The Annual Governance Statement 2021

This Statement has been prepared by the Trustee of BDO Pension Scheme ('the Scheme') in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended). It sets out how the Trustee has met the statutory defined contribution (DC) governance standards during the Scheme year ended 30 June 2021 in respect of all the DC benefits held in the DC section and the Additional Voluntary Contributions (AVC) arrangements within the Defined Benefit (DB) section during the year.

The Trustee continually reviews and assesses systems, processes and controls across key governance functions to determine whether these are consistent with those set out in the Pensions Regulator's:

- Code of practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits.
- Regulatory guidance for defined contribution schemes.

The Trustee assessed the Presence of DC Code of Practice Standards using the Pensions Regulator's self-assessment template. The Trustee assessed that all of the key features of a quality DC Scheme were present.

The template sets out the key quality features that underpin both the code of practice and regulatory guidance which the Pensions Regulator considers should be present in well-governed pension schemes.

In June 2017 the Trustee undertook a major review of the investment funds on offer to members and the investment charges they pay. This review resulted in the decision to transfer the investments to the Mobius Life investment platform. The decision was implemented during the 2017/2018 Scheme year. This brought about both a reduction in fees and an increase in administrative efficiency. The charges for the switch were borne by the unallocated funds. On an ongoing basis, all administration charges are borne by BDO LLP ("the Employer"). During the 2018/19 Scheme year the Trustee arranged the provision of fund factsheets from the platform provider Mobius Life, which contain details of the underlying fund asset allocations, fees and past performance. A small reduction in platform fees was also negotiated.

In September 2020 the Trustee completed a Value for Members assessment.

The key conclusions were as follows:

Overall assessment

- the investments were viewed as reasonable, taking account of the amount of funds held, the current charging structure and the performance of the funds.

Charges

- Given the commercial terms that Mobius have negotiated with the investment managers on the platform the current fee arrangement for Members represent good value for money.

Performance

- The Scheme's current arrangement offers access to passively managed funds that track an index and to actively managed funds where investment managers will attempt to achieve a set performance objective.
- For the Scheme's index tracking passive funds held with HSBC, LGIM and BlackRock the Trustee and their advisers are comfortable that these managers continue to track the index as expected.
- For the Scheme's actively managed funds, in the main these have delivered against their respective objectives. The Invesco Perpetual Global Target Returns Fund failed to reach its performance target and, therefore, the Trustee decided to replace this fund with the Bank if New York Mellon Real Return Fund. The funds were disinvested from Invesco and reinvested with Bank of New York Mellon with the transition completed in April 2021.

The Annual Governance Statement 2021 (continued)

Recommendations

- The Trustee ensures that appropriate communications are issued to members setting out their options available and the need for members to regularly review their holdings in conjunction with independent financial advice.
- The Trustee continues to monitor the arrangements used to by the Scheme, and that a formal review should be performed in 2023.

AVC arrangements were discussed at the Trustee meetings held during the year. The Scheme had AVC investments with Equitable Life which were transferred across to Utmost Life in 2020 as part of its purchase of Equitable Life's business. This affected one member, whose "with-profits" investments with Equitable Life were unitised with an enhancement applied as part of the transfer.

Administration Standards & Core Financial Transactions

- The Trustee has appointed professional advisers and has delegated the day to day running of the Scheme.
- The Trustee is aware that the responsibility of the running of the Scheme remains with it and has implemented adequate internal controls, which are reviewed periodically. The Trustee also has a sub-committee (the Accounts and Controls sub-committee) to review risk and controls within the Scheme.
- The Trustee has appropriate service agreements in place with its advisers and is aware of their key contacts.
- The Trustee uses a reputable professional pension administration service who are trained and completely conversant with the Scheme's Trust Deed and Rules.
- Service agreements set out the scope of work covered by professional appointments. Broadstone Corporate Benefits Limited, the appointed administrators of the Scheme, work to industry standards providing timely turnaround times for both non-financial and financial matters.

Broadstone Consultants and Actuaries Limited produce an annual audited Pension and Administration Report on Internal Controls (AAF 01/20). The latest report for the year ended 31 October 2020 was unqualified. The Trustee has reviewed and considered this report as part of its assessment of administration standards and core financial transactions.

The Trustee has oversight of the core financial transactions of the AVC arrangements. These transactions are very limited given the small number of members invested in these arrangements and the fact that the AVC funds are closed to new contributions. In the case where the AVC provider carried out both policy administration and investments services, each AVC provider makes available to the Trustee details of their internal controls, and they report annually to us on these matters.

Issues arising during the Scheme year and how they were resolved:

No issues arose during the Scheme year.

Plan for resolving any unresolved issues during the Scheme year:

No plans were required.

Reporting to Trustee Directors

The Trustee Directors receive an administration report 4 times during the Scheme year in advance of each meeting. The format of the administration report displays the activities in the Scheme.

- The Trustee considers all areas of risk and specifically risks of significant impact such as, fraud (including pension liberation), investment, management of costs, administration, regulatory requirements, operational procedures, communications and member understanding, corporate activity relevant to the Scheme (including employer covenant) and options at retirement.

The Annual Governance Statement 2021 (continued)

Reporting to Trustee Directors (continued)

- The Trustee identifies, evaluates, manages and monitors risk. By incorporating risks identified into a risk register the Trustee categorises in accordance to their likelihood of occurring and the potential impact each would have if it did occur.
- Mitigation and actions taken to control risks as far as possible are also reviewed twice yearly at an Accounts and Controls sub-committee meeting.
- The Trustee has reviewed all its data management procedures and those of its service providers and has a GDPR-compliant data protection policy in place.
- In line with Anti-Money Laundering regulations the Trustee holds an up to date register of beneficial owners.
- Internal control measures are in place that ensure any contributions are checked, reconciled and that they are paid in accordance with the payment schedules in place. As there are no active members there have been no contributions during the year.
- The Trustee uses a dual authorisation internet banking process for all investment and benefit payments.
- Any errors that may occur are resolved immediately. There were no errors reported during the Scheme year.
- The Trustee requires the administrators to provide details on a quarterly basis of leavers and potential forthcoming retirements.
- There is a nightly back up of all data and copies are stored off site and can be fully restored in any eventuality.
- Any member files not scanned on to the secure online document storage system are contained in fire resistant cabinets.
- All financial transactions are subject to annual audit requirements as part of the Trustee's annual report and financial statements.

In accordance with regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended), the Trustee has reviewed the core financial transactions to ensure that they continue to be processed promptly and accurately. There have been no notifiable events arising during the year.

Costs and Charges borne by members

In accordance with regulation 25(1)(a) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended), the Trustee is required to calculate the charges and transaction costs paid by members and assess the extent to which these charges paid by members represent good value for money.

Based on its assessment the Trustee concludes that funds adopted remain competitive and good value for money.

Lower overall fees have been secured for the members' assets as the majority of funds in which members are invested through the Mobius Life Investment Platform have lower charges than if the funds were invested directly with the investment managers. Under the Mobius Life Platform approach fees are comparable to those paid by larger institutional investors where the benefits of economies of scale result in lower fees. Furthermore, there are no fees charged to the members for administration services.

The Annual Governance Statement 2021 (continued)

Costs and Charges borne by members (continued)

No administration costs are paid by the members. A professional administration service is used by the Trustee and the costs for this service are met separately by the employer. Alternative arrangements involving an insurance company providing a bundled arrangement to include administration could increase the cost levied on members. As such, the Trustee considers the level of service members are receiving is of a high standard for which the members are not being charged.

Explicit charges paid by members are the fund annual management charges, fund expenses and Mobius platform fees. These are clearly identifiable and range from 0.08% p.a. to a maximum of 0.75% p.a. depending on the fund selected. The higher management charges relate to the specialised and actively managed funds.

Members are not charged additional fees on entry or exit from any of the investment funds available to them.

All investment funds have “transaction costs” which are not charged directly to the investor (member). However, these charges are taken from the fund and therefore reflected in the performance of the fund and in the overall return received by the investor (member).

Different funds have different levels of transaction costs depending on the number of assets that are bought or sold within the fund. It is generally expected that the more actively a fund buys and sells assets the higher the transaction fees will be.

A full list of charges for the Mobius Life funds in use (including the transaction charges) during the period from 30 June 2020 to 30 June 2021 is included below.

MOBIUS LIFE LIMITED INVESTMENTS Fund Name	Transaction Fees	Annual Management Fee	Trustee Investment Platform Fund Code
Mobius Life Limited/ L&G UK Equity Index	0.03%	0.08%	N
Mobius Life Limited/ L&G World (ex UK) Equity Index	0.00%	0.13%	AE
Mobius Life Limited / L&G Multi-Asset Fund	0.03%	0.20%	AB
Mobius Life Limited / BlackRock DC Cash	0.02%	0.05%	GB00B00C3956
Mobius Life Limited / L&G Pre-Retirement Fund	0.02%	0.11%	EK
Mobius Life / BNYM Newton Real Return Fund	0.09%	0.69%	GB00B01XJC27
Mobius Life Limited / Invesco Global Targeted Returns Fund	0.69%	0.75%	GB00BGMTT107
Mobius Life Limited / L&G Managed Property Fund	-1.88%	0.65%	C
Mobius Life Limited / L&G Ethical UK Equity Index Fund	0.03%	0.25%	DK
Mobius Life Limited / BlackRock Aquila Connect Corporate Bond All Stocks	-0.08%	0.11%	GB00B00C3733

The investment providers’ annual management charges are assessed annually as part of the DC review and considered against other providers in the market.

During the 2018 DC review and the 2020 Value for Members review the Trustee determined that the fees charged to members were comparable with other occupational pension schemes based on the Department for Work & Pensions “Pension Charges Survey 2016”. During the 2019 scheme year the Trustee negotiated a further fee discount for members.

The Bank of New York Mellon Newton Real Return Fund may be considered a de facto default fund and has a charge in line with the default fund charge cap. The Trustee considers that the anticipated benefits of a lower volatility and diversified growth fund offset the costs.

The Annual Governance Statement 2021 (continued)

Costs and Charges borne by members (continued)

Members choosing to invest in a typical tracker fund within the Scheme would pay fees in the region of 0.08% to 0.12% per annum (including additional fees).

Information on the annual management fees payable by members on all the funds available is available on request.

Full details of the annual management charges on each of the funds available to members are documented and are stored on the Scheme website under the generic information section which does not require a member to login. Fund factsheets for each of the funds in which members currently invest are also available on the website. https://www.bdo.co.uk/en-gb/pension-scheme.

The funds available for investment on the Mobius Life Investment Platform are pooled funds which are provided through insurance contracts. As such not all funds have International Security Identification Numbers (ISINs).

However, the table above lists the details of Mobius Life's internal fund codes from which the appropriate fund literature and manager factsheets can be obtained.

The Scheme's Statement of Investment Principles, prepared in accordance with Section 35 of the Pensions Act 1995, amended by Section 244 of the Pensions Act 2004 and regulation 2A (default investment strategy) of the Occupational Pension Scheme (Investment) Regulations 2005, the Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, provides further details of the funds available for investment. A copy of this statement is contained as **Appendix A** of this Statement.

Appendix B provides an illustrative example of the cumulative effects over time of charges and costs borne by members. Three separate periods of accumulation have been considered for the illustrations covering a 30 year period, a 20 year period and a 10 year period.

A proportionate approach has been adopted for assessing the AVC arrangements in the DB section on the basis that the AVC holdings are relatively modest. The Trustee has taken action to reduce charges for members with AVC holdings where possible, to ensure that these provide good value for members.

Default arrangement

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. The Trustee understands the switch to the Investment Platform may have created a de facto default fund, the Invesco Perpetual Global Targeted Returns Fund, which was replaced with the Bank of New York Mellon Newton Real Return Fund in April 2021 and the Trustee will undertake its fiduciary duty to monitor this fund (as it has always done) to ensure its performance and charges remain good value for members with the members having the choice to make a switch to any alternative funds they choose.

The annual management fees (along with transaction fees) payable by members are covered in the table above. Members do not pay towards any of the administration costs of running the Scheme, these are met by the employer separately.

Although members do not directly cover the other costs associated with the Scheme, as these are met by the employer, the Trustee carefully considers the other costs incurred and monitors these to ensure the employer receives good value too. The Trustee also receives regular updates from the Investment Consultant to ensure that fund performance is broadly in line with expectations.

Further details of the investment arrangements are set out in the Scheme's Statement of Investment Principles contained as **Appendix A** of this Governance Statement.

The Annual Governance Statement 2021 (continued)

Communicating with members

- The Trustee endeavours to provide Scheme communication that is accurate, clear, understandable and engaging.
- The Trustee, with its advisers, carefully considers all member communications and reviews common communications periodically (such as retirement quotation packs and benefit statements). The Trustee works closely with the Scheme advisers to try to ensure member interests are understood and represented in all decision making.
- Members are regularly informed about the importance of reviewing their investment choices.
- Extensive retirement packages are sent to members which cover all disclosure requirements, including clear details of the retirement choices available to them, how they work and details of the Government's Pension Wise service.
- Ad hoc announcements are sent periodically as the Trustee deems necessary.
- The Trustee has, in 2018, issued its privacy notice covering General Data Protection Regulation requirements to all members. A copy of the notice is also available on the member website.
- The Trustee believes the ability to review and tailor member communications in a way that may not be possible in other arrangements, and where members have associated DB benefits, also provides clear and understandable information for members as they approach retirement.

Value for Members

- The Trustee is required to consider the extent to which the charges and transaction costs borne by the member in relation to the Scheme and AVCs represent good value for members.
- There is no legal definition of "good value" and so the process of determining good value for members is a subjective one. The Trustee has already commented on where members receive value for money. The Trustee, together with the advisers discussed and reviewed the scheme in December 2018 and September 2020. They considered the investment fund options available along with the management charges for those funds. The Trustees concluded that the charges and transactions costs represented good value for members. In addition all administration and professional fees are met by the employer.
- The latest full review of the value for members was completed in 2020.
- The conclusions of this review have already been summarised in this Statement.
- The Trustee believes that the management charges within the DC funds and the AVC arrangements continue to be reasonable and justifiable and offering value for money.
- The Trustee is considering the impact of and approach to the new Value for Members requirements that will come in to force in October 2021 and December 2021, and future DC reviews will incorporate these new requirements.

Sufficient Knowledge and Understanding

Actions taken by the Trustee to gain the appropriate knowledge and understanding required to effectively run the Scheme with good governance.

- All Trustee Directors have completed the online Trustee Toolkit and completed new modules or amended modules as they are added or changed. In addition, the Trustee Directors will revisit modules to refresh their knowledge periodically as necessary.
- The Trustee Directors receive regular training and are encouraged to identify gaps in their knowledge through regular discussions of pertinent pension issues from advisers and own continual development.
- The Trustee Directors receive regular investment training.

The Annual Governance Statement 2021 (continued)

Sufficient Knowledge and Understanding (continued)

- The Trustee maintains a training register to keep a log of all training undertaken. The log is assessed from time to time to identify knowledge gaps.
- The Trustee Directors are conversant with the Trust Deed and Rules and the powers granted to them.
- The Trustee Directors are conversant with the Statement of Investment Principles maintained under Section 35 of the Pensions Act 1995.
- The Trustee takes regular investment advice from its Investment Consultant on matters relating to the Scheme investments and investments for occupational pension schemes.
- The Trustee Directors keep up to date with developments in the DC landscape through regular updates from advisers and awareness of new guidance issued by the Pensions Regulator. This will also include regular discussions on principles of DC investments.
- The Trustee Directors have sufficient knowledge of pensions law and if advice is required it will be sought from the Scheme's legal advisers.

During the Scheme year the Trustee has met the requirements of Section 247 and 248 of the 2004 Act (requirement for knowledge and understanding) by holding regular Trustee meetings, with at least four per year set aside for monitoring the Scheme governance and ensuring it is run in accordance with the Scheme rules and in line with the Pensions Regulator's guidance notes. Additional ad hoc meetings by conference call or as a 'special' meeting are also held when required.

The Trustee Directors, together with assistance from their professional advisers, use their combined knowledge and understanding of pensions law, specific Scheme documentation, legal requirements and the Pensions Regulator's guidance to ensure that the Scheme is run effectively and members' benefits are paid in accordance with the Scheme rules and to carry out the fiduciary duties required of them. This combined knowledge helps the Trustee to ensure that good Scheme governance is a priority and identify where any improvements can be made to existing procedures and processes. The Trustee Directors' knowledge of the Scheme rules ensures that they can consider non-standard benefit request options and whether they are permissible under the current rules and whether legal opinion is required and / or a rule change needed.

Ensuring good governance helps the Trustee determine whether the Scheme is good value for money and whether members and beneficiaries are being treated fairly and seeks to safeguard the interests of all members and beneficiaries.

The Trustee continues to use the Pension Regulator's Self-assessment template – "Presence of DC code standards" to assess whether it can improve further the Scheme governance and whether better practices can be established.

This Governance Statement along with its Appendices will be made publicly available on the Scheme website at the following address: https://www.bdo.co.uk/en-gb/pension-scheme.

This Annual Governance Statement (regarding DC governance) was approved by the Trustee and signed on its behalf by:

R J Faulkner

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R J Faulkner
Chair of Trustee

Date: 10/12/21