

Implementation Statement

PDSA Retirement Benefits Plan

Purpose of this statement

This implementation statement has been produced by the Trustee of the PDSA Retirement Benefits Plan (“the Plan”) to set out the following information over the year to 31 December 2023:

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

Stewardship policy

The Trustee’s Statement of Investment Principles (SIP) in force as at 31 December 2023 describes the Trustee’s stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in August 2023 and has been made available online here: [Statement of Investment Principles \(pdsarbp.co.uk\)](https://pdsarbp.co.uk).

The Trustee has set a policy on animal testing. This states that the Trustee wishes to avoid companies that carry out animal testing on cosmetic and non-pharmaceutical products within the Plan’s investment portfolio. The Trustee acknowledges that there are some constraints in implementing this within pooled funds. However, the Trustee is committed to actively engaging with the Plan’s investment managers, through their investment advisors, in order to gain insight into the underlying holdings and encourage them not to invest in companies which carry out testing on animals where possible.

For the Plan’s holdings in the BlackRock ACS World Equity Fund, the Trustee has chosen to implement a Socially Responsible Investment (“SRI”) focused third party proxy voting policy and votes are cast in accordance with this policy using BlackRock’s voting infrastructure. This allows the Plan to incorporate a pre-defined voting policy that better reflects the Trustee’s beliefs.

At this time, the Trustee has not set any other specific stewardship priorities within the investment portfolio. However, the Trustee will consider the extent to which it wishes to do so in due course, in line with its consideration of the Plan’s other risks.

How voting and engagement/stewardship policies have been followed

Based on the information provided by the Plan’s investment managers, the Trustee believes 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 Trustee receives and reviews voting information and engagement policies from the asset managers at the end of each calendar year, which the Trustee reviews to ensure alignment with its own policies. This exercise is being undertaken via this Implementation Statement.

- As part of ongoing monitoring of the Plan's investment managers, the Trustee uses ESG rating 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. This was last undertaken in February 2024.
- Having reviewed the above, the Trustee is comfortable that the actions of the fund managers are in alignment with the Plan's stewardship policies.

**Prepared by the Trustee of the PDSA Retirement Benefits Plan
April 2024**

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 Trustee over the year to 31 December 2023. The credit, LDI funds and cash holdings with Insight have no voting rights and limited ability to engage with key stakeholders given the nature of the mandate.

During Q3 2023 BlackRock announced they were winding up the Aquila Life Emerging Markets Fund. As a result, on 14 August, the Plan switched into the iShares Emerging Markets Index Fund, making a full disinvestment from the Aquila Life Emerging Markets Equity Fund. Voting information has been provided for both funds. During Q4 the Plan decided to make a full disinvestment from Baillie Gifford Multi Asset Growth Fund. Voting information has been provided for Baillie Gifford.

For the Plan's holdings in the BlackRock ACS World Equity Fund, the Trustee has chosen to implement a Socially Responsible Investment ("SRI") focused third party proxy voting policy. BlackRock have provided voting information for this Fund based on the generic fund information rather than the Socially Responsible Investment ("SRI") focused third party proxy voting policy. We have communicated with BlackRock that going forwards, they should produce voting data based on PDSA's chosen voting proxy.

Manager	BlackRock			Pictet	Baillie Gifford	
Fund name	Dynamic Diversified Growth Fund	ACS World ESG Equity Tracker Fund	Aquila Life Emerging Markets Equity Fund	iShares Emerging Market Index Fund	Dynamic Asset Allocation Fund	Multi Asset Growth Fund
Structure	Pooled					
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.					
No. of eligible meetings	575	428	3,216	2,761	17	50
No. of eligible votes	7,491	6,130	27,925	23,247	279	528
% of resolutions voted	93%	98%	98%	98%	100%	92%
% of resolutions abstained	1%	0%	1%	2%	0%	0%
% of resolutions voted with management¹	94%	75%	87%	87%	94%	97%
% of resolutions voted against management¹	5%	24%	12%	12%	6%	2%

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

Manager	BlackRock				Pictet	Baillie Gifford
% of resolutions voted against proxy voter recommendation	0%	0%	0%	0%	0%	n/a

Source: information provided by the managers over the year to 31 December 2023. The proportion of resolutions that were voted on or abstained from may not add up to 100%. This can be due to how investment managers or local jurisdictions define voting and abstentions.

Proxy advisory services

BlackRock and Pictet use Institutional Shareholder Services' (ISS) electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock work with proxy research firms who apply their proxy voting guidelines to filter out routine or non-contentious proposals and refer to them any meetings where additional research and possibly engagement might be required to inform their voting decision.

Pictet's proxy voting policy is based on generally accepted standards of best practice in corporate governance including board compensation, executive remuneration, risk management and shareholder rights.

While Baillie Gifford are cognisant of their proxy advisors' voting recommendations (ISS and Glass Lewis), they do not outsource their stewardship activities and all voting decisions are made in line with their in-house policy, and not with the proxy voting providers' policies.

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 Trustee 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 scheme's stewardship priorities. As noted earlier, the Trustee has implemented a voting policy for the BlackRock ACS World ESG Equity Tracker Fund holdings, and has also engaged with the investment managers via email to communicate its policy on animal testing. However, the Plan does not have any agreed stewardship priorities so for this Implementation Statement, the Trustee has asked the investment managers to determine what they believe to be a "significant vote".

BlackRock, Pictet and Baillie Gifford have provided a selection of votes which they believe to be significant. In the absence of agreed stewardship priorities, and in the interest of concise reporting, the Trustee has opted to show three votes from each manager (four for the BlackRock funds). To represent the most significant votes, the votes of the largest holdings from the selection of significant votes provided are shown below. Where information on the size of the holdings was not made available (as was the case for the BlackRock funds), the votes shown have been selected to represent a variety of themes. Arcmont, Barings, Insight and Schroders were not able to provide significant votes due to not having a formal voting policy or process to track voting activities, or proxy voting not being applicable to the funds.

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

BlackRock Funds

	Dynamic Diversified Growth Fund	ACS World ESG Equity Tracker Fund	Aquila Life Emerging Markets Equity Fund	iShares Emerging Market Index Fund
Company name	Amazon.com, Inc	Shell Plc	Banco de Chile SA	Zhejiang Expressway Co., Ltd
Date of vote	May 2023	May 2023	March 2023	May 2023

	Dynamic Diversified Growth Fund	ACS World ESG Equity Tracker Fund	Aquila Life Emerging Markets Equity Fund	iShares Emerging Market Index Fund
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Data not provided			
Summary of the resolution	Report on efforts to reduce plastic use	Approve the Shell Energy transition progress	Elect Andronico Luksic Craig as director	Amend the Articles of Association
How the manager voted	Against	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	BlackRock endeavour to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting.			
Rationale for the voting decision	BlackRock believe that the company already provides sufficient disclosure and reporting regarding this issue.	Shell's Scope 3 targets relate to intensity reduction, rather than absolute emission reduction. BlackRock believe that there is a lack of detail on the Company's Scope 3 emissions and on how it intends to meet its associated targets. They wanted more granular and explicit disclosure to enable stakeholders to make the connection between the Company's goals and the relevant IEA net zero pathways.	Andronico Luksic Craig serves on an excessive number of public company boards, which BlackRock believe raises substantial concerns about the director's ability to exercise sufficient oversight on this board.	Overall BlackRock believe that the shareholders' rights are likely to be diminished in material ways under the new Charter/Articles/Bylaws
Outcome of the vote	The resolution failed	The resolution was approved	The resolution was approved	The resolution was withdrawn
Implications of the outcome	BlackRock do not see engagement as one conversation. They claim to have ongoing direct dialogue with companies to explain their views and how they evaluate their actions on relevant ESG issues over time. Where concerns are raised either through voting or during engagement, BlackRock monitor developments and assess whether the company has addressed their concerns.			
Criteria on which the vote is considered "significant"	BlackRock publish Vote Bulletins on key votes at shareholder meetings to provide insight into details on certain vote decisions.			

Pictet Dynamic Asset Allocation Fund

	Vote 1	Vote 2	Vote 3
Company name	Microsoft	Sequoia Economic Infrastructure Income Fund Ltd	Enbridge Inc.
Date of vote	December 2023	August 2023	May 2023

	Vote 1	Vote 2	Vote 3
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.0%	0.5%	0.4%
Summary of the resolution	Report on climate risk in retirement plan options	Re-elect Sandra Platts as director	Report on lobbying and political donations
How the manager voted	For	Against	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No	No	No
Rationale for the voting decision	Pictet voted for this resolution, as while the company offers an option to employees that want to invest more responsibly, it is unclear how well employees understand the retirement plans available to them. The information requested in the report would not only complement and enhance the company's existing commitments regarding climate change, but also allow shareholders to better evaluate the company's strategies and management of related risks.	Pictet voted against this item due to lack of diversity on the board.	Pictet voted for this resolution as additional reporting on the company's lobbying practices and policies, including its pattern of lobbying and political donations, would benefit shareholders in assessing its management of related risks.
Outcome of the vote	The resolution was rejected	The resolution was approved	The resolution was rejected
Implications of the outcome	Pictet noted the outcome of the vote. Where they believe the subject of the vote could present a material concern from an ESG perspective, they will continue to monitor and engage with the company. If warranted, Pictet will consider actions as part of their escalation strategy, including future voting decisions.		
Criteria on which the vote is considered "significant"	Pictet consider a vote to be significant due to the subject matter of the vote. For example, a vote against management, if the company is one of the largest holdings in the portfolio, and/or they hold an important stake in the company.		

Baillie Gifford Multi Asset Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Prysmian S.P.A	Rexford Industrial Realty, Inc.	Prologis, Inc
Date of vote	April 2023	June 2023	May 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.44%	0.92%	0.82%
Summary of the resolution	Remuneration	Remuneration	Remuneration
How the manager voted	Against	Against	Against

	Vote 1	Vote 2	Vote 3
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes	No	No
Rationale for the voting decision	<p>Baillie Gifford opposed the resolution due to inappropriate use of discretion to increase vesting outcome of the long-term incentive award. They believe the use of discretion should be carefully evaluated and used to support and prioritise the long-term prospects of the business. Baillie Gifford were not convinced that this use of discretion meets that bar.</p>	<p>Baillie Gifford voted against the executive compensation as they believed the performance conditions for the long term incentive plan are sufficiently stretching.</p>	
Outcome of the vote	The resolution was approved	The resolution was approved	The resolution failed
Implications of the outcome	<p>Baillie Gifford will communicate their rationale for voting against the remuneration report. They supported the forward-looking remuneration policy at the meeting, and anticipate supporting the remuneration report next year, but they will continue to monitor for further use of discretion.</p>	<p>Following the AGM Baillie Gifford contacted the company to explain their decision to oppose compensation for the second year in a row. This is due to concerns with the stringency of the performance targets which allow for payout when underperforming the chosen benchmark on total shareholder return. Baillie Gifford asked for them to increase the stringency of their targets. They have not yet had a response from the company but will monitor any changes.</p>	<p>Baillie Gifford will re-iterate their expectation to the Company and monitor the evolution of pay going forward.</p>
Criteria on which the vote is considered "significant"	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because Baillie Gifford opposed the remuneration.	This resolution is significant because it received greater than 20% opposition.

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustee. 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 holdings with Insight due to the nature of the underlying holdings. Engagement information for these assets have therefore not been shown.

Manager	BlackRock			Pictet	Baillie Gifford	
Fund name	Dynamic Diversified Growth Fund	ACS World ESG Equity Tracker Fund	Aquila Life Emerging Markets Fund	iShares Emerging Market Index Fund	Dynamic Asset Allocation Fund	Multi Asset Growth Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	427	597	7*	396	54	35
Number of engagements undertaken at a firm level in the year		3,768			633	744

Manager	Insight		Arcmont	Barings		Schroders	
Fund name	Global ABS Fund	Bonds Plus Fund	Liquid ABS Fund	Direct Lending Fund III	Global Special Situations Credit Fund 3	Global Special Situations Credit Fund 4	Real Estate Fund of Funds Continental European Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes	Yes	Yes	Yes	n/a***
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	70 to 80	114	70 to 80	5**		25	n/a***
Number of engagements undertaken at a firm level in the year		2,521		Data not provided**		536	6,724

*The relatively low number of engagements compared to last year is as a result of the pending portfolio closure, and positions being sold during the reporting period. It only includes engagements with companies that were held as of the reporting end date.

** Since March 2021, Arcmont have been tracking engagement details however reporting remains limited. Arcmont have stated that they have five entities that they are actively engaged with to date. They were unable to provide data at a firm level.

***This Fund invests in direct real estate, which is under active management, and engagement forms an integral and continuous process. Therefore, Schroders note that engagement activity as defined for the purpose of this statement is not applicable to the Fund. Additionally, the Fund is closed and in the process of winding down. The Plan now has only a small, immaterial amount of assets invested.

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

Manager and Fund(s)	Engagement themes and examples of engagements undertaken with holdings in the Fund
<p>BlackRock Passive Equity Funds and Dynamic Diversified Growth Fund</p>	<p>BlackRock's main engagement topics have remained broadly consistent throughout 2023. They include the following:</p> <ul style="list-style-type: none"> • Board quality and effectiveness • Climate and natural capital • Strategy, purpose and financial resilience • Incentives aligned with financial value creation • Company impacts on people
<p>Pictet Dynamic Asset Allocation Fund</p>	<p>Pictet engaged with Colgate Palmolive to ensure that the company looks to create products that can be recycled more by 2025, given that over half of the world's toothpaste tubes are from Colgate Palmolive. Pictet have engaged to push for enhanced disclosures on this issue so investors can better understand the action plan.</p> <p>In the summer of 2023, Pictet wrote a letter to the CEO outlining their areas of interest and expectations. The company is open to discussions and to considering Pictet's engagement asks. The group is planning to have a follow up meeting with the packaging specialists. Pictet will continue their engagement over the next year or so.</p>
<p>Baillie Gifford Multi-Asset Growth Fund</p>	<p>In 2023, Baillie Gifford engaged with Vale. Vale is the one of the world's largest producers of iron ore. Although base metal exposure is likely to play a role in any green transition, there are doubts on the role iron ore exposure plays. As Vale has one of the highest quality reserves globally, there is an efficiency argument that Pictet want to advance as they believe Vale has the opportunity to lead industry practices in sustainable mining. Vale's track record on ESG issues is poor with a long history of not acting as a leader, particularly on the environmental side, with fatal consequences for local communities i.e. the Brumadinho dam failure in 2019 which was both a human tragedy and an environmental disaster.</p> <p>Baillie Gifford's engagement addressed the need to secure remedial actions to bring about an assessment of compliance by independent third parties. From Baillie Gifford's perspective, there appears to have been a shift in attitude over the past two years. There has been change to the board and executive management team and the company has made improvements to reporting and general preparedness levels, particularly in the key human rights and environmental areas.</p>
<p>Arcmont Direct Lending Fund III</p>	<p>During 2023, Arcmont engaged with Engelmann, a provider of smart heat and water meters and peripheral equipment. They objective of the engagement was to encourage the company to develop</p>

a robust employee training and development programme to create a more satisfied, productive, and engaged workforce.

Arcmont set a number of objectives for the engagement to determine the level of success, including:

- Implementing employee training and development guidelines and documenting them in a company-wide policy which will also outline the HR function's responsibilities;
- Allocating a €125 budget per FTE per year for training or further qualification and encourage at least 50% of FTEs to utilise this; and
- Developing a staff dispute mechanism to manage employee issues, resolve disputes and avoid legal proceedings.

Arcmont have direct dialogue with the portfolio company and sponsor and have a collaborative process involving a number of email exchanges and calls. Arcmont reported that the company has met all three targets. Going forward, they will continue to monitor the company's adherence to the guidelines and the effectiveness of the staff dispute mechanism.

Barings

Global Special Situations Credit
Fund 3 & 4

Barings engaged with an IT services company. The business supports small to medium sized enterprises ("SMEs") with limited internal IT capacities by providing tailored IT solutions. To enable objectivity and draw upon specialist expertise, Barings outsourced responsibility in this area to a third-party ESG consultant. The consultancy firm conducted a materiality assessment to determine a series of key material ESG themes (such as energy use, vehicle emissions, gender pay gap etc.) for the company to focus on, within which a set of relevant and measurable key performance indicators ("KPIs") could be devised. Based on the extent to which the business complied with these KPIs, a discount could be offered on the rate of interest stipulated for their loan.

Insight

Bonds Plus Fund
Global ABS Fund
Liquid ABS Fund

In the second quarter of 2023, Insight engaged with Pepper, a significant issuer in the Australian market. ESG had previously not formed part of their loan origination process, so Insight identified them as an issuer to engage with to raise this as an area of concern. After engaging with them over 2022 and 2023, Pepper is now showing borrowers the potential Energy Performance Certificate ("EPC") improvements they can make to their properties and linking into new business. Pepper also offer cash back opportunities for an EPC focussed 2nd lien loan.