Engagement Policy Implementation Statement ("EPIS")
Eli Lilly Group Pension Plan (the "Plan")

1st January 2024 – 31st December 2024

Introduction

Under regulatory requirements, the Plan is required to produce an annual Implementation Statement (the "Statement") setting out:

a) How voting and engagement policies set out in the Statement of Investment Principles ("SIP") in respect of the Plan year from 1st January 2024 to 31st December 2024 have been followed and;
b) A description of any voting behaviour by or on behalf of the Plan Trustee during the Plan year.

This Statement has been produced in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 as amended, and the guidance published by the Pensions Regulator.

The document sets out at a high level how the Trustee's policy on stewardship and engagement has been implemented. Where relevant, the document describes the areas of the portfolio where stewardship and engagement are most likely to be financially material. Disclosed is also the Trustee's review of the outcomes of voting and engagement activity for managers, where applicable.

From 1 October 2022, further Department of Work and Pensions ('DWP') guidance on the reporting of stewardship activities through Implementation Statements came into effect. This Statement aligns with the latest guidance and with the DWP's updated stewardship expectations for the relevant period.

Overall, the Trustee is comfortable that the policies set out in the SIP have been properly adhered to over this period.

Summary of SIP updates over the period

The Trustee worked closely with its Investment Consultant over the early months of 2024 to streamline the SIP. The current version of the Plan's SIP can be found here.

The Trustee's policies on voting and engagement

The Trustee recognises that good stewardship practices, including engagement and voting activities, are important as they help preserve and enhance asset owner value over the long term. The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests.

To best channel its stewardship efforts, the Trustee has chosen to focus on key themes based on their likely financial materiality to the Plan and its members. As a result, Climate Change has been selected as the key focus area.

Engagement

The Trustee expects its fund managers to engage with issuers on relevant matters to maintain or enhance long-term value of the Plan's investments and limit negative externalities on the planet and society.

In September 2024, the Trustee met with Insight, the Plan's Liability Driven Investment ("LDI") and Asset-backed Securities ("ABS") manager, which holds a considerable proportion of the Plan's asset allocation. The Trustee engaged with Insight on the performance, investment approach, ESG integration and stewardship for both funds respectively. Overall, the Trustee was satisfied with the fund manager's activities and is comfortable with their approach to ESG and stewardship.

The Trustee delegates responsibility for engagement with individual issuers to the Plan's fund managers. The Trustee understands that engagements carried out by fund managers are likely to vary in nature by asset class. With that in mind, three engagement examples across the Plan's asset classes are provided in Appendix B, including discussions of how these align with the Trustee's chosen theme of Climate Change, and other broader ESG factors as relevant.

Within the growth assets, the Plan is largely invested in pooled funds, so the responsibility for voting and engagement is delegated to the Plan's fund managers. The Trustee's Investment Consultant also assessed the stewardship capabilities of its most material fund manager, Adams Street, and are comfortable with their current approach. The Trustee notes that Adams Street is a Private Equity manager, and their engagement activities are appropriate for the asset class.

The Trustee recognises the respective investment processes and illiquid nature of the Plan's illiquids assets may mean that stewardship is potentially less applicable or may have a less tangible financial benefit. The Trustee still expects that all their managers should open a dialogue to engage with issuers/companies they invest in should they identify concerns that are financially material.

As part of aligning to the DWP's stewardship expectations, the Trustee plans to consider both how to best assess the engagement activities of the Plan's managers and retain ownership of the stewardship process. The Trustee plans to engage with the Plan's fund managers where relevant as part of its manager monitoring, recognising that the Investment Consultant also monitors the Plan's fund managers.

Additional Voluntary Contributions ("AVCs")– Aegon

The Plan's AVC arrangements are with Aegon, invested in a wide variety of managed funds. Due to the relatively small holdings of the AVCs, this Statement does not disclose the stewardship in relation to the AVC funds in detail. For more information on Aegon's responsible investment approach, please see their website which can be found here.

Significance of stewardship in appointment and monitoring of fund managers

When selecting and monitoring the Plan's fund managers, the Trustee considers a manager's ESG and stewardship capabilities. This information is provided by the Plan's Investment Consultant and through direct conversations with fund managers. Over the reporting year, the Trustee monitored the performance of the Plan's investments on a quarterly basis and received updates on important issues from the Plan's Investment Consultant. Where possible, the Plan's Investment Consultant works on behalf of the Trustee to monitor and improve the extent to which the Plan's managers consider ESG issues.

In October 2024, the Trustee agreed to invest in the ICG Total Credit Fund. As part of this process, the Trustee, via their Investment Consultant, considered the manager's ESG and stewardship capabilities, and were comfortable.

As part of aligning to the DWP's stewardship expectations, the Trustee plans to consider how to best assess the engagement activities of the Plan's managers and retain ownership of the stewardship process. The Trustee intends to have future engagements with the Plan's fund managers as part of its manager monitoring, recognising that the Investment Consultant also monitors the Plan’s managers.

Voting

The Trustee expects its fund managers to recall lent stock as necessary, in order to carry out voting actions. Engagement with relevant persons includes the exercise of rights (including voting rights) attaching to the Plan’s relevant investments which are exercised by the fund managers of the Plan, where applicable.

The Trustee delegates responsibility for the exercise of rights (including voting rights) attaching to the investments of the Plan to the fund managers. Voting rights exist in the CBRE Property Fund and for one of the Plan’s Illiquid Markets mandates. Please note, manager and company names have been anonymised throughout the document where requested by the manager.

Voting statistics for these two mandates, as well as a selection of significant votes cast on behalf of the Plan over the period are provided in Appendix A.

Appendix A – Voting Statistics

Only two current investment mandates, CBRE Property Fund and an anonymised illiquid Markets Manager, hold any assets with voting rights. CBRE Investment Management manages indirect real estate strategies on behalf of separate accounts and pooled vehicles and will thereby exercise voting on any relevant issues that may arise. The anonymised illiquid markets manager has three underlying equity investments which are applicable for voting. The table below summarises the key voting statistics and significant votes for these two mandates.

Please note that, due to the nature of the holdings, neither of the below managers were able to provide significant votes related to the Plan's stewardship priority of Climate Change. As such, we have selected votes based on either the size of the holding or the relevance to the Plan.

Table 1 – Key Voting Statistics

Key Voting Statistics (1 January 2024 – 31 December 2024)	Anonymised Illiquid Markets Manager	CBRE Property Fund
Number of equity holdings at period end	10	0
Value of Trustees' Assets at period end	£2.7m	£37.3m
Number of meetings eligible to vote during the period	32	14
Number of resolutions eligible to vote during the period	18	25
% of resolutions voted	100%	100%
% of resolutions voted with management	100%	100%

Table 2 – Most Significant Votes

	Anonymised Illiquid Markets Manager	CBRE Property
Company	Company A	Company B
Date of vote	Q1 2024	Q4 2024
Summary of the resolution	Approval of business plan and in principle approval to launch the sale process subject to Q1	The resolution involved the sale of four high street retail units in Colchester for £2.6m, the sale of the Travelodge Hotel for £5m, and the novation of the Fund's Portfolio Management

	EBITDA[1] being at or above £10m.	Agreement from Cordatus Partners Limited to Edmond de Rothschild Real Estate Investment Management.
Manager's vote	For	For
Outcome of the vote	Passed	Passed
Rationale for the voting decision	To allow for monetization for investors	N/A

Appendix B – Engagement Examples

Engagement

As per the Plan's SIP, the Trustee expects their fund managers to engage with issuers on relevant matters to maintain or enhance long-term value of the Plan's investments and limit negative externalities on the planet and society. This includes performance, strategy, risks, capital structure, conflicts of interest, and environmental, social or governance considerations.

The Trustee expects the nature of engagement to vary between asset classes. The Trustee also believes engagement can take place across all of the Plan's investments and is not restricted to equity investments. Below are three examples of engagement within the Plan's liquid credit and illiquid asset classes. To focus the examples of engagement to those that are most relevant to the Trustee, the examples from relevant managers were collected with a focus on those aligning to the Trustees' stewardship priority, Climate Change. Where this was not provided, the focus is on those with a broader ESG theme.

Manager: Anonymised Illiquid Credit Manager

Company: Portfolio company operating in the digital advertising services industry

Background: As part of their ESG engagement strategy and plan to transition to a more robust framework of Sustainability-Linked Loans ("SLLs") when lending to their borrowers, the manager encouraged the company to consider embedding ESG Key Performance Indicators ("KPIs") into their loan with the manager.

Actions: The manager was keen to improve the initial KPIs initially proposed by the company. As such, the manager proposed the following enhanced KPIs:

- **Climate Awareness KPI:** expanding this KPI to measure scope 1, 2, and 3 emissions, with a focus on scope 3. This will involve collaborating with upstream and downstream partners to gather data and enhance climate disclosure, ultimately aiming to reduce emissions.
- **Employee Engagement KPI:** including survey results and scores, understanding the methodology of the third-party provider, and detailing initiatives to improve employee wellbeing, training, and reduce turnover.

[1] Earnings before interest, taxes, depreciation, and amortisation.

- **ESG Awareness KPI:** requested details on the executives and senior management involved, the training content and providers, assessment methods, and future ESG training plans. This KPI will need to be updated in subsequent years to include other levels of the organization.

Manager: Anonymised Liquid Credit Manager

Company: Applies to all underlying companies within the portfolio.

Background: Recognising that climate change is one of the greatest challenges of our time, the manager has developed bespoke strategies to engage with the highest emitters within their portfolio on climate-related issues, such as coal exposure and carbon intensity performance.

Actions: The manager used their Net Zero Model to identify companies for engagement, with the goal of ensuring that at least 50% of financed emissions were either net zero, aligned with a net-zero pathway, or subject to engagement aimed at achieving net-zero alignment by 2023, and 70% of financed emissions by 2025. These were set as interim targets, aligning with the manager's net zero pledge. The manager also sets engagement objectives using tools such as the Net Zero Benchmark from Climate Action 100. Success is measured by improvements across the criteria of their Net Zero Model and is assessed on a case-by-case basis.

Manager: CBRE

Company: Specialist UK logistics funds

Background: CBRE IM continue to engage with the manager of a specialist UK logistics fund, on their ESG strategy, including on stabilised, refurbishment and development projects.

Actions: The example provided by CBRE detailed upon practical completion of a back-to-frame refurbishment of a logistics unit in the M25 market, a final embodied carbon report will be produced to determine the building's final upfront embodied carbon outcome. Once the asset is in operation, CBRE Investment Management will continue to engage with the manager, who will monitor and report its energy performance annually to ensure the asset is operating as efficiently as designed, and that its operational emissions remain low to align with the fund's 2040 Net Zero Carbon target.