

RS Group Pension Scheme ('the Scheme')

Engagement Policy Implementation Statement for the Year Ended 31 March 2025

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year running from 1 April 2024 to 31 March 2025 (the "Scheme Year"). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (as amended) and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

The statement is based on and should be read in conjunction with the SIP dated July 2024 (covering the period from July 2024 to March 2025) and the SIP dated July 2023 (covering the period from April 2024 to June 2024). Following the end of the Scheme Year the SIP was updated (dated April 2025).

A copy of the latest SIP is available at: <https://www.rspensions.co.uk/library/useful-documents>

In summary, the Trustee can confirm that all engagement policies in the SIP in relation to the Scheme's assets have been followed during the Scheme Year.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the objectives they have set. The Trustees objectives specified in the SIP are to invest the Scheme's assets to maximise the probability of being able to deliver all members' benefits in full and on time. To support with this the Trustee has agreed a long-term funding target ("LTFT") with the Sponsoring Employer.

At the latest actuarial valuation, the Actuary assumed that the Scheme would achieve an investment rate of return on assets that exceeds that available from government bonds. The Trustee's objective is to construct an investment strategy that delivers a level of expected return that meets the prudent expectations of the Actuary (over the long-term) in a risk-controlled manner. In order to achieve this objective, the Trustee has constructed an investment strategy based around a cashflow-driven investment approach. This means that the assets are invested such that the expected cashflows they generate broadly match a proportion of the Scheme's expected liabilities. The Trustee's aim is to broadly match as high a proportion as possible, subject to delivering the required level of expected return.

Further detail can be found in the SIP.

Policy on ESG, Stewardship and Climate Change

Section 6 of the SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This sets out the Trustee's high-level beliefs and the processes followed by the Trustee in exercising rights and stewardship obligations attached to the Scheme's investments.

In April 2024, the Trustee revisited its ESG beliefs, undertaking an ESG beliefs setting session facilitated by the Trustee's Investment Consultant. Prior to this, this exercise was last undertaken in April 2022 and was refreshed to capture changes in beliefs and to reflect ongoing improvements in market practice in this area. Following the session in April 2024, the Trustee reviewed and updated its ESG Policy Document, which sets out further details regarding the Trustee's beliefs and their approach to putting these beliefs into practice. A copy of the ESG Policy Document is available upon request.

The Trustee recognises that ESG and climate change matters carry reputational risk. The Trustee is therefore keen to ensure it has a strong understanding of the Sponsoring Company's position on ESG and climate change. The Trustee also intends to align with the Sponsoring Company in this respect where appropriate.

The following sections set out the additional work that was undertaken during the year to 31 March 2025 relating to the implementation of the Trustee's policy on ESG factors, stewardship and climate change, and set out how the Trustee's engagement policies were followed and implemented during the Scheme Year.

Implementation of the Policy on ESG, Stewardship and Climate Change

During the Scheme Year, the Trustee has continued to review the ESG ratings that the Investment Consultant assigns to the strategies in which the Scheme invests, as part of regular quarterly performance reporting. In addition, following the end of the Scheme Year the Investment Consultant provided an in-depth review (produced broadly annually) covering the managers' ESG ratings compared to their peers; ESG-related research; and monitoring of climate metrics and performance against climate objectives of the Scheme's credit assets managed by LGIM. This assists the Investment and Risk Sub-Committee ("IRSC") in assessing the level of ESG integration across the Scheme's portfolio, as well as to identify potential areas for further engagement.

The Trustee has continued to request that the Scheme's managers, and new managers, devote sufficient time to covering their ESG related activities when they have presented at IRSC meetings.

Stewardship Priorities

The statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022 requires that, where pension schemes invest in assets with associated voting rights, trustees confirm their stewardship priorities and disclose votes undertaken by their investment managers which are aligned with these priorities (referred to as 'significant votes').

During the Scheme Year the Trustee did not invest in any assets with associated voting rights. The Trustee is not therefore in scope of these regulations and has not reported on significant votes. However, the Trustee's ESG Policy Document includes a definition of its broader stewardship priorities, including engagement.

The Trustee's key stewardship themes are climate change, energy efficiency, health & safety, human rights, diversity, equity & inclusion and corporate governance. These priorities have been determined based on the Trustee Directors' ESG beliefs, taking into account the Sponsoring Employer's strategic priorities on ESG and sustainability matters, which were surveyed during the Scheme Year.

The investment managers have been asked to provide examples of engagements which are aligned with the Trustee's stewardship priorities. A selection of these examples are included below.

Engagement Activity

The Trustee expects its investment managers to engage with the underlying issuers of the debt in which they invest as necessary, as part of their management of the Scheme's assets, and has asked the investment managers to comment on these areas when they have presented at meetings. Outside of those engagements exercised by the investment managers on behalf of the Trustee, no other engagement activities were undertaken over the Scheme Year.

The Trustee supports the aims of the UK Stewardship Code and its investment managers are encouraged to report their adherence to the Code.

The following disclosures provide examples of engagement activities undertaken by the investment managers during the Scheme Year.

LGIM

The manager believes effective stewardship involves working with companies, regulators, policymakers, peers and other stakeholders around the world to tackle systemic issues, material risks and opportunities – as well as

collaborating with its investment experts to identify future challenges. LGIM believes that incorporating financially material sustainability criteria, when relevant to its clients, can create value and drive positive change. In line with its 'universal owner' approach, LGIM focus its stewardship activities on 6 global stewardship themes (with 21 underlying sub-themes). These themes are: climate, nature, people, health, governance and digitisation. Using its stewardship themes, LGIM identify relevant stakeholders across the policymaking, corporate and broader market ecosystem, where it believes to have influence. LGIM's engagement policy can be found here <https://am.landg.com/en-uk/institutional/responsible-investing/investment-stewardship/>

LGIM – Buy & Maintain Credit

This is an example of an engagement undertaken by LGIM during the year ending 31 December 2024 for the Scheme's Buy and Maintain Credit portfolio.

Example: BP is one of the largest integrated oil and gas producers in the world, and the company has a significant role to play in the global transition to net zero, hence LGIM focus on this company for in-depth engagements. As members of the Climate Action 100+ (CA100+), LGIM commits to engaging with a certain number of companies on their focus list and on account of its strong relationship with BP.

LGIM's objective from this engagement is to ensure BP will not make substantive downward revisions to their climate-related targets: demonstration of alignment to 1.5C objectives through enhanced disclosure of scenarios and assumptions; no new long lead-time oil and gas projects; enhanced disclosure across the company's value chain (scope 3) to demonstrate agility and resilience when (if) markets are pivoting (against a range of inputs and scenarios); and disclosure and application of responsible divestment standards in asset sale process.

Engagement / analysis undertaken: LGIM has been engaging with BP on climate change for a number of years, during the course of which has seen many actions taken regarding climate change mitigation.

LGIM met with BP several times during 2022. In BP's 2022 Annual General Meeting ('AGM'), the manager was pleased to be able to support management's 'Net Zero – from ambition to action' report. Having strengthened its ambition to achieve net-zero emissions by 2050 and to halve operational emissions by 2030, BP has also expanded its scope 3 targets, committed to a substantial decline in oil and gas production, and announced an increase in capital expenditure to low-carbon growth segments.

Following the company's decision to revise their oil production targets, LGIM met with the company several times in early 2023 to discuss its concerns. Previously at the 2023 AGM, LGIM voted against the re-election of the Chair; given the revision of the company's oil production targets, shareholders expected to be given the opportunity to vote on the company's amended climate transition strategy at the 2023 AGM. Additionally, the manager noted concerns around the governance processes leading to the decision to implement such amendments.

LGIM continued to engage with them in 2023 following their decision, and throughout 2024, specifically on the objectives clarified above which reflect the manager's main areas of concern at the company.

Outcome: BP has made a commitment to allocate a substantial share of its capital to low carbon segments, and a series of announcements detailing their expansion into clean energy. These include projects to develop solar energy in the US, partnerships with Volkswagen (on fast electric vehicle charging) and Qantas Airways (on reducing emissions in aviation), and winning bids to develop major offshore wind projects in the UK and US. BP also announced that it would be reducing its oil and gas output over the next decade, with a view to reaching net-zero emissions by 2050.

LGIM considers its engagement objectives with BP to be in progress and will continue engaging with BP both individually and as part of its CA100+ engagements. Topics such as emissions targets, business resiliency, O&G production, capital allocation, value chain approach, responsible divestment and/or decommissioning of assets continue to be a focus.

LGIM - Net Zero Short Dated Global Corporate Bond Fund

This is an example of an engagement undertaken by LGIM during the year ending 31 December 2024 for this strategy.

Example: LGIM chose to engage with the German automobile manufacturer Volkswagen due to its presence in Xinjiang in China, which has led to scrutiny by the media and third parties. This culminated in MSCI flagging this issue as a controversy in late 2022. By late 2023, Volkswagen conducted an audit which succeeded in removing the MSCI flag, but LGIM highlighted that the company continued to attract unwanted attention in the media and from lawmakers regarding limitations of the audit and other criticisms related to its presence in the region.

Engagement / analysis undertaken: LGIM commenced their engagement with Volkswagen in late 2022, after MSCI first flagged the company for this controversy. LGIM confirmed that the initial focus of their engagement was to stress the importance of the issue to the company in relation to its access to the bond market. However, since the audit and resolving of the MSCI controversy, LGIM's approach has shifted towards finding a solution that draws a line under the issue. The investment manager has had regular engagement with the company ranging from the Investor Relations Team up to the Chief Financial Officer.

Outcome: LGIM confirmed that during their meetings over 2024, Volkswagen has indicated that it has been working on various solutions to resolve this issue. In November 2024, the company announced that its stake in the plant in Xinjiang had been sold to their joint venture partner. LGIM emphasised that this removes responsibility from Volkswagen, which should de-risk the company's exposure to the region in future. Operationally this divestment is not expected to have any negative impact on the company's strategic direction.

Overall, LGIM explained that it is unlikely that they will need to engage further on this topic in future given this solution has been reached. During LGIM's discussions with the company, it has indicated that discussions with important stakeholders such as LGIM have helped indicate the urgency of the matter to senior management and to achieve a resolution.

Janus Henderson – Multi Asset Credit

Within the Janus Henderson Secured Credit Team, six key securitisation themes were identified to ensure focused and continuous engagement over time (including themes such as physical climate risk in securitised portfolios and emerging landlord and tenant legislation). Janus Henderson's ESG engagement framework is dynamic in nature. Not all themes are perpetual, some of themes will reach a natural conclusion as the manager achieves desired outcomes. Equally, new themes are added as it identifies new and evolving sustainability risk factors as well as opportunities impacting the investments. Janus Henderson continues to explore new ways to integrate technological solutions to aid its engagement activity. Janus Henderson's engagement policy can be found here [ESG Resource Library at Janus Henderson - Janus Henderson Investors](#).

Example: Janus Henderson engaged with Elsan, a private healthcare provider, to evaluate the company's approach in two key areas: patient safety and fair pricing. In the former case, Janus Henderson wanted to ensure that management has a rigorous framework in place to ensure that patients receive the best possible care. This is important for both the patients themselves and to minimise the legal risk to the company. Similarly, Janus Henderson engaged with Elsan in the case of pricing, as they wanted to certify that the policy is transparent and competitive, and thus fair for patients.

Engagement / analysis undertaken: The company's management explained that each hospital has a dedicated team in charge of the healthcare and quality and safety. With regard to monitoring of incidents, in 2022 they coordinated nearly 1,300 analysis of incidents and 636 tracer patients. Elsan shared that they use an AI-powered app to analyse their feedback and are monitoring the national e-Satis survey results.

On the topic of fair pricing, every admission is priced according to the national medicalised information system, which sets up the pricing every year for each service, daily charge and other specific pathology fees. Therefore, Elsan are sending, via the billing protocol, the information on hospital stay directly to the Social Security and private health insurance who then pay the relevant amount. The remaining amount is borne by the patient.

Private practitioners are allowed to bill medical fees that Elsan may collect for them, however 46% of private practitioners working in their hospitals use the charge fixed rates set by the social security system.

Outcome: Janus Henderson felt that the company's response to their questions was sufficient and therefore maintains a Green ESG rating and they continue to invest. However, the investment manager is yet to receive a completed European Leveraged Finance Association Healthcare Factsheet, which would provide Janus Henderson with enhanced ESG data to monitor the company's progress and risks. Janus Henderson will therefore continue to engage with Elsan in this regard.

Insight – Secured Finance

Secured finance investments typically involve assets being held in a special purpose vehicle, legally distinct from the finance originator. ESG risks are linked to the structure and the underlying collateral behind each investment, and in many cases the finance originator may be unable to access ESG information as the collateral assets could be very remote and dispersed across multiple parties (e.g. secured on credit cards, or car finance). With these challenges in mind, Insight focus their engagement activities on a range of parties – not only the finance originators, but also other industry participants and regulators. Insight's engagement policy can be found here [Responsible investment | Insight Investment](#)

Example: Insight has engaged with Pepper to gain a better understanding of the company's ESG considerations in their loan origination and underwriting process. Pepper is a significant issuer in the Australian market and is widely held across Insight's portfolio. Insight confirmed that ESG had previously not formed part of their loan origination process, and the investment manager identified Pepper as an issuer to engage with to raise this as an area of concern. Insight indicated that at this stage, raising the issue and determining the level of engagement is the first step towards better disclosures to enable Insight's ESG analytics to be conducted more thoroughly.

Engagement / analysis undertaken: Insight confirmed that engagement first occurred with Pepper in Q4 2022, in a single meeting between Insight's Senior Portfolio Manager and the Deputy Head of Treasury at Pepper. Subsequent engagement had been held in Q2 2023 relating to new product range and Energy Performance Certificate ('EPC') data analysis. The issuer (Pepper) is now showing borrowers the potential EPC improvements they can make to their properties and linking into new business. There are cashback opportunities for an EPC focussed 2nd lien loan. Insight engaged with Pepper to investigate the possibility of the company providing EPC details to investors across their back book, although there is limited appetite from other investors away from Insight so far. Insight's engagement with the company continued throughout new issue discussions in Q4 2024.

Outcome: Pepper confirmed that ESG considerations were not a significant part of their loan origination and underwriting processes. Furthermore, ESG had not, to date, been part of their disclosures at either a corporate or issuer level.

Insight raised this as an area of concern and Pepper agreed that disclosures are needing to be improved, and they confirmed that they will investigate building in several ESG metrics within their annual reports. Insight also raised the issue of loan origination practices and Pepper agreed that this was something they were reviewing, although they had no immediate plans to amend their origination policies.

Overall, Insight identified that the outcome is positive in terms of disclosures. Although, the annual report will need to be reviewed to confirm that the disclosures are appropriate. However, Insight explained that loan level disclosures and loan practices need continued engagement.

M&G – Illiquid Credit Opportunities

Illiquid credit opportunities fund typically invests in privately traded debt, assets held in special purpose vehicles and other real assets. M&G's approach to setting engagement objectives is structured and strategic, focusing on achieving positive outcomes for both the company and its clients. Before engaging, M&G identifies specific targets based on desired outcomes, tempered by realistic expectations considering the amount held and the asset class involved. The engagement objectives are developed with a clear understanding of the materiality of the issue and the potential impact on the company's value and long-term performance. This involves challenging environmental, social, and governance practices that pose risks to long-term performance. M&G's engagement policy can be found here [Responsible Investing at M&G Investments – M&G plc](#).

The engagement example outlined below relates to the Illiquid Credit Opportunities Fund portfolios as a whole, and not for the specific fund the Scheme invests in (Illiquid Credit Opportunities Fund V).

Example: M&G engaged with Zayo Group Holdings Inc., which is a company that offers international network connectivity services. M&G engaged with the company to focus on Net Zero and decarbonisation, specifically addressing the company's recent increase in Scope 1 and 2 carbon emissions and asking the company for their pathway for achieving Science-Based Targets initiative (SBTi) targets.

Engagement / analysis undertaken: M&G had a call which was held with the Sustainability Director and a member of the Investor Relations team. Zayo shared that from 2021 to 2022, there was an increase in Scope 1 and 2 emissions due to an acquisition. For Scope 1, the company had completed auditing their 2023 data, noting a drop in 2022 submissions due to improved data availability. The company had a consultation with Bain, a top management consulting firm, which helped identify areas where the company can control or influence emissions. For Scope 2, the focus remains on electricity across 49,000 global sites, with an increase expected as they expand.

Outcome: Zayo informed M&G that it has purchased 100% renewable electricity for Scope 2. In terms of fleet expansion, Zayo plans to replace less fuel-efficient vehicles whilst considering return on investment and focusing on hybrids due to logistical challenges in sourcing renewable energy. It is also beginning to implement green solutions for hotels and airlines for employees and targeting purchased goods and services in order to engage with external stakeholders.

Regarding the actions Zayo intends to take for its net zero target, the company has allocated significant OPEX (Operating Expenses), with detailed work on technical sites and funding focusing on 'easy wins'. While current

technology limits CAPEX (Capital Expenditures) investments, they are exploring renewable options for technical sites, most of which are managed by others. Through contracts, they aim to influence these sites over the next 2-5 years. For SBTi, they do not use carbon offsets for Scope 1 and 2 but the company shared that they are allowed to for Scope 3. Their base year for Scope 1, 2, and 3 is 2020, with emissions recorded at 202,000 for Scope 1 and 193,000 for Scope 2. The investment manager will continue to monitor to ensure that the company's transition plan remains ambitious and achievable.

Newton – Absolute Return Fixed Income

Absolute return fixed income strategies invest across sovereign and non-sovereign bonds, as well as heavily in derivative instruments, and are generally limited in the extent to which they can engage with debt issuers. As stewards of its clients' capital, Newton is committed to the responsible allocation, management and oversight of capital to create long-term value for beneficiaries. Newton uses three main stewardship tools: engagement with issuers, voting at shareholder meetings, and advocacy within the wider marketplace. Of these three tools, engagement is the most central. Newton defines engagement as the purposeful dialogue it has with issuers to constructively challenge management and boards around financially material aspects of their decision making where Newton believes it can result in improved long-term financial outcomes for its clients. Newton's engagement policy can be found here [Responsible Investing | Newton](#).

Newton has confirmed that there were no engagements from 1 April 2024 until the date of disinvestment of the 11 April 2024.

Voting Activity

The Trustee has delegated any voting rights attached to the Scheme's investments to the investment managers and does not use the direct services of a proxy voter.

In practice, as noted above, as the Scheme's investment strategy includes investment in only fixed income and liability driven investment assets, with no equity exposure, it is extremely rare for voting rights to be held. As such, there has been no material voting activity during the period.

The Department of Work and Pensions released a set of Implementation Statement requirements on 17 June 2022, which are to be adopted in all statements for schemes with years ending on or after 1 October 2022. The requirements are set out in the "Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance" report.

The most material change is that the Statutory Guidance provides an update on what constitutes a "significant vote". The Trustee has not reported, and therefore not defined, any significant votes in this statement given the investment strategy includes only fixed income and liability driven investment assets.