

Implementation Statement

British Red Cross UK Pension Fund

Purpose of this statement

This implementation statement has been produced by the Trustees of the **British Red Cross UK Pension Fund ("the Fund")** to set out the following information over the year to **31 December 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 Fund'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 as of March 2023 describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in February 2024 and has been made available online here:

<https://www.redcross.org.uk/about-us/how-we-are-run/our-finances/annual-reports-and-accounts>

Given the Trustees have secured the Fund's liabilities with an insurer, they have not set stewardship priorities at this time.

How voting and engagement/stewardship policies have been followed

The Fund invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Fund's investment managers.

The Trustees have reviewed the stewardship and engagement activities of the current managers during the year and were satisfied that their policies were reasonable, and no remedial action was required during the period.

As part of ongoing monitoring of the Fund's investment managers, the Trustees use information available within the pensions industry or provided by its investment consultant, to assess how the Fund's investment managers take account of ESG issues. The Trustees periodically meet with the investment managers, where ESG issues form part of the discussions.

Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the fund manager is in alignment with the Fund's stewardship policies.

Voting Data

The Gilt funds and corporate bond funds held with Legal & General Investment Management (“LGIM”) and Insight Investment (“Insight”) respectively have no voting rights.

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 Insight during the year for the relevant funds. LGIM only manage cash and government bond assets and so no engagement data has been included.

Engagement activities are limited for the LGIM gilt funds due to the nature of the funds, so engagement information for these assets have not been shown.

Manager	Insight
Fund name	Buy & Maintain Bond Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	123
Number of entities engaged on behalf of the holdings in this fund in the year	66
Number of engagements undertaken at a firm level in the year	2,521

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

Diversity and Inclusion

Insight believe diversity and inclusion is a topic of increasing importance across both social and governance themes, as they believe D&I is a key impact area, where they can begin to make positive changes. There is an increasing body of research to support the material impact that D&I can have on a company's financial performance, which may improve investment performance over time. Insight will use D&I representation data and targets as principal indicators of success. This theme is related to Sustainable Development Goal 5: Gender Equality.

Insight took an initial focus on counterparties in terms of their engagement with D&I. Poor performers in terms of target setting and performance were identified through Insight's counterparty stewardship process, whereby Insight asked 25 counterparties to fill in ESG questionnaires which included questions on D&I policies, performance and gender pay gap. Insight have held several engagements on D&I with Counterparties and are in the process of writing detailed recommendations.

Insight have been engaging with issuers where they have identified weak D&I performance from their PRIME model. Insight have engaged to improve disclosure on D&I and to set stronger targets at senior management / board levels. Insight will also conduct research which uses diversity and inclusion performance data (e.g. representation of minority groups) to identify companies with poor performance. Insight will take an initial focus on the UK and US, where there is currently increasing regulation, but look to expand this to other markets over time.

Insight began their D&I engagement with America Movil (AMX) in 2021 to encourage improvement on governance and diversity. In late 2021, AMX updated its materiality assessment and conducted its first overview of board practices to evaluate board effectiveness. Insight engaged the company again in 2022 and were happy to confirm a performance improvement on both governance and diversity. In the company's 2022 Sustainability Report, AMX established a new target to increase board diversity to three female directors, representing 21% of the board, which it achieved by appointing Gisselle Jiménez as a new director. This board-level diversity target is integrated into the company's strategy as it was added as a target within America Movil's Sustainability Linked Loan (SLL) structure.

The company also refreshed their Board Diversity Policy, which includes the ambition to 'set measurable objectives to achieve gender diversity with the ultimate goal of having a composition of the Board where each gender represents at least thirty percent (30%).' The engagement may provide financial benefit, as there is a growing body of research which suggests that companies with diverse directors and executive teams (in relation to gender and ethnicity) are more likely to achieve above-average profitability and have higher returns on invested capital. Board-level diversity and support for diversity initiatives also helps to create a more inclusive culture throughout the entire organization.

Summary

Based on the information received, the Trustees believe that the investment managers have acted in accordance with the Fund's stewardship policies. The Trustees are supportive of the key engagement actions taken by the applicable fund managers over the period to encourage positive governance changes in their investee companies.

**Prepared by the Trustees of the British Red Cross UK Pension Fund
April 2024**