

DSV UK Group Pension Scheme

Implementation Statement



cardano

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Introduction

This implementation statement (“Statement”) is produced alongside the Trustee Report and Accounts and is required by pensions regulations¹. The DSV Pension Trustees Limited (the “Trustee”) has prepared this Statement to provide stakeholders with a transparent and accurate review of how it has acted in line with the stewardship policies, including engagement and voting, set out in the Statement of Investment Principles (the “SIP”) for The DSV UK Group Pension Scheme (the “Scheme”) during the accounting year.

This Statement includes details of:

- Compliance against the stewardship and voting policies;
- Any changes made to the stewardship and voting policies (“Stewardship Policy”) during the year; and
- Specifically, how the Scheme’s investment managers voted and engaged on our behalf.

This statement has been prepared by the Trustee to cover the period 31 December 2023 to 31 December 2024. Both the GIL and Group Sections of the Scheme transferred to Fiduciary Management under Cardano in Q4 of 2024. The approaches and policies in this statement relate to the strategies the Scheme transitioned to and will be operating going forward. However, for completeness, the data provided relates to the funds held by both Sections of the Scheme over the full period, including those held with previous managers prior to the transition.

The Statement is publicly available at <https://www.dsvpensions.co.uk/resources/>

Executive summary

The day to day management of the Scheme’s assets is delegated to Cardano Risk Management Limited (the “Fiduciary Manager”). In advance of the appointment, the Trustee took steps to ensure that the management of the Scheme’s assets and the Fiduciary Manager’s policies were aligned with the Trustee’s own policies. The Trustee continues to monitor the Fiduciary Manager, as part of its regular interactions with them.

The Trustee monitors the voting and engagement activity of the Scheme’s investment managers, and, through the Fiduciary Manager, challenges their decisions. Effort is focused on those investment managers where voting and engagement is material. The policies of those investment managers are summarised in this Statement, along with examples of the type of activity which took place during the period covered. Some of the investment managers use investment approaches where stewardship is less likely to be relevant or significant. The Trustee is comfortable that the Fiduciary Manager has an appropriate approach to assess the stewardship and voting policies for all investment managers and receives a summary of the Fiduciary Manager’s overall assessments once a quarter.

¹ The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended)

1. Our Stewardship Policy

1.1. What is Stewardship?

“Stewardship” is the responsible allocation, management and oversight of capital to create long-term value, which should also lead to sustainable benefits for the economy, the environment and society. In practice, stewardship is effected through exercising the right to vote on shares owned and engaging with the management of companies or properties in which we have a stake.

1.2. What is our Stewardship Policy?

The Stewardship Policy in force during the financial year was:

“The Trustee’s policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Fiduciary Manager encourages the Scheme’s investment managers to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council.

Where relevant, the Trustee prefers its investment managers to have an explicit strategy, outlining the circumstances in which they will engage with a company (or issuer of debt or stakeholder) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance matters) and how they will measure the effectiveness of this strategy.

The Fiduciary Manager is responsible for engaging with investment managers regarding those investment managers’ voting records and level of engagement with the underlying investments, where this is expected to have meaningful impact (and the Trustee monitors the Fiduciary Manager’s activity in this regard).”

1.3. How have we implemented our Stewardship Policy?

Fund structuring

The Trustee holds investments primarily on an indirect basis through pooled funds. The reason for this approach is that:

- It provides a broader range of investment opportunities, which helps to improve the diversification of investments, which in turn helps to manage risk;
- Fixed costs are shared amongst other investors, thereby reducing overall costs; and
- It simplifies the implementation process as existing funds can be used with standard terms and agreements, reducing the overall governance burden both on the Trustee and the Sponsor.

Where investments are made in pooled funds the Trustee follows the voting and engagement policies of the investment managers of the pooled funds. However, the Trustee remains responsible for ensuring that the investment managers act consistently with the Trustee’s Stewardship Policy. The Trustee achieves this by ensuring that the Fiduciary Manager’s beliefs and policies on engagement, manager selection and manager monitoring are aligned with the Stewardship Policy.

External engagements

The Trustee assesses that the Fiduciary Manager has been aligned with our Stewardship Policy throughout the year. For example, the Fiduciary Manager has been a signatory to the UN Principles for Responsible Investment since 2011 and they are a signatory to the UK Stewardship Code 2020.

In addition, the Fiduciary Manager is a member of a range of sustainable investment organisations, some examples of which are noted below.



Engagement beliefs

The development of engagement beliefs is an important Trustee responsibility. The day-to-day implementation of the beliefs has been delegated to the Fiduciary Manager, having concluded that the Fiduciary Manager's core beliefs are consistent with the Trustee's.

The beliefs driving the Fiduciary Manager's approach to engagement are as follows:

Quality over quantity

The Fiduciary Manager is interested in a few meaningful quality engagements with strong reporting (rather than being interested in the quantity of votes). They want managers to prioritise the highest sustainability impacts in their portfolios

Long-term

The Fiduciary Manager encourages underlying managers to form long-term relationships with companies. Successful stewardship can take many months, maybe even years

Real world impact

The Fiduciary Manager is interested in engagement on topics that contribute to positive real-world sustainability impact (such as, reduction in absolute carbon emissions)

Transparency

Some engagement, perhaps even most engagement, will be unsuccessful. The Fiduciary Manager is realistic, and they prefer transparency from managers

Collaboration

Engagement is more efficient when managers collaborate – not just for the managers, but for the companies too (who will field fewer, but higher conviction, engagements from their investors). The Fiduciary Manager encourages underlying managers to participate in collaborative initiatives, such as Climate Action 100+

Innovation

The Fiduciary Manager welcomes innovation, for example, third-party tools to assess a company's conviction on sustainability topics

Integrated

The Fiduciary Manager is interested in how (if at all) stewardship contributes to the investment thesis and whether managers link their stewardship to other engagement activity (for example, policy engagement)

Engagement priorities

The Trustee has identified three stewardship priorities for manager engagement in order to improve alignment against our policies and beliefs as well as enhance disclosure. These priorities are linked to the UN Sustainable Development Goals and aim to improve sustainability within the portfolio and have a direct real-world impact to our members' current and future landscape. The Trustee's three stewardship priorities are:

- **Climate Crisis** (with a focus on climate change and net zero greenhouse gas emissions)
- **Environmental Impact** (with a focus on biodiversity, deforestation and water)
- **Human Rights** (with a focus on living wages, gender equality and health & nutrition)

The Trustee expects the investment managers to incorporate these themes into their future voting practices and the Fiduciary Manager monitors manager disclosures to ensure alignment against our priorities.

Manager selection and monitoring

When selecting investment managers, the Fiduciary Manager scrutinises the stewardship, voting and engagement policies. Activities of investment managers are assessed before the initial investment to ensure they align with the Trustee's Stewardship Policy. The Fiduciary Manager monitors the investment managers on an ongoing basis, ensuring their activities align with the Stewardship Policy and engaging with the investment managers to help them improve their stewardship approach.

The Fiduciary Manager closely monitors investment managers who do not meet the stewardship standards and actively works with them to improve their policies, processes and reporting.

The Trustee monitors the voting and engagement activity of our investment managers and challenges their activity through the Fiduciary Manager. Managers are categorised according to how material voting and engagement is in their mandate. The Fiduciary Manager focuses its efforts on any managers where voting and engagement is material.

Compliance statement

To the best of our knowledge, the Trustee has complied with the Stewardship Policy over the year.

2. Voting Activity

The Shareholder Rights Directive (SRD II) and the UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers engaging with the companies in which they invest. They stress the importance of exercising shareholder voting rights effectively. Voting only applies to equities held by the Scheme and given the use of pooled funds, there is limited scope for the Trustee to directly influence voting. Voting is carried out by the investment managers on behalf of the Trustee.

2.1. How did the managers vote?

The tables below provide a summary of the voting activity undertaken by the managers during the year.

Note: the managers included denote those where voting and engagement are seen as material aspects of their investment process, rather than necessarily those investments the Scheme has the largest exposure to. In addition, not all managers in this category will always have voting opportunities in any given year. Although all investment managers that the Scheme invests with, directly or indirectly, are subject to the Trustee's Stewardship Policy and monitored accordingly, some managers are not subject to engagement / stewardship disclosure obligations. In some cases, aspects of a manager's voting activity may not be included in this document; where we have concerns that public disclosure would be detrimental to the success of the investment strategy of the Scheme.

DSV Group Section

LGIM World (ex UK) Equity Index Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	2,795
Number of resolutions the manager was eligible to vote on over the year	33,453
% of eligible resolutions the manager voted on	99.69%
% of votes with management	78.09%
% of votes against management	21.61%
% of resolutions the manager abstained from	0.30%

Data relates to full 31 December 2023 – 31 December 2024 period

LGIM UK Equity Index Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	722
Number of resolutions the manager was eligible to vote on over the year	10,188
% of eligible resolutions the manager voted on	100.00%
% of votes with management	93.96%
% of votes against management	6.01%
% of resolutions the manager abstained from	0.03%

Data relates to full 31 December 2023 – 31 December 2024 period

DSV GIL Section

Russell Investments M/A STR STERL A GBP Mutual Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	904
Number of resolutions the manager was eligible to vote on over the year	13,585
% of eligible resolutions the manager voted on	95%
% of votes with management	93%
% of votes against management	7%
% of resolutions the manager abstained from	<1%

Data relates to full 31 December 2023 – 31 December 2024 period

Russell Investments M/A STR EUR Mutual Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	913
Number of resolutions the manager was eligible to vote on over the year	13,622
% of eligible resolutions the manager voted on	95%
% of votes with management	93%
% of votes against management	7%
% of resolutions the manager abstained from	<1%

Data relates to full 31 December 2023 – 31 December 2024 period

DSV Group Section and DSV GIL Section

Cardano Global ESG Transition Equity Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	1,955
Number of resolutions the manager was eligible to vote on over the year	25,878
% of eligible resolutions the manager voted on	99.74%*
% of votes with management	74.34%*
% of votes against management	23.40%*
% of resolutions the manager abstained from	0.87%*
% of resolutions linked to theme of Climate Crisis	0.31%
% of resolutions linked to theme of Environmental Impact	0.13%
% of resolutions linked to theme of Human Rights	0.45%

Data relates to full 31 December 2023 – 31 December 2024 period

*Numbers may not sum due to rounding

2.2. Use of proxy voting services

Proxy voting services are specialist firms that provide an outsourced voting service. Some investment managers choose to use these services (rather than vote themselves) if, for example: the investment manager lacks the resource to research each vote and submit votes; or, the investment manager wants to follow a recognised code of practice and the proxy voting service is an effective way to implement this

Using a proxy voting service does not necessarily mean that voting is done poorly. In fact, many professional proxy voting services are able to devote significant resource to researching AGM motions and are able to follow best practice guides like the Financial Reporting Council's (FRC) Stewardship Code.

The Trustee recognises that by having a suitable Stewardship Policy in place and using the Fiduciary Manager to monitor voting activity, investment managers can create more engagement over time; particularly in the case of smaller, more boutique managers with less in-house expertise and resource.

The table below outlines the use of proxy voting services by the Scheme's investment managers where voting is deemed to be of material importance.

Manager	Use of proxy voting service
LGIM	ISS 'ProxyExchange'
Russell Investments	Glass Lewis
Cardano	Glass Lewis

2.3. Examples of significant votes

When collating voting statistics, we asked managers to provide examples of significant votes cast. The tables provides a sample of responses received from the managers.

DSV Group Section

LGIM – World (ex UK) Equity Index Fund

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
The Boeing Company	17/05/2024	Resolution 6: Report on Median Gender/Racial Pay Gap	For	Shareholder Resolution - Inequality - Gender Pay Gap transparency: A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. Outcome: Fail

LGIM – UK Equity Index Fund

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome (in Manager words)
Shell PLC	01/05/2024	Resolution 22: Approve the Shell Energy Transition Strategy	Against	<p>Climate change: A vote against is applied. We acknowledge the substantive progress the company has made in respect of climate related disclosure over recent years, and we view positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025. Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and LNG business this decade, we expect the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. In essence, we seek more clarity regarding the expected lifespan of the assets Shell is looking to further develop, the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation. Additionally, we would benefit from further transparency regarding lobbying activities in regions where hydrocarbon production is expected to play a significant role, guidance on capex allocated to low carbon beyond 2025 and the application of responsible divestment principles involved in asset sales, given portfolio changes form a material lever in Shells decarbonization strategy.</p> <p>Outcome: Pass</p>

DSV GIL Section

Russell Investments M/A STR STERL A GBP Mutual Fund

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Woodside Energy Group Ltd	24/04/2024	Approval of Climate Transition Action Plan and 2023 Progress Report	Against, Against Management	Section I.1 Say-on-Climate proposals will be referred for a case-by-case vote. Outcome: Rejected

Russell Investments M/A STR EUR Mutual Fund

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Amazon Inc	22/05/2024	Shareholder Proposal Regarding Report on Working Conditions	For, Against Management	Section I.2.I. Shareholder Proposal related to Environment and Social issues will be referred for a case-by-case vote. Outcome: Rejected

DSV Group Section and DSV GIL Section

Cardano

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome	Engagement Priority
Australia and New Zealand Banking Group	19/12/2024	Shareholder Proposal Regarding Transition Plan Assessments	For, Against Management. Intent to vote against management not communicated to company ahead of the vote	Within its Climate strategy, Cardano focuses not only on high emitting sectors but also considers the banking sector's role in financing the transition, asking banks to phase out the financing of polluting activities and to foster increased investment in low-carbon alternatives. This is also applied to our voting activities, where we support shareholder resolutions asking banks and financial institutions to improve disclosure on financing policies relating to the transition and alignment with the 1.5 C Paris Agreement goal. In the case of Australia & New Zealand Banking Group Ltd., we see its disclosures on the topic as insufficient and therefore supported this shareholder resolution. Outcome: 30% of shareholders supported the resolution	Climate Crisis

3. Engagement Activity

Engagement is considered to be purposeful dialogue with a specific and targeted objective to achieve positive change in the interests of beneficiaries, thereby a key action required for delivering good stewardship. The Fiduciary Manager is passionate about active engagement, as opposed to divestment or exclusions practices, in order create positive real-world change. Through engagement, asset managers can build relationships with the companies in which they invest, helping to steward companies on a range of topics, including sustainability.

The tables below provide examples of engagement activity of the Scheme’s investment managers where engagement should be a material activity in the management of the assets.

Cardano

Key points	Engagement activity
Engagement Theme: Climate Crisis	Cardano is engaging with a company in the chemical sector, in relation to their decarbonisation efforts, with other investors in a coalition led by ShareAction.
Industry: Chemical Sector	The company is one of the companies Cardano engaged with where progress has been lagging, particularly on setting a comprehensive scope 3 target.
Outcome: Following the shareholder resolution, a dialogue was held with the company CEO, and the Norwegian government was engaged on the company’s scope 3 emissions as the Norwegian government holds a significant share of the company. Cardano continue to actively engage the company in the ShareAction-led coalition and consider further escalation.	Cardano alongside other investors, therefore decided to escalate the engagement through a multifold strategy, including filing a shareholder resolution asking the company to set a scope 3 target. As a co-filer, we supported the resolution.

Barings

Key points	Engagement activity
<p>Engagement Theme: Climate Crisis</p> <p>Industry: Maritime</p> <p>Outcome: Company is planning to incorporate an environmental strategy with KPIs on issues raised through engagement in their 2024 sustainability report</p>	<p>Barings holds an investment in a global tugboats business with a large fleet operating from a network of ports. Due diligence on the issuer by their investment analyst highlighted areas of potential improvement on environmental topics. Environmental standards are expected to become increasingly important for port tender renewals requiring a leading environmental profile to reduce operational and financial risk. Barings undertook an engagement with the CEO and CFO at a conference event regarding emissions reduction. It requested that (i) the company continues to work with port authorities to install electric charging points across the port network to reduce idling emissions (ii) the company explores options for use of lower emissions fuels types on new vessels and its existing fleet. This is viewed as a multi-year engagement request with regular semi-annual interactions with senior management expected .</p>

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