

Implementation Statement

St Dunstan's Retirement Benefits Plan (1973)

Purpose of this statement

This implementation statement has been produced by the Trustees of the **St Dunstan's Retirement Benefits Plan ("the Plan")** to set out the following information over the year to **31 March 2023**:

- how the Trustees' policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- the voting activity undertaken by the Plan's investment managers on behalf of the Trustees over the year, including information regarding the most significant votes; and

Stewardship policy

The Trustees' Statement of Investment Principles (SIP) in force at 31 March 2023 describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities. The Trustees have delegated the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities, to the Plan's investment managers. The SIP was last reviewed in July 2020 and has been made available online here:

st-dunstan-s-retirement-benefits-plan-statement-of-investment-principles.pdf (app-bvuk-web-umbraco-prod-uks.azurewebsites.net)

No changes were made to the stewardship policy over the year.

At present, the Trustees have not set stewardship priorities / themes for the Plan but will be considering the extent that they wish to do this in due course, in line with other Plan risks.

How voting and engagement/stewardship policies have been followed

Based on the information provided by the Plan's investment managers, the Trustees believe that its policies on voting and engagement have been met in the following ways:

- The Plan invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Plan's fund managers.
- The Trustees receive and review voting information and engagement policies from the asset managers annually, which the Trustees review to ensure alignment with their own policies. The Trustees reviewed the manager reports on voting and engagement following the Trustee meeting in July 2022. The Trustees believe that the voting and engagement activities undertaken by the asset managers on their behalf have been in the members' best interests.

- Last year the Trustees agreed a new process for monitoring their manager’s ESG credentials. They will receive an ESG monitoring report from Barnett Waddingham triennially to formally review their managers. In the interim periods the Trustees will consider the managers’ stewardship and engagement reporting annually and if any issues arise, the Trustees will consider whether any action is required.
- Both the Mercer and Willis Towers Watson portfolios invest in a range of underlying funds. The managers undertake their own assessment of the underlying manager ESG and engagement credentials. Both managers report on their underlying fund ratings within quarterly or annual reporting to the Trustees.
- As part of ongoing monitoring of the Plan’s investment managers, the Trustees use ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Plan’s investment managers take account of ESG issues.

**Prepared by the Trustees of the St Dunstan’s Retirement Benefits Plan (1973)
August 2023**

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Plan's Growth Portfolio on behalf of the Trustees over the year to 31 March 2023. The LDI portfolio (including the holding in the Sterling Liquidity Fund) with Columbia Threadneedle (formerly BMO) has no voting rights and limited ability to engage with key stakeholders given the nature of the mandate.

Manager	Mercer	Willis Towers Watson
Fund name	Mercer Growth Portfolio	Towers Watson Partners Fund
Structure	Segregated	Pooled
Ability to influence voting behaviour of manager	<p>Mercer appoint third party investment managers to manage the Mercer Funds. Any voting rights that do apply with respect to the underlying investments attached to the Mercer Funds are delegated to the third-party investment managers.</p> <p>The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.</p>	<p>The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.</p>
No. of eligible meetings	3,232	1,890
No. of eligible votes	40,843	25,560
% of resolutions voted	97%	93%
% of resolutions abstained	1%	1%
% of resolutions voted with management¹	87%	86%
% of resolutions voted against management¹	12%	14%
Proxy voting advisor employed	N/A	Yes
% of resolutions voted against proxy voter recommendation	N/A	5%

Totals may not sum due to rounding

¹ As a percentage of the total number of resolutions voted on

Mercer Growth Portfolio: The Trustees' voting rights are at the level of the Mercer Fund in which they invest and relate to any proposed changes to it (such as the Mercer Fund's investment objectives) rather than the underlying investments held by the Mercer Funds. As such, no votes are cast by the Trustees (or by others on behalf of the Trustees) with respect to those underlying investments. Instead, any voting rights that do apply with respect to the underlying investments attach to the Mercer Funds and those voting rights are, ultimately, delegated to the third party investment managers appointed by Mercer Global Investments Europe (MGIE). The underlying funds utilise the services of various proxy voting providers.

Towers Watson Partners Fund: As the Partners Fund is a multi-asset fund, voting rights are reflected differently in each segment of the portfolio. In equities, voting rights are virtually all exercised via the underlying managers. Within private markets, the underlying fund managers typically own a majority share in the assets they hold with few formal votes taken. Where there are formal votes, typically these are via Investor Advisory Committees (IACs) which are generally made up of larger investors and represent the interests of all investors in the fund. In the credit space, there are no real voting rights, but the underlying managers may engage with issuers about bond covenants. Finally, in the diversifying strategies layer, voting rights will vary depending on the strategy (e.g. we would expect a long-short equity manager to exercise voting rights, but a reinsurance strategy wouldn't have any voting rights). The underlying funds utilise the services of a proxy voting provider. EOS at Federated Hermes are employed to provide corporate engagement and voting recommendation services with respect to the Global Equity Focus Fund holdings within the Fund.

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustees over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a Plan’s stewardship priorities / themes. At this time, the Trustees have not set stewardship priorities / themes for the Plan but will be considering the extent that they wish to do this in due course, in line with other Plan risks. So, for this Implementation Statement, the Trustees have asked the investment managers to determine what they believe to be a “significant vote”. The Trustees have not communicated voting preferences to their investment managers over the period, as the Trustees are yet to develop a specific voting policy. In future, the Trustees will consider the most significant votes in conjunction with any agreed stewardship priorities / themes.

Mercer and Willis Towers Watson have provided a selection of 10 votes which they believe to be significant. In the absence of agreed stewardship priorities / themes, the Trustees have selected 3 votes from each manager, that cover a range of themes to represent what it considers the most significant votes cast on behalf of the Plan. To represent the most significant votes, the votes of the largest holdings relating to each topic are shown below.

A summary of the significant votes provided is set out below.

Mercer Growth Portfolio

	Vote 1	Vote 2	Vote 3
Company name	Apple Inc	Microsoft Corporation	Rio Tinto plc
Approximate size of fund’s holding as at the date of the vote (as % of portfolio)	Given the nature of the portfolio, individual underlying holdings are unlikely to be material in size, falling well below 0.5% of the total portfolio.		
Summary of the resolution	Shareholder proposal regarding report on gender and racial pay equity.	Shareholder proposal regarding report on hiring practices.	Approval of Climate Action Plan.
How the manager voted	For	For	Against
Rationale for the voting decision	A vote in favour was applied as shareholders could benefit from the median pay gap statistics that would allow them to compare and measure the progress of the company’s diversity and inclusion initiatives.	A vote for this proposal is warranted because additional information could help shareholders better understand how the company is assessing and managing the progress of its various diversity and inclusion initiatives.	A vote against this item was warranted given the apparent gaps in the company’s climate reporting and lack of science-based target setting.
Outcome of the vote	Not provided		
Implications of the outcome	Not provided		
Criteria on which the vote is considered “significant”	Based on Mercer’s own definition guided by their Engagement Priorities, while considering topical proposals and size of holdings at the fund-level.		

Towers Watson Partners Fund

	Vote 1	Vote 2	Vote 3
Company name	Anglo American Plc	Cigna Corporation	Midea Group
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.1%	0.3%	0.1%
Summary of the resolution	Approve Climate Change Report	Report on gender pay gap	Key Management Team Stock Ownership Plan and the Midea Global Partners Plan 8th Phase Stock Ownership Plan (draft) and summary
How the manager voted	For	For	Against
Rationale for the voting decision	The climate change report sets out clear pathways to carbon neutral operations by 2040 and the company's ambition to reduce scope 3 emissions.	Towers Watson support the disclosure of data on the gender pay gap which will positively impact recruitment and human resources efforts.	Return on Equity ("ROE") of Midea Group in 2021 was 24.09% but the threshold for ROE is set at 20% in 2022 and 2023 and 18% for 2024 and 2025. Towers Watson did not believe that the threshold was properly designed.
Outcome of the vote	Pass	Fail	Pass
Implications of the outcome	Strategy of engagement is far more productive than debating issues at a public AGM or through the press. However, they will use alternative means such as exercising voting rights or collaborating with other stakeholders when necessary.	Continue to advocate that companies should provide enhanced disclosures related to diversity and pay equity so that shareholders can assess company's policies.	Towers Watson tend to be more stringent with governance matters and feel there is always scope for their Chinese portfolio companies to improve. They will aim to communicate better with such companies in future meetings on areas for improvement.
Criteria on which the vote is considered "significant"	In line with their Proxy Voting Policy, Towers Watson generally support initiatives to mitigate environmental risks to enhance long-term company policy.	Diversity, equity and inclusion are important for the long-term success of a company for them to attract and retain talent which is important for shareholders' interests.	It is a vote against management.

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Plan's LDI and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	Mercer	Willis Towers Watson
Fund name	Mercer Growth Portfolio	Towers Watson Partners Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	Not directly, this is delegated to the managers of the underlying fund holdings.	Not directly, this is conducted by EOS ² and the underlying managers.
Number of entities engaged on behalf of the holdings in this fund in the year	Not directly, this is delegated to the managers of the underlying fund holdings.	Not directly, this is conducted by EOS and the underlying managers.
Number of engagements undertaken at a firm level in the year	This data is not aggregated across the underlying fund holdings.	1,138 ¹

¹There is a lag in the reporting period of the Towers Watson Partners Fund. This data is provided over the year to 31 December 2022.

²WTW have partnered with Hermes EOS ("Equity Ownership Services") to undertake public policy engagement on behalf of clients.

Examples of engagement activity undertaken over the year to 31 March 2023

Mercer Growth Portfolio

Multinational utility company, Environmental, Climate Change

Mercer do not engage directly with underlying companies as day-to-day investment management is delegated to sub-investment managers. However, Mercer encourage the underlying manager to engage in line with their engagement priorities and monitor this periodically.

As an example, one of the managers has been engaging with the multinational utility company on climate-related topics since 2019. In early 2022, the manager shared its expectations of what a credible climate transition plan should include with the issuer so they were clear on what was required for the manager to support it. For the manager, an ambitious and credible plan is encouraged, and would include aspects such as a public commitment to net zero by 2050. The manager has recognised the progress the company in question has already made in setting emission reduction targets as well as other commitments such as phasing out coal. However, there were concerns raised about the company's electricity generation targets not being sufficient and their climate transition plan not meeting expectations.

Towers Watson Partners Fund

Engagement with asset manager on diversity and inclusion

Towers Watson engaged with an asset manager with limited reporting on inclusion and diversity and it was not reported on in key areas, such as the level of diversity among the ownership and investment team at the firm

level. They engaged with the manager and agreed on action points for them to take into 2023. Specifically, this concerned going beyond the minimum of gender and nationality reporting to also include ethnicity.

The manager has set out a timeline to release an Inclusion and Diversity report in 2023 at a firm and strategy level. There remains no modern slavery policy at a firm level but there has been material progress towards this, and Towers Watson continue to engage with this manager. The Towers Watson engagement score for the firm has improved over the course of 2022 and their engagement is now viewed as a strength.