Openreach Section of the BT Hybrid Scheme

Implementation Statement for year ended 31 March 2025

September 2025

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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 2024 to 31 March 2025. 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 2025 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 was reviewed over the Section year to 31 March 2025 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.

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 ("L&G") and Partners Group (collectively, "the Investment Managers") over the Section year under review to 31 March 2025.

It is therefore the Investment Managers that have 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 its Investments Managers 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 2025 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	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. 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.
"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	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. The Trustee's objectives relating to funding level volatility are covered by the "Hedging" objective below.
"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	The Section's hedge ratios are monitored on a quarterly basis via the Integrated Risk Management report.

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 Managers.

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 2025.

The Trustee's policies on monitoring investments

The Trustee received four quarterly investment and funding reports over the year to 31 March 2025. 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 Managers
- The fees charged by the Section's Investment Managers.

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 Managers that are 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 Managers 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 Managers 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 an annual basis. The information published by L&G and Partners Group 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 2025.

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 Trustees?	Comments
Performance of debt or equity issuer	✓	Partners Group and L&G'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	✓	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. L&G have clear voting policies covering each of these topics and have acted on them throughout the Section year on behalf of the Trustee. For example, L&G also expects separation of duties between the board and the CEO. L&G's policy from 2021 is to vote against all elections which combine the roles of CEO and Chair. L&G continued to vote against electing directors of JPMorgan Chase & Co, Johnson and Johnson, and Berkshire Hathaway Inc. alongside several others, in line with this policy. Due to the private markets nature of the Generations Fund, Partners Group typically controls the Boards of its investee companies and therefore holds limited voting rights for underlying investments. Instead, Partners Group works directly with investee companies to set long-term strategies.
Risks	✓	L&G has clear voting policies on ensuring that companies manage risk effectively and have robust internal controls. Over the Section year, L&G voted in favour of a resolution from Microsoft Corporation to report on AI Data Sourcing Accountability. A vote in favour was applied as L&G recognises the company is facing increased legal and reputational risks related to copyright information associated with its data sourcing practices. Whilst L&G acknowledges the strength of existing disclosures on related AI risks, L&G believes shareholders would benefit from greater attention on the use of third-party information to train large language models. Partners Group has also engaged with underlying investee companies to identify and manage risks effectively. For example, Partners Group acquired EdgeCore, a US developer and operator of data centres in November 2022 and then invested a further $1.9bn in September 2024 in order to respond to growing demand for data centres in the AI era. Through engagement, Partners Group discovered that EdgeCore recognises that its employees are the key component in responding to cyber security risks, and the company invested around 5.25 hours of information security training per employee in 2024. Partners Group note that the company intends to increase this time investment by 25% in 2025.
Social and environmental impact	✓	In 2024, L&G's Climate Impact Pledge covered 55% of total corporate securities by value, and 82% of total carbon emissions attributable to L&G's Asset Management business's corporate equity and debt holdings. The Climate Impact Pledge aims to hold directors to account for their management of climate risk. As a result, 37 companies were identified for voting sanctions and 2 more companies were added to L&G's divestment list. For example, L&G voted against Broadcom Inc. on the appointment of Henry Samueli as Director based on the company falling behind minimum climate risk management standards.

		As a direct lead investor, Partners Group can exert their control at a board level to integrate a range of ESG policies and initiatives. For instance, Partners Group control the board of Gren, a market leading energy company, and this year the company highlighted many ESG achievements in their sustainability report. These achievements included the acquisition of a 50% share in the South Clyde Energy Centre, a major energy from waste facility under construction in Glasgow. This project is expected to provide over 600,000 people with clean energy.
Corporate governance	✓	L&G's policy is to vote against all elections which combine the roles of CEO and Chair. For example, L&G voted against electing directors of JPMorgan Chase & Co, Johnson & Johnson, and Berkshire Hathaway Inc. alongside several others, in line with this policy. Partners Group ensures that each board is operating at an appropriate level by using a 'board maturity' assessment to assess effectiveness. This assessment covers areas such as performance and company strategy. Additionally, Partners Group aims to appoint a board member or executive at the leadership level to become responsible for developing a meaningful ESG journey plan within 100 days of investment. A significant example of this is Partners Group's engagement with AMMEGA, a global corporation specialising in mission-critical industrial power transmission, lightweight process, and conveyor belting. Since investing, Partners Group have worked on improving the company's governance framework, working closely with them to enhance board oversight. Through engagement, the company has improved its governance through supplier due diligence enhancements, cybersecurity reinforcements, and expanded ESG compliance audits.
Conflicts of interest	✓	Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management). Over the period, L&G voted against a one-off award for a non-executive officer at Tesla. The executive had received a large, time-based stock option upon promotion, over a period in which most non-executive officers received modest or no compensation. L&G voted against the one-off award as it believed the approved and existing remuneration policy in place was sufficient to retain and motivate executives. Partners Group also has policies relating to conflicts of interest, namely within its whistleblowing and prevention of market abuse policies that apply to all employees, which extend to the underlying investments of the Generations Fund.
Capital structure	✓	L&G 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, L&G has policies that newly issued shares should not expose minority shareholders to excessive dilution. L&G also has policies that protect minority shareholder rights including "one share, one vote" to avoid the weakening of corporate governance as investors ability to influence and hold directors accountable would be reduced. As such L&G against 258 companies with 'dual class' share structures in line with this voting policy over 2024.

Description of voting behaviour

This section summarises the voting activity undertaken by the Investment Managers on behalf of the Trustee covering the Section year to 31 March 2025 and the extent to which the Trustee believes the policies within their SIP have been followed.

Voting by L&G

The L&G Future World Global Equity Index Fund – GBP Hedged was the only L&G fund held by the Section that carried voting rights over the year to 31 March 2025. The table below show L&G's voting summary covering the Section's investment in the L&G Future World Global Equity Index Fund – GBP Currency Hedged over the year to 31 March 2025.

L&G Future World Global Equity Index Fund – GBP Currency Hedged (c. £13.4m or 35% of total Section assets as at 31 March 2025)	1 April 2024– 31 March 2025
Number of meetings L&G was eligible to vote at over the year to 31 March 2025	5,515
Number of resolutions L&G was eligible to vote on over the year to 31 March 2025	55,096
Of the eligible resolutions, percentage that L&G voted on:	99.8%
Of the resolutions voted, percentage that L&G voted **with** management.	81.0%
Of the resolutions voted, percentage that L&G voted **against** management.	17.9%
Of the resolutions voted, percentage where L&G **abstained**.	1.1%
Percentage of eligible meetings where L&G voted at least once against management.	58.6%
Percentage of voted resolutions where L&G voted contrary to the recommendation of their proxy adviser.	9.7%

Note: Totals may not sum due to rounding.

Voting by Partners Group

The Section was invested in the Partners Group Generations Fund over the Section year. This fund typically has less than 20% exposure to listed equities. Partners Group is developing its reporting and voting statistics are only currently provided for 12-month periods, rather than the actual periods invested. We have therefore included voting information covering the 12-month period from 1 January 2024 to 31 December 2024.

Partners Group Generations Fund (c. £6.3m or 16% of total Section assets as at 31 March 2025)	1 January 2024 – 31 December 2024
Number of meetings Partners Group was eligible to vote at over the year to 31 December 2024	68
Number of resolutions Partners Group was eligible to vote on over the year to 31 December 2024	905
Of the eligible resolutions, percentage that Partners Group voted on:	100.0%
Of the resolutions voted, percentage that Partners Group voted **with** management.	91.0%
Of the resolutions voted, percentage that Partners Group voted **against** management.	5.0%
Of the resolutions voted, percentage where Partners Group **abstained**.	4.0%

Percentage of eligible meetings where Partners Group voted at least once against management.	18.0%
Percentage of voted resolutions where Partners Group voted contrary to the recommendation of their proxy adviser.	3.0%

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 2025.

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

Partners Group also votes by proxy through Glass Lewis, a proxy advising firm who undertake research on each ballot item and recommends votes in line with best practice, including local market standards. Glass Lewis have been instructed to vote in-line with Partners Group's bespoke Proxy Voting Directive, which contains specific ESG and Sustainability corporate governance considerations that arise frequently. In circumstances where Glass Lewis' recommendation is different to that from the Proxy Voting Directive and the company's management, Partners Group will vote manually on the proposal.

Significant Votes

L&G has provided details of its voting actions including a summary of the activity covering the reporting year to 31 March 2025. The Trustee has adopted the managers' definitions of significant votes and has not set stewardship priorities.

L&G 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.

In addition, due to the Partners Group Generations Fund primarily investing in private markets opportunities, voting is only relevant for a small proportion of the portfolio. As such, Partners Group did not provide any examples of significant votes over the year to 31 December 2024 but noted that, due to their control of the Board, they were able to implement a range of ESG policies and initiatives including strengthening board governance at Velvet Care, enabling progress on major energy transition projects at Gren and increasing partnerships with local universities at Confluent Health in order to train the next generation of physical therapists.

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

Example 1: L&G Future World Global Equity Fund – GBP Hedged	
Vote Details	Microsoft Corporation, 10/12/2024
Approximate size of fund's holding as at date of vote	4.9% of Future World Global Equity Fund – GBP Hedged
Rationale for significance	L&G considers this vote to be significant as it is classed as a high-profile meeting due to the relatively high level of support received.
Voting decision	L&G voted in favour of the proposal for the company to report on AI Data Sourcing due to increased legal and reputational risks.
Voting against management	L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. Typically, it is L&G'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. L&G pre-declared its vote intention for this resolution.

Vote outcome	Fail
Next Steps	L&G will continue to engage with the investee company, publicly advocate its position on this issue and monitor company and market-level progress.

Example 2: L&G Future World Global Equity Fund – GBP Hedged	
Vote Details	Amazon Inc., 22/05/2024
Approximate size of fund's holding as at date of vote	1.8% of Future World Global Equity Fund – GBP Hedged
Rationale for significance	L&G considers this vote to be significant due to Amazon's status as a large employer and industry leader. L&G believes that Amazon's approach to human capital management issues has the potential to drive improvements in its industry and supply chain.
Voting decision	L&G voted in favour of Amazon reporting on customer due diligence. L&G acknowledges Amazon's disclosure of internal reviews but believes there is still a need for increased transparency and public availability on this topic.
Voting against management	L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. Typically, it is L&G'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. L&G pre-declared its vote intention for this resolution.
Vote outcome	Fail
Next Steps	L&G 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 L&G Buy and Maintain Credit Fund and the Partners Group Generations Fund. 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.

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

Over the 12 months to 31 March 2025, L&G undertook 4,459 engagements with 4,210 companies at the firm level. Some engagements cover multiple topics and L&G has provided the following summary:

- 3,971 on environmental topics;
- 647 on social topics;
- 330 on governance issues; and
- 155 on other topics including finance and strategy.

The table below summarises the engagements undertaken on a fund-by-fund basis by L&G. Data was available for the Future World Global Equity Fund – GBP Hedged and the Buy and Maintain Credit Fund over the year to 31 March 2025.

	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	1,944	1,278	62%	1,331	440	292	143
Buy and Maintain Credit Fund	331	181	50%	210	76	86	46

Partners Group were unable to provide engagement activity statistics at the Partners Group Generations Fund level. As an example of engagement carried out by the Investment Manager, Partners Group and HOST, the operator of purpose-built student accommodation across the UK, ran a customer experience project to improve residents' overall satisfaction and level of service received.

Partners Group has also recognised the rise of cyber risks over the last few years. The Manager supports its portfolio companies to ensure that their cyber security teams are adequately skilled, and strategies are in place to identify and react to threats. Partners Group has partnered with an external organisation to execute and extend the portfolio review in 2024. Following these engagements, the robustness of the companies' cyber security procedures were considered internally as part of Partners Group's Sustainability Governance Review.

The remainder of the Section's assets (c. £11.1m or c. 29% of total Section assets as at 31 March 2025) were invested in leveraged nominal and index-linked government bonds and interest rate and inflation swaps through the L&G Matching Core Funds with the purpose of reducing risk by hedging the exposure to interest rate and inflation inherent in the Section's liabilities. L&G 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 L&G 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 majority of the Section's members invest in the Default Lifestyle Option which comprised of the BTHS Short Duration Bond Fund, BTHS Cash Fund and the BTHS Global Equity Fund over the Section year. Overall, the Default Lifestyle Option represents c. 97% of the DC investments as at 31 March 2025.

The BTHS Cash Fund was invested in the SL Money Market Fund during the Scheme year to 31 March 2025. Voting is not applicable to the SL Money Market Fund and whilst Standard Life's wider engagement policies will apply to this Fund, there is less opportunity for engagements relating to money market instruments due to these assets being short-term investments.

Due to the large proportion of assets invested in the Default Lifestyle Option, and the SL Money Market Fund's limited engagement opportunities, this implementation statement focuses on the Section's investments in the SL Vanguard Short Duration Bond Pension Fund and the SL Aberdeen Evolve Index World Equity Pension Fund, the underlying investments of the BTHS Short Duration Bond Fund and BTHS Global Equity Fund respectively.

The SIP was reviewed over the Section year to 31 March 2025 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 lifestyle 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.

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 2025 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.	A default investment option is in place for members who don't make an active choice on their investments. 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.

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.
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.	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. 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.

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 and funding reports over the year to 31 March 2025. 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. Within the default lifestyle option, voting rights are exercised by the underlying equity manager, Aberdeen, who disclose their voting records publicly each year, including summaries of their positions for significant shareholder votes.

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

How Voting and Engagement Policies Have Been Followed

The information published by Aberdeen 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 2025.

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	✓	Aberdeen'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. 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.
Strategy	✓	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. Aberdeen and Vanguard have a number of voting policies covering strategic topics, including board composition, leadership, independence and diversity. For example, over 2024 Aberdeen engaged with Diploma PLC to better understand their board composition and intended progress toward diversity targets within the re-election of the Nomination Committee Chair.
Risks	✓	The Investment Managers have clear voting policies on ensuring that companies manage risk effectively and have robust internal controls. Aberdeen and Vanguard believe that the Board is responsible for establishing procedures to manage risk and for monitoring a company's internal controls. Aberdeen expect the Board to conduct robust assessments of the company's material risks on an ongoing basis. Over 2024, following the departure of a senior executive due to allegations of misconduct at Nine Entertainment Co. Holdings, Vanguard requested an engagement with the independent chair to discuss the board's oversight of company culture and related workplace risks. As a result of the engagement, the Board tasked management with forming a plan to implement recommended changes to oversight monitoring processes.

Social and Environmental impact	✓	Aberdeen will review any resolution at company meetings which ISS has identified as covering environmental and social factors. Aberdeen 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. Aberdeen refined their sustainability strategy over 2024 to ensure a cohesive approach across the business. The strategy is based around the three pillars of inclusive growth, environmental transition and responsible business, within which Aberdeen have highlighted climate change as a top priority. 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 disinvestment.
Corporate Governance	✓	Aberdeen believes effective board governance promotes the long-term success and value creation of companies. As such, Aberdeen 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. 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.
Conflicts of Interest	✓	Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management). Aberdeen believes performance metrics used to determine variable pay should be clearly disclosed and aligned to the company's strategy. In addition, Aberdeen will encourage the inclusion of non-financial metrics linked to targets which are aligned with the company's progress on its ESG strategy. For example, over 2024 Aberdeen engaged with Interparfums, a luxury cosmetics company, over their long-term remuneration incentives as there were no details on the allocation of sustainability criteria.
Capital Structure	✓	Aberdeen 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.

Description of Equity Voting Behaviour

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

The BTHS Global Equity Fund (c. £37.4m, or c. 78.4% of DC Section assets as at 31 March 2025) was invested in the SL Aberdeen Evolve Index World Equity Pension Fund over the Section year. The voting summary for this holding over the 12-month period to 31 March 2025 is included in the table below.

SL Aberdeen Evolve Index World Equity Pension Fund (c. £37.4 or 78.4% of DC Section assets as at 31 March 2025)	1 April 2024 – 31 March 2025
Number of meetings Aberdeen was eligible to vote at over the year to 31 March 2025	265

Number of resolutions Aberdeen was eligible to vote on over the year to 31 March 2025	4,302
Of the eligible resolutions, percentage that Aberdeen voted on:	89.4%
Of the resolutions voted, percentage that Aberdeen voted **with** management.	92.4%
Of the resolutions voted, percentage that Aberdeen voted **against** management.	7.0%
Of the resolutions voted, percentage where Aberdeen **abstained**.	0.7%
Percentage of eligible meetings where Aberdeen voted at least once against management.	47.8%
Percentage of voted resolutions where Aberdeen voted contrary to the recommendation of their proxy adviser.	4.9%

Proxy Voting

The Trustee did not employ a proxy-voting service during the Section year to 31 March 2025.

Aberdeen's proxy voting process is led by members of the regional investment teams and active ownership teams. Analysts within these teams consider Aberdeen stewardship policies, investment insights, and views of the company to come to voting decisions. Aberdeen 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. Aberdeen 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 1: SL Aberdeen Evolve Index World Equity Pension Fund	
Vote Details	ASML Holding NV, 24/04/2024
Approximate size of fund's holding as at date of vote	0.79% of SL Aberdeen Evolve Index World Equity Pension Fund
Rationale for significance	Aberdeen considers this vote to be significant as the vote is on a large active holding where Aberdeen has voted in contrary to custom policy.
Voting decision	Aberdeen voted in favour of approving a remuneration report covering the ratification of named executive officers' compensation. Aberdeen was satisfied with the outcomes and level of disclosure within the report thus felt comfortable voting in contrary to policy recommendation.
Voting against management	This was not a vote against management. Aberdeen publicly communicates its vote instructions on its website with the rationale for all votes against management.
Vote outcome	Approved
Next Steps	N/A

Example 2: SL Aberdeen Evolve Index World Equity Pension Fund	
Vote Details	The Bank of Nova Scotia, 09/04/2024

Approximate size of fund's holding as at date of vote	0.59% of SL Aberdeen Evolve Index World Equity Pension Fund
Rationale for significance	Aberdeen considers this vote to be significant as the vote covers an environmental & social resolution which Aberdeen have engaged with the company on.
Voting decision	Aberdeen voted against a proposal for the Bank of Nova Scotia to publish a report on the impact of oil and gas disinvestment in order to restrict spending on climate change-related analysis. Aberdeen is supportive of disclosure on sector exposure, however believe that the content of the proposed report is already being covered by the banks existing Net-Zero Pathways Report.
Voting against management	This was not a vote against management. Aberdeen publicly communicates its vote instructions on its website with the rationale for all votes against management.
Vote outcome	Approved
Next Steps	N/A

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.

Aberdeen 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 2024, Aberdeen undertook 1,868 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 65% of meetings
- Disclosure was discussed at 36% of meetings
- Energy management was discussed at 36% of meetings
- Labour practices were discussed at 28% of meetings
- Human Rights practices were discussed at 28% of meetings.

The Trustee has engaged with Aberdeen 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 2024, Vanguard undertook 1,931 engagements with 1,603 unique companies, representing 66% 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 Aberdeen 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.