

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 and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated 23 September 2022 have been implemented.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 1 April 2022 to 31 March 2023.

Investment Objectives of the Scheme

The objectives of the Scheme are set out on page 2 of the SIP and are summarised below.

- To ensure that the assets are of a nature to enable the Trustees to meet the Scheme's liabilities as they fall due;
- To invest in assets of appropriate liquidity and diversity, which will generate income and capital growth to meet, together with contributions from the sponsoring employer, the benefits which the Scheme provides;
- To invest in a way that is consistent with the Scheme's funding objectives, i.e. so that the investment return assumptions used in the determination of the Trustees' funding plan have a reasonable chance of being met in practice;
- Where future opportunities arise to improve protection against the interest rate risk and inflation risk associated with the valuation of the Scheme's Technical Provisions without adversely affecting their funding plan, the Trustees will consider steps to further reduce the volatility of the Scheme's funding position; and
- Over the longer term to bring the Scheme into a position where it has a strong funding position and a relatively low-risk investment strategy.

Stewardship policy

The Trustees' stewardship policy, as set out in the SIP is as follows.

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.

Review of the SIP

The Trustees reviewed the SIP during the year and it was updated to take account of the 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.

Investment managers and funds in use

Asset Class	Fund	Target Asset Allocation
Multi-asset	LGIM Dynamic Diversified Fund	30.5%
	Threadneedle Dynamic Real Return Fund	30.5%
Long-dated gilts	LGIM 2065 Gilt Fund	39.0%
	LGIM 2068 Gilt Fund	
	LGIM 2071 Gilt Fund	
	LGIM 2062 Index-Linked Gilt Fund	
	LGIM 2068 Index-Linked Gilt Fund	
	LGIM 2073 Index-Linked Gilt Fund	
Total		100%

Investment 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.

The objectives put in place for Broadstone were reviewed in December 2022, and are next due to be reviewed by December 2025, or earlier.

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

Trustee Policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
Financially and Non-Financially Material Considerations	<p>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.</p> <p>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.</p>	No deviation from this policy over the year to 31 March 2023
Voting Rights and Engagement	<p>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.</p> <p>The Investment Managers provide information to the Trustees on their actions in relation to engagement and use of voting rights. The Trustees are therefore aware of the policies adopted by the Investment Managers.</p>	No deviation from this policy over the year to 31 March 2023

Financially and non-financially material considerations

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. The Trustees invest across a range of asset classes and styles.

Voting rights and engagement activities

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. 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' stewardship policy is detailed at the start of this document although this has not been shared with the investment managers to influence what they believe to be the most significant votes.

However, the Trustees periodically meet with their investment managers, to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustees. As part of this, the Trustees will seek to challenge their investment managers on these matters where they think this is in the best interests of members.

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

Within the current investment arrangements, the LGIM Dynamic Diversified Fund and the Threadneedle Dynamic Real Return Fund contain publicly listed equity holdings. These funds have voting rights attaching these underlying equities, and the Trustees have delegated these voting rights to LGIM and Threadneedle. A summary of the votes made by LGIM and Threadneedle from 1 April 2022 to 31 March 2023 on behalf of the Trustees for each fund currently used by the Scheme is provided in the table overleaf.

Manager	Fund	Approx % of Scheme assets	Resolutions voted on	Total Resolutions Voted:		
				For	Against	Abstained
LGIM	Dynamic Diversified Fund	29.9%	99,478	77%	22%	1%
Threadneedle*	Dynamic Real Return Fund	34.4%	68,420	88%	12%	-

Source: LGIM and Threadneedle. *Data is presented at manager level rather than fund level, and is for the year to 31 December 2022. The Trustees will work with Threadneedle to obtain this information at fund level and for the Scheme year in future years.

All the Scheme's assets are invested in pooled funds. Information regarding proxy voting is detailed below:

- LGIM do not use a proxy-voting service and voting is performed in-house.
- Columbia Threadneedle do not use a proxy-voting service and voting is performed in-house.

The Trustees have requested details of the significant votes made on behalf of the Trustees by LGIM. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance.

This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM’s annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes.

Significant votes

The Trustees believe the following are the most significant votes undertaken on their behalf over the scheme year:

SIGNIFICANT VOTE 1	
Investment Manager	LGIM
Company	Royal Dutch Shell Plc
Date	24 May 2022
% of portfolio invested in firm	c.0.3% of multi-asset fund.
Resolution	Resolution 20 - Approve the Shell Energy Transition Progress Update
Why significant	This vote is significant as it is an escalation of LGIM’s climate-related engagement activity.
How voted	VOTED AGAINST
Manager Comments	<i>LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.</i>
Vote outcome	The proposal was carried by the majority of shareholders.

SIGNIFICANT VOTE 2	
Investment Manager	LGIM
Company	Amazon.com, Inc.
Date	25 May 2022
% of portfolio invested in firm	c.0.15% of multi-asset fund.
Resolution	Resolution 1f - Elect Director Daniel P. Huttenlocher
Why significant	<i>Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.</i>
How voted	VOTED AGAINST
Manager Comments	<i>LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.</i>
Vote outcome	The proposal was carried by the majority of shareholders.

SIGNIFICANT VOTE 3

Investment Manager	Threadneedle
Company	Lloyds Banking Group plc.
Date	12 May 2022
Resolution	Re-elect Alan Dickinson as Director
Why significant	<i>Threadneedle voted contrary to the management recommendation on the grounds of remuneration concerns</i>
How voted	VOTED AGAINST
Manager Comments	<i>It is not required to inform the target company of the intention to vote against management's recommendation under Threadneedle's proxy voting policy.</i>
Vote outcome	The proposal was carried by the majority of shareholders.

Engagement activities

The Trustees have also delegated engagement activities to LGIM and Threadneedle. The notable engagement activities of the investment managers are provided below:

- **LGIM**, in collaboration with ShareAction, engaged with Sainsbury's in relation to scrutiny over their decision to pay a real living wage to all employees, except those in outer London. LGIM joined ShareAction in filing a shareholder resolution asking the company to become a living wage accredited employer. Since filing the shareholder resolution, Sainsbury's has made three further pay increases to its directly employed workers, harmonising inner and outer London pay and is now paying the real living wage to its employees, as well as extending free food to workers well into 2023.
- **Threadneedle** engaged with NextEra Energy, a US solar company, via a series of calls with the company. Threadneedle were keen to have more insight regarding the impact of an inflation reduction act and the implementation of forced labour rules on the solar supply chain in the US. The call provided Threadneedle with the assurance that the company is well insulated from the topics above and are well positioned to expand and grow within the US solar industry.

The Trustees believe that the most significant votes detailed above are aligned with the Scheme's stewardship priorities as detailed at the start of this document.

Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall 'score' which represents how well ESG metrics are incorporated into managers' investment processes. Investment managers will submit a transparency report on their processes across different categories which is then assessed by the UNPRI and graded in a formal report. Scores are presented in performance bands ranging from one to five stars. The latest UNPRI scores of the investment managers are outlined in the table below.

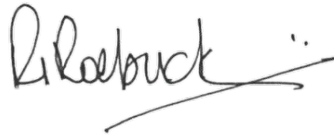
Manager	UNPRI Score
LGIM	★★★★★
Threadneedle	★★★★☆

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 Threadneedle.

Signed:

A handwritten signature in black ink, appearing to read "R. Rabuck", with a long horizontal flourish extending to the right.

Date: 6th September 2023

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