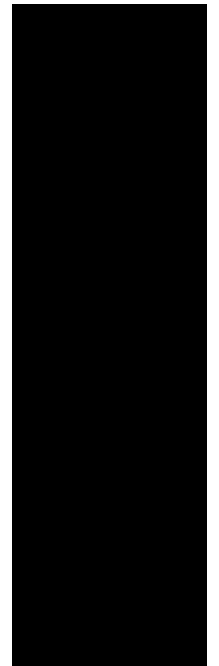
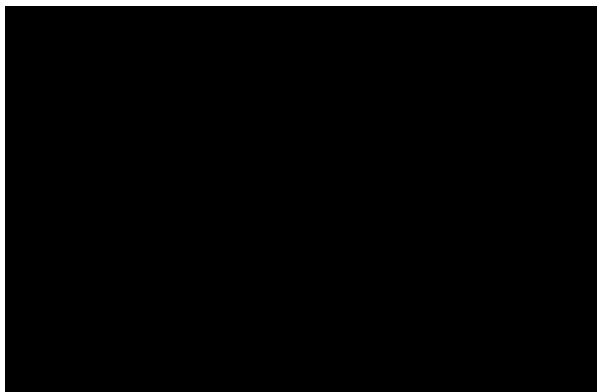


DSM UK Pension Scheme

# **Implementation Statement**

Year ending 31 December 2023



# 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 2023 (“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 reviewed and updated during the year with the relevant versions over the year being:

1. September 2020 – the version in place at the start of the year.
2. October 2023 – An updated version reflecting updates to the investment strategy.

The updates made to the Scheme's SIP over the year include:

- Updating the investment policy section to reflect the new gilts+1.75% target portfolio agreed as part of the triennial investment strategy review.
- Removed reference to the residual European property allocation which has now been fully dissolved.
- Added details of how the Scheme's LDI portfolio is structured, how it is rebalanced and the LDI manager's responsibilities.
- Updated the wording around the Scheme's de-risking framework to reflect that the next planned de-risking activity is due for June 2026.
- Removed wording in relation to a legacy AVCs arrangement which has been transferred to a Mastertrust provider.

For the remainder of this document, we refer to the most recent version of the SIP dated October 2023.

## 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:

- The Trustee concluded its triennial investment strategy review in March 2023. The Scheme's funding level was negatively impacted during the UK gilts crisis of late 2022. As a result, the Trustee increased the expected return of the portfolio to a target of Gilts+1.75%, which is expected to achieve full funding in 2034.
- Following the review, the Scheme's 8% allocation to global credit was removed and the allocation to equities increased.

The Trustee takes 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 provided by DSM Pension Services is also considered when assessing the suitability of the Scheme's portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>• Following results of the 31 December 2021 valuation, the first stage of the triennial strategy review was carried out in November 2022 and concluded during March 2023. Following the review the Trustee decided to increase the target return to Gilts+1.75%.</li> <li>• During the year the Trustee met regularly to monitor the ongoing impacts to the Scheme of the Russia/Ukraine and Israel/Palestine</li> </ul>

conflicts, and the prolonged impacts of the significant gilt market volatility experienced during late 2022.

- Throughout the year the Trustee received regular LDI monitoring from the investment consultant based on data provided by the LDI manager. This has allowed the Trustee to assess the robustness of the collateral position and ensure sufficient assets are available to meet the hedging target.

## Investment manager arrangements

The Trustee takes 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</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> </ul>

<b>with those issuers to improve their medium to long-term performance</b>	<ul style="list-style-type: none"> <li>• If, following engagement, it is the view of the Trustee that the degree of alignment between the policies of the Trustee and an Investment Manager remain unsatisfactory, the manager will be terminated and replaced.</li> </ul>
<b>Method and timescale for evaluating that Investment Managers’ performance and fees align with the Trustee’s investment policies</b>	<ul style="list-style-type: none"> <li>• Performance is monitored and reported to the Trustee on a regular basis. The Trustee understands 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 (currently set as a strategic allocation to cash of 1% of total Scheme assets). Advice on where to source any additional cashflow 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. Some of the Scheme's underlying investment strategies, such as government bonds, corporate bonds and property, which do not have voting rights attached, have been excluded from the table below.

Voting information as at 31 December 2023.

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: 11,960</p> <p>Percentage of eligible votes cast: 53.68%</p> <p>Percentage of votes with management: 85.55%</p> <p>Percentage of votes against management: 14.45%</p> <p>Percentage of votes abstained from: 0.12%</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><b>Company: Shell Plc</b></p> <p><b>Approximate Size of Fund's Holding: 8.22%</b></p> <p><b>Resolution:</b> Request the company 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 (Environmental Proposal)</p> <p><b>Voting Action:</b> Against the resolution</p> <p><b>Rationale:</b> SSgA voted against the resolution due to independent third party fiduciary recommendation. This vote is considered to be significant as it is a high-profile company, representing a large proportion of this fund's holding. Moreover, climate is a key engagement priority for the Trustee.</p> <p><b>Company: BP Plc</b></p>

			<p><b>Approximate Size of Fund's Holding:</b> 3.76%</p> <p><b>Resolution:</b> Approve Shareholder Resolution on Climate Change Targets (Environmental Proposal)</p> <p><b>Voting Action:</b> Against the resolution</p> <p><b>Rationale:</b> SSgA voted against the proposal. Whilst they view the company's disclosures related to GHG emissions as mostly aligned with their guidance, they feel these could be enhanced. This vote is considered to be significant as it is a high-profile company, representing a large proportion of this fund's holding. Moreover, climate is a key engagement priority for the Trustee.</p>
<p>SSgA MPF Europe ex UK ESG Screened Equity Index Fund</p>	<p>Number of resolutions eligible to vote on: 9,060</p> <p>Percentage of eligible votes cast: 97.64%</p> <p>Percentage of votes with management: 87.93%</p> <p>Percentage of votes against management: 11.71%</p> <p>Percentage of votes abstained from: 0.38%</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><b>Company:</b> Roche Holding AG</p> <p><b>Approximate Size of Fund's Holding:</b> 2.45%</p> <p><b>Resolution:</b> Approve Remuneration Report (Compensation)</p> <p><b>Voting Action:</b> Against the resolution</p> <p><b>Rationale:</b> SSgA voted against the proposal due to concerns around the proposed remuneration structure for senior executives at the company. This vote is considered to be significant as it was against management.</p> <p><b>Company:</b> ENGIE SA</p> <p><b>Approximate Size of Fund's Holding:</b> 0.37%</p> <p><b>Resolution:</b> Amend Articles 21 and 24 of Bylaws Re: Climate Strategy (Environmental Proposal)</p> <p><b>Voting Action:</b> Against the resolution</p>

			<p><b>Rationale:</b> SSgA voted against the proposal as the company's disclosures related to climate change are broadly in line with market standard, but could be enhanced.</p>
<p>SSgA MPF North America ESG Screened Equity Index Fund</p>	<p>Number of resolutions eligible to vote on: 8,987</p> <p>Percentage of eligible votes cast: 99.01%</p> <p>Percentage of votes with management: 88.21%</p> <p>Percentage of votes against management: 11.61%</p> <p>Percentage of votes abstained from: 0.37%</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><b>Company: Microsoft Corporation</b></p> <p><b>Approximate Size of Fund's Holding: 6.83%</b></p> <p><b>Resolution:</b> Report on Climate Risk in Retirement Plan Options (Environmental Proposal)</p> <p><b>Voting Action:</b> Against the resolution</p> <p><b>Rationale:</b> SSgA voted against the proposal as the company's disclosures related to climate change are broadly in line with market standard, but could be enhanced. This vote is considered to be significant as it is a high profile company, representing a large proportion of this fund's holding. Moreover, climate is a key engagement priority for the Trustee.</p> <p><b>Company: Exxon Mobil Corporation</b></p> <p><b>Approximate Size of Fund's Holding: 0.99%</b></p> <p><b>Resolution:</b> Issue a Report on Worst-Case Impacts of Oil Spills from Operations Offshore of Guyana (Environmental Proposal)</p> <p><b>Voting Action:</b> Against the resolution</p> <p><b>Rationale:</b> SSgA voted against the proposal as the company's disclosures are broadly in line with market standard. This vote is considered to be significant as it is related to climate, a key engagement theme for the Trustee.</p>

<p>SSgA MPF Japan ESG Screened Equity Index Fund</p>	<p>Number of resolutions eligible to vote on: 6,050</p> <p>Percentage of eligible votes cast: 99.98%</p> <p>Percentage of votes with management: 92.66%</p> <p>Percentage of votes against management: 7.34%</p> <p>Percentage of votes abstained from: 0.00%</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><b>Company: Sankyo Co., Ltd.</b></p> <p><b>Approximate Size of Fund's Holding: 0.06%</b></p> <p><b>Resolution:</b> Elect Director Tomiyama, Ichiro (Diversity)</p> <p><b>Voting Action:</b> Against the resolution</p> <p><b>Rationale:</b> SSgA voted against the nominee due to the lack of gender diversity on the board and the company has not engaged in successful dialogue on SSgA's board gender diversity program for three consecutive years. This vote is considered to be significant as the Trustee recognises the importance of a diverse board and that many markets are falling behind in this area.</p> <p><b>Company: The Kansai Electric Power Co., Inc.</b></p> <p><b>Approximate Size of Fund's Holding: 0.22%</b></p> <p><b>Resolution:</b> Amend Articles to Demolish All Nuclear Power Plants (Environmental Proposal)</p> <p><b>Voting Action:</b> Against the resolution</p> <p><b>Rationale:</b> SSgA did not support this proposal as the company's disclosures and practices in relation to nuclear power are considered to be reasonable. This vote is considered to be significant as it is related to climate, a key engagement theme for the Trustee.</p>
<p>SSgA MPF Asia Pacific ex Japan ESG Screened Equity Index Fund</p>	<p>Number of resolutions eligible to vote on: 3,232</p> <p>Percentage of eligible votes cast: 99.22%</p> <p>Percentage of votes with management: 81.01%</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><b>Company: National Australia Bank Limited</b></p> <p><b>Approximate Size of Fund's Holding: 2.40%</b></p> <p><b>Resolution:</b> Approve Transition Plan Assessments (Environmental Proposal)</p>

	<p>Percentage of votes against management: 18.99%</p> <p>Percentage of votes abstained from: 0.28%</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><b>Voting Action:</b> Against the resolution</p> <p><b>Rationale:</b> SSgA voted against the proposal as the company's disclosures related to climate change are broadly in line with market standard, but could be enhanced. This vote is considered to be significant as it is related to climate, a key engagement theme for the Trustee.</p> <p><b>Company:</b> Xinyi Glass Holdings Ltd.</p> <p><b>Approximate Size of Fund's Holding:</b> 0.08%</p> <p><b>Resolution:</b> Elect Lee Yin Yee as Director (Diversity)</p> <p><b>Voting Action:</b> Against the resolution</p> <p><b>Rationale:</b> SSgA voted against the nominee due to the lack of gender diversity on the board. This vote is considered to be significant as the Trustee recognises the importance of a diverse board and that many markets are falling behind in this area.</p>
<p>SSgA MPF Emerging Markets ESG Screened Equity Index Fund</p>	<p>Number of resolutions eligible to vote on: 35,921</p> <p>Percentage of eligible votes cast: 96.69%</p> <p>Percentage of votes with management: 81.67%</p> <p>Percentage of votes against management: 18.33%</p> <p>Percentage of votes abstained from: 1.71%</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><b>Company:</b> Kuaishou Technology</p> <p><b>Approximate Size of Fund's Holding:</b> 0.31%</p> <p><b>Resolution:</b> Elect Ma Yin as Director</p> <p><b>Voting Action:</b> Against the resolution</p> <p><b>Rationale:</b> SSgA voted against the nominee due to the lack of gender diversity on the board. This vote is considered to be significant as the Trustee recognises the importance of a diverse board and that many markets are falling behind in this area.</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><b>Company: Xiaomi Corporation</b></p> <p><b>Approximate Size of Fund's Holding: 0.51%</b></p> <p><b>Resolution:</b> Elect Wong Shun Tak as Director</p> <p><b>Voting Action:</b> Against the resolution</p> <p><b>Rationale:</b> SSGA voted against the nominee due to the lack of gender diversity on the board. This vote is considered to be significant as the Trustee recognises the importance of a diverse board and that many markets are falling behind in this area.</p>
LGIM Infrastructure Equity MFG Fund – GBP Currency Hedged	<p>Number of resolutions eligible to vote on: 1,239</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 74.17%</p> <p>Percentage of votes against management: 25.83%</p> <p>Percentage of votes abstained from: 0.00%</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><b>Company: Ferrovial SA</b></p> <p><b>Approximate Size of Fund's Holding: 2.93%</b></p> <p><b>Resolution:</b> Reporting on Climate Transition Plan (Climate Change)</p> <p><b>Management Recommendation:</b> For the resolution</p> <p><b>Voting Action:</b> Against the resolution</p> <p><b>Rationale:</b> While the company's efforts are to be commended, a vote against is applied as LGIM expects net zero commitments, rather than carbon neutrality commitments. This vote is considered to be significant as it is related to climate, a key engagement theme for the Trustee.</p> <p><b>Company: The Southern Company</b></p> <p><b>Approximate Size of Fund's Holding: 1.84%</b></p>

			<p><b>Resolution:</b> Elect Director Anthony F. "Tony" Earley, Jr. (Diversity)</p> <p><b>Management Recommendation:</b> For the resolution</p> <p><b>Voting Action:</b> Against the resolution</p> <p><b>Rationale:</b> A vote against is applied as LGIM expects a company to have at least one-third women on the board. This vote is considered to be significant as the Trustee recognises the importance of a diverse board and that many markets are falling behind in this area.</p>
<p>LGIM Global Real Estate Equity Index Fund – GBP Currency Hedged</p>	<p>Number of resolutions eligible to vote on: 4,368</p> <p>Percentage of eligible votes cast: 99.66%</p> <p>Percentage of votes with management: 78.77%</p> <p>Percentage of votes against management: 21.20%</p> <p>Percentage of votes abstained from: 0.02%</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><b>Company: Prologis, Inc.</b></p> <p><b>Approximate Size of Fund's Holding: 7.30%</b></p> <p><b>Resolution:</b> Elect Director Jeffrey L. Skelton (Diversity)</p> <p><b>Management Recommendation:</b> For the resolution</p> <p><b>Voting Action:</b> Against the resolution</p> <p><b>Rationale:</b> A vote against is applied as LGIM expects a company to have at least one-third women on the board. This vote is considered to be significant as the Trustee recognises the importance of a diverse board and that many markets are falling behind in this area. Additionally, this holding represents a significant proportion of the fund's holdings</p> <p><b>Company: Public Storage</b></p> <p><b>Approximate Size of Fund's Holding: 2.91%</b></p> <p><b>Resolution:</b> Report on GHG Emissions Reduction Targets Aligned with the Paris</p>

			<p>Agreement Goal (Climate Change)</p> <p><b>Management Recommendation:</b> Against the resolution</p> <p><b>Voting Action:</b> For the resolution</p> <p><b>Rationale:</b> A vote in favour is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal. This vote is considered to be significant as it is related to climate, a key engagement theme for the Trustee.</p>
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Totals may not sum due to rounding. State Street notes that votes of abstain can be counted both as a vote of abstain and also as a vote against management and hence totals may add up to more than 100%.