

The SJ Dixon & Sons (holdings) Limited Pension & Life Assurance Scheme – Implementation Statement for the year ended 31 December 2023

1. Purpose

This Implementation Statement has been prepared by the Trustees of The SJ Dixon & Sons (holdings) Limited Pension & Life Assurance Scheme (the “Scheme”). It reports on how, and the extent to which, the policies as set out in the Scheme’s Statement of Investment Principles (“SIP”) have been complied with during the year ended 31 December 2023. In preparing this statement, voting and stewardship policies, conflicts of interest and engagement have been reviewed. This review has been conducted by the Scheme’s investment adviser and the Trustees have reviewed and approved the conclusions within this statement. This includes the exercise of rights (including voting) and other engagement activities undertaken in respect of the Scheme’s investments. The statement also provides a summary of the voting behaviour and most significant votes cast during the reporting year.

2. Background

This Statement has been prepared by the Trustees, with the assistance of its Investment Adviser (Quantum Advisory), in line with the current regulatory guidance that was in place at the Scheme year end.

References herein to the actions, review work or determinations of the Trustees refer to activity that has been carried out by either the Trustees, or the Investment Adviser on the Trustees’ behalf.

3. Executive summary

Over the Scheme year:

- The Trustees’ Investment Adviser reviewed the voting and engagement activity of the funds that invest in equities. The Trustees are satisfied with their Investment Adviser’s conclusion that the Scheme’s investment managers have appropriately carried out their stewardship duties.
- The Trustees carried out a review of the Scheme’s investment strategy and updated the SIP in May 2023 to reflect the new strategy. The Trustees are of the opinion that they have complied with the relevant policies and procedures as identified in the SIP.
- The Trustees have remained aware of the relevant policies and procedures as identified in the SIP and received input from their Investment Adviser to aid ongoing compliance.

Funds that do not hold equities do not have voting rights. However, the general stewardship practices of the managers/funds that do not hold equities have been reviewed to ensure that they actively engage with their investments.

4. Investment Manager's voting and stewardship policies and activity

Trustees' voting and stewardship policies

The Trustees consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers.

The Trustees are unable to direct how votes are exercised and have not used proxy voting services over the year. The Trustees have given the investment managers full discretion concerning voting and engagement decisions. As part of this exercise, the Trustees, with the assistance of their Investment Adviser, have reviewed the voting activities and stewardship policies of the funds.

The Trustees do not currently have any stewardship priorities in place.

Over the Scheme year, the voting activities of the following funds have been reviewed by Quantum Advisory on behalf of the Trustees:

- BNY Mellon UK Income Fund

The Trustees have reported on the funds that were held at the year-end date.

Furthermore, the general stewardship policies of the above funds and the funds listed below have also been reviewed by Quantum Advisory on behalf of the Trustees:

- BNY Mellon Long Gilt Fund
- LGIM 2055 Gilt Fund
- LGIM Over 5 Year Index Linked Gilt Index Fund
- LGIM 2035 Index Linked Gilt Fund
- LGIM Active Corporate Bond Over 10 Year Fund

Manager's voting and stewardship policies and procedures

Details of the managers voting and stewardship policies can be found in Appendix 1. In this Statement, Quantum Advisory has noted the investment managers stewardship policies and the extent to which the investment managers make use of any proxy advisory and voting services. Quantum Advisory are satisfied that the voting and policies/procedures of the investment managers are reasonable and consistent with industry practice. Quantum Advisory are also satisfied that the general stewardship policies of all the investment managers are reasonable and consistent with industry practice. This includes investments in bonds and other instruments. The Trustees have approved these conclusions.

Voting statistics

The table below sets out the key statistics on voting eligibility and action over the year.

Statistic	BNY Mellon UK Income Fund
Number of equity holdings	48
Meetings eligible to vote at	46
Resolutions eligible to vote on	1,001
Proportion of eligible resolutions voted on (%)	100.0
Votes with management (%)	97.4
Votes against management (%)	2.5
Votes abstained from (%)	0.1
Meetings where at least one vote was against management (%)	26.0
Votes contrary to the recommendation of the proxy adviser (%)	1.8

Source: BNY Mellon. Note: Totals may not sum due to rounding.

Quantum Advisory noted the high proportion of votes with management and queried this with BNY Mellon directly. BNY Mellon advised that dissent is not expected to be high in the portfolio due to the nature of the holdings within the fund and their geographic dispersion. The companies held within the fund provide a high level of transparency and robust disclosures on items related to shareholder meetings. Additionally, they usually engage with shareholders well before time for any controversial or non-standard proposals, and have higher board independence standards, which naturally leads to less director opposition. With respect of this, Quantum Advisory have no concerns over the high proportion of votes with management.

Quantum Advisory has noted that, as a whole, the voting activity meets expectations and Trustees are satisfied with the voting activity that has been undertaken within the invested funds during the Scheme year.

Significant votes over the reporting year

Quantum Advisory have reviewed the most significant votes cast by the investment managers on behalf of the Trustees and, as a whole, are satisfied that these are generally as expected.

The Trustees have interpreted the most significant votes to mean their choice of votes from an extended list of significant votes provided by each of the investment managers in accordance with the PLSA guidance.

The significant votes provided by investment managers are determined by the stewardship policies they have in place. As the Scheme has not set any stewardship priorities at the end of the Scheme year, significant votes have been classified according to the manager's policies. However, the Trustees have reviewed and are satisfied with the managers' classifications of significant votes during the Scheme year.

A cross section of the most significant votes cast is contained in Appendix 2.

5. Conflicts of interest

This section reviews whether the managers are affected by the following conflicts of interest, and how these are managed. These conflicts are not specific to the scheme and relate to the general conflicts of interest within the investment managers.

1. The asset management firm overall having an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
2. Senior staff at the asset management firm holding roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings;
3. The asset management firm's stewardship staff having a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding;
4. A situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer; and
5. Differences between the stewardship policies of managers and their clients.

BNY Mellon / Newton

Newton manages the BNY Mellon UK Income Fund.

Newton Investment Management ("Newton") have confirmed that they were not affected by any of the conflicts of interest stated above for the Sustainable Real Return Fund over the period. Newton did however confirm that they were exposed to conflicts of interest at the firm level over the period.

Newton's voting policies state that if a potential material conflict of interest between Newton, an investee company, and/or a client is identified, it is their policy that the recommendation of their external voting service provider will be followed.

LGIM

LGIM have refrained from directly commenting on which of the conflicts of interest, detailed above, they are impacted by within the selected funds. In place of providing a direct response, LGIM referred the Trustees to their conflicts of interest policy, which includes several examples of conflicts and how these might be managed.

This is available here: <https://www.lgim.com/landg-assets/lgim/document-library/capabilities/lgim-conflicts-of-interest.pdf>

The Trustees have reviewed the conflicts of interest policy.

Appendix 1 - Investment manager stewardship policies and procedures

BNY Mellon

Newton have a proven track-record of being active owners, striving to use their scale to ensure that the companies in which they invest are acting responsibly. In addition to actively engaging with companies, Newton considers ESG risks and opportunities when conducting its research process.

Newton's head of responsible investment ("RI") is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. They do not maintain a strict proxy voting policy. Instead, Newton prefer to consider a company's individual circumstances, their investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices. Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, they may confer with the company or other interested parties for further clarification, to reach a compromise, or to achieve a commitment from the company.

Newton employ a variety of research providers that aid in the vote decision-making process, including proxy advisors such as ISS. They utilise ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

For the avoidance of doubt, all voting decisions are made by Newton. It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (ISS) will take precedence. It is also only in these circumstances when they may register an abstention given their stance of either voting in favour or against any proposed resolutions.

LGIM

LGIM have a proven track-record of being active owners; striving to use their scale to ensure that the companies in which they invest are acting responsibly and markets / regulators create an environment in which good management of ESG factors are valued and supported. Although LGIM tend to focus on equity stewardship, LGIM also extends its ESG analysis and engagement policies to its active fixed income investments. LGIM aims to incorporate ESG considerations to assess ESG risks from a financial perspective and LGIM also engages with issuer companies through its global engagement groups. Please note, however, this approach does not extend to the Scheme's UK Government Bond holdings as these are invested passively. Quantum believes this is reasonable given their underlying investments. For Equity holdings, LGIM's Investment Stewardship team make all voting decisions, in accordance with LGIM's Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company.

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 strategic decisions are not outsourced. The use of ISS recommendations is purely to augment LGIM's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of IVIS to supplement the research reports that are received from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with LGIM's position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and

seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice. LGIM retain the ability in all markets to override any voting decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

Appendix 2 – Most significant votes cast

The tables below set out a cross section of significant votes undertaken by the investment managers of the funds held by the Scheme. Information on further significant votes undertaken by the Scheme's investment managers has been reviewed by the Trustees through their investment adviser.

Significant vote definitions

BNY Mellon

Newton's significant holdings universe is determined based on the proportion of shares of investee companies held, as well as the size of the investment based on its value above certain thresholds. The significant votes will be drawn from this universe and are defined as votes that are likely to generate significant scrutiny from end clients or other stakeholders. They may relate to resolutions that receive a particularly high proportion of dissent from investors or involve a corporate transaction or resolutions raised by shareholders. The presented votes are selected based on most voteable shares in the subject categories of director election, remuneration/compensation and shareholder proposals (narrowed down by votes pertaining to environmental and social issues).

Significant votes

BNY Mellon UK Income Fund

Company Name	Glencore Plc	Shell Plc
Date of vote	26 May 2023	23 May 2023
Summary of the resolution	Shareholder Resolution in Respect of the Next Climate Action Transition Plan	Request Shell to Align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement
Size of the holding (% of portfolio)	4.1	9.5
How the firm voted	For Shareholder Proposal	Against Management
Was the vote against management and was this communicated beforehand?	The vote was against management and was not communicated to the company ahead of the vote.	The vote was against management and was communicated to the company ahead of the vote.
On which criteria has the vote been deemed as 'significant'?	This vote is deemed significant as Glencore's transition plan has already received significant dissent, and is material as coal is a significant source of GHG emissions.	As a significant GHG emitter, it is critical for Shell to have a credible transition plan. Abstaining on this resolution would convey to the company, in addition to our engagement, the need to add credibility to its transition planning.
Outcome of the vote	69% FOR	80% FOR
Does the trustee/ asset manager intend to escalate stewardship efforts?	BNY Mellon will be voting the progress report at Glencore's AGM, and are talking to their executive team in order to clarify the few points that are problematic on coal exposure and the strategy going forward to understand its longer-term ambition and direction of travel.	BNY Mellon have been engaging extensively with Shell and will be voting on its revised climate strategy this year. Shell has disclosed a Scope 3 target for the first time and it seems that Shell's management team finally has a transition plan they are comfortable with and can deliver on. BNY Mellon are still discussing the plan and their views on it internally.

Source: BNY Mellon