

BDO Pension Scheme

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 December 2021 for the DB sections of the Scheme, and July 2020 for the DC section of the Scheme 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.

This Statement covers the period 1 July 2022 to 30 June 2023.

Investment Objectives of the Scheme

Funding Objective

The primary funding objective of the DB section of the Scheme is to ensure, as far as possible, that there are sufficient assets to provide benefits to the Scheme members as and when these fall due.

Investment Objectives

The Trustee's high level objectives with regard to investing the DB Section's 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.

The Trustee's objectives with regard to investing the DC Section's assets are to adopt a relatively risk-averse approach but recognise the need to balance aversion to risk with the achievement of a satisfactory investment return.

The Trustee has taken into consideration that:

- Members' benefits are maximised by achieving maximum investment returns
- Individual Member's financial profiles and attitudes to risk may vary

Review of the SIP

The Trustee reviewed the Statement of Investment Principles (SIP) for the DB Section in December 2021, to incorporate the new de-risking policy and reflect the revised asset allocation.

The Trustee previously reviewed the SIPs for both the DB and DC Sections in July 2020, for new investment regulations in relation to Environmental, Social & Governance (ESG) 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 in this Statement and are detailed in the Trustee's SIP.

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

Review of the Investment Strategy

An investment strategy review was conducted for the DB Section of the Scheme during September 2022, and the revised investment strategy was implemented in the final quarter of 2022.

Following the March 2023 Trustee meeting, another strategy review was carried out to rebalance the Scheme's assets. It was recommended that the allocation to the two diversified growth funds and the multi asset credit fund be rebalanced (to 10.0% of total assets). It also included reducing the total allocation to private market and diversified alternatives funds to 10.0% of total assets, and switching the Cohen & Steers Diversified Real Assets Fund from the GBP unhedged share class into the GBP hedged share class. Additionally, the allocation to investment grade corporate bonds was marginally reduced from 57.5% to 51.6%, and M&G All Stocks Corporate Bond Fund was switched from accumulation to income-distributing units. Lastly, the investment strategy review also proposed rebalancing the Scheme's interest rate hedging target back to 80% and inflation hedging target to 100%. Implementation of these changes was completed in May 2023.

There were no changes made to the DC Section over the year to 30 June 2023.

Investment Managers and Funds in Use

The investment funds used for both the DB Section and DC Section as at 30 June 2023 are set out in the tables below:

DB Section

Asset Class	Fund	Asset Allocation
Diversified growth funds & Multi asset credit	Insight Broad Opportunities Fund	9.6%
	LGIM Retirement Income Multi asset Fund	
	TwentyFour Strategic Income Fund	

Property	Threadneedle Pension Property Fund	5.4%
Private markets and Diversified alternatives	Partners Group Generations Fund C&S Diversified Real Assets – GBP Hedged	10.0%
Corporate bonds	M&G All Stocks Corporate Bond Fund	51.6%
Liability driven investment	LGIM Matching Core Fixed Short Fund	8.3%
Government bonds	LGIM Over 15 Year Gilts Index Fund LGIM Over 15 Year Index-Linked Gilts Index Fund	15.1%
Total		100.0%

DC Section

Asset Class	Manager	Fund
Global equities	HSBC	Islamic Global Equity Index Fund
	LGIM	World (ex UK) Equity Index Fund
	LGIM	UK Equity Index Fund
	LGIM	Ethical UK Equity Index Fund
Emerging market equity	LGIM	World Emerging Market Equity Index Fund
Diversified growth funds	LGIM	Multi Asset Fund
	BNY Mellon	Newton Real Return Fund
	Invesco	Global Targeted Returns Fund
Property	LGIM	Managed Property Fund
Absolute return bonds	BNY Mellon	Global Dynamic Bond Fund
Corporate bonds	LGIM	Future World Annuity Aware Fund
	BlackRock	Aquila Connect Corporate Bond All Stocks Fund
Government bonds	LGIM	All Stocks Gilt Index Fund
	LGIM	All Stocks Index-Linked Gilt index Fund
Cash	BlackRock	DC Cash Fund

The DC Section closed in 2011 and the Trustee has not historically used a default fund as the Scheme has not been used for auto-enrolment qualifying purposes. Under the current strategy members are free to choose from a pre-selected list of funds from the Mobius Life platform, which the Trustee has a fiduciary duty to monitor to ensure they perform as expected and represent good value for members' money. The Trustee understands the switch to the Investment Platform may have created a de facto default fund, the Invesco Perpetual Global Targeted Returns Fund at that time, which has subsequently been replaced with the Bank of New York (BNY) Mellon Real Return Fund.

Investment Governance

DB Section

The Trustee is responsible for making investment decisions and seek advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustee's Investment Consultant.

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

DC Section

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 Annual Governance Statement.

There were no changes made to the objectives put in place for Broadstone which were formally reviewed by the Trustee in December 2022.

Trustee Knowledge and Understanding

DC Section

The Trustee Board 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 Scheme. The Trustee has developed its knowledge and understanding over the year, and further details are set out in the Annual Governance Statement.

Trustee Policies

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

Requirement	Policy	Implementation of Policy
Financially and Non-Financially Material Considerations	<p>The Trustee believes that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustee expects its Investment Managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustee assesses the ESG integration capability 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 30 June 2023
Voting Rights and Engagement	The Trustee expects its Investment Managers to exercise ownership rights attracted to investments as well as voting and engagement rights at annual and extraordinary general meetings of companies. The Trustee has seen the voting and engagement policies of each of the Investment Managers and believes that they are compatible with its own policy. The Trustee expects the Investment Manager to report to it on the implementation of, and any changes to, their policies on voting and engagement.	No deviation from this policy over the year to 30 June 2023.

Delegation to Investment Managers	The Trustee has a policy of delegating all day-to-day powers of investment to the Investment Managers who are authorised and regulated by the Financial Conduct Authority. The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.	No deviation from this policy over the year to 30 June 2023.
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Financially and Non-Financially Material 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 DB section and DC section of the Scheme are managed in accordance with its 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 it is delegating the consideration of financially material factors in relation to determining the underlying holdings to their Investment Managers.

The Trustee invests across a range of asset classes and styles. The Trustee expects the Investment Managers to take into account ESG considerations by engaging with the underlying companies and where relevant, by exercising voting rights on these companies.

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

Asset Class	Actively or Passively Managed?	Comments
Global equities	Passive	The Trustee acknowledges that the investment manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if it has concerns relating to ESG. The Trustee does expect the Investment Manager to take into account ESG considerations by engaging with companies that form the index, and by exercising voting rights on these companies.
Diversified growth funds, Multi asset credit and Absolute return bonds	Active	The Trustee expects 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.

Corporate bonds	Passive	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 and the need for the investment manager to invest in line with specified indices. The Trustee does expect its Investment Managers to engage with investee companies where possible, although it appreciates that fixed income assets do not typically attract voting rights.
Property	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.
Private markets and Diversified alternatives	Active	The Trustee expects 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. Given the nature of the investments held in this asset class, the Trustee expects the Investment Manager to use its position of controlling interest to apply ESG considerations to the underlying investments.
Liability driven investment (LDI)	Passive	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.
Government bonds	Passive	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.
Cash	Passive	The Trustee believes there is limited scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the investment.

Voting Rights and Engagement Activities

The Trustee currently invests in pooled investment funds with the Investment Managers, and they acknowledge that this limits its 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 Scheme's investments.

However, the Trustee periodically meets with its Investment Managers, 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 Trustee. As part of this, the Trustee will seek to challenge its Investment Managers on these matters where they think this is in the best interests of members.

Within the current investment arrangements across both the DB and DC sections, the Insight Broad Opportunities Fund, Cohen & Steers Diversified Real Assets Fund, LGIM Retirement Income Multi Asset Fund, LGIM World (ex UK) Equity Index Fund, LGIM UK Equity Index

Fund, LGIM Ethical UK Equity Index Fund, LGIM Multi Asset Fund, and BNY Mellon Real Return Fund all contain equity holdings, and therefore have voting rights attached to the underlying equities.

The Trustee has delegated voting rights and engagement activities to the relevant Investment Managers, and Investment Managers report to the Trustee on how they have voted on behalf of the Trustee for the underlying holdings.

A summary of the votes made by the Investment Managers on behalf of the Trustee (where the investment owns equities) is provided in the table below from 1 July 2022 to 30 June 2023, and based on the latest information available from each Investment Manager:

Manager	Fund	Resolutions voted on	Total Resolutions Voted:		
			For	Against	Abstained
Insight	Broad Opportunities Fund	150	100%	0%	0%
Cohen & Steers	Diversified Real Assets	2,891	92%	8%	0%
LGIM	Retirement Income Multi-Asset Fund	103,062	78%	22%	0%
LGIM	World (ex UK) Equity Index Fund	34,005	78%	22%	0%
LGIM	UK Equity Index Fund	10,503	94%	6%	0%
LGIM	Ethical UK Equity Index Fund	4,613	94%	6%	0%
LGIM	Multi Asset Fund	93,748	77%	23%	0%
BNY Mellon	Real Return Fund	1,112	92%	8%	0%

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

- **Insight** utilise Minerva Analytics (Minerva) for proxy voting services.
- **Cohen & Steers** utilise the services of ISS to assist in monitoring voting rights, voting proxies, and conducting related research. The portfolio managers and research analysts may also review research reports provided by other vendors, but ultimately, all votes are cast in accordance with their own proxy voting guidelines.
- **LGIM** utilise ISS's 'ProxyExchange' voting platform for proxy voting services.
- **BNY Mellon** utilise ISS for the purposes of managing upcoming meetings and instructing voting decisions and for providing research. However, they apply their own voting guidelines. It is only in the event of a potential material conflict of interest that the recommendation of the external voting service provider is applied.

Significant Votes

The Trustee has requested details of the significant votes made on behalf of the Trustee by the Investment Managers. In determining significant votes, the Investment Managers will take into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has 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 annual Stakeholder roundtable events, or where the Investment Managers note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;

The Trustee believes the following represent significant votes recently undertaken on its behalf:

SIGNIFICANT VOTE 1 – Cohen & Steers	
Company	Name anonymised by Cohen & Steers
Date*	25 May 2022
% of portfolio invested in firm	c.1.1% of Cohen & Steers Diversified Real Assets Fund
Resolution	Advisory vote to ratify named executive officers' compensation
Why significant	We voted in accordance with our voting and engagement policies to promote better practices which we believe is important in acquiring greater value for the issuer.
How voted	VOTED AGAINST MANAGEMENT
Manager Comments	<i>Voted against the proposal because of the misalignment between pay and performance for the year under review, with no sufficient mitigating factors identified. Furthermore, the company's inadequate disclosure practices limit transparency into the pay-for-performance alignment of the program.</i>
Vote outcome	Proposal was approved: for (73%), against (27%)

*Significant votes data for Cohen & Steers is compiled on an annual basis, consequently, it is not available as of the time of this report

SIGNIFICANT VOTE 2 – LGIM	
Company	Swiss Prime Site AG
Date	21 March 2023
% of portfolio invested in firm	c. 0.05% of LGIM Retirement Income Multi-Asset Fund
Resolution	Re-elect Ton Buechner as Board Chair
Why significant	Thematic - Climate: LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.
How voted	VOTED AGAINST MANGEMENT
Manager Comments	<i>Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.</i>
Vote outcome	The vote outcome was not made available by LGIM.

SIGNIFICANT VOTE 3 – BNY Mellon	
Company	Unilever Plc
Date	3 May 2023
% of portfolio invested in firm	c. 1.0% of BNY Mellon Real Return Fund
Resolution	Approve Remuneration Report

Why significant	The failed vote outcome owing to significant shareholder dissent merits this vote as significant.
How voted	VOTED AGAINST MANAGEMENT
Manager Comments	<i>We voted against executive pay arrangements owing to significant pay increases granted to executive(s) and the absence of a compelling rationale for this.</i>
Vote outcome	58% AGAINST

Insight's voting policy and governance framework exists where an independent board acts on behalf of all shareholders. Therefore, this generally limits contentious issues that can arise with other listed entities. As a result, examples of significant votes cast that may be comparable to other listed entities are not applicable to the strategy's exposures.

Engagement Activities

The notable engagement activities of the Investment Managers over the last 12 months is provided below:

- **Insight** engaged with The Mercedes Benz Group (MBG) as it accounts for a large proportion of Insight's financed emissions, which are being assessed as part of Insight's net zero target. Insight discussed MBG's transition plan, Ambition 2039, that aims to make its entire fleet of new vehicles net carbon neutral over a vehicle's entire life cycle by 2039 and its aim to at least halve CO2 emissions per passenger car over the lifecycle. MBG revealed it is iteratively evolving its disclosures and trying to determine the extent to which it can provide transparency. MBG's Ambition 2039 is a strong strategy with robust targets; however, controversies have the potential to negatively impact MBG's ESG scores, particularly its indirect exposure to forced labour controversies. Although MBG has a strong strategy, its reporting is poor and lacks clarity in demonstrating progress in elements of the strategy beyond GHG emissions. Insight recommended that MBG provide clearer disclosures, including scenario analysis and details upon supply chain risk management in high-risk regions. Insight will continue to closely monitor MBG.
- **Cohen & Steers** engaged with the boards of many investee companies to discuss executive remuneration, and to promote better practices. Cohen & Steers believe that excessive, complicated, or unearned executive remuneration (when compared with company performance) hinders company growth and plans to conduct thorough scrutiny of investee companies in order to enhance their compensation frameworks.
- **LGIM** engaged with Macquarie Asset Management, Southern Water's majority shareholder, to share its views on the topic of water pollution in the UK. This builds on LGIM's engagement over recent months, including with management at other companies in the sector such as Thames Water and with the regulator, Ofwat. In the first quarter of 2023, LGIM also signed up to the Ceres investor-led 'Valuing Water Finance Initiative', aimed at engaging water users and polluters to address water risks and protect this precious and essential natural resource.
- **BNY Mellon** engaged with Unilever in relation to health in collaboration with the Healthy Markets initiative. The engagement focused on the impact of an activist investor joining the company's board on the company's strategy around ESG and nutrition. The general takeaway was that the investor's presence would not change

the strategy, and that nutrition remains a priority and has been elevated within the company's ESG and sustainability strategy.

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.

For the 2021 UNPRI Assessment Reports, scores are presented as a 'star' rating ranging from 1 to 5, with more stars representing a higher score.

The latest available UNPRI scores of the Investment Managers are outlined in the table below.

Manager	2021 UNPRI Rating
Insight	★★★★★
LGIM	★★★★★
TwentyFour	n/a - became a signatory in 2020 and waiting to receive a score from UNPRI
Columbia Threadneedle	★★★★
Partners Group	★★★★
Cohen and Steers	★★★
M&G	★★★★
BNY Mellon	★★★★★
Blackrock	★★★★
Median	★★★

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 Broadstone on a quarterly basis for the DB section and a biannual basis for the DC section to ensure the Investment Objectives set out for the Scheme are being met.

Signed: R J Faulkner

Date: 08/12/2023

On behalf of the Trustee of BDO Pension Trustees No2 Limited