



Openreach Section of the BT Hybrid Scheme

Implementation Statement for year ended 31 March 2024
October 2024

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Introduction

This Implementation Statement (the "Statement") has been prepared by the Section Trustee (the "Trustee") of the Openreach Section (the "Section") of the BT Hybrid Scheme (the "Scheme"). The purpose of this Statement is to set out how, and the extent to which, the Trustee believes the Statement of Investment Principles ("SIP") has been followed during the Section year from 1 April 2023 to 31 March 2024. It sets out any changes made to the SIP during the Section year and demonstrates how the Trustee has acted on certain policies within the SIP.

This Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments. The Section has both a Defined Benefit ("DB") section and a Defined Contribution ("DC") section. This Statement has therefore been divided into two sections. Section 1 considers the Section's DB assets and Section 2 considers the Section's DC investments.

Trustees of occupational pension schemes which provide DC benefits are required to provide details of how, and the extent to which, their SIP policies have been followed over the scheme year, including details of any formal review of the SIP or changes made to the SIP with the reasons behind these. In relation to their SIP policy on voting and engagement with investee companies, trustees are also required to include a description of their voting behaviour, the most significant votes cast and any use of a proxy voter over the year.

Section 1 – Defined Benefit assets

Trustee review of the SIP DB section over the year

This Implementation Statement should be read in conjunction with the Section's SIP covering the year under review, which provides details of the Section's investment policies along with details of the Section's governance structure and objectives.

Over the year to 31 March 2024 the Section's SIP for the DB section included policies on:

- How 'financially material considerations' including Environmental, Social and Governance ("ESG") factors are taken into account when making investment decisions for the Section.
- The extent to which non-financial matters are taken into account in the investment decision-making process.
- Stewardship and voting – including details on monitoring and engaging with the companies in which they invest (and other relevant stakeholders) on relevant matters (including performance, strategy, risks, corporate governance and ESG). Engagement with investee companies by the Investment Managers is also expected on the matters of capital structure and the management of actual or potential conflicts of interest.
- Monitoring the Section's Investment Managers, particularly concerning financial arrangements, performance, ESG factors and engagement.
- The duration of the Section's arrangement with the Investment Managers.

The SIP has been under review over the Section year to 31 March 2024 to reflect the following updates:

- **Investment Strategy:** The Trustee put in place a new investment strategy for the DB section following changes to the Partners Group Generations Fund.
- **Leverage and Collateral Management Policy:** The Trustee added a leverage and collateral management policy to the SIP which outlines the agreed process for meeting collateral calls should these be made by the Section's LDI portfolio.

These updates have been agreed by the Trustee post the 31 March 2024 Section year end.

This Implementation Statement reviews the voting and engagement activities covering the 12-month period to the Section year-end and the extent to which the Trustee believes the policies within the SIP have been followed.

The Section's defined benefit assets were invested in pooled funds managed by Legal & General Investment Management ("LGIM") over the Section year under review to 31 March 2024.

It is therefore LGIM ("the Investment Manager") that has been responsible for the policy on taking ESG considerations into account in the selection, retention and realisation of investments within the pooled

investment vehicles and for the exercise of rights (including voting rights) attaching to these investments. The Trustee's policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Section's interests in the investments.

The Trustee expects LGIM to engage with investee companies (and other relevant persons including, but not limited to, investment managers, and issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee's investments. The Trustee believes that such engagement will protect and enhance the long-term value of its investments.

How the policies in the SIP have been followed over the Section year

In the opinion of the Trustee, the policies in the SIP have been followed throughout the year to 31 March 2024 for the DB Section.

The Trustee's policies on investment objectives

The Trustee's primary investment objectives for the DB Section are:

Policy	Assessment
"Growth" objective – to be invested in assets which are expected to achieve a return consistent with the discount rate used to value the Section's Technical Provisions Liabilities	<p>The Trustee reviews the investment strategy regularly with its investment advisor. When deciding on an appropriate investment strategy, the Trustee will consider the Section's liabilities and the covenant strength of the Company.</p> <p>The investment strategy of the Section is intended to deliver a return, over the long term, that will allow sufficient asset growth such that, in combination with the agreed schedule of contributions from the Company, the Technical Provisions can be met.</p>
"Stability" objective – to have due regard to the Company's ability in meeting its contribution payments given its size and incidence, and to have due regard to the volatility of measures of funding and security	<p>There is no reason to suggest that the Company's financial strength and commitment to the Section has changed, and therefore the Trustee retains the belief that the long-term strategy of the Section is appropriate.</p> <p>The Trustee's objectives relating to funding level volatility are covered by the "Hedging" objective below.</p>
"Hedging" objective – for the assets to hedge a portion of the interest rate and inflation risk associated with the Section's liabilities on a Technical Provisions basis	<p>The Section's hedge ratios are monitored on a quarterly basis via the Integrated Risk Management report.</p>

The Trustee's policies on investment risk

In determining the Section's investment strategy, the Trustee has considered a number of risks including funding risk, mismatching risk, underperformance risk, concentration risk, organisational risk, sponsor risk, liquidity risk, currency risk, credit and market risks and ESG factor risks.

The Trustee, in consultation with its investment advisor, has considered the above risks throughout the design of the investment strategy and on an ongoing basis via regular monitoring. In designing the Section's asset allocation strategy, the Trustee considered written advice from its investment advisor which included the need to consider a full range of asset classes, the risks and rewards of a range of alternative asset allocation strategies, the suitability of each asset class and the need for appropriate diversification.

The Trustee also reviews an Investment Risk Disclosures report each year for the Section's report and accounts as required under FRS 102 and the 2018 Pensions SORP, highlighting the key risk exposures at each 31 March year end.

The Trustee's policies on day-to-day fund management

The Section's assets are invested in pooled investment vehicles. As such, fund management responsibilities for each of the Section's underlying investments has been delegated to the Investment Manager.

The day-to-day fund management of the assets is performed by professional fund managers who are authorised and regulated by the relevant authorities. The Trustee has carried out due diligence prior to investing in each pooled fund, taking advice from the investment advisor and legal advisor where relevant. The Trustee is satisfied that the appointed fund managers have sufficient expertise and experience to carry out their role and is satisfied with the day-to-day discretionary management of assets by the respective asset managers over the year to 31 March 2024.

The Trustee's policies on monitoring investments

The Trustee received four quarterly investment performance monitoring reports over the year to 31 March 2024. Each report covered, over each respective three-month period:

- Performance of each of the Section's investments versus their respective benchmarks
- The Section's asset allocation relative to the agreed strategic benchmark
- Total Section performance compared with that of the Section's strategic benchmark
- Updated funding position, comparing the Section's total asset valuation with an estimated value of the Section's liabilities as at the same date
- Interest rate and inflation hedge ratios
- Details of any transitions and additional investments
- Market commentary
- Any developments with the appointed Investment Manager
- The fees charged by the Section's Investment Manager.

The Trustee's policies on the duration of investment arrangements

The Trustee is satisfied that the current and strategic allocation to open-ended arrangements is intended and remains appropriate, providing a sufficient level of liquidity, diversification and expected return.

The Trustee's policies on manager arrangements, ESG considerations and stewardship

The Section's assets are invested entirely in pooled investment funds alongside other investors and the Trustee does not directly invest in underlying companies or have the ability to engage directly with these companies. It is therefore the Investment Manager that is responsible for implementing the Trustee's policy on taking financially material considerations into account in the selection, retention and realisation of investments within the pooled investment vehicles and for the exercise of rights (including voting rights) attaching to these investments.

The Trustee expects the Investment Manager to actively engage on the relevant matters including ESG factors in order to protect and enhance the long-term value of the Section's investments. The Trustee will continue to receive regular monitoring, on at least an annual basis, on how the Investment Manager are integrating ESG into the management of the investment portfolios, including case studies and relevant metrics.

How Voting and Engagement Policies Have Been Followed

The Trustee intends to review a summary of the voting and engagement activity taken on its behalf on a regular basis. The information published by LGIM on its voting policies has provided the Trustee with comfort that the Section's voting and engagement policies have been followed during the Section year to 31 March 2024.

As set out in the SIP, the Trustee expects the Investment Manager to engage with investee companies on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee's investments.

Details of specific voting and engagement topics are shown in the following table.

Voting and Engagement topic	Policy followed in the opinion of Trustees?	Comments
Performance of debt or equity issuer	✓	LGIM's voting and engagement policies do not cover the past financial performance of investee companies. However, the voting and engagement which has been undertaken aims to improve the long-term future performance of the investee companies.
Strategy	✓	<p>The Trustee believes that the board's duty is to decide the appropriate company strategy, with the CEO in turn responsible for executing the strategy. For this structure to work effectively, the Trustee also believes that the appropriate governance structures need to be in place. These include the separation of duties between the board and the CEO, as well as policies covering independence, diversity and remuneration.</p> <p>LGIM has clear voting policies covering each of these topics and have acted on them throughout the Section year on behalf of the Trustee.</p>
Risks	✓	<p>LGIM have clear voting policies on ensuring that companies manage risk effectively and have robust internal controls. As an example of reducing risk, LGIM encourages all audit committee chairs globally to have a financial background and be entirely comprised of independent non-executive directors. LGIM also expect companies for whom climate change is a material financial risk to reflect these risks within the estimates used to prepare their financial accounts.</p>
Social and environmental impact	✓	<p>LGIM has acted against almost 300 companies in 2023 under their Climate Impact Pledge in order to hold directors to account for their management of climate risk. This included two companies being divested, and one company being reinstated. LGIM's Climate Impact Pledge now covers more than 5,000 companies across 20 climate-critical sectors.</p> <p>During 2023, to promote diversity at the board level, LGIM voted against the board chair of UK and US companies where there was insufficient gender representation on the executive committee, or the board did not include at least one person from an ethnic minority background. Over 2023, in line with this policy LGIM voted against NVIDIA Corporation, Tesla Inc, Thermo Fisher Scientific Inc and others on these grounds.</p>
Corporate governance	✓	<p>LGIM's policy is to vote against all elections which combine the roles of CEO and Chair. For example, LGIM voted against electing directors of Microsoft Corporation, Johnson & Johnson, and Pfizer Inc. alongside several others, in line with this policy.</p>
Conflicts of interest	✓	<p>Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management). Over the period under review, LGIM voted against incentive awards which did not have performance conditions or where clear guidelines were not in place, as these awards would not align remuneration with company performance. For example, LGIM voted against Banco Santander SA's remuneration policy because awards are permitted to vest for below median relative performance.</p>
Capital structure	✓	<p>LGIM has policies on voting in respect of resolutions regarding changes to company capital structure such as share repurchase proposals and new share issuance. For example, LGIM has advocated for equal voting rights under a 'one share, one vote' standard and voted for a resolution to approve a recapitalisation plan for all Alphabet Inc. stock to have one vote per share.</p>

Description of voting behaviour

This section summarises the voting activity undertaken by the Investment Manager on behalf of the Trustee covering the Section year to 31 March 2024 and the extent to which the Trustee believes the policies within their SIP have been followed.

The Section's holdings in the LGIM Future World Global Equity Index Fund – GBP Currency Hedged was the main pooled fund investment held by the Section that carried voting rights over the Section year to 31 March 2024. The LGIM Buy and Maintain Credit Fund carried voting rights at two meetings over the year to 31 March 2024 and therefore the voting statistics for this Fund are also shown below.

LGIM manage over £1 trillion in assets, and use their resulting influence, focussing their votes on climate change, income equality, diversity, and ESG integration.

The tables below show LGIM's voting summary covering the Section's investment in the LGIM Future World Global Equity Index Fund – GBP Currency Hedged and the LGIM Buy and Maintain Credit Fund over the year to 31 March 2024.

LGIM Future World Global Equity Index Fund – GBP Currency Hedged (c. £11.8m or 38% of total Section assets as at 31 March 2024)	1 April 2023 – 31 March 2024
Number of meetings LGIM was eligible to vote at over the year to 31 March 2024	5,134
Number of resolutions LGIM was eligible to vote on over the year to 31 March 2024	52,212
Of the eligible resolutions, percentage that LGIM voted on:	99.9%
Of the resolutions voted, percentage that LGIM voted with management.	80.3%
Of the resolutions voted, percentage that LGIM voted against management.	19.5%
Of the resolutions voted, percentage where LGIM abstained .	0.3%
Percentage of eligible meetings where LGIM voted at least once against management.	63.3%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.	11.1%

Note: Totals may not sum due to rounding.

LGIM Buy and Maintain Credit Fund (c. £6.2m or 20% of total Section assets as at 31 March 2024)	1 April 2023 – 31 March 2024
Number of meetings LGIM was eligible to vote at over the year to 31 March 2024	2
Number of resolutions LGIM was eligible to vote on over the year to 31 March 2024	2
Of the eligible resolutions, percentage that LGIM voted on:	100.0%
Of the resolutions voted, percentage that LGIM voted with management.	100.0%
Of the resolutions voted, percentage that LGIM voted against management.	0.0%

Of the resolutions voted, percentage where LGIM abstained .	0.0%
Percentage of eligible meetings where LGIM voted at least once against management.	0.0%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.	0.0%

Note: Totals may not sum due to rounding.

Proxy voting

The Trustee did not employ a proxy-voting service during the Section year to 31 March 2024.

LGIM votes by proxy as given the scale of its holdings, the manager cannot be present at all shareholder meetings to cast votes. LGIM votes by proxy through the Institutional Shareholder Service's ("ISS") electronic voting platform. It should be noted that all voting decisions are made by LGIM using its individual market specific voting policies, with LGIM's own research only supplemented by ISS recommendations and research reports produced by the Institutional Voting Information Service ("IVIS").

Significant Votes

LGIM has provided details of its voting actions including a summary of the activity covering the reporting year to 31 March 2024. The Trustee has adopted the manager's definition of significant votes and has not set stewardship priorities.

LGIM has provided examples of votes they deem to be significant, and the Trustee has shown the votes relating to the greatest exposure within the Scheme's investment.

Examples of significant votes cast by LGIM covering investee companies in the Future World Global Equity Fund are shown in the tables below.

Example 1: LGIM Future World Global Equity Fund – GBP Hedged	
Vote Details	Microsoft Corporation, 07/12/2023.
Approximate size of fund's holding as at date of vote	5.47% of Future World Global Equity Fund – GBP Hedged.
Rationale for significance	LGIM considers this vote to be significant as it is an application of the escalated vote policy on the topic of combination of Board Chair and CEO roles.
Voting decision	LGIM voted against the election of a Director at Microsoft Corporation. LGIM expects companies to separate their roles of Board Chair and CEO due to risk management and oversight concerns.
Voting against management	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. Typically, it is LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.
Vote outcome	Pass
Next Steps	LGIM will continue to engage with the investee company, publicly advocate their position on this issue and monitor company and market-level progress.

Example 2: LGIM Future World Global Equity Fund – GBP Hedged	
Vote Details	Apple Inc., 28/02/2024.

Approximate size of fund's holding as at date of vote	4.46% of Future World Global Equity Fund – GBP Hedged.
Rationale for significance	LGIM considers this vote to be significant as it relates to diversity. LGIM believes diversity is a financially material issue for its clients with implications for the assets managed on its clients' behalf.
Voting decision	LGIM voted against Apple reporting on the risks of omitting viewpoint and ideological diversity from its Equal Employment Opportunity policy. LGIM is satisfied with the level of pre-existing disclosure around diversity and non-discriminatory practices provided to shareholders by the corporation. LGIM also does not consider this specific reporting topic to be a standard industry practice.
Voting against management	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. Typically, it is LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.
Vote outcome	Fail
Next Steps	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Engagement with Investee Companies (Non-Equity Investments)

Exercising equity voting rights is not the only method of influencing behaviours of investee companies and is not directly applicable for the Section's fixed income investments through the LGIM Buy and Maintain Credit Fund (c. £6.2m of Section assets as at 31 March 2024). However, the Trustee expects the Investment Manager to engage on its behalf to aim to influence the underlying investee companies in respect of the ESG and stewardship matters outlined above.

LGIM actively engages with the investee companies via direct messages and meetings with management and engagements via email to influence positive ESG practice. It is also noted that there is substantial overlap between the companies in which LGIM holds debt and equity and so, while the corporate bonds mandate does not hold voting rights, LGIM's position as the equity holder elsewhere will likely result in them having voting rights to compound the impact and influence that LGIM has on each company's practices.

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for clients. LGIM's voting policies are reviewed annually and take into account client feedback.

Over the 12 months to 31 March 2024, LGIM undertook 2,144 engagements with 2,006 companies. Some engagements cover multiple topics and LGIM has provided the following summary:

- 1,820 on environmental topics;
- 274 on social topics;
- 528 on governance issues; and
- 119 on other topics including finance and strategy.

The table below summarises the engagements undertaken on a fund-by-fund basis by LGIM. Data was available for the Future World Global Equity – GBP Hedged Fund and the Buy and Maintain Credit Fund over the year to 31 March 2024.

	Total Engagements	No. Unique Companies Engaged	% of eligible fund value engaged	Environmental Topics	Social Topics	Governance Topics	Other Topics
Future World Global Equity Fund – GBP Hedged	795	530	42%	463	195	275	67

Buy and Maintain Credit Fund	177	83	27%	80	60	90	34
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The remainder of the Section's assets (c. £13.4m or c. 43% of total Section assets as at 31 March 2024) are invested in leveraged nominal and index-linked government bonds, interest rate and inflation swaps and money market instruments through the LGIM Matching Core Funds and Sterling Liquidity Fund with the purpose of reducing risk by hedging the exposure to interest rate and inflation inherent in the Section's liabilities. LGIM has governance practices in place to capture key regulatory developments which might influence the future management and performance of the hedging assets.

Extent to which Trustee's policies have been followed during the year

Having reviewed the actions taken by LGIM over the Section year, the Trustee believes that their policies on stewardship and engagement have been implemented appropriately over the year and in line with its views. The Trustee will continue to monitor the actions taken on its behalf each year and press for improved engagement information and ESG reporting metrics at the fund specific level.

If the Investment Managers deviate substantially from the Trustee's stated policies, the Trustee will initially engage and discuss this with the relevant investment manager and if the Trustee still believes the difference between its policies and the investment manager's actions are material, the Trustee will consider terminating and replacing the mandate if necessary.

Section 2 – Defined Contribution assets

Trustee review of the SIP DC section over the year

This section of the Implementation Statement should be read in conjunction with the Section's SIP for Defined Contribution assets covering the year under review, which provides details of the Section's investment policies along with details of the Section's governance structure and objectives.

The SIP has been under review over the Section year to 31 March 2024 to reflect the following updates:

- **Default Lifestyle Strategy:** The default lifestyle strategy was updated to extend the growth phase and shorten the period over which investments are gradually switched into bonds and cash. The updated lifestyling strategy removed the BTHS Diversified Fund from the glidepath and maintains 100% global equity exposure until members reach five years from their chosen retirement date.
- **Self-select Fund Range:** The Trustee agreed to reduce the DC self-select fund range and remove the BTHS Global ex UK Equity Fund, the BTHS UK Government Inflation-Linked Bond Fund and the BTHS Global ex UK Equity Fund from the self-select fund range. In addition, the underlying fund for the BTHS UK Equity Fund was replaced to more closely align with the Trustee's ESG Policies.
- **Illiquid Assets:** A policy covering illiquid assets was added to the SIP following recent regulatory guidance. This policy sets out the Trustee's views on the suitability of illiquid assets for the Section's membership.

These updates have been agreed by the Trustee following the 31 March 2024 Section year end.

How the policies in the SIP have been followed over the Section year

In the opinion of the Trustee, the policies in the SIP have been followed throughout the year to 31 March 2024 for the DC Section.

The Trustee's policies on investment objectives

The Trustee's primary investment objectives for the DC Section are:

Policy	Assessment
To provide a suitable default investment option that is likely to be suitable for contributing and deferred members within the Section who do not make an active investment choice.	<p>A default investment option is in place for members who don't make an active choice on their investments.</p> <p>The default investment option includes a Lifestyling element that reduces the proportion held in growth assets in favour of bonds and cash as the member nears retirement age.</p>
To offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives.	An appropriate range of alternative self-select investment options is offered for members that wish to make their own investment choices.
To achieve positive member outcomes net of fees and subject to acceptable levels of risk.	Members are responsible for their own choice of investment options. The self-select offering includes a range of passive low-cost index tracker funds. The default investment option invests across a range of asset classes to achieve diversification.

<p>Manage the expected volatility of the returns through appropriate diversification of the use of asset types in order to control the level of volatility and risk in the value of members' pension pots.</p>	<p>The self-select offering includes a range of funds to allow members to achieve a suitable level of diversification and the default option includes allocations to equity and fixed income assets, all diversified by region.</p> <p>As noted above, the default investment option includes a Lifestyling element that reduces the proportion held in growth assets in favour of bonds and cash as the member nears retirement age. This is intended to reduce the volatility of a members' pot relative to annuity pricing and the risk of a significant reduction in the value of their pension pot near retirement.</p>
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The Trustee's policies on investment risk

Risk in a DC scheme lies with the members themselves. In determining suitable investment choices to members, the Trustee has considered a number of risks, including inflation risk, conversion risk, retirement income risk, concentration risk, currency risk, loss of investment risk, credit risk and market risk and ESG factor risks.

The Trustee's policies on monitoring investments

The Trustee received four quarterly investment performance monitoring reports over the year to 31 March 2024. Each report covered, over each respective three-month period:

- Performance of each of the funds available to members versus their respective benchmarks
- The asset value and number of members invested in each fund
- Market commentary
- Any developments with the underlying Investment Managers
- The estimated fees incurred by members

The Trustee's policies on manager arrangements, ESG considerations and stewardship

Members' pension pots in the DC Section are invested in white-labelled Standard Life funds, meaning the Trustee does not have the ability to engage directly with the underlying companies.

The Trustee has set an appropriate monitoring framework to ensure the Section's Investment Managers are regularly reviewed. This is to promote greater transparency in understanding the reasons behind performance trends and key risk exposures and also engagement activity and compliance with the Trustee's stated ESG policy. Regular monitoring, with specific reference to ESG factors should incentivise the Section's Investment Managers to assess and improve the medium to long-term performance of investee companies, both financial and non-financial.

The DC Section offers investment options to members which include exposure to equity markets. The Trustee does not directly exercise voting rights as these investments are through the white-labelled funds managed by Standard Life. Voting rights are exercised by the underlying equity manager, abrdrn, who disclose their voting records publicly each year, including summaries of their positions for significant shareholder votes.

Further detail on the approach taken by the underlying equity manager to exercise voting rights is set out below.

How Voting and Engagement Policies Have Been Followed

The information published by abrdrn on their voting and engagement policies and by Vanguard on their engagement policies has provided the Trustee with comfort that the Section's voting and engagement policies have been followed during the Section year to 31 March 2024.

As set out in the SIP, the Trustee expects the Investment Managers to engage with investee companies on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee's investments.

Details of specific voting and engagement topics are shown in the following table.

Voting and Engagement topic	Policy followed in the opinion of Trustee?	Comments
Performance of debt or equity issuer	✓	<p>abrdn's voting and engagement policies do not cover the past financial performance of investee companies. However, the voting and engagement which has been undertaken aims to improve the long-term future performance of the investee companies.</p> <p>Vanguard conduct topic-driven engagement with companies that have a record of underperformance and are held to discuss matters that Vanguard believe can materially affect a company's long-term value.</p>
Strategy	✓	<p>The Trustee believes that the board's duty is to decide the appropriate company strategy, with the CEO in turn responsible for executing the strategy. For this structure to work effectively, the Trustee also believes that the appropriate governance structures need to be in place. These include the separation of duties between the board and the CEO, as well as policies covering independence, diversity and remuneration.</p> <p>abrdn has a number of voting policies covering strategic topics, including board composition, leadership, independence and diversity. For example, abrdn will generally oppose any re-combination of the roles of CEO and Chair, unless the move is on a temporary basis due to exceptional circumstances.</p>
Risks	✓	<p>abrdn has clear voting policies on ensuring that companies manage risk effectively and have robust internal controls.</p> <p>abrdn believes the Board is responsible for establishing procedures to manage risk and for monitoring a company's internal controls. abrdn expect the Board to conduct robust assessments of the company's material risks on an ongoing basis.</p>
Social and Environmental impact	✓	<p>abrdn will review any resolution at company meetings which ISS has identified as covering environmental and social factors. abrdn is a member of the Net Zero Asset Managers Initiatives and will therefore engage with investee companies to encourage them to demonstrate robust methodology underpinning Paris aligned goals and targets.</p> <p>abrdn prioritised their engagement on climate related matters over 2023 on companies identified as highest-financed emitters and climate laggards. This included engaging with German electric</p>

		<p>utilities company RWE to discuss options for the company's legacy coal assets and supporting the company's decarbonisation strategy.</p> <p>In relation to social impact, Vanguard has established a formal procedure to identify and monitor companies whose direct involvement in crimes against humanity or patterns of abuses of human rights would warrant engagement or potential divestment.</p>
Corporate Governance	✓	<p>abrdn believes effective board governance promotes the long-term success and value creation of companies. As such, abrdn takes into account a range of factors such as board composition, independence, diversity, time commitment, board committees and director accountability while engaging with investee companies to ensure effective corporate governance.</p> <p>Vanguard aims to identify governance risks and focus engagement on achieving a well-composed, independent and capable board, with a governance structure that empowers shareholders and sensible compensation that incentivises long-term performance.</p>
Conflicts of Interest	✓	<p>Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management).</p> <p>abrdn believes performance metrics used to determine variable pay should be clearly disclosed and aligned to the company's strategy. In addition, abrdn will encourage the inclusion of non-financial metrics linked to targets which are aligned with the company's progress on its ESG strategy. Over 2023, abrdn engaged with remuneration committees to ensure the cost of living crisis was being considered when agreeing executive pay outcomes.</p>
Capital Structure	✓	<p>abrdn and Vanguard have policies on voting in respect of resolutions regarding changes to company capital structure such as share repurchase proposals and new share issuance.</p>

Description of Equity Voting Behaviour

The default lifestyle option for members over the year consisted of three white-labelled funds, only one of which carried voting rights over the Section year.

The BTHS Global Equity Fund (c. £35.1m of Section assets as at 31 March 2024) was invested in the SL abrdn Sustainable Index World Equity Fund over the Section year. The voting summary for this holding over the 12-month period to 31 March 2024 is included in the table below.

SL abrdn Sustainable Index World Equity Pension Fund		1 April 2023 – 31 March 2024
Number of meetings abrdn was eligible to vote at over the year to 31 March 2024		309
Number of resolutions abrdn was eligible to vote on over the year to 31 March 2024		5,081

Of the eligible resolutions, percentage that abrdn voted on:	89.2%
Of the resolutions voted, percentage that abrdn voted with management.	92.2%
Of the resolutions voted, percentage that abrdn voted against management.	7.2%
Of the resolutions voted, percentage where abrdn abstained .	0.6%
Percentage of eligible meetings where abrdn voted at least once against management.	49.5%
Percentage of voted resolutions where abrdn voted contrary to the recommendation of their proxy adviser.	5.4%

Proxy Voting

The Trustee did not employ a proxy-voting service during the Section year to 31 March 2024.

abrdn's proxy voting process is led by members of the regional investment teams and active ownership teams. Analysts within these teams consider abrdn stewardship policies, investment insights, and views of the company to come to voting decisions. abrdn also make use of benchmark research and recommendations provided by ISS and IVIS. Regional voting policy guidelines have been implemented with ISS which are applied to all meetings in order to produce customised vote recommendations.

Significant Votes

The Trustee has adopted the manager's definition of significant votes and has not set stewardship priorities. abrdn has provided examples of votes it deems to be significant, and the Trustee has shown the votes relating to the greatest exposure within the Section's investment in the table below.

Example: SL abrdn Sustainable Index World Equity Pension Fund	
Vote Details	ASML Holding, 26/04/2023.
Approximate size of fund's holding as at date of vote	0.64% of SL abrdn Sustainable Index World Equity Pension Fund
Rationale for significance	abrdn considers this vote to be significant as the vote is on a large active holding where abrdn have voted contrary to custom policy following analysis.
Voting decision	abrdn voted in favour of ASML Holdings Remuneration Report which ratified named executive officers' compensation as they believe ASML Holding have improved disclosures in respect of both short term and long term remuneration incentives.
Voting against management	abrdn publicly communicates its vote instructions on its website with the rationale for all votes against management. This was not a vote against management.
Vote outcome	Pass
Next Steps	abrdn will continue to engage with the investee company and monitor company and market-level progress.

Engagement with Investee Companies (Non-Equity Investments)

Exercising equity voting rights is not the only method of influencing behaviours of investee companies and is not directly applicable for the Section's fixed income and money market investments held through other funds underlying the default investment option. However, the Trustee expects the Investment Managers to engage on its behalf to aim to influence the underlying investee companies in respect of the ESG and stewardship matters outlined above.

abrdn leverage their scale and market position to engage with investee companies to raise standards and help drive best practice across the asset management industry. Regular review meetings are held with executive management of investee companies to discuss various ESG areas while also monitoring the performance of the company and their management.

Over the year to 31 December 2023, abrdn undertook 2,008 ESG engagements with investee companies. The following statistics provide examples of the % of meetings where certain sustainability topics were discussed:

- GHG emissions were discussed at 71% of meetings
- Board issues were discussed at 32% of meetings
- Energy management was discussed at 36% of meetings
- Labour practices were discussed at 24% of meetings
- Reporting and disclosure was discussed at 40% of meetings.

The Trustee has engaged with abrdn to provide more detail at the fund level for future monitoring purposes.

Vanguard actively engages with the investee companies via direct messages and meetings with management and engagements via email to influence positive ESG practice. While engagements are not yet available at a fund level, they are published at a firm level within Vanguard's investment stewardship annual report.

Over the year to December 2023, Vanguard undertook 1,659 engagements with 1,334 unique companies, representing 69% of the Vanguard-advised funds' total assets under management. These engagements covered Vanguard's four key principles of:

- Board composition and effectiveness
- Board oversight of strategy and risk
- Executive pay (compensation or remuneration)
- Shareholder rights.

The Trustee will monitor Vanguard's reporting to see if more detail at a fund level can be provided in the future for monitoring purposes. The Trustee will also monitor the aggregate firm-level engagement data to report on activity exclusively over the Section year in future.

Extent to which Trustee's policies have been followed during the year

Having reviewed the actions taken by abrdn and Vanguard over the Section year, the Trustee believes that its policies on stewardship and engagement have been implemented appropriately over the year and in line with its views as stated in the Section's SIP. The Trustee will continue to monitor the actions taken on its behalf each year.

If the Investment Managers deviate substantially from the Trustee's stated policies, the Trustee will initially engage and discuss this with the relevant manager. If the Trustee still believes the difference between its policies and the Investment Manager's actions are material, the Trustee will consider terminating and replacing the mandate if necessary.

