

## Trustee's Report (continued)

### Implementation Statement

## BDO ES 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 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 April 2022 to 31 March 2023.

### Investment Objectives of the Scheme

The objectives of the Scheme are set out on pages 3 and 4 of the SIP and are summarised below.

- 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.

### Stewardship Policy

The Trustee's stewardship policy, as set out in the SIP is as follows.

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 assesses the stewardship and engagement activity of its Investment Managers.

### Review of the SIP and of the Investment Strategy

The SIP was last reviewed and updated in December 2021 to incorporate the changes made to the investment strategy over the final quarter of 2021.

The Trustee previously reviewed the SIP in September 2020, for new investment regulations in relation to Environmental, Social and Governance ('ESG') considerations.

The Trustee has a policy on financially material considerations relating to 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.

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#### Review of the Investment Strategy

Following the March 2023 Trustee meeting, the Trustee agreed to restructure the Scheme's matching assets, by removing the exposure to Liability Driven Investments in full and replacing this with an allocation to two long-dated index-linked gilt funds.

This restructure also included reducing the net expected return (on a Gilts plus basis) and rebalancing the interest rate and inflation hedging target levels to 85% and 100%, respectively.

The investment strategy agreed following the March 2023 Trustee meeting is shown in the table below:

Asset Class	Fund	Target Asset Allocation
<b>Diversified Growth Funds</b>	Insight Broad Opportunities Fund	1.5%
	LGIM Retirement Income Multi Asset Fund	3.0%
<b>Multi Asset Credit</b>	TwentyFour Strategic Income Fund	2.3%
<b>Investment Grade Corporate Bonds</b>	M&G All Stocks Corporate Bond Fund	55.1%
<b>Property</b>	Threadneedle Pension Property Fund	3.5%
<b>Diversified Alternatives</b>	Partners Group Generation Fund	6.2%
	Cohen & Steers Diversified Real Assets Fund	7.6%
<b>Government Bonds - Index-Linked</b>	LGIM 5-15 Year Index-Linked Gilt Fund	2.6%
	LGIM Over 15 Year Index-Linked Gilts Index Fund	7.0%
<b>Government Bonds - Fixed</b>	LGIM Over 15 Year Gilts Index Fund	11.2%
<b>Total</b>		<b>100.0%</b>

Source: Underlying investment managers and Broadstone calculations.

The actual asset allocation as at 31 March 2023 included some exposure to Liability Driven Investments, but this was removed during the first week of April 2023. The implementation of the above strategy changes was completed shortly after the year-end covered by this statement.

#### Investment Governance

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

The Trustee does not actively obtain views of the membership of the Scheme to help form its policies set out in the SIP. There were no changes to the objectives put in place for Broadstone which were last reviewed in January 2023. The Trustee is due to formally review these objectives by January 2026.

#### Trustee Policies

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

## Trustee's Report (continued)

### Implementation Statement (continued)

Requirement	Policy	Implementation of Policy
<b>Financially and Non-Financially Material Considerations</b>	<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 31 March 2023.
<b>Voting Rights and Engagement</b>	<p>The Trustee wishes to encourage best practice in terms of activism. The Trustee accepts that by using pooled investment vehicles the day-to-day application of voting rights will be carried out by the Investment Managers. Consequently, the Trustee expects the Scheme's Investment Managers to adopt a voting policy that is in accordance with best industry practice.</p> <p>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 time frame. On an ongoing basis the Trustee assesses the stewardship and engagement activity of its Investment Managers.</p>	No deviation from this policy over the year to 31 March 2023.

### 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 Scheme are managed in accordance with their views on financially material considerations, 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 their 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. 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.

## Trustee's Report (continued)

### Implementation Statement (continued)

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

Asset Class	Actively or Passively Managed?	Comments
<b>Diversified Growth Funds</b>	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.
<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 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 they appreciate that fixed income assets 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>Diversified Alternatives</b>	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 investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
<b>Government Bonds</b>	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.
<b>Corporate Bonds</b>	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 investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
<b>Liability Driven Investment (LDI)</b>	Active	The underlying assets of the LDI solution consist of government bonds and derivative contracts, with no underlying investee companies. 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 investments.

## Trustee's Report (continued)

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#### Voting Rights and Engagement Activities

The Trustee currently invests predominantly in pooled investment funds with the Investment Managers. 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 legal right to vote on the underlying holdings, given the pooled nature of the Scheme's investments. The Trustee's stewardship policy is detailed at the start of this document although this has not been shared with the Investment Managers to influence what they believe to be the most significant votes.

The Trustee has employed Broadstone to assist it in monitoring the voting and engagement activity of its investment managers, and a summary of this activity is provided to Broadstone on an annual basis. The Trustee, with the assistance of Broadstone, concluded that the voting and engagement activity of its investment managers is in line with its policy on voting and engagement.

Within the current investment arrangements, the Scheme's investment in Diversified Growth Funds and Cohen & Steers Diversified Real Assets Fund, contain equity holdings, and therefore have voting rights attached to these underlying equities.

The Trustee has delegated engagement activities to the Investment Managers, and the Investment Managers reports 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 April 2022 to 31 March 2023 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	152	100%	0%	0%
LGIM	Retirement Income Multi Asset Fund	104,586	78%	21%	1%
Cohen & Steers	Diversified Real Assets Fund	2,854	93%	7%	0%

Information regarding proxy voting is detailed below:

- **Insight** utilise Minerva Analytics (Minerva) for proxy voting services.
- **LGIM** utilise ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM, and they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with their position on ESG, a custom voting policy with specific voting instructions has been implemented.
- **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.

## Trustee's Report (continued)

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#### 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 votes which have such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at annual Stakeholder roundtable events, or where the Investment Managers note a significant increase in requests from clients on a particular vote;
- Sanction votes as a result of a direct or collaborative engagement;

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

SIGNIFICANT VOTE 1 - 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, their flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.
How voted	<b>VOTED AGAINST MANGEMENT</b>
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 2 - Cohen & Steers	
Company	Anonymised by Cohen & Steers
Date	25 May 2022
% of portfolio invested in firm	c. 1.09% of Cohen & Steers Diversified Real Assets Fund
Resolution	Advisory vote to ratify named executive officers' compensation
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	<b>VOTED AGAINST</b>

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<b>Manager Comments</b>	<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>
<b>Vote outcome</b>	Proposal was approved: for (73%), against (27%)

**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.

The Trustee believes that the most significant votes detailed above are aligned with the Scheme’s stewardship priorities as detailed at the start of this document.

### Engagement Activity

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.
- **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.
- **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.

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

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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 star to 5 stars with more stars representing a higher score.

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

Manager	2021 UNPRI Rating
<b>Insight</b>	★★★★★
<b>LGIM</b>	★★★★★
<b>Cohen &amp; Steers</b>	★★★
<b>TwentyFour</b>	n/a - became a signatory in 2020 and waiting to receive a score from UNPRI
<b>M&amp;G</b>	★★★★
<b>Colombia Threadneedle</b>	★★★★
<b>Partners Group</b>	★★★★
<b>Median</b>	★★★

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 quarterly reports from Broadstone to monitor how the total investment strategy is performing versus the investment objectives set out in the SIP are being met.

**Signed:** Richard Faulkner

**Date:** 30 October 2023

**On behalf of BDO Pension Trustee Limited**