



Dunlop Slazenger Pension Scheme

Implementation Statement for year
ended 31 March 2025

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 2025 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 2025 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

- No changes were made to the Scheme over the year to 31 March 2025.

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	<p>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.</p>	No changes to policy.
Solvency and mismatching	<p>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.</p>	No changes to policy.
Investment manager risk	<p>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.</p>	No changes to policy.
Governance risk	<p>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.</p>	No changes to policy.

ESG/Climate risk	<p>The Directors have considered long-term financial risks to the Scheme including Environmental, Social and Governance ("ESG") factors.</p> <ol style="list-style-type: none"> 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. 2. The investment manager has clear views on ESG factors and stewardship which are clearly articulated in formal policies on these issues. 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. 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. 	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>	No changes to policy.
Currency risk	<p>The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.</p> <p>Currency hedging is employed where appropriate to manage the impact of exchange rate fluctuations.</p>	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 Legal & General ('L&G').

Policies added to the SIP

Date updated: April 2024

Collateral management

- The Directors have a collateral management framework in place with L&G 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 often 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
L&G Buy and Maintain Fund	<p>L&G Buy and Maintain Fund 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>The fund scores well versus their peers and has forward-looking ESG and climate objectives.</p>	<p>L&G should consider increasing the fund's engagement coverage to above 66% and carbon metric engagement to above 70% of the fund's NAV per annum.</p> <p>L&G should include social metrics and engagement details as part of the fund's regular reporting.</p>	<p>Following Isio's engagement with L&G to increase overall engagement, they continue to focus on engagement with lower ESG scoring counterparties; in addition, they have made progress in terms of being able to report engagements conducted by both the Investment Stewardship team and Investment team.</p>
L&G Matching Core Fund Range	<p>L&G Matching Core Funds embed ESG within their counterparty review process via their Active ESG tool and by engaging with counterparties.</p> <p>However, the funds do not have any explicit ESG objectives.</p>	<p>L&G should consider expanding the approach to assess green gilts and complement their relative value assessment.</p>	<p>Isio engaged with L&G on the Trustees' behalf to look into providing better incentives, more choice and encouragement to investors for using active ESG tools. L&G's Investment teams prioritise responsible investment, with ESG considerations playing a key role in research activities. L&G provides regular training to investment professionals and monitors the use of ESG tools to identify areas where further support may be beneficial.</p>

<p>L&G All World Equity Index – GBP Hedged</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 L&G’s ESG reporting framework, namely the ESG scoring system.</p> <p>The fund still does not have an explicit ESG objective, however its overall score has improved this year driven by a greater engagement and presence on ESG issues.</p>	<p>L&G should consider developing ESG, climate, social and nature objectives for the fund.</p> <p>L&G should consider social issues, such as diversity and inclusion as part of the fund’s investment process.</p> <p>L&G should develop a model to assess climate scenario impacts for the fund.</p>	<p>Isio engaged with L&G on the Trustees’ behalf to look at setting fund level ESG, climate and social objectives. L&G offer a wide range of responsible investing index funds for clients who wish to invest with ESG objectives. Their non-ESG index range benefit from firm-wide stewardship capabilities.</p> <p>Isio engaged with L&G on the Trustees’ behalf to consider reporting on nature or biodiversity-related metrics. L&G acknowledges limited biodiversity data and has joined the Taskforce on Nature-related Financial Disclosures (TNFD) as an observer to support progress.</p>
<p>L&G Sterling Liquidity Fund</p>	<p>For cash funds, there are no fund-specific ESG objectives within the investment approach. However, L&G have a strong stewardship process and provide quarterly ESG reporting for its cash funds.</p>	<p>L&G should consider increasing the fund’s GHG emissions reporting coverage to be above 70%.</p> <p>L&G should consider reducing the fund’s temperature alignment to below 2°C.</p>	<p>Isio engaged with L&G on the Trustees’ behalf to consider introducing ESG objectives.</p> <p>The fund does not currently include ESG objectives due to the high turnover of the fund.</p> <p>However, it compensates by applying more restrictive exclusions within the funds. The approach is reviewed periodically to assess whether introducing ESG objectives would be appropriate in the future.</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
L&G Buy and Maintain Fund	Total engagements: 331* Environmental: 210 Social: 76 Governance: 86 Other: 46	L&G aim to ensure that companies integrate environmental, social and governance (ESG) factors into its culture and everyday thinking. L&G also seek to create an environment in the markets and regulators, where good management of ESG factors is valued and supported.
L&G Matching Core Fund Range	<i>The manager does not produce a detailed breakdown of the engagement activity for LDI funds.</i>	Through engagements L&G aim to ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value.
L&G All World Equity Index – GBP Hedged	Total engagements: 2,242* Environmental: 1,626 Social: 483 Governance: 260 Other: 152	
L&G Sterling Liquidity Fund	Total engagements: 18* Environmental: 15 Social: 3 Governance: 8 Other: 1	

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 2025. 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
L&G All World Equity Index – GBP Hedged	<p>Votable Proposals: 63,689</p> <p>Proposals Voted: 99.82%</p> <p>For votes: 79.48%</p> <p>Against votes: 18.99%</p> <p>Abstain votes: 1.52%</p>	<p>Microsoft – On 10 Dec 2024, L&G has decided to vote <u>in favour</u> of the resolution to start reporting on its AI data sourcing.</p> <p>This is due to Microsoft facing increasing legal and reputational risks related to copyright infringement associated with its data sourcing practices.</p> <p>Shareholders would also benefit from greater attention to risks related to how to company uses third-party information to train its language models.</p> <p>The outcome of the vote was <u>unsuccessful</u>. However, L&G will continue to engage with Microsoft and monitor its progress.</p> <p>Tesla Inc – On 13 Jun 2024, L&G has decided to vote <u>against</u> Tesla on the ratification of its named executive officers' ('NEOs') remuneration, which included a one-off award, as L&G believes current remuneration policies should be sufficient to retain and motivate executives.</p> <p>Despite the resolution passing, L&G will continue advocating for transparent, performance-linked remuneration, deeming this vote "most significant" for its link to L&G stewardship sub-theme: executive pay.</p>	<p>L&G's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G and we do not outsource any part of the strategic decisions.</p> <p>To ensure that the proxy provider votes in accordance with L&G's position on ESG, they have put in place a custom voting policy with specific voting instructions.</p>

