

# Dixon International Group Life and Pension Scheme

## Trustees' Report and Financial Statements

### For the year ended 5 April 2024

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## 14. Appendix - Implementation Statement

### Dixon International Group Life and Pension Scheme

#### Statement of Investment Principles – Implementation Statement

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The purpose of this Statement is to provide information which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statements of Investment Principles (SIP) dated 23 September 2020 and 3 October 2023 have been implemented.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made and the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 6 April 2023 to 5 April 2024.

#### Investment objectives of the Scheme

The Trustees' objectives for setting the investment strategy of the Scheme have been set broadly with regard to the Scheme's Statutory Funding Objective set out in the Statement of Funding Principles.

The Trustees' primary objectives are set out on page 1 of each SIP and are as follows:

- To ensure that sufficient assets are available to meet members' benefits as and when they fall due.
- To assist in achieving the long- and short-term funding objectives described in the Trustees' Statement of Funding Principles.
- To invest the Scheme assets to obtain the best long-term rate of return compatible with the above two aims and allowing for any constraints imposed by the Scheme's risk tolerance.

The Trustees appreciate that these objectives are not necessarily mutually exclusive.

The Trustees also recognise that it is currently necessary to accept some risk in the investment strategy to achieve the long-term funding objective.

#### Review of the SIP

The SIP was last reviewed in October 2023. The Trustees updated the SIP to take account of changes made to the Scheme's investment strategy over the year, including the appointment of Quilter Cheviot as the Scheme's fiduciary investment manager, replacing St. James's Place Wealth Management.

Prior to this, the SIP had last been updated in September 2020 to take account of previous changes made to the Scheme's investment strategy.

The Trustees have a policy on financially material considerations relating to Environmental, Social and Governance ('ESG') issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out later in this Statement and are detailed in the Trustees' latest SIP.

The Trustees' policies on financially and non-financially material considerations, as well as engagement and voting activities, were not updated in the revised SIP that came into force during the year.

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#### Investment managers and funds in use

At the start of the period, the Trustees' investment strategy was as shown in the table below.

Manager	Fund	Target Asset Allocation
St James's Place Wealth Management	Segregated Portfolio	100.0%
<b>Total</b>		<b>100.0%</b>

The Trustees revised their investment strategy during the period, which involved a change in the Scheme's investment manager from St James's Place Wealth Management to Quilter Cheviot. The revised investment strategy is reflected in the updated SIP dated October 2023 and is as shown below.

Manager	Fund	Target Asset Allocation
Quilter Cheviot	Segregated Portfolio	100.0%
<b>Total</b>		<b>100.0%</b>

As stated in the October 2023 SIP, within the Quilter Cheviot Segregated Portfolio the Trustees' investment strategy should broadly target an allocation of around 70% of the underlying assets being invested in equities, and around 30% being invested in other asset classes, including fixed interest bonds.

#### Investment governance

The Trustees are responsible for making investment decisions, and seek advice as appropriate from Quilter Cheviot, as the Trustees' fiduciary manager.

The Trustees do not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP, as the Scheme is comprised of a diverse membership, which the Trustees expect to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

The Trustees have put in place strategic objectives for Quilter Financial Advisers, as the Trustees' investment consultant, as required by the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022, which were last reviewed by the Trustees on 3 October 2023.

#### Monitoring of investment arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with investment managers (as detailed below), the Trustees received oversight reports on a bi-annual basis from St James's Place whilst the Trustees invested with them, and now receive reports from Quilter Cheviot, to ensure the investment objectives set out in their SIP are being met.

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## Trustees' policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIPs in force during the year have been followed:

Requirement	Policy	Implementation of Policy
<b>Asset Allocation Model</b>	<p>The asset allocation has been determined by the Trustees, considering advice from their investment advisor and the Employer's input to provide the maximum return subject to keeping the investment risk within a level deemed appropriate by the Trustees. The level of risk deemed appropriate, and the balance of suitable assets required to achieve this was considered at a Trustees meeting on 4 March 2010.</p> <p><b>September 2020 SIP:</b></p> <p>From time to time this assessment will be reconsidered and the selection of assets may be changed to reflect the Trustees' updated assessment of the appropriate risk tolerance balanced against the expected return on the assets.</p> <p>The target asset allocation as at 4 March 2010 was determined to be:</p> <ul style="list-style-type: none"> <li>• Equities: 75%</li> <li>• Other, including fixed interest bonds: 25%</li> </ul> <p>The split between asset classes varies over time due to movement in the market value of assets. Reasonable deviations from the target asset allocation above are acceptable to allow for market movements. The steps described below, agreed by the Trustees, will help the asset allocation return to the target asset allocation.</p> <p><b>October 2023 SIP:</b></p> <p>On 7 September 2023 this assessment was reconsidered by the Trustees in consultation with Quilter Cheviot and an updated strategy agreed as noted below. From time to time this assessment will again be reconsidered and the selection of assets may be changed to reflect the Trustees' updated assessment of the appropriate risk tolerance balanced against the expected return on the assets.</p> <p>The target asset allocation as of 7 September 2023 was determined to be:</p> <ul style="list-style-type: none"> <li>• Equities: 70%</li> <li>• Other, including fixed interest bonds: 30%</li> </ul> <p>The split between asset classes varies over time due to movement in the market value of assets. Reasonable deviations from the target asset allocation above are acceptable to allow for market movements. The steps described below, agreed by the Trustees, will help the asset allocation return to the target asset allocation.</p>	No deviation from either policy whilst in force over the year to 5 April 2024.
<b>Revising and Rebalancing the Asset Allocation</b>	<p>Over time the Trustees' aim is to match the liabilities of the Scheme with fixed interest yielding assets. The asset allocation will therefore be recalculated periodically, and the above proportions changed accordingly.</p> <p>Re-balancing should take place at the Trustees' discretion with deviations from the benchmark allocations being returned to the Target Asset Allocation or as subsequently revised. The Trustees will instruct the Investment Manager to re-balance the portfolio accordingly.</p>	No deviation from this policy over the year to 5 April 2024.

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Requirement	Policy	Implementation of Policy
<b>Delegation to Investment Manager</b>	Day to day management of the Scheme's assets has been delegated to an Investment Manager that is regulated by the Financial Conduct Authority. The selection of the underlying investments within the overall strategy has also been delegated to the Investment Manager.	No deviation from this policy over the year to 5 April 2024.
<b>Compliance Monitoring</b>	The Trustees expect the Investment Manager to manage the assets delegated to them under the terms of their contract and to give effect to the principles in the SIP so far as is reasonably practicable.	No deviation from this policy over the year to 5 April 2024.
<b>Investment Return Objective</b>	The Trustees' investment objective is for the investments to generate sufficient returns in the short- to medium-term that, along with the contributions laid down in the existing Schedule of Contributions the liabilities of the Scheme may be wholly matched by fixed-interest bonds in the long term.	No deviation from this policy over the year to 5 April 2024.
<b>Performance Monitoring</b>	The Trustees monitor fund performance against the above objective annually over 3-, 5-, and 10-year periods. The Trustees also receive performance reports from the Investment Manager quarterly and compare these with independent performance benchmarks.  The Trustees may ask for reports on other matters as deemed appropriate to monitor funding, investment performance, risk and other matters.	No deviation from this policy over the year to 5 April 2024.
<b>Disinvestments</b>	Any outgoings that cannot be met directly from cash in the bank account will require disinvestment which will be made in proportion from the asset classes held so that the target allocation is maintained.  The Trustees will consult their investment advisor if there is any doubt as to where to disinvest funds.	No deviation from this policy over the year to 5 April 2024.
<b>Employer Covenant Assessment</b>	The Trustees regularly review the ability and willingness of the employer to support the Scheme. In addition, commissioning an independent review of the Employer's Covenant is considered from time to time.  Covenant reviews are considered in determining the degree of investment risk that can be taken.	No deviation from this policy over the year to 5 April 2024.
<b>Financially and Non-Financially Material Considerations</b>	The Trustees' policy on financially and non-financially material considerations is set out on page 5 of each SIP and in full below.	No deviation from this policy over the year to 5 April 2024 (see below).
<b>Exercise of Voting Rights</b>	The Investment Manager's duties also include exercise of voting rights and corporate governance in relation to the Scheme's assets.	No deviation from this policy over the year to 5 April 2024.

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#### Financially and non-financially material considerations

The Trustees believe that good stewardship and environmental, social and governance issues may have a material financial impact on investment returns.

The Trustees have given their fund manager their full discretion when evaluating ESG issues and in exercising rights, engagement activities, and stewardship obligations attached to the Scheme's investments. However, the extent to which these factors are considered by the Investment Manager in the selection, retention and realisation of investments is considered by the Trustees as part of the process of selecting organisations with which to invest. The Trustees reserve the right to request from the manager information regarding their actions.

The Trustees have selected an Investment Manager which has stated corporate governance policies which comply with the principles of the UK Corporate Governance Code, the Financial Reporting Council's UK Stewardship Code, and the United Nations Principles for Responsible Investment.

The Trustees' views on how ESG issues are taken account of the asset classes used as at the year end (including any asset classes used within pooled investment vehicles) is set out below.

Asset Class	Active/Passive	Trustees' views
Equities	Active/Passive	The Trustees acknowledge that in the case of any underlying equity index funds, the Investment Manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if they have concerns relating to ESG. The Trustees do expect the Investment Manager to take financially material ESG considerations into account when investing actively, or by engaging with companies that form the index when investing passively, and by exercising voting rights on these companies.
Infrastructure	Active	The Trustees expect the Investment Manager to take financially material ESG factors into account, given the active management style of the holdings and the ability of the manager to use their discretion to generate higher risk-adjusted returns. The Trustees also expect their Investment Manager to engage with the underlying investee companies, where possible.
Property	Active	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities. However, the Trustees expect the Investment Manager to have regard to ESG issues when properties are being sold and purchased within the portfolio, together with any opportunities to re-develop existing properties with ESG issues in mind.
Corporate bonds	Active/Passive	The Trustees acknowledge that in the case of any underlying corporate bond index funds, the Investment Manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if they have concerns relating to ESG. The Trustees do expect the Investment Manager to take financially material ESG considerations into account when investing actively, or by engaging with companies that form the index when investing passively, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
Government bonds	Active/Passive	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
Cash	Active	

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The Trustees do not take any non-financial matters into account in the selection, retention and realisation of investments.

### Voting rights

The Trustees currently invest in a segregated mandate with the Investment Manager, and they acknowledge that this limits their ability to directly influence the Investment Manager. In particular, all voting activities have been delegated to the Investment Manager, as the Trustees do not have any administrative mechanism to cast a vote in line with their views on the underlying holdings.

However, the Trustees periodically meet with their Investment Manager, to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustees. As part of this, the Trustees will seek to challenge their Investment Manager on these matters where they think this is in the best interests of members.

Under the current investment strategy, the Quilter Cheviot Segregated Portfolio contains publicly listed equity. The portfolio has voting rights attached to these underlying equities, including any equities held within pooled funds, and the Trustee has delegated these voting rights to the Investment Manager (or any underlying investment manager in the case of underlying pooled funds), where each manager sets its own voting policy.

A summary of the votes made by Quilter Cheviot over the year to 5 April 2024 (where the investment owns equities) is provided in the table below.

Manager	Fund	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
Quilter Cheviot	Segregated Portfolio	1,625	92%	7%	1%

Quilter Cheviot use research provided by Institutional Shareholders' Service (ISS) to help inform their voting decision making, however they do not automatically implement its recommendations.

### Significant votes

The Trustees have also requested details of the significant votes made on behalf of the Trustees by Quilter Cheviot. In determining significant votes, Quilter Cheviot's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile votes which have such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at the manager's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an any manager engagement campaign.

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The Trustee believes the following are the most significant votes undertaken on their behalf over the Scheme year:

#### SIGNIFICANT VOTE 1

Investment Manager	Quilter Cheviot
Company	Microsoft Corporation
Date of vote	7 December 2023
Percentage of portfolio invested in Company at date of vote	2.3%
Resolution	Publish a Tax Transparency Report
Why significant	Quilter Cheviot have deemed this vote to be significant as the Company and resolution were a part of Quilter Cheviot's voting watchlist.
Voting decision	Voted against
Manager comments	<i>"We voted against a shareholder proposal (supported management), as the company already provides sufficient disclosure in this area."</i>
Vote outcome	Not provided

#### SIGNIFICANT VOTE 2

Investment Manager	Quilter Cheviot
Company	Apple Inc
Date of vote	24 February 2024
Percentage of portfolio invested in Company at date of vote	1.9%
Resolution	Report on Median Gender/Racial Pay Gap
Why significant	Quilter Cheviot have deemed this vote to be significant as the Company and resolution were a part of Quilter Cheviot's voting watchlist.
Voting decision	Voted for
Manager comments	<i>"We supported this shareholder request and have done so at previous meetings as we believe shareholders would benefit from additional transparency in this area."</i>
Vote outcome	Not provided

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#### Engagement activities

The Trustees have also delegated engagement activities to Quilter Cheviot. A notable engagement activity Quilter Cheviot has undertaken over the year is provided below:

- **Quilter Cheviot** engaged with Anglo American regarding its transition plan to target carbon neutrality, along with its ambition to reduce certain types of carbon emissions by 50%, by 2040. Whilst Quilter Cheviot note that 'ambition' is soft wording, they recognise that many of the company's peers have not yet set a target in this area, so welcome a quantification of the proposed trajectory.

Quilter Cheviot raised questions regarding how emissions from methane in the company's coal mining operations will be successfully managed, and at what point a material amount of machinery and haulage vehicles will be powered by lower-carbon technologies – the manager was assured that the process is underway, and is currently on track to meet the company's 2040 objectives.

More broadly, following their engagement Quilter Cheviot welcomed Anglo American's transparency on industry trade associations membership, and regular assessment of climate policy alignment with these organisations' lobbying efforts. Quilter Cheviot intend to monitor Anglo American's developments moving forward as a part of their ongoing climate engagement program.

The Trustees also consider an investment manager's policies on stewardship and engagement when selecting and reviewing investment managers.

Signed:  Date: 05/11/2024

On behalf of the Trustees of the Dixon International Group Life and Pension Scheme