

Implementation Statement for the year ending 31 March 2023

Heidelberg Group Pension Scheme

Purpose of this statement

This implementation statement has been produced by the Trustee of the Heidelberg Group Pension Scheme (“the Scheme”) to set out the following information over the year to 31 March 2023:

- how the Trustee’s policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- the voting activity undertaken by the Scheme’s investment managers on behalf of the Trustee over the year, including information regarding the most significant votes.

Stewardship policy

The Trustee’s Statement of Investment Principles (“SIP”) in force at 31 March 2023 describes the Trustee’s stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in November 2021 and has been made available online here:

https://www.heidelberg.com/gb/media/en/local_media/about_us/pension_scheme/Heidelberg_Implementation_Statement.pdf

At this time, the Trustee has not set stewardship priorities/themes for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks.

How voting and engagement/stewardship policies have been followed

Based on the information provided by the Scheme’s investment managers, the Trustee believes that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme’s fund managers.
- Annually, as part of this Statement, the Trustee receives and reviews voting information and engagement policies from the asset managers and its investment advisors, which the Trustee reviews to ensure alignment with its policies.
- At Trustee meetings, the Trustee typically invites an investment manager to attend and provide the Trustee with an update on its investments. Due to the investment strategy changes over the period covered, Legal & General Investment Management (“LGIM”) attended three separate meetings. The information covered at the meetings included stewardship and voting. No further action was taken following these discussions.
- The Scheme appointed LGIM to manage its Buy & Maintain Credit holdings during the period. Environment, Social and Governance (“ESG”) policies, including stewardship and voting where applicable, were considered as part of the appointment, alongside all other material factors.

- Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the investment managers are in alignment with the Scheme's stewardship policies.

**Prepared by the Trustee of the Heidelberg Group Pension Scheme
August 2023**

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Growth Portfolio on behalf of the Trustee over the year to 31 March 2023. The following funds have no voting rights and limited ability to engage with key stakeholders given the nature of the mandate:

- Gilt funds.
- Index-linked gilt funds.
- Sterling Liquidity Fund.
- Maturing Buy and Maintain Credit Funds.
- Absolute Return Bond Fund.
- Alcentra Clareant European Direct Lending Fund.
- Barings Global Special Situations Credit Fund.
- LGIM Matching Core Funds (disinvested in Q3 2022).

Partners Group could not provide information on their voting in relation to the LIFE Strategy as the majority of their holdings are in private markets.

The Scheme disinvested from its LGIM Equity Funds in Q3 2022. However, displayed in the table below is data over the year to 31 March 2023. Funds with an asterisk (*) next to their names indicate that the Scheme also invested in the hedged version of the fund. The information is identical for both the hedged and unhedged versions of these funds, so the hedged versions have been omitted to avoid duplication.

Manager	LGIM	LGIM	LGIM	LGIM
Fund name	Asia Pacific (ex Japan) Equity Index*	Europe (ex UK) Equity Index*	Japan Equity Index*	North America Equity Index*
Structure	Pooled	Pooled	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.			
No. of eligible meetings	677	618	505	676
No. of eligible votes	5,153	10,391	6,267	8,543
% of resolutions voted	99.9%	99.9%	100.0%	99.4%
% of resolutions abstained	0.0%	0.5%	0.0%	0.1%
% of resolutions voted with management¹	75.7%	81.0%	88.78%	65.4%
% of resolutions voted against management¹	24.3%	18.5%	11.3%	34.6%
Proxy voting advisor employed¹	ISS			

¹ As a percentage of the total number of resolutions voted on

Manager	LGIM	LGIM	LGIM	LGIM
% of resolutions voted against proxy voter recommendation	14.2%	9.7%	9.2%	26.6%

Source: investment managers

Manager	LGIM	LGIM	Schroders	Ruffer
Fund name	UK Equity Index	World Emerging Markets Equity Index	Life Diversified Growth Fund	Absolute Return Fund
Structure	Pooled	Pooled	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.			
No. of eligible meetings	733	4,231	1,270	77
No. of eligible votes	10,870	36,506	15,662	1,305
% of resolutions voted	99.9%	99.9%	95.3%	100.0%
% of resolutions abstained	0.0%	2.1%	0.6%	0.1%
% of resolutions voted with management¹	94.5%	79.5%	89.9%	94.2%
% of resolutions voted against management¹	5.5%	18.4%	10.1%	5.7%
Proxy voting advisor employed¹			ISS	
% of resolutions voted against proxy voter recommendation	4.2%	6.8%	Data not provided	7.1%

Source: investment managers

¹ As a percentage of the total number of resolutions voted on

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities/themes. At this time, the Trustee has not set stewardship priorities/themes for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. For this Statement, the Trustee has asked the investment managers to determine what they believe to be a “significant vote”. The Trustee has not communicated voting preferences to their investment managers over the period, as the Trustee is yet to develop a specific voting policy. In future, the Trustee will consider the most significant votes in conjunction with any agreed stewardship priorities/themes.

LGIM and Ruffer have provided a selection of votes which they believe to be significant. In the absence of agreed stewardship priorities/themes, the Trustee has selected 3 votes from each manager, that cover a range of themes to represent what it considers the most significant votes cast on behalf of the Scheme. To represent the most significant votes, the votes of the largest holdings relating to each topic are shown below. Schroders did not nominate their significant votes but provided a list of all their votes over the year, from which, three were selected.

As before, funds with an asterisk (*) next to their names indicate that the Scheme also invests in the hedged version of this fund. The information is identical for both the hedged and unhedged versions of these funds, so the hedged versions have been omitted to avoid duplication.

A summary of the significant votes provided is set out below.

LGIM, Asia Pacific (ex Japan) Equity Index*

	Vote 1	Vote 2	Vote 3
Company name	Rio Tinto Limited	CK Hutchison Holdings Limited	UOL Group Limited
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.7%	0.4%	0.05%
Summary of the resolution	Resolution 17 - Approve Climate Action Plan	Resolution 3a - Elect Li Tzar Kuoi, Victor as Director	Resolution 4 - Elect Wee Ee Lim as Director
How the manager voted	Against	Against	Against
Rationale for the voting decision	Climate change: LGIM recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while they acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, they	Joint Chair/CEO: A vote against is applied as LGIM expects the roles of Chair and CEO to be separate. These two roles are substantially different, and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board. Remuneration Committee: A vote against has been applied because LGIM expects the Committee to comprise independent directors. Board mandates: A vote against is	Diversity: A vote against is applied as LGIM expects a company to have a diverse board, including at least one woman. They expect companies to increase female participation both on the board and in leadership positions over time. Remuneration Committee: A vote against has been applied because LGIM expects the Committee to comprise independent directors. Board mandates: A vote against is applied as LGIM expects a

	Vote 1	Vote 2	Vote 3
	<p>remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.</p>	<p>applied as LGIM expects a CEO not to hold too many external roles to ensure they can undertake their duties effectively.</p>	<p>CEO/CFO/FD or a non-executive director not to hold too many external roles to ensure they can undertake their duties effectively. A vote AGAINST the election Wee Ee-Lim Wee is warranted given that they serve on the nominating committee, and the company under the leadership of a non-independent chairman has not appointed a lead/senior independent director.</p>
Outcome of the vote	Pass	Pass	Pass
Implications of the outcome	<p>LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>		
Criteria on which the vote is considered "significant"	<p>LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.</p>	<p>LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.</p>	<p>LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.</p>

Source: LGIM

LGIM, Europe (ex UK) Equity Index*

	Vote 1	Vote 2	Vote 3
Company name	LVMH Moët Hennessy Louis Vuitton SE	TotalEnergies SE	argenx SE
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.2%	1.6 %	0.2%
Summary of the resolution	Resolution 5 - Reelect Bernard Arnault as Director	Resolution 16 - Approve Company's Sustainability and Climate Transition Plan	Resolution 6 - Reelect Peter K.M. Verhaeghe as Non-Executive Director
How the manager voted	Against	Against	Against
Rationale for the voting decision	<p>Joint Chair/CEO: A vote against is applied as LGIM expects companies not to combine the roles of Board Chair and CEO. These two roles are substantially different, and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.</p>	<p>Climate change: A vote against is applied. LGIM recognise the progress the company has made with respect to its net zero commitment, specifically around the level of investments in low carbon solutions and by strengthening its disclosure. However, they remain concerned of the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5C trajectory.</p>	<p>Diversity: A vote against is applied as LGIM expects a company to have a diverse board, with at least 25% of board members being women. They expect companies to increase female participation both on the board and in leadership positions over time. Remuneration: A vote against is applied because LGIM has had concerns with the remuneration for more than a year.</p>
Outcome of the vote	Pass	Pass	Pass
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	<p>LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.</p>	<p>LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.</p>	<p>LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.</p>

Source: LGIM

LGIM, Japan Equity Index*

	Vote 1	Vote 2	Vote 3
Company name	Mitsubishi Corp.	Toyota Industries Corp.	Toray Industries, Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.1%	0.3%	0.2%
Summary of the resolution	Resolution 5 - Amend Articles to Disclose Greenhouse Gas Emission Reduction Targets Aligned with Goals of Paris Agreement	Resolution 2.1 - Elect Director Toyoda, Tetsuro	Resolution 3.1 - Elect Director Nikkaku, Akihiro
How the manager voted	For	Against	Against
Rationale for the voting decision	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.	Diversity: A vote against is applied due to the lack of meaningful diversity on the board. Excessive cross shareholding: Potential conflicts of interest and improper use of shareholders capital - A vote against has been applied as the company holds an excessive shareholding in an outside company with no clear rationale and the appropriateness of the use of shareholder capital is questioned.	Independence: A vote against is applied due to the lack of independent directors on the board. Independent directors bring an external perspective to the board. Bringing relevant and suitably diverse mix of skills and perspectives is critical to the quality of the board and the strategic direction of the company. LGIM would like to see all companies have a third of the board comprising truly independent outside directors. Diversity: A vote against is applied due to the lack of meaningful diversity on the board.
Outcome of the vote	Fail	Pass	Pass
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.	LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.	LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.

Source: LGIM

LGIM, North America Equity Index*

	Vote 1	Vote 2	Vote 3
Company name	Amazon.com, Inc.	Alphabet Inc.	Meta Platforms, Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.8%	1.8%	1.2%
Summary of the resolution	Resolution 1f - Elect Director Daniel P. Huttenlocher	Resolution 7 - Report on Physical Risks of Climate Change	Resolution 5 - Require Independent Board Chair
How the manager voted	Against	For	LGIM voted in favour of the shareholder resolution (management recommendation: against).
Rationale for the voting decision	Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.	Shareholder Resolution - Joint Chair/CEO: A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair.
Outcome of the vote	Pass	Fail	Fail
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

Source: LGIM

LGIM, UK Equity Index

	Vote 1	Vote 2	Vote 3
Company name	Royal Dutch Shell Plc	Spirax-Sarco Engineering Plc	Melrose Industries Plc
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	6.7%	0.4%	0.2%
Summary of the resolution	Resolution 20 - Approve the Shell Energy Transition Progress Update	Resolution 6 - Re-elect Jamie Pike as Director	Resolution 8 - Re-elect Justin Dowley as Director
How the manager voted	Against	Against	Against
Rationale for the voting decision	<p>Climate change: A vote against is applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, they remain concerned of the disclosed plans for oil and gas production and would benefit from further disclosure of targets associated with the upstream and downstream businesses.</p>	<p>Diversity: A vote against is applied as the company has an all-male Executive Committee.</p>	<p>Committee independence: A vote against is applied because the director is not independent and sits on a Board Committee that should be comprised solely of independent directors. Diversity: A vote against is applied as the company has an all-male Executive Committee. Chair tenure: A vote against the Chair's re-election is applied because they believe the role of Board Chair should be refreshed regularly in line with best practice.</p>
Outcome of the vote	Pass	Pass	Pass
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	<p>LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.</p>	<p>LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.</p>	<p>LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.</p>

Source: LGIM

LGIM, World Emerging Markets Equity Index

	Vote 1	Vote 2	Vote 3
Company name	Meituan	China Construction Bank Corporation	Pinduoduo Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.3%	1.1%	0.6%
Summary of the resolution	Resolution 2 - Elect Wang Xing as Director	Resolution 10 - Elect Graeme Wheeler as Director	Resolution 5 - Elect Director George Yong-Boon Yeo
How the manager voted	Against	Against	Against
Rationale for the voting decision	<p>Diversity: A vote against is applied as LGIM expects a company to have at least one female on the board. Joint Chair/CEO: A vote against is applied as LGIM expects the roles of Chair and CEO to be separate. These two roles are substantially different, and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board. A vote AGAINST the election of Xing Wang and Rongjun Mu is warranted given that their failure to ensure the company's compliance with relevant rules and regulations raise serious concerns on their ability to fulfil fiduciary duties in the company.</p>	<p>Climate Impact Pledge: A vote against is applied under LGIM's Climate Impact Pledge as the Company has not published a clear thermal coal policy and no disclosure of scope 3 emissions associated with investments. As members of the Risk Committee, these directors are considered accountable for the bank's climate risk management.</p>	<p>Lead Independent Director: A vote against is applied as LGIM expects companies to elect an independent lead director where there is a combined Board Chair and CEO. Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board.</p>
Outcome of the vote	Pass	Pass	Pass
Implications of the outcome	<p>LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>	<p>LGIM will continue to engage with the company and monitor progress.</p>	<p>LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>
Criteria on which the vote is considered "significant"	<p>LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf. LGIM also considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has</p>	<p>LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.</p>	<p>Thematic - Diversity: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.</p>

Vote 1

Vote 2

Vote 3

a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.

Source: LGIM

Schroders, Life Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Orbia Advance Corporation SAB de CV	Broadcom Inc.	Vestas Wind Systems A/S
Approximate size of fund's holding as at the date of the vote (as % of portfolio)		Data not provided	
Summary of the resolution	Approve Remuneration of Chairman and Members of Board and Key Committees	Elect Director Harry L. You	Ratify PricewaterhouseCoopers as Auditors
How the manager voted	Against	Against	Abstain
Rationale for the voting decision	Lack of disclosure of the terms for the granting of full value shares. Lack of disclosure of performance criteria.	Nominee sits on a number of external boards which may impact their role.	No auditor rotation or tender process for over 10 years.
Outcome of the vote		Data not provided	
Implications of the outcome		Data not provided	
Criteria on which the vote is considered "significant"		Data not provided	

Source: Schroders

Ruffer, Absolute Return Fund

	Vote 1	Vote 2	Vote 3
Company name	Equinor ASA	Cigna Corporation	Meta Platforms, Inc
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.5%	1.5%	0.3%
Summary of the resolution	Environmental - Approve Company's Energy Transition Plan (Advisory Vote)	Social - Report on Gender Pay Gap	Social - Publish Third Party Human Rights Impact Assessment
How the manager voted	For	Against	For
Rationale for the voting decision	<p>Ruffer voted for Equinor's transition plan because they are supportive of their efforts to decarbonise. Equinor is at the forefront of offshore wind developments and they have been impressed by their business success in that area. They have engaged with the company and discussed their plan and disagree with ISS's assessment. Equinor are one of few companies who have been profitable in aiming to decarbonise and Ruffer will support that.</p>	<p>Cigna uses an "equal pay for equal work" statistic and reports that there are no material differences in pay data related to gender or race. Although the equal pay for equal work statistic is subjective in that it allows the company to define what it considers an "equal job," the company does report its gender representation statistics and it additionally set a parity goal for leadership positions. As such, shareholders have enough information to assess how effectively company practices are working to eliminate discrimination in pay and opportunity in its workforce. Therefore, support for this resolution is not warranted at this time.</p>	<p>Facebook has received substantial media backlash over the use of its targeted advertising to discriminate against marginalized groups. Although the company has recently tightened its restrictions for targeting options, it still appears to be facing scrutiny on the topic. It has faced a number of legal risks due to lawsuits from the ACLU, HUD, FTC, and others. Given the large amount of company revenue that comes from advertisements, a third-party human rights impact assessment on the company's policies and practices related to targeted advertising could help shareholders assess Meta's management of human rights related risks.</p>
Outcome of the vote	The resolution passed with 96.6% votes in favour.	The resolution failed with 66.8% votes against.	The resolution failed with 76.2% votes against.
Implications of the outcome	Ruffer will monitor how the company progresses and improves over time and continue to support credible energy transition strategies and initiatives.	Ruffer will continue to vote on shareholder resolutions that affect transparency over Diversity, Ethnicity, and Inclusion Efforts.	Ruffer will continue to vote on shareholder resolutions that affect transparency over Diversity, Ethnicity, and Inclusion Efforts.
Criteria on which the vote is considered "significant"	Ruffer believe this vote will be of particular interest to their clients. The management resolution aims to increase the transparency of the company's climate transition planning and outcomes.	Ruffer believe this vote will be of particular interest to their clients. They support management in their effort to provide accurate and transparent information on Gender Pay Gaps.	Ruffer believe this vote will be of particular interest to their clients. Ruffer support shareholder resolutions in their effort to get accurate and transparent information on the company's revenue streams.

Source: Ruffer

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustee. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds. The regional equities with LGIM were fully disinvested in Q3 2022 however data is shown to 31 March 2023. Data for the Partners Group LIFE Strategy is given to 31 December 2022 due to reporting timeframes.

Engagement activities are limited for the Scheme's gilts, index-linked gilts, Matching Core funds (fully disinvested in Q3 2022) and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

As before, funds with an asterisk (*) next to their names indicate that the Scheme also invests in the hedged version of the fund. The information is identical for both the hedged and unhedged versions of these funds, so the hedged versions have been omitted to avoid duplication.

Manager	Alcentra	Barings	Partners Group	Schroders	Ruffer	LGIM	LGIM
Fund name	Clareant European Direct Lending Fund	Global Special Situations Credit Fund	LIFE Strategy	Life Diversified Growth Fund	Absolute Return Fund	Maturing Buy and Maintain Credit 2020-2024	Maturing Buy and Maintain Credit 2025-2029
Number of engagements undertaken on behalf of the holdings in this fund in the year	147	n/a	7	> 1000	15	124	144
Number of entities engaged on behalf of the holdings in this fund in the year	80	n/a	7	> 600	13	60	77
Number of engagements undertaken at a firm level in the year	436	741	Data not provided	> 2800	54	1,088	1,088

Source: Investment managers

Manager	LGIM	LGIM	LGIM	LGIM	LGIM	LGIM	LGIM
Fund name	Asia Pacific (ex Japan) Equity Index*	Europe (ex UK) Equity Index*	Japan Equity Index*	North America Equity Index*	UK Equity Index	World Emerging Markets Equity Index	Absolute Return Bond Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	99	89	42	263	328	196	133
Number of entities engaged on behalf of the holdings in this fund in the year	60	55	24	165	208	120	69
Number of engagements undertaken at a firm level in the year	1,088	1,088	1,088	1,088	1,088	1,088	1,088

Source: Investment managers

Examples of engagement activity undertaken over the year to 31 March 2023

Alcentra

Internet of Things (IoT) provider

Alcentra supported the business as it was carved out of a wider group and held a board observer position with the business. The business didn't have strong ESG infrastructure at the outset as the associated resources were left with the historic parent company. Prior to the scheduled board meeting an additional meeting was arranged between the Alcentra Investment team and the CEO and CFO to discuss ESG Strategy with the Group. The Company has set up an ESG Committee which consists of the CFO and, additional members of the business who have volunteered to act on the committee. The next step is to see what initiatives are to be implemented by the committee. Discussions are ongoing about local volunteering initiatives. Additionally, Alcentra is engaging with the Group about implementing an ESG margin ratchet.

Barings

CTI Foods Holding Co LLC

Barings engaged with CTI in regard to improvements around IT security measures to avoid potential cyber security issues and to assure the integrity of CTI systems. Through collaborative engagement, CTI has successfully implemented improved IT security measures, including conducting system penetration tests, eliminating vulnerabilities, and continuing to investigate potential system upgrades to better assure the integrity of CTI systems. CTI has successfully implemented the enhanced IT structure.

Partners Group

Techem

Following the publication of Techem's first Sustainability Report last year, the company published in July 2022 its second Corporate Sustainability Report, covering the entire Techem Group. The report highlights key ESG achievements, with a clear focus on achieving climate neutrality by 2045 and the Diversity & Inclusion roadmap. The company has established the Techem Research Institute on Sustainability (TRIOS). The team is headed by Arne Kähler (former Head of R&D) who will drive the company's ESG agenda. Elsewhere, Techem contributes to a climate-neutral building stock through its business activities. The focus is on efficient and smart building technology, which effectively reduces energy consumption and CO2 emissions for heat and hot water by involving both owners and tenants. For instance, across Europe, the team has set a goal of having more than 10,000 charging stations in service and operating with green electricity by 2025.

LGIM

Capricorn

The actions of Capricorn's board in 2022 in seeking to merge with other energy companies raised some concerns for LGIM about the company's governance and decision-making process, given the potential negative impact such decisions would have on Capricorn's shareholders.

The first proposed merger with Tullow Oil, an Africa-based oil company, was announced in June 2022. LGIM's Investment Stewardship and Climate Solutions teams spoke directly with Capricorn's management team and directors to voice their concerns about the proposed transaction, as it didn't seem to advance the energy transition strategy for Capricorn's shareholders, in light of the increased exposure to oil prices and geographical risks. Additionally, LGIM believed that such merger would have resulted in increased financial leverage and dramatically elevate climate transition risks. In further conversations with Capricorn, they asked detailed questions about the process they had gone through in terms of deciding on this merger and whether other alternatives were considered. Nevertheless, despite mounting opposition from LGIM and other shareholders, Capricorn and Tullow initially proceeded with the merger before a decision was taken by Capricorn to abandon it, citing concerns about market conditions and external factors as the reason.

The second merger proposal with NewMed, an Israeli-based natural gas producer, was met with rising suspicion and even less support than the first and LGIM met again with Capricorn to voice their concerns. LGIM were not the only shareholder to have questioned the Capricorn board's actions, and one of its largest shareholders, Palliser Capital, became more vocal about its objections to the proposed NewMed deal, which has also begun to attract attention and criticism in the press. As a result of these unpopular proposals, Palliser Capital called for an Extraordinary General Meeting, held in January 2023, where shareholders voted on a complete overhaul of the board while requesting the deposition of seven directors, including the CEO, and the appointment of six new members instead.

Schroders

Bank of America - Climate Data Metrics

Schroder's asked the bank to develop interim milestones and science-based targets relating to their Paris commitment, plus transparency over methodology. They also asked the bank to provide supplementary metrics that would support Schroder's analysis of the banking sector. Finally, they asked the bank to disclose further information on the engagements they are having with highest-risk clients on the climate transition in the banking side of the business.

The company published 2030 interim operational targets but does not appear to have SBTI targets or specific targets for high-risk sectors, however it plans to develop these in the future. The company has committed to disclosing its financed emissions no later than 2023. The company has also said that they engage with clients in high-risk sectors on net zero. Schroders would like to see increased detail surrounding this topic before they can class the objective as achieved.

Ruffer

Coty

Previously, Ruffer had emphasised the importance of having a Board member accountable for sustainability, so were pleased that the Board is providing oversight to the sustainability strategy, with Anna Makanju shouldering this responsibility as part of her role on the Board. The firmwide focus on sustainability is reinforced through the hiring of a new chief scientific officer and sustainability leader, as well as a new chief supply chain officer. Coty is going through a major restructuring under a promising new CEO in a volatile macroenvironment. Whilst Ruffer understand the need for a balance between retaining institutional knowledge and introducing fresh ideas, they reiterate their views that Board members should be properly independent and their tenure should not be unlimited. Ruffer asked again about linking compensation to ESG related metrics, and understand the company expects that incoming disclosure requirements on pay will provoke debate on performance metrics. Coty reassured Ruffer that this is being actively discussed for implementation as the business executes its restructuring plan under the new management. Coty's poor MSCI ESG rating was one of the initial reasons for engaging, and Ruffer were pleased the company has been upgraded since their last meeting. There is still room for improvement, but they can see the effort Coty has put into engaging with ratings agencies such as MSCI and Sustainalytics. Ruffer took the opportunity to encourage more disclosure, to benefit the company's assessment by such agencies. Coty recognises the need and will be launching a new website as a disclosure hub.

Coty has already surpassed its 2030 Scope 1 and 2 reduction target. Overall, Ruffer are pleased by the achievements on each of these fronts and look forward to seeing further progress.