

# Implementation Statement (“IS”)

## The Dow Services UK Pension Plan

### Plan year end – 31 December 2023

The purpose of the Implementation Statement is for us, Dow Services Trustees UK Limited (the “Trustee”) of the Dow Services UK Pension Plan (the “Plan”), to explain what we have done during the year ending 31 December 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. A summary of any review and changes made to the SIP over the year
2. How our policies in the SIP have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

The Plan has two sections, the Segregated Dow Section (“Dow Section”) and the Segregated DCL Section (“DCL Section”). The Dow Section is comprised of a Defined Benefit (“DB”) and Defined Contribution (“DC”) Section.

#### Our conclusion

**Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.**

Specifically, the SIP sets out policies in relation to Risk, Asset Allocation Strategy and Monitoring Investments, ESG Considerations, Arrangements with Investment Managers and Monitoring Investment Managers’ Costs. We have set out our approach to meeting each of these policies, across the DB and DC Sections, along with specific examples from the Plan year which demonstrate how each policy has been met.

With regard to the voting and engagement activity of our investment managers over the Plan year, most of the material investment managers were able to disclose adequate evidence of voting and/or engagement activity. In our view, the activities completed by our managers align with our stewardship priorities, and our voting policy has been implemented effectively in practice.

## Changes to the SIP during the year

We reviewed the SIP during the year and updated it in March and June.

- The SIP was updated in March to reflect the following changes:
  - Revisions to the investment strategy to reflect updated tactical allocations as a result of de-risking activities for the Dow Services DB Section. This also included a new hedging target for the liability matching assets to better align with the liabilities.
  - As part of the implementation of the de-risking activities, changes to our underlying investment managers.
  - Updated benchmark indices for the Investment Grade Credit mandate and the Infrastructure mandate.
  - For the Dow DCL Section, updates to the investment managers and the residual assets following the purchase of the Bulk Annuity with Rothesay. The residual assets are invested in a short dated credit fund.
- The SIP was then again updated in June to reflect the updated guidance released by the Department for Work and Pensions (“DWP”) on our approach to stewardship.

The Plan’s latest SIP can be found here: [Dow UK Services - combined SIP June 2023 vf.pdf](#)

## How the policies in the SIP have been followed

In the table below we set out what we have done during the year to meet the policies in the SIP.

### Objectives

*The objectives for the DB Sections require the Trustee to set an investment strategy with regards to meeting the Plan’s liabilities as they fall due, whilst also minimising costs to seek an appropriate return.*

*The Trustee’s primary objective for the DC section is the acquisition of secure assets of appropriate liquidity which will generate income and capital growth, which together with new contributions from members and the Company, will provide a fund at retirement.*

### DB Sections

In 2022, the Trustee agreed to de-risk the Dow Section, following improvements in its funding level. These changes included reducing the strategic allocation to higher risk assets, which were implemented during the year and throughout in 2023.

Over 2023, the Trustee continued to monitor the Dow Section strategy, including looking at the strategies next steps in Q1 2023, and looking at further de-risking options as the funding level improved over Q4. Further actions included implementing a new cashflow benchmark to improve the alignment between the Plan’s liabilities and the liability matching investments.

### DC Section

The Plan employs a number of managers to ensure adequate choice of fund management organisation and investment style. The Trustee recognises that members’ needs change as they progress towards retirement. Therefore, the Trustee provides a range of funds to offer a mix of real and monetary assets. Further details of the funds offered to members are provided in the investment booklet at [www.mydowpension.co.uk/dow-services-section/document-library](http://www.mydowpension.co.uk/dow-services-section/document-library)

The Trustee plans to next review the investment strategy review for the DC Section and the AVCs in 2025.

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### Risk

*The Trustee has identified a number of key risks which it monitors through a number of different ways.*

### DB Sections

This is primarily undertaken by regular monitoring of investments, undertaken at least quarterly by a combination of Portfolio Investments Group (“PI Group”), the investment advisers and Investment Committee. This helps to assess any lack of diversification of assets, manager risks and managing deterioration of investment conditions.

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Solvency risk and mismatching risk is managed through regular asset and liability modelling studies, which are updated after the triennial valuations. For the Dow Section, the Trustee invested in a bespoke LDI portfolio, which aims to provide protection for any movements seen in the liabilities. Over 2023, a new cashflow benchmark was implemented to improve the alignment between the LDI portfolio and the Plan's liabilities.

For each manager appointed, the Trustee reviews its performance relative to expectations set, such as benchmarks and targets. The Trustee has implemented a range of different managers, who are considered best in class for the types of assets in which they invest. A suitable range of funds is held, to ensure that sufficient liquidity is maintained to meet ongoing cashflow requirements, as outlined in the cashflow policy.

Since the DCL Section is now primarily invested in a Bulk Annuity with Rothesay Life, the key risk is that of insurer default. In advance of the transaction, the Trustee conducted a due diligence assessment which considered the credit strength of the insurer, concluding that the investment was appropriate. The Bulk Annuity provides regular payments to the Plan to meet the liability payments as they fall due.

#### **DC Section**

The Trustee, supported by PI Group, monitors the performance of DC investments continuously. Performance reporting for the DC Section, is produced and reviewed monthly by PI Group. Regular meetings with the underlying fund managers took place by PI Group through 2022. The funds within the DC Section provide daily dealing for members.

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#### **Strategic Asset Allocation**

#### **DB Sections**

Over 2023, the Trustee carried out a de-risking of the Plan following improvements to the funding position. These actions included reducing the Plan's allocation to growth assets and increasing the allocation to matching assets such as LDI and fixed income. The de-risking also led the Trustee to reassess the strategic asset allocation (SAA).

The Trustee has set suitable tolerance ranges around the SAA. These ranges have been designed to ensure that the investments are adequately diversified and suitable for the Plan's liability profiles. When reviewing ranges, or rebalancing assets, the Trustee has sought written advice from its advisers. The Trustee has set specific benchmarks for each mandate, including performance objectives, which each manager is assessed against.

#### **DC Section**

The Trustee, supported by its investment advisers and PI Group selected suitable funds to replace the Fidelity Long Bond Fund which was closed by Fidelity at short notice. The Plan website was updated to provide links to the new funds and the investment booklet is being updated to reflect the changes to the fund range.

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#### **Arrangements with Asset Managers**

*The Trustee monitors its investment managers on an ongoing basis. The Trustee receives regular reports and verbal updates from the investment adviser and PI Group on various items including the investment strategy, performance, and positioning of the portfolio.*

#### **DB and DC Sections**

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The Trustee has employed a custodian to provide independent performance measurement services. The custodian provides performance monitoring on a quarterly basis for the Dow Section. This report provides performance over a range of different time periods.

Annual stewardship information is provided on the monitoring and engagement activities carried out by the Plan's fund managers, which supports the Trustee in determining the extent to which the Trustee's engagement policy has been followed throughout the year.

Before appointment of a new fund manager, the Trustee undertakes due diligence of the manager, and seeks to amend that documentation, where it feels necessary to do so. This may be done through a side letter, in writing, or verbally at Trustee meetings.

Following purchase of the Bulk Annuity for the DCL Section, the Trustee will now undertake periodic monitoring of this Section's assets with support from PI Group and its investment adviser.

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#### **Environmental, Social and**

#### **DB Section**

Over the year, the Trustee reviewed the evolving regulatory requirements and importance of stewardship activity and appropriate considerations for ESG factors.

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**Governance considerations**

The SIP was updated in June to reflect the updated guidance released by the DWP on our approach to stewardship. The changes made seek to clarify the Trustee's expectations for voting and engagement on their behalf, and specific methods of engagement.

The Trustee delegates day to day investment decisions, including integration of financially material ESG risks and opportunities, including climate change to its investment managers. The Trustee accepts how its managers steward assets on its behalf.

**DC Section**

When setting the DC Section's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Plan and its beneficiaries, and it believes that a suitable range of funds have been made available to members.

During the year, the Trustee reviewed the stewardship policies and practices of the managers of the DC funds which are considered material in terms of proportion of assets invested and in terms of stewardship. Conclusions were published in the Implementation Statement for the year ending 31 December 2023.

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**Cost Monitoring****DB Sections**

The Trustee, supported by its investment advisers and PI Group, collects annual cost transparency reports for all investment managers. Costs are gathered in line with the appropriate Cost Transparent Initiative ("CTI") template for each asset class. CTI templates help the Trustee better understand transaction costs and other hidden costs, such as administration and auditing fees. A report covering all costs is prepared for the Trustee annually.

**DC Section**

On an annual basis, the Trustee, with the assistance of its investment advisers and PI Group, undertakes an assessment of charges and transaction costs to assess if the Plan's arrangements represent good value to members. All costs and charges borne by DC members are published in the Chair's Statement.

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## Our Engagement Action Plan

Based on the work we have done for the IS, we have decided to take the following steps over the next 12 months:

1. Whilst Legal and General Investment Management Limited ("LGIM") did provide a comprehensive list on fund level engagement numbers, which we find encouraging, they did not provide detailed engagement examples specific to the funds in which we are invested, as per the Investment Consultants Sustainability Working Group ("ICSWG") industry standard. In addition, LGIM did not provide firm level engagement information. We will engage with LGIM to better understand its engagement practice and discuss the areas which are behind those of its peers.
2. MFS (accessed via the Fidelity platform) did not provide some of the engagement information requested. As noted in last year's Implementation Statement, MFS has developed its engagement reporting platform. Thus, the engagement data provided by MFS is limited and may not reflect the total extent of engagements held.
3. Royal London Asset Management ("RLAM") did not provide the engagement information in the industry standard ICSWG engagement reporting template. We will write to the manager to inform them of our expectations for better disclosures.
4. The Trustee, supported by its investment advisor, PI Group, and the DC platform provider, will liaise with our investment managers where relevant to get a better understanding their voting and engagement practices, and how these help us fulfil our Responsible Investment policies.

## Our managers' voting activity

### What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. Understanding and monitoring the stewardship that investment managers practice in relation to the Plan's investments is an important factor in deciding whether a manager remains the right choice for the Plan.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Plan's equity-owning investment managers to responsibly exercise their voting rights.

### Voting statistics

The table below shows the voting statistics for each of the Plan's material funds with voting rights for the year to 31 December 2023.

Section	Fund	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
	LGIM - UK Equity Index Fund*	10,517	99.8%	5.8%	0.0%
	LGIM - North America Equity Index Fund*	8,760	99.7%	34.5%	0.0%
<b>Dow Section (DC)</b>	LGIM - Europe (ex UK) Equity Index Fund*	9,955	99.9%	19.3%	0.4%
	LGIM - Japan Equity Index Fund*	6,098	100.0%	12.0%	0.0%
	LGIM - Asia Pacific (ex-Japan) Developed Equity Index Fund*	3,283	100.0%	26.3%	0.0%
	LGIM - Global Emerging Markets Equity Index Fund*	39,319	99.9%	19.7%	1.1%
	MFS Meridian Funds - Global Equity Fund**	1,492	100.0%	6.1%	0.1%

Source: Managers.

\*Underlying funds of the Fidelity Life Growth Index Fund and the Fidelity Life Balanced Fund. Therefore, voting and engagement policy information has been provided by the underlying investment managers.

\*\*Underlying fund of the Fidelity Global Growth Fund. Therefore, voting and engagement policy information has been provided by the underlying investment managers.

### Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

### Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions.

Resolutions proposed by shareholders increasingly relate to social and environmental issues

Source: UN PRI

### Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

The table below describes how the Plan’s managers use proxy voting advisers.

<b>Description of use of proxy voting advisers (in manager’s own words)</b>	
LGIM	LGIM’s Investment Stewardship team uses Institutional Shareholder Services’ (ISS) ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM, and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.
MFS Investment Management (“MFS”)	We have entered into an agreement with ISS to perform various proxy voting-related administrative services, such as vote processing and recordkeeping functions. While we also receive research reports and vote recommendations from ISS and Glass, Lewis & Co., Inc., MFS analyses all proxy voting issues within the context of the MFS Proxy Policies, which are developed internally and independent of third-party proxy advisory firms. MFS’ voting decisions are not defined by any proxy advisory firm benchmark policy recommendations. MFS has due diligence procedures in place to help ensure that the research we receive from our proxy advisory firms is accurate and to reasonably address any potentially material conflicts of interest of such proxy advisory firms.

Source: Managers.

## Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Plan’s investment managers to provide a selection of what they consider to be the most significant votes in relation to the Plan’s funds. A sample of these significant votes can be found in the appendix.

## Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Plan's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e., is not necessarily specific to the fund invested in by the Plan.

Section	Funds	Number of engagements		Themes engaged on at a fund-level
		Fund specific	Firm level	
<b>Dow Section (DB)</b>	Pacific Investment Management Company ("PIMCO") - UK Long Term Corporate Bond Fund	141	>1355	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations) Governance - Board effectiveness - Diversity, Independence or Oversight Strategy, Financial and Reporting - Capital allocation, Financial performance
	RLAM - Investment Grade Short Dated Credit Fund**	<i>Not provided</i>	404	Climate - Transition Risk, Physical Risk Health - Community Cybersecurity Corporate Governance Environment
<b>Dow Section (DC)</b>	LGIM - UK Equity Index Fund*	370	<i>Not provided</i>	Environment - Climate change, Climate Impact Pledge Social - Ethnic Diversity, Income Inequality Governance - Remuneration, Board Composition Corporate Strategy, Company disclosure and transparency
	LGIM - North America Equity Index Fund*	269	<i>Not provided</i>	Environment - Climate Impact Pledge, Climate change Social - Gender diversity, Public health Governance - Remuneration, Combined Chair & CEO
	LGIM - Europe (ex UK) Equity Index Fund*	94	<i>Not provided</i>	Environment - Climate change, Climate Impact Pledge Social - Public health, Income inequality Governance - Remuneration, Board Composition Company Disclosure & Transparency
	LGIM - Japan Equity Index Fund*	65	<i>Not provided</i>	Environment - Climate change, Climate Impact Pledge Social - Income inequality, Gender Diversity Governance - Board Composition, Capital Management Corporate strategy
	LGIM - Asia Pacific (ex Japan) Developed Equity Index Fund*	114	<i>Not provided</i>	Environment - Climate Impact Pledge, Climate change Social - Gender diversity, Income inequality Governance - Governance - Remuneration, Board Composition Corporate Strategy
	LGIM - Global Emerging Markets Equity Index Fund*	294	<i>Not provided</i>	Environment - Climate Impact Pledge, Deforestation Social - Gender Diversity, Public Health Governance - LGIM ESG Score, Remuneration Corporate strategy
	MFS Meridian® Funds - Global Equity Fund***	27	139	Environment - Climate Change Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying) Governance - Board effectiveness – Diversity
<b>DCL Section</b>	Rothsay Life - Bulk Annuity			<i>Not provided</i>

Source: Managers.

\* Underlying funds of the Fidelity Life Growth Index Fund and Fidelity Life Balanced Index Fund.

\*\* These managers did not provide fund level themes; themes provided are at a firm-level. RLAM themes at firm level and this fund is also invested in through the DCL Section.

\*\*\*Underlying fund of the Fidelity Global Growth Fund.

## Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- LGIM did provide fund-level engagement information but not in the industry standard ICSWG template. Additionally, LGIM did not provide any firm-level engagement information.
- RLAM did not provide the fund level engagement information. Additionally, the firm level information provided was not in the standard engagement reporting template.
- MFS did not provide some of the engagement information requested.

This report does not include commentary on the Plan's investment in short-term money market instruments, liability driven investment ("LDI") and gilts because of the limited materiality of stewardship to these asset classes.

Further this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Plan's assets that are held as AVCs.

### **Rothesay Life**

In terms of the Bulk Annuity, the responsibility for managing arrangements with underlying investment managers lies with Rothesay Life. We believe that Rothesay Life should use its influence and purchasing power where possible to ensure that ESG factors, including climate change, are appropriately considered by underlying investment managers and financial counterparties.

We recognise our responsibilities as a steward of investment capital; however, in endeavouring to invest in the best financial interests of the beneficiaries, we elected to purchase the Bulk Annuity and recognises that it cannot therefore directly influence the ESG integration nor stewardship policies and practices of Rothesay Life.



## Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Plan's managers. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below which are in the managers' own words.

<b>LGIM - UK Equity Index Fund</b>	<b>Company name</b>	Shell Plc
	<b>Date of vote</b>	23-May-2023
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	6.9%
	<b>Summary of the resolution</b>	Approve the Shell Energy Transition Progress
	<b>How you voted</b>	Against (against management recommendation)
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	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 Annual General Meeting ("AGM") as our engagement is not limited to shareholder meeting topics.
	<b>Rationale for the voting decision</b>	Climate change: A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, we remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.
	<b>Outcome of the vote</b>	Pass
	<b>Implications of the outcome</b>	LGIM continues to undertake extensive engagement with Shell on its climate transition plans.
	<b>On which criteria have you assessed this vote to be "most significant"?</b>	Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.
<b>LGIM - Global Emerging Markets Equity Index Fund</b>	<b>Company name</b>	Tencent Holdings Limited
	<b>Date of vote</b>	17-May-2023
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	3.2%
	<b>Summary of the resolution</b>	Elect Jacobus Petrus (Koos) Bekker as Director
	<b>How you voted</b>	Against (against management recommendation)
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	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.
	<b>Rationale for the voting decision</b>	Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management. Remuneration Committee: A vote against has been applied because LGIM expects the Committee to comprise independent directors.
	<b>Outcome of the vote</b>	Pass
	<b>Implications of the outcome</b>	LGIM will continue to engage with the company and monitor progress.
	<b>On which criteria have you assessed this vote to be "most significant"?</b>	Thematic - Climate: LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting companies in climate-critical sectors.

<b>MFS Meridian® Funds - Global Equity Fund</b>	<b>Company name</b>	Linde Plc
	<b>Date of vote</b>	24-Jul-2023
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	2.7%
	<b>Summary of the resolution</b>	Elect Director Joe Kaeser
	<b>How you voted</b>	Against Management
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	While MFS may engage with issuers ahead of our vote at a shareholder meeting, we may not disclose our final vote decisions that are considered on a case-by-case basis prior to the meeting.
	<b>Rationale for the voting decision</b>	MFS voted against the nominee, as the nominee is the Chair of the Nominating Committee, and the board is comprised of less than 22% female directors.
	<b>Outcome of the vote</b>	Pass
	<b>Implications of the outcome</b>	We embrace opportunities to engage with issuers on issues such as this and seek productive dialogues around gender diversity and the broader diversity among directors.
	<b>On which criteria have you assessed this vote to be "most significant"?</b>	For the purpose of this questionnaire, "significant votes" may have the following characteristics, among others: vote is linked to certain engagement priorities, vote considered engagement with the issuer, vote relates to certain thematic or industry trends, etc.

Source: Managers