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 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 May 2024 for the DB section of the Scheme, and July 2020 for the DC section 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 2023 to 30 June 2024.

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 maintain the ongoing funding level of the Scheme (i.e. the ratio of the value of assets to the value of liabilities as determined by the Scheme's Actuary) at or above the current level, including an assumption for expenses.
- To broadly match the buy-out cost of the Scheme's liabilities.
- To maintain sufficient flexibility in the Scheme's investment structure to be able to deal efficiently with all foreseeable changes both within and outside the Scheme.
- To earn a return which exceeds, or at least equals, the benchmark based on an asset allocation approved by the Trustee in consultation with the Employer.
- All other things being equal, to achieve the investment returns implied by the other objectives at the lowest possible cost.

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 and updated the Statement of Investment Principles (SIP) for the DB Section in May 2024, to incorporate the implementation of the buy-out "aware" investment strategy and reflect the revised asset allocation. The SIP for the DC Section was updated in September 2024 to include the Trustee's policy in relation to illiquid asset investing.

The Trustee previously reviewed the SIP for the DB Section in December 2021 and the DC Section in July 2020.

Implementation Statement (continued)

Review of the SIP (continued)

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.

Review of the Investment Strategy

An investment strategy review was conducted for the DB Section of the Scheme during October 2023, and the revised investment strategy was implemented in November 2023.

The new investment strategy reduced investment risk and the funding level volatility on the buyout basis, in order to implement a 'buyout aware' investment strategy.

Key changes made to the investment strategy were disinvesting from Diversified Growth, Property, Alternatives and Multi Asset Credit funds and using the proceeds to fund additional allocation to UK Fixed Coupon Government Bond funds and UK Index-Linked Government Bond funds.

There were no changes made to the investment strategy of the DC Section over the year to 30 June 2024.

Investment managers and funds in use

The investment funds used for the DB Section and DC Section as at 30 June 2024 are set out in the tables below:

DB Section

Asset Class	Fund	Asset Allocation
Corporate bonds	M&G All Stocks Corporate Bond Fund M&G Lond Dated Corporate Bond Fund LGIM Active Corporate Bond – Over 10 Year Fund	40.0%
Government bonds	LGIM Over 15 Year Gilts Index Fund LGIM Over 15 Year Index-Linked Gilts Index Fund LGIM All Stocks Gilts Index Fund LGIM 2071 Single Stock Gilt Fund	58.0%
Cash	LGIM Sterling Liquidity Fund	2.0%
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
Property	LGIM	Managed Property Fund

Implementation Statement (continued)

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 seeks 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.

Implementation Statement (continued)

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	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. 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.	No deviation from this policy over the year to 30 June 2024.
Voting Rights and Engagement	The Trustee believes that in order to protect and enhance the value of the investments, during the period 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 timeframe. On an ongoing basis the Trustee assesses the stewardship and engagement activity of its Investment Managers.	No deviation from this policy over the year to 30 June 2024.
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 2024.

Implementation Statement (continued)

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	Passively	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	Actively	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	Passively	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.
Investment grade corporate bonds	Actively	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 investee companies where possible, although it appreciates that fixed income assets do not typically attract voting rights.

Implementation Statement (continued)

Financially and Non-Financially Material Considerations (continued)

Property	Actively	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	Actively	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.
Government bonds	Passively	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	Passively	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.

Broadstone, as investment consultant, periodically meets with the 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, Broadstone will seek to challenge the Investment Managers on these matters where they think this is in the best interests of members and report to the Trustee accordingly.

Within the current investment arrangements across both the DB and DC sections, the 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 Scheme was also invested in the Insight Broad Opportunities Fund and Cohen & Steers Diversified Real Assets Fund up until November 2023. These two funds also had exposure to equity and therefore had voting rights attached to them.

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.

Implementation Statement (continued)

Voting Rights and Engagement Activities (continued)

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 2023 to 30 June 2024, and based on the latest information available from each Investment Manager.

Manager	Fund	Resolutions voted on	Total Resolutions Voted:		
			For	Against	Abstained
LGIM	World (ex UK) Equity Index Fund	33,749	78%	22%	0%
LGIM	UK Equity Index Fund	10,372	94%	6%	0%
LGIM	Ethical UK Equity Index Fund	4,516	95%	5%	0%
LGIM	Multi Asset Fund	105,991	76%	23%	1%
LGIM	World Emerging Markets Equity Index Fund	35,760	79%	19%	2%
BNY Mellon	Real Return Fund	1,051	94%	6%	0%
Cohen & Steers	Diversified Real Assets Fund	2,615	93%	6%	1%
Insight	Broad Opportunities Fund	160	100%	0%	0%

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

- **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.
- **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.
- **Insight** utilise Minerva Analytics (Minerva) for proxy voting services.

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;
- Vote against a management proposal.

Implementation Statement (continued)

Significant votes (continued)

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

SIGNIFICANT VOTE 1 – LGIM	
Company	**Apple Inc**
Date	28 February 2024
% of portfolio invested in firm	c. 0.5% of the LGIM Multi Asset Fund
Resolution	Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy
Why significant	Thematic – Diversity: LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf
How voted	**VOTED AGAINST**
Manager Comments	*Shareholder Resolution – Environmental and Social: A vote AGAINST this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.*
Vote outcome	Fail

SIGNIFICANT VOTE 2 – BNY Mellon	
Company	Shell Plc
Date	21 May 2024
% of portfolio invested in firm	1.76%
Resolution	Advise Shell to Align its Medium-Term Emissions Reduction Targets covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement.
Why significant	As a significant GHG emitter, it is critical for Shell to have a credible transition plan.
How voted	**VOTED AGAINST**
Manager Comments	*While we do find some merits to the proponent's asks and legitimate concerns, aligning Scope 3 targets at Shell to a 1.5 degree scenario would mean a significant loss of customers to competitors. Such a decision is best in the hands of management, and the disclosure of a partial Scope 3 target shows some responsiveness from the company to our concerns, tackling mainly the emissions it directly has control of. Shareholders have signalled a significant buy-in to management's strategy.*
Vote outcome	Against (81.4%)

Implementation Statement (continued)

Significant votes (continued)

SIGNIFICANT VOTE 3 – Cohen & Steers	
Company	Anonymised by Cohen & Steers
Date	08 February 2024
% of portfolio invested in firm	c. 0.28% of Cohen & Steers Diversified Real Assets Fund
Resolution	Recycling
Why significant	Cohen & Steers voted in accordance with their voting and engagement policies to promote better practices which they believe is important in acquiring greater value for the issuer.
How voted	**VOTED AGAINST**
Manager Comments	*"Voted against the proposal because the company already provides sufficient information for shareholders to evaluate its sustainable packaging strategy and efforts to support a circular economy. Additional reporting as suggested by the proposal is redundant and would not significantly enhance the company's transparency or accountability. This decision aligns with our fiduciary duty to ensure that company resources are used efficiently and that initiatives support long-term shareholder value."*
Vote outcome	Proposal was not approved: against (93%)

Implementation Statement (continued)

Significant votes (continued)

SIGNIFICANT VOTE 4 – Insight	
Company	Aquila European Renewables Income Fund plc
Date	15 March 2024
% of portfolio invested in firm	c. 0.2% of Insight Broad Opportunities Fund
Resolution	Adopt new investment objective and policy pursuing a managed wind-down of the company.
Why significant	"We assessed the proposed change in the company's investment objective and policy to be significant. The previous investment policy sought to invest shareholder capital into a range of digital infrastructure assets in order to generate target returns. The company's share prices have continued to trade at a material discount to its net asset value. A change to the investment objective and policy was considered to be appropriate in order to maximise shareholder value. The company will cease to exist in the medium term as underlying assets are disposed following the updated investment objective and policy."
How voted	**VOTED FOR**
Manager Comments	*"The company's board initiated a strategic review process in Nov 23, concluding with a decision to implement a managed wind-down of the company in Jan 24. The managed wind-down process required shareholder approval to adopt new investment objective and policy.* *We voted in favour of the resolution as a managed wind-down would be in the best interests of the shareholders. The process would seek to dispose company assets, repay borrowings and return capital to investors. This represents the most appropriate way to realise value for shareholders while the company trades at material discount to net asset value.* *The implications of the outcome are that the company would delist in the medium term after underlying investments have been disposed and capital returned to shareholders. We plan to maintain regular discussions with the company as part of the managed wind-down process of maximising shareholder value."*
Vote outcome	Pass

Engagement Activities

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

- **LGIM** engaged with the chair of the board of Rolls Royce to understand institutional barriers to executing necessary structural changes. They also had two subsequent meetings with the CEO of the company, before and after its strategy day in November 2023. As part of their engagement, LGIM wanted to understand how Rolls Royce will govern its relations with major labour stakeholders while undertaking any strategic decisions. They also wanted to communicate to the company the significance of positioning for long-term climate trends while also addressing short-term challenges. LGIM were pleased that the strategic review announced in November 2023 appears well balanced in making suitable drastic structural and cultural changes without foregoing options for the company to remain an active participant in the carbon transition. LGIM aims to regularly engage with the company regarding implementation of the strategy review's findings and its role in the carbon transition which will occur over the coming decades.

Implementation Statement (continued)

Engagement Activities (continued)

- **BNY Mellon** – In October 2023, BNY Mellon engaged with Greencoat UK Wind Plc (UKW) to address the share price discount to net asset value (NAV) by undertaking a share buyback program. UKW's shares had been trading at a discount to its NAV for some time and BNY Mellon believed the discount did not reflect the true value of the assets. BNY Mellon met with the new board chair of UKW to urge them to explore the possibility of conducting a share buyback. BNY Mellon highlighted to them that the trust had reasonable cash flows and given fund flows are difficult in the industry, this would be an efficient way to return capital back to shareholders. BNY Mellon also suggested considering potential acquisitions only if they are more accretive than share buybacks, as some assets acquired in the past have had low returns. Following this engagement, UKW announced a GBP 100 million share buyback program that would be carried out over the coming 12 months. BNY Mellon believe this will reaffirm UKW's operational strength.
- **Cohen & Steers** engaged with a prominent real estate investment entity facing challenges related to capital misallocation, inconsistent operational execution, suboptimal alignment of compensation and stock with investor interests, and inadequate Board oversight that were impacting company's performance. Engagements were initiated with the company's independent Chairman and other independent Board members. Throughout 2022 and 2023, several meetings were held to discuss the company's underperformance and strategies for improvement. These discussions were focused on exploring avenues for operational and governance enhancements, with periodic follow-ups to monitor progress. As a direct result of these strategic engagements, significant leadership changes were implemented by the end of 2023. The incumbent CEO resigned, making way for a highly credentialed executive to take the helm as CEO In 2024, marking a new phase in the company's growth trajectory. With more conviction in Cohen & Steers' existing investment position, they continued to hold this company by directly addressing governance and operational challenges and contributed to facilitating leadership renewal and setting the stage for enhanced performance and investor alignment in the company's future endeavours.
- **Insight** engaged with ConocoPhillips (COP), an oil and gas producer, on its disclosures policies in Q4 2023. This engagement followed two previous engagements Insight had with COP as part of the Climate Action 100+ (CA100+) working group. The focus on the engagement was on public policy implications for several in-force, or pending, disclosure standards and rules from the US Securities and Exchange Commissions (SEC), EU Corporate Sustainability Reporting Directive (CSRD), and Task Force on Climate-related Financial Disclosures (TCFD). COP is one of the leaders in climate-related and lobbying disclosures amongst US peers. Through the engagement, COP displayed interest in continuing the discussion with Insight on climate action, particularly focussed on low-carbon investment, and how value-chain partners can support its climate action targets. Insight intends to follow up with COP in a separate direct engagement and will continue to support the CA100+ collaborative engagement as a member of the working group.

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

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 2023 UNPRI Assessment Reports, scores are presented as a 'star' rating ranging from one star being the lowest rating to five stars being the highest rating.

Implementation Statement (continued)

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

Manager	UNPRI Score
M&G	5
BlackRock	4
LGIM	5
BNY Mellon	5
Cohen & Steers	4
Insight*	5
Median	3

*2021 score. Insight were not able to provide their 2022 or 2023 UNPRI report.

Monitoring of Investment Arrangements

In addition to any reviews of Investment Managers, the Trustee receives performance reports from Broadstone on a quarterly basis for the DB Section and on a biannual basis for the DC Section to ensure the investment objectives set out for the Scheme are being met.

The Implementation Statement was approved by the Trustee and signed on its behalf by:

R J Faulkner – Trustee Director

6 December 2024

On behalf of the Trustee of BDO Pension Trustees No2 Limited