

**Mettler-Toledo Pension Scheme**

**Statement of Investment Principles – Implementation Statement**

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated February 2023 have been implemented.

It also includes the Trustee's voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made any the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 1 January 2023 to 31 December 2023.

**Investment objectives of the Scheme**

The Trustee's objectives for setting the investment strategy of the Scheme have been set broadly with regard to the Scheme's Statutory Funding Objective set out in the Statement of Funding Principles. However, the Trustee has determined that, given the Scheme's funding level, the funding position as measured against the Scheme's liabilities calculated on a solvency basis is the funding measure of most importance to the Trustee.

The Trustee's primary objectives are set out on page 4 of the SIP and are as follows:

- To ensure that the assets are of a nature to enable the Trustee to meet to meet the Scheme's benefits as they fall due.
- To invest the Scheme's assets in an appropriately diverse and liquid range of investments.
- To invest in a way that is consistent with the Scheme's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustee's funding plan have a reasonable chance of being achieved in practice.
- To target a level of hedging of 100% against the interest rate risk and inflation risk associated with the Scheme's funded liabilities on a solvency basis (or asset value where the Scheme is in surplus).

The Trustee appreciates that these objectives are not necessarily mutually exclusive.

The Trustee also recognises that it is currently necessary to accept some risk in the investment strategy to achieve the long-term funding objective.

**Review of the SIP**

The SIP was last reviewed in February 2023. The Trustee updated the SIP to reflect changes in the Scheme's investment strategy that were made over the year to 31 December 2022.

Prior to this, the SIP had last been updated in September 2020 to take account of new investment regulations.

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The Trustee has a policy on financially material considerations relating to ESG issues, including the risk associated with the impact of climate change. In addition, the Trustee has a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out later in this Statement and are detailed in the Trustee's SIP.

The Trustee's policies on financially and non-financially material considerations, as well as engagement and voting activities, were updated from the previous SIP dated September 2020, in the SIP coming into force during the year.

#### Investment managers and funds in use

The investment funds used as at 31 December 2023 are set out in the table below. The strategy at the year end however is not aligned to that in the SIP dated February 2023, given the Trustee had subsequently amended the investment strategy during the year.

Asset Class	Fund	Target Asset Allocation
<b>Corporate Bonds</b>	BlackRock Buy and Maintain ESG Vintage 2020 - 2024 Fund	52.5%
	BlackRock Buy and Maintain ESG Vintage 2025 - 2029 Fund	
	BlackRock Buy and Maintain ESG Vintage 2030 - 2034 Fund	
	BlackRock Buy and Maintain ESG Vintage 2035 - 2039 Fund	
<b>Government Bonds</b>	Aquila Life Over 15 Years UK Gilt Index Fund	40.0%
	Aquila Life Over 25 Years Index-Linked Gilt Index Fund	
<b>Cash</b>	BlackRock Sterling Liquidity Fund	7.5%
<b>Total</b>		<b>100%</b>

As at the date of this Statement, the Trustee is considering making further changes to the investment strategy and will look to revise the SIP as appropriate following implementation of any further strategy changes.

#### Investment governance

The Trustee is responsible for making investment decisions and seeks advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustee's investment consultant.

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The Trustee does not actively obtain the views of the membership of the Scheme to help form its policies set out in the SIP, as the Trustee's primary objective is to meet the benefits of the Scheme as they fall due, and the current investment strategy in place is intended to meet this objective. In addition, the Trustee notes that the Scheme is comprised of a diverse membership, which the Trustee expects to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

The Trustee has put in place objectives for Broadstone, as the Trustee's investment consultant, as required by the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022, which were last reviewed by the Trustee on 20 April 2023. These objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, support with Scheme management, compliance and service standards.

#### Trustee's policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
<b>Selection of Investments</b>	<p>The Trustee may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property and alternative asset classes, such as hedge funds, private equity and infrastructure.</p> <p>The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.</p> <p>The Trustee may also:</p> <ul style="list-style-type: none"> <li>Invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments.</li> <li>Hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all of the future liabilities due from it.</li> <li>Hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.</li> </ul>	<p>No deviation from this policy over the year to 31 December 2023.</p>



Requirement	Policy	Implementation of Policy
<b>Target Asset Allocation</b>	<p>The Trustee will set a Target Asset Allocation from time to time, determined with the intention of meeting its investment objectives.</p> <p>The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustee's view of the Principal Employer's covenant, the nature of the Scheme's liabilities or relevant regulations governing pension Scheme investment.</p> <p>The Trustee has agreed the range of funds to be used in the investment strategy, taking into account the maturity of the Scheme's liabilities, and to ensure the range is sufficiently robust to allow easy adjustment between the funds as the Trustee's risk appetite changes and the Scheme matures</p>	<p>No deviation from this policy over the year to 31 December 2023.</p>
<b>Delegation to Investment Managers</b>	<p>The Trustee will delegate the day-to-day management of the Scheme's assets to professional investment managers and will not be involved in the buying or selling of investments.</p>	<p>No deviation from this policy over the year to 31 December 2023.</p>
<b>Realising Investments</b>	<p>The Trustee makes disinvestments from the Investment Manager with the assistance of its administrators, Broadstone, as necessary, to meet the Scheme's cashflow requirements.</p>	<p>No deviation from this policy over the year to 31 December 2023.</p>
<b>Maintaining the Target Asset Allocation and Hedging Ratios</b>	<p>The Trustee has responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation and Target Hedging Ratios. The Trustee monitors the asset allocation on a regular basis with the assistance of its adviser, Broadstone, and will consider switching assets between funds should the allocation move significantly away from the Target Asset Allocation or Target Hedging Ratios. Maintaining the Target Hedge Ratios will take precedence over maintaining the Target Asset Allocation.</p>	<p>The Trustee revised the Scheme's investment strategy later in the year, and as such the investment allocation as at the year end did not reflect the SIP, though it was broadly in-line with the Trustee's target investment allocation.</p>

Requirement	Policy	Implementation of Policy
<b>Performance Benchmarks and Objectives</b>	<p>The corporate bond fund allocation is actively managed, where the fund range has an objective to capture the yield on a diversified portfolio of (predominantly) investment grade corporate bonds by avoiding defaults and/or material downgrades. Given the objective, the funds do not have specific performance benchmarks.</p> <p>The government bond fund allocation uses index-tracking funds, meaning that their objective is to track the total return on a specified market index within an agreed margin over a specified timescale.</p> <p>The cash fund is not reflected in the February 2023 SIP, though is an actively managed fund with an objective of maximising current income whilst preserving capital and providing liquidity through a portfolio of money market instruments.</p>	<p>No deviation from the benchmarks or objectives over the year to 31 December 2023.</p>
<b>Investment Management Charges</b>	<p>The annual investment management charges are set out on page 14 of the SIP and are as below for each fund:</p> <ul style="list-style-type: none"> <li>• BlackRock Buy and Maintain ESG Vintage Funds: 0.090%</li> <li>• Aquila Life Over 15 Years Gilt index Fund: 0.080%</li> <li>• Aquila Life Over 25 Years Index-Linked Gilt Index Fund: 0.080%</li> </ul> <p>In addition to the funds above, reflected in the February 2023 SIP, the annual investment management charge for the additional fund used as at the year end is set out below:</p> <ul style="list-style-type: none"> <li>• BlackRock Sterling Liquidity Fund: 0.125%</li> </ul>	<p>No deviation from the management charges over the year to 31 December 2023.</p>
<b>Financially and Non-Financially Material Considerations</b>	<p>The Trustees' policy on financially and non-financially material considerations is set out on page 8 of the SIP and in full below.</p>	<p>No deviation from this policy over the year to 31 December 2023 (see below).</p>

Requirement	Policy	Implementation of Policy
<b>Engagement and Voting Rights</b>	<p>The Trustee's engagement policy is to use its investments to improve the Environmental, Social and Governance behaviors of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustee believes that having this policy, and aiming to improve how companies behave in the medium and long term, are in the members' best interests. The Trustee will aim to monitor the actions taken by the Investment Manager on its behalf and if there are significant differences from the policy detailed above, it will escalate any concerns which could ultimately lead to disinvesting its assets from the manager.</p>	<p>No deviation from this policy over the year to 31 December 2023 (see below).</p>
<b>Additional Voluntary Contributions</b>	<p>Members' Additional Voluntary Contributions ("AVCs") are invested in with-profits and unit linked contracts with Aviva, Clerical Medical and Utmost.</p>	<p>No deviation from this policy over the year to 31 December 2023.</p>

**Financially and non-financially material considerations**

The Trustee recognises that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustee delegates responsibility for day-to-day decisions on the selection of investments to the Investment Manager. The Trustee has an expectation that the Investment Manager will consider ESG issues in selecting investments or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustee takes the view that this falls within its general approach to ESG issues. The Trustee regards the potential impact of climate change on the Scheme's assets as a longer-term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustee will continue to monitor market developments in this area with their investment adviser.



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The Trustee's views on how ESG issues are taken account of in each asset class used as at the year end is set out below:

Asset Class	Active/Passive	Trustee's views
<b>Corporate Bonds</b>	Active	The Trustee expects the Investment Manager to take financially material ESG factors into account, given the active management style of the funds and their specific ESG focus.
<b>Government Bonds</b>	Passive	The assets consist of government bond funds, with no underlying investee companies as such. Therefore, the Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
<b>Cash</b>	Active	The Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustee expects the Investment Manager, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment.

**Voting rights**

The Trustee currently invests in pooled investment funds with the Investment Manager, and it acknowledges that this limits its ability to directly influence the Investment Manager. In particular, all voting activities have been delegated to the Investment Manager, as the Trustee does not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme's investments.

However, the Trustee periodically meets with its investment manager, to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustee. As part of this, the Trustee will seek to challenge its investment manager on these matters where it thinks this is in the best interests of members.

None of the funds held by the Trustee over the year contain publicly listed equity holdings. This means there are no voting rights attached to the assets held by the Scheme and therefore no delegation of voting rights is required.

**Engagement activities**

The Trustee has also delegated engagement activities to the Investment Manager. A notable engagement activity from the Investment Manager is provided below:

- **BlackRock** has held several engagements over the last few years with a Malaysian-based palm oil producer, following it being issued a Withhold Release Order from the U.S. Customs and Border Protection (CBP) in 2020, following allegations of forced labour. The company had appointed an auditor to review its practices compared to the International Labour Organisation's indicators of forced labour, and in February 2023 the company provided an update that it was in the process of remediating gaps identified by the auditor, which included upgrading worker housing facilities and reimbursing eligible former and current workers who had paid recruitment fees to secure jobs.

Through engagement, the company indicated to BlackRock that it will likely submit a final report to the CBP to seek to modify the Withhold Release Order. BlackRock notes that progress to address the concerns raised in the Withhold Release Order has been slow and will seek to understand further developments through continued engagement.

The Trustee also considers an investment manager's policies on stewardship and engagement when selecting and reviewing investment managers.

**Monitoring of investment arrangements**

In addition to any reviews of investment managers or approaches, and direct engagement with the Investment Manager (as detailed above), the Trustee receives performance reports on a quarterly basis from BlackRock, together with performance reports from Broadstone on a quarterly basis to ensure the investment objectives set out in its SIP are being met.

Signed:  Date: 16 July 2024  
Cheong Shu-chun Trust Corporation Limited

On behalf of the Trustee of the Mettler-Toledo Pension Scheme