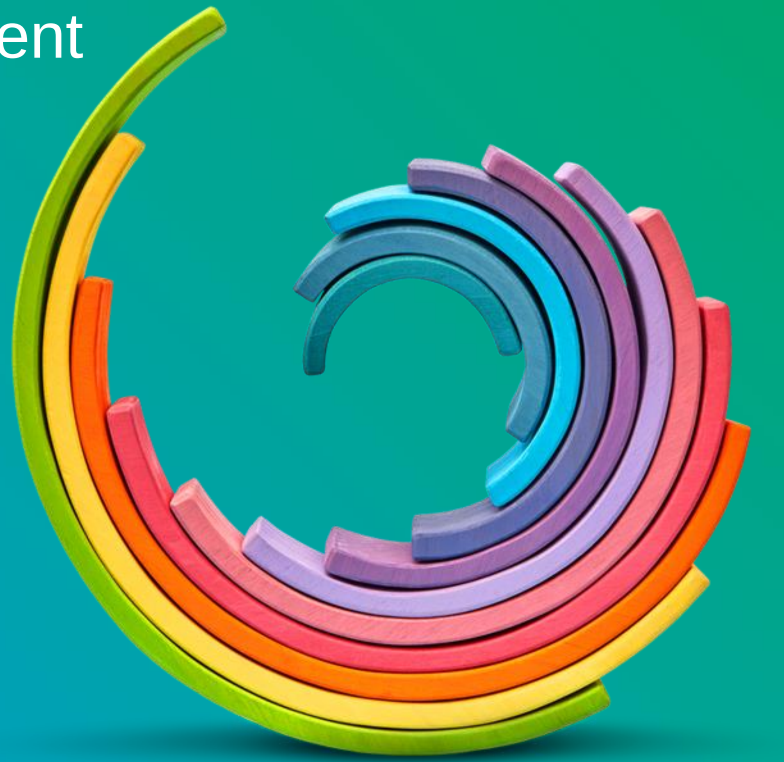
The Honda Group – UK Pension Scheme
('the Scheme')

Engagement Policy Implementation Statement for the Year Ended 31 March 2025



July 2025

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Section 1:

Introduction

This Engagement Policy Implementation Statement (the "Statement") sets out how, and the extent to which, the Trustee's Engagement Policy for the Scheme in the Statement of Investment Principles ("SIP") 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 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 October 2023 (covering the period between April 2024 and October 2024) and the SIP dated October 2024 (covering the period between October 2024 and March 2025).

Sections 2.1 and 2.2 of this Statement set out the investment objectives of the Scheme and changes which have been made to the Engagement Policy during the Scheme Year, respectively.

A copy of the SIP containing the Engagement Policy is available here[1].

Section 3 of this Statement provides some highlights of the activity undertaken by the Trustee in relation to Responsible Investment and Environmental, Social and Governance (ESG) over the Scheme Year.

Sections 4 and 5 include information on the engagement and key voting activities of the underlying investment managers of the Scheme, and also sets out how the Scheme's engagement and voting policy has been followed during the Scheme Year in respect of the Scheme's assets.

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

[1] *The latest SIP is available online at https://pensioninformation.aon.com/honda*

Section 2:

Statement of Investment Principles

2.1 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 objectives for the Scheme specified in the SIP are as follows:

- The Trustee aims to maintain a funding level of, or in excess of, 100% on an ongoing (Technical Provisions) basis through the adoption of a prudent funding and investment strategy. The aim is to take investment risk in a controlled way.
- The Trustee believes that, over the long term, excess return will be generated through investing in a range of alternative asset classes (such as infrastructure equity, secured finance, property and global private markets), corporate bonds and through the use of active management where appropriate. The Trustee recognises that in adopting this approach, the Scheme is exposed to market volatility and other risks, and this may mean that, in the short term, the return target may either not be achieved or be exceeded (i.e. the short-term funding position will be volatile).
- As the Scheme is closed to new entrants and in light of the improved funding status, the Trustee materially reduced, and expect to continue reducing, the Scheme's exposure to alternative growth assets over time in recognition of the fact that the Scheme has a maturing liability profile.

In order to assist with the discussion of investment matters, an Investment & Covenant Committee (the "ICC") has been established by the Trustee Board and is responsible for considering matters relating to the Scheme's investments. The ICC is supported by Mercer Limited's investment advisory team ("Mercer"), Mercer Global Investments Europe Limited ("MGIE") for support services, and Mercer Limited ("ML") as the appointed Fiduciary Investment Manager[2]. At each Trustee meeting, the ICC is required to formally report back to the Trustee on any decisions they have taken, or any proposals that they are recommending to the Trustee. For the avoidance of doubt, all strategic investment decisions remain the responsibility of the Trustee.

The investment objectives were unchanged over the 12 months to 31 March 2025 as the Scheme's assets continued to be managed in a low-risk manner relative to the liabilities.

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[2] The majority of the Scheme's assets were transferred to the fiduciary management solution, namely Mercer Investment Fund (MIF20) with the final assets transitioned on 1 October 2021. A minority of the Scheme's assets are held outside of MIF20; however, these are taken into account for the purposes of the funding level monitoring and cashflow management.

2.2 Review of the SIP

During the year, the Trustee reviewed and amended the Scheme's SIP, taking formal advice from its Investment Consultant (Mercer). A revised SIP was signed in October 2024 to reflect the updated investment strategy, including reflecting the wind-up of the Ares Secured Finance Fund and the decision to submit a full redemption request for the PGIM UK Ground Lease Fund, when able to, as the Fund was (and still remains) suspended to redemptions.

Section 3:

Environmental, Social and Governance ("ESG")

Policy

The Scheme's Engagement Policy outlines the Trustee's beliefs on ESG factors (including climate change). The Trustee believes that environmental, social, and corporate governance ("ESG") factors have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration. Further details are included in Section 7 of the SIP. This policy was established by the Trustee in 2019, however the Trustee keeps the policies under regular review with the SIP subject to review at least annually. There were no changes to this policy in the last review of the SIP which took place in October 2024.

How has this policy been met over the Scheme Year?

The Pension Schemes Act 2021 introduced legislation requiring specified pension schemes to ensure there is effective governance with respect to the effects of climate change. Occupational pension schemes with £5 billion or more in assets are required to have in place effective governance, strategy, risk management, and accompanying metrics and targets for the assessment and management of climate risks and opportunities from 1 October 2021, aligned with the Task Force on Climate-related Disclosures ("TCFD") framework. This legislation was also enforced the following year for occupational pension schemes with £1 billion or more of assets. During the Scheme Year (October 2024) the Trustees published its second TCFD report for the Scheme which can be found at the following website: https://pensioninformation.aon.com/honda.

The Investment Consultant periodically reports any change in its assessments of the ESG credentials of the underlying investment managers to the Trustee on an ongoing basis and makes recommendations to the Trustee, as appropriate.

The Trustee has delegated responsibility for the selection, retention, and realisation of investments to their investment managers and accordingly, the Trustee seeks to manage the risks and opportunities associated with these ESG factors by selecting industry leaders in investment management who are committed to the Principles for Responsible Investment ("UNPRI") (as they apply to the sector in which the manager invests or the strategy pursued by the manager) and against criteria which include ESG considerations. ESG and the level of integration will differ across asset classes and by investment manager.

The Trustee does not require the Scheme’s investment managers to take non-financial matters into account in their selection, retention and realisation of investments.

Section 4

Engagement Activity by the Scheme's Investment Managers

Over the Scheme Year to 31 March 2025, The Trustee reviewed the investment manager mandates in relation to ESG factors including climate change.

The Trustee has agreed not to appoint any manager rated by Mercer with the lowest ESG rating.

The Trustee requested that the investment managers confirm compliance with the principles of the UK Stewardship Code. M&G, PGIM, LGIM, Partners Group and JP Morgan Asset Management are signatories of the current UK Stewardship Code 2020 that took effect on 1 January 2020. The group of signatory investment managers corresponds to the majority of the Scheme's investment managers (c. 97% of assets under management as at 31 March 2025, excluding the Trustee bank account). Knighthead and Ares are not yet signatories of the UK Stewardship Code.

It is the Trustee's policy that the third-party investment managers appointed by Mercer as fiduciary manager, report and manage assets in line with established best practice, such as the UK Stewardship Code, where possible.

The Scheme's investment performance report is reviewed by the Trustee on a quarterly basis. This report includes ongoing assessments around ESG integration. All of the investment managers, with the exception of the PGIM UK Ground Lease Fund, remained generally highly-rated during the Scheme Year. The PGIM UK Ground Lease Fund was downgraded by Mercer in early 2025. This downgrade was highlighted to the ICC at the time, noting the Trustee's existing instruction for Mercer to place a full redemption once the Fund unsuspends. Where investment managers may not be highly-rated from an ESG perspective, the Trustee continues to monitor and may engage appropriately with those investment managers. The investment performance report includes how each investment manager is delivering against their specific mandates.

The following are examples of engagement activity undertaken by the Scheme's investment managers, where relevant. Examples were provided by the investment managers.

See section 5 for more details on how the Trustee's policies on engagement have been implemented, as well as its policies on the exercise of investment rights (including voting).

Partners Group (Global Infrastructure 2015) engages with Techem Metering GmbH to achieve a top 1% sustainability rating.

Following on from the previous Engagement Policy Implementation Statement, Techem achieved a sustainability risk rating of 8.7 from Morningstar Sustainalytics, designating the company as having ‘negligible risk’ of material financial impact from sustainability factors. This rating places Techem within the top 1% of the 16,358 companies assessed globally, positioning it in the second percentile within the business support services sub-sector. This recognition underscores Techem’s rigorous commitment to sustainability and effective risk management.

Techem is committed to a 90% reduction in CO2e emissions across all scopes by 2045, with specific interim targets: a 42% reduction for Scopes 1 and 2, and a 28% reduction for Scope 3 by 2030, using a 2020 baseline. This aligns with the Science-Based Targets initiative's Net-Zero standard. In support of these ambitious goals, Techem has adopted an extensive sustainability governance framework and established a cross-departmental sustainability team led by the Head of Sustainability. The 2023 Sustainability Report details significant progress, emphasising energy efficiency, water conservation, and waste reduction. Techem has also conducted comprehensive greenhouse gas assessments and manages over 56 million devices across Europe, showcasing its dedication to operational excellence and environmental stewardship.

Partners Group (Global Infrastructure 2012) engages with Esentia to improve environmental and health and safety initiatives.

Environmental Initiatives and Greenhouse Gas Emissions: Esentia has set a target to reduce methane emissions by 30% by 2029 compared to 2022 levels. This target, as part of the company's performance goals, underscores Esentia's commitment to emissions reduction, although is not yet aligned with a Net-Zero scenario. Additionally, Esentia plans to expand its emissions tracking by considering Scope 3 accounting, aiming to integrate responses from pre-2023 with updated methodology. Furthermore, the company is promoting renewable energy and resource efficiency. Solar generators, totaling 275kW, are now operational across multiple sites, contributing to cleaner energy use and supporting awareness campaigns for water and energy conservation within its facilities.

Health and Safety: Health and safety are key operational priorities for Esentia, especially given that the incident rate in 2024 (six year-to-date, matching 2023 totals) reflects a need for further improvement. Efforts are underway to reinforce safety standards and incident response protocols, particularly in areas of property damage, illness, and accident prevention.

Partners Group (Global Value 2014) engages with KinderCare Education to improve environmental education and minimise the company's environmental impact.

KinderCare is dedicated to providing high-quality education and care services, with a focus on sustainability and social impact. They operate nearly 1,500 early childhood education centers, the largest network of centers with the most licensed capacity in the United States, providing access to more children than any other provider. KinderCare also offers over 650 before- and after-school programs, serving as an additional delivery channel to reach children and parents. They have implemented security practices to protect personal data of children and their families and employees.

KinderCare emphasises the importance of environmental education and implements measures to minimise their environmental impact. They have implemented recycling programs at over 600 of their centers, and have installed energy management systems in over 185 centers, resulting in a 14% reduction in annual energy usage, representing a saving of approximately 2.6 million kWh annually. Additionally, they have reduced their vehicle fleet by approximately 20% to about 2,000 school buses, resulting in a decrease in fuel usage of 11% since 2019.

KinderCare prioritises corporate social responsibility, with oversight at the highest level. The Nominating and Governance Committee of their board of directors has specific oversight of corporate social responsibility matters and receives regular updates from management. Their President directs the development and implementation of the corporate social responsibility strategy and initiatives.

M&G engages with Zayo Group Holdings Inc to improve the company's diversity and inclusion.

M&G had a call with the Sustainability Director and a member of the Investor Relations team to assess current Diversity & Inclusion ("D&I") metrics against targets, whilst also requesting Zayo to disclose and publish a pay gap report. Regarding D&I, the company have met their target of over 31% representation, already reaching gender and ethnic diversity of just over 30%. They do not plan on setting new targets but have a working group addressing D&I. Zayo informed M&G that they are on par with industry standards in this area. They plan to include social aspects in their sustainability report and have created an equity pay gap report, which they have not disclosed externally. M&G requested that Zayo publish this report, and they shared that they would take this back to their steering committee to discuss the possibility of disclosure, although this will remain a work in progress. M&G will continue to monitor this and expect to follow the progress of their diversity and inclusion reports in the near future.

LGIM (firm wide engagements not specific to Honda mandates) engages with BP to ensure the company will not make substantive downward revisions to their climate-related targets.

As one of the largest integrated oil and gas producers in the world, BP has a significant role to play in the global transition to net zero, hence LGIM's focus on this company for in-depth engagements. LGIM have been engaging with BP on climate change for a number of years, during the course of which we have seen many actions taken regarding climate change mitigation. LGIM met with BP several times during 2022. In BP's 2022 AGM, LGIM were pleased to be able to support management's 'Net Zero – from ambition to action' report (Resolution 3). 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 their concerns. At their 2023 AGM, LGIM voted against the re-election of the Chair. LGIM have continued to engage with BP in 2023 following their decision, and throughout 2024, specifically on the objectives clarified above which reflect LGIM's main areas of concern at the company (e.g. demonstration of alignment to 1.5ºC objectives through enhanced disclosure of scenarios and assumptions and no new long lead-time oil and gas projects). LGIM remain the 'lead' on BP engagement with the CA100+ (Climate Action group), although they also undertake their own individual meetings with the company. Levels of individual typically engaged with include a range of senior staff, including the Chair and the former CEO.

Over the past few years, LGIM felt the company has made a number of positive steps. 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.

Section 5:

Voting and Engagement Disclosures

The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee's would monitor and engage with relevant persons about relevant matters).

Policy

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance") one of the areas of interest was the significant vote definition. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote".

The Trustee has set the following key themes that they believe constitute a "significant vote":

- Climate Change
- Modern Slavery
- Governance and Financial outcomes

The Trustee will also use these key themes to focus on specific areas when considering manager engagements.

The Scheme no longer has exposure to mandates where a significant proportion of the holdings have voting rights.

Section 6:

Additional Voluntary Contributions

From 6 April 2006, the Trustee ceased accepting additional contributions into the Scheme, but the Trustee still remains responsible for the AVC funds in respect of AVCs paid into the Scheme prior to this date. However, the Trustee does not consider the AVC section to hold a material amount of assets in voting rights holding investments to include them in this disclosure.