

Trustees' Report – Investment Matters (continued)

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 Trustees' Statement of Investment Principles (SIP) dated August 2020 have been implemented.

It also includes the Trustees' 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 Trustees, or if a proxy voter was used, is also included within this Statement.

The SIP provides further background details on investment arrangements and should be read in conjunction with the Trustees' Annual Governance Statement dated August 2023.

This Statement covers, in most part, the period from 1 February 2022 to 31 January 2023. Where appropriate, notable post year-end events have been included to provide additional context.

Investment Objectives of the Scheme

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

Funding Objective

The primary purpose of the DB Section of the Scheme is to ensure, as far as possible, that there are sufficient assets to provide benefits to the Scheme members as and when these fall due.

The primary purpose of the DC Section of the Scheme is to provide pension and lump sum benefits to members on their retirement on a defined contribution basis, as set out in the Trust Deed and Rules.

Investment Objectives

The Trustees' high level objectives with regard to investing the DB Section's assets are to:

- 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.

The Trustees' objectives with regards to investing the DC Section's assets are to adopt a relatively risk-averse approach but recognise the need to balance aversion to risk with the achievement of a satisfactory investment return.

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The Trustees have taken into consideration that:

- The liabilities of the DC Section are equal to the assets since these define the benefit promise.
- Members' pension benefits are maximised by achieving maximum investment returns.
- Individual member's financial profiles and attitudes to risk may vary.

Stewardship Policy

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

"The Trustees believe 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 Trustees expect their 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 Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of its Investment Managers."

Review of the SIP

The Trustees last reviewed the Statement of Investment Principles (SIP) in August 2020. The SIP was also updated in September 2019 for new investment regulations in relation to Environmental, Social and Governance (ESG) considerations.

The Trustees have 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 Trustees have 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 Trustees' SIP.

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

Strategy Review

For the DB Section, during the final quarter of 2022 the Scheme transitioned its Liability Driven Investments (LDI) holdings out of the Abrdn Standard Life Liability Aware Absolute Return III Funds and into the Abrdn Standard Life Liability Aware Nominal Profile Fund. There were no other fund changes within the DB Section, nor any changes to the overarching structure of the investment strategy over the year to 31 January 2023.

For the DC Section, there were no changes to the strategy over the year to 31 January 2023, nor were there any changes made to the self-select options available to members in the DC Section over the year. Following the year-end, Abrdn Standard Life announced that their Dynamic Multi Asset Growth Fund would close during April 2023 and as a result the existing allocation to this fund was transitioned into the Abrdn Standard Life Managed Fund.

The Trustees periodically review the investment arrangements of the DC Section. A review is currently in progress. The previous review was completed in October 2020.

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Investment Managers and Funds in Use

The investment funds used for both the DB Section and DC Section are set out in the tables below.

DB Section

Asset Class	Fund	Target Asset Allocation
Multi Asset	Abrdn Standard Life Global Absolute Return Fund	60%
	Invesco Global Targeted Returns Fund	
	Fidelity Diversified Growth Fund	
Diversified Alternatives	Cohen & Steers Diversified Real Assets Fund	15%
	Abrdn Global Private Markets Fund	
Liability Driven Investments (LDI)	Abrdn Liability Aware Nominal Profile Fund	25%
Total		100.0%

DC Section

Asset Class	Fund
Global Equities	Abrdn Standard Life Vanguard FTSE UK All Share Index Fund
	Abrdn Standard Life Overseas Equity Tracker Fund
Multi Asset	Abrdn Standard Life Managed Fund*
	Abrdn Standard Life Global Absolute Return Strategies Fund
Government Bonds	Abrdn Standard Life Vanguard UK Government Bond Index Fund
	Abrdn Standard Life Vanguard UK Long Duration Gilt Index Fund
Cash	Abrdn Standard Life Deposit and Treasury Fund

*Allowing for the post year-end closure of the Abrdn Standard Life Dynamic Multi Asset Growth Fund and subsequent transition into the Abrdn Standard Life Managed Fund.

DC Section – Default Investment Strategy

The default investment strategy, Default Lifestyle, used for members invested in the DC Section is set out below:

Period prior to member’s normal retirement age	Investment Default Approach
Up to 10 years prior to normal retirement age	<p>The approach invests as follows:</p> <ul style="list-style-type: none"> 30% Abrdn Standard Life Vanguard FTSE UK All Share Index Fund 30% Abrdn Standard Life Managed Fund 40% Abrdn Standard Life Global Absolute Return Strategies Fund 0% Abrdn Standard Life Vanguard UK Government Bond Index Fund 0% Abrdn Standard Life Deposit and Treasury Fund

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From 10 years before normal retirement age	<p>Phased switches are made between the funds to achieve the following allocation:</p> <p>0% Abrdn Standard Life Vanguard FTSE UK All Share Index Fund 15% Abrdn Standard Life Managed Fund* 35% Abrdn Standard Life Global Absolute Return Strategies Fund 35% Abrdn Standard Life Vanguard UK Government Bond Index Fund 15% Abrdn Standard Life Deposit and Treasury Fund</p>
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*Allowing for the post year-end closure of the Abrdn Standard Life Dynamic Multi Asset Growth Fund and subsequent transition into the Abrdn Standard Life Managed Fund.

Investment Governance

The Trustees are responsible for making investment decisions and seek advice as appropriate from Broadstone Corporate Benefits Limited (‘Broadstone’), as the Trustees’ Investment Consultant.

The Trustees do not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP.

The Trustees have put in place strategic objectives for Broadstone, as the Trustees’ Investment Consultant, as required by the Investment Consultancy and Fiduciary Management Market Investigation Order 2019. The strategic objectives were put in place in November 2019, and are due to be reviewed every three years. The objectives were subsequently reviewed in 2022, where it was agreed that no changes were to be made to the strategic objectives currently in place. The objectives will be due a further review by November 2025.

Trustee Policies

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

Requirement	Policy	Implementation of Policy
Financially and Non-Financially Material Considerations	<p>The Trustees believe 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.</p> <p>The Trustees expect its Investment Managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess 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 Trustees believe these should not drive investment decisions. The Trustees expect its Investment Managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial matters 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 January 2023.

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Voting Rights and Engagement	The Trustee expects its Investment Managers to exercise ownership rights attracted to investments, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustee will assess the stewardship and engagement activity of its Investment Managers (delegating to the Investment Consultant where appropriate). This will be done by reviewing the Investment Manager’s voting and engagement policy, summary reports detailing the engagement and voting activity undertaken by the Investment Managers, and asking questions directly to the Investment Managers.	No deviation from this policy over the year to 31 January 2023.
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Financially and Non-Financially Material Considerations

The Trustees note 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 Trustees are satisfied that the funds currently invested in by the DB Section and DC Section of the Scheme are managed in accordance with their 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 Trustees have 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 Trustees acknowledge that they are 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.

The Trustees invest across a range of asset classes and styles. The Trustees expect the Investment Manager to take into account ESG considerations by engaging with the underlying companies and where relevant, by exercising voting rights on these companies.

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

Asset Class	Actively or Passively Managed?	Comments
Global Equities	Passive	The Trustees acknowledge that the Investment Manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if they have concerns relating to ESG. The Trustees do expect the Investment Manager to take into account ESG considerations by engaging with companies that form part of the index, and by exercising voting rights on these companies.

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Multi Asset	Active	The Trustees expect 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 Trustees also expect its Investment Managers to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the portfolio do not typically attract voting rights.
Diversified Alternatives	Active	The Trustees expect the Investment Manager to take financially material ESG factors into account, given the unconstrained and active management style of the fund and the ability of the Manager to use its discretion to generate higher risk adjusted returns. Given the nature of the investments held in this asset class, the Trustee expects the Investment Manager to use its position of controlling interest to apply ESG considerations to the underlying investments.
Liability Driven Investments (LDI)	Passive	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustees believe 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.
Government Bonds	Passive	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
Cash	Passive	The Trustee believes there is limited scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the investment.

Voting Rights and Engagement Activities

The Trustees currently invest in pooled investment funds with the Investment Managers, and 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 Trustees do not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme’s investments. The Trustees’ 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.

However, the Trustees periodically meet with their Investment Managers, to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustees. As part of this, the Trustees will seek to challenge their Investment Managers on these matters where they think this is in the best interests of members.

Within the current investment arrangements across both the DB- and DC Sections, the Abrdn Standard Life Global Absolute Returns Fund, Invesco Global Targeted Returns Fund, Fidelity Diversified Growth Fund, Cohen & Steers Diversified Real Assets Fund, Abrdn Standard Life Vanguard FTSE UK All Share Index Fund, Abrdn Standard Life Overseas Equity Tracker Fund, and Abrdn Standard Life Managed Fund all contain publicly listed equity holdings and therefore have voting rights attached to the underlying equities.

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Trustees have delegated these voting rights to the relevant Investment Managers.

A summary of the votes made by each Investment Manager on behalf of the Trustees for each of the aforementioned funds currently used by the Scheme is provided in the table below.

Manager	Fund	Resolutions Voted On	Total Resolutions Voted:		
			For	Against	Abstained
Abrdn Standard Life	Global Absolute Return Fund	232	82%	18%	0%
	Vanguard FTSE UK All Share Index Fund	10,305	99%	1%	0%
	Life Overseas Equity Tracker Pension Fund	428	89%	10%	1%
	Managed Fund	7,725	91%	8%	1%
Invesco	Global Targeted Returns Fund	3,981	94%	6%	0%
Fidelity	Diversified Growth Fund	5,251	90%	9%	1%
Cohen & Steers	Diversified Real Assets Fund	2,854	93%	7%	0%

*Voting data for the Abrdn Standard Life Vanguard FTSE UK All Share Index Fund provided is for the period 01/01/2022 to 31/12/2022, all other voting data covers the period 01/04/2022 to 31/03/2023. Data covering the 12 months to 31 January 2023 not available from the Investment Managers.

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

- Abrdn Standard Life utilise the services of ISS for all voting requirements.
- Invesco utilises its own patented proxy voting portal.
- Fidelity utilise a proxy voting service (ISS).
- Cohen & Steers utilise a proxy voting service (ISS).

Significant Votes

The Trustees have requested details of the significant votes made on behalf of the Trustees by each Investment Manager. In determining significant votes, each Investment Manager's Investment Stewardship team takes into account the criteria provided by the British Racing Drivers' Club (BRDC) Limited Pension & Life Assurance Scheme's guidance. This includes but is not limited to:

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

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The Trustees believe the following are the most significant votes undertaken on their behalf over the scheme year:

Significant Vote 1 - Fidelity – DB Section	
Company	CNH Industrial NV
Date	13 April 2022
% of portfolio invested in firm	Not provided by Fidelity, who are 'currently developing their reporting capabilities and will look to include this data within future reporting'.
Resolution	Approve Remuneration Report.
Why significant	There was a high-level of dissent from shareholders with regards to this resolution.
How voted	VOTED AGAINST MANAGEMENT
Manager Comments	<i>"We decided to vote against the remuneration report due to a combination of board discretion and inadequate disclosure. The new CEO had been hired on a very competitive pay package, which the company had benchmarked against the top quintile of its selected peer group. We generally oppose this practice, as it creates a ratcheting effect on executive pay across the market. The CEO also received a front-loaded \$36m stock award, part of which was intended to compensate for forfeited stock awards from his previous employer. 25% of the stock award has no performance conditions, while the final performance hurdles for the remaining 75% had not been disclosed."</i>
Vote outcome	The resolution was approved at the AGM, though with substantial dissent: c. 30% of participating votes were cast against the resolution.

Significant Vote 2 – Cohen & Steers – DB Section	
Company	Company name anonymized by Cohen & Steers
Date	10 May 2022
% of portfolio invested in firm	1.09% at date of vote.
Resolution	Oversee and Report on a Racial Equity Audit.
Why significant	Cohen & Steers voted in accordance with their voting and engagement policies to promote better practices which they believe is important in acquiring greater value for the issuer.
How voted	VOTED WITH MANAGEMENT
Manager Comments	<i>"Voted in favor of the proposal, as a racial equity audit would equip shareholders with the tools to more accurately assess the company's management of potential human rights or racial equity issues arising from its operations, including those related to pollution or greenhouse gas emissions."</i>
Vote outcome	Final outcome of the vote was not made available to Cohen & Steers.

Significant Vote 3 – Invesco – DB Section	
Company	Suofeiya Home Collection Co., Ltd.
Date	3 May 2022
% of portfolio invested in firm	More than 1% at date of vote.
Resolution	Approve Cash Management.
Why significant	Greater than 1% IVZ (Invesco) Ownership and Includes Key ESG proposal.
How voted	VOTED AGAINST MANAGEMENT
Manager Comments	<i>"A vote against is warranted because the proposed investment could expose the company to unnecessary risks."</i>

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Vote outcome	The resolution passed.
Significant Vote 4 – Abrdn Standard Life – DB and DC Sections	
Company	The Kroger Co.
Date	23 June 2022
% of portfolio invested in firm	Not provided by Abrdn Standard Life.
Resolution	Produce report on climate change implications.
Why significant	<p>Abrdn Standard Life Significant Vote Category 2 (‘SV2’): Shareholder and Environmental & Social (E&S) Resolutions.</p> <ul style="list-style-type: none"> • Votes on shareholder E&S proposals where they have engaged with the proponent or company on the resolution. • Votes on management-presented E&S proposals. • Focus on shareholder proposals where they have voted contrary to management recommendation.
How voted	VOTED AGAINST MANAGEMENT
Manager Comments	<i>‘We welcome the steps made by Kroger to reduce GHG emissions by 30 percent by 2030. Given the significance of HFC’s to the company Scope 1 emissions and costs associated with moving to gases with lower global warming potential, clear disclosure and plans to achieve this is in the interests of shareholders.’</i>
Vote outcome	The final outcome of this vote was not made available to Abrdn Standard Life.

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

Engagement Activities

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

- **Abrdn Standard Life** - as a longstanding shareholder in several leading UK housebuilders, Abrdn Standard Life have been closely monitoring and engaging with companies on their response to fire safety concerns in the aftermath of the tragedy at Grenfell Tower. Based on their research and meetings with management teams, Abrdn Standard Life wrote to nine investee companies in January 2022 and then again in February 2022, asking them to increase their public disclosure of several data points on their outstanding exposure to these fire safety challenges, and any remediation work underway. The aim of this request was to enhance transparency and comparability across the industry. This engagement also included a request for Abrdn Standard Life’s investee companies to join a pledge to remediate fire safety issues in their schemes constructed over the past 30 years.
- **Invesco** – engaged with a UK utilities company six times during 2022, to discuss the energy transition and affordability of energy bills, battery storage, hydrogen, and the company’s involvement in bidding for offshore wind in North America. The company was able to describe some geothermal pilot schemes they are running related to their overall Geothermal Program Implementation Plan, designed to explore how geothermal networks can be used to assist with mitigating constraints with current gas systems. Invesco are planning on continuing engagement with the company to

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ensure that they remain aligned with energy transition goals and sustainability opportunities.

- **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.
- **Fidelity** - engaged with a major Chinese internet company to better understand and improve ethical practices in the development and deployment of artificial intelligence (AI). Fidelity expressed that their current disclosures needed to be more specific and underpinned with definite commitments, as well as providing more detail regarding how the company follows ethical AI principles in its business operations. The company accepted there was increasing awareness overall of the importance of ESG in relation to ethical AI.

Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall 'rating' which represents how well ESG metrics are incorporated into managers' investment processes. Investment Managers will submit a transparency report on their processes across different categories which is then assessed by the UNPRI and graded in a formal report.

For the 2021 UNPRI Assessment Reports, scores are presented as a 'star' rating ranging from ★ to ★★★★★, with more stars representing a higher score.

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

Manager	2021 UNPRI Rating
Abrdn	★★★★
Cohen and Steers	★★★
Fidelity	★★★★
Invesco	★★★★
Market Median	★★★

The Trustees also consider the Investment Managers' policies on stewardship and engagement when selecting and reviewing Investment Managers.

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Monitoring of Investment Arrangements

In addition to any reviews of Investment Managers or approaches, and direct engagement with Investment Managers (as detailed above), the Trustees receive performance reports on a quarterly basis to ensure the investment objectives set out for the Scheme are being met.

Signed:  

Date: 26 September 2023

On behalf of the Trustees of the British Racing Drivers' Club Limited Pension & Life Assurance Scheme.