

# Dawn Somerset Retirement and Death Benefit Scheme

## Statement of Investment Principles - Implementation Statement

The purpose of this Statement is to provide information which is required to be disclosed in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) 2019 Regulations. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated 8 July 2019 have been implemented. The SIP provides further background details on investment arrangements.

This Statement covers the period 1 April 2020 to 31 March 2021.

### Investment managers and funds in use

Asset Class	Fund	Target Asset Allocation
Risk-controlled multi-asset	Barings Multi Asset Fund	35%
	LGIM Dynamic Diversified Fund	35%
Long-dated corporate bonds	LGIM Investment Grade Corporate Bond Over 15 Year Index Fund	10%
Long-dated index-linked gilts	LGIM Over 5 Year Index-Linked Gilts Index Fund	20%
<b>Total</b>		<b>100%</b>

### Strategy Review

There have been no changes to the investment managers or target asset allocation over the year.

After the year end, the Scheme's investment strategy was updated. Following the announced closure of the Barings Multi Asset Fund on the 30 June 2021, the Trustees sold all holdings in this fund and re-invested the proceeds into the Threadneedle Dynamic Real Return Fund in June 2021. The current target asset allocation remains unchanged, with the Threadneedle fund target allocation directly replacing the Barings fund target allocation.

### Scheme Governance

The Trustee board is responsible for making investment decisions, and seeks advice as appropriate from Broadstone Corporate Benefits Limited ("Broadstone"), as the Trustees' investment consultant.

The Trustees do not actively obtain the views of the membership of the Scheme to help form their policies set out in the SIP as the Scheme is comprised of a diverse membership, which the Trustees expect to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

There were no changes to the objectives put in place for Broadstone which were last reviewed in October 2019. The Trustees are due to formally review these objectives by October 2022, or earlier.

There were no changes to the investment management agreements with LGIM or Barings during the year.

## Statement of Investment Principles

The Trustees last reviewed the Statement of Investment Principles (SIP) in July 2019, which was updated to take account of the updated investment regulations and change in investment strategy.

The Trustees have a policy on financially material considerations relating to Environmental, Social and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out below and are detailed in the SIP.

There were no departures from the policies set out in the SIP, including the Trustees' policies on financially and non-financially material considerations, during the year.

### Policy on financially and non-financially material considerations

**Trustees' Policy:** *The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets.*

*The Trustees delegate responsibility for day-to-day decisions on the selection of investments to the Investment Managers. The Trustees have an expectation that the Investment Managers will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.*

*The Trustees do not currently impose any specific restrictions on the Investment Managers with regard to ESG issues, but will review this position from time to time.*

*The Trustees regard the potential impact of climate change on the Scheme's assets as a longer term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area with their investment adviser.*

There have been no changes to the Trustees' policy, nor any departures from their policy, during the year.

The Trustees note that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustees are satisfied that the funds currently invested in by the Scheme are managed in accordance with their views on financially material considerations, as set out below, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

The Trustees have access to updates on governance and engagement activities by the investment managers, and input from their investment advisers on ESG matters. These views are also taken into account when appointing and reviewing investment managers.

The Trustees acknowledge that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment managers, given they are investing in pooled funds.

A summary of the Trustees’ views for each asset class in which the Scheme invests is outlined below.

Asset Class	Actively or Passively Managed?	Comments
Risk-controlled multi-asset funds	Active	The Trustees expect the investment managers to take financially material ESG factors into account, given the active management style of the funds and the ability of each manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect their investment managers to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the portfolio do not typically attract voting rights.
Corporate bonds	Passive	The Trustees acknowledge that the investment manager must invest in line with specified index and, therefore, may not be able to disinvest from a particular bond issue if they have concerns relating to ESG. The Trustees also expect their investment manager to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
Government bonds	Passive	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

### Policy on the exercise of voting rights and engagement activities

**Trustees’ Policy:** *Responsibility for engagement with the issuers of the Scheme's underlying investment holdings and the use of voting rights is delegated to the Investment Managers. The Trustees can therefore only influence engagement and voting policy indirectly.*

*The Investment Managers provide information to the Trustees on their actions in relation to engagement and use of voting rights. The Trustees are therefore able to be aware of the policies adopted by the Investment Managers.*

There have been no changes to the Trustees’ policy, nor any departures from their policy, during the year. In particular, all voting activities have been delegated to the investment managers, as the Trustees do not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme’s investments.

The Trustees currently invest in pooled investment funds with the investment managers, and they acknowledge that this limits their ability to directly influence each investment manager.

To complement this monitoring, the Trustees receive stewardship and governance reports from LGIM on a quarterly basis and Barings on an annual basis.

Within the current investment arrangements, the LGIM Dynamic Diversified Fund and the Barings Multi Asset Fund contain equity holdings. Therefore, these funds have voting rights attaching to these underlying equities. The investment managers sets their own voting policy and will often engage with investee companies directly.

A summary of the votes made by the investment managers from 1 April 2020 to 31 March 2021 on behalf of the Trustees (where the investment owns equities) is provided in the table below. The analysis is based on the latest information available from each investment manager.

Manager	Third Party Proxy Policy Used	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
<b>Barings</b>	ISS	84,721	92%	7%	1%
<b>LGIM</b>	Not used – in house	83,179	84%	15%	1%

The voting activity set out above for Barings is presented at the company level, rather than being scheme or fund specific. This has been confirmed on a pragmatic basis given that the fund was closed on the 30 June 2021. The voting activity set out above for LGIM is presented at the fund level.

The Trustee has requested details of the significant votes made on behalf of the Trustee (where voting rights are attached). Details of these significant votes are provided below, together with engagement activities where voting rights are not held by the investment manager. The notable engagement activities of the investment managers (as determined by the holding that has effected the most change in the manager’s opinion) are provided below:


- **LGIM** put forward a proposal to Amazon emphasising the important role that worker representation plays in supporting companies. This is in direct response to accusations against Amazon concerning its interference with efforts by its workers to unionise. As a consequence of these actions, Amazon has launched its Global Human Rights Principles, which recognise the fundamental rights of workers to organise, and commissioned a human rights impact assessment (with an external consultant). LGIM is continuing to engage with the company to ensure that Amazon's commitments to upholding human rights are maintained.
- **Barings’** Multi Asset Group, who manage the Barings Multi Asset Allocation Fund, engaged with a US chemicals firm with large fertiliser businesses to push them towards shifting more of their business towards carbon-neutral products. Barings have actively engaged to make this transition as quick as possible, as doing so will cut the company’s carbon footprint, and help to decarbonise the food chain.

The Trustees are comfortable with the investment managers’ approach for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.

The Trustees also consider the investment managers’ policies on stewardship and engagement when selecting and reviewing investment managers.

## Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with investment managers (as detailed above), the Trustees receive performance reports on a quarterly basis from LGIM (and previously received performance reports from Barings on a quarterly basis), together with performance reports from Broadstone on a quarterly basis to ensure the investment objectives set out in their SIP are being met.

Signed:  \_\_\_\_\_

Date: 6th September 2021

**On behalf of the Trustees of the Dawn Somerset Retirement and Death Benefit Scheme**