

# Arena Housing Group Pension Scheme

## Engagement Policy Implementation Statement for the year ending 31 March 2025

### Introduction

The Trustee has a fiduciary duty to consider its approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustee can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through each investment manager.

This statement sets out how, and the extent to which, in the opinion of the Trustee, the policies (set out in the Statement of Investment Principles) on the exercise of rights (including voting rights) attaching to the investments, and engagement activities have been followed during the year ending 31 March 2025. This statement also describes the voting behaviour by, or on behalf of, the Trustee including the most significant votes cast during the year, and whether a proxy voter has been used.

The Trustee, in conjunction with its investment consultant, appoints its investment managers and chooses the specific pooled funds to use in order to meet specific Scheme policies. It expects that its investment managers make decisions based on assessments about the financial and non-financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustee also expects its managers to take non-financial matters into account as long as the decision does not involve a risk of significant detriment to members' financial interests.

Members of the Trustee Board received the following training over the period:

Date	Provider	Subject
July 2024	Gallagher	Investment governance – overview of requirements

### Stewardship - monitoring and engagement

The Trustee recognises that each investment manager's ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustee acknowledges that the concept of stewardship may be less applicable to some of its assets, particularly for gilt and liability-driven investments. As such, the Scheme's investments in these asset classes are not covered by this engagement policy implementation statement.

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. Each investment manager is expected to provide regular reports for the Trustee detailing their voting activity.

The Trustee’s policy is to delegate responsibility for engaging and monitoring investee companies to each investment manager and the Trustee expects the investment manager to use its discretion to maximise financial returns for members and others over the long term.

The Trustee seeks to appoint managers that have strong stewardship policies and processes and are supportive of its investment managers being signatories to the United Nations’ Principles for Responsible Investment and the Financial Reporting Council’s UK Stewardship Code 2020. Details of the signatory status of each investment manager is shown below:

Investment manager	UN PRI Signatory	UK Stewardship Code Signatory
TwentyFour	Yes	Yes
Insight	Yes	Yes

The Trustee reviews each investment manager prior to appointment and monitor them on an ongoing basis through the regular review of the manager’s voting and engagement policies, its investment consultant’s ESG rating, and a review of each manager’s voting and engagement behaviour.

The Trustee has not set out its own stewardship priorities but follow that of the investment managers.

The Trustee will engage with a manager should they consider that manager’s voting and engagement policy to be inadequate or if the voting and engagement undertaken is not aligned with the manager’s own policies, or if the manager’s policies diverge significantly from any stewardship policies identified by the Trustee from time to time.

If the Trustee finds any manager’s policies or behaviour unacceptable, it may agree an alternative mandate with the manager or decide to review or replace the manager.

As all of the investments are held in pooled vehicles, the Trustee does not envisage being directly involved with peer-to-peer engagement in investee companies.

### **Investment manager engagement policies**

Each investment manager is expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustee with information on how the investment manager engages in dialogue with the companies they invest in and how they exercise voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental and corporate governance aspects.

The Trustee is comfortable that these policies are broadly in line with the Scheme’s chosen stewardship approach and that they do not diverge significantly from any key stewardship priorities identified for the Scheme.

Links to each investment manager’s voting and engagement policy or suitable alternative is provided in the Appendix.

These policies are publicly available on each investment manager’s website.

The latest available engagement information provided by the investment managers (for mandates that contain public equities or bonds) is as follows:

<b>Engagement</b>		
	TwentyFour Sustainable Enhanced Income ABS Fund	Insight Maturing Buy and Maintain Bond Fund 2026-2030
Period	01/04/2024 – 31/03/2025	01/04/2024 – 31/03/2025
Engagement definition	<p>For their investment grade credit funds, they count engagements which are significant discussions on a specific topic. For funds including high yield and ABS they currently also include engagements to gather missing data or challenge data as engagements as within those universes, the data availability through third-party databases is still very low.</p>	<p>Philosophically, financial materiality has always been at the core of why they have engaged with institutions. A financially material factor is one that is deemed relevant and likely to have a positive or negative impact on the financial value of that investment. It is a core part of their process to engage with issuers on such factors which include, but are not limited to, strategy, capital allocation and competitive positioning. ESG factors can also drive engagement where their analysts believe them to have financial relevance. In this sense they are part of the mosaic of factors that should be considered for effective financial analysis.</p> <p>Increasingly, however, their clients would like them to use their influence, which is generated by their capital, to go beyond engaging solely on financially material issues and to seek, where possible, to mitigate potential externalities by engendering more sustainable practices. In most circumstances more sustainable behaviours are fully aligned to better long-term risk/return profiles of investments and therefore they also engage on ESG issues where they think they can influence improved behaviour, providing it is not detrimental to the return potential of the investment they make. These two rationales drive why they engage and</p>

lead, broadly, to conducting two types of engagement:

1. Fundamental engagements – focus on financial materiality and business fundamentals. Typically, these engagements may include ESG issues where they are deemed to be relevant to the investment case, but they do not necessarily involve a longer-term, structured programme.

2. ESG engagements – focus on addressing an issuer’s performance or impact relating to one or more ESG issues. Typically, such engagements will be longer term, structured around measurable objectives, and may be influenced by their thematic priorities as a firm. Classical financial analysis organically leads to fundamental engagements as analysts seek to gain full understanding of all the risk factors that may impact an investment. However, systematic analysis of ESG factors requires the consideration of additional data and themes which may be outside of an analyst’s normal investigative skillset. To help frame the nature of an engagement they look to categorise ESG themes to understand if they fall under a standard fundamental engagement process or if they would benefit from a specific ESG engagement.

Number of companies engaged with over the year	150	78
Number of engagements over the year	230	125

**Exercising rights and responsibilities**

Given the Scheme currently only uses pooled funds to invest in a range of fixed income and LDI securities, there are no voting rights for the Trustee to monitor.

**Trustee's assessment**

Given the current investment strategy, the Trustee is comfortable with the investment managers' approach to stewardship and is supportive of the investment managers being a signatory to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

## Appendix

Links to the engagement policies for each of the investment managers can be found here:

Investment manager	Engagement policy (or suitable alternative)
TwentyFour Asset Management	<a href="https://www.twentyfouram.com/engagement-at-twentyfour">https://www.twentyfouram.com/engagement-at-twentyfour</a>
Insight Investment Management	<a href="https://www.insightinvestment.com/globalassets/documents/responsible-investment/responsible-investment-reports/uk-eu_stewardship_policy_2024.pdf">https://www.insightinvestment.com/globalassets/documents/responsible-investment/responsible-investment-reports/uk-eu_stewardship_policy_2024.pdf</a>

Information on the most significant engagement case studies for TwentyFour as the company managing the fund containing public bonds as at 31 March 2025 (latest available) is shown below. Please note the information below represents TwentyFour's views as an investment manager on the most significant engagement cases but does not necessarily apply to the fund.

TwentyFour – Firm-level	Case study 1	Case study 2	Case study 3
Name of entity engaged with	Mobico	Barclays	Volkswagen Leasing
Topic	Governance/Strategy, Financial and Reporting - Strategy/Purpose	Environment - Climate change	Environment - Climate change

Rationale

Portfolio Managers from their Outcome Driven team attended Mobico's results call to understand its latest financial performance, its approach to operational and balance sheet challenges, and management's view on the company's hybrid call date, which was something that TwentyFour were concerned about.

This engagement was conducted as part of their Carbon Emissions Engagement Policy where Portfolio Managers from both the Outcome Driven and Multi Sector Bond teams engaged with Barclays regarding their exposure to fossil fuel financing after identifying some gaps in Barclays policies. Barclays was chosen as it is a company whose bonds are widely held by all their investment teams, either in corporate bonds or as an originator for Asset Backed Securities. TwentyFour found that fossil fuel financing as a % of Barclays loan book is the highest in Europe and were concerned about this. In addition, absolute volumes also ticked up in 2023 after falling in previous years. Regarding financing policies, they asked some clarifications about the phase-out of coal financing and the transition of current oil and gas financing off the balance sheet. This engagement was in line with UNSDG 13, Climate Action. Fossil Fuel financing was a key theme for 2024 and they held a webinar on the subject in Sep 24 - please see link here :<https://www.twentyfouram.com/in-sights/fossil-fuel-financing>

In 2024, TwentyFour scheduled a call with Volkswagen Leasing ahead of the new VCL 41 auto (asset backed securities) deal to discuss their carbon emission data disclosures. They were hoping to receive carbon emissions data on the pool, something that had been promised to us multiple times over the past 2 years. As a favoured issuer of auto deals, they were very keen that VW should provide data, as many other auto ABS originators can do. This is connected to UN SDG 13, Climate Action.

What the investment manager has done

Management reported improved financial results. However, they indicated little progress on the sale of the US school bus business, a critical step for reducing the company's leverage, which has been a talking point for the past year. This lack of progress raises concerns about management's commitment to right-sizing the balance sheet.

When questioned about their intentions regarding the corporate hybrid bond call, the new CFO initially stated they did not intend to call the instrument and that it would be left outstanding. Further probing revealed a lack of understanding of the instrument's timing, call features and the implications. They re-engaged with management, and the CFO clarified that she misspoke and that they would evaluate their options as the first call date approaches. Despite this clarification, it is difficult to determine the honest response, and it seems more likely that the initial statement reflects their true intentions.

The CFO's apparent lack of understanding and her different approach to the hybrid compared to the previous CFO are concerning. Earlier in the year, during a call with both the outgoing and incoming CFOs, they emphasised their commitment to call/evaluate their options. The shift in her stance in such a short period does

Regarding the tick up in fossil fuels financing, Barclays clarified that the bank engaged with the Rainforest Action Network (RAN) about their methodology before the report's publication as it does not agree with the classification or attribution of some transactions. According to its audited Annual Report, the bank's TCFD-aligned exposure to high-risk carbon sectors has decreased by 4% year-over-year, covering both carbon-emissive and renewable energy financing. Additionally, recent increases in fossil fuel financing may reflect the need to replace resources lost due to the conflict in Russia.

Barclays also clarified that the bank will not finance new clients or existing clients with more than 30% of their revenues from coal mining or coal-fired power generation. This policy will lead to a phase-out of coal financing in the EU and OECD by 2030, and in the rest of the world by 2035. The bank's Client Transition Framework (CTF) informs decision-making on business and credit appetite, with energy companies failing to reduce emissions or transition facing difficulty accessing financing. By January 2025, energy clients will

Their ABS team liaised with them and were told they are still unable to provide CO2 data, lagging many of their peers. Not only this, but they said they do not have a realistic timeline for when they can expect this data – they will however try to formulate a new timeline that they can stick to. They claim the reasons for them being unable to provide the data at this stage is due to complications within VW, and the fact they are unable to get the data from the automotives team. They told them they were disappointed in their answers, and that if there was any data that could be provided they would appreciate it, and they did not receive anything prior to this particular deal.

not give us confidence in the instrument.

need to submit transition plans or decarbonization strategies. The bank has committed to no longer financing new upstream oil and gas projects and expects its energy clients to submit transition plans by 2025 and set decarbonization targets by 2026. Barclays has established targets for eight high-emitting sectors and has reduced its energy-related emissions by 44% since 2020. The bank aims to provide \$1 trillion in sustainable and transition finance by 2030, with \$123.8 billion facilitated so far. It is also investing in clean tech through its £500 million Sustainable Impact Capital fund. Additionally, the Board oversees the strategy, with executive compensation linked to climate and sustainability performance, reflecting the bank's ongoing commitment to addressing climate change.

Outcomes and next steps	The lack of coherence on the US business sale and the approach to the hybrid instrument, coupled with management changes, raises questions about the company's governance credentials. They will look to exit their position when market conditions are favourable.	Barclays' response was satisfactory as it outlined a clear and comprehensive climate strategy, including restrictive financing policies, science-based targets, and progress on reducing emissions. They will continue to closely monitor the company's financing of fossil fuels and track its progress against the set targets. They plan to engage with Barclays again in the future to assess whether they are making continued progress on their climate-related goals and commitments. They are therefore happy to hold positions.	Given the lack of data and timeline to provide it they decided not to hold the VCL deal in their sustainable funds. Additionally, they wrote a blog ( <a href="https://www.twentyfouram.com/insights/volkswagens-esg-drive-hits-a-bump-in-the-road">https://www.twentyfouram.com/insights/volkswagens-esg-drive-hits-a-bump-in-the-road</a> ) highlighting the lack of transparency compared to their peers. Later in 2024, they joined a call on a new issue for a Porsche auto deal backed by Austrian loans and leases on new and used vehicles, focusing on the deal's environmental characteristics. They provided strong ESG data, including Euro 5/6 emissions and CO2 emissions, which are higher standards than previously seen for VW, the parent company of Porsche. The new issue shows a high proportion of electric and hybrid vehicles at 33%, compared to 23% for VCL, a German auto deal from VW. Overall, this deal has higher-than-average environmental factors due to the significant exposure to electric and hybrid vehicles and good data transparency. They were satisfied with the responses given by the company on the call, and so they are happy to invest on this Porsche deal and continue to push for better data from VCL.
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Information on the most significant engagement case studies for Insight as the company managing the fund containing public bonds as at 31 March 2025 (latest available) is shown below. Please note the information below represents Insight's views as an investment manager on the most significant engagement cases but does not necessarily apply to the fund.

<b>Insight – Firm-level</b>	<b>Case study 1</b>	<b>Case study 2</b>	<b>Case study 3</b>
Name of entity engaged with	Volkswagen AG	The Toronto-Dominion Bank	Wells Fargo & Co
Topic	Environment - Climate change Social - Human and labour rights Social - Conduct, culture and ethics	Others - Governance Controversy	Environment - Natural Resource use/impact Environment - Climate change

Rationale

Volkswagen is a global automobile manufacturer. Insight have engaged with this issuer on ESG factors several times over recent years due to weak ESG performance which has led to a restriction on the issuer in Responsible Horizons funds. Most pertinent to this engagement, is their previous discussions with the issuer about a controversy related to a plant operated with a local partner under a joint venture in the Xinjiang region of China.

The plant allegedly used the forced labour of ethnic minorities through a coercive state sponsored labour-transfer programme. As a result, the issuer was flagged by a ratings company as a violation of United Nations Global Compact (UNGC) principles. An audit was conducted and a summary report was released by the issuer in December 2023 which found no evidence of forced labour. As a result, the external ratings agency subsequently removed the red flag. The issuer has since sold the plant in Xinjiang, however human rights is still an area of concern given the company's supply chain and weak reporting on the topic.

The issuer has a high number of direct suppliers and a fifth of these suppliers are considered to operate in

The Toronto-Dominion Bank is a Canadian multinational banking and financial services corporation. This engagement was organised to discuss a governance controversy the issuer faced in 2024, related to an anti-money laundering (AML) violation.

In 2024, the US Department of Justice and other regulators opened several different AML violations related to laundering money gained through illicit means as well as bribery issues. For investors, the AML controversy in the US is concerning, given the US market is key for the bank's growth. In addition, the US Office of the Comptroller of the Currency (OCC) placed a limit on the issuer's maximum capitalisation. The AML controversy caused a slight deterioration in the issuer's governance controversy score, but did not cause it to materially weaken. However, the issuer scored poorly on several questions in their counterparty sustainability questionnaire, thus Insight engaged to ask for additional detail.

This engagement is aligned to SDG 8 Decent work and economic growth.

Wells Fargo is one of the largest US banks and diversified community-based financial services company, with a significant global presence. The issuer responded to our initial counterparty questionnaire in 2022 but was unresponsive to our requests for a more detailed engagement. The bank did not respond to our 2024 questionnaire and was unresponsive, initially, to their engagement requests. We escalated this when issuer's Insight Prime ESG rating was downgraded to a worst in class rating.

Following the Insight Prime ESG rating downgrade, Insight held two engagements with the issuer, one in late 2024 and the other occurring in Q1 2025. The focus of the first engagement was to discuss the issues with the bank's poor Prime ESG rating. The objective of the Q1 2025 engagement was to gain clarity on some of the issuer's actions that indicate it is deprioritising environmental and social risk management. For example, the issuer withdrew from the Net Zero Banking Alliance (NZBA). Its environmental and social impact frameworks reference the Equator Principles, from which the issuer also withdrew in early 2024.

This engagement is aligned to SDG 13 Climate Action.

high-risk regions so are further assessed via questionnaires and risk audits. The issuer also appears to only have a reactive process to putting in measures for indirect suppliers, to respond to risks or breaches. This falls short of their understanding of the EU's Corporate Sustainability Due Diligence Directive (CSDDD). Therefore, we wanted to engage with the issuer again to understand how it plans to evolve its approach for due diligence.

This engagement is aligned to SDG 8 Decent work and economic growth, SDG 10 Reduced inequalities.

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What the investment manager has done

Insight asked the issuer about how it's managing its suppliers operating in high-risk regions. The issuer only highlighted a focus on human rights compliance and awareness that human rights violations are pervasive within its supply chain.

They queried whether the issuer would consider including metrics on indirect suppliers within its human rights reporting framework for direct suppliers. The issuer responded that it has a dedicated officer and function to conduct deep dives into parts of its supply chain that may be sensitive to human rights violations.

Finally, they asked the issuer whether it intends to increase its coverage and assessments of its direct suppliers with self-assessment questionnaires and auditing coverage. The issuer highlighted it has instituted specific KPIs related to responsible and sustainable supply chains. 79% of its issuers are rated positively, representing 79% of its total procurement volume, with a target of greater than 95% by 2040.

Insight asked the issuer about progress made in its AML procedures developed in light of the AML controversy. The issuer supplied details about the progress made to date.

For example, the issuer overhauled its AML programme's leadership and talent, including the appointment of a new US Head of Financial Crime Risk Management and a new AML Officer, both of whom have proven leadership and experience. The issuer has added 40 new leaders and over 700 new AML specialists.

The issuer also strengthened its oversight structure and accountability across all three lines of defence, starting with front line defences and carrying through to risk management and audit teams. The issuer also responded that it has established a dedicated committee in its US boards for AML oversight. In addition, the issuer revealed it has introduced new standards, processes and stronger training across its operations to better prevent, detect and measure financial crime risk, as well as improve escalation.

Regarding the withdrawal from the NZBA, we asked the issuer for its rationale and to clarify the impact on its decarbonisation strategy. The issuer offered that it originally joined the NZBA to share ideas with its peers on the development of decarbonisation models and strategies. The issuer stated membership provided marginal benefits at the beginning, but it did not take long for antitrust lawyers to prevent communication between banks around this type of collaboration and several environmental finance forums became subject to greater scrutiny in the US. In addition, the issuer stated 17 State Attorney Generals have pursued the bank and other financial institutions for their work with NZBA and deemed it collusive. The issuer mentioned high legal expense causing the issuer to struggle with balancing legal battles and supporting communities.

On its environmental and social impact framework and the Equator Principles, we asked the issuer if its environmental and social risk management due diligence approach remains in line with the standards of the Equator Principles. The issuer stated it believes its current approach aligns with the same standard. While the references to the Equator Principles are no longer mentioned on its websites, the issuer stated it has preserved all the people and due diligence requirements within

its process involved with aligning to those principles and do not envision this changing. The issuer stated it follows the risk management aspects of the Equator Principles highly.

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Outcomes and next steps

Given the continued concern regarding the company’s human rights due diligence practices, they have retained their restriction on the issuer in Responsible Horizons funds. They communicated to the issuer their view on best practice relating to the human rights issues and will monitor for any updates to the issuer’s approach.

Despite the various controls implemented, they think some of the coercive action taken by US regulators is likely to remain in place for a long time. The bank’s expenses have soared due to increased spending on staff and risk and control infrastructure, and it must now retain independent compliance monitors and spend to enhance its compliance programme as part of a multiyear remediation agreement. Given the severity of the controversy, they escalated the issue and downgraded the issuer’s impact bond framework to Red, meaning it is uninvestible in Responsible Horizons funds.

The engagement with the issuer allowed us to gain access to senior stakeholders in the bank’s ESG programme. Despite the withdrawal from the Equator Principles and NZBA, the message from the engagement was that the bank’s ambition remains unchanged. However, inconsistent messaging from different members of the ESG team was noted (across the two engagements conducted in 2024 and 2025). These inconsistencies led us to send the issuer a list of recommendations they expect the bank to implement during the next year which would help demonstrate its continued commitment to sustainability. Restrictions on the issuer remain given the worst-in-class Insight Prime ESG rating.

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