

Implementation Statement for the Year to 31 December 2023

DZ Bank AG London Branch Pension Plan ('the Plan')

Introduction

This statement describes the voting and engagement policies of the Trustees of the DZ Bank AG London Branch Pension Plan ('the Trustees') along with a summary of voting and engagement behaviour related to the Plan's investments over the 12-month period to 31 March 2023.

This Implementation Statement is to provide evidence that the Plan continues to follow and act on the principles outlined in the Statement of Investment Principles ('the SIP'). This report details:

- Actions the Trustees have taken to manage financially material risks and implement the key policies in its SIP;
- The current policy and approach with regards to Environmental, Social and Governance (ESG) factors and the actions taken with managers on managing ESG risks; and
- The extent to which the Trustees have followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in which they invest.

Summary of key actions undertaken over the Scheme reporting year

During the year, the Plan experience a material improvement in funding as a result of the Gilt crisis in late September/early October at a time when interest rate and inflation risk was not explicitly targeted. The Trustees therefore decided to implement a liability driven investment (LDI) strategy, alongside a significant reduction in risk assets, to "lock-in" the improvement in the run up to the 2023 Actuarial Valuation.

Implementation Statement

This report demonstrates that the Plan has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Managing risks

Risk / Policy	Definition	Policy	Actions
Interest rates and Inflation	The risk of mismatch between the value of the Scheme's assets and present value of liabilities from changes in interest rates and inflation expectations.	To invest in an increasing amount in assets that move in line with the present value of the Scheme's liabilities.	The Plan invested in long dated Gilt and Index Linked Gilt funds over the period which aim to hedge part of the Scheme's inflation and interest rate risk. This was increased as funding improved with an allocation to LDI funds agreed towards the end of the period.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and going forward provide collateral to the LDI manager.	The Plan's liquidity was not affected by the Gilt crisis due to there being no exposure to LDI funds. Going forward liquidity will continue to be stressed, and assets held in short-dated credit, cash and daily traded funds as sources of liquidity.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away from any unrewarded risks, where practicable.	The Plan has reduced all market exposure and invests in a diversified growth fund and alternative income fund which aim to reduce market volatility by diversifying across different divers of return.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors where possible	The Plan invested in well diversified credit funds, which invest across a variety of sectors, diversifying the underlying credit risk. Credit exposure is to be increased as part of the derisking process, with further diversification to be introduced.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Plan's investments.	To appoint managers who integrate ESG into their investment process, utilise their right to vote and have good reporting on ESG matters.	As part of the investment management of the Plan's assets, the Trustees expect the investment managers to make decisions on: <ul style="list-style-type: none"> • The selection, retention and realisation of investments taking into account all financially material considerations. • The exercise of rights (including voting rights)

			<p>attached to these investments</p> <ul style="list-style-type: none"> Undertaking engagement activities with investee companies and other stakeholders where appropriate. <p>The Trustees have undertaken training on ESG and Stewardship and is considering priorities, although none have been set.</p>
Currency	The potential for adverse currency movements to have an impact on the Plan's investments.	To invest in GBP denominated share classes where possible, and to hedge out currency risk where appropriate to do so.	The Plan has run a value-based currency hedging programme on its US Dollar denominated funds. As these funds have been sold down during the last six months, the currency hedging strategy has also been wound down and will cease shortly after the period under review.
Non-financial	Any factor that is not expected to have a financial impact on the Plan's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	

Changes to the SIP

Policies added to the SIP

An addendum to the SIP was issued in October 2022 to allow suspension of the asset allocation and banking gains policies, and permit investment into LDI funds.

A fully revised SIP was drafted and signed after the year-end to reflect the new investment strategy.

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP describes the Plan's policy with regards to ESG as a long-term risk. The next page details how the Plan's ESG policy is implemented. The rest of this statement details the Trustees' view of the managers, the actions for engagement and an evaluation of the stewardship activity.

The following table outlines the areas by which the Plan's investment managers are assessed on when evaluating their ESG policies. The Trustees will review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

Implementing the Current ESG Policy

Areas for monitoring and engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factor and the exercising of rights.	The Trustees receive information from its investment advisers on the investment managers' approaches to engagement.	<p>The manager has not acted in accordance with their policies and frameworks.</p> <p>The manager's policies are not in line with the Trustees' policies in this area.</p>

Engagement and Voting

Whilst there were a number of holdings at the end of March, many were either small illiquid holdings in harvest mode or hedge funds that were being redeemed. The Trustees have therefore focused their attention on assessing those funds that will be retained as part of the ongoing strategy and not those who will not be part of the portfolio by the end of 2023.

Funds in harvest mode:

- Chenavari Regulatory Capital – remaining holdings are being sold and the fund made up 0.2% of the total assets
- Drawbridge Special Opportunities – remaining holdings were sold after the year end and the fund made up 0.2% of the total assets at 31 March 2023
- Lunar Capital III – private equity in harvest mode (0.6% of total portfolio)
- Harbert European III – private real estate in harvest mode (almost entirely paid back)
- Harbert European IV – private real estate in harvest mode (1.0% of total portfolio)

Funds in redemption:

- Broad Bay Capital – final redemption payment received shortly after year end
- Context BHZ Partners – only a small hold back remains after year end
- HG Vora – redemptions over the next three quarters
- Mudrick Distressed - only a small hold back remains after year end
- Selwood Credit – final redemptions payment received after year end
- Deer Park STS - only a small hold back remains after year end
- RWC European Equity Focus - redemptions over the next three quarters

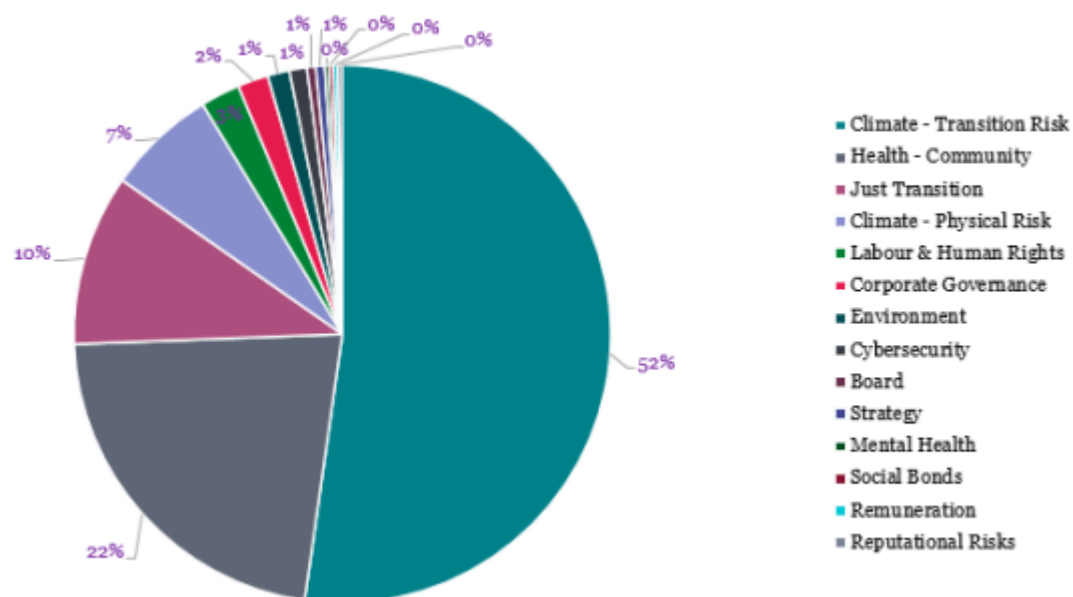
Fund Manager	Policies	Engagement and Voting
RLAM Investment Grade Short Dated Credit Fund	Documents are available on their website covering RI policies. Responsible investment Institutional RLAM	See below engagement information – to 30 June 2023 (six monthly only is available)
Columbia Threadneedle Multi-Asset Fund	Documents are available on their website covering RI policies. Responsible Investor Columbia Threadneedle Investments	See below for information
VT RM Alternative Income Fund	Responsible Investment Policy - active stewardship integral part of approach, companies that deliver wider societal benefits will be successful. A list of activities they will not invest in, even if the activity is along the supply chain, nor will they invest in companies with a	Engagement starts at diligence stage. Look to engage on issues, monitor, vote against, collaborate with other investors and ultimately divest. Engagement examples include with GRIID on backup generators being used and a full ESG DDQ being completed by all investee companies. The Trustee's advisers continue to work with VT RM on their reporting, especially on significant votes, given the level of work that they undertake within ESG.

significant negative impact such as gambling.
Voting, Engagement & Escalation Policy – engagement is key to making a difference.

Trium ESG Emissions Improvers Fund	<p>Please note that the name of the fund changed in February 2023. The fund has strong ESG credentials through engagement and influence. The investment approach is to invest in and work with carbon emitters to reduce their carbon footprint by 5% per annum. One such measure of improvement is emissions per unit of sale which is monitored very closely.</p>	Engagement is at the heart of what Trium do and more information is provided below.
BlackRock Over 15 year Gilt and Over 5 Year Index-Linked Gilt Funds	<p>Information on wider BlackRock engagement and stewardship can be found on their website. Investment Stewardship BlackRock</p>	There is little opportunity to engage on Gilts.

RLAM Investment Grade Short Dated Credit

During the 12 months to 30 June 2023, RLAM engaged with 245 companies on 349 occasions across 379 ESG topics, the majority of which were on climate.



Example engagements include VW on climate transition plans and social housing companies on processes to tackle damp and mould.

Columbia Threadneedle MAF

Request	Response
How many meetings were you eligible to vote at?	430
How many resolutions were you eligible to vote on?	5830
What % of resolutions did you vote on for which you were eligible?	97.6%
Of the resolutions on which you voted, what % did you vote with management?	90.0%
Of the resolutions on which you voted, what % did you vote against management?	7.9%
Of the resolutions on which you voted, what % did you vote to abstain?	2.1%
In what % of meetings, for which you did vote, did you vote at least once against management?	56.5%

Company Name	Meeting Date	Approx size of holding (31 March 2023)	Summary of resolution	How voted	Where you voted against management, did you communicate your intent to the company ahead of the vote?	Rationale for the voting decision	Outcome of the vote	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	On which criteria have you assessed this vote to be "most significant"?
Cintas Corporation	2022-10-25	0.20%	Report on Political Contributions	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
General Motors Company	2022-06-13	0.01%	Report on the Use of Child Labor in Connection with Electric Vehicles	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
The TJX Companies, Inc.	2022-06-07	0.00%*	Report on Risks from Company Vendors that Misclassify Employees as Independent Contractors	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
The TJX Companies, Inc.	2022-06-07	0.00%*	Report on Assessing Due Diligence on Human Rights in Supply Chain	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
Alphabet Inc.	2022-06-01	0.32%	Report on Metrics and Efforts to Reduce Water Related Risk	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
Alphabet Inc.	2022-06-01	0.32%	Commission Third Party Assessment of Company's Management of Misinformation and	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent

Disinformation
Across
Platforms

Alphabet Inc.	2022-06-01	0.32%	Report on Climate Lobbying	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
Amazon.com, Inc.	2022-05-25	0.56%	Commission Third Party Report Assessing Company's Human Rights Due Diligence Process	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
Amazon.com, Inc.	2022-05-25	0.56%	Report on Lobbying Payments and Policy	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
Amazon.com, Inc.	2022-05-25	0.56%	Report on Protecting the Rights of Freedom of Association and Collective Bargaining	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent

* since been exited

Trium Emissions Improvers Fund

The Fund typically invests in smaller companies that have significant potential sales growth and are in a better position to pivot than mega-cap companies. The engagement portfolio is cutting emissions by roughly 37% by 2030, while increasing sales by roughly 40%. On a weighted average basis, the calculation is similar, with a 38% direct emissions reduction and 39% increase in sales. If we incorporate scope 3 emissions, the percentages are similar with an overall reduction of roughly 35%. This implies a roughly 7% annual cut in emissions per sales over the next decade.

We classify our core long book into four categories: Improvers, Leaders, Enablers, and Fallen Angels. Improvers is our largest category in the Fund. We have emissions focused engagement with all of our core long but are very focused on emissions reductions with our Improvers. We prefer companies that implement operational and industrial reductions in emissions rather than buying offsets.

Activity includes:

New Fortress Energy: We initially invested in NFE in 2019 as we were impressed by its business strategy of bringing cleaner energy to Caribbean islands and Latin America by replacing oil fired generation with gas fired generation, which has a much lower emissions footprint and also less corruption and air pollution. The Company also adopted a net zero target by 2030 and purchased a hydrogen company in order to gradually pivot their facilities to renewables. However, in 2022, the company's net zero ambitions appear to have taken a back seat to natural gas growth. We were unable to receive detailed responses to questions on how they plan to achieve their targets despite meeting the Chairman and CEO and directly asking this question. We believe the company may be overly relying on offsets and is not making sufficient efforts to source these offsets organically. As such, we have exited the position.

Cairn: We were holders of UK oil and gas company Cairn due to their large tax settlement and potential to pivot away from oil and gas and develop CCUS capability. We were very disappointed in the Tullow merger and wrote an email to management expressing our frustration and sold the shares. We also met UK activist Palliser and discussed our views. As the CEO and Board have now been replaced, we have re-entered with a small position. We have arranged to meet the new Chairman of the Board to discuss our vision for the Company.

PhosAgro: The Fund divested PhosAgro in early 2022, prior to the Russian invasion of Ukraine. We had spoken to the Company about their low cadmium phosphate production and steps to decarbonise their operations. However, we were concerned even prior to the Ukraine invasion about whether an ESG fund should be holding Russian stocks, considering the aggressive actions of the Russian government and limited independence of Russian companies. As such, we exited prior to invasion and do not plan to own Russian stocks until there is a change in government.