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 Pension Schemes (Investment and Disclosure) (Amendment) 2019 Regulations. In particular, it confirms how the investment principles, objectives and policies of the Trustee's Statement of Investment Principles (SIP) dated August 2020 have been implemented. The SIP provides further background details on investment arrangements.

This Statement covers the period 1 April 2020 to 31 March 2021.

Investment managers and funds in use

Asset Class	Fund	Target Asset Allocation
Global equities	LGIM World Equity Index Fund	10.0%
Diversified Growth Funds	Insight Broad Opportunities Fund	12.0%
	LGIM Retirement Income Multi Asset Fund	12.0%
Multi Asset Credit	TwentyFour Strategic Income Fund	18.0%
Property	Threadneedle Pension Property Fund	5.0%
Diversified Alternatives	Partners Group Generation Fund	7.5%
	Cohen & Steers Diversified Real Assets Fund	7.5%
Liability Driven Investment – Nominal	LGIM Matching Core Fixed Short Fund	12.0%
	Standard Life Liability Aware Absolute Return Nominal Fund	6.0%
Liability Driven Investment - Real	Standard Life Liability Aware Absolute Return Real Fund	10.0%
Total		**100.0%**

Strategy Review

After receiving advice from Broadstone Corporate Benefits Limited ('Broadstone') as the Trustee's investment consultant, the Trustee redeemed it's holding in the Invesco Global Target Return Fund and used the proceeds to invest in the LGIM Retirement Income Multi Asset (RIMA) Fund. This recommendation was made due to underperformance of the Invesco Global Target Return Fund and the lack of conviction in the investment manager to increase performance going forward.

There have been no changes to the target asset allocation over the year.

Scheme Governance

The Trustee board is responsible for making investment decisions, and seeks advice from Broadstone, 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 October 2019. The Trustee is due to formally review these objectives by November 2022, or earlier.

Statement of Investment Principles

The Trustee last reviewed the Statement of Investment Principles (SIP) in August 2020. The Statement of Investment Principles was also updated in September 2019, 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 below and are detailed in the SIP.

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

Policy for taking into account financially material ESG considerations

Trustee's Policy: ***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.***

There have been no changes to the Trustee's policy, nor any departures from their policy, during the year.

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 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 their 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 given they are investing in pooled funds.

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
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	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.
Multi Asset Credit	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.
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.
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. The Trustee also expects its investment manager, to engage with the underlying investee companies, where warranted, to promote long term sustainable investment returns.
Liability Driven Investment (LDI)	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.

Policy for taking into account non-financial ESG considerations

Trustees' Policy: ***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.***

There have been no changes to the Trustee's policy, nor any departures from its policy, during the year.

Policy on the exercise of voting rights and engagement activities

Trustees' Policy: ***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.***

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.

There have been no changes to the Trustee's policy, nor any departures from its policy, during the year. In particular, all voting activities have been delegated to the investment managers, as the Trustees do not have the administrative mechanism to cast votes on the underlying holdings, given the pooled nature of the Scheme's investments.

The Trustee currently invests in pooled investment funds with the investment managers, and it acknowledges that this limits its ability to directly influence each investment manager.

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 Global Equity, Diversified Growth Funds and Diversified Alternatives, contain equity holdings, and therefore have voting rights attached to these underlying equities.

All investment managers use the services of a third party proxy voter when exercising voting rights and will often engage with investee companies directly. The third proxy voters used are confirmed in the table below.

The Trustee has delegated engagement activities to its investment managers, and each investment manager 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, based on the latest information available from each investment manager.

Manager	Pooled or Segregated?	Third Party Proxy Voter	Manager uses own voting policy?	Resolutions Voted On*	Resolutions Voted:		
					For	Against	Abstained
Cohen & Steers*	Pooled	ISS	Yes	2,622	90%	9%	1%
LGIM*	Pooled	ISS	Yes	79,302	80%	19%	1%
Insight**	Pooled	Minerva	Yes	1,607	92%	0%	8%

* Voting from 1 July 2020 to 30 June 2021
**Voting data for calendar year 2020 only

The votes above are at the company level, rather than being scheme or fund specific. The Trustee will work with its investment managers to obtain this information in future years if it is required.

The notable engagement activities of the investment managers over the last 12 months are provided below:

- **Cohen & Steers** engaged with Evergy, a regulated electric utility operating in the USA. The company had made heavy investments in fossil fuel assets – coal as a percentage of regulated assets was 33%, one of the highest levels in their industry. Insight engaged with the company and proposed that they retire coal assets in favour of renewable sources in addition to encouraging them to formalise ESG goals that can be shared publicly with investors. In the spring of 2021 EVRG announced plans to retire 1,200 MW of coal and add 3,200 MW of renewables over the next ten years.

- **LGIM** engaged with Amazon after they were made aware Amazon had been interfering with its workforce's efforts to unionise, ahead of a workforce vote on unionisation. LGIM, along with 70 other investors with a total AUM of $6.4trillion, signed a letter to Amazon emphasising that they should meet the expectations set out in the UN Guiding Principles on Business & Human Rights, and that workers should be free to exercise their freedom of association and right to collective bargaining. This action resulted in Amazon launching its first Global Human Rights Principles and also commissioning a human rights impact assessment by an external consultant. Despite the moves, LGIM still retain concerns on how they will meet these commitments and will continue to engage with the company on the matter.

- **Insight** is engaging with Think Tank, a large Australian property lending specialist, around governance and social risks involved in their origination and business. Insight raised issues around the number of board members and also remuneration policy, with discussions around compensation linked to the amounts of products sold and collection recover targets. Insight requested they consider implementing an environmental assessment for all new loans, and

whilst that engagement is ongoing Insight have commented they are comfortable with the overall ESG risks but expect to see improvements in governance and environmental disclosure going forward.

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

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 ensure the investment objectives set out in its SIP are being met.

Signed:

Date: September 2021

On behalf of BDO Pension Trustee Limited