

Implementation Statement

Dunlop Slazenger Pension Scheme

For year ended 31 March 2021

Introduction

This statement has been prepared by the Trustee of the Dunlop Slazenger Pension Scheme (the "Trustee" and the "Scheme" respectively) with input from its Investment Consultants. The statement demonstrates how the Trustee has acted on certain policies within their Statement of Investment Principles ('SIP').

Each year the Trustee must produce an Implementation Statement that demonstrates how they have followed certain policies within their SIP over the Scheme year. This Implementation Statement covers the year from 1 April 2020 to 31 March 2021.

This Implementation Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the Defined Benefit ('DB') investments held by the Scheme. Note that this excludes any Additional Voluntary Contribution investments held by the Scheme.

Trustees of DB pension schemes are required to provide details of how, and the extent to which, their SIP policies on engagement with investee companies have been followed over the year, including a description of their voting behaviour, the most significant votes cast and any use of a proxy voter on their behalf over the year.

SIP Policies

This Implementation Statement should be read in conjunction with the Scheme's SIPs covering the year under review which gives details of the Scheme's investment policies along with details of the Scheme's governance structure and objectives.

The Scheme's SIP acknowledges risks such as the following for ESG/Climate risk:

- "The Directors have considered long-term financial risks to the Scheme and Environmental, Social and Governance ("ESG") factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses."

The Scheme's SIP also includes policies such as:

- "Prior to appointing an investment manager, the Directors discuss the investment manager's benchmark and approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Directors own investment beliefs."
- "In the event that an investment manager ceases to meet the Directors' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be reviewed."
- "Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager."
- "The Directors are mindful that the impact of ESG and climate change has a long-term nature. However, the Directors recognise that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Directors acknowledge this in their investment management arrangements."

The Scheme expects the following stages to occur with regards to ESG implementation:

- **"Selection of investments:** Assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/ proposals as well as through other regular reporting channels."

- **“Retention of investments:** Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.”
- **“Realisation of investments:** The Trustees will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.”

In the SIP the Trustee stated the following policies on the exercise of voting rights and engagement activities related to its investments:

- “The Directors expect investment managers to be voting and engaging on behalf of the Scheme’s holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme’s Annual Report and Accounts. The Directors do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.”
- “The Directors’ policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Directors behalf.”
- “The Directors will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant.”
- “When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company’s capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.”
- “In selecting and reviewing their investment managers, where appropriate, the Directors will consider investment managers’ policies on engagement and how these policies have been implemented.”
- “As part of ongoing monitoring of the Scheme's investment managers, the Directors will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the investment managers take account of ESG issues”
- “Through their investment consultant the Directors will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.”

Description of voting behaviour

BlackRock is the sole Investment Manager of the Scheme’s assets and as such the Scheme is reliant on BlackRock’s voting and engagement policies. The Scheme has some exposure to equities through the Style Advantage Fund in the Dunlop International Pension Fund. Due to the nature of this fund, asset allocations can regularly shift between equities, bonds and other debt instruments. Therefore, BlackRock’s global voting statistics more generally are reported below.

1 April 2020 – 31 March 2021	
Total meetings voted	17,372
Total proposal voted	163,424
% of meetings voted against one or more management recommendations	39%
% of proposals voted against management recommendations	9%

BlackRock Investment Stewardship (BIS) prioritises its decision making around themes intended to encourage sound governance practices and deliver sustainable long-term financial performance. The identified themes are reflected in BlackRock’s global principles, market-specific voting guidelines and engagement priorities, which underpin their stewardship activities and form the benchmark against which the sustainable long-term financial performance of investee companies is considered. BlackRock uses market specific guidelines to ensure each company’s unique circumstances are taken into consideration.

BlackRock determine their engagement priorities based on observations regarding market developments and emerging governance themes. The BIS team’s key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities

3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management

Each year, the BlackRock Investment Stewardship team review their Global Principles and market-level voting guidelines to ensure that their policies are aligned with their commitment to pursuing long-term financial returns for their clients as shareholders, updating the Global Principles as necessary to reflect in market standards, evolving governance practice and insights gained from engagement over the prior year.

BIS periodically publishes “vote bulletins” on key votes at shareholder meetings to provide insight into details on certain vote decisions, intended to explain voting decisions relating to a range of business issues including ESG matters.

An analysis of significant votes made predominantly included voting against management changes for reasons such as lack of progress regarding climate-related action and reporting as well as approving climate change resolutions such as advocating for propositions in line with the Paris Agreement.

How engagement policies have been followed

The Trustee has reviewed BlackRock’s policies for stewardship and governance and is satisfied that their stated policies satisfy the criteria laid out within the SIP. However, going forward they would prefer to see specific information relating to the action taken specifically for the holdings in their portfolio.

Engagement with investee companies

Exercising voting rights is not the only method of influencing behaviours of investee companies. Non-equity investments such as the Scheme’s corporate bond holdings can also include engagement activities, but these investments do not carry voting rights. BlackRock Investment Stewardship view engagement as a key mechanism for providing feedback or signaling concerns to companies about factors that affect long-term performance.

The Trustee expects the Investment Manager to engage with investee companies on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee’s investments.

BlackRock’s engagement priorities are global in nature and are informed by observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock may also update their regional engagement priorities based on issues that they believe could impact the long-term sustainable financial performance of companies in those markets.

Extent to which Trustees’ policies have been followed during the year

Having reviewed the actions taken by BlackRock, the Trustee believes that their policies on engagement and voting rights (where applicable) have been implemented appropriately and in line with the Investment Manager’s policies over the year. The Trustee will continue to monitor the actions taken on their behalf each year whilst pressing for improved reporting and data from BlackRock, particularly with respect to ESG factors and specific voting information for the Scheme’s holdings.

If the Investment Manager deviates substantially from the Trustee’s stated policies or its policies on ESG and stewardship, the Trustee expects that this be captured in the Scheme’s regular performance monitoring. If the Investment Manager fails to meet the Trustee’s aims, including the management of ESG and climate related risks, their appointment will be reviewed.

Deloitte Total Reward and Benefits Limited

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Risk Warnings

- Past performance is not necessarily a guide to the future.
- The value of investments may fall as well as rise and you may not get back the amount invested.
- Income from investments may fluctuate in value.
- Where charges are deducted from capital, the capital may be eroded or future growth constrained.
- Investors should be aware that changing investment strategy will incur some costs.
- Any recommendation in this report should not be viewed as a guarantee regarding the future performance of the products or strategy.

Our advice will be specific to your current circumstances and intentions and therefore will not be suitable for use at any other time, in different circumstances or to achieve other aims or for the use of others. Accordingly, you should only use the advice for the intended purpose.



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