



The DH&S Retirement and Death Benefits Plan

IMPLEMENTATION STATEMENT

1 April 2024 – 31 March 2025

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 D 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 2024 to the end of the Plan’s financial year on 31 March 2025.

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 2024 to reflect the Plan’s updated funding objective, which is to maintain and further improve the Plan’s position on both a Technical Provisions basis and a more prudent long-term funding basis. Additionally, the SIP now reflects the use of Environmental, Social and Governance (“ESG”) scores, assigned by the Investment Consultant, to assess the quality of managers’ ESG integration and stewardship. These ratings are included in a comprehensive annual ESG review considered by the Trustee.

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', which is the Plan's chosen stewardship theme) 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.

In September 2023, 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 updated its engagement policy in the SIP with a view to align with the new guidance, and the Plan's chosen stewardship theme. The updated policy in the SIP states that:

"The Trustee expects investment managers to engage with issuers on relevant matters to maintain or enhance the 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 ESG considerations.

The Trustee recognises that there is no 'one-size-fits-all' stewardship approach. Instead, the managers are encouraged to prioritise stewardship opportunities and apply the most suitable/influential engagement strategies. This can be based on their in-depth knowledge of a given asset class, sector, geography and/or specific company or other asset.

Investment managers are expected to have robust ESG, climate change, and stewardship policies and processes in place. These are used to define how underlying companies are monitored and engaged with, how progress is measured, and when escalation is required. The Trustee expects manager engagement with companies to be underpinned by engagement on public policy matters where relevant. The investment managers are expected to track these assessments and progress in stewardship over time, to maintain continuity of activity, and to assess the effectiveness of stewardship delivery. The Trustee will challenge its investment managers when their engagements are deemed to be of deficient quality.

In order to drive corporate change, and where initial engagement has made little progress, the Trustee expects its investment managers to escalate engagement accordingly. The managers are given discretion over the appropriate tools to deploy and are expected to communicate with issuers' management teams. Should there still be little progress made after escalation, the managers are expected to consider disinvestment as a final course of action."

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).
- ESG scores: The Investment Consultant assigns each manager a rating for the quality of both their ESG integration and stewardship. These ratings are included in a comprehensive annual ESG review considered by the Trustee.

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 its 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 material concerns around any of the managers’ approaches to ESG integration.

All of the investment managers are signatories to the UK Stewardship Code: Legal & General Investment Management (joined in 2021), Insight Investment (joined in 2021), Payden & Rygel (joined in 2021), Man Group (joined in 2021), and TwentyFour Asset Management (joined in 2021). These managers have not flagged any non-compliance with the principles of the Code.

In addition to the above, over the reporting period, the Trustee has received reporting which tracks the ESG Integration and Stewardship ratings for all 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.

In addition to the on-going monitoring by the Trustee’s Investment Consultant, an assessment as to whether the Plan’s investment managers are practicing 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 climate change – the Plan’s stewardship priority). 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 Plan's key stewardship theme, 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.

Following the DWP's updated guidance, the Trustee sought to define its own definition of what it considers to be a significant vote. The criteria set by the Trustee are provided 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 financial 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 most 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 Man Proactive Diversified Risk Premia Fund. As this investment has been made via a pooled fund, the investment manager is 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 manager's 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.

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 one asset manager: Man Group, for the Man Proactive 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	Man Group
No of meetings eligible to vote during the period	643
No of resolutions eligible to vote during the period	7,741
% of resolutions voted	99.5%
% of resolutions voted with management	76.8%
% of resolutions voted against management	22.7%
% of resolutions abstained	0.2%
% of meetings with at least one vote against management	80.3%
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?	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?	15.2%

Appendix 2 – Significant votes

The following table provides two significant vote examples for Man Group, relevant for the period 1 April 2024 to 31 March 2025. In practice, the manager votes on a wider range of topics than the examples listed below.

Man Proactive Diversified Risk Premia

Company:	General Motors Company
Date:	4 June 2024
Resolutions:	Shareholder Proposal Regarding Additional Disclosure on Sustainability Risks Within the Supply Chain.
Man Group Vote:	Man Group voted for the resolution.
Outcome of vote:	The proposal failed.
Rationale:	Favour increased environmental reporting/responsibility.

Company:	Centene Corp
Date:	14 May 2024
Resolutions:	Shareholder Proposal Regarding GHG Targets and Alignment with the Paris Agreement.
Man Group Vote:	Man Group voted for the resolution.
Outcome of vote:	The proposal failed.
Rationale:	Favour increased environmental reporting/responsibility.

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 it has considered noteworthy. In order to focus the examples of engagement on those that are most relevant to the Trustee, the examples from relevant managers below were collected with a focus on those related to climate change, in line with the Trustee's stewardship priority.

Payden and Rygel ("Payden")

Company: AlmavivA

Focus of the engagement: Climate strategy and emissions targets

Details of the engagement: Payden utilises third party data in its identification of issuers and the extent to which those issuers are aligned or aligning to a 1.5 degree pathway. AlmavivA was highlighted as it has an implied temperature rise above 1.5 degree Celsius, so Payden decided to engage to better understand its long term environmental strategy. Representatives from the company's ESG Department and Investor Relations team participated in the discussion led by members of Payden's ESG and Research teams.

Outcome of the engagement: AlmavivA shared that it has taken steps to decarbonise its business operations by focusing on its energy consumption. As an example, the company highlighted that it has increased renewable energy consumption by over 30% over the course of two years. In addition, the company has implemented specific initiatives across each of its subsidiaries to decrease energy consumption.

The company is in the process of improving its public disclosures and shared that its upcoming sustainability report will include Scope 3 emissions for the first time. In response to Payden's inquiry regarding future plans and target setting, Payden were pleased to hear that they are considering setting a net zero target through the Science Based Targets initiative (SBTi).

Insight Investment ("Insight")

Company: Motability Operations Group PLC

Focus of the engagement: Climate strategy and electric vehicle transition

Details of the engagement: Insight engaged with Motability Operations Group PLC in Q1 2025 to discuss the company's sustainability reporting and its strategy for transitioning its fleet to electric vehicles (EVs). The issuer confirmed it plans to align its reporting practices with double materiality reporting, which the issuer said will provide some tangible financial and quantitative metrics. These metrics will serve as input into its climate scenario analysis in its next round of reporting, due at the end of 2025.

Outcome of the engagement: The conversation with the issuer highlighted its significant progress since 2022, particularly in its sustainability efforts and reporting capabilities. The issuer has made substantial investments in these areas, resulting in improved sustainability reporting. The company faces a major challenge in transitioning its fleet to EVs over the next several years, a change that will be significant for its customer base. The issuer aims to transition 800,000 customers to EVs within the next seven years, which is equivalent to two lease life cycles.

LGIM

Company: BP PLC

Focus of the engagement: Climate change – Climate Impact Pledge

Details of the engagement: As members of Climate Action 100+ ("CA100+), LGIM lead engagements with BP due to their strong relationship with the company. LGIM's engagement objectives with BP focus on maintaining ambitious climate targets, aligning with 1.5°C goals through clearer scenario disclosures, avoiding new long lead-time oil and gas projects, improving scope 3 emissions transparency, and ensuring responsible standards in asset divestments.

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 and continued to engage throughout 2024. LGIM remain the 'lead' on BP engagement with the CA100+ although LGIM also undertakes their own individual meetings with the company.

Outcome of the engagement: Over the past few years, 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.

Regarding the objectives set out above, LGIM consider the status of each to be in progress, and will continue their engagement on these areas over the coming year, both individually and as part of the CA100+, building on the relationship they have built with the company, and measuring progress. Emissions targets, business resilience, Oil & Gas production, capital allocation, value chain approach, responsible divestment and/or decommissioning of assets continue to be a focus.

Man Group

Company: Subaru Corporation

Focus of the engagement: Climate strategy and emissions targets

Details of the engagement: Man Group engaged with Subaru Corporation in January 2025 to address concerns regarding the company's climate transition strategy. Subaru was identified as a climate transition laggard, underperforming peers such as Ford and Toyota on key climate metrics, and lacking science-based emissions targets. This led to Subaru's inclusion on Man Group's Transition Laggards list and triggered custom climate voting guidelines, including a vote against a statutory auditor nominee at the 2024 AGM.

During the engagement, Subaru acknowledged its weak climate ratings and committed to developing new CO₂ emissions reduction targets, expected to be published in Autumn 2025. The company also noted that its Remuneration Committee had discussed linking executive compensation to climate performance, though no timeline was provided. Subaru cited uncertainty around electric vehicle demand as a challenge in setting ambitious targets. Current commitments include achieving 50% electric vehicle sales by 2030 and reducing operational emissions by 60% by 2035.

Outcome of the engagement: Subaru demonstrated awareness of its climate shortcomings and expressed intent to improve. Man Group will monitor the company's progress on its new emissions targets and may re-engage ahead of the 2025 AGM to assess further developments, including potential climate-linked executive pay.

TwentyFour Asset Management

Company: Barclays PLC

Focus of the engagement: Fossil Fuel Financing

Details of engagement: This engagement was conducted as part of TwentyFour's Carbon Emissions Engagement Policy where they engaged with Barclays regarding their exposure to fossil fuel financing after identifying some gaps in Barclays policies. In particular, TwentyFour found that fossil fuel financing as a % of Barclays loan book is the highest in Europe. In addition, absolute volumes also ticked up in 2023 after falling in previous years. Regarding financing policies, TwentyFour asked some clarifications about the phase-out of coal financing and the transition of current oil & gas financing off the balance sheet.

Outcome of engagement: Barclays clarified that it had engaged with the Rainforest Action Network (RAN) about their methodology, 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.

Barclays will not finance new or existing clients with more than 30% of revenues from coal mining or coal-fired power generation. By January 2025, energy clients must submit transition plans or decarbonization strategies. The bank has committed to no longer financing new upstream oil and gas projects and expects clients to set decarbonization targets by 2026.

It aims to provide \$1 trillion in sustainable and transition finance by 2030, with \$123.8 billion facilitated so far, and is investing £500 million in clean tech. The Board oversees strategy, with executive compensation linked to climate and sustainability performance. TwentyFour plan to re-engage to assess progress and are happy to hold positions.