

# The General Dental Council 1970 Pension and Life Assurance Plan

## Statement of Investment Principles - Implementation Statement

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 Trustee's Statement of Investment Principles (SIP), dated March 2022, have been implemented.

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

The SIP provides further background details on investment arrangements and should be read in conjunction with the Trustee's Chair's Statement dated 31 March 2023.

This Statement covers the period 1 April 2022 to 31 March 2023.

### **Investment objectives of the Plan**

The investment objectives of the Plan are set out on page 3 of the SIP and are summarised below.

The Trustee's high level objectives with regard to investing the Plan assets are to:

- Achieve a return which is sufficient, over the longer term, to meet the Funding Objective.
- Adopt an approach that recognises the need to balance risk with the achievement of a satisfactory investment return.
- Ensure that sufficiently liquid assets are available to meet benefit payments as they fall due.
- Take into account the strength and interests of the Sponsoring Employer in relation to the size and volatility of the Sponsoring Employer's contribution requirements.

### **Statement of Investment Principles**

The Trustee last reviewed the Statement of Investment Principles (SIP) for both the DB and AVCs DC Top-Up Sections in March 2022, which were updated in line with new regulations in relation to Environmental, Social and Governance considerations.

The Trustee has 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 Trustee has a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out below and are detailed in the Trustee's SIPs.

## Investment managers and funds in use as at 31 March 2023

The investment funds used for both the DB Section and Additional Voluntary Contributions (AVCs) - DC Top Up Section are set out in the tables below:

### DB Section

The DB Section of the Plan comprises of an insurance policy with Aviva along with investments in pooled funds.

For the non-insurance assets, the Trustee has agreed the following strategic allocation:

Asset Class	Fund	Target Asset Allocation
Diversified growth funds	Baillie Gifford Multi-Asset Growth Fund	32.5%
Multi-asset credit	TwentyFour Strategic Income Fund	35.0%
Property	Threadneedle Property Fund	10.7%
Liability driven investment	LGIM Matching Core Real Long Fund LGIM Matching Core Fixed Long Fund	21.8%
<b>Total</b>		<b>100.0%</b>

### AVCs - Defined Contribution Top-Up Section

Asset Class	Manager	Fund
Global equities	Aviva	BlackRock Aquila Connect UK Equity Index Fund BlackRock Aquila Connect (50:50) Global Equity Index Fund
Diversified growth	Aviva	Aviva Multi-Asset Index Growth Fund Aviva Stewardship Managed Ninety One Global Income Opportunities Fund*
Corporate bonds	Aviva	BlackRock Over 15 Year Corporate Bond Index Fund
Cash	Aviva	Aviva Cash

\*Previously named NinetyOne Cautious Managed Fund

The default investment strategy, Lifestyle Programme, used for members invested in the AVCs – DC Top-Up Section is set out below:

### Lifestyle Programme

Period prior to member's normal retirement age	Investment Default Approach
Up to 5 years prior to normal retirement age	The approach invests wholly in the BlackRock Aquila Connect (50:50) Global Equity Index Fund
From 5 years before normal retirement age	Phased switches are made between the funds to achieve an allocation of 75% in the BlackRock Aquila Connect Over 15 Year Corporate Bond Index Fund and 25% in the Cash Fund by normal retirement age.

## Strategy Review

### DB Section

Over the Plan's reporting year, the Trustee agreed to redeem the holdings in the Threadneedle Property Fund. This followed Threadneedle's decision to change the redemption terms of the fund from daily to monthly and to implement a queue for redemptions in order to manage liquidity risk. The proceeds from the sale were transferred into a cash fund, the LGIM Sterling Liquidity Fund, which was completed in January 2023.

### Scheme Governance

Governance arrangements, in terms of the constitution of the trustee board, service level agreements with providers, processing of core financial transactions, costs and charges and investment arrangements, are detailed in the Trustee's Chair's Statement.

The Trustee is responsible for making investment decisions, and seeks advice from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustee's investment consultant.

The Trustee does not actively obtain views of the membership of the Plan to help form its policies set out in the SIP.

The Trustee reviewed the objectives put in place for Broadstone in December 2022. The Trustee is due to formally review these objectives by December 2025, or earlier.

### Trustee Policies

The table below sets out how, and the extent to which, the relevant policies in the Plan's SIP have been followed:

There were also no changes to the investment management agreements with the investment managers during the year.

Requirement	Policy	Implementation of Policy
<b>Financially and Non-Financially Material Considerations</b>	<p>The Trustee believes that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustee expects its Investment Managers to exercise its ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustee (delegating to the Investment Consultant where appropriate) assesses the stewardship and engagement activity of its investment managers.</p> <p>Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustee expects its Investment Managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.</p>	No deviation from this policy over the year to 31 March 2023

Requirement	Policy	Implementation of Policy
<b>Voting Rights and Engagement</b>	The Trustee believes that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustee expects its Investment Managers to exercise its ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustee (delegating to the Investment Consultant where appropriate) assesses the stewardship and engagement activity of its investment managers.	No deviation from this policy over the year to 31 March 2023
<b>Additional Voluntary Contributions (AVCs)</b>	The Scheme holds funds accumulated in respect of AVCs separately from the assets backing defined benefits using a policy provided by Aviva.	No deviation from this policy over the year to 31 March 2023

### Trustee Knowledge and Understanding

The Trustee has the appropriate knowledge and understanding to ensure its policies on financially and non-financially material considerations, as well as engagement and voting activities, are and remain appropriate for the Plan. The Trustee has developed its knowledge and understanding over the year, and further details are set out in the Chair's Statement.

The Trustee's policies on financially and non-financially material considerations, as well as engagement and voting activities were not updated in the SIP in force during the year.

There were no departures from the policies set out in the SIP, including the Trustee's policies on financially and non-financially material considerations, during the year.

### Financially and non-financially material ESG considerations

The Trustee notes that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustee is satisfied that the funds currently invested in by the Plan are managed in accordance with their views on financially material considerations, as set out below, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

This position is monitored periodically. As part of the monitoring process, the Trustee has access to updates on governance and engagement activities by the investment managers and input from its investment advisors on ESG matters. These views are also taken into account when appointing and reviewing investment managers.

The Trustee acknowledges that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment managers given they are investing in pooled funds.

A summary of the Trustee's views for each asset class in which the Plan invests is outlined below.

Asset Class	Actively or Passively Managed?	Comments
<b>Diversified growth funds</b>	Active	The Trustee expect the investment manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustee also expects its investment manager, to engage with the underlying investee companies, where possible, although it appreciates that fixed income assets within the portfolio do not typically attract voting rights.
<b>Multi-asset credit</b>	Active	The Trustee expects the investment manager to take financially material ESG factors into account, given the active management style of the funds and the ability of the manager to use their discretion to generate higher risk adjusted returns. The Trustee also expects the investment manager, to engage with the underlying investee companies, where possible, although it appreciates that fixed income assets within the funds do not typically attract voting rights.
<b>Property</b>	Active	The Trustee believes 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 Trustee expects 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.
<b>Liability driven investment</b>	Active	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustee believes 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.
<b>Cash</b>	Active	The Trustee believes 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.

## Voting rights and engagement activities

The Trustee currently invests in pooled investment funds with the investment managers, and they acknowledge that this limits their ability to directly influence each investment manager. In particular, all voting activities have been delegated to the investment managers, as the Trustee does not have any administrative mechanism to vote on the underlying holdings, given the pooled nature of the Plan's investments.

Within the current investment arrangements, the Baillie Gifford Multi Asset Growth Fund contained publicly listed equity holdings. This fund has voting rights attaching these underlying equities, and the Trustee delegates these voting rights to Baillie Gifford, where Baillie Gifford sets its own voting policy. A summary of the votes made by Baillie Gifford from 1 April 2022 to 31 March 2023 on behalf of the Trustee is provided in the table overleaf.

Manager	Fund	Third Party Proxy Policy Used	Resolutions Voted On	Resolutions Voted:		
				For	Against	Abstained
<b>Aviva*</b>	n/a	No – in house but cast votes using ISS	73,438	73%	27%	-
<b>Baillie Gifford</b>	Multi Asset Growth Fund	No – in house but cast votes using ISS/Glass Lewis	859	95%	4%	1%
<b>BlackRock**</b>	n/a	No – in house but cast votes using ISS	172,592	87%	11%	2%
<b>LGIM</b>	Matching Core Funds	N/A – Only invests in LDI	-	-	-	-
<b>Ninety One</b>	Global Income Opportunities Fund	No – in house but cast votes using ISS	230	98%	2%***	n/a
<b>TwentyFour</b>	Strategic Income Fund	N/A – only invests in bonds	-	-	-	-

\*Voting data is provided at the company level, rather than being scheme or fund specific. The Trustee will work with their investment managers to obtain this information in future years. \*\*Voting data is provided for the year ended 30 June 2022, at the company level. \*\*\*Includes abstentions.

All the Plan's assets are invested in pooled funds. Information regarding proxy voting is detailed below:

- Baillie Gifford do rely on the voting recommendations of a proxy-voting service and voting decisions are made in-house

The Trustee has requested details of the significant votes made on behalf of the Trustee by Baillie Gifford. In determining significant votes, Baillie Gifford's ESG team conducts in-house analysis to determine 'significant votes'. Criteria includes but is not limited to:

- Baillie Gifford's holding had a material impact on the outcome of the meeting
- The resolution received 20% or more opposition and Baillie Gifford opposed
- Egregious remuneration
- Controversial equity issuance

## Significant votes

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

SIGNIFICANT VOTE 1	
Investment Manager	Baillie Gifford
Company	LYFT, INC.
Date	16 June 2022
% of portfolio invested in firm	0.04% of the Baillie Gifford Multi Asset Growth Fund at date of vote
Resolution	Shareholder Resolution - Social
Why significant	<i>This resolution is significant because it was submitted by shareholders and received greater than 20% support.</i>
How voted	<b>VOTED FOR</b>
Manager Comments	In response to the high level of support last year, Lyft has updated its policy on lobbying to add information on board oversight, management governance and a brief trade association policy but it does not meet the oversight and disclosure standard set out by the proponents since it does not provide any information on lobbying expenditures, a list of all trade association memberships and dues or lobbying expenditures made by those associations using Lyft funds. Therefore, we believe Lyft can go further with disclosures.
Vote outcome	The resolution did not pass.

SIGNIFICANT VOTE 2	
Investment Manager	Baillie Gifford
Company	ROYAL CARIBBEAN CRUISES LTD.
Date	2 June 2022
% of portfolio invested in firm	0.07% of the Baillie Gifford Multi Asset Growth Fund at date of vote
Resolution	Appoint/Pay Auditors
Why significant	<i>The existing auditor has been in place since 1989, and Baillie Gifford had previously raised this excessive tenure with the company. As no change in auditor has taken place, Baillie Gifford chose to oppose.</i>
How voted	<b>VOTED AGAINST</b>
Manager Comments	We opposed the appointment of the external auditor due to concerns with the length of tenure.
Vote outcome	The proposal was carried by the majority of shareholders.

## Engagement activities

The Trustee has also delegated engagement activities to the investment Managers. The notable engagement activities of the investment managers are provided below:

- **Aviva** engaged with multinational consumer goods company Unilever to discuss the amount of plastic being produced for consumer, packaged goods and to encourage Unilever to use its market-leading position to reduce their own plastic output and encourage other companies to follow suit. Following this, Unilever committed to reducing the amount of plastic that they use by 50 percent and, by 2025, to ensuring that 100 percent of the plastic still in use by Unilever is recyclable, reusable or compostable.
- **Baillie Gifford** engaged with biotechnology company Genus to discuss the company's decarbonisation strategy. Given the material emissions of the global farming industry and the associated risk that this poses to the company, Baillie Gifford encouraged the company to invest in decarbonisation initiatives. When speaking to the company again in September 2022, Genus advised that it had partnered with a satellite monitoring company to track GHG emissions from their nucleus farms, and were piloting other decarbonisation projects.
- **BlackRock** engaged with many palm oil producers to further understand the risks and potential problems facing the industry. In particular, BlackRock sought to encourage these companies to provide more comprehensive disclosures surrounding governance and social factors, amid large amounts of negative media attention directed at companies for the poor management of labour issues and community relations, which BlackRock poses a material financial risk to investors. BlackRock also engaged with these companies to provide their expertise in aid of a move to more sustainable production practices. The palm oil industry has yet to move to more responsible production of its output, despite increasing demand from customers for sustainably produced palm oil, particularly in the West.
- **LGIM** in collaboration with ShareAction, engaged with Sainsbury's in relation to scrutiny over its decision to pay a real living wage to all employees, except those in outer London. LGIM joined ShareAction in filing a shareholder resolution asking the company to become a living wage accredited employer. Since filing the shareholder resolution, Sainsbury's has made three further pay increases to its directly employed workers, harmonising inner and outer London pay and is now paying the real living wage to its employees, as well as extending free food to workers well into 2023.
- **NinetyOne** engaged with Samsung Electronics ("Samsung") to discuss why, at the time, Samsung did not have a net-zero commitment or strategy. NinetyOne wrote a letter to the Samsung Board outlining 10 recommendations for improvement of Samsung's sustainability strategy. Following this engagement, Samsung published its new environmental strategy, which included targets for Scope 1 and 2 emissions, along with a commitment to a 2050 net-zero target.

The Trustee is comfortable with the investment managers' approach for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.



Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall 'score' which represents how well ESG metrics are incorporated into managers' investment processes. Investment managers will submit a transparency report on their processes across different categories which is then assessed by the UNPRI and graded in a formal report. Scores are presented in performance bands ranging from 1 to 5 stars. The latest UNPRI scores of the investment managers are outlined in the table below.

Manager	UNPRI Score
Aviva	★★★★★
BlackRock	★★★★☆
Baillie Gifford	★★★★☆
LGIM	★★★★★
Ninety One	★★★★☆
Threadneedle	★★★★☆
TwentyFour	n/a

The Trustee also considers the investment managers' policies on stewardship and engagement when selecting and reviewing investment managers.

### Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with investment managers (as detailed above), the Trustee receives performance reports from Mobius Life on a quarterly basis to ensure the investment objectives set out in its SIP are being met.

**Signed: GILES PAYNE**

**Date: 30 September 2023**

**On behalf of the Trustee of The General Dental Council 1970 Pension and Life Assurance Plan**