

Implementation Statement for the year ending 31 March 2024

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 2024:

- 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 2024 describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in October 2023 and has been made available online here:

https://www.heidelberg.com/gb/media/local_media/about_us/pension_scheme/current/2023-10-HeidelbergStatementOfInvestmentPrinciplesv1-0-upload.pdf

The long-term objective of the Trustee is to pursue an insurance transaction covering member benefits. Given the Scheme's predicted time horizon to the insurer transaction and the limited proportion of Scheme assets voting rights attached, the Trustee has decided not to set stewardship priorities. However, the Trustee takes stewardship priorities, climate risk, and ESG factors into account during manager selection, and also reviews the stewardship and engagement activities of the investment managers periodically.

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 one meeting and Ruffer LLP attended two separate meetings. The information covered at the meetings included stewardship and voting. No further action was taken following these discussions.

- 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 2024**

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 2024. 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.

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.

Manager	Schroders	Ruffer
Fund name	Life Diversified Growth Fund	Absolute Return Fund
Structure	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	1,109	64
No. of eligible votes	14,566	1,020
% of resolutions voted	93.9%	100.0%
% of resolutions abstained	0.4%	2.0%
% of resolutions voted with management¹	89.3%	94.9%
% of resolutions voted against management	10.7%	3.1%
Proxy voting advisor employed	ISS	
% of resolutions voted against proxy voter recommendation	7.3%	9.6%

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. The Trustee has decided not to set stewardship priorities/themes for the Scheme, therefore has asked the investment managers to determine what they believe to be a “significant vote”.

LGIM and Ruffer have provided a selection of votes which they believe to be significant, of which 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.

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

Schroders, Life Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Apple Inc.	PepsiCo, Inc.	JPMorgan Chase & Co.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)		Data not provided	
Summary of the resolution	Report on Median Gender/Racial Pay Gap	Report on Impacts of Restrictive Reproductive Healthcare Legislation	Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets
How the manager voted	For	For	For
Rationale for the voting decision	Shareholders could benefit from the median pay gap statistics that would allow them to compare and measure the progress of the company's diversity and inclusion initiatives.	Schroders believe that how they have voted is in the best financial interest of their clients' investments. Additional information on the potential risks and costs associated with proposed or enacted state policies that restrict reproductive healthcare, would allow shareholders to assess how the company is managing such risks.	The company is asked to produce a report disclosing how it intends to align its financing activities with its 2030 sectoral GHG emission reduction targets. Schroders welcome additional disclosures that help better understand how the company is implementing its climate strategy. Schroders believe that how they have voted is in the best financial interest of their clients' investments.
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	BP Plc	Swire Pacific Limited	ArcelorMittal
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.48%	0.33%	0.29%
Summary of the resolution	Environmental - Approve Shareholder Resolution on Climate Change Targets	Governance - Shareholders Rights	Governance - Reelect Lakshmi Niwas Mittal as Director
How the manager voted	Against	For	For
Rationale for the voting decision	<p>Ruffer believes BP has a credible transition strategy with appropriate decarbonization targets, balancing oil and gas demand with capital for 'transition growth engines.' Despite reducing 2025 and 2030 targets, BP maintains its 2050 net zero goal and has committed more capital to the transition, arguing that a fixed strategy is not ideal for shareholder value. This resolution asks BP to align its 2030 Scope 3 targets with the Paris Agreement, which Ruffer deems unnecessary since BP has already committed to net zero and published a strategy. Additionally, BP cannot control global Scope 3 emissions, and the reduction burden will increase as 2030 approaches, making it unfair given BP's long-term investment decisions.</p>	<p>Ruffer voted in favour of the resolution to approve the Share Purchase Agreement and related transactions, supporting management despite ISS's opposition. Ruffer believes the sale of the US Coca-Cola bottling business to the controlling shareholder benefits Swire Pacific's minority shareholders, aligning with the company's strategy to focus on China and SE Asia. The deal unlocks hidden value for shareholders, returned as a special dividend, and reduces business leverage in a high-interest-rate environment. Although Ruffer had concerns about the transaction price and its communication, they felt comfortable with the deal after discussing these issues with the Chairman and Finance Director. Overall, Ruffer supports the transaction for its fair price, value realization, and strategic focus.</p>	<p>Ruffer are voting in line with the company but against ISS. ISS has flagged that Mr. Mittal is overboarded. He has two other boards, Aperam (which is a spin out from ArcelorMittal), where he is a non-exec Chairman and Goldman Sachs Group, where he is a non-executive. Ruffer do not believe that Mr Mittal's commitments are excessive and believe that he is still able to commit the time required for his role at the company. As a result, Ruffer are voting for his re-election.</p>
Outcome of the vote	The resolution failed with 83.3% votes against.	The resolution passed with 100% votes in favour.	The resolution passed with 94.9% votes in favour.
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 vote against shareholder resolutions which they deem as unnecessary.	Ruffer will monitor the business transaction and the way it is being executed, and they will engage accordingly, if they feel the need to.	Ruffer will continue to engage with the company on governance issues and feedback their concerns on the representation on the Board.
Criteria on which the vote is considered "significant"	Ruffer believe this vote will be of particular interest to their clients. Ruffer supports management in	Ruffer believe this vote will be of particular interest to their clients. Ruffer analyse and support companies in conducting	Ruffer view votes on the election of directors for material holdings to be significant. These arise after discussion between members of

Vote 1	Vote 2	Vote 3
efforts to provide clean, reliable and affordable energy.	business transactions that are in the best interest of their shareholders.	the research, portfolio management and responsible investment teams.

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. Data for the Partners Group and Alcentra is given to 31 December 2023 due to reporting timeframes.

Engagement activities are limited for the Scheme's gilts, index-linked gilts, and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	Alcentra	Barings	Partners Group	Schroders	Ruffer	LGIM	LGIM	LGIM
Fund name	Clareant European Direct Lending Fund	Global Special Situations Credit Fund	LIFE Strategy	Life Diversified Growth Fund	Absolute Return 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	145	24	3	1,402	32	156	62	152
Number of entities engaged on behalf of the holdings in this fund in the year	64	10	3	395	25	75	28	72
Number of engagements undertaken at a firm level in the year	436	490	Data not provided	4,423	66	2,144	2,144	2,144

Source: Investment Managers

Examples of engagement activity undertaken over the year to 31 March 2024

Alcentra

Energy-based medical solutions company

Alcentra discussed an existing ESG margin ratchet with the Company. In Q3 23, the Company wanted to reset the baseline for a metric which they had missed in the latest reporting period. Alcentra believed the Company made some sensible points, however Alcentra did not adjust the metric as Alcentra believe that weakening the metric did not align with their ESG principles.

Barings

Travelex

The Travelex Board is currently comprised of individuals lacking diversity. Barings, as the largest shareholder, has insisted on increasing board diversity. In line with Barings' request, the Company has engaged recruitment consultant Egon Zehnder to search exclusively for female candidates for the role of Non-Executive Director. The search has begun, with the appointment expected to be completed by Q2 2024.

Partners Group

Pharmathen

Pharmathen is on track with Partners Group's Sustainability Strategy, with key objectives such as the establishment of a baseline for the Company's carbon reduction plan and publication of an Annual Sustainability Report. The ESG strategy and KPIs were established in November 2022, and there is consistent engagement between Partners Group's ESG team and Pharmathen's board of directors and management team. For instance, two employee incentive plans have been launched, including a wider Management Incentive Program with over 150 participants and a 'EUR 5,000' program available to all 1,300 employees.

LGIM

Mediobanca

At the AGM on 28 October 2023, there was a tightly contested proxy fight for board director appointments. Italian AGMs require investors to vote for one slate of directors presented by either management or dissident shareholders. Three slates were up for approval: the incumbent board proposed by management, the Assogestioni slate, and a third by dissident shareholder Delfin. The winning slate would secure key strategic roles on the board.

The LGIM Stewardship team, after reviewing the alternatives and considering external sources and their Investment team's views, believed Delfin's slate would negatively impact Mediobanca minority shareholders. Therefore, LGIM decided to support the management-proposed slate with all their voting shares.

LGIM engaged with Mediobanca and Assogestioni, and arranged for their Mediobanca shares to be recalled from loan in time for the AGM vote. This involved coordinating with various teams to confirm settlement dates, voting cut-offs, and evaluating the cost of lost earnings from recalled shares. LGIM balanced these factors against the potential negative impact of the alternative slate.

LGIM successfully recalled all their loaned shares and voted for the management slate. The result was 52.6% in favor of the board's slate, with LGIM's votes contributing just under 1%. LGIM believes recalling their shares was the right action due to the tight margins on this important vote.

Schroders

Ecora Resources (firm level engagement)

Schroders has chosen climate change as a key engagement theme, believing companies must urgently transform their business models to mitigate catastrophic climate impacts and adapt to rising temperatures. As a long-term active investor, Schroders seeks constructive engagement to support companies' climate transitions and protect shareholder value. A primary focus is climate alignment, particularly decarbonising and minimising emissions. Schroders prioritizes companies setting long-, medium-, and short-term science-based targets for Scope 1, 2, and relevant Scope 3 emissions.

Schroders began engaging with Ecora Resources in 2022, urging them to set emission reduction targets for Scopes 1, 2, and 3. Collaborating with sustainability colleagues, the UK small and mid-cap team first met with Ecora's management in November 2022. Discussions covered various climate issues, including ESG screening, sustainability targets in remuneration, and setting science-based targets. Schroders introduced Ecora to the Science-Based Targets initiative's (SBTi) SME framework, suitable for the company's size and structure. In March 2023, Ecora Resources had their near-term goals validated, committing to reducing Scope 1 and 2 emissions by 46% by 2030 from a 2019 base year and to measure and reduce Scope 3 emissions. They also committed to maintaining carbon neutrality for Scope 1, 2, and upstream Scope 3 emissions. Schroders views this as a successful initial engagement and plans to continue promoting best practices and monitoring progress. Ecora's adoption of Science-Based Targets aligns with Schroders' long-term goal of robust governance and oversight of climate-related risks.

Ruffer

Ryanair (firm level engagement)

Ruffer held a meeting with Ryanair's Head of Investor Relations and Director of Sustainability and Finance to discuss emission targets and carbon intensity.

The objective was to discuss the Company's efforts on sustainable aviation fuel (SAF); seek updates on emissions reduction targets being validated by the Science-Based Targets initiative (SBTi); explore the company's partnership with Trinity College Dublin for research on carbon savings in feedstock and SAF certification; and encourage clearer disclosure of the SAF percentage uplift figure and lifecycle carbon intensity for market transparency.

Ryanair informed Ruffer that it had formally submitted its targets to SBTi, but the validation process was slow. Ryanair had engaged with SBTi during the preparation of aviation sector guidance. The company provided a detailed update on its partnership with Trinity College Dublin, focusing on understanding CO₂ savings in feedstock. Regarding better disclosures around SAF uplift figures, Ruffer explained that while numbers could be inferred from CDP disclosures, direct publication by the company would benefit investors. Ryanair indicated that SAF uplift figures would likely be included in its Sustainability Report due to the incoming Corporate Sustainability Reporting Directive (CSRD) regulations.

Ruffer remains impressed by Ryanair's approach to SAF and broader emission reductions, believing it reinforces the Company's competitive advantage through the transition. Ruffer will monitor Ryanair's disclosures and the

SBTi database for updates on the validation of Ryanair's emissions reduction targets and will review the next Sustainability Report for improved data disclosures.