DH&S Retirement and Death Benefits Plan

IMPLEMENTATION STATEMENT

1 April 2023 – 31 March 2024

The DH&S Retirement and Death Benefits Plan

Private and Confidential

Introduction / Summary

This Statement of Investment Principles ("SIP") Implementation Statement ("the Statement") has been prepared by P Trustee Limited ("the Trustee") and relates to the DH&S Retirement and Death Benefits Plan ("the Plan").

Under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations now in force, the Trustee is required to produce an annual Statement setting out how voting and engagement policies described in the Plan's SIP have been followed. Based on regulatory requirements, the Statement covers the period from 1 April 2023 to the end of the Plan's financial year on 31 March 2024.

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 expectation for the relevant period.

The Statement sets out at a high level how the Trustee's policy on stewardship and engagement has been implemented. Where relevant, the Statement describes the areas of the portfolio where stewardship and engagement are most likely to be financially material. Disclosed is also the Trustee's opinion on the outcomes of voting and engagement activity for the Plan's investment managers whose investments grant the use of voting rights (where engagement is most easily evidenced within the portfolio).

Changes to the SIP over the period

The SIP was updated over the reporting period in September 2023 to reflect the Plan's chosen stewardship theme, climate change, to best channel stewardship efforts. The theme has been selected by assessing its relevance to the Plan and its members, the financially material risks that it poses, and the maturity and development of thinking within the industry that allows for ease of integration into our approach.

The Stewardship section of the SIP was also reviewed and updated to ensure it aligns with DWP's latest guidance on stewardship policies.

Summary of the Trustee's policies on stewardship, engagement and voting behaviour

The Trustee believes that good stewardship practices, including engagement and voting activities, and responsible investment are an important part of general Plan governance as they help preserve and enhance asset owner value over the long term. In particular, the Trustee has considered how ESG factors should be integrated into the Plan's investment management processes. The Trustee has considered the guidance provided by the Law Commission which states that trustees should take account of risks to a company's long-term sustainability, such as ESG factors, if they are, or may be, financially material.

In light of this, the Trustee's policy on ESG is that the investment managers should integrate ESG considerations (including but not limited to climate change) into their investment processes and implementation decisions to assess the potential impact on financial performance and in deciding on the selection, retention and realisation of investments.

Being cognisant of the DWP's updated guidance emphasising the need for asset owners to be more "active" in their approach to stewardship, the Trustee has updated its engagement policy in the SIP with a view to align with the new guidance, and the Scheme's chosen stewardship theme. The updated policy in the SIP states that:

> "The Trustee expects investment managers to engage with issuers to maintain or enhance the long-term value of investments. The Trustee recognises that there is no 'one-size-fits-all' stewardship approach and instead encourages investment managers to prioritise stewardship opportunities and apply the most suitable/influential engagement strategies based on their in-depth knowledge of a given asset class, sector, geography and/or specific company or other asset.
>
> Where initial engagement has made little progress, the Trustee expects investment managers to escalate engagement accordingly."

The Trustee's Investment Consultant incorporates ESG considerations into their manager research process, which informs advice provided to the Trustee on selecting, reviewing and changing individual managers.

Specifically, this includes:

- Appointment: Each time a manager is selected or reviewed, ESG integration is one of the key selection factors considered by the Trustee.
- Annual survey: managers are surveyed annually to ensure any changes to the ESG integration process are captured (e.g. data sources, reporting lines, etc).
- PRI reporting: PRI Assessment scores are requested on an annual basis for all mandates in which the Plan is invested.

The Trustee has a policy of not taking into account "non-financial matters" when considering the selection, retention and realisation of assets.

How have the Trustee's stewardship, engagement and voting behaviour policies been followed?

Stewardship

The Trustee receives regular updates from their Investment Consultant on the investment managers' performance. This includes notifications of any change to the Investment Consultant's overall rating of the managers which incorporate ESG and Stewardship considerations. The Trustee meets with the Plan's managers annually in a dedicated session which covers updates to the strategy and their ongoing approach to ESG integration and effective stewardship. The Trustee and the Investment Consultant have no concerns around any of the managers approaches to ESG integration.

The following investment managers of the Plan are signatories to the UK Stewardship Code: Legal & General Investment Management (joined in 2010), Insight Investment (joined in 2016), CQS (joined 2020), Payden & Rygel (joined 2020), and Man Group (joined 2021) which the Plan invested in during the reporting period. These managers have not flagged any non-compliance with the principles of the code.

There were no immediate concerns with the fact that Bridgewater is not a signatory to the UK Stewardship Code. The manager is a signatory to an internationally recognised alternative, the UN Principles of Responsible Investment ("UN PRI"). The Plan disinvested from Bridgewater in September 2023 for strategic reasons.

In addition to the above, over the reporting period, the Trustee has received reporting which tracks the ESG Integration and Stewardship ratings for certain mandates, carbon intensity of the Plan's investment strategy, alignment of the portfolio with a net zero pathway, and funding level performance under various climate transition scenarios.

Engagement

The Trustee delegates responsibility for engaging with individual issuers to the Plan's investment managers. The Trustee understands that engagements carried out by investment managers are likely to vary in nature by asset class. Regardless, engagement is also considered to be of importance for all the Plan's investment managers. The Trustee has highlighted engagement examples from managers in Appendix 3.

An assessment as to whether the Plan's investment managers are practising effective stewardship that is best aligned with the Trustee's long-term interests will be made through the material they provide to help complete the annual Implementation Statement, and through the annual investment manager meetings, where managers are challenged on their stewardship and engagement activities (particularly in relation to the Plan's key stewardship theme, which is climate change). If the Trustee believes there are areas where managers' stewardship activities could be improved to better align with its expectations, it will seek an open discussion on how this could be achieved. Having reviewed managers' engagement activities over the period, and in particular those relating to the Scheme's key stewardship themes, the Trustee is satisfied that its managers have followed its engagement policy, as contained in the SIP, over the reporting period.

Voting

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Trustee holds its managers accountable not only for voting activity as a whole, but also how they have voted in significant votes.

Given the DWP's new guidance, the Trustee has sought to define its own definition of what it considers to be a significant vote. The criteria set by the Trustee are provided immediately below, and are used to determine significant votes for the purposes of reporting within this Implementation Statement.

Significant votes have been defined as votes which meet one or more of the following criteria:

- Votes relating to our key stewardship theme (climate change).
- Votes relating to an issuer to which the Plan has a large £ exposure.
- Votes identified due to potential controversy, driven by the size and public significance of a company, the nature of the resolution, and the weight of shareholder vote against management recommendation.

The use of voting rights is most likely to be financially material in the sections of the portfolios where physical equities are held. Financially material considerations include (but are not limited to) those arising from environmental including climate change, social and governance considerations. Given some of the Plan's assets are invested with investment managers that hold gilts, derivative instruments, corporate bonds and other credit assets in their portfolios, voting is only relevant to the Bridgewater Optimal Portfolio and Man Progressive Diversified Risk Premia. As these investments are made via pooled funds, the investment managers are responsible for voting and engagement on the underlying assets rather than the Trustee, limiting the Trustee's ability to influence shareholder voting activity. However, the Trustee is cognisant of its role in engaging with the managers where managers' activities do not meet expectations.

The Trustee is comfortable that there appear to have been no material departures from the managers' stated voting policies.

Final remarks

The Trustee is comfortable that the voting and engagement policies set out in the SIP have been adequately followed over the period, noting recent changes to regulations in this area and the Trustee policies themselves.

Appendix 1 – Voting Disclosures and Significant Votes

The use of voting rights is applicable to sections of the portfolio where physical equities are held. For the Plan this applies to two asset managers: Bridgewater Optimal Portfolio Ltd and Man Progressive Diversified Risk Premia . This appendix details voting behaviour and significant votes (as defined by the Trustee) undertaken by these asset managers on behalf of the Plan.

Voting Criteria	Bridgewater	Man Group
No of meetings eligible to vote during the period	1,190	73
No of resolutions eligible to vote during the period	13,261	866
% of resolutions voted	99.7	100.0
% of resolutions voted with management	86.2	84.7
% of resolutions voted against management	13.8	14.9
% of resolutions abstained	0.8	0.5
% of meetings with at least one vote against management	51.1	63.0
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implement on your behalf?	Since 2006, Bridgewater has engaged Glass, Lewis & Co. ("Glass Lewis") to vote proxies on behalf of their clients. Bridgewater has directed Glass Lewis to apply their standard policy across all accounts (except Active Sustainable Equities and All Weather Sustainability), as well as certain aspects of Glass Lewis's climate policy as an overlay to the extent such guidelines are deemed to mitigate climate-related risk or enhance shareholder value.	Man Group appointed Glass Lewis as its proxy service provider. They use Glass Lewis's voting platform 'Viewpoint' to vote their shares electronically, receive research reports and custom voting recommendations. They have monitoring controls in place to ensure that the recommendations provided are in accordance with Man Group's custom voting policy and that their votes are timely and effectively instructed. Specifically, Man Group's voting framework employs screening to identify high-value positions and the Stewardship Team manually reviews the pre-populated votes for such positions. In addition to this manual check, Glass Lewis also have in place electronic alerts to inform Man Group of votes against their policy, votes that need manual input and rejected votes that require further action.
% of resolutions which you voted contrary to the recommendation of your proxy adviser?	1.3	8.4

Appendix 2 – Significant votes

The following table provides a significant vote example for each relevant manager, relevant for the period 1 April 2023 to 31 March 2024. In practice, the managers vote on a wider range of topics than the examples listed below.

Bridgewater has not been able to provide details around individual votes taken due to the nature of the strategy and the sensitivity around the disclosure of voting information. The Trustee's Investment Consultant has confirmed that this is in line with expectations as this is a macro-oriented fund which trades indices and baskets of stocks, rather than individual names, meaning that individual stocks represent a small share of the portfolio and ownership share in each company is small. Votes are likely to be less significant in the context of the overall strategy. As such, no significant votes pertaining to Bridgewater have been disclosed.

Man Progressive Diversified Risk Premia

Company:	**Nordea Bank Abp**
Date:	21 March 2024
Resolutions:	Shareholder Proposal Regarding Aligning Business Strategy to the Paris Agreement
Man Group Vote:	Man Group voted for the resolution.
Outcome of vote:	The proposal failed (c.4% voted for).
Rationale:	Favour increased transparency

Company:	**Danske Bank AS**
Date:	21 March 2024
Resolutions:	Shareholder Proposal Regarding Climate Policy
Man Group Vote:	Man Group voted for the resolution.
Outcome of vote:	The proposal was withdrawn by the proponent on the date of the Annual General Meeting.
Rationale:	Favour increased transparency

Appendix 3 – Engagement

Under the Plan's SIP, the Trustee expects their investment managers to practise good stewardship and engagement. The Trustee expects the nature of engagement to vary between asset classes. The Trustee also believes engagement can take place across the Plan's investments, and is not restricted to equity investments.

The managers provided an overview of engagement activity and the Trustee selected examples for each manager that they have considered noteworthy. In order to focus the examples of engagement to those that are most relevant to the Trustee, the examples from relevant managers below were collected with a focus on those with ESG and climate change, in line with the Trustee's stewardship priority.

CQS

Company: eG Group

Focus of the engagement: Scope 3 emissions reporting

Details of the engagement: eG Group is in CQS' Targeted Engagement Programme, and they have been engaging with the company since 2020 on multiple different issues including climate and decarbonisation. CQS' most recent engagement with eG group occurred in June 2023, where they discussed the company's decarbonisation targets as their first ESG report failed to address scope 3, which make up most of their emissions.

Outcome of the engagement: eG Group confirmed that they would publish a second ESG report. They also informed CQS of their plans to work with a third party to develop a realistic target for scope 3, and believe they are in a good place to set targets due to high coverage.

Payden and Rygel

Company: Heineken NV

Focus of the engagement: Third-party climate reporting

Details of the engagement: As part of Payden's ESG monitoring process, they review third-party data on issuers within the investible universe to gain insight into which topics and issuers to prioritize for engagement. Heineken was highlighted as not having disclosures relating to its energy consumption whilst being listed as an issuer in a high-impact sector.

During the engagement, the company reported that it has in fact been disclosing energy consumption since 1998. Since the inception of these reports, there has been an increase in the company's use of renewable energy compared to non-renewable. Upon review of this information shared, Payden realized that there is a disconnect between their third-party data providers and the company. They communicated with Heineken about the importance of having the third-party data providers properly report the same metrics that the company discloses.

Outcome of the engagement: At the time of the engagement, the company was not aware of the disconnect. As a result, the Investor Relations team confirmed that they would be working with third-party data providers directly in the future. Payden will continue to monitor their third-party data providers for the updated metrics and continue to provide feedback to them where we find gaps or issues with the data they receive.

Insight

Company: Barclays PLC

Focus of the engagement: Environmental impact of Barclay’s sustainable finance framework.

Details of the engagement: This engagement was identified as part of Insight's counterparty engagement programme. The latest engagement sought to discuss the bank's sustainable finance framework and the feedback that Insight had provided them, given some elements of their environmental programme lags behind their peers. Impact bonds were discussed in the context of stricter policy criteria covering refinancing of old projects, maximum lookback periods, EU taxonomy alignment, use-of-proceeds investor reporting, energy efficiency, target populations, definitions (e.g., what constitutes 'sustainable protein') and overarching governance.

Outcome of the engagement: Following on from Insight’s recommendations, Barclays has enhanced its oil sands policy and introduced a Client Transition Framework demonstrating how the bank is evaluating its corporate clients’ transition progress towards low-carbon business models. They also acknowledged their risk policy guidelines are due for an update.

LGIM

Company: PepsiCo

Focus of the engagement: Pollution and nature

Details of the engagement: As a responsible investor, LGIM commits to engage with companies in which they invest globally to sustainably manage their product lifecycles to limit the amount of raw material as well as waste and the negative impact on pollution and nature. Pepsi has been named as one of top plastic polluters globally. The company has ambitious commitments and targets related to plastics and sustainable packaging, but the progress against those targets has stalled for a few years.

Another key focus of LGIM’s engagements with the company in 2023 was plastic pollution, which relates to their stewardship focus on the circular economy. Having signed a joint letter with the Dutch Association of Investors for Sustainable Development (the 'VBDO'), calling on intensive users of plastic packaging to take urgent action, which was sent to PepsiCo in May, LGIM were able to follow this letter with a collaborative engagement in which LGIM led alongside their peers to discuss the requests made therein.

Outcome of the engagement: The collaborative letter which LGIM signed asked for three core areas of action: i) that the company support ambitious plastics policy for sustainable outcomes (i.e. by joining appropriate commitments and treaties and publicly supporting regulatory reform on plastic pollution); ii) Commit to – and start delivering – absolute reduction of single-use plastic packaging, including through implementing reuse systems; and iii) Address toxicity in value chains. LGIM believes that achievement of these milestones by companies which rely heavily on plastics would have a significant real-world impact in terms of reducing plastic pollution, and leadership by companies large enough to make these changes would influence smaller competitors to take similar steps, thereby instigating market-level change.

Man Group

Company: Nippon Steel

Focus of the engagement: Enhancement of decarbonisation Strategy and accelerating Nippon Steel's shift from blast furnaces to electric arc furnaces.

Details of the engagement: An investor group comprised of Man Group, Storebrand, Corporate Action Japan and co-ordinated by Australian Center for Corporate Responsibility ("ACCR") engaged with the company ahead of its 2023 AGM. Multiple meetings were held with management discussing the ambition of existing decarbonisation targets, the strategy to achieving them, and whether current incentives for management via the remuneration policy were sufficiently aligned with these goals.

Outcome of the engagement: After months of engagement, the shareholder group welcomed the company's announcement of enhanced climate commitments. The company constructively worked to improve the ambition in relation to building knowledge internally for its shift from a blast furnace to an electric arc furnace steelmaking process. Further, a company statement that a stable supply of green hydrogen and green power (renewable energy) is needed as a key input to achieve its target of carbon neutrality was also welcomed.

In June 2023, the Man Group Stewardship team hosted a follow-up in-person meeting with the company and the momentum of this engagement has continued into 2024 with further meetings being held prior to the 2024 AGM.