

Annual Implementation Statement – for scheme year ending 31 March 2023

Dalgety Pension Fund

Introduction and purpose to this statement

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the Dalgety Pension Fund (the "Fund") covering the scheme year to 31 March 2023.

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustee, the engagement policy under the Fund's Statement of Investment Principles ("SIP") has been followed during the year
- describe the voting behaviour by, or on behalf of, the Trustee over the year (including the most significant votes cast by trustees or on their behalf) and state any use of services of a proxy voter during that year.

A copy of this implementation statement will be made available on the following website www.dalgety.pensioncharges.com/ and included in the Trustee's annual report and scheme accounts for the year to 31 March 2023.

The Fund will continue to provide an Implementation Statement on an annual basis. The format of the statement is expected to evolve over time as practices are established.

Review of the SIP and changes made during the Fund year

The Fund makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

The SIP was not reviewed during the Fund year, as it was reviewed recently and as no events occurred during the year, the Trustee did not see any reason to update the SIP during the course of the year. The current SIP is dated September 2020 and was formally adopted by the Trustee after consultation with the Company.

The Trustee continue to monitor their investment strategy as part of their long term funding strategy, as well as monitoring their investment allocation relative to the SIP on a regular basis.

Trustee's voting and engagement policy

The Trustee's policies on voting and engagement, as stated in the SIP, are as follows:

- The Fund uses different managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under Regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question.
- Should the Trustee's regular monitoring process reveal that a manager's portfolio of assets is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. The monitoring process includes specific consideration of the approach taken to Environmental, Social and Governance ("ESG") factors by the specific investment manager and their

engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.

- For most of the Fund's investments (excluding the annuity policies), the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages a better relationship with the investment managers and should lead to better stewardship of the Fund's assets. When assessing the performance of a manager, the focus is on long term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

The return-seeking assets of the Fund are all held in a Diversified Growth Fund (DGF), namely the TWIM Core Diversified Fund. Therefore, the Trustee's focus in this implementation statement is on these DGFs. Voting information on the Fund's Index Linked Gilt funds is not provided since the vast majority of debt securities do not come with voting rights. Similarly, voting information is not relevant in relation to the assets held within the bulk annuity policies with Prudential and Legal & General.

The Fund's investment managers are signed up to the UK FRC Stewardship Code and the Trustee monitor the Fund's investment managers' adherence to the Code. More information on the steps taken by TWIM and BlackRock in relation to sustainable investment and climate can be found via the links below:

TWIM: <https://www.wtwco.com/en-gb/solutions/services/sustainable-investing-policy-and-climate-policy>

BlackRock: <https://www.blackrock.com/corporate/insights/our-approach-to-sustainability>

Summary of voting over the year to 31 March 2023

A summary of the votes made by TWIM on behalf of the Trustee over the year to 31 March 2023 is provided in the table below:

Manager and strategy	Portfolio structure	Voting activity
Towers Watson Investment Management Limited – Core Diversified Fund	Fund of funds	<ul style="list-style-type: none"> • Number of meetings at which the manager was eligible to vote: 3,194 • Number of resolutions on which manager was eligible to vote: 42,381 • Percentage of eligible votes cast: 93.2% • Percentage of votes with management: 85.0% • Percentage of votes against management: 15.0% • Percentage of votes abstained from: 0.0% • Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 66.9% • Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 4.2%

Given the nature of the Trustee's investments held with BlackRock (Index-linked gilts), Legal & General and Prudential (both bulk annuity contracts), there are no voting rights attached to these assets.

Significant votes

For the purposes of the implementation statement, the Trustee reached out to their investment managers to obtain information on the significant votes cast on behalf of the Fund over the year to 31 March 2023. The table below sets out information on the most significant votes, as identified by the investment managers but excluding any votes relating to the appointment of individuals.

Fund	Most significant votes cast
TWIM Core Diversified Fund	<p>Company: Midea Group Co. Ltd</p> <p>Meeting date: 20 May 2022</p> <p>Shareholder resolution: Key Management Team Stock Ownership Plan and the Midea Global Partners Plan 8th Phase Stock Ownership Plan (draft) and Its Summary</p> <p>How the manager voted: Against</p> <p>Rationale: Viewed the ROE threshold as not properly designed.</p>

	<p>Outcome: For</p> <p>Implications: 1) We tend to be more stringent in our recommendations versus outcome of the votes when it comes to governance matters. Small matters count - we feel there is always scope for our Chinese portfolio companies to become even better over time;</p> <p>2) We also hope to communicate with them in future meetings on areas for improvement. It is also an area for us to be even more proactive in the future, i.e., communicating proactively with portfolio companies on our vote-against decisions afterwards.</p>
TWIM Core Diversified Fund	<p>Company: Alphabet Inc.</p> <p>Meeting date: 1 June 2022</p> <p>Shareholder resolution: Report on Risks of Doing Business in Countries with Significant Human Rights Concerns</p> <p>How the manager voted: For</p> <p>Rationale: For shareholder resolution but against management recommendation as the shareholder proposal promotes better management of ESG opportunities and risks.</p> <p>Outcome: Fail</p> <p>Implications: Where appropriate we will contact the company to explain our voting rationale and conduct further engagement.</p>
TWIM Core Diversified Fund	<p>Company: Microsoft Corporation</p> <p>Meeting date: 6 December 2022</p> <p>Shareholder resolution: Report on Tax Transparency</p> <p>How the manager voted: Against</p> <p>Rationale: For shareholder resolution but against management recommendation as the shareholder proposal promotes transparency.</p> <p>Outcome: Not approved</p> <p>Implications: We will continue to consider proposals on tax transparency.</p>

TWIM Core Diversified Fund	<p>Company: Apple Inc.</p> <p>Meeting date: 10 March 2023</p> <p>Shareholder resolution: Report on Median Gender/Racial Pay Gap</p> <p>How the manager voted: For</p> <p>Rationale: Shareholder proposal promotes better management of Software Engineering Environment opportunities and risks.</p> <p>Outcome: Not approved</p> <p>Implications: Where appropriate we will contact the company to explain our voting rationale and conduct further engagement.</p>
TWIM Core Diversified Fund	<p>Company: SNAM SpA</p> <p>Meeting date: 27 April 2022</p> <p>Shareholder resolution: Accept Financial Statements and Statutory Reports</p> <p>How the manager voted: Against</p> <p>Rationale: Inadequate management of climate-related risks.</p> <p>Outcome: For</p> <p>Implications: Where appropriate we will contact the company to explain our voting rationale and conduct further engagement.</p>

Use of proxy voting services

Through the equity and listed real asset strategies, Towers Watson Investment Management (as manager of the TWIM Core Diversified Growth Fund) works with EOS to provide corporate engagement and voting recommendation services to enhance the efforts of the underlying managers where possible. The underlying manager must provide an explanation and note their rationale when they choose to vote differently to the recommendation. The underlying managers also use ISS facilitate voting and provide research. The China equity manager uses Glass Lewis service where they have created a bespoke policy.

Meetings with managers

During the Fund year, the Trustee has not met with the investment managers, with the last meeting on 17 February 2022.

The Trustee will continue to set up further meetings with their investment managers in the future as and when required to continue to monitor the managers' approach to voting, ESG matters and stewardship going forward.

Trustee's opinion

Based on the voting summaries set out above, the Trustees' opinion is that the Statement of Investment Principles has been followed during the year to 31 March 2023 in relation to voting and engagement.

The Trustee of the Dalgety Pension Fund
14 September 2023