

Berendsen UK (DB) Retirement Benefits Scheme

Statement of Investment Principles

Barnett Waddingham LLP

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1. Introduction

- 1.1. This is the Statement of Investment Principles for the Berendsen UK (DB) Retirement Benefits Scheme (“the Scheme”), as prepared by the Trustees of the Scheme (“the Trustees”). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:
 - the Pensions Act 1995, as amended by the Pensions Act 2004; and
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended
- 1.2. In preparing this statement the Trustees have consulted Berendsen Ltd (the “Employer”), and obtained advice from Barnett Waddingham LLP, the Trustees’ investment consultants. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority for a range of investment business activities.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.
- 1.5. The investment powers of the Trustees are set out in Clause 5 of Third Definitive Trust Deed & Rules. This statement is consistent with those powers.

2. Choosing investments

- 2.1. The Trustees’ policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional adviser, who they consider to be suitably qualified and experienced for this role.
- 2.2. The day-to-day management of the Scheme’s assets is delegated to one or more investment managers. The Scheme’s investment managers are detailed in Appendix 1 of this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights. The AVC providers are regulated by the Financial Conduct Authority and authorised and regulated by the Prudential Regulatory Authority.
- 2.3. The Trustees review the appropriateness of the Scheme’s investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the Employer before amending the investment strategy.

3. Investment objectives

- 3.1. The Trustees have discussed key investment objectives in light of an analysis of the Scheme’s liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees’ main investment objectives are:
 - to ensure that the Scheme can meet the members’ entitlements under the Trust Deed and Rules as they fall due;
 - to achieve a long-term positive real return;

- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from members and the participating employers, the cost of current and future benefits which the Scheme provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.
- to target full funding of the Scheme's liabilities as calculated on a low risk, self-sufficiency basis in order to achieve buy-out when appropriate.

3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

- 4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property, alternatives and annuity policies.
- 4.2. The Trustees monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically, this check is carried out annually by the Scheme's auditors.

5. The balance between different kinds of investments

- 5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.
- 5.2. The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in Appendix 1 of this Statement.
- 5.3. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.
- 5.4. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

6. Risks

- 6.1. The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.
Covenant risk	The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
Asset allocation risk	The asset allocation is detailed in Appendix 1 of this Statement and is monitored on a regular basis by the Trustees.
Investment manager risk	The Trustees monitor the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary, usually on an annual basis. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustees have considered long-term financial risks to the Scheme and ESG factors as well as climate risk are potentially financially material and will continue to develop their policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed to manage the impact of exchange rate fluctuations.

**Loss of
investment**

The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

- 7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4. Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustees meet the Scheme's investment managers as frequently as is appropriate, normally on an annual basis, in order to review performance.

8. Realisation of investments

- 8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.
- 8.2. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9. Financially material considerations, including Environmental, Social and Governance ("ESG") factors and stewardship

- 9.1. The Trustees have set policies in relation to these matters. The policies are set out in Appendix 2.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustees' investment policies

- 10.1. Prior to appointing an investment manager, the Trustees discuss the investment manager's approach to the management of the risks set out in 6.1 including ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustees' own investment beliefs.

- 10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.
- 10.3. The Trustees carry out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints. The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.
- 10.4. In the event that an investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Trustees.
- 10.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

- 10.6. The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustees acknowledge this in their investment management arrangements.
- 10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.
- 10.8. The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme will monitor this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

- 10.9. The Trustees monitor the performance of their investment managers over medium to long term periods that are consistent with the Trustees' investment aims, beliefs and constraints.
- 10.10. The Scheme invests predominantly in pooled funds. The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the actively-managed funds grow, due to successful investment by the investment manager, they receive more and as values fall, they receive less.
- 10.11. The Trustees believe that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

- 10.12. The Trustees ask the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

- 10.13. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process and manager costs are assessed on an annual basis.
- 10.14. During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with asset manager

- 10.15. For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.
- 10.16. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs is assessed every three years, or when changes deem it appropriate to do so, more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, are assessed.

11. Agreement

- 11.1. This statement was agreed by the Trustees on 26 March 2024, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Scheme auditor upon request.

Appendix 1 Note on investment policy of the Scheme as at March 2024 in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the table below, which has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification.

The Trustees, with the support of the Employer and on taking professional advice, have agreed to monitor the funding level relative to the Long Term Funding Target.

Rebalancing

The Trustees recognise that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustees seek to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances.

The Scheme has gradually increased its hedging levels in order to reach the target allocation set out below, reflecting a 90% hedge of interest rates and inflation as a proportion of the liabilities as measured on a gilts+0.5% p.a. basis; which is the Scheme's revised Long Term Funding Target (LTFT) set at the 2022 actuarial valuation.

Asset class	Allocation (%)
Growth Portfolio	35*
Global ESG Equity	
Diversified Growth Funds	
Multi-Asset Credit	
High Grade Asset-Backed Securities ("ABS")	
Protection Portfolio	65**
Maturing Buy and Maintain Corporate Bonds	
Liquid Asset-Backed Securities	
Liability Driven Investment/Cash	
	100

*The target allocation for the growth portfolio is 35%. The split between the individual funds will fluctuate over time. The Trustees will consider to carry out any rebalancing with due consideration of overall return requirements, market levels and return expectations.

** The target allocation for the protection portfolio is 65%. The split between LDI, cash, ABS and corporate bonds will fluctuate over time as the leverage levels within the LDI fluctuate.

2. Choosing investments

The Trustees have appointed the following investment managers to carry out the day-to-day investment of the Scheme:

- BlackRock Investment Management (UK) Limited ("BlackRock")
- Insight Investment Management Limited ("Insight")
- Ruffer LLP ("Ruffer")
- Janus Henderson Investors ("Janus Henderson")

The investment benchmarks and objectives for each investment manager, excluding the AVC providers, are given on the next page:

Investment manager	Fund	Benchmark	Objective
Insight	Partially Funded Gilts Funds	Real and nominal interest rate sensitivities as implied by real and nominal liability cashflows	To protect against changes in real and nominal interest rates.
	Inflation Focus Funds		
	Maturing Buy and Maintain Credit Funds	No formal benchmark	To generate a return for investors by investing primarily in a portfolio of debt securities. Each fund aims to deliver annual returns for investors principally from the maturity of investments within the maturity period specified in the name of each fund.
	Liquid ABS Fund	1 month GBP Sterling Overnight Index Average (SONIA) ¹	To generate a return for investors mainly through investment in a portfolio of liquid asset-backed securities (ABS) and corporate bond floating rate notes (FRNs).
	ILF Liquidity Plus Fund	Sterling Overnight Index Average (SONIA) ²	To provide investors with income together with stability of capital by investing in money market instruments and short-term fixed income and variable rate bonds.
	High Grade ABS Fund	1 month GBP Sterling Overnight Index Average (SONIA) ¹	To produce an interest rate based return, primarily through investment in a portfolio of Asset-Backed Securities (ABS) and corporate bond floating rate notes (FRNs).
BlackRock	ACS World ESG Equity Tracker Fund – GBP currency hedged	MSCI World ESG Focus Low Carbon Screened Index	To achieve a return consistent with the return of the benchmark
Ruffer	Absolute Return Fund	Bank of England base rate	n/a
Janus Henderson	Multi-Asset Credit Fund	Sterling Overnight Index Average (SONIA) ³	Outperform the benchmark by 4-5% p.a. before fees over any 5 year time period

¹With effect from 1 January 2020, previously 3-month GBP LIBOR

²With effect from 1 October 2020, previously 3-month GBP LIBID

³With effect from 1 October 2021, previously 3-month GBP LIBOR

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

The Trustees also have AVC contracts with the following providers for the receipt of members' Additional Voluntary Contributions (AVCs):

- Aviva;
- Utmost Life and Pensions; and
- Standard Life.

The Standard Life policy is the only one open to new contributions.

The AVC arrangement is reviewed from time to time.

3. Investments and disinvestments

Investments and disinvestments will normally be made so as to move the actual asset allocation more in line with the target asset allocation, with Barnett Waddingham advising on how to do so most efficiently in each circumstance, given the position of the assets at the time.

Liability Driven Investment

The Trustees have also instructed Insight to manage a Leveraged LDI Solution for the Scheme, hedging 90% of interest rates and inflation as a proportion of the Scheme's liabilities as measured on the LTFT basis. The Scheme's hedge ratios will be gradually increased in line with improvements in the funding position.

In order to manage the amount of leverage within the funds, Insight will inform the Trustees of the amount of any required cash collateral call or payout.

In the event of a cash collateral call (requiring the Scheme to top up the investment in the LDI funds), Insight will automatically disinvest from Insight funds in the following order:

1. ILF Liquidity Plus Fund
2. Liquid ABS Fund
3. High Grade ABS Fund
4. LDI funds.

In the event that cash collateral payouts are made from the LDI funds, Insight will automatically pay these amounts directly into the ILF Liquidity Plus Fund. The Trustees will then consider on a case by case basis whether to invest these amounts or to retain them for benefit payment purposes.

Appendix 2 Note on financially material considerations, including Environmental, Social and Governance (“ESG”) factors and stewardship

Financially material considerations

The Trustees received training on ESG considerations from the investment advisor in relation to the investment strategy and discussed their beliefs on the financial materiality of ESG factors before formalising a policy on behalf of the Scheme.

The Trustees believe that environmental, social and governance factors (including climate change) are financially material in that their consideration within the investment strategy may result in better risk-adjusted returns. The Trustees therefore have a policy to consider these, alongside other factors, in the selection, retention and realisation of the Scheme’s investments. The Trustees appreciate that the method of incorporating ESG in the investment strategy and process will differ between asset classes. Consideration will also be given to the time horizon of the Scheme’s investments within the context of assessing ESG risks.

The Trustees will be reliant on the information presented by the investment manager and their investment advisors regarding the extent to which an investment manager incorporates ESG within the investment process; and will use this information to assess the appropriateness of the Scheme’s investments in light of the Trustees’ views on ESG. An investment manager’s excellence in this area will not take undue precedence over other factors, including (but not limited to) expected performance or fees.

The Trustees have the opportunity to meet the managers and question them on their ESG policies. Currently, there are no specific restrictions imposed on the investment managers with regard to ESG issues, but the Trustees will review this position from time to time, at least annually. The views set out below will be taken into account when appointing and reviewing managers.

A summary of the Trustees’ views for each asset class in which the Scheme invests is outlined below.

Global ESG Equities

The Benchmark Index for this Fund seeks to maximise exposure to positive environmental, social and governance (ESG) factors while minimising the carbon exposure. The Benchmark Index comprises various companies within the MSCI World Index on account of their low carbon emissions exposure (relative to other companies in this index) and excludes companies involved in the following:

- any very severe ESG controversies,
- controversial weapons (such as companies involved in the production of cluster munitions, landmines, depleted uranium weapons and armour, chemical and biological weapons, and nuclear weapons),
- tobacco (all producers excluded, retailers, licensors, distributors excluded if >15% revenue),
- thermal coal (>30% revenue),
- civilian firearms (all producers excluded, retailers excluded if >5% revenue).

Diversified Growth Funds

The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's diversified growth fund managers over the intended time horizon for the investment in question. The investment process for any diversified growth fund manager should take ESG into account when selecting holdings. The Trustees also support engagement activities and, where relevant, the exercise of rights attaching to the investments by the Scheme's diversified growth fund managers. However, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Multi Asset Credit, Corporate Bonds and Asset-Backed Securities

The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's credit holdings over the intended time horizon for the investment in question. The investment process for the manager should take ESG into account when selecting holdings. The Trustees also support engagement activities, although they appreciate that fixed income assets do not typically provide voting rights. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Liability Driven Investment

The Trustees believe that ESG issues are not financially material to the risk-adjusted returns achieved by the Scheme's Liability Driven Investment strategy, given its sole purpose is to provide a hedge against the Scheme's exposure to movements in nominal interest rates and inflation.

Policy on the exercise of voting rights and engagement activities

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustees' behalf. In doing so, the Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers, they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

The Scheme's investment managers are not subject to specific constraints over whether or not to invest in the Principal Employer's business or other group companies.

Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so, the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees /investment manager and the investee companies.

In selecting and reviewing their investment managers, where appropriate, the Trustees will consider investment managers' policies on engagement and how these policies have been implemented.

A statement of how the Trustees have followed their engagement policy and a summary of votes cast on their behalf in respect of the Scheme's investments for the Scheme's latest accounting year, is set out in the Trustees' Implementation Statement. The latest Implementation Statement is available at:

<https://schemedocs.com/berendsenretirementbenefitsscheme.html>

Policy for taking into account non-financial matters

The Trustees do not take into account non-financial matters such as the Scheme members' and beneficiaries' views on ethical considerations in the selection, retention and realisation of investments.