Heart of England Co-operative Society Pension Scheme

Implementation Statement for the year ended 05/04/2025

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustee of the Heart of England Co-operative Society Pension Scheme ("the Scheme") has followed its policy in relation to the exercising of rights (including voting rights) attached to the Scheme's investments, and engagement activities during the year ended 5 April 2025 ("the reporting year"). In addition, this Statement provides a summary of the voting behaviour, and most significant votes cast during the reporting year.

Background

During the reporting year, the Trustee received training on Environmental, Social and Governance ("ESG") issues from its Investment Adviser, XPS Investment ("XPS") and discussed its beliefs around those issues. The Trustee also received detailed information on the portfolio from an ESG perspective, and set a Responsible Investment Policy, including establishing priority topics for engagement in consultation with the Society.

The Statement of Investment Principles ("SIP") was updated during the current reporting year to reflect strategy changes made in the prior reporting year in response to the Gilts Crisis. The Trustee documented its voting and engagement policies via the Responsible Investment Policy, which was also adopted during the reporting year but after the SIP was updated. The agreed engagement priorities will be reflected in the SIP when it is next updated.

The Trustee's policy on ESG and stewardship

The Trustee believes that there can be financially material risks relating to ESG issues. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment managers. The Trustee requires the Scheme's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

To ensure sufficient oversight of engagement and voting practices of the investment managers, the Trustee may periodically meet with them to discuss engagement which has taken place. The Trustee also expects the investment adviser to engage with the managers from time to time as needed and report back to the Trustee on the stewardship credentials of its managers. The Trustee will then discuss the findings with the investment adviser, in the context of its own preferences, where relevant. This will include considering whether the manager is a signatory to the UK Stewardship Code. The Trustee recognises the Code as an indication of a manager's compliance with best practice stewardship standards.

In relation to ESG, the Trustee has established the following factors which it considers to be key priority for stewardship activity undertaken on their behalf.

The Trustee expects the managers to take into consideration the areas specified and provide relevant reporting to the Trustee:

- Conduct / culture and ethics
- Human and Labour rights
- Diversity and inclusion
- Health and safety

The Trustee will annually review stewardship activity undertaken by the investment managers to ensure that the policies and priorities outlined above are being met and may explore these issues with their investment managers as part of the ongoing monitoring of ESG integration and stewardship activities. There are various ways to engage with investee companies, including discussions with senior management and Board members and voting on key resolutions when shares are held by the Scheme.

Manager selection exercises

One of the main ways in which the latest policy is expressed is via manager selection exercises: the Trustee seeks advice from XPS Investment on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, there were no manager selection exercises.

Ongoing governance

The Trustee, with the assistance of XPS, monitors the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this Statement. Further, the Trustee has set XPS Investment the objective of ensuring that any selected managers reflect the Trustee's views on ESG (including climate change) and stewardship.

During the reporting year, the Trustee commissioned a report from XPS on the extent to which ESG considerations are incorporated into the investment processes of the investment manager organisations appointed to the Scheme. The Trustee recognises that the level of ESG integration within the investment processes is dependent on the asset class in question.

The report was discussed at the 24 July 2024 Trustee meeting. One of the areas considered by the report was stewardship, which relates to influencing a company in which the Scheme is ultimately invested via the funds held within the Scheme's portfolio. Companies can be influenced through meaningful engagement and using voting rights to drive long term positive change in their policies and practices. The report rated each investment manager organisation in this area and on ESG matters overall. The Trustee concluded that the ESG capabilities of the investment managers were satisfactory for the Scheme overall.

During the reporting year the Trustee also met with the investment manager LGIM to discuss the performance of the Scheme's investments, and ESG was a material topic at these discussions. The managers reiterated their approach towards engagement and provided evidence of engagement taking place within the relevant funds that was deemed by the Trustee to be at a satisfactory level.

Beyond the governance work currently undertaken, the Trustee believes that its approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

Adherence to the Statement of Investment Principles

During the reporting year the Trustee is satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. Investments in equities form part of the strategy for the diversified growth funds in which the Scheme invests. A summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is shown below.

As the Scheme invests in pooled funds, the Trustee acknowledges that it cannot directly influence the policies and practices of the companies in which the pooled funds invest. It has therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers.

The Trustee has confirmed this approach to be appropriate for the Scheme's investments. The information below is the investment managers' activity in relation to voting.

This voting information has been provided by the investment managers. The Trustee considers votes to be significant on the basis they are linked to key ESG issues including, but not limited to: climate change; other climate issues such as natural capital; executive remuneration; governance; independence; modern slavery or other factors such as the size of the holding.

Where the manager has provided a selection of significant votes, the Trustee has reviewed the rationale for significant votes provided by the managers and is comfortable with the rationale provided, and that it is consistent with its policy. The Trustee, with the help of XPS, has considered the information the investment managers have been able to provide on significant voting, and has deemed the below information as most relevant.

Disclaimer: Neither XPS nor the Trustee has vetted these votes. These summaries have been provided by the investment manager(s) and any reference to "our", "we" etc. is from the investment manager's perspective.

Legal and General Investment Management
Investment Manager Client Consultation Policy on Voting
LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.
Investment Manager Process to determine how to Vote
All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.
How does this manager determine what constitutes a 'Significant' Vote?
As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and

interested parties to hold us to account. For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to: • High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny; • Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote; • Sanction vote as a result of a direct or collaborative engagement; • Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes. We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications. The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions. If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on our website at:
Does the manager utilise a Proxy Voting System? If so, please detail
LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice. We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

Voting information
Legal and General Investment Management - Dynamic Diversified Fund
The manager voted on 99.77% of resolutions out of 102,057 eligible votes.
The manager voted against management on 22.52% of the resolutions which they voted.
Top 5 Significant Votes during the Period

<table>
<tr><th>Company</th><th>Date of Vote</th><th>Size of fund holdings</th><th>Voting Subject</th><th>How did the Investment Manager vote</th><th>Result</th></tr>
<tr><td>Microsoft Corporation</td><td>10/12/2024</td><td>0.48%</td><td>Resolution 9: Report on AI Data Sourcing Accountability</td><td>For</td><td>Fail</td></tr>
<tr><td colspan="6">Why the vote was deemed significant: High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.</td></tr>
<tr><td colspan="6">Where voted against the company, was this communicated: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.</td></tr>
<tr><td colspan="6">Rationale: Shareholder Resolution - Governance: A vote FOR this resolution is warranted as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models</td></tr>
<tr><td colspan="6">Implication: LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</td></tr>
<tr><td>Shell Plc</td><td>21/05/2024</td><td>0.3%</td><td>Resolution 22: Approve the Shell Energy Transition Strategy</td><td>Against</td><td>Pass</td></tr>
<tr><td colspan="6">Why the vote was deemed significant: Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.</td></tr>
<tr><td colspan="6">Where voted against the company, was this communicated: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.</td></tr>
<tr><td colspan="6">Rationale: Climate change: A vote against is applied. We acknowledge the substantive progress the company has made in respect of climate related disclosure over recent years, and we view positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025. Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and LNG business this decade, we expect the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. In essence, we seek more clarity regarding the expected lifespan of the assets Shell is looking to further develop, the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation.   Additionally, we would benefit from further transparency regarding lobbying activities in</td></tr>
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<tr><td colspan="6">regions where hydrocarbon production is expected to play a significant role, guidance on capex allocated to low carbon beyond 2025 and the application of responsible divestment principles involved in asset sales, given portfolio changes form a material lever in Shell’s decarbonization strategy.</td></tr>
<tr><td colspan="6">Implication: LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</td></tr>
<tr><td>Prologis, Inc.</td><td>09/05/2024</td><td>0.28%</td><td>Resolution 1a: Elect Director Hamid R. Moghadam</td><td>Against</td><td>N/A</td></tr>
<tr><td colspan="6">Why the vote was deemed significant: Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO.</td></tr>
<tr><td colspan="6">Where voted against the company, was this communicated: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.</td></tr>
<tr><td colspan="6">Rationale: Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.</td></tr>
<tr><td colspan="6">Implication: LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</td></tr>
<tr><td>Unilever Plc</td><td>01/05/2024</td><td>0.28%</td><td>Resolution 4: Approve Climate Transition Action Plan</td><td>For</td><td>Pass</td></tr>
<tr><td colspan="6">Why the vote was deemed significant: Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.</td></tr>
<tr><td colspan="6">Where voted against the company, was this communicated: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.</td></tr>
<tr><td colspan="6">Rationale: Climate change: A vote FOR the CTAP is applied as we understand it to meet LGIM's minimum expectations. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short, medium and long-term GHG emissions reduction targets consistent with a 1.5°C Paris goal. Despite the SBTi recently removing their approval of the company’s long-term scope 3 target, we note that the company has recently submitted near term 1.5 degree aligned scope 3 targets to the SBTi for validation and therefore at this stage believe the company's ambition level to be adequate. We therefore remain supportive of the net zero trajectory of the company at this stage.</td></tr>
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Implication: LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.					
National Grid Plc	10/07/2024	0.25%	Resolution 17: Approve Climate Transition Plan	For	Pass
Why the vote was deemed significant: Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.					
Where voted against the company, was this communicated: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.					
Rationale: Climate Change: LGIM is voting in favour of the National Grid Climate Transition plan. We commend the company’s efforts in committing to net-zero emissions across all scopes by 2050 and setting 1.5C-aligned near term science based targets. We also appreciate the clarity provided in the ‘Delivering for 2035 report’ and look forward to seeing the results of National Grid’s engagement with SBTi regarding the decarbonisation of heating.					
Implication: LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.					

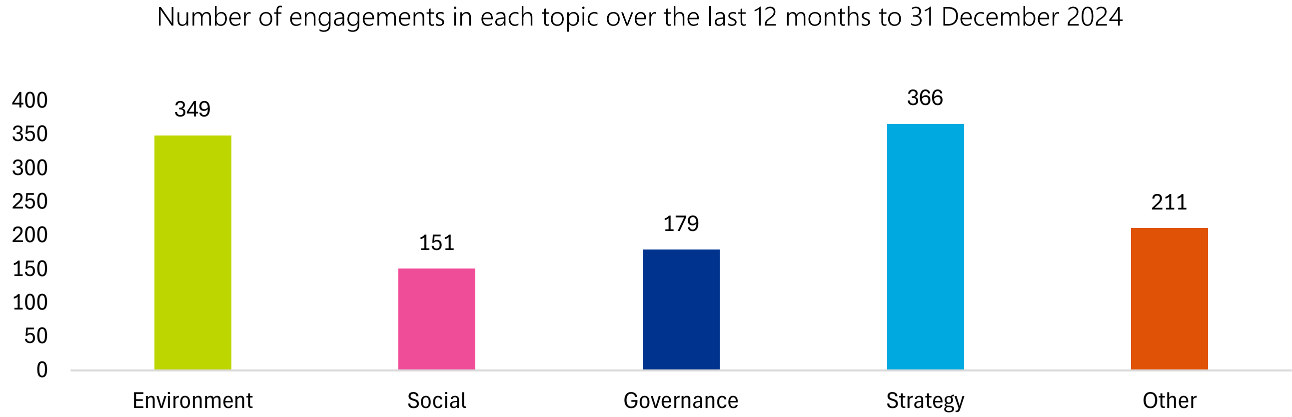
Note: LGIM Dynamic Diversified Fund voting data is as at 31 March 2025.

Engagement activity

To monitor engagement undertaken by the investment managers, in particular against the scheme specific stewardship priorities, the Trustee has collected the following information.

Despite efforts to obtain data on engagement activity in respect of the BlackRock Strategic Alternative Income fund, no such data had been provided by BlackRock at the time of issuing this statement. XPS will continue to ask for this data and will make it available to the Trustee as and when it is made available.

Disclaimer: Neither XPS nor the Trustee have vetted this information and/or examples. These summaries have been provided by the investment manager(s) and any reference to “our”, “we” etc. is from the investment manager’s perspective. All LGIM engagement activity data refers to the 2024 calendar year, which is the latest available at the time of issuing this report.



Topic	Number of engagements over the 12 months to 31 December 2024
Environment	**349**
Climate change	302
Natural resource use/impact (e.g. water, biodiversity)	19
Pollution, Waste	20
Antimicrobial Resistance (AMR)	8
Social	**151**
Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying)	**12**
Human and labour rights (e.g. supply chain rights, community relations)	**66**
Human capital management (e.g. inclusion & diversity, employee terms, safety)	**34**
Inequality	26
Public health	13
Governance	**179**
Board effectiveness - Diversity	**29**
Board effectiveness - Independence or Oversight	51
Board effectiveness - Other	29
Leadership - Chair/CEO	13
Remuneration	49
Shareholder rights	8
Strategy	**366**
Strategy, Financial and Reporting - Capital allocation	0
Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting)	40
Strategy, Financial and Reporting - Financial performance	153
Strategy, Financial and Reporting - Strategy/purpose	153
Strategy, Financial and Reporting - Risk management (e.g. operational risks, cyber/information security, product risks)	20
Other	**211**
**Other - Capital management, methane measurement; Animal welfare; LGIM Future World Protection List; LGIM ESG scores; Regulations; credit ratings agencies; activism; best practice; green bonds; environmental opportunities; mergers/ acquisitions/ takeovers;*	211

The section below provides examples of where the investment manager has engaged with the underlying companies, which the Fund invests in.

Name of entity you engaged	TotalEnergies SE
Topic of Engagement	Human rights
Rationale for engagement	We engaged with France-based energy company TotalEnergies on 2 Dec 2024 following reports by Politico alleging serious human rights violations by government security forces at the company's liquefied natural gas (LNG) project in Mozambique. The incidents allegedly took place after the army reclaimed territory that had fallen victim to insurgent attacks, resulting in suspension of the projects and evacuation of staff. Total had signed an agreement with government security forces to protect the asset from attacks. Our engagement goals were to hear Total's side of the story, evaluate the risk of severe reputational damage if the alleged incidents proved true and understand the safeguards put in place to detect and prevent potential human rights violations at and around the project.
Engagement activity carried out	We met with Total's ESG investor relations manager along with our Investment Stewardship colleagues on 2 December 2024 to discuss the allegations initially reported by Politico and the steps taken to investigate them, as well as the preventative measures and controls put in place to detect and prevent human rights abuses going forward.
Outcomes and next steps	Our engagements with the company have continued since their AGM and, in summary, we will continue, through voting and ongoing engagement both as LGIM and as part of the CA100+ group, to drive Shell to strengthen key elements of disclosure and targets, to meet the strategic engagement objectives as set out above. We consider the objectives above to be in progress.

Name of entity you engaged	Toyota Motor Corp
Topic of Engagement	**Governance: capital allocation; board independence, diversity and effectiveness (Corporate transparency)** **Climate Change: Climate lobbying disclosure and alignment of lobbying practices with net zero commitments**
Rationale for engagement	As a longstanding member of the Asian Corporate Governance Association network ('ACGA') Japan Working Group, LGIM engages with Japanese companies, including Toyota Motor Corporation, to improve their corporate governance and sustainability practices. At Toyota, we have identified their key issues to be: i) capital allocation decisions (cross-shareholdings and insufficient investments in zero-emissions vehicles and related infrastructure, and ii) board independence, diversity and effectiveness. iii) A climate transition strategy misaligned to industry expectations and associated political lobbying activity More recently, the company has been implicated in a few controversies regarding the quality and safety of products at its subsidiaries, and the governance of group companies has also been questioned. Toyota is one of the world's largest and most influential companies. They have long pushed their multi-pathway strategy of decarbonisation, incorporating a mixture of vehicle types - hybrids, EVs, fuel cell. These will have important roles in transitioning to net zero transportation. In certain regions that are making rapid progress towards EVs, Toyota have received negative press on their lobbying practices. We have been clear in our engagement that Toyota should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment.

	With regards to our Climate Impact Pledge expectations, we would like to see greater clarity from the company regarding how its 'multi-pathway' strategy aligns with its climate goals and with regulatory developments, specifically relating to the absence of a target for phasing out ICE vehicles.
Engagement activity carried out	We originally started our engagement with Toyota in September 2021, both independently and alongside fellow shareholders. Since 2023, we have continued our conversations with the company and increased the frequency of our meetings, both individually and collaboratively, on governance and climate topics. Concerns about irregularities regarding certifications, the accountability for this, and transparency at the company have also been a topic of engagement, especially as they pertain to overall corporate culture. Given the company's size and influence at Japan's largest business federation and in industry associations, we have continued to question the company's lobbying stance and its alignment with a 1.5°C transition pathway (this is also one of our 'red lines' under our Climate Impact Pledge). In addition to a number of email exchanges, we met with the company three times in 2024. Levels of individual typically engaged with include the Head of Investor Relations and the Finance Director. Our voting at the company's recent AGM reflects our ongoing concerns about independence on the board and diversity. Additional reasons for our vote against the re-election of the Chair included accountability for a lack of transparency regarding advisory roles of the former CEO, responsibility for certification irregularities and, on the topic of climate change, a vote sanction under our Climate Impact Pledge due to apparent misalignment of the company's stated ambitions and its forward-looking strategy. We also supported a shareholder proposal requesting greater transparency regarding climate lobbying activities.
Outcomes and next steps	We will continue to engage with the company on corporate governance issues and push for better practices both in terms of governance and climate strategy, as mismanagement of these incidents may lead to erosion of customer trust and exposes the company to reputational and legal risks. We are pleased with the progress Toyota is making on lobbying disclosures and are encouraged that Toyota have proactively responded to investor feedback and expectations in various iterations of the lobbying report. However, we would still welcome further clarity on Toyota's position on specific climate policies in key markets and how they align with the decarbonisation and electrification strategy. A more complete overview of the governance concerning climate lobbying positions and assessments, including an alignment review by the Board of Directors, would also be desirable. We also expect greater clarity on what action is taken where inconsistencies are identified within trade associations and their alignment to Toyotas climate ambitions. We will continue to engage with the company on both climate and governance issues, alongside the ACGA. We consider the objectives outlined above to be "in progress".

Name of entity you engaged	Bayer AG
Topic of Engagement	Health & Safety / Corporate Governance
Rationale for engagement	After Bayer acquired American agrochemical company Monsanto for $63bn in 2018, Bayer took on its legal liabilities which turned out to be more cumbersome than originally expected. What has followed is a burdensome debt load, ever-growing litigation payouts, operational failures (pharma pipeline in particular) and a complex corporate structure.

	Whilst litigation remains unresolved, Bayer's equity and bond valuations have majorly suffered, cash generation has been stunted and optionality to complete M&A, a key strategy for pharma companies, has been impaired. Therefore, engagement has been of the highest priority given equity and debt ownership positions at LGIM and because Bayer are one of the largest issuers by volume in EUR debt indices. We have been engaging with Bayer on the above points for several years, with particular focus on improved governance, litigation progress, capital allocation, debt reduction and environmental/nature management.
Engagement activity carried out	In 2024, we hosted five meetings with the company, speaking to employees in various roles from the Chairman of the Supervisory Board, to the Head of Corporate Funding. We also had regular check-ins with the Head of IR, both in person and via email. Given the breadth and complexity of the issues being faced by Bayer, we adopted a multi-team engagement process, led by Garland Buchanan and Alex Beare from Credit Research, David Jackson from Active Equities, and Maria Ortino and Toby MacKean from our Stewardship team.
Outcomes and next steps	These engagements have helped inform our view of Bayer's structural and cyclical headwinds. Structurally, we have monitored litigation progress, the trajectory of debt reduction and restructuring efforts. Cyclically, we have focused on the downturns in their pharma business because of patent expirations and weaknesses in their crop from wider pressures in the agriculture market and stock-specific pesticide registration issues. In August 2024, Bayer had a favourable legal ruling which paved a potential path to resolution for its Glyphosate litigation over the next few years. Litigation remains the key overhang for Bayer's equity and credit story and thus remains a key focus for engagement. We plan to continue our engagement with Bayer in 2025.