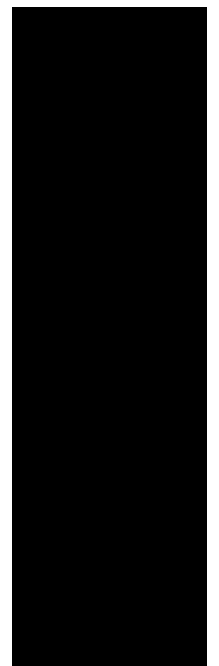
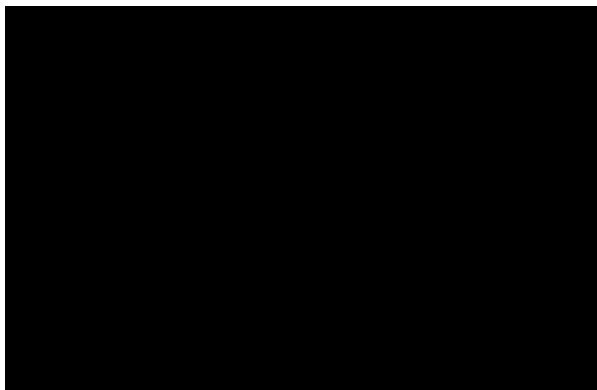


DSM UK Pension Scheme

## **Implementation statement**

Year ending 31 December 2021





# Section 1: Introduction

This document is the Annual Implementation Statement (“the Statement”) prepared by the Trustee of the DSM UK Pension Scheme (“the Scheme”) covering the scheme year to 31 December 2021 (“the year”).

The purpose of this statement is to:

- Detail any reviews of the Statement of Investment Principles (“SIP”) the Trustee has undertaken, and any changes made to the SIP over the year as a result of the review
- Set out the extent to which, in the opinion of the Trustee, the Scheme’s SIP, required under section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it), has been followed during the year
- Describe the voting behaviour by, or on behalf of, the Trustee over the year (including most significant votes) 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 alongside the Scheme’s SIP:

<https://epa.towerswatson.com/accounts/dsm/public/scheme-information/>

**In summary, the Trustee considers that all SIP policies and principles were adhered to over the year.**

## Section 2: SIP reviews/changes over the year

The SIP was not updated during the Scheme year. The current SIP is dated September 2020 and is published on the website. The next review and update to the SIP is expected in June 2022.

## Section 3: Adherence to the SIP

Overall, the Trustee believes the policies outlined in the SIP have been adhered to during the year. In this section we set out how this has been achieved.

### Scheme's objectives and long-term policy

The Trustee has identified objectives for the Scheme which are outlined in section 3 of the SIP. These include:

- The acquisition of suitable assets to generate income which together with new contributions from the Company will meet the cost of future benefit payments;
- To limit the risk of the assets failing to meet the liabilities in both the long and short term;
- To minimise the Scheme's long-term costs by maximising the return on the assets.

The investment policy is structured to support these objectives. To achieve this, the Trustee has an established journey plan for targeting full funding on a low risk measure which includes adjustments to the strategic asset weights once certain funding goals are reached.

The Trustee regularly considers the strategic weights of its assets to ensure that the liquidity, expected return and risk is in line with Scheme's objectives. Over the year investment changes implemented by the Scheme included:

- A top-up of the Secure Income Fund in December 2021 representing a 2.5% increase in target allocation. This replaces the previous 2.5% strategic allocation to the CBRE UK Property Fund, which continues to wind-up and return capital to investors.
- Plans have been outlined to replace the Scheme's equity portfolio which currently includes State Street regional equity funds with a Global Adaptive Capped ESG Equity Fund managed by Asset Management Exchange (AMX). As at 31 December 2021 this transfer is not yet in place but is expected to occur in the coming year.

The Trustee take the below considerations into account when monitoring the performance of the Scheme's investments.

SIP Policy Area	Approach	Actions
<b>Monitoring of the Scheme's objectives and long-term policies</b>	<ul style="list-style-type: none"> <li>• The Trustee conducts investment strategy reviews at least triennially and receives investment advice on an ongoing basis to assess the suitability of the Scheme's portfolio. Quarterly performance monitoring within the DNP provided by DSM Pension Services is also considered</li> </ul>	<ul style="list-style-type: none"> <li>• The last triennial actuarial valuation was carried out as at 31 December 2018. The next valuation will be as at 31 December 2021.</li> <li>• During the year the Trustee met regularly to monitor the ongoing impacts to the Scheme of the COVID-19 pandemic including</li> </ul>

when assessing the suitability of the Scheme's portfolio.

assessing any impact on the funding position.

- A top-up of the Secure Income Fund was implemented in December 2021 representing 2.5% of Scheme assets. This replaces the previous 2.5% strategic allocation to the CBRE UK Property Fund.

## Investment manager arrangements

The Trustee take the below considerations into account when selecting and monitoring the performance of Investment Managers.

SIP Policy Area	Approach
<b>Incentivising Investment Managers to align their investment strategy and decisions with the Trustee's investment policies as set out in the SIP, and detail the length of arrangements with Investment Managers</b>	<ul style="list-style-type: none"> <li>• Each Investment Manager is chosen for a targeted asset class or market exposure within the Scheme's investment strategy.</li> <li>• Investment Managers' investment and risk guidelines, including prescribed benchmarks and tracking error limits, help govern their investment mandates, thereby limiting the deviation from the Scheme's investment policy objectives in relation to the kinds of investments held, the balance between different kinds of investments, risks, including the ways in which risks are measured and managed, the expected return on investments, the realisation of investments, and financially material considerations.</li> <li>• The Scheme invests with multiple Investment Managers for the implementation of the Scheme's investment strategy, which provides additional mitigation of any single manager being misaligned.</li> </ul>
<b>Incentivising Investment Managers to base their decisions on assessments of the medium to long-term financial performance of an issuer of debt or equity, and to engage with those issuers to improve their medium to long-term performance</b>	<ul style="list-style-type: none"> <li>• The Trustee conducts reviews of Investment Managers regularly including meeting with Investment Managers to ensure that their investment approach is robust, long-term focused and sustainable.</li> <li>• The Trustee focuses on longer-term outcomes when assessing Investment Manager performance. The Trustee would not expect to terminate a manager's appointment based purely on short term performance.</li> <li>• If, following engagement, it is the view of the Trustee that the degree of alignment between the policies of the Trustee and an</li> </ul>

Investment Manager remain unsatisfactory, the manager will be terminated and replaced.	
<b>Method and timescale for evaluating that Investment Managers' performance and fees align with the Trustees' investment policies</b>	<ul style="list-style-type: none"> <li>Performance is monitored and reported to the Trustee on a regular basis. The Trustees understand the importance of assessing performance over longer time periods. Investment Managers' fees are considered as part of any decision to invest in a new investment manager or strategy, and are reviewed from time-to-time as appropriate.</li> </ul>
<b>Monitoring turnover costs and fees incurred by Investment Managers and how the Trustee defines and monitors targeted portfolio turnover</b>	<ul style="list-style-type: none"> <li>The Trustee receives MiFID II compliant cost reporting on an annual basis that covers all costs charged by managers, including costs associated with portfolio turnover.</li> <li>The Trustee regularly reviews the costs associated with portfolio turnover as a part of the larger process of monitoring the costs incurred in managing the Scheme's assets. In assessing the appropriateness of portfolio turnover costs the Trustee will compare actual turnover with expected turnover range for the given mandate.</li> </ul>

## Risk management and compliance

The Trustee recognises several risks involved in the investment of the Scheme's assets in the SIP including solvency risk, manager risk, liquidity risk, currency risk, custodial risk, political risk, sponsor risk and derivative-related risks. These risks are mitigated and considered when setting out the investment policies and are monitored on a regular basis.

The Scheme's administrator (WTW) is responsible for ensuring there is sufficient cash reserves to meet any cashflow requirements. A cashflow management process has been agreed between WTW and the Trustee, whereby an appropriate cash buffer is maintained to provide access to liquidity for short-term needs (current set as a strategic allocation to cash of 0.5% of total Scheme assets). Advice on where to source any additional cashflow and is provided to the Trustee on an ad-hoc basis by the Investment Advisor. All disinvestments to meet cashflow requirements are subject to the processes agreed with the Trustee.

## Section 4: Engagement and voting

The Trustee's engagement policy is set out in the SIP.

The Trustee has delegated the day-to-day ESG integration and stewardship activities (including voting and engagement) to its Investment Managers. The approach and actions taken by the Trustee in relation to engagement and how it monitors the Scheme's investment managers is set out in the previous section.

The table below sets out the voting activities of the Scheme's Investment Managers, including any votes cast on the Trustee's behalf, detail on the Scheme's Investment Managers use of proxy voting and examples of votes cast that they deem to be significant. For some of the Scheme's underlying investment strategies, such as hedge funds, government bonds and property, whereby these holdings do not have voting rights attached these have been excluded from the table below.

Voting information as at 31 December 2021.

Manager and strategy	Voting activity	Use of proxy voting	Most significant votes cast
SSgA MPF UK ESG Screened Equity Index Fund	<p>Number of resolutions eligible to vote on: 10,240</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 92.38%</p> <p>Percentage of votes against management: 7.62%</p> <p>Percentage of votes abstained from: 0.18%</p>	<p>State Street retain Institutional Shareholder Services Inc. ("ISS"), to facilitate their proxy voting process. They utilise ISS to:</p> <p>(1) act as their proxy voting agent (providing State Street Global Advisors with vote execution and administration services);</p> <p>(2) assist in applying the Guidelines;</p> <p>(3) provide research and analysis relating to general corporate governance issues and specific proxy items;</p> <p>(4) provide proxy voting guidelines in limited circumstances.</p> <p>State Street do note that their Oversight of the proxy voting process is ultimately the responsibility of the State Street Global Advisors Investment Committee.</p>	<p>Company: <b>Avon Rubber Plc</b></p> <p>Resolution: Advisory Vote to Ratify Named Executive Officers' Compensation</p> <p>Decision: Against</p> <p>Rationale for inclusion: This vote was against management. SSgA cite concerns with the proposed remuneration structure for senior executives at the company for their voting decision.</p> <p>Company: <b>BP Plc</b></p> <p>Resolution: GHG Emissions</p> <p>Decision: Against</p> <p>Rationale for inclusion: This company is one of the fund's top ten holdings. SSgA state that this proposal does not merit support as the company's disclosure and/or practices related to climate change are reasonable.</p>



<p>SSgA MPF Europe ex UK (75% Hedged) ESG Screened Equity Index Fund</p>	<p>Number of resolutions eligible to vote on: 8,804</p> <p>Percentage of eligible votes cast: 99.57%</p> <p>Percentage of votes with management: 89.76%</p> <p>Percentage of votes against management: 10.24%</p> <p>Percentage of votes abstained from: 0.39%</p>	<p>State Street retain Institutional Shareholder Services Inc. ("ISS"), to facilitate their proxy voting process. They utilise ISS to:</p> <p>(1) act as their proxy voting agent (providing State Street Global Advisors with vote execution and administration services);</p> <p>(2) assist in applying the Guidelines;</p> <p>(3) provide research and analysis relating to general corporate governance issues and specific proxy items;</p> <p>(4) provide proxy voting guidelines in limited circumstances.</p> <p>State Street do note that their Oversight of the proxy voting process is ultimately the responsibility of the State Street Global Advisors Investment Committee.</p>	<p>Company: <b>LVMH Moet Hennessy Louis Vuitton SE</b></p> <p>Resolution: Advisory Vote to Ratify Named Executive Officers' Compensation</p> <p>Decision: Against</p> <p>Rationale for inclusion: This vote was against management. SSgA cite concerns with the proposed remuneration structure for senior executives at the company for their voting decision.</p> <p>Company: <b>L'Oreal SA</b></p> <p>Resolution: Approve Remuneration Policy</p> <p>Decision: Against</p> <p>Rationale for inclusion: This vote was against management and against ISS's recommendation. SSgA cite concerns with the proposed remuneration structure for senior executives at the company for their voting decision.</p>
<p>SSgA MPF North America (50% Hedged) ESG Screened Equity Index Fund</p>	<p>Number of resolutions eligible to vote on: 7,881</p> <p>Percentage of eligible votes cast: 99.54%</p> <p>Percentage of votes with management: 90.25%</p> <p>Percentage of votes against management: 9.75%</p> <p>Percentage of votes abstained from: 0.32%</p>	<p>State Street retain Institutional Shareholder Services Inc. ("ISS"), to facilitate their proxy voting process. They utilise ISS to:</p> <p>(1) act as their proxy voting agent (providing State Street Global Advisors with vote execution and administration services);</p> <p>(2) assist in applying the Guidelines;</p> <p>(3) provide research and analysis relating to general corporate governance issues and specific proxy items;</p> <p>(4) provide proxy voting guidelines in limited circumstances.</p> <p>State Street do note that their Oversight of the proxy voting process is ultimately the responsibility of the State Street</p>	<p>Company: <b>Microsoft Corporation</b></p> <p>Resolution: Miscellaneous Proposal -- Environmental &amp; Social</p> <p>Decision: Against</p> <p>Rationale for inclusion: This company is one of the fund's top ten holdings. SSgA state that this proposal does not merit support as the company's disclosure and/or practices related to climate change are reasonable.</p> <p>Company: <b>Amazon.com, Inc.</b></p> <p>Resolution: Community - Environment Impact</p>

		Global Advisors Investment Committee.	Decision: For  Rationale for inclusion: This vote was against management. SSgA state that this proposal merits support as the company's environmental disclosure and/or practices can be improved.
SSgA MPF Japan (50% Hedged) ESG Screened Equity Index Fund	<p>Number of resolutions eligible to vote on: 5,874</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 91.86%</p> <p>Percentage of votes against management: 8.14%</p> <p>Percentage of votes abstained from: 0.02%</p>	<p>State Street retain Institutional Shareholder Services Inc. ("ISS"), to facilitate their proxy voting process. They utilise ISS to:</p> <p>(1) act as their proxy voting agent (providing State Street Global Advisors with vote execution and administration services);</p> <p>(2) assist in applying the Guidelines;</p> <p>(3) provide research and analysis relating to general corporate governance issues and specific proxy items;</p> <p>(4) provide proxy voting guidelines in limited circumstances.</p> <p>State Street do note that their Oversight of the proxy voting process is ultimately the responsibility of the State Street Global Advisors Investment Committee.</p>	<p>Company: <b>Shin-Etsu Chemical Co., Ltd.</b></p> <p>Resolution: Elect Director</p> <p>Decision: Against</p> <p>Rationale for inclusion: This vote was against management and against ISS's recommendation. SSgA cite a lack of gender diversity on the board as their rationale for their voting decision</p> <p>Company: <b>Mitsubishi UFJ Financial Group, Inc.</b></p> <p>Resolution: Report on Climate Change</p> <p>Decision: Against</p> <p>Rationale for inclusion: This company is one of the fund's top ten holdings. SSgA state that this proposal does not merit support as the company's disclosure and/or practices related to climate change are reasonable.</p>
SSgA MPF Asia Pacific ex Japan ESG Screened Equity Index Fund	<p>Number of resolutions eligible to vote on: 3,136</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 83.20%</p> <p>Percentage of votes against management: 16.80%</p> <p>Percentage of votes abstained from: 1.05%</p>	<p>State Street retain Institutional Shareholder Services Inc. ("ISS"), to facilitate their proxy voting process. They utilise ISS to:</p> <p>(1) act as their proxy voting agent (providing State Street Global Advisors with vote execution and administration services);</p> <p>(2) assist in applying the Guidelines;</p> <p>(3) provide research and analysis relating to general corporate governance issues and specific proxy items;</p>	<p>Company: <b>Commonwealth Bank of Australia</b></p> <p>Resolution: Report on Climate Change</p> <p>Decision: Against</p> <p>Rationale for inclusion: This company is one of the fund's top ten holdings. SSgA state that this item does not merit support due to concerns with the terms of the proposal.</p>

		<p>(4) provide proxy voting guidelines in limited circumstances.</p> <p>State Street do note that their Oversight of the proxy voting process is ultimately the responsibility of the State Street Global Advisors Investment Committee.</p>	<p>Company: <b>CSL Limited</b></p> <p>Resolution: Advisory Vote to Ratify Named Executive Officers' Compensation</p> <p>Decision: Against</p> <p>Rationale for inclusion: This vote was against management and contrary to the proxy advisors recommendation. SSgA cite concerns with the proposed remuneration structure for senior executives at the company for their voting decision.</p>
SSgA MPF Emerging Markets ESG Screened Equity Index Fund	<p>Number of resolutions eligible to vote on: 30,775</p> <p>Percentage of eligible votes cast: 98.33%</p> <p>Percentage of votes with management: 85.64%</p> <p>Percentage of votes against management: 14.36%</p> <p>Percentage of votes abstained from: 2.81%</p>	<p>State Street retain Institutional Shareholder Services Inc. ("ISS"), to facilitate their proxy voting process. They utilise ISS to:</p> <p>(1) act as their proxy voting agent (providing State Street Global Advisors with vote execution and administration services);</p> <p>(2) assist in applying the Guidelines;</p> <p>(3) provide research and analysis relating to general corporate governance issues and specific proxy items;</p> <p>(4) provide proxy voting guidelines in limited circumstances.</p> <p>State Street do note that their Oversight of the proxy voting process is ultimately the responsibility of the State Street Global Advisors Investment Committee.</p>	<p>Company: <b>Meituan</b></p> <p>Resolution: Elect new director</p> <p>Decision: Against</p> <p>Rationale for inclusion: This vote was against management and against ISS's recommendation. SSgA cite a lack of gender diversity on the board as their rationale for their voting decision.</p> <p>Company: <b>Xiaomi Corporation</b></p> <p>Resolution: Elect new director</p> <p>Decision: Against</p> <p>Rationale for inclusion: This vote was against management and against ISS's recommendation. SSgA cite a lack of gender diversity on the board as the rationale for their voting decision.</p>

<p>LGIM Infrastructure Equity MFG Fund – GBP Hedged</p>	<p>Number of resolutions eligible to vote on: 1,036</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 83.49%</p> <p>Percentage of votes against management: 16.31%</p> <p>Percentage of votes abstained from: 0.19%</p>	<p>LGIM uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.</p>	<p>Company: <b>SBA Communications Corporation</b></p> <p>Resolution: Elect new director</p> <p>Decision: Against</p> <p>Rationale for inclusion: LGIM considers this vote to be significant as it is applied under their Climate Impact Pledge. LGIM state that the company is deemed to not meet minimum standards with regards to climate risk management and disclosure.</p> <p>Company: <b>Crown Castle International Corp.</b></p> <p>Resolution: Elect new director</p> <p>Decision: Against</p> <p>Rationale for inclusion: LGIM considers this vote to be significant as it is applied under their Climate Impact Pledge. LGIM state that the company is deemed to not meet minimum standards with regards to climate risk management and disclosure.</p>
<p>LGIM Global Real Estate Equity Index Fund – GBP Hedged</p>	<p>Number of resolutions eligible to vote on: 3,944</p> <p>Percentage of eligible votes cast: 99.85%</p> <p>Percentage of votes with management: 82.02%</p> <p>Percentage of votes against management: 17.95%</p> <p>Percentage of votes abstained from: 0.03%</p>	<p>LGIM uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.</p>	<p>Company: <b>Prologis, Inc.</b></p> <p>Resolution: Elect new director</p> <p>Decision: Against</p> <p>Rationale for inclusion: LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM state they have a longstanding policy advocating for the separation of the roles of CEO and board chair.</p> <p>Company: <b>Simon Property Group, Inc.</b></p>

			<p>Resolution: Elect new director</p> <p>Decision: Against</p> <p>Rationale for inclusion: LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM state they have a longstanding policy advocating for the separation of the roles of CEO and board chair.</p>
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