

The BT Rolatruc Limited Staff Life Assurance  
and Pension Scheme

**Annual Implementation  
Statement – Scheme year  
ending 5 April 2021**

## Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of the BT Rolatruc Limited Staff Life Assurance and Pension Scheme (“the Scheme”) covering the scheme year (“the year”) to 5 April 2021.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustees, the Scheme’s policy on engagement and voting (as set out in the Statement of Investment Principles (the “SIP”)) has been followed during the year; and
- A description of voting behaviour (including the “most significant” votes made on behalf of the Trustees) and any use of a proxy voter during the year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustees delegate some responsibilities. In particular, the Trustees have appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme’s assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustees. So far as is practicable, the Fiduciary Manager considers and seeks to give effect to the policies and principles set out in the Trustees’ SIP.

A copy of this implementation statement has been made available on the following website: [Add URL](#)

## Review of and changes to the SIP

The SIP was reviewed and updated once during the period. The version in place as at the end of the year was dated September 2020 and was updated to reflect new Department for Work and Pensions (DWP) regulations coming into force from 1 October 2020 which required trustees to make additional statements in relation to their arrangements with asset managers. For the purpose of assessing how the Scheme’s SIP has been followed, the remainder of this statement specifically focusses on the SIP agreed in September 2020. All elements that were included in the previously agreed SIP (dated September 2019) remained in the September 2020 SIP.

## Adherence to the SIP – voting and engagement

The Trustees have delegated responsibility to the Fiduciary Manager to implement the Trustees’ agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.

The Fiduciary Manager is therefore responsible for managing the sustainability of the portfolio and how Environmental, Social and Governance (“ESG”) factors are allowed for in the portfolio.

Consistent with the Trustees’ view that ESG factors can have a significant impact on investment returns, particularly over the long-term, the Fiduciary Manager believes that sustainable investment (SI) forms the cornerstone of successful long-term investment and has fully embedded the consideration of ESG factors in its processes.

The Fiduciary Manager’s process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager’s approach to SI (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Fiduciary Manager engages with investment managers to improve their processes.

The policies and processes described above have impacted the Scheme's investments in numerous ways. Through its investment in the Secure Income Fund, amongst other things, the Scheme gains exposure to

- London waste management infrastructure. This asset provides returns through the provision of energy which is produced from waste material, helping reduce dependency on fossil fuels and repurposing waste material that would have otherwise gone to landfill.
- An Investment into socially beneficial housing for homeless individuals. This investment provides robust cashflows in the form of rental payments supported by local authorities, providing a strong certainty of payment.

### Industry wide / public policy engagement

The Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) to undertake public policy engagement on behalf of its clients (including the Trustees). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to EOS via the Client Advisory Council, of which WTW are currently the chair. Engagement activities by EOS on public policy over the year included:

- 52 consultation responses or proactive equivalents (such as a letter), and 173 discussions held with relevant regulators and stakeholders during 2020;
- Climate Action 100+, an investor initiative aiming to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change, where EOS lead or co-lead 30 engagements and support another 14;
- Working closely with the Principles for Responsible Investment ('PRI'), including leading the engagement with Vale on tailings dam failure, and actively involved in other groups, including cyber risk, water stress, cattle deforestation, palm oil, plastics, cobalt and tax;
- Close collaboration with significant investor initiatives including Investors for Opioid & Pharmaceutical Accountability, Investor Alliance for Human Rights, Plastics Solutions Investor Alliance, 30% Club, and Investor Initiative on Mining & Tailings Safety.

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Being a Tier 1 signatory of the 2012 UK Stewardship Code and submitting its first annual report to the 2020 UK Stewardship Code;
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee;
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC);
- Founding the Coalition for Climate Resilient Investment (with the World Economic Forum);
- Co-founding the Investment Consultants Sustainability Working Group;
- Continuing to lead collaboration through the Thinking Ahead Institute and Willis Research Network.

### Company level engagement and rights attached to investments (including voting)

The Trustees have delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager, and in turn to the Scheme's investment managers. The day-to-day integration of ESG considerations and stewardship activities (including voting and engagement) are delegated to the Scheme's investment managers.

Through the engagement undertaken by the Fiduciary Manager, the Trustees expect investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Fiduciary Manager considers the investment managers' policies and activities in relation to Environmental, Social and Governance (ESG) and stewardship both at the appointment of a new manager and on an ongoing basis. The Fiduciary Manager engages with managers to improve their practices and may terminate a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the Year.

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Scheme's equity managers as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below. Where managers provided multiple examples of "significant votes", the top three have been shown below.

At the year end, the Scheme's equity holdings were all accessed through underlying pooled funds within the Towers Watson Core Diversified Fund, which is an in-house multi-asset growth fund managed by the Fiduciary Manager.

Further information on the voting and engagement activities of the managers is provided in the table below. The voting records provided below cover the period 1 April 2020 to 31 March 2021, based on information provided by the manager.

The table below sets out a summary of the voting within the Towers Watson Core Diversified Fund and a summary of the most significant votes. This data represents activity over the year to 31 March 2021.

Manager and strategy	Portfolio structure	Voting activity
Towers Watson Core Diversified Fund	Fund of funds	Number of meetings at which the manager was eligible to vote: 1,519 Number of resolutions on which manager was eligible to vote: 16,874 Percentage of eligible votes cast: 100% Percentage of votes with management: 75% Percentage of votes against management: 25% Percentage of votes abstained from: 1% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 18% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 1%

In addition, the Towers Watson Core Diversified Fund reported on the most significant votes cast within the funds managed on behalf of the Scheme, including reasons why the votes identified were considered significant, the rationale for the voting decision and the outcome of the vote:

<b>Most significant votes cast</b>	<b>Coverage in portfolio</b>
<p><b>Company:</b> <u>Great Wall Motor</u></p> <p><b>Resolution:</b> Amendments to Articles of Association</p> <p><b>Summary:</b> Shortened notice period as shareholders should be given enough time to consider items before general meetings.</p> <p><b>How the manager voted:</b> Against</p> <p><b>Rationale for being considered a significant vote:</b> Voted against management</p> <p><b>Outcome of the vote:</b> For</p>	Towers Watson Core Diversified Fund (0.1%)
<p><b>Company:</b> <u>Goodman Group</u></p> <p><b>Resolution:</b> Advisory Vote to Ratify Named Executive Officers' Compensation</p> <p><b>How the manager voted:</b> Against</p> <p><b>Summary :</b> This item does not merit support as the manager has concerns with the proposed remuneration structure for senior executives at the company.</p> <p><b>Rationale for being considered a significant vote:</b> A vote against management</p> <p><b>Outcome of the vote:</b> For</p>	Towers Watson Core Diversified Fund (0.1%)
<p><b>Company:</b> <u>Barclays</u></p> <p><b>Resolution</b> Resolution 29 Approve Barclays' Commitment in Tackling Climate Change; Resolution 30 Approve ShareAction Requisitioned Resolution</p> <p><b>How the manager voted:</b> For</p> <p><b>Summary:</b> The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.</p> <p><b>Rationale for being considered a significant vote:</b> Since the beginning of the year there has been significant client interest in our voting intentions and engagement activities in relation to the 2020 Barclays AGM. We thank our clients for their patience and understanding while we undertook sensitive discussions and negotiations in private. We consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as our clients.</p> <p><b>Outcome of the vote:</b> Resolution 29 - supported by 99.9% of shareholders; Resolution30 - supported by 23.9% of shareholders</p>	Towers Watson Core Diversified Fund (0.1%)
<p><b>Company:</b> <u>Amazon</u></p> <p><b>Resolution:</b> Shareholder resolutions 5 to 16</p> <p><b>How the manager voted:</b> Of 12 shareholder proposals, we voted to support 10. We looked into the individual merits of each individual proposal, and there are two main areas which drove our decision-making: disclosure to encourage a better understanding of process and performance of material issues (resolutions 5, 6, 7, 8, 10, 13, 15 and 16) and governance structures that benefit long-term shareholders (resolutions 9 and 14).</p> <p><b>Summary:</b> In addition to facing a full slate of proxy proposals, in the two months leading up to the annual meeting, Amazon was on the front lines of a pandemic response. The company was already on the back foot owing to the harsh workplace practices alleged by the author of a seminal article in the New York Times published in 2015, which depicted a bruising culture. The news of a string of workers catching COVID-19, the company's response, and subsequent details, have all become major news and an important topic for our engagements leading up to the proxy vote. Our team has had multiple engagements with Amazon over the</p>	Towers Watson Core Diversified Fund (0.1%)

<p>past 12 months. The topics of our engagements touched most aspects of ESG, with an emphasis on social topics:</p> <ul style="list-style-type: none"> <li>• Governance: Separation of CEO and board chair roles, plus the desire for directors to participate in engagement meetings</li> <li>• Environment: Details about the data transparency committed to in their 'Climate Pledge'</li> <li>• Social: Establishment of workplace culture, employee health and safety</li> </ul> <p>The allegations from current and former employees are worrying. Amazon employees have consistently reported not feeling safe at work, that paid sick leave is not adequate, and that the company only provides an incentive of \$2 per hour to work during the pandemic. Also cited is an ongoing culture of retaliation, censorship, and fear. We discussed with Amazon the lengths the company is going to in adapting their working environment, with claims of industry leading safety protocols, increased pay, and adjusted absentee policies. However, some of their responses seemed to have backfired. For example, a policy to inform all workers in a facility if COVID-19 is detected has definitely caused increased media attention.</p> <p><b>Rationale for being considered a significant vote:</b> The market attention was significant leading up to the AGM, with:</p> <ul style="list-style-type: none"> <li>•12 shareholder proposals on the table – the largest number of any major US company this proxy season</li> <li>•Diverse investor coalitions submitting and rallying behind the proposals, including global, different types of investors and first time co-filers/engagers</li> <li>•Substantial press coverage – with largely negative sentiment related to the company's governance profile and its initial management of COVID-19</li> <li>•Multiple state treasurers speaking out and even holding an online targeted pre-annual meeting investor forum entitled 'Workplace &amp; Investor Risks in Amazon.com, Inc.'s COVID-19 Response'</li> </ul> <p>Anecdotally, the Stewardship team received more inquires related to Amazon than any other company this season.</p> <p><b>Outcome of the vote:</b> Resolution 5 to 8, and 14 to 16 each received approx. 30% support from shareholders. Resolutions 9 and 10 received respectively 16.7 and 15.3% support. Resolution 11 received 6.1% support. Resolution 12 received 1.5 % support. Resolution 13 received 12.2% support.</p>	
<p><b>Company: ExxonMobil</b></p> <p><b>Resolution:</b> Elect Director Darren W. Woods</p> <p><b>How the manager voted:</b> Against</p> <p><b>Summary:</b> In June 2019, under our annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, we announced that we will be removing ExxonMobil from our Future World fund range, and will be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, we also announced we will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, our voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.</p> <p><b>Rationale for being considered a significant vote:</b> We voted against the chair of the board as part of LGIM's 'Climate Impact Pledge' escalation sanction.</p> <p><b>Outcome of the vote:</b> 93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods. Approximately 30% of shareholders supported the proposals for independence and lobbying.</p>	<p>Towers Watson Core Diversified Fund (0.1%)</p>

## Appendix 1: Manager voting policies

As TWIM manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. TWIM expects all of the underlying managers who hold equities over a reasonable timeframe to vote all shares they hold. TWIM have appointed EOS at Federated Hermes (EOS) to provide voting recommendations to enhance engagement and achieve responsible ownership. EOS also carries out public policy engagement and advocacy on behalf of all TWIM clients. In addition, EOS is expanding the remit of engagement activity they perform on TWIM's behalf beyond public equity markets, which will enhance stewardship practices over time.

For the TWIM Core Diversified Fund, the equity exposure comes from three main areas:

- Through the global equity and listed real asset strategies, TWIM works with EOS to provide corporate engagement and voting recommendation services to enhance the efforts of the underlying managers where possible. The underlying manager must provide an explanation and note their rationale when they choose to vote differently to the recommendation.
- The China equity manager uses Glass Lewis service where they have created a bespoke policy.