



Dunlop Slazenger Pension Scheme

Implementation Statement for year
ended 31 March 2024

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

Implementation Statement

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the Statement of Investment Principles ('SIP').

The SIP can be found online at the web address

<https://members.pensionpal.co.uk/DunlopSlazengerPensionScheme> and changes made to the SIP over the year to 31 March 2024 are detailed on the following page.

This Implementation Statement details:

- actions the Scheme has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Scheme has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 March 2024 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

Summary of key actions undertaken over the Scheme reporting year

- The Scheme transitioned from BlackRock to Legal and General Investment Management ('LGIM') and implemented a strategy that realigns the Scheme's investments with targeting an investment return of Gilts + 1% p.a.
- The target weighting to equity was increased, while the target weightings to bond funds and cash was reduced.

Implementation Statement

This report demonstrates that Dunlop Slazenger Pension Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed

Position

Date

Managing risks and policy actions DB

Risk / Policy	Policy	Actions and details on changes to policy
Risk versus the liabilities	<p>The Directors will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation.</p> <p>The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.</p> <p>The Directors acknowledge that there may be a mismatch between the Scheme's assets and the Scheme's liabilities.</p>	No changes to policy.
Covenant risk	The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.	No changes to policy.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Directors are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.	No changes to policy.
Investment manager risk	The Directors monitor the performance the Scheme's investment manager on a regular basis and will if appropriate meet with the investment manager. The Directors have a written agreement the investment manager covering how the Directors expect the investment manager to operate. Additional details on this risk are included in Section 5.	Over the period, the Trustees reviewed the overall strategy and agreed to appoint LGIM as the sole investment manager to replace BlackRock, with a key reason being the improved governance available, particularly around the Scheme's liability hedging assets.
Governance risk	The investment manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Directors monitor this and will report on the manager's practices in their annual Implementation Statement.	The Trustee appointed LGIM to replace BlackRock with the aim of reducing the governance burden, with regards to maintaining the Scheme's collateral waterfall.

ESG/Climate risk	<p>The Directors have considered long-term financial risks to the Scheme including Environmental, Social and Governance ("ESG") factors.</p> <p>1. The Directors' policy is to invest in pooled investment vehicles. It is the investment manager that is responsible for the exercise of rights (including voting rights) attaching to these investments.</p> <p>2. The investment manager has clear views on ESG factors and stewardship which are clearly articulated in formal policies on these issues.</p> <p>3. The Scheme holds investments in passively managed funds where the investment manager is restricted in the choice of underlying assets to invest in. As such, stewardship is of primary importance in ensuring that financially material ESG factors are given appropriate consideration.</p> <p>4. The Directors note that the investment manager has clear stewardship policies that aim to influence the ESG practices of the companies it invests in and the investment manager has demonstrated how it acts on these policies. For example, the investment manager has voted on company proposals covering climate risk, political donations, gender diversity on company boards, board independence issues and remuneration policies.</p>	No changes to policy.
Concentration risk	The investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.	No changes to policy.
Liquidity risk	<p>The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted to cash at short notice given the Scheme's cashflow requirements.</p> <p>The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.</p>	The Directors have a collateral management framework in place with LGIM that allows for assets to be drawn down automatically should any capital calls occur.
Currency risk	Currency hedging is employed where appropriate to manage the impact of exchange rate fluctuations.	No changes to policy.

Loss of investment

The risk of loss of investment by each investment manager and custodian is assessed by the Directors. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). The Directors undertake regular reviews of the internal controls and processes of the investment manager.

No changes to policy.

Changes to the SIP

Over the Scheme year the Trustees made changes to the SIP to reflect the recent regulatory requirements as well as updated the wording to reflect the move from BlackRock to LGIM. These changes were signed off just after Scheme year end.

Policies added to the SIP

Date updated: April 2024

Collateral management

- The Directors have a collateral management framework in place with LGIM that allows for assets to be drawn down automatically should any capital calls occur.
- The Directors review the collateral management framework on a regular basis and monitor collateral levels through regular reporting.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regards to ESG as a financially material risk. The Scheme has agreed a more detailed ESG policy which describes how it monitors and engages with the investment managers regarding the ESG policies. This page details the Scheme's ESG policy. The next page details our view of the managers, our actions for engagement and an evaluation of the engagement activity.

The Investment Manager is responsible for managing the Scheme's investments in accordance with the management agreements in place with the Directors. The Directors have requested that the Investment Manager has the financial interests of the Scheme members as their first priority when choosing investments and the Directors have delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to the investment manager.

The Directors acknowledge that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Scheme's investments and the likelihood that the Scheme's objectives will be achieved. To confirm, no consideration has been given to non-financial considerations, nor has the Scheme's membership been consulted on such issues.

As part of the selection, retention and realisation of the Scheme's investments, the Directors, in consultation with their investment advisor, have reviewed the ESG and stewardship policies of the investment manager and are comfortable that these policies are consistent with their views. In particular, the Directors notes are specified in the section on risk policies.

The Directors' policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Scheme's interests in the investments, having regard to appropriate advice. The Directors expect the investment manager to engage with investee companies (and other relevant persons including, but not limited to, investment managers, issuers/other holders of debt and equity and other stakeholders) 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 Directors' investments. The Directors believe that such engagement will protect and enhance the long-term value of its investments.

The Directors expect the Scheme's investment manager to provide regular updates on how it exercises voting rights and actively engages with the companies in which it invests, including how it votes against company proposals. The Directors will review this on an annual basis in line with its monitoring policy mentioned above. If the Directors believe that the Scheme's investment manager is no longer acting in accordance with the Directors' policies, including those regarding ESG and engagement with investee organisations to assess and improve their medium to long-term financial and non-financial performance, the Directors will take the following steps:

- engage with the investment manager in the first instance, in an attempt to influence its policies on ESG and stewardship; and

- if necessary, look to appoint a replacement investment manager or managers which are more closely aligned with the Directors' policies and views.

These statements are made noting that the Scheme's assets are invested in pooled funds and as such, the Directors are restricted in their ability to directly influence its investment manager on the ESG policies and practices of the companies in which the pooled funds invest. The remuneration of the investment manager is not directly linked to performance, given the absence of performance related fees, or to ESG practices. However, the Directors will review and replace the investment manager if net of fees investment performance and ESG practices are not in line with the Directors' expectations and views. The Directors believe that these steps will incentivise the investment manager to align their actions with the Directors' policies and also for them to act responsibly.

Risk Management	<ol style="list-style-type: none"> 1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Scheme 2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustee
Approach / Framework	<ol style="list-style-type: none"> 3. The Trustee should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager. 4. ESG factors are relevant to investment decisions in all asset classes. 5. Managers investing in companies' debt, as well as equity, have a responsibility to engage with management on ESG factors.
Reporting & Monitoring	<ol style="list-style-type: none"> 6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important. 7. ESG factors are dynamic and continually evolving; therefore, the Trustee will receive training as required to develop their knowledge. 8. The role of the Scheme's asset managers is prevalent in integrating ESG factors; the Trustee will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions.
Voting & Engagement	<ol style="list-style-type: none"> 9. The Trustee will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach. 10. Engaging is more effective in seeking to initiate change than disinvesting.
Collaboration	<ol style="list-style-type: none"> 11. Asset managers should sign up and comply with common codes and practices such as the UNPRI & Stewardship code. If they do not sign up, they should have a valid reason why. 12. Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights.

ESG summary and actions with the investment managers

Manager, fund	ESG Summary	Actions identified	Engagement with manager commentary
LGIM Buy and Maintain Fund	<p>We consider LGIM as one of the market leaders in implementing ESG policies within their funds. Buy and maintain allows a significant degree of ESG integration due to strong data availability and a requirement to consider long-term factors to facilitate holding bonds to maturity.</p> <p>LGIM have implemented a fund-level climate objective which aims for a 50% reduction of 2019 carbon emission levels by 2030. Implementation of this objective has allowed the funds to achieve an article 8 label since 31 December 2022.</p>	<p>LGIM should formally assess the effectiveness of green bonds.</p> <p>LGIM should increase engagement as a percentage of the portfolio as it appears to lag peers.</p> <p>LGIM should look to include social metrics and engagement details in regular fund reporting.</p>	<p>Isio engaged with LGIM on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the Investment Committee with updates on the LGIM engagements.</p> <p>Isio engaged with LGIM on developing specific fund-level ESG/Climate objectives with quantifiable and tangible targets for the Fund. They have made some progress, toward adding backward-looking climate objectives, with a 2019 baseline year.</p> <p>Isio engaged with LGIM on including fund-specific engagement activity and coverage of GHG emissions data. However, this data is still not reported in LGIM's formal ESG reporting.</p>
LGIM Matching Core Fund Range	<p>LGIM is actively committed to integrating ESG considerations into LDI funds. Their dedicated ESG team plays a crucial role in stewardship and responsible investment, ensuring premium risk management through their proprietary tools.</p> <p>At a firm-level LGIM is strong in their approach to ESG and Stewardship.</p>	<p>LGIM should introduce a formal ESG training program with defined training priorities.</p> <p>LGIM should increase the GHG data coverage for holdings within the Fund.</p> <p>LGIM should provide better incentives, more choice and encouragement to investors for using Active ESG tool and to maximise engagement.</p>	<p>Isio engaged with LGIM on the Trustee's behalf to increase GHG data coverage for holdings within the fund. LGIM have made some progress as they produce quarterly fund-specific ESG reports which specify the ESG score with further details on carbon footprint and carbon reserves.</p> <p>However, the manager has not made sufficient progress on introducing a formal ESG training program with defined training priorities.</p>

<p>LGIM Sterling Liquidity Fund</p>	<p>LGIM is one of the more advanced asset managers in relation to ESG integration, with a well-defined firm ESG policy and net zero commitment. LGIM also collaborates with a range of industry participants to influence a range of ESG topics.</p> <p>For cash funds, there are no fund-specific ESG objectives within the investment approach. However, LGIM have a strong stewardship process and provide quarterly ESG reporting for its cash funds.</p>	<p>LGIM should consider introducing ESG objectives for this fund.</p> <p>LGIM should consider increasing the level of engagement as a percentage of the fund's value where possible.</p> <p>LGIM should increase data coverage of Greenhouse Gas ('GHG') emissions, and utilise third parties to independently verify ESG metrics and data reporting.</p>	<p>Isio engaged with LGIM on the Trustee's behalf to look to introduce ESG specific objectives and take advantage of ESG opportunities during the investment decision-making process, however LGIM have not made sufficient progress against this action. In addition, the fund has not made sufficient progress to increase fund level coverage of GHG emissions data.</p>
<p>LGIM All World Equity Index – GBP Hedged</p>	<p>We consider LGIM to be market leaders in incorporating ESG and climate factors into their investment fund range. LGIM has a dedicated and well-resourced team focused on key ESG issues. However, there is limited scope to adapt the investment approach to ESG in the passive equity range.</p> <p>Despite the passive nature of the fund range, the fund does actively engage with underlying companies in line with the firmwide Stewardship priorities whilst also taking advantage of LGIM's ESG reporting framework, namely the ESG scoring system.</p>	<p>LGIM should consider setting explicit fund level ESG, climate and social objectives.</p> <p>LGIM should consider making their ESG training program compulsory for all members of the team.</p> <p>LGIM should consider reporting on fund-level coverage of greenhouse gas emissions.</p> <p>LGIM should consider reporting on nature or biodiversity-related metrics.</p>	<p>Isio engaged with LGIM on the Trustee's behalf to look at reporting on fund level coverage of GHG emissions and to consider including social and governance metrics in future ESG quarterly reports. LGIM can now provide social governance metrics.</p>

Engagement

As the Scheme invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the Scheme year.

*Please note that one engagement could cover multiple different themes.

Fund name	Engagement summary	Commentary
LGIM Buy and Maintain Fund	<p>Total engagements: 177*</p> <p>Environmental: 112 Social: 70 Governance: 151 Other: 44</p>	<p>LGIM has engaged with managers in relation to environmental, social, governance and other issues as aligned in the SIP.</p> <p>The following examples are engagements which have taken place over the period.</p>
LGIM Matching Core Fund Range	The manager does not produce a detailed breakdown of the engagement activity for LDI funds.	<p>Tesco – Tesco were not paying all their UK employees a real living wage as at 2022. LGIM engaged with the company to advocate for fair wages. LGIM believe their consistent engagement has led Tesco to change their practices, resulting in all their UK employees being paid a real living wage.</p> <p>If the company fails to meet LGIM's minimum requirements by 2025, LGIM plan to vote against the chairman.</p>
LGIM Sterling Liquidity Fund	<p>Total engagements: 23*</p> <p>Environmental: 21 Social: 2 Governance: 16</p>	
LGIM All World Equity Index – GBP Hedged	<p>Total engagements: 816*</p> <p>Environmental: 671 Social: 188 Governance: 384 Other: 110</p>	<p>Unilever Plc – LGIM believe that nutrition plays a significant role on the health of our societies, and that ill-health can pose a significant social and economic risk. LGIM continue to engage with Unilever on their targets to promote healthier consumer diets. LGIM continue to work with Unilever towards healthier, transparent, and sustainable food market practices.</p>

Voting (for equity/multi asset funds only)

The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

The Scheme's fund managers have provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2024. The Trustee has adopted the managers definition of significant votes and has not set stewardship priorities. The managers have provided examples of votes they deem to be significant, and the Trustee has shown the votes relating to the greatest exposure within the Scheme's investment. When requesting data annually, via their investment consultant, the Trustee informs their managers what they deem most significant

Fund name	Voting summary	Examples of most significant votes	Commentary
LGIM All World Equity Index – GBP Hedged	<p>Votable Proposals: 64,058</p> <p>Proposals Voted: 99.87%</p> <p>For votes: 79.27%</p> <p>Against votes: 20.20%</p> <p>Abstain votes: 0.53%</p>	<p>Mitsubishi – LGIM consider that decarbonisation of the banking sector and its clients, is key to ensuring the goals of the Paris Agreement are met. The proposal was to amend the articles of incorporation to publish a transition plan to align lending and investment portfolios with the Paris Agreement. LGIM voted for this recommendation.</p> <p>Amazon Inc – LGIM believe cognitive diversity in business is crucial for building a better company, economy, and society. The proposal was to report on median and adjusted gender/racial pay gaps, as this is an important disclosure for investors to be able to assess the company's progress on its diversity and inclusion initiatives. In 24 May 2023, LGIM voted for the reporting on median and adjusted gender/racial pay gaps as this would be an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. The vote was unsuccessful and LGIM will continue to engage with the company and monitor progress.</p>	<p>LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions.</p> <p>To ensure that the proxy provider votes in accordance with LGIM's position on ESG, they have put in place a custom voting policy with specific voting instructions.</p>

