

# **Haldex Limited Retirement and Death Benefits Plan**

## **Engagement Policy Implementation Statement**

### **Financial Year Ending 31 December 2024**

#### **Introduction**

This statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance (“ESG”) factors and climate change set out in the Statement of Investment Principles (‘SIP’) have been followed during the year to 31 December 2024 (the ‘Plan Year’). This Statement has been produced in accordance with The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and subsequent amendments; and the statutory and non-statutory guidance from the Department of Work and Pensions.

#### **Investment Objectives of the Plan**

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set.

As set out in the SIP, the Trustees’ primary investment objective is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Plan.

The objectives set out above provide a framework for the Trustees when making investment decisions.

#### **Policy on ESG, Stewardship and Climate Change**

The Trustees understand that they must consider all financially relevant factors in making investment decisions on behalf of the Plan. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Plan’s SIP sets out the Trustees’ policies on ESG factors. We have set these policies out in Appendix 1 to this Statement. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

The SIP was updated over the Plan Year, on 21 May 2024 to reflect a lower risk investment strategy which was implemented by the Trustees in February 2024. The previous SIP was dated 5 October 2023.

The latest SIP is available online at:

<https://www.haldex.com/en/investors/corporate-governance/haldex-limited-retirement-and-death-benefit-plan/>.

#### **Plan’s Investment Structure**

The Plan’s only investment is a Trustee Investment Policy (‘TIP’) with Mobius Life Limited (‘Mobius’). Mobius provides an investment platform and enables the Plan to invest in pooled funds managed by third party investment managers.

As such, the Trustees have no direct relationship with the Plan’s underlying investment managers. The Trustees have the responsibility of monitoring the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

## Trustees Engagement

Mercer's quarterly performance reporting includes Mercer's ESG scores for the funds in which the Plan is invested. These scores reflect Mercer's view on how the managers incorporate ESG factors into the management of their funds and help the Trustees to determine whether further action should be taken in respect of specific funds.

The Trustees monitor the development of these scores over time. As noted above, the Trustees implemented a lower risk investment strategy over the Plan Year. As part of the review which led to the new strategy, the Trustees considered Mercer's ESG scores for each fund, including the new funds introduced. The Trustees remain satisfied that the ESG scores are satisfactory in the context of the mandates of the funds.

As the Trustees have no direct relationship with the Plan's underlying investment managers the engagement initiatives are driven by investment managers, mainly through regular engagement meetings with the companies in which they invest or by voting on key resolutions at companies' Annual General Meetings.

The information in Appendix 2 shows that the Plan's managers engaged with a number of investee companies, including engagements on the Trustees' stewardship priority.

Further information on the investment managers' approach to responsible investment, voting (including significant votes) and engagement with the investee companies is available at the following websites:

Nordea:

<https://www.nordeaassetmanagement.com/responsible-investment>

Columbia Threadneedle:

<https://www.columbiathreadneedle.co.uk/en/inst/about-us/responsible-investment/>

M&G:

<https://www.mandg.com/who-we-are/mandg-investments/responsible-investing-at-mandg-investments>

Insight:

<https://www.insightinvestment.com/investing-responsibly/>

All the Plan's investment managers are signatories of the UK Stewardship Code as follows:

Manager	Signatory Since
Nordea	2022
Columbia Threadneedle	2022
M&G	2021
Insight	2021

Source: FRC website

Taking all the above into consideration, the Trustees are satisfied that responsible investment is embedded appropriately in the investment managers' approaches to investing.

## Voting Activity

If the Trustees are specifically invited to vote on a matter relating to the corporate policy, they would exercise their right in accordance with what they believe to be the best interests of the majority of the Plan's members.

Over the Plan year, the Trustees have not been asked to vote on any specific matters and have therefore not cast any votes.

As noted earlier, the Plan has no direct relationship with the pooled funds it is ultimately invested in, and therefore the Trustees have no voting rights in relation to the Plan's investments and no direct ability to influence the managers of the pooled funds. As a result, the Trustees do not directly use the services of a proxy voter as this is not relevant.

As per the DWP regulatory requirements, the Trustees have identified that **climate change & carbon neutrality** is their most important stewardship priority. The significant votes shown in this statement relate to this.

Appendix 2 sets out a summary of the key voting activity over the financial year of the pooled funds in which the Plan's assets are ultimately invested for which voting is possible (i.e. those funds which include equity holdings).

This includes information on what the fund managers consider to be a significant vote. The Trustees have no influence on the managers' definitions of significant votes but have noted these and are satisfied that they are reasonable and appropriate.

The Appendix shows those significant votes supplied by the investment manager which the Trustees determine to be a significant vote – i.e. those that are in relation to **climate change & carbon neutrality**. Given the number of significant votes supplied, the Trustees have applied a size filter on grounds of materiality and only considered votes to be significant if in relation to a company that constitutes 0.25% or more of the specific fund.

## Assessment of how the Engagement and Voting Policies in the SIP have been followed for the year to 31 December 2024

The Trustees are satisfied that the engagement and voting policies set out in the SIPs which were in place over the year have been followed.

## **Appendix 1 – Policy on ESG, Stewardship and Climate Change**

The policies below are included within the 21 May 2024 SIP:

### **Financially Material Considerations**

The Trustees consider many risks which they anticipate could impact the financial performance of the Plan's investments over the Plan's expected lifetime. Such risks are set out in the next section of this statement.

The Trustees recognise that environmental, social and corporate governance ("ESG") factors, including climate change, can influence the investment risk and return outcomes of the Plan's portfolio and it is therefore in members' and the Plan's best interests that these factors are taken into account within the investment process.

The Trustees further recognise that investing with a manager which approaches investments in a responsible way and takes account of ESG related risks may lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the total level of risk being taken. Therefore, other factors being equal, the Trustees would seek to invest in funds which incorporate ESG principles.

In setting their investment strategy for the Plan, the Trustees have prioritised funds which provide leveraged protection against movements in the Plan's liability value and also funds which provide actively managed diversification across a wide range of investment markets and consider the financially significant benefits of these factors to be most important.

The Trustees note that ESG considerations are not paramount to the first level decision making process within the funds which provide either actively managed diversification or leveraged liability protection. However, in the actively managed Diversified Growth Funds in which the Plan invests, whilst managers typically do not put ESG considerations at the heart of the asset allocation decision, they will embed ESG considerations into the management of the underlying asset classes where it is appropriate to do so.

The Trustees also receive ESG scores provided by the Investment Consultant in relation to the funds in which the Plan is invested and will monitor how these develop over time.

The Trustees will review ESG considerations on an ongoing basis to make sure that their policy evolves in line with emerging trends and developments.

The Trustees are therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

### **Non-Financial Matters**

The Trustees have determined that the financial interests of the Plan members are their first priority when choosing investments.

They have therefore decided not to consider non-financial matters, such as ethical views, or to take members' preferences into account when setting the investment strategy for the Plan.

### **Stewardship**

The Plan is invested solely in pooled investment funds through the Mobius TIP and the Trustees therefore have no direct voting rights.

The Trustees' policy is therefore to invest with investment managers where responsible investment is embedded appropriately in their approach to investment; including monitoring and engaging with investee companies, and exercising voting rights appropriately.

Information on the investment managers' approach to responsible investment, voting and engagement with the investee companies is available at the following websites:

Nordea:

<https://www.nordeaassetmanagement.com/responsible-investment>

Columbia Threadneedle:

<https://www.columbiathreadneedle.co.uk/en/inst/about-us/responsible-investment/>

M&G:

<https://www.mandg.com/who-we-are/mandg-investments/responsible-investing-at-mandg-investments>

Insight:

<https://www.insightinvestment.com/investing-responsibly/>

Mercer's quarterly reporting to the Trustees includes Mercer's ESG score for the funds in which the Plan is invested. The ESG score incorporates an assessment of engagement and voting as part of the process.

Receipt of this score on a quarterly basis enables the Trustees to monitor that these scores remain appropriate in the context of the fund mandates.

Taking all the above into consideration, the Trustees are satisfied that stewardship and responsible investment is embedded appropriately in the investment managers' approaches to investing.

If the Trustees are specifically invited to vote on a matter relating to corporate policy, they would exercise their right in accordance with what they believe to be the best interests of the majority of the Plan's membership.

If a new investment manager is selected, the Trustees would consider Mercer's ESG score for the new manager as part of their decision-making process.

The Trustees have identified that climate change and carbon neutrality is their most important stewardship priority. The Trustees monitor the key voting activity of their investment managers on climate change and carbon neutrality as part of the production of the annual Engagement Policy Implementation Statement (EPIS).

## Appendix 2 – Voting and Engagement Activity

This Appendix sets out a summary of the key voting and engagement activity of the pooled funds in which the Plan's assets are ultimately invested.

### Engagement:

Fund	Total Engagements	Significant Engagements*
Nordea Diversified Return Fund	152	82
Columbia Threadneedle Multi Asset Fund	57	18
Insight LDI	16	4
M&G Total Return Credit	13	9

Sourced by Mobius from the investment managers

\* The engagements are considered significant because they relate to environmental issues, as information relating specifically to engagements on climate change and carbon neutrality was not available

### Voting:

Manager/ Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Trustee significant votes*
		Votes in total	Votes against management endorsement	Abstentions		
Nordea Diversified Return	Every vote cast is considered individually on the background of Nordea's bespoke voting policy, which is developed in-house based on their principles.	2,417 resolutions eligible for (95.49% votes cast)	11.92% of votes cast	0.65% of votes cast, plus 0.35% of votes cast were withheld	Those that are severely against Nordea's principles, and where they feel they need to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason.	<b>NextEra Energy Inc</b> <b>Shareholder Resolution</b> - "Report on Climate Lobbying" <b>Date of vote:</b> 23 May 2024 <b>Size of holding:</b> 0.61% of portfolio <b>Voting:</b> FOR shareholder proposal <b>Manager Rationale:</b> "Additional disclosure around the company's framework for identifying alignments and its approach to addressing misalignments would allow shareholders to better evaluate the company's lobbying efforts and align it with best practices that have been undertaken by some of its peers and is unlikely to be unduly burdensome for the company." <b>Was this communicated to company ahead of vote:</b> No <b>Vote Outcome:</b> Resolution failed <b>Next steps:</b> "We will continue to support shareholder proposals on this issue as long as it is needed."
	Nordea use ISS as proxy voting advisers to provide research and deliver their proxy votes				From there, Nordea benchmark the proposals against their policy.	<b>Ross Stores Inc</b> <b>Shareholder Resolution</b> - "Disclose All Material Value Chain GHG Emissions" <b>Date of vote:</b> 22 May 2024 <b>Size of holding:</b> 0.73% of portfolio <b>Voting:</b> FOR shareholder proposal <b>Manager Rationale:</b> "We support the proposal as it is line with our expectations on climate." <b>Was this communicated to company ahead of vote:</b> No <b>Vote Outcome:</b> Resolution passed

Manager/ Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Trustee significant votes*
		Votes in total	Votes against management endorsement	Abstentions		
<b>Columbia Threadneedle Multi Asset</b>	ISS Proxy Exchange used for voting execution.  Threadneedle's final vote decisions take account of, but are not determinatively informed by, research issued by proxy advisory organisations such as ISS, IVIS and Glass Lewis as well as MSCI ESG Research.	5791 resolutions (99.10% votes cast)	7.81% of votes cast	1.24% of votes cast	Threadneedle consider a significant vote to be any dissenting vote i.e. where a vote is cast against (or where they abstain/withhold from voting) a management-tabled proposal, or where they support a shareholder-tabled proposal not endorsed by management.	<p><b>Next steps:</b> "Disclosure of all material value chain GHG emissions would allow shareholders to better evaluate the company's progress toward its net zero ambition and help it prepare for potential regulatory requirements."</p> <p>No significant votes were supplied by Columbia Threadneedle (CT) in relation to the Multi Asset Fund (MAF).</p> <p>However, CT have provided information of the voting actions for climate related proposals for 2024 in relation to the MAF. This is set out below this table.</p>

Source: Investment Managers as at 31 Dec 2024

\* All are considered significant because they relate to climate change and carbon neutrality. Information provided for Nordea is in relation to a companies that constitute 0.25% or more of the fund.

## CT voting actions for climate related proposals for the 2024 in relation to the MAF

CT have provided the following information:

### Key Themes

The main types of climate/environmental proposals include:

- Climate change reporting and risk assessment
- Fossil fuel financing disclosure
- GHG emissions reporting
- Climate lobbying alignment
- Recycling and plastic use
- Just transition reporting

### Notable Companies & Proposals

Major companies facing climate-related shareholder proposals include:

- Banks (Bank of America, Morgan Stanley, Goldman Sachs)
- Tech companies (Amazon, Meta, Alphabet)
- Energy companies (Exxon Mobil)
- Financial services (Intuit)
- Consumer goods (Nestle)

## Voting Patterns

- Many proposals were recommended "Against" by management but received "For" recommendations from ISS
- Columbia Threadneedle's voting decisions often aligned with ISS recommendations but not always
- Several proposals focused on requesting additional disclosure rather than demanding specific actions
- Clean energy financing ratio reporting was a common proposal for financial institutions

## Key Rationales

Common rationales for supporting proposals included:

- Need for better disclosure to evaluate climate commitments
- Alignment with net zero goals
- Enhanced transparency for shareholders

Common rationales for opposing proposals included:

- Adequate existing disclosure
- Management already considering material risks
- Third-party management of certain programs

Summary broken down by Climate related proposals which CT voted upon in 2024 for the MAF are shown in the table below:

Category Name and Description	ESG Pillar	Proponent	Proposal Subcategory	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	Did Not Vote	With Mgmt	Against Mgmt
E&S Blended - Sustainability Activities and Action	E, S	Shareholder	Sustainability	1	1	0	1	0	0	0	1	0
E&S Blended - Climate Change Lobbying	E, S	Shareholder	Climate	3	3	3	0	0	0	0	0	3
Environmental - Report on Climate Change	E	Shareholder	Climate	4	4	0	4	0	0	0	4	0
Environmental - GHG Emissions	E	Shareholder	Climate	2	2	0	2	0	0	0	2	0
Environmental - Restrict Spending on Climate Change-Related Analysis or Actions	E	Shareholder	Climate	2	2	0	2	0	0	0	2	0
Environmental - Recycling	E	Shareholder	Pollution	2	2	0	2	0	0	0	2	0
Environmental - Disclosure of Fossil Fuel Financing	E	Shareholder	Climate	3	3	3	0	0	0	0	0	3
Environmental - Report on "Just Transition"	E, S	Shareholder	Climate	3	3	0	3	0	0	0	3	0

Source: CT for year ending 31 Dec 2024