are the voting statistics we provide?

The Plan is invested across a diverse range of asset classes which carry different ownership rights, for example bonds do not have voting rights attached. Therefore, voting information was only requested from the Plan's equity investment managers.

Responses received are provided in the following pages. The Trustees used the following criteria to determine the most significant votes:

- Trustees' stewardship priorities (climate and human and labour rights)
- Financial outcome for members, including size of holdings
- High profile votes

The Plan is invested in both active (trying to outperform the market) and passive (aiming to perform in line with the market) equity funds. The Trustees have decided not to publicly disclose active investment manager names as the Trustees believe this could impact the investment manager's ability to generate the best investment outcome.

The Trustees have also included the Fiduciary Managers assessment of the investment managers ESG integration and stewardship (including voting and engagement) capabilities.

In conclusion

The Trustees are satisfied that over the year, all SIP policies and principles were adhered to and in particular, those relating to voting and engagement.

FSSA Investment Managers – China A Shares

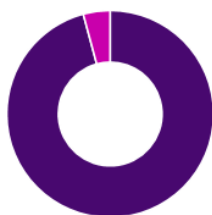
Voting activity over the year



Fiduciary Manager's assessment

Voting activity over the year

Number of votes eligible to cast: 853
Percentage of eligible to cast: 100%



■ For: (95.8%) ■ Against: (4.2%)

Significant vote

Company: Midea Group Co. Ltd

% Fund: 4.1%

Vote topic: Reappoint the accounting firm

Issue: The company need to improve its disclosure in the accounting of fees

Voting instruction: Against management resolution

Outcome: Passed the resolution

Why a significant vote? Vote against management

Next steps: To communicate in future meetings on areas for improvement and to be even more proactive in engaging with companies regarding vote-against decisions. FSSA will look to understand the rationale of companies on issues raised and will vote on case-by-case basis and build the foundation for constructive engagements with portfolio companies

Significant vote

Company: Beijing New Building Material Public Limited Company

% Fund: 3.8%

Vote topic: Estimated continuing connected transactions

Issue: Increased project related-party transactions

Voting instruction: Against management resolution

Outcome: Passed the resolution

Why a significant vote? Vote against management

Next steps: To communicate in future meetings on areas for improvement and to be even more proactive in engaging with companies regarding vote-against decisions. FSSA will look to understand the rationale of companies on issues raised and will vote on case-by-case basis and build the foundation for constructive engagements with portfolio companies

Voting policy: First Sentier is advised of corporate actions such as proxy voting by its custodians. The Head of each asset class or their authorized signatory is responsible for ensuring that all company resolutions are reviewed, and an appropriate and consistent recommendation is made in line with the corporate governance guidelines and principles as outlined in the Proxy Voting policy. The authorized signatory for any Head of asset class in respect of proxy voting may be the Business Management, Investments team. Once the proxy voting intentions have been confirmed, they must communicate the decision to the Company Engagement team in an agreed format by the pre-advised cut-off. The Company Engagement team has sole responsibility for instructing the relevant custodian of the proxy voting instruction and will maintain records of all proxy voting decisions in a format which will allow the dissemination of this data to relevant customers. First Sentier will only vote in the best interests of its customers. It is First Sentier's duty to put any other relationship or interest to one side when deciding how to vote on behalf of customers.

Legal and General Investment Management (LGIM) – AC World Adaptive Capped ESG Universal

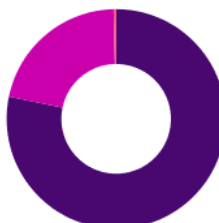
Voting activity over the year



Fiduciary Manager's assessment

Voting activity over the year

Number of votes eligible to cast: 36,189
Percentage of eligible to cast: 99.9%



■ For: (78.3%) ■ Against: (21.4%) ■ Abstain: (0.4%)

Significant vote

Company: Sumitomo Mitsui Financial Group, Inc.

% Fund: 0.1%

Vote topic: To amend the articles of incorporation to publish a transition plan to align lending and investment portfolios with the Paris Agreement

Issue: LGIM supports the proposal to invigorate and encourage further strengthening of policies in line with science-based temperature-aligned pathways towards a net-zero-by-2050 world

Voting instruction: For shareholder resolution (against management recommendation)

Outcome: Limited information provided

Why a significant vote? LGIM continues to consider that decarbonization of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met

Next steps: LGIM will continue to engage with the company and monitor progress

Significant vote

Company: Public Storage

% Fund: 0.1%

Vote topic: Report on greenhouse gas (GHG) emissions reduction targets aligned with the Paris Agreement goal

Issue: LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C

Voting instruction: For shareholder resolution (against management recommendation)

Outcome: Failed the resolution

Why a significant vote? This shareholder resolution is considered significant due to the relatively high level of support received

Next steps: LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution

Voting policy: All decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures the stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

Legal & General Investment Management (LGIM) – Robeco Global Sustainable Multi-Factor Equities Index Fund



Fiduciary Manager's assessment

Voting activity over the year

Voting activity over the year

Number of votes eligible to cast: 22,789
Percentage of eligible to cast: 99.8%



■ For: (79.4%) ■ Against: (20.3%) ■ Abstain: (0.3%)

Significant vote

Company: Broadcom Inc.

% Fund: 0.5%

Vote topic: Elect Director Henry Samueli

Issue: Company is deemed to not meet minimum standards with regard to climate risk management

Voting instruction: Against management resolution

Outcome: Passed the resolution

Why a significant vote? It is applied under the Climate Impact Pledge, the flagship engagement programme targeting companies in climate-critical sectors

Next steps: LGIM will continue to engage with the company and monitor progress

Significant vote

Company: Schneider Electric SE

% Fund: 0.4%

Vote topic: Approve company's climate transition plan

Issue: LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of GHG emissions and establishing GHG emission reductions targets consistent with the 1.5°C goal

Voting instruction: Against management resolution

Outcome: Limited information provided

Why a significant vote? LGIM is publicly supportive of climate related votes. They expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5°C scenario

Next steps: LGIM will continue to engage with their investee companies, publicly advocate the position on this issue and monitor company and market-level progress

Voting policy: All decisions are made by LGIM's Investment Stewardship team and in accordance with the relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures the stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

Legal & General Investment Management (LGIM) – Heitman Global Prime Property Securities



Fiduciary Manager's assessment

Voting activity over the year

Voting activity over the year

Number of votes eligible to cast: 879
Percentage of eligible to cast: 100.0%



■ For: (79.9%) ■ Against: (20.1%)

Significant vote

Company: Wharf Real Estate Investment Company Limited

% Fund: 1.6%

Vote topic: Elect Richard Gareth Williams as Director

Issue: A vote against is applied as the company is deemed to not meet minimum standards with regards to climate risk management

Voting instruction: Against management resolution

Outcome: Passed the resolution

Why a significant vote? It is applied under the Climate Impact Pledge, the flagship engagement programme targeting companies in climate-critical sectors

Next steps: LGIM will continue to engage with the company and monitor progress

Significant vote

Company: The GPT Group

% Fund: 1.4%

Vote topic: Elect Mark Menhinnitt as Director

Issue: A vote against is applied as the company is deemed to not meet minimum standards with regards to climate risk management

Voting instruction: Against management resolution

Outcome: Passed the resolution

Why a significant vote? It is applied under the Climate Impact Pledge, the flagship engagement programme targeting companies in climate-critical sectors

Next steps: LGIM will continue to engage with the company and monitor progress

Voting policy: All decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures the stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

Legal and General Investment Management (LGIM) – Infrastructure Equity MFG Fund



Fiduciary Manager's assessment

Voting activity over the year

Voting activity over the year

Number of votes eligible to cast: 1,238
Percentage of eligible to cast: 100.0%



■ For: (74.1%) ■ Against: (25.9%)

Significant vote

Company: Ferrovia SA
% Fund: 2.9%

Vote topic: Reporting on Climate Transition Plan

Issue: A vote against is applied as LGIM expects net zero commitments, rather than carbon neutrality commitments

Voting instruction: Against management resolution
Outcome: Limited information provided

Why a significant vote: LGIM is publicly supportive of climate related votes. They expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5°C scenario

Next steps: LGIM will continue to engage with investee companies, publicly advocate the position on this issue and monitor company and market-level progress

Significant vote

Company: Aena S.M.E. SA
% Fund: 2.4%

Vote topic: Advisory vote on company's 2022 updated report on climate action plan

Issue: LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of greenhouse gases (GHG) emissions and establishing GHG emissions reduction targets consistent with the 1.5°C goal.

Voting instruction: Against management resolution
Outcome: Limited information provided

Why a significant vote? : LGIM is publicly supportive of climate related votes. They expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5°C scenario

Next steps: LGIM will continue to engage with the company and monitor progress

Voting policy: All decisions are made by LGIM's Investment Stewardship team and in accordance with the relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures the stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.