

BTPS

Stewardship Report 2025

www.btps.co.uk



Foreword

Stewardship has always been central to the Scheme's investment approach as we seek to act as a responsible and engaged owner of the companies and assets in which we invest. As one of the UK's largest corporate pension schemes, we have a responsibility to act as a long-term custodian of the assets in which we invest, whilst considering the impact on the environment and society. In doing so, we believe we will deliver sustainable long-term value.

Sustainable investment is a core part of the BT Pension Scheme's (BTPS's) ethos. We are aware that how and where we invest matters as we seek to support members by providing for their retirement.

BTPS became a signatory to the 2020 UK Stewardship Code when it launched in 2021 and is pleased to have retained signatory status since.

The Code sets high stewardship standards for asset owners and asset managers, and for the service providers that support them. This report is part of our ongoing commitment to the Code and it incorporates feedback previously given by the Financial Reporting Council (FRC).

The report also explains BTPS's approach to stewardship; the role of Brightwell, which manages the Scheme on behalf of the Trustee, implementing this approach; and the importance in the stewardship process of the investment managers selected by Brightwell to manage the Scheme's assets.

The BTPS responsible investment mission statement:

"The Scheme's investments should be managed to create sustainable long-term value, supporting the generation of optimal risk-adjusted investment returns to ensure the Scheme can pay all benefits in full."

We manage risk to the Scheme's assets by considering the interconnectedness of physical, social, environmental and economic factors. We believe that this approach improves long-term outcomes for the Scheme.

"We acknowledge the value of stewardship and celebrate the results achieved over the past year through our work with the Scheme's asset managers. We remain committed to further enhancing our practices, particularly around systemic risks, and supporting the Scheme in delivering members' promised pensions."

Jill Mackenzie Chair, BTPS



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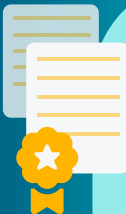
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Stewardship highlights

Assurance

Internal audit of stewardship report & internal stewardship activities.



Diversity, Equity & Inclusion (DE&I)

Co-leading the Asset Owner Diversity Charter (AODC). Have grown the signatory base to over £2tr in assets represented.



Member site visit

Member visit to Milton Park, one of the UK's leading science, technology and business parks.



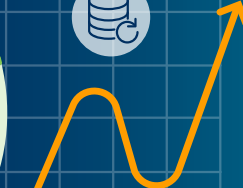
Manager oversight

Continued development & engagement with our Manager Stewardship scorecard & Sustainability Best Practice Expectations document.



Governance initiative

Steering Committee member of the **Governance for Growth Investor Campaign (GGIC)**, championing the benefits of effective corporate governance to drive long-term sustainable investment growth for pension scheme members.



Systemic risk analysis

Exploring further the interconnectedness between systemic risks e.g. nature, climate and social factors. Undertook analysis to understand the nature risks the portfolio is exposed to.



Climate

Monitored the portfolio against our 5-year goals to reduce portfolio emissions¹. See the climate section for more highlights and our sustainability report on the BTPS website for more detail.



Member engagement

Annual member survey. **73%** of members* want BTPS to continue taking into consideration ESG issues in its investments.

**Survey of over 17,000 BTPS members online in January 2025*



Useful links

[BTPS Sustainable Investment page](#)

[BTPS Responsible Investment Policy](#)

[BTPS Climate Change Policy](#)

[BTPS Net Zero 2035](#)

[BTPS – EOS Stewardship 2024 Annual Report](#)

[EOS Stewardship Report 2024](#)



¹ In line with the Net Zero Asset Owner Alliance and the Net Zero Investment Framework guidelines

Introduction

As one of the UK's largest private sector defined benefit pension schemes, and a long-term investor, we have an obligation to act as a responsible steward of the companies and assets in which we invest. Our approach encompasses not only our investment portfolio but also how we set policies.

Stewardship is built into the fabric of BTPS. We founded Equity Ownership Services (EOS)¹ at Federated Hermes, now the pre-eminent global engagement and stewardship provider for institutional investors.

In line with the FRC's updated guidance on stewardship reporting against the UK Stewardship Code, this report showcases BTPS's stewardship outcomes and activities over the past 12 months to 30 June 2025, both directly through Brightwell and via our asset managers and other agents. We focus on progress against the 12 Principles and any updates to the Scheme's sustainable investment processes or policies, and have referenced other documents with additional relevant information where appropriate.

As part of the Scheme's mission to be a good steward of capital for its beneficiaries, we aim to follow the same transparency standards that we require of our partners and investee companies, adhering to the UK Stewardship Code.

BTPS works closely with BT Group as the Scheme's sponsor.

The Trustee is responsible for overall governance of BTPS and ensuring members' benefit payments are paid in full as they fall due. The Trustee delegates day-to-day responsibility for the management of the Scheme to Brightwell and oversees service provision. Brightwell implements the Scheme's investment strategy through a combination of in-house management, and the selection and ongoing monitoring of external investment managers. Brightwell's services are tailored to the Scheme's beliefs, needs and specific challenges. This report details the stewardship of BTPS, of which the stewardship activities and processes are largely undertaken by Brightwell or the Scheme's asset managers, and EOS at Federated Hermes.

BTPS's Board-level scrutiny ensures the Scheme's sustainable investment approach is embedded throughout the investment activities. Brightwell's approach is periodically audited and benchmarked by external consultants. It is also integrated throughout the Brightwell values.



¹EOS is a limited company wholly owned by the international business of Federated Hermes (which is majority owned by Federated Hermes Inc.).

About BTPS

The BT Pension Scheme (BTPS or the Scheme) is one of the largest defined benefit company pension schemes in the UK. A defined benefit pension scheme for former employees and dependents of British Telecommunications plc (BT) and some of its associated companies, the Scheme closed to new members in 2001 and to future accrual for most members in June 2018.

The Scheme's Trustee is BT Pension Scheme Trustees Limited, a corporate Trustee with ultimate fiduciary responsibility for the Scheme and its members. The Trustee is responsible for the overall governance of BTPS and ensuring members' benefit payments are paid in full as they fall due.

To fulfil its key responsibility, the Trustee must ensure that the Scheme is (i) adequately funded; (ii) has an appropriate investment strategy, having regard to the Scheme's liabilities support available from BT, the sponsoring employer, and the profile of its members; and (iii) is administered and run in a way which demonstrates an appropriate level of care, skill and value for money for members.

The Trustee delegates day-to-day responsibility for the management of the Scheme to Brightwell (a trading name of BT Pension Scheme Management Limited, a wholly owned subsidiary of the Scheme) and oversees service provision. Brightwell implement the Scheme's investment strategy through a combination of in-house management, and the selection and ongoing monitoring of external investment managers. Brightwell's services are tailored to the Scheme's beliefs, needs and specific challenges.

At a glance



253,693

As at 30 June 2025, there were 253,693 members.



£2.9bn

Total benefits paid were £2.9bn in the year to 30 June 2025.



£33.2bn

The Scheme's net assets were valued at £33.2bn as at 30 June 2025.



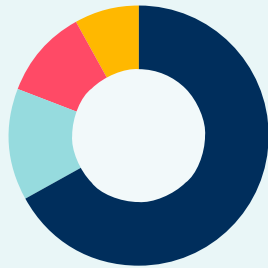
213,616

As at 30 June 2025, there were 213,616 pensioner members.

The distribution of investments

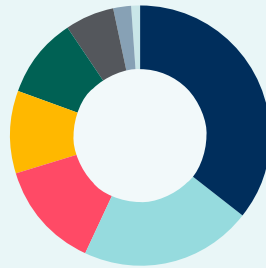
As at 30 June 2025, the Scheme's assets were £33.1bn. In the below charts we show the geography, asset class and sector breakdowns.

Geography



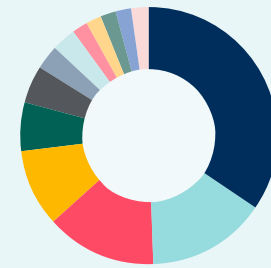
UK	67%
United States	14%
Europe	11%
Other	8%

Asset class



Government bonds, cash and other net assets	35%
Corporate bonds	21%
Secure income	13%
Non-core credit	10%
Equities	10%
Property	6%
Infrastructure	2%
Absolute return bonds	1%

Sector



Sovereign/Quasi	35%
Real estate	15%
Financials	14%
Communication services	10%
Utilities	6%
Industrials	5%
Information technology	3%
Unclassified	3%
Health care	2%
Consumer discretionary	2%
Energy	2%
Consumer staples	2%
Cash	2%
Materials	0%
Securitized products	0%

Sectors classified according to MSCI Global Industry Classification Standard (GICS).
Unclassified exposure includes portfolios with no look-through and other unclassified exposure.

Note: Due to rounding, figures may not add up to 100%.

Sustainable investment approach

The Scheme has a long history of being a responsible investor and was a founding signatory of the Principles for Responsible Investment (PRI) in 2006. The importance placed on doing the best for our members over the long-term is inextricably linked to sustainable investment and stewardship. It is a key part of how the Scheme fulfils its fiduciary duty.

The Trustee recognises that emerging, long-term risks including, for example, climate change may have a material adverse impact on the Scheme.

The day-to-day implementation of the sustainable investment strategy across all asset classes has been delegated to Brightwell, with activity focused on the following three core areas:

1. Understanding the risks and opportunities that the Scheme may face because of its long-term investment horizon
2. Integrating financially material environmental, social and governance (ESG) factors into the Scheme's investment process, including in the design of investment mandates, new manager searches and ongoing monitoring of managers
3. Ensuring that the Scheme is delivering long-term value through responsible ownership. The Scheme is committed to being a responsible steward of its assets, including engaging with the companies in which it owns shares to hold management to account, and ensuring that companies consider long-term risks and opportunities, including those relating to environmental, social and governance matters, that contribute to long-term, sustainable value.

Full details of the BTPS sustainable investment approach can be found on pages 8-12 of the [**BTPS 2023 Stewardship Report**](#) and on the BTPS Scheme website [here](#).

BTPS's beliefs which run through the Scheme's strategy, governance and investment activities:



Long-term investment horizon

Due to the size and longevity of the Scheme, having a long-term investment horizon gives us both a responsibility and an advantage, which we believe will produce better investment outcomes



ESG integration

We believe that integrating financially material sustainability considerations into asset manager and security selection processes will help the Scheme and its agents make more informed and better investment decisions



Stewardship

We believe in strong stewardship because exercising our ownership rights in companies, having our agents and portfolio companies engage with each other, and actively managing physical assets can improve long-term risk-adjusted returns and create sustainable long term value. This ensures that our own practices align with our expectation of the other companies and assets in which we invest.

Sustainable investment approach continued

Time horizons

The Trustee considers the potential effects of sustainability-related risks over a range of different time horizons for the Scheme, using 31 December 2022 as the baseline, which aligns with our climate scenario analysis baseline.

Short term – 1 year

A one year period over which the Scheme may be impacted by sustainability-related shocks.

Medium term – 12 years

The period to 2034 in which the Scheme is expected to de-risk linearly to its long-term portfolio. The impact of sustainability-related risks over this time horizon may be a result of government intervention (e.g. regulation, policy changes, tax changes, public investment, reporting requirements), geopolitics, public sentiment, significant controversies, technological advancements, climate-driven shocks, and slower/faster than anticipated actions taken to mitigate or respond to sustainability-related risks.

Long term – 13 years +

The period from 2034 onwards, in which the Scheme is expected to maintain the de-risked portfolio. Sustainability-related risks over the long term, in addition to what we could expect to see over the short and medium term, may include more regulatory changes, technological advancements, and depletion of natural resources. Regarding climate, physical risks are likely to dominate over this time period.



Climate approach and climate action

Climate change poses physical and transitional risks for the Scheme and its assets. To address this, the Trustee has determined that it will integrate action, awareness and monitoring of climate change into its strategy through the Net Zero 2035 ambition.

BTPS 2020 – 2025 Net Zero Stewardship Programme

Over the past year, the Scheme has followed its four-pillar approach, along with 20 climate actions, in-line with its climate policy.

Brightwell has continued to meet with the Scheme's asset managers to understand how they are using stewardship as a lever to deliver on the Scheme's Net Zero 2035 ambition. They have a Net Zero Stewardship Programme for the Scheme, based on the Paris Aligned Investment Initiative (PAII) Net Zero Stewardship Toolkit, and managers were provided with a framework to achieve three goals: drive emission reductions over 15 years, establish materiality-based and goal-orientated engagement plans which would be trackable and refreshed regularly, and to support industry collaborative engagements where appropriate.

To achieve this, managers have four objectives:

- 1. 5-year portfolio coverage target** – Implement a 5-year engagement plan with stewardship strategies, policies and action plans in place to align investments with Net Zero
- 2. Focus on the top 70% biggest emitters** – Managers must focus on the top 70% heaviest carbon emitters in the Scheme's portfolio, pushing them to align with a net zero pathway, either through direct or collective engagement and stewardship actions
- 3. Escalation strategy** – Managers must establish an escalation strategy for non-improvers over time and if after 5 years no progress is made, divestment of that investment could be considered
- 4. Reporting** – Managers are expected to periodically report progress against milestones to Brightwell.



Climate approach and climate action continued

Annual Net Zero stewardship process expectations

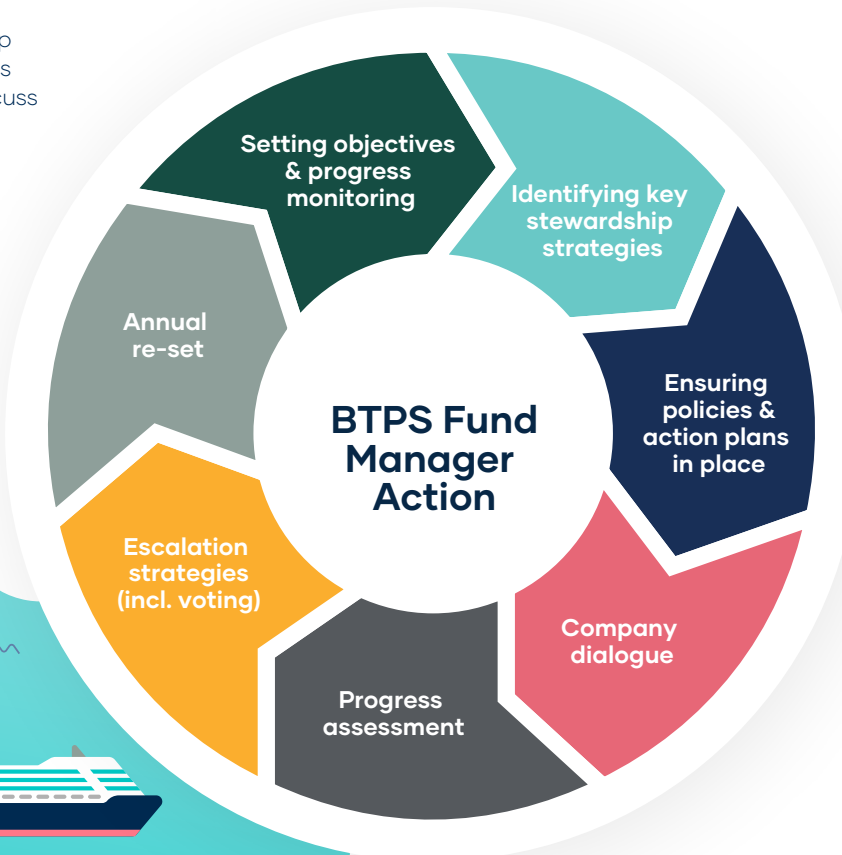
Alignment to the Scheme's Net Zero ambition is enforced through the Scheme's investment manager agreements. Regular progress meetings take place to share learning and understand any barriers. The Scheme acknowledges that a year-on-year carbon reduction will become more challenging over time, particularly if government action is not as strong as anticipated.

Similarly, climate action plans take time to put in place and effect change. Therefore, measuring milestones is key to monitoring progress. In line with the Net Zero Stewardship Toolkit, we have asked managers to monitor the progress of their investments against five milestones that we discuss with them on an annual basis:

- i. Not aligned
- ii. Committed to aligning
- iii. Aligning towards a net zero pathway
- iv. Aligned to a net zero pathway
- v. Net zero

With changes to data, investment strategy, corporate actions and stewardship advancing, we expect this programme to evolve over time. Progress can be different across asset classes. For instance, the guidance for private equity investors was released in May 2023 and Brightwell has been working with the Scheme's private equity manager to incorporate it.

Detailed information on the Scheme's climate approach and actions can be found in the BTPS sustainability report [**BTPS Portal - Regulatory reporting**](#).



Examples of how BTPS managers implement the Scheme's climate approach

Engagement examples over reporting period 1 July 2024 – 30 June 2025.

Credit manager's climate approach

Climate is one of M&G's top-down engagement programmes for investee companies alongside coal, diversity and natural capital. Climate engagements focus on strategy, disclosure, goals and targets to achieve decarbonisation.

Stewardship is one of the key levers. M&G has established and launched their internal 'Hot 100' Climate Engagement Programme to support and accelerate decarbonisation. They map holdings to develop a focus engagement list covering the 100 companies that account for the majority of investee entities' financed carbon emissions, and set an engagement threshold target to engage or assess at least 70% of the financed carbon emissions.

Engagement centres around various key performance indicators (KPIs) such as net zero alignment and science-based targets with credible transition plans. The focus list is periodically updated, and the engagement programme continues.

Climate approach in practice

Encouraging more robust Scope 3 emissions targets and disclosure on thermal coal phase-out for an Australian mining and metals company

Corporate credit engagement via M&G

Issue: M&G identified gaps in the Australian mining and metals company, BHP's, Scope 3 target-setting and capital allocation transparency as part of its climate strategy.

Action: In 2024, M&G met with BHP's Head of Climate Risk and VP of ESG to push for more robust Scope 3 targets, disclosure on thermal coal phase-out and greater visibility of capital allocation plans. BHP clarified its approach to defining targets versus goals and outlined decarbonisation plans.

Outcome: BHP reaffirmed its commitment to exit thermal coal by 2030 and disclosed a US\$4bn decarbonisation plan. Its scope 3 goals remain 'aspirational', but partnerships (e.g. with Rio Tinto on electric smelting furnaces) are being developed. M&G views the issuer as broadly aligned and will continue monitoring progress.

Engaging on decarbonisation across asset classes

Engagement examples over reporting period 1 July 2024 – 30 June 2025.

Diversified core infrastructure

Supporting sustainable investment strategy development

Issue: KKR engaged with John Laing, a global infrastructure platform, to support the development of a formal sustainable investment strategy, including setting decarbonisation targets and managing financed emissions.

Action: KKR worked closely with John Laing throughout 2024 to integrate sustainability into investment processes. This included supporting alignment with a net zero by 2050 target and a goal for 70% of AUM to be net zero-aligned by 2030. KKR also provided oversight through portfolio management structures and advocated for structured ESG governance.

Outcome: Within a year of setting the commitment, 31% of John Laing's AUM was aligned with Paris Agreement-compliant decarbonisation plans. Progress continues, and the company remains committed to sector-leading climate action across its portfolio.

Corporate credit

Encouraging decarbonisation of a UK airport

Issue: Heathrow's decarbonisation plan depended on external factors, such as airline adoption of sustainable aviation fuel and other unproven technologies. Previously, they had weak climate disclosure.

Action: Engagements focused on urging improved transparency, science-based target initiative (SBTi) target approval, carbon disclosure project (CDP) disclosure, and more ambitious sustainable aviation fuel goals. Biodiversity and climate lobbying were also flagged as emerging areas.

Outcome: Heathrow's SBTi targets were approved in 2023. The company made improvements in CDP reporting (albeit not publicly reported) and overall sustainability transparency. Ongoing engagement is focusing on sustainable aviation fuel targets, public disclosure and biodiversity risk assessment.

Infrastructure equity

Advancing decarbonisation in a European ferry business

Issue: Federated Hermes engaged with Scandlines, a Danish ferry operator, to support its climate transition strategy in line with Paris alignment.

Actions: In 2024, engagement was conducted through the Board and Safety & Sustainability Committee (chaired by Federated Hermes until year-end). Discussions focused on supporting the execution of two major electrification projects—a new electric vessel and the retrofitting of two ferries. Advocacy for third-party validation of emissions targets also continued.

Outcome: The new electric vessel is on track to launch in the second half of 2025, and the retrofitting is expected to be completed by 2026, together reducing total emissions by ~13% compared to 2022. Scandlines continues to deepen its decarbonisation strategy with Federated Hermes' ongoing support.

Engaging on decarbonisation across asset classes continued

Engagement examples over reporting period 1 July 2024 – 30 June 2025.

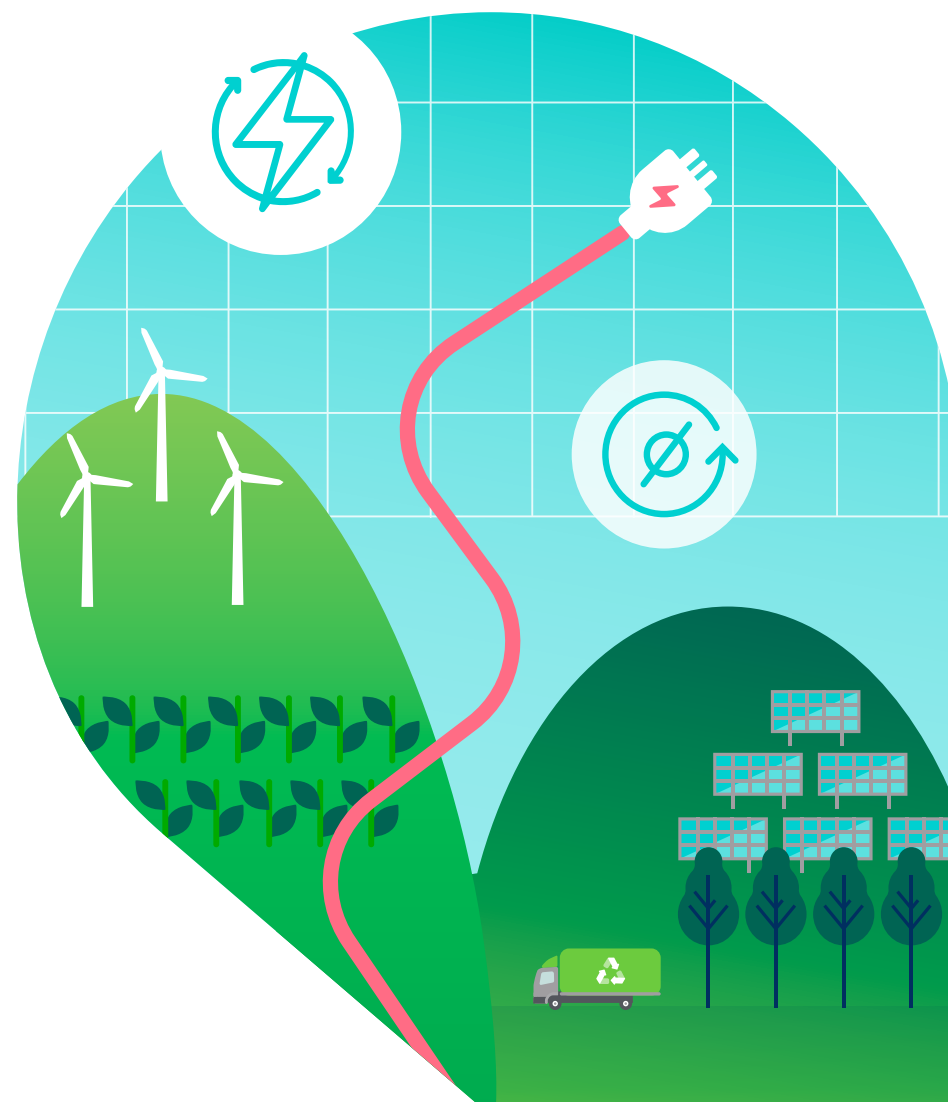
Electricity distribution company aligning business model with the clean energy transition

Diversified Core Infrastructure engagement via KKR

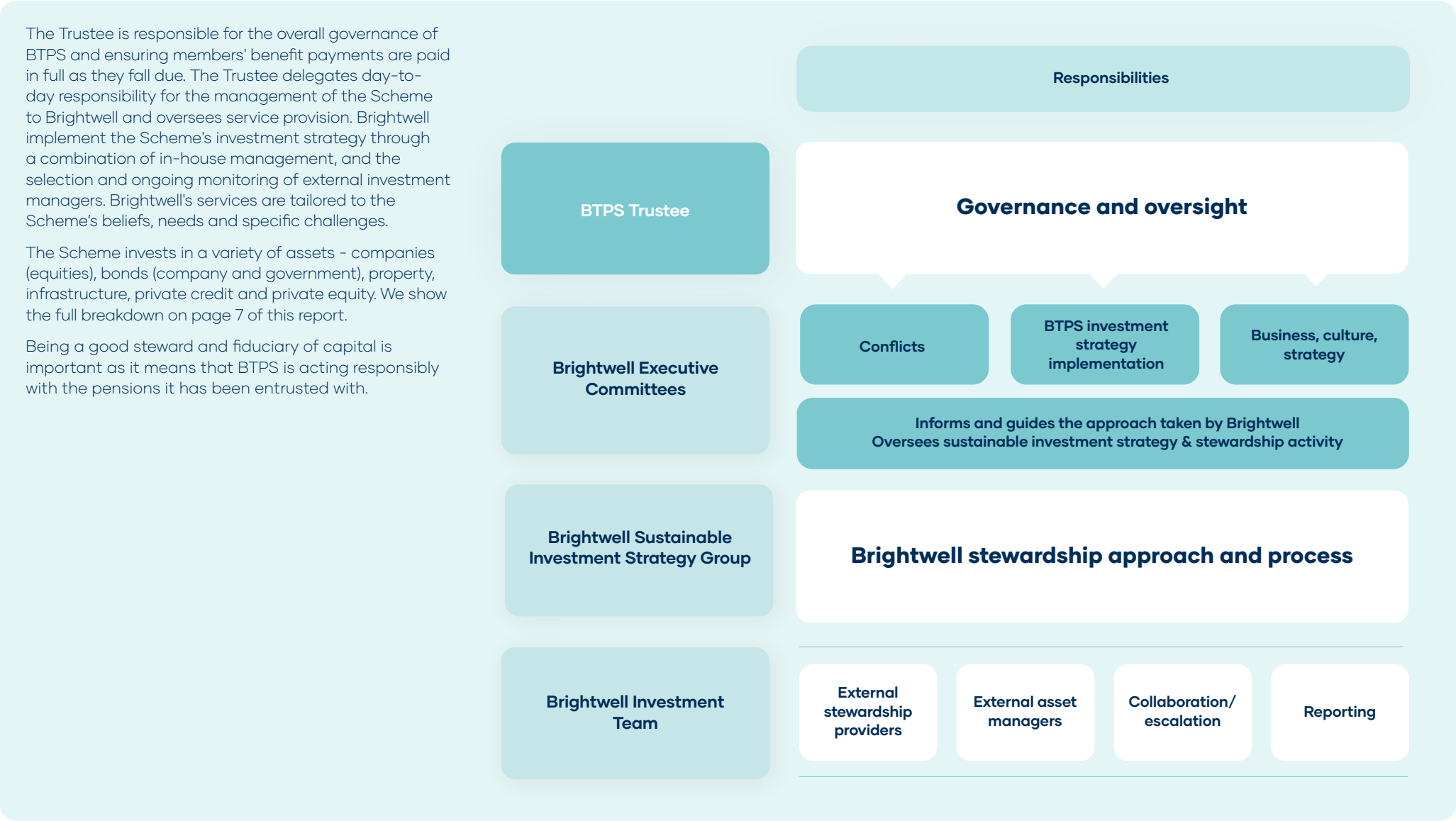
Issue: SA Power Networks (SAPN), the principal electricity distribution company for the state of South Australia, needed to address carbon emissions across its operations and align its business model with Australia's clean energy transition.

Action: SAPN set science-based greenhouse gas (GHG) reduction targets across scopes 1, 2 and 3, alongside measures to support state-level decarbonisation. Initiatives include fleet electrification, supplier engagement, supporting rooftop solar, battery adoption and EV readiness.

Outcome: SAPN is actively enabling South Australia's energy transition through increased renewable integration, smart grid technologies, and reduced operational emissions, positioning itself as a key player in the decarbonised energy future. KKR is pleased with the progress it has seen and will continue to engage with SAPN.



Stewardship through BTPS & Brightwell



Brightwell's governance structure

BTPS relies on Brightwell to undertake sustainable investment on its behalf. The Chief Investment Officer (CIO) is responsible for the Scheme's sustainable investment strategy and its effective implementation across the investment team including investment strategy, manager selection, and dedicated sustainability and stewardship-related activities. Brightwell reports on sustainable investment matters to the Trustee via regular Investment Committee meetings, and is responsible for engaging with other asset owners and third-parties to inform best practice and improve the effectiveness of the Scheme's sustainable investment activities.



The Investment Solutions and Research teams integrate sustainability holistically across all areas affecting the Scheme's portfolio. The team meet formally each week to share ideas and areas of focus with additional meetings as required.

Certain colleagues also sit on more focused groups, such as the Sustainable Investment (SI) Strategy Group, or the Diversity, Equity & Inclusion (DE&I) Committee.

All members of the investment team have explicit responsibility for implementing the Scheme's sustainability principles within their respective roles, and this is linked to their performance targets and remuneration.

Working groups contributing to effective stewardship

Brightwell Sustainable Investment Strategy Group	Membership	<ul style="list-style-type: none"> Chief Executive Officer (CEO), Chief Investment Officer (CIO), Head of Research and Investment Solutions, Head of Investment Solutions, Head of Communications, Sustainable Investment & Stewardship Lead and Executive Board Advisor.
	Objectives	<p>Meet monthly to discuss and address:</p> <ul style="list-style-type: none"> Risks and opportunities that may face the Scheme due to its long-term investment horizon including climate change and systemic risks Integrate financially material sustainability issues throughout the investment process, including the design of investment mandates, new manager searches and ongoing monitoring of managers Ensure the Scheme is delivering long-term value through sustainable ownership Engaging with other asset owners, policy makers, industry bodies, data providers and regulators on sustainability topics Continuous work required to achieve Net Zero 2035 ambition Monitoring against 5-year interim decarbonisation targets Ongoing manager monitoring towards net zero ambition and key challenges managers are facing in transitioning their portfolios Membership of Net Zero Asset Owner Alliance (NZAOA) and Paris Aligned Investment Initiative (PAII).
	Key achievements over year to 30 June 2025	<ul style="list-style-type: none"> Brightwell undertook nature and social factor materiality mapping with a third party to begin to identify natural capital and social factor risks in the portfolio Contributed to roundtable discussions on systemic risks with UKSIF and their report on the topic Collaborations - co-leading the Asset Owner Diversity Charter, contributing to the NZAOA Manager Engagement, NZAOA Policy and Asset Owner Council working groups Monitoring against 5-year decarbonisation goals in line with AOA and NZIF requirements Annual emissions reporting Data collection and analysis improvements including the automation of climate data

Stewardship in the investment hierarchy

Brightwell is responsible for appointing and overseeing external asset managers and stewardship service providers, as well as collaborating with other asset owners and managers to inform best practice and improve the effectiveness of the Scheme's activities. Along with other strategic priorities, the Executive Committee of Brightwell is responsible for ensuring that Brightwell has the necessary people, resources and skills to fulfil its responsibilities in this area.

BTPS Trustee Board	Governance & oversight - Oversees the Scheme Members: 9 2024-25 meetings: 6 Key discussions: TCFD Report, stewardship report, net zero ambitions review, risk management framework
Investment Committee (IC)	Governance & oversight - Oversees SI strategy & stewardship activity Members: 4 2024-25 meetings: 5 Key discussions: Net zero deep dive, stewardship activity
Brightwell Executive Committee	Implementation - Implements SI Strategy Members: 7 2024-25 meetings: 11 Key discussions: Risk management framework, Diversity, Equity and Inclusion strategy, sustainable investment strategy
Sustainable Investment Strategy Group	Stewardship approach - Enhances & challenges SI strategy Members: 7 (CEO, CIO, Head of Research & Investment Solutions, Head of Communication, Head of Investment Solutions, Sustainable Investment & Stewardship Lead, Executive Advisor) 2024-25 meetings: 10 Key discussions: Stewardship Code, engagement activities, Net Zero 2035 ambition and member engagement
Investment Team	Stewardship approach - Oversees and engages with asset managers and stewardship service provider Members: Head of Research & Investment Solutions, Investment Solutions Team, Research Team, Sustainable Investment & Stewardship Lead Key discussions: Regular discussions with managers on stewardship approach, sharing best practice manager expectations document, discussing individual manager and strategy scorecard of sustainability capabilities relative to best practice expectations, member engagement
Asset managers & stewardship service provider Undertake ESG integration & stewardship	Asset managers & stewardship service provider - Follow BTPS SI policy, undertake ESG integration and stewardship Agents: 16 asset managers, 1 stewardship provider 2024-25 meetings: 40 Key discussions: Net zero ambition, engagement activities, data requests, voting, stewardship questionnaire, DE&I discussion, systemic risk discussions on social factors and nature
Investments	Equities, bonds, property, infrastructure, private equity, private credit. Overseen by Investment team

Stewardship in the investment hierarchy continued

Brightwell Sustainable Investment Strategy Group

The group is comprised of key strategic decision-makers from across Brightwell, including the CEO, CIO, investment team and communications. The group meets monthly to discuss key sustainability topics impacting BTPS. Climate change is a standing agenda item and the group undertakes horizon scanning of industry themes and climate-related legislation, discusses covenant materiality and digests scenario analysis information to report to the IC.

This group also coordinates the day-to-day net zero ambition implementation and continued progress against BTPS's twenty climate actions. They also represent BTPS at the initiatives it is a member of, such as the Net Zero Asset Owner Alliance (NZAOA), the Institutional Investors Group on Climate Change (IIGCC) and the Paris Aligned Investment Initiative (PAII). The group is also key in establishing and monitoring the Scheme's short, medium and long-term climate targets.

Brightwell Investment Team

Brightwell takes an integrated approach to incorporating sustainable investment considerations. Brightwell's Investment Team incorporates climate change and other environmental, social and governance (ESG) risks into investment decision-making with the aim of improving risk-adjusted returns. As almost all of the Scheme's assets are managed externally, the dedicated stewardship professional leads fund manager engagement. This includes pushing for good stewardship which better manages climate-related risks, using engagement and voting as leverage for change, improving corporate climate change plans and obtaining better climate change data.

The team coordinates the annual stewardship questionnaire, which managers are required to fill in, and gathers a range of ESG information including strategic, mandate and issuer-related sustainability data. With this information, the team provides managers with a sustainability score card which provides tailored feedback for improvement.

They also coordinate regular training for the Trustee on sustainability topics, from internal and external experts, to ensure diversity of thought.

In accordance with the FRC's updated guidance, we confirm that there have been no material changes to our stewardship processes, systems or research during the reporting period. Our previous approaches and processes, as detailed in the Scheme's [2023 Stewardship Report](#), remain current and effective.

Brightwell Investment Risk Oversight Team

Brightwell's Investment Risk Oversight Team acts as an independent second line of defence with the aim of providing assurances that investment activities are performed in a robust risk-controlled environment. They oversee the application of the Enterprise Risk Management framework and its related policies and procedures, report and escalate risk events, and provide an independent validation of investment decisions and models.

In relation to climate risk, this includes maintaining the Scheme's risk register which assesses climate change risks and their mitigants, as well as developing their use of climate data to monitor key climate metrics.

External advisors

The IC takes advice from external advisors, where appropriate. In the context of climate change, it uses BTPS's actuarial and covenant advisers to undertake tri-annual climate scenario analysis on its asset, liabilities and covenant. In line with the requirements of the regulations, this work is included in the advisors' investment advice to the Scheme, and all findings are presented to the SI Strategy Group and IC.



Brightwell's culture and value alignment with BTPS

Supporting BTPS

Brightwell supports the BTPS Trustee Board in integrating material environmental, social and governance (ESG) factors into its investment decisions, in order to improve risk adjusted returns. The Scheme's sustainable investment strategy and stewardship approach remains core to the Scheme's investment philosophy, and Brightwell looks at the potential impact that long-term structural risks could have on the Scheme's investment outcomes. Sustainability is one of a number of material investment risks Brightwell considers alongside other factors.

This is done to mitigate financial risk, capitalise on the opportunities that the transition to a low carbon economy will present, and generate the best outcomes for clients and Scheme members.

Brightwell fundamentally believes that well run companies that take due consideration of sustainability issues are more likely to be successful over the long-term. As such, they apply the same considerations to their own operations as to BTPS's investment portfolio.

Working together for a better future

Brightwell is committed to developing and maintaining an inclusive culture, ensuring that behaviours, working practices and policies promote fair treatment and access to development opportunities for every colleague. Brightwell values the benefits a diverse workforce can bring and want Brightwell to be a place where all colleagues can thrive, feel that they belong, are valued and contribute to our success. This is underpinned by Brightwell's corporate values: Responsible, Impactful, Supportive & Expert.

Over the past year Brightwell's DEI Steering Group has been focused on inclusion.

Brightwell is a member of the Diversity Project, a cross-company initiative championing a diverse and inclusive UK investment and savings industry, and several representatives are on a broad range of its workstreams.

More information on Brightwell's DEI approach and people-related initiatives can be found in the Brightwell [How we work](#) report, pages 16-24.



Responsible

We take individual responsibility for making things happen. We take ownership of the decisions we make. We never walk past a problem. We are both open and brave, supporting and challenging each other to resolve issues.



Impactful

We are driven to do all that we can to create a better future for our members. We recognise that the way we invest can benefit wider society. We constantly strive to make a difference.



Supportive

We work together across teams to deliver the best outcomes for members and wider society. We support each other when making difficult decisions and are always respectful, thoughtful and helpful.



Expert

We set very high standards, constantly looking at how we can be better and bolder, whether serving members, or improving how we work or invest. We are constantly innovating; challenging ourselves to find new ideas. We use our commercial acumen to deliver value for members and wider society.

Asset manager oversight & engagement

We believe that all financially material considerations, including sustainability factors, must be integrated throughout the investment process. Outside of the government bond and liability-driven investment strategy which is managed by Brightwell, the Scheme outsources investment management to externally appointed asset managers.

The relationship with the Scheme's asset managers is expected to reflect its long-term investment horizon. This long-term approach also allows asset managers to take a similarly long-term view with the underlying investments they make on behalf of the Scheme and to drive better long-term sustainable outcomes.

Sustainable investment and stewardship considerations are integrated into multiple internal processes. Ahead of appointing a new fund manager, sustainability questions are asked as part of the formal Due Diligence questionnaire process. The responses are reviewed by the investment team to understand their quality and, if required, meetings are held with the manager to better understand their approach.

Three key factors:

1. How is sustainability **integrated** into their investment strategy and approach
2. If their sustainability approach is **consistent** with their overall investment strategy, and
3. How this work is **evidenced** in the manager's investment papers and reporting.

Once appointed, asset managers are expected to consider both the risks and opportunities that arise from sustainability factors in the selection, retention and realisation of investments. This applies to both internally and externally managed investments.

Managers are asked to:

- integrate ESG factors into their investment process
- actively engage with investments
- undertake proxy voting and, where appropriate, exercise advocacy related to stewardship
- provide ongoing reporting regarding their sustainable investment integration process and activities
- reflect the sustainability information they have considered in their investment process and if investment decisions have been changed as a result
- apply best international practice stewardship approaches or adapt to accepted local market conventions and regional best practice.

Brightwell holds regular manager meetings for better oversight of managers' stewardship activities and requests responses to our Stewardship questionnaire, as well as the Asset Owner Diversity Charter questionnaire, on an annual basis. Brightwell also challenges them regularly on underlying holdings and portfolio-level attributes.

LDI counterparty ESG review

Over the past year, the Scheme's Liability-driven Investment (LDI) manager, Brightwell, has embedded its ESG counterparty assessment framework. It undertakes a counterparty ESG review on an annual basis.

The process is summarised as follows:

1. Quantitative assessment of each counterparty using independent third party ESG data which ensures an objective assessment of each counterparty without considerations as to counterparty size, or the Scheme's reliance on the counterparty, for liquidity or relationship
2. Each counterparty is scored, and where flags are raised, a more detailed qualitative review is required to scrutinise the counterparty's ESG policy and processes
3. In the case that this review is unsatisfactory, it would lead to Brightwell engaging directly with the counterparty and escalating the matter. If it cannot be resolved satisfactorily, Brightwell would take the counterparty off their trading partner list.

Over the past year, no escalation actions were required.



Asset manager oversight & engagement continued

Each year, through the Scheme's sustainability best practice manager expectations document, Brightwell sets out, on behalf of the Scheme, what it believes represents current best practice principles in relation to sustainable investment across all asset classes and geographies. Brightwell looks for evidence and quality across the following areas:



Public commitments & initiatives



Training & expertise



Policies



Application to funds managed, including our mandates

This document provides indicators of good practice across each of the areas as a guide rather than an exhaustive list.

Expectations on managers to:

Have an awareness of the sustainability risks in our mandates and opportunities via direct knowledge or relevant ESG data

Have an understanding of the materiality of such risk and plan/approach to deal with such risks and opportunities.

Have an integrated ESG investment approach, with an investment team that takes accountability for what is owned in the mandate/fund

Use stewardship, including single and/or collaborative engagement, and proxy voting (where applicable)

To keep management accountable

Be able to provide relevant sustainability information and effective reporting in a timely and reasonable manner.

This document is shared with all BTPS managers across all asset classes and funds, with appropriate signaling of suitability to the fund e.g. voting only where applicable.

Brightwell provides feedback to managers on behalf of the Scheme with a separate score card of where they currently are relative to the best practice sustainability expectations. There is then an engagement meeting with each manager to discuss the findings and establish together the next steps that will drive progress.

The support of the Scheme's managers is critical in delivering the Scheme's sustainability goals, including its Net Zero 2035 ambition and funding objectives. By documenting and sharing the Scheme's manager expectations on sustainability, Brightwell can help ensure that the managers we are partnering with are supporting the Scheme in achieving its ambitious sustainable investment goals, driving real world change, and helping respond to the ever increasing regulatory and reporting obligations.



Asset manager oversight & engagement continued

Progress

On behalf of the Scheme, Brightwell has reviewed the Scheme's managers across all asset classes and geographies, using their online reporting platform which aids collection and analysis. The Scheme's managers have met our expectations from a stewardship perspective, as demonstrated by the various case studies and reporting they have provided to us. We are sharing a selection of their stewardship activities in this report.

We have been pleased with the levels of stewardship activity by our managers and EOS over the year. Brightwell has engaged and pushed for greater disclosure and information where needed, and managers have responded well to this. Brightwell has not needed to escalate stewardship issues with the Scheme's managers.

Regarding information gathering from our managers, Brightwell aims to keep the questionnaire broadly consistent year-on-year to help the managers anticipate our reporting requirements, and to help comparison and time series analysis. Managers are generally able to respond to more of the questionnaire each year. It is deliberately both comprehensive and challenging to encourage improvement over time. We note that certain asset classes, notably the private assets, have more difficulty around some of the disclosures. However, these same managers were able to provide some compelling case studies, demonstrating the success of their engagements over time, by the nature of their long-term investment relationships.

When reviewing manager responses and capabilities, it is done so in the context of understanding the specific fund and its objectives.

Regarding EOS, the Scheme's stewardship service provider, Brightwell, has evaluated their voting and stewardship activities over the year through reviewing and scrutinising the reporting they provide us with, and having several engagement meetings with them to discuss progress and key engagements or topics of interest. This includes evaluating whether their activity is consistent with the Scheme's stewardship approach and expectations. Additionally, Brightwell evaluates the success of their engagement and voting, whether they achieve their ex-ante objectives and whether this aligns with their investment strategy more broadly. This is demonstrated in more detail on pages 41-45.



Continuous developments

In last year's stewardship questionnaire, Brightwell incorporated questions on natural capital and social factors to understand managers' approaches to these more nascent topics. By fostering early engagement, it has helped the Scheme get ahead with developing a sensible approach to addressing systemic issues such as these.

Formal feedback is provided to managers on an annual basis. We are always encouraged by managers' thinking and willingness to engage and develop these important areas.

Examples of BTPS managers encouraging good governance in infrastructure

Engagement examples over reporting period 1 July 2024 – 30 June 2025.

Infrastructure engagements via Federated Hermes Infrastructure

Importance of succession planning

Issue: Federated Hermes identified that a lack of formal succession planning at Eurostar posed a talent and operational risk.

Action: Federated Hermes developed a tailored succession planning template and supported the CEO in assessing key roles and mitigation strategies.

Outcome: Eurostar identified 50 critical roles and initiated its first formal succession plan, marking progress in board-level engagement on its talent strategy.

Driving value and reducing risk through refinancing

Issue: Federated Hermes and Iridium Hermes Roads wanted to increase shareholder value and lower risk by refinancing Eix Diagonal, their largest toll road project. The project had become less risky after construction finished and a better revenue deal was made with the local authority.

Action: In May 2024, they started the refinancing process and chose BBVA as their financial adviser because of its experience with the project. They contacted 70 lenders and got commitments from six banks.

Outcome: The refinancing raised £271 million on good terms, allowing a large payout to shareholders and making the investment safer.



Examples of BTPS managers encouraging good governance at financial services company through escalation measures

Engagement examples over reporting period 1 July 2024 – 30 June 2025.

Issuer restrictions due to poor ESG credentials

Corporate credit engagement via Insight

Issue: Wells Fargo received a worst-in-class ESG rating, withdrew from the Net Zero Banking Alliance and Equator Principles, and showed signs of deprioritising ESG risk management.

Action: After poor responsiveness, two engagements were held in late 2024 and early 2025 to escalate the issues, focusing on its decarbonisation strategy, withdrawal rationale from the different collaborative groups, and environmental and social due diligence. Inconsistencies across responses and ESG ambition were flagged, and recommendations were issued for improvement.

Outcome: Engagement opened dialogue with senior stakeholders. While the bank claims its ESG ambition remains intact, mixed messaging across engagements and continued restrictions remain due to the poor ESG rating. These inconsistencies led Insight to send the issuer a list of recommendations they expect the bank to implement over the next year which would help demonstrate its continued commitment to sustainability. Restrictions on the issuer remain given the worst in class Insight Prime ESG rating.

Encouraging business improvements following legacy corporate conduct failings

Corporate credit engagement via Wellington Management

Issue: Wellington has monitored Wells Fargo's remediation efforts for the past few years following legacy conduct failings, particularly around sales practices exposed in 2016, given ongoing reputational and regulatory risks.

Action: In Q2 2024, Wellington's ESG research team engaged with Wells Fargo's senior management and Investor Relations. Dialogue centred on conduct remediation, cultural transformation and regulatory relationships. Particular attention was paid to employee morale and governance improvements.

Outcome: Wellington noted improvements in internal culture, conduct risk governance and regulatory relationships. These observations, combined with reduced loss provisions, support the view that Wells Fargo is approaching the end of its remediation phase. However, Wellington will continue to monitor progress through further engagements to ensure standards continue to improve.

It is important that managers escalate issues with investee entities, as appropriate, to drive change.

Market-wide & systemic risks

Market-wide risks

Market-wide risks are those that lead to financial loss or affect overall performance of the entire market and include, but are not limited to, changes in interest rates, geopolitical issues and currency rates.

As a global, long-term investor, it is important that we are able to identify market-wide and systemic risks which could impact the Scheme's investment returns and, therefore, the funding position.

The Scheme's investment process uses a combination of quantitative and qualitative inputs to achieve effective asset allocation and investment decision-making.

Qualitative macro-economic analysis leads to an investment hypothesis, whilst the quantitative approach helps 'sense check' the conviction of that hypothesis.

Using this approach, each asset class, e.g. corporate bonds, is listed in terms of their attractiveness, with a 12-18 month investment horizon in mind. The output is discussed on a monthly basis with the investment team to help guide the asset allocation decisions for the Scheme.

Brightwell has access to leading macro-economic research from independent third parties, in addition to research provided by our asset managers through regular meetings, relevant articles and research papers they produce, webinars and conferences. This collaborative process enables proactive identification and evaluation of new and evolving risks that could impact the Scheme.

In an uncertain environment with fast moving technology trends, macro-economic challenges and geopolitical threats, it's important to be continually vigilant and adjust our scenario analysis to the ever-changing landscape. In this way, Brightwell can appropriately monitor the implications for the Scheme and adjust the investment strategy accordingly.

Systemic risks

Systemic risks are those that may cause the collapse of an industry, financial market or economy, such as climate change.

Brightwell conducts monthly meetings where the research team presents the latest risk assessments and offers forward-looking insights. These discussions are closely integrated into the investment team's decision-making on how different macroeconomic events might affect the Scheme's funding position and if any changes should be made to the Scheme's asset allocation.

In addition, Brightwell continuously monitors market dynamics and stress-tests the Scheme's allocation against potential tail-risks at different stages of the economic cycle. Recent scenario analyses have examined the effects of global recession risks, geopolitical fragmentation and potential productivity gains, with results updated regularly over the past year. We have also continued to incorporate ESG-specific considerations into the Scheme's assessments.

These scenarios consider both adverse and more favourable outcomes. One reflects a significant global downturn, with sharp declines in equities, falling interest rates and widening credit spreads. Another highlights the risks of trade wars, supply chain disruptions and inflationary pressures, leading to weaker risk asset performance and higher interest rates. In contrast, a more optimistic scenario assumes technological advances and healthcare improvements, leading to modestly positive outcomes across growth assets.

"Market-wide and systemic risks pose a real threat to the Scheme's investments making it essential for us to continuously assess their potential impacts and be prepared with appropriate strategies to safeguard the Scheme's overall stability."

Prasad Kamath,
Research and Solutions, Brightwell



Market-wide & systemic risks continued

Dealing with market-wide risks in practice – Mandatory clearing for UK Pension Schemes

Issue: Since 2016, there has been a gradual implementation of mandatory clearing of over the counter (OTC) derivatives, first driven by the European Market Infrastructure Regulation in the EU and subsequently adopted by the UK post-Brexit. Pension schemes in the UK had benefited from a temporary, rolling exemption, most recently extended to June 2025. In November 2023, HM Treasury launched a consultation to seek views on the long-term future of this exemption. Brightwell holds a strong view that the pension scheme exemption should be permanent. This is because they believe that mandatory clearing:

1. **Imposes higher costs on pension schemes**
2. **Increases systemic risks for pension schemes in stressed market conditions**
3. **Leads to higher cash holdings, which in turn reduces the amount of assets held in less liquid strategies and decreases schemes' investment returns.**

Since these factors negatively affect pension schemes, and therefore ultimately the members, we believe it is important to engage with the government and the relevant regulators to make a case for a permanent pension scheme exemption.

Action: Brightwell responded to the consultation, outlining the case for a permanent pension scheme exemption, and explaining the negative impact of mandatory central clearing on defined benefit pension schemes and their members. Brightwell also provided context on how relevant investment decisions are made by LDI Portfolio Managers, including whether to centrally clear OTC derivatives. They also discussed the impact of this regulation in stress scenarios. Finally, they commented on how the clearing framework could be evolved to reduce negative impact on pension schemes. They also addressed follow-up questions from HM Treasury.

Brightwell's markets team, responsible for LDI and overlays management, led the drafting of the response. We believe it is important for our portfolio managers to own this engagement, as they have the necessary expertise to discuss the topic with the government.

Outcome: The exemption was set to expire in June 2025 but Brightwell was pleased that the Government recently concluded that there was clear evidence that removing the exemption would reduce pension funds' ability to invest in productive assets and so the exemption will continue indefinitely. The Government will, however, keep this policy under review in co-ordination with the financial services regulators.

Brightwell remains committed to advocating for a permanent pension scheme exemption, aligning with the best interests of pension scheme members and the broader industry.



Market-wide & systemic risks continued

Evaluating exposure to US climate policy shifts

Public equity engagement via GQG

Issue: GQG engaged with Duke Energy to evaluate its exposure to US climate policy shifts and energy transition risks, especially relating Inflation Reduction Act (IRA) tax credit stability.

Action: In a video call, they discussed Duke's protection from potential IRA credit risks due to bipartisan support for nuclear incentives, as well as investments in grid modernisation and storm resilience.

Outcome: The engagement provided reassurance about Duke's positioning in a supportive policy environment and strengthened GQG's understanding of the company's climate strategy. GQG will continue to engage with Duke Energy on this.

Policy advocacy

Engaging sovereigns on climate policy

Sovereign debt remains a challenging asset class for investors decarbonising their portfolios. The data is inconsistent and opportunities to engage with governments on climate change can be limited but managers are having some success through long-term engagement with sovereigns.

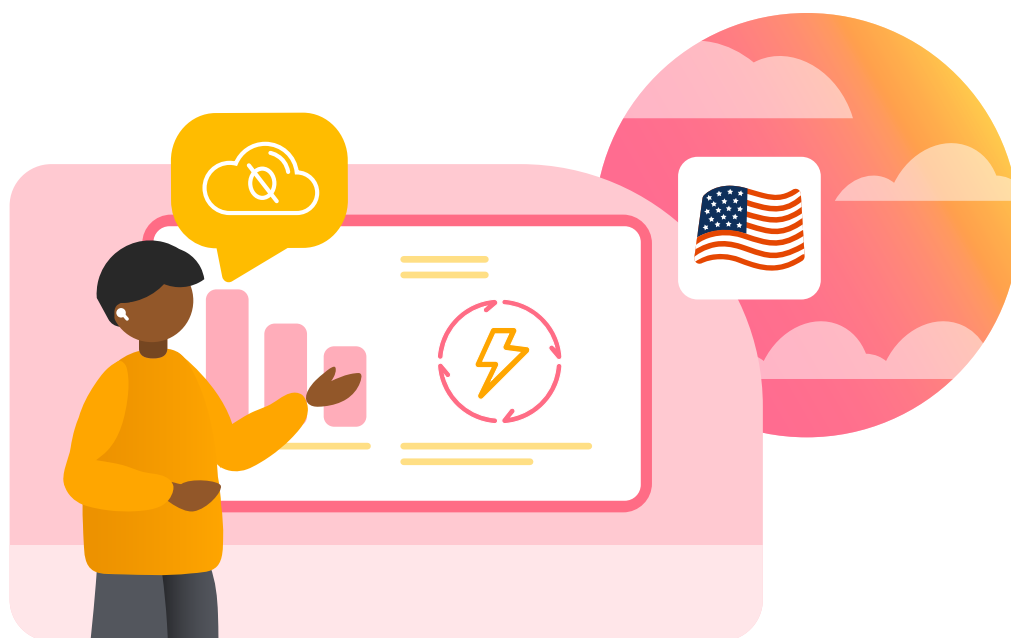
Sovereign engagement with Central European government on green bond and energy policy

Emerging market debt engagement via Wellington Management

Issue: Wellington engaged with a Central European sovereign issuer to encourage improved ESG reporting, particularly around the impact and governance of green bond issuance.

Action: Follow-up engagement with the State Secretary for Energy and Climate, and the Debt Management Office focused on energy diversification, electrification of transport and policy transparency.

Outcome: The government published a comprehensive ESG profile and introduced a leading green bond framework. Renewable energy uptake increased materially following this, and efforts to improve grid capacity are underway. Wellington will continue to monitor gas dependency and the effectiveness of reporting on climate policies but is pleased with the progress so far.



Mitigating market-wide & systemic risks through collaboration

Diversity, Equity and Inclusion

The Asset Owner Diversity Charter (AODC)

The AODC is an asset owner-led initiative to help improve diversity and inclusion across the investment industry and to encourage positive broader industry change.

There are currently 30 asset owner and consultant signatories to the AODC representing over £2tr in assets.

BTPS became a signatory to the AODC in March 2022, and Brightwell Co-Chairs the initiative. Through this, BTPS has committed to hold its asset managers to account on diversity, equity and inclusion to improve the asset management industry's performance on this issue. This means including DE&I in its regular monitoring of managers, requesting DE&I data from managers on an annual basis and having DE&I as an input into the manager selection process.

Since becoming a signatory to the Charter, managers have responded to the AODC questionnaire and we have analysed their responses. We are encouraged by the constructive conversations we have had with managers on this topic. In particular, their willingness to engage and their efforts to drive change across the industry whether, for example, through joining initiatives such as the Diversity Project, or setting targets to improve senior female and ethnic minority representation. diversityproject.com/assetownerdiversitycharter

Progress over 2024/25

Last year, the AODC Steering Committee focused on improving the group's governance. This included setting up an Advisory Board of senior financial services leaders who are committed to improving DE&I across the investment industry, setting up a Consultant Taskforce, raising awareness of DE&I topics through speaking events and podcasts, and finalising new vision and mission statements.



Vision: An inclusive investment industry that represents and values our diverse societies.

Mission statement: By building an industry that reflects the diverse societies we serve and celebrates diversity in all its forms, we strive to deliver a strong and fair financial system with enhanced decision-making and better risk mitigation. We aim to standardise diversity metrics, improve disclosure and foster collaboration. The commitment promotes accountability and transparency across the investment value chain.

Focus for 2025/26

The Charter will continue to build its signatory base with a focus on expanding more globally, and encourage more asset managers to respond to the questionnaire.

The AODC will be publishing an aggregate report, led by academic research on the AODC data set. It will explore the findings and share best practice case studies to help support engaging conversation in ongoing manager monitoring.

The AODC is also looking to partner with a data service provider to develop enhanced analytics capabilities for signatories. Due diligence is underway, with the aim to have the new platform up and running for the 2026 AODC questionnaire collection and analysis.

Enhancing the Scheme's knowledge of systemic risks – biodiversity

On behalf of the Scheme, Brightwell continues to develop its understanding of nature capital. Brightwell has engaged with managers to understand risks associated with biodiversity within the portfolio that could harm the future value of the portfolio.

We are mindful that preserving natural ecosystems is a defence against climate change and therefore aligned in achieving the Scheme's Net Zero 2035 ambition.

Brightwell established an engagement programme with the Scheme's fund managers to better understand how they are thinking about biodiversity with respect to the BTPS portfolios.

Overall current findings from the engagements are that this is a particularly nuanced area.

There remain challenges around data and the metrics to monitor but some clarity is emerging.. Continued collaboration between academia and the investment industry is also contributing to solve this challenge.

At this stage, the focus is on learning about the intricacies of nature-related risk, and understanding the impacts and dependencies the Scheme has on nature. It is still early in the process for this topic to be integrated into investment portfolios systematically.

Assessing nature impacts and dependencies

BTPS recognises that nature loss and the degradation of natural capital can pose systemic, material risks to long-term asset values, portfolio resilience and the wider economy.

Last year, Brightwell worked with an asset manager who undertook analysis to identify key natural capital risks in relation to the Scheme's corporate credit and equity portfolios. The analysis highlighted sectors and regions that were most at risk, as well as how the portfolio could be affected by the degradation and depletion of natural resources and ecosystems e.g. climate change, water stress and land use.

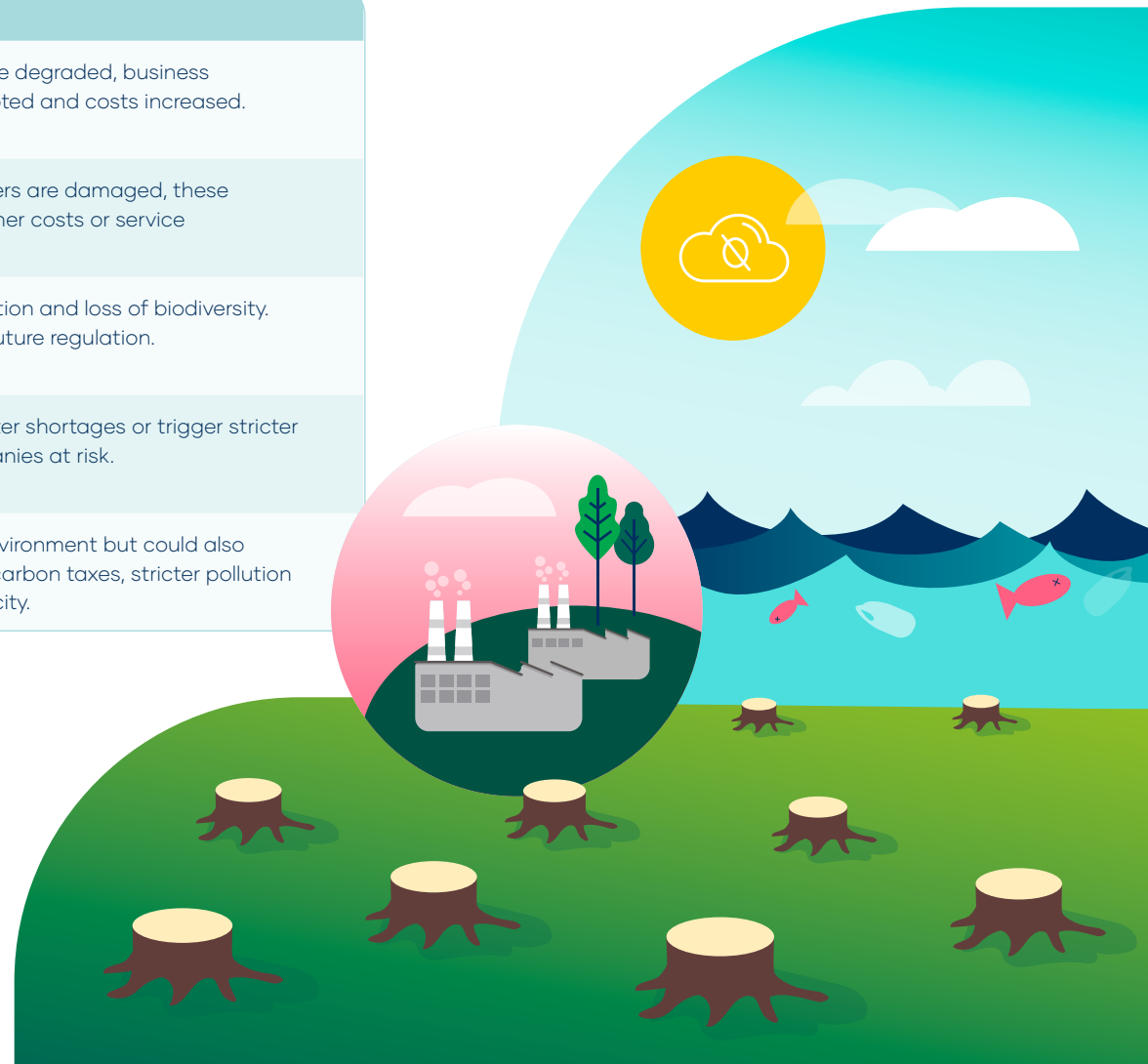
In 2025, we developed this further by analysing our portfolio- level nature-related risks using the ENCORE tool (Exploring Natural Capital Opportunities, Risks and Exposure). The analysis aimed to build a foundational understanding of the Scheme's dependencies and impacts on nature. This analysis forms the basis for our evolving nature strategy and will inform prioritisation of nature themes within our engagement activities, and integration into our wider risk management framework. The overarching aim of this work is to improve risk-adjusted returns for the Scheme.

Considering nature-related risks can help protect portfolio value. We seek to mitigate potential erosion of value through actions such as identifying where operations could be disrupted, or where there are regulatory, operational and reputational threats to underlying portfolio investments.

Enhancing the Scheme's knowledge of systemic risks – biodiversity continued

Key insights include:

Analysis insight	Implication
Many sectors in the Scheme's portfolio rely on nature, especially for services like flood protection, storm protection, and reliable water supply.	If these natural services are degraded, business operations could be disrupted and costs increased.
Utilities and manufacturers the Scheme is exposed to depend on clean, steady water supply.	If rivers, wetlands, or aquifers are damaged, these companies could face higher costs or service interruptions.
Several sectors in the portfolio have elevated exposure to land usage.	This can lead to deforestation and loss of biodiversity. This increases the risk of future regulation.
Some sectors the Scheme invests in rely more than others on water usage e.g. manufacturing.	This could create local water shortages or trigger stricter rules, putting those companies at risk.
Some companies in the portfolio are higher emitters of greenhouse gases and other pollutants than others, even within the same sector.	This not only harms the environment but could also lead to higher costs from carbon taxes, stricter pollution controls, or negative publicity.



Enhancing the Scheme's knowledge of systemic risks – biodiversity continued

Additional key actions to date

Continued development of the Scheme's understanding of biodiversity and deforestation

- Building on the research project Brightwell did previously with MBA students from the Cambridge Judge Business School on biodiversity, to better understand its impact on the Scheme's portfolio, Brightwell engaged with several asset managers on how they are thinking about natural capital across a variety of asset classes.
- Brightwell encouraged BTPS managers to join collaborative initiatives, where they were not already doing so.
- Brightwell has undertaken more desktop research, attended conferences and webinars on biodiversity and deforestation, and had discussions with academics, other asset owners and asset managers on their research and approaches on behalf of the Scheme.

Water scarcity

Reviewing progress against a brewery company's sustainability strategy, particularly around water use efficiency

Corporate credit engagement via Wellington Management

Issue: Wellington engaged with AB InBev, the world's largest brewer, which produces, distributes and sells a portfolio of around 500 beer brands across more than 150 countries. The company's scale and reliance on agricultural inputs expose it to material environmental risks, including water stress in key sourcing regions, biodiversity loss from supply chain impacts, and the need to advance circular economy practices to reduce waste and emissions. Addressing these issues is critical to maintaining operational resilience and safeguarding long-term value.

Actions: in Q4 2024, Wellington met with AB InBev to review progress on its sustainability strategy, focusing on water efficiency, biodiversity risk management and circular economy initiatives. Discussions covered the company's Taskforce on Nature-related Financial Disclosures (TNFD) reporting plans, measures to improve water stewardship in high-risk regions, and efforts to increase recycling rates, particularly glass, in core markets such as Europe and Latin America. They also assessed governance structures underpinning sustainability delivery and the integration of environmental targets into capital planning.

Outcome: AB InBev demonstrated notable progress, reporting measurable improvements in water use efficiency and the protection of biodiversity within its supply chain, as well as significant increases in glass recycling volumes. Wellington was encouraged by the strengthened governance framework and commitment to environmental targets, viewing these developments as evidence of the company's proactive approach to managing nature-related risks. Wellington will continue to monitor delivery against 2025 commitments, including operational and capital expenditure plans, to ensure sustained progress.

Engagement with African sovereign on water scarcity

Emerging market debt engagement via Wellington Management

Issue: An African sovereign issuer faces material water scarcity risks, with potential economic impacts due to the country's dependence on agriculture.

Action: Wellington engaged with government representatives to understand national strategies on water management and climate adaptation. The engagement included suggestions on attracting international climate finance and improving access to green bonds.

Outcome: The government has advanced its climate adaptation efforts through a National Climate Plan, carbon targets, and infrastructure investments such as dam construction and modern irrigation. The main challenge remains access to climate finance. Wellington will re-engage to support identification of financing mechanisms.

Enhancing the Scheme's knowledge of systemic risks – biodiversity continued

Additional key actions to date

Investment manager progress on deforestation

- The Scheme's stewardship service provider, EOS at Federated Hermes, continues to undertake research and engagement on deforestation. EOS engages on our behalf with relevant companies including palm oil producers, processors, traders, consumer goods and retail companies, and banks providing financing, expecting companies to take responsibility for deforestation in their supply chains.
- Several of the Scheme's managers are signatories to the **Financial Sector Commitment Letter on Eliminating Commodity-Driven Deforestation**, launched at COP26 in Glasgow, November 2021. Some are signatories to the Principles for Responsible Investment's (PRI's) Sustainable Commodities Practitioners Group, which explores how the finance sector can address deforestation by sharing best practice.
- Many managers are using the **Deforestation-Free Finance Sector Roadmap** as a guide to their activities.
- One manager is contributing to the Global Canopy Aligned Accountability project, which seeks to bring together existing data sets on deforestation and package this in a more usable way for financial market participants. The aim is to develop a comprehensive, collaborative and open database on company performance on deforestation, aligned with the Accountability Framework, which will provide standardised data. They are supporting this project to refine the development of the database and ensure its relevance for end users.

- Managers who are already actively engaging on biodiversity are prioritising conversations with companies that have material exposure to biodiversity-related financial risks, such as those with heavy operational or supply-chain reliance on ecosystem services.

Next steps for BTPS on natural capital:

- Embedding nature risk into ongoing risk monitoring and asset class deep-dives
- Engaging with selected fund managers to explore how nature risks are integrated into their investment processes, particularly within the high-dependency sectors identified in the screening
- Using the findings to inform stewardship priorities, including collaborative engagement initiatives such as Nature Action 100
- Monitoring the evolution of the Taskforce on Nature-related Financial Disclosures (TNFD) and supporting its guidance as a framework for future alignment.



Meeting evolving sustainability expectations in new real estate developments

Real estate engagement via Federated Hermes

Issue: ESG integration in real estate development required updates to ensure new projects meet evolving environmental, social and nature-related expectations.

Action: Federated Hermes commissioned consultants to revise its ESG design guidelines with higher targets, incorporating net zero, increased biodiversity, sustainable drainage, energy efficiency and occupier engagement. The guidelines now mandate consideration of nature-based solutions such as green roofs, pollinator-friendly landscaping, and habitat creation, alongside measures to reduce noise and light pollution. They apply to all new developments and major redevelopments across all project stages—from initial brief through design, construction and handover.

Outcome: Federated Hermes' updated ESG guide has been rolled out to development managers and embedded into early-stage design. An ongoing monitoring process is being established to track implementation, measure ecological outcomes and raise standards over time, ensuring that assets deliver the highest environmental performance while contributing to local biodiversity and climate resilience.

Enhancing the Scheme's knowledge of systemic risks – social factors

Why are we concerned about exposure to social factors from an investment risk perspective?

The impact of social factors, ranging from labour rights, human capital management, supply chain conditions, to access and inclusion, have the potential to erode long-term value, if left unaddressed. Yet investors often lack a structured, scalable method for assessing this risk. To address this gap, BTPS has used a new tool, the Social Inequality Factor Tool (SIFT), to assess social factor exposure across its portfolios.

BTPS and Brightwell believe that meaningful progress on understanding social factor risks must be supported by practical tools and credible data.

Integrating social factors in stewardship activities

The intent of the assessment is to inform stewardship efforts, thematic analysis and risk-based engagement with fund managers. It also establishes a baseline from which future improvements in social factor exposure and alignment could be monitored across the Scheme's investments.

Key portfolio insights emerging from the mapping exercise:

This initial analysis is helping to identify social factor risks across different sectors in which the Scheme invests which might over time have an impact on the value of the portfolio.

We will continue to monitor the Scheme's exposure to social risks and work with investment managers to understand how they consider these risks when managing the Scheme's portfolios.

Next steps for BTPS on social factors

- Share the priority sectors and themes with relevant fund managers to establish whether risks are reflected in their own ESG assessment frameworks.
- Use the insights to inform discussions with managers on their integration of relevant social factors into their company-level assessments and stewardship practices.
- Use the insights to inform internal discussions on integrating identified risks into portfolio construction and ongoing risk oversight.
- Assess to what extent existing stewardship approaches address the flagged risks through ongoing engagement or escalation plans.
- Collaborate with other asset owners to create shared expectations on corporate behaviour, in line with the UN Guiding Principles on Business and Human Rights, and the PRI and TISFD's developing expectations.



Engagement in practice – social factors

Improving awareness of social factors in supply chains

Private equity engagement via Federated Hermes

Issue: Engagement addressed the General Partner's (GP's) practices around diversity, equity and inclusion (DE&I) and human rights, including their oversight of portfolio company exposure.

Action: Federated Hermes held two meetings in 2024. Discussed DE&I mentoring efforts, expectations around human rights policies (especially modern slavery risks in supply chains), and material digital risks such as cybersecurity, data protection, and AI bias.

Outcome: The GP demonstrated progress on DE&I and awareness of material digital and human rights risks. Federated Hermes will monitor their progress and follow up on the way they assess this, particularly through their supply chain risk.

Addressing health & safety concerns

Infrastructure engagement via Federated Hermes Infrastructure

Issue: Federated Hermes identified a high frequency of health & safety incidents, particularly less severe ones, at Scandlines, a European ferry travel company, which raised operational risk concerns.

Action: Federated Hermes advocated for a third-party health & safety review, supported the tender process, and engaged a new CEO to broaden executive ownership of health & safety.

Outcome: An external consultant issued a gap analysis with prioritised recommendations; the company is implementing changes as a result, including leadership recruitment. It is pleasing that early 2025 data shows the long-term injury frequency rate is gradually reducing. It is something they will continue to monitor, and engagement remains ongoing.

Assessing modern slavery risk

Corporate credit engagement via M&G

Issue: One of UK's largest supermarket chains, Tesco, operates in a sector with high modern slavery risk. This prompted engagement to assess their risk management and human rights disclosures.

Action: In 2024, M&G engaged with Tesco's Head of ESG to discuss their modern slavery risk strategy and encourage improved transparency.

Outcome: Tesco confirmed action against modern slavery is a core pillar of its Human Rights strategy and shared details of its updated approach, developed with input from key stakeholders. Progress is reported annually with examples of issue identification and resolution. M&G was satisfied with the quality of disclosures and Tesco's proactive approach.



Proxy voting

What does it mean to vote?

BTPS believes that making full use of its voting rights is part of our fiduciary duty and requires its asset managers, and EOS at Federated Hermes where applicable, to execute all votes for the Scheme's directly held public securities. The Scheme believes that proxy voting activity should not be conducted in isolation but rather as part of a wider engagement strategy. The Scheme's investment managers and EOS are given discretion to follow their own voting policy.

Brightwell monitors the investment managers' and EOS's voting activities, discussing key voting decisions at regular meetings, alongside a review of all their votes cast on an annual basis.

The investment managers and EOS are also regularly asked about their approach to conflicts of interest however, there were no concerns raised during the year. The Scheme does not engage in stock lending. This decision has been made both for risk-return and stewardship reasons. In the case of the latter, the requirement to recall 'on-loan' holdings ahead of voting and results windows gives rise to an involved process and the potential for conflicts in engagement.

To see the Scheme's voting activities in further detail, please see our implementation statement in the BTPS report & accounts.
BTPS Portal - Regulatory reporting

Significant votes

The Scheme pays close attention to votes that are deemed to be significant by Brightwell on behalf of the Trustee in collaboration with its investment managers. When determining which votes are considered significant, we assess several criteria including those outlined by the Pensions and Lifetime Saving Association (PLSA) in its vote-reporting template.

Significant votes are categorised as:

- a vote which can have a potential impact on financial outcomes
- votes which might have a material impact on future company performance, for example, approval of a merger or a requirement to publish a business strategy that is aligned with the Paris Agreement on climate change
- votes with a potential impact on stewardship outcomes
- votes on any decision which may reduce the investor voice (e.g. around shareholder rights), such as a debt for equity swap, management buyout of a significant share of equity or a downgrading of voting rights
- votes in relation to companies that represent a significant size of holding in the mandate
- votes which are high profile or controversial
- votes where there is a significant level of opposition from investors to the company resolution
- votes where there is a significant level of support for an investor resolution
- votes where there is a high level of reputational risk for an investee entity, and
- votes where there is a high level of political or regulatory interest, a high level of industry debate, or any vote in non-listed equity asset classes e.g. in private equity, infrastructure or other asset classes.

Proxy voting continued

Escalation

Voting is an essential part of being active owners of the Scheme's investments. It can be used as an escalation method of engagement activity, to express both support or opposition for an activity or strategy, and to ensure suitable governance is in place. The Scheme's investment managers are expected to have an escalation strategy in place for non-improvers over time. In cases where engagement fails to meet expectations over the expected timeframe (typically 5 years, as appropriate) and relates to critical issues for the specific investment case or the general investability of a company, escalation of the issue through other stewardship activities such as voting, and ultimately the consideration of divestment will follow.

Brightwell engages with managers and EOS around the rationale for certain significant votes prior to execution to understand how they are aligned with BTPS's best interests.

Over the 12 month period, no specific divestments in the BTPS portfolio were made due to escalation activities. However, we share an example of multi-year escalation tactics with a financial services company to drive better practices. See page 25 for more details.

Voting and engagement are closely linked activities

To achieve change, the Scheme's asset managers and EOS may undertake a series of escalating engagement actions. Depending on the nature of the challenge and the initial reaction of the company's Board to engagement, it can include meeting with the chairman or other Board members, discussions with other shareholders of the company, submitting resolutions and speaking at Annual General Meetings. They can also collaborate with other investors where they are concerned about company practices and performance. This can then lead to voting outcomes, where appropriate.

Driving climate disclosure and shareholder alignment in Canadian rail

Issue: TCI engaged with Canadian National and Canadian Pacific, two Canadian rail operators, to push for improved climate transparency, Paris-aligned emissions targets and annual shareholder advisory votes.

Action: TCI held multiple discussions with both companies' leadership and Board chairs throughout 2024, advocating for annual greenhouse gas (GHG) reporting and investor accountability mechanisms.

Outcome: Canadian National proposed its own resolution in line with TCI's ask, prompting withdrawal of TCI's proposal. Canadian Pacific agreed to support TCI's resolution. Both companies now allow shareholders to vote annually on ESG plans, marking a significant governance and climate milestone. TCI was pleased with this outcome.

Evaluating concerns around shareholder rights

Issue: GQG engaged with Southern Company to evaluate governance practices ahead of its 2025 AGM, particularly concerning shareholder rights.

Action: They discussed the Board's decision not to support the removal of the supermajority voting rule, as well as ongoing board refreshment and executive pay alignment.

Outcome: The engagement confirmed Southern's cautious governance approach and highlighted areas for future monitoring by GQG.

EOS and the Scheme's managers also engage on behalf of the Scheme with companies where we are a bond holder. Whilst in those instances the Scheme is unable to vote, the outcome of certain votes could indirectly impact the Scheme's assets and so engagement is important.

Proxy voting continued

Manager:

GQG Investment Management

Fund type:

Segregated active equity fund

Significant vote

Company: Visa Inc.

Date of vote: 28 January 2025

Vote topic: Report on Lobbying Payments and Policy

Voting instruction: Against

Rationale: The company has committed to providing additional meaningful disclosure regarding its direct and indirect lobbying activities.

Approximate size of holding as at the date of the vote (as % of portfolio): 2.0%

Why a significant vote?: Size of holding, dissent level, potential impact on stewardship outcome.

Outcome of vote: Fail (the company is not required to provide additional reporting on lobbying payments and policy).

Manager:

TCI Investment Management

Fund type:

Pooled active equity fund

Significant vote

Company: Aena S.M.E SA

Date of vote: 9 April 2025

Vote topic: Advisory Vote on Company's 2024 Updated Report on Climate Action Plan

Voting instruction: For

Rationale: The plan is ambitious, and is in line with TCI's previous engagement with the Company.

Approximate size of holding as at the date of the vote (as % of portfolio): 3.1%

Why a significant vote?: Position size.

Outcome of vote: Pass (the updated Climate Action Plan was approved).

Proxy voting continued

TCI engagement leading to a vote outcome – promoting climate governance accountability in a French infrastructure leader

Infrastructure equity and public equity engagements via Federated Hermes and TCI

Issue: Federated Hermes and TCI both engaged separately with Vinci, a leading French transport infrastructure operator, to address the lack of legal mechanisms for filing investor-led ESG resolutions in France. The engagement aimed to encourage the company to demonstrate ESG accountability through voluntary shareholder approval of its climate strategy.

Action: Both managers engaged directly with Vinci's board and senior management, emphasising the strategic benefits of ESG leadership, including reduced cost of capital, potential valuation premium, employee engagement and talent retention. By aligning financial and reputational incentives, they sought to secure board commitment to enhanced climate transparency.

Outcome: Vinci voluntarily submitted its ESG plan for shareholder approval, receiving 98.14% support. The move set a precedent in the French market, prompting peer companies such as Getlink to follow suit, thereby advancing climate accountability across the sector.

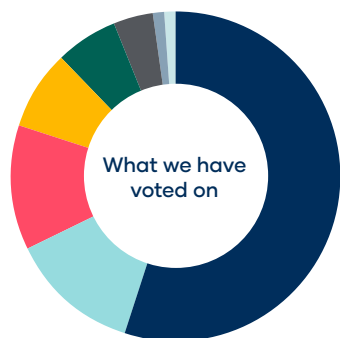
Engagement and voting outcomes can often be interlinked across different managers and portfolios.



Proxy voting continued

Voting activity by manager

Fund type	Segregated active equity fund	Pooled active equity fund	Pooled active equity fund
Number of meetings which the manager was eligible to vote	33	15	13
Number of resolutions on which the manager was eligible to vote	504	292	181
Percentage of eligible votes cast	100%	100%	100%
In what % of meetings, for which you did vote, did you vote at least once against management	17%	1%	0%
Resolutions with management	98%	98%	100%
Resolutions against management	2%	2%	0%
Resolutions abstained from	0%	0%	0%
Meeting with management by exception	0%	0%	0%



Board structure	55%
Remuneration	13%
Audit & accounts	12%
Capital structure & dividends	8%
Other	6%
Shareholder resolution - social & ethical	4%
Shareholder resolution environment	1%
Shareholder resolution - governance	1%



More voting information can be found in the Scheme's Implementation Statement in the [Annual Report](#).

Engagement

Corporate engagement is done on BTPS's behalf in two ways: through the Scheme's asset managers and through EOS at Federated Hermes acting as agents of the Scheme. Managers are expected to engage on a whole host of engagement topics and across all asset classes. This is evidenced by the statistics over the next few pages, as well as the engagement examples and the Scheme's voting records.

The Scheme's engagement efforts focus on a variety of different areas, from the remuneration of senior management to investigating whether operations are having a negative impact on local biodiversity. In bonds, it can also encourage changes to bond prospectuses or indentures, and more or less favourable loan terms depending on certain sustainability criteria.

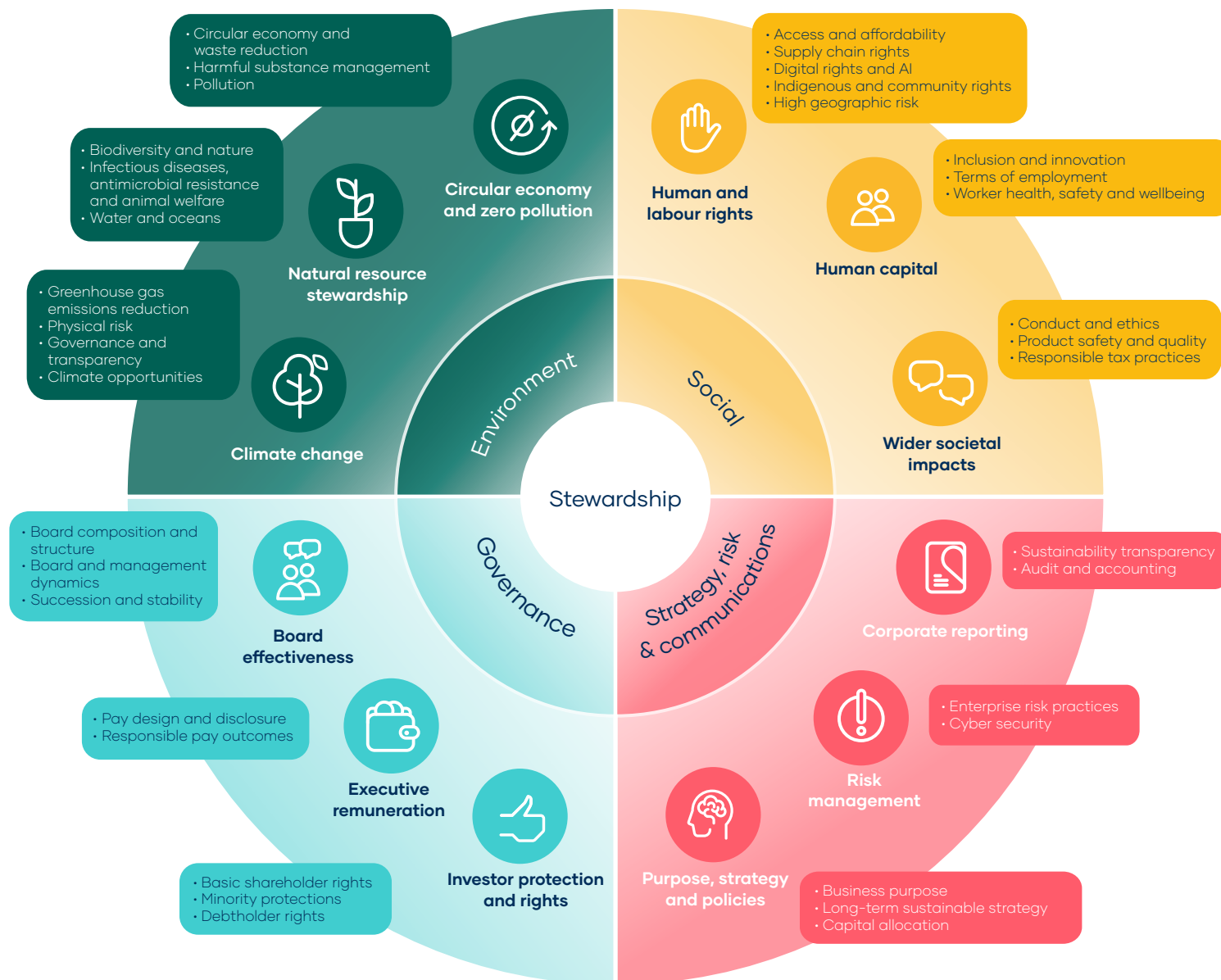
Regarding engagement with the Scheme's managers over the past year, the Scheme continues to focus on climate and how managers are helping towards the Scheme's Net Zero 2035 ambition. For this reason, managers are encouraged to be part of climate-related initiatives to be up-to-speed and contributing to the industry's latest thinking in this area, whether through IIGCC, CA100+ or others. Brightwell monitors their engagements on climate-related topics and how their votes are aligning with this action and latest standards. For instance, paying attention to alignment in science-based targets (SBTs) and expecting managers to be encouraging investee entities to set SBTs where appropriate.

However, climate is not the sole focus of the Scheme's engagement activities as we consider sustainability risks to be interconnected. The Scheme believes companies that consider the long-term risks and opportunities, including those relating to sustainability matters, have the right attributes to deliver the long-term sustainable value it is seeking. Ultimately, good stewardship, engagement and active voting improve investment outcomes.

The Scheme's investments are structured in such a way that it has relatively large portfolios with few managers. This means the Scheme has more influence when engaging with investment managers and when they in turn engage with the investee entities.



Engagement themes for 2025–27



EOS's engagement plan identifies twelve key themes and related sub-themes which help focus EOS's engagement activities on the most material topics impacting investments. The Scheme delegates the prioritisation of issues to EOS, however Brightwell contributes to their engagement themes annually. EOS at Federated Hermes undertakes engagement over 3-year cycles. EOS's engagement themes very much align to the Scheme's prioritisation of sustainability topics and they also align with the Scheme's managers as well.

EOS's stewardship expertise and resources provide the Scheme with wide coverage of different assets and access to specialised expertise across different engagement themes, from biodiversity to fast fashion, for example. EOS has strong and long-term relationships with company boards through multi-year engagements, cultural understanding and relevant language skills, and broader connections which all contribute and aid our stewardship efforts. For instance, Brightwell recently engaged with EOS on the topic of social factors to understand what they are prioritising and how they are engaging with companies on this important issue.

Monitoring engagement progress in practice

EOS milestones

EOS uses a proprietary milestone system which allows them to track progress of engagements relative to the objectives set at the beginning of the company interactions. The specific milestones used to measure progress in an engagement vary depending on each concern and its related objective.

Milestone 1 - Concern raised with the company at the appropriate level

Milestone 2 - The company acknowledges the issue as a serious investor concern

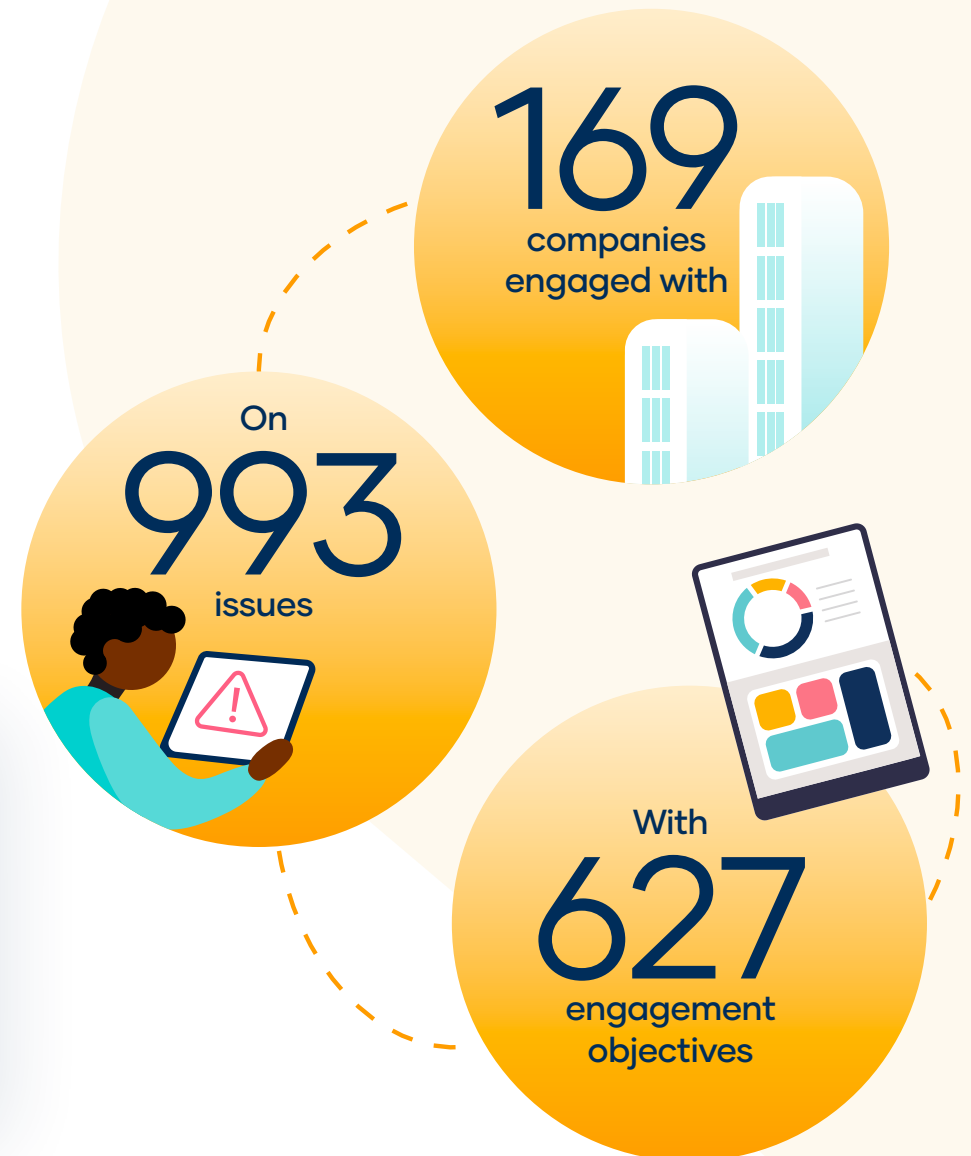
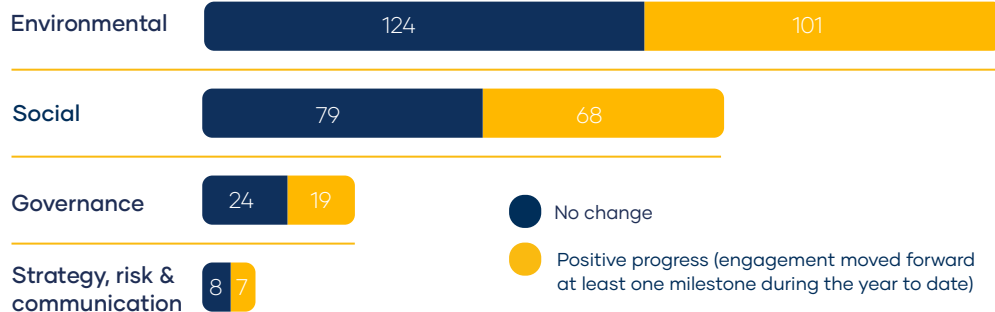
Milestone 3 - Development of a credible strategy/stretching targets set to address the concern

Milestone 4 - Implementation of a strategy or measures to address the concern

Progress against these objectives is assessed regularly and evaluated against the original engagement proposal. Milestones were hit with at least one moving forward for c46% of the objectives over the year. The following chart describes how much progress has been made in achieving the milestones set relative to each engagement. Where sufficient progress is not made by a company towards the next milestone over the 12-month period, escalation activities will follow as appropriate.

Overall we are pleased with the progress EOS has made towards its milestones. Where there has been no change against the milestones, there is appropriate rationale given by EOS and we are satisfied with the outcomes.

Progress against milestones



Monitoring engagement progress in practice continued

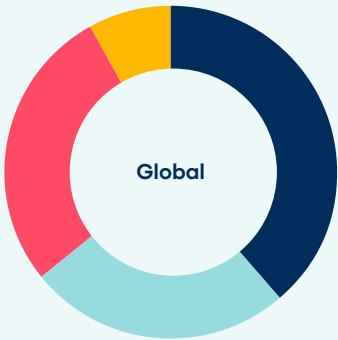
Engagement statistics

In 2024, EOS engaged with 169 companies on 993 environmental, social, governance, strategy, risk and communication issues and objectives.

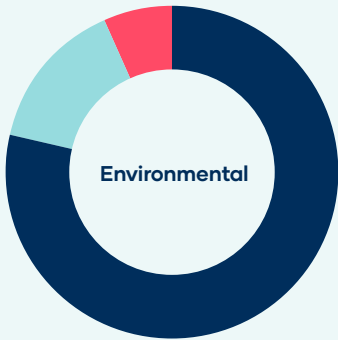
Engagement by theme

EOS sets clear and specific objectives within all company engagements. Each objective is tracked using milestones and is regularly reviewed until it is completed, or when the company has demonstrably implemented the change requested, or when the activity is discontinued. An example objective is the development of a strategy consistent with the goals of the Paris Agreement, including setting science-based emissions reduction targets for operating emissions (Scopes 1 and 2 emissions).

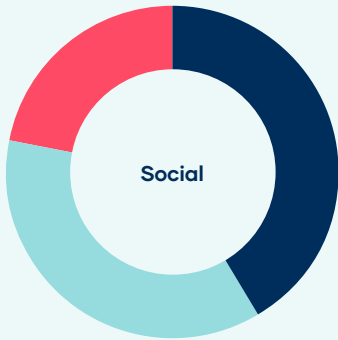
EOS engaged with 169 companies over the last year



Environmental topics featured in 38.8% of our engagements over the last year



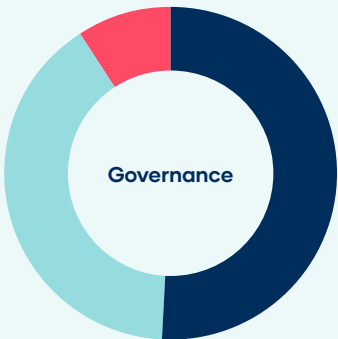
Social topics featured in 27.9% of our engagements over the last year



Monitoring engagement progress in practice continued

Engagement by theme continued

Governance topics featured in 25.5% of our engagements over the last year



Executive remuneration	51.0%
Board effectiveness	39.9%
Investor protection & rights	9.1%

Strategy, risk and communication topics featured in 7.9% of our engagements over the last year



Human capital	35.9%
Wider social impacts	34.6%
Human & labour rights	29.5%

Collaboration

As one of the UK's largest corporate pension schemes, the Scheme believes in promoting well-functioning markets to provide sustainable investment opportunities. As such, it also believes in the power of investor collaboration and the Scheme, along with Brightwell on the Scheme's behalf, have joined initiatives to encourage better sustainability standards, data collection and reporting, and policy action.

Manager collaboration

The Scheme expects its service providers and investment managers to collaborate, and have found that they value the collaborations they are part of to bring about broader industry change, whether with peers or government bodies.

Collaboration typically increases the probability of success, as well as helping with more practical issues such as resource constraints.

On an annual basis, Brightwell asks the BTPS managers which collaborations they are part of, and encourages active participation and leadership in this area. However, Brightwell doesn't specifically ask for or track the number of managers' collaborative engagements, as they believe this creates incentives which are misaligned to achieving the best outcomes for our members. Instead, Brightwell encourages managers to participate where they see value and to be strong contributors in these collaborations.

Pages 45–49 of the **BTPS 2023 Stewardship Report** detail more on the Scheme's and managers' contributions to market-wide and systemic risks.



91% of the investment managers BTPS works with are signatories to the PRI. Those who are not, look to apply the principles and we continue to engage with them on this.



The Scheme continues to utilise best practice stewardship guidance published by the IIGCC and share it with its managers – e.g. **Stewardship Toolkit** and **net zero bondholder stewardship guidance**.



Brightwell sits on the Steering Committee of the Governance for Growth Investor Campaign (GGIC), championing the benefits of effective corporate governance to drive long-term sustainable investment growth for pension scheme members.



Brightwell encourages the Scheme's managers to participate in collaborative engagements where appropriate. In particular, several managers are involved in CA100+ where they seek to engage with the largest corporate greenhouse gas emitters to encourage them to take necessary action on climate change.



Brightwell encourages good climate-related disclosures from all the Scheme's investment managers and expects that they in turn encourage investee entities to undertake TCFD reporting.



Brightwell engages with the Scheme's investment managers on the different ways in which they are assessing the climate transition pathway of the investments. Several managers are supporters of the Transition Pathway Initiative.

Our members

The Trustee believes in engaging with members to understand their views on a range of topics. There are several mechanisms in place that provide this link including:

- Enabling members, through Trade Unions (CWU and Prospect) and the National Federation of Occupational Pensioners (NFOP), to nominate Trustee directors
- Providing an annual presentation by the Trustee Board, Brightwell and its advisers to BT's recognised Trade Unions and NFOP
- Updating members on the Scheme's stewardship, engagement and voting activities via quarterly updates on the BTPS website, the Scheme's report and accounts, including TCFD disclosures, and the Scheme's PRI transparency and assessment report, which is available at **BTPS Portal - Sustainable investment**
- Inviting feedback from members through the annual member newsletter and member surveys
- Supporting a member panel who volunteer to take part in more in-depth research with the Scheme.

The Trustee believes that a collective understanding of member views helps inform the Scheme's approach to ESG considerations and stewardship. Each year the annual member survey asks members a range of questions so we can understand their attitudes towards sustainable investment and stewardship, and our approach.

Findings from the survey are shared with both the Brightwell Executive Committee and the Trustee Board. Where appropriate and possible, the Trustee integrates members' feedback into their thinking. Results from our latest member survey in January 2025 showed consistent views towards sustainability from the ~17,000 respondents. 30% of respondents agreed or strongly agreed that BTPS should prioritise financial performance over the environmental and social impact of its investments, whilst 65% expect BTPS to use the investments to make a positive impact on the environment and society. 73% expect BTPS to continue to have consideration of the environmental and social impact of the investments it makes, and 63% of respondents expect the Scheme to actively avoid investments that have a materially negative impact

Members are becoming more engaged with the Scheme. We are delighted that 30% more members responded to our annual member survey which includes questions on the Scheme's sustainable investment approach.



Our members continued

Delivering the best outcomes

To ensure that we deliver the best outcomes, the Scheme participates in annual benchmarking exercises to assess its performance. For an unbiased view, these reviews are conducted by an independent third party, CEM Benchmarking, and our performance versus that of our peers is reviewed against the following: investment costs, pension administration costs and overall member service.

The Scheme's commitment to excellence was recognised by our peers in the pensions sector this year with BTPS winning DB Pension Scheme of the Year and Brightwell winning DB Investment Manager of the Year at the Pensions Age Awards.

In addition, the Investment Committee receives an annual review of the Scheme's longer-term performance over a multi-year period, including a review of the following: investment strategy outcomes; a comparison of outcomes with the core investment beliefs; strategy implementation; flexibility of the mandate; and any lessons learned. The purpose of this annual review is to examine over the longer-term whether the investment strategy, supported by the investment beliefs, including sustainable investment, remain valid. The review helps identify any short-term patterns that should be monitored or addressed. It also challenges Brightwell's implementation of the investment strategy, and identifies areas from which we can learn and apply to the future management of the Scheme's investments.

Last year, the Scheme identified other sustainability risks as being potentially material to the Scheme's investments – namely natural capital and social factors. These themes are very interlinked with the Scheme's net zero ambition. We will continue further work with the Scheme's managers to understand, identify and prioritise the risks and opportunities posed to the Scheme.

Member panel views

Feedback from members on our communication is important to ensure we are providing them with useful and understandable information.

The Scheme invites feedback from members through its annual member newsletter and annual member surveys. There is also a member panel who volunteer to take part in more in-depth research with the Scheme.

We continue to simplify our reporting as much as possible whilst still seeking to meet our regulatory and reporting requirements.



BTPS member visit to Milton Park, Oxford

This year, members visited Milton Park, a leading science and technology hub located in Oxfordshire. The park is recognised for its significant contribution to the UK's innovation ecosystem, hosting over 250 companies and employing more than 9,000 people.

Major resident companies are at the forefront of life sciences and advanced technology sectors. For example, it includes Evotec – one of world's leading drug discovery and development companies which partnered with Oxford University to develop the Oxford-AstraZeneca COVID-19 vaccine.

Milton Park has attracted substantial investment, supporting the development of state-of-the-art facilities and infrastructure. This investment has reinforced its position as a premier destination for high-growth businesses having secured over 7.5% of the UK's overall investment in life sciences over the past decade.

The park's sustainability vision is central to its long-term strategy, with initiatives focused on reducing carbon emissions, enhancing green spaces and promoting sustainable transport options. These efforts align with broader environmental goals and demonstrate a commitment to responsible development.

Milton Park has generated strong returns for the Scheme to date, with consistent growth in occupancy rates, rental income and asset value, reflecting its ongoing appeal to innovative businesses and investors. It has produced a c. 14% 5-year annualised return to March 2025.

"Milton Park is a great example of BTPS investing in a way that is both sustainable and has an appropriate risk and return profile for the Scheme, due to the site's attractiveness for high quality and high growth businesses."

Pauline Rourke
BTPS Trustee

"It was great to meet with members and share more about how the Scheme is thinking about and integrating sustainability considerations."

Nigel Cotgrove
BTPS Trustee



[Watch a video filmed with our BTPS members on the day](#)



Our people and training



Sustainable investment training forms part of a Trustee's induction process when they join BTPS. The Trustee of the Scheme has policies and arrangements in place that ensure compliance with applicable laws and regulations, and best practice governance including policies that relate to personal conduct (e.g. conflicts of interest), and those that have a wider application in relation to the operation of the Scheme (e.g. sustainable investment).

Each year, the Trustee directors have an in-depth review and discussion on the Scheme's net zero ambition, monitoring activities and progress.

Since 2006, Brightwell has helped shape and drive stewardship on the Scheme's behalf. The Scheme's sustainable investment strategy and activities have been supported by individuals ranging from the Trustee to the Brightwell CEO and investment team, to colleagues in Brightwell's facilities team.

Brightwell has many colleagues across the organisation who are directly involved in integrating sustainability considerations throughout the Scheme's investments and they have been undertaking various internal training sessions on sustainable investment. This included further training in relation to the Scheme's Net Zero 2035 ambition and how managers are positioning portfolios and monitoring progress against targets, and analysis of BTPS managers' stewardship capabilities.

Other examples from the year include manager meetings with the Brightwell Investment team to further understand and analyse the nature and social-related impacts and dependencies on the Scheme's portfolio (see pages 30-33 for more details).

It is also important to hear from external experts on different issues. The Brightwell Investment team have all attended manager meetings and conferences over the year at which sustainability is often a key topic.

Assurance

BTPS takes the quality and effectiveness of its stewardship very seriously, seeking to achieve best practice stewardship for the Scheme.

Brightwell's compliance function undertook an internal assurance approach for the Scheme's stewardship activities and ESG-related reporting. The aim of the review was to assess whether BTPS's reporting was compliant with relevant regulatory requirements, and was a fair and accurate reflection of the Scheme's activities.

The review covered the following documents:

- BTPS's sustainability report
- Statement of Investment Principles
- and Implementation Statement

Feedback was directly incorporated prior to publishing and reviewed against BTPS's external communications (assessed against the FCA's new anti-greenwashing requirements).

The outcome of the review was as follows:

- Enhancements were made to BTPS's sustainability report, Statement of Investment Principles and Implementation Statement prior to them being published to ensure that they were aligned with the DWP's regulatory requirements, FRC feedback from prior years and good practice
- Brightwell has a framework to ensure that all client communications (internal and external) that make sustainability-related claims are reviewed by the compliance function prior to publishing to ensure that they comply with the FCA's anti-greenwashing requirements. Furthermore, Brightwell maintains a register of all sustainability-related claims that it has made along with the evidence to support them. The framework is also applied to BTPS's communications as best practice (noting that they are not regulated by the FCA).

The Brightwell Executive and the BTPS Trustee have reviewed the Scheme's stewardship activities and are comfortable with the approach and reporting.

Independent oversight

The Pensions Regulator

The Pensions Regulator (TPR) has continued its engagement with the Scheme over the past year providing oversight and feedback on various matters. In March 2024, TPR's new General Code of Practice came into effect. The new code brings together and updates ten existing codes of practice into one set of clear, consistent expectations on scheme governance and administration, which serves to remind all pension schemes of the duties and standards expected. The Scheme is on track to complete its first Own Risk Assessment by June 2026.

TPR provided very positive feedback on the Scheme's 2023-2024 TCFD report which noted that the 'Information is clearly presented and in detail where appropriate, whilst still keeping the language easy to understand for a member'. The Scheme will continue to review and refer to the TPR guidance published on their website in the preparation of future reports.

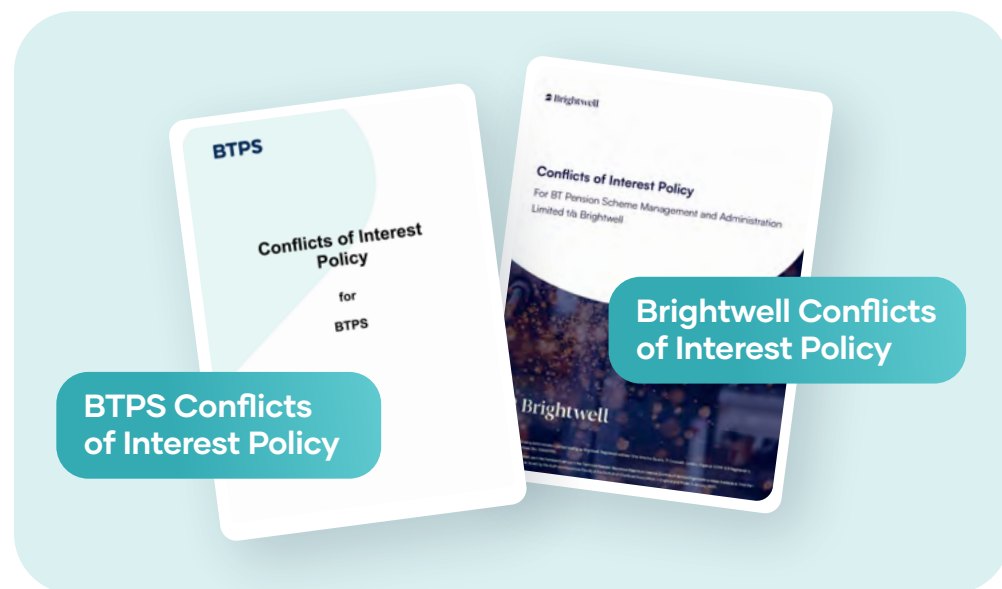
Board effectiveness review

As part of the Scheme's ongoing governance, regular Board effectiveness reviews are carried out. The most recent review concluded that there continues to be a strong commitment by the Board in discharging its fiduciary and legal duties effectively. It also found the Board has an effective set of skills and experience, and that together with the Board Committees, was functioning well.

Managing conflicts of interest

Our conflicts of interest policy references specific stewardship and sustainability-related conflicts in line with stewardship best practice.

The full policies can be found on the btps.co.uk and brightwellpensions.com websites respectively.



Addressing conflicts in practice

The Scheme operates a framework of policies, underlying procedures and a conflicts of interest register that together make up its conflicts of interest governance framework. Conflicts are actively monitored including discussion at each meeting of the Trustee Board.

Over the last 12 months, no conflicts of interest were raised by the Trustee Board, and no action was required.

For further details about the Scheme's conflicts of interest policy, please see our [2023 Stewardship report](#), the section on 'BTPS conflict of interest policy in relation to stewardship' and also 'Brightwell's conflict of interest policy in relation to stewardship' on page 56.



Our future

Continue to develop our thinking on sustainable investment which is an evolving and fast-moving area

Over the next few years, the Scheme will continue to explore sustainable investment risks and opportunities. This will include how to address systemic risks identified by the Trustee. Via Brightwell, the Scheme will engage with its asset managers and work with them to enhance understanding and improve outcomes.

Work closely with our managers

Brightwell will continue to work with the Scheme's managers to encourage best practice stewardship in line with our manager expectations document, monitoring their progress over the year through our regular meetings and the information provided by them. Transparency on both sides is crucial for achieving the Scheme's ambitions.

Active members of industry initiatives and collaborations

The Scheme and Brightwell on the Scheme's behalf, will also continue to be active members of various industry initiatives and collaborations. These are particularly helpful in sharing best practice on various sustainable investment-related topics, including helping to advance our thinking on achieving our Net Zero 2035 ambition, stewardship, and DE&I through the **Asset Owner Diversity Charter**. Brightwell will seek to join other collaborative initiatives on the Scheme's behalf where they align to the Scheme's goals.

Strengthen ESG integration

In order to improve risk-adjusted investment returns, it is important that Brightwell continues to strengthen ESG integration into its investment processes and further embed being a good steward of capital into its corporate objectives. A significant part of this is exploring how to further integrate ESG data into their investment and risk systems. This will help enhance portfolio analysis and provide a more accurate picture of the BTPS's alignment relative to its Net Zero 2035 ambition.

Trustee training

Over the next year, the Trustee will receive a schedule of training sessions relevant to the Scheme on current and sustainable investment themes. This will include more on net zero and systemic risks.

Take on board member feedback

To ensure it is as easy as possible for members to understand their BTPS pension, and having taken on board member feedback from our recent surveys, Brightwell will continue to create more videos and short-form reports on a variety of investment and sustainability-related topics. These will sit on the online portal and website.

Monitor progress

The Scheme will continue to focus on ensuring its reporting is fair, balanced and understandable, and the Trustee and Brightwell will monitor the Scheme's stewardship approach over time to see how effective it has been relative to desired outcomes.



Appendix one:

Index of UK Stewardship Code Principles

UK Stewardship Code Principle	Evidence from the 2025 BTPS Stewardship Report	Evidence from the 2023 BTPS Stewardship Report
Principle 1 Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, environment and society.	<ul style="list-style-type: none"> • About BTPS – page 6 • Scheme investments – page 7 • Sustainable investment approach – pages 8-9 • Climate approach & climate action – pages 10-12 • Asset manager oversight & engagement – pages 21-23 	<ul style="list-style-type: none"> • BT Pension Scheme's purpose & values – pages 5-12 • Asset manager oversight & engagement – pages 18-20
Principle 2 Signatories' governance, resources and incentives support stewardship.	<ul style="list-style-type: none"> • Governance – pages 15-20 	<ul style="list-style-type: none"> • BT Pension Scheme's purpose & values – pages 5-12 • Our sustainable investment approach – pages 8-10 • Our climate approach – pages 11-12 • Stewardship through BTPS and Brightwell – page 13 • Our people & training – page 54
Principle 3 Signatories manage conflicts of interest to put the best interests of the beneficiaries first.	<ul style="list-style-type: none"> • Assurance and conflicts of interest – pages 51-52 	Conflict of interest policies can be found on the btps.co.uk and brightwellpensions.com websites respectively. <ul style="list-style-type: none"> • Audit & Assurance – pages 56, 61-63
Principle 4 Signatories identify and respond to market-wide and systemic risks to promote a well functioning financial system.	<ul style="list-style-type: none"> • Market-wide & systemic risks – pages 26-34 • Collaboration – page 46 	<ul style="list-style-type: none"> • Collaboration – page 45-49 • Market-wide & systemic risks – page 22

Appendix one:

Index of UK Stewardship Code Principles

UK Stewardship Code Principle	Evidence from the 2025 BTPS Stewardship Report	Evidence from the 2023 BTPS Stewardship Report
Principle 5 Signatories review their policies, assure their processes and assess the effectiveness of their activities.	<ul style="list-style-type: none"> • Asset manager oversight & engagement – pages 21-23 • Assurance and conflicts of interest – pages 51-52 	<ul style="list-style-type: none"> • Asset manager oversight – page 18-20 • Audit & assurance – page 55
Principle 6 Signatories take account of client and beneficiary needs, and communicate the activities and outcomes of their stewardship and investment to them.	<ul style="list-style-type: none"> • About BTPS – page 6 • Scheme investments – page 7 • Sustainable investment approach – pages 8-9 • Our members – pages 47-48 • Our future – page 53 	<ul style="list-style-type: none"> • About BTPS – page 6
Principle 7 Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.	<ul style="list-style-type: none"> • Climate approach & climate action – pages 10-12 • Asset manager oversight & engagement – pages 21-23 	<ul style="list-style-type: none"> • Asset manager oversight & engagement – pages 18-20 • Appendix – page 67
Principle 8 Signatories monitor and hold to account managers and/or service providers.	<ul style="list-style-type: none"> • Asset manager oversight & engagement – pages 21-23 	<ul style="list-style-type: none"> • Asset manager oversight & engagement – pages 18-20
Principle 9 Signatories engage with issuers to maintain or enhance the value of assets.	<ul style="list-style-type: none"> • Asset manager oversight & engagement – pages 21-23 • Engagement – pages 41-45 • Proxy voting – pages 36-40 	<ul style="list-style-type: none"> • Asset manager oversight & engagement – pages 18-20 • Engagement – page 36 • Proxy voting – page 31

Appendix one:

Index of UK Stewardship Code Principles

UK Stewardship Code Principle	Evidence from the 2025 BTPS Stewardship Report	Evidence from the 2023 BTPS Stewardship Report
Principle 10 Signatories, where necessary, participate in collaborative engagement to influence issuers.	<ul style="list-style-type: none"> • Engagement – pages 41-45 • Collaboration – page 46 	<ul style="list-style-type: none"> • Engagement – page 36 • Collaboration – pages 45-49
Principle 11 Signatories, where necessary, escalate stewardship activities to influence issuers.	<ul style="list-style-type: none"> • Asset manager oversight & engagement – pages 21-253 • Engagement – pages 41-45 • Proxy voting – pages 36-40 	<ul style="list-style-type: none"> • Asset manager oversight & monitoring – pages 18-20 • Engagement – page 36 • Proxy voting – page 31
Principle 12 Signatories actively exercise their rights and responsibilities.	<ul style="list-style-type: none"> • Proxy voting – pages 36-40 • SIP Implementation Statement – Report & Accounts 2024 – BTPS Portal – Regulatory reporting 	<ul style="list-style-type: none"> • Proxy voting – page 31 • SIP Implementation Statement – Report & Accounts 2024 – BTPS Portal – Regulatory reporting

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2°C Scenario

An internationally agreed threshold to limit the rise in global temperatures to below 2°C from pre-industrial levels.

Absolute return

This allocation seeks to generate returns irrespective of the direction of markets. Managers within this allocation will typically manage their portfolios without close regard to a specific market benchmark.

Active ownership

The active exercising of shareholder rights to improve the long-term value of a company.

Actively managed

Investments that are selected by investment managers with the aim of outperforming a particular benchmark index.

Asset classes

Groupings of investments such as equities (stocks), fixed income (bonds), cash and cash equivalents, real estate, commodities, futures and other financial derivatives.

Asset mix

The proportions in which the Scheme's assets are distributed between different classes of investment.

Bond (or corporate credit)

A type of debt security, issued by a firm and sold to investors. The company gets capital and in return the investor is paid a pre-established fixed or variable interest rate.

CA100+

CA100+ is a coalition of over 400 global investors with nearly \$40 trillion in AUM focused on engagement with the largest emitters for enhanced governance, strategy, actions and disclosure around climate change.

Carbon footprint

The amount of carbon dioxide released into the atmosphere because of the activities of a particular organisation. Most often expressed as tonnes of CO₂ emission per USD\$ million of revenues.

Climate change

The long-term global shift in weather patterns due to manmade greenhouse gas emissions.

Corporate governance

The system of rules, practices and processes by which a company is directed and controlled.

Covenant strength

A measure of the ability of the employer to meet its obligations to the Scheme.

Deferred beneficiaries

All those who have a right to be paid benefits by the Scheme at a future date, but are not currently active members of the Scheme (mainly former employees).

Derivative

A financial contract whose price is derived from the movement in an underlying asset e.g. a single security or basket of securities, interest rates, inflation levels, exchange rates or index movements. Examples of derivative instruments are futures, forwards, options and swaps.

Diversity, Equity & Inclusion (DE&I)

Practices aimed at ensuring fair treatment and opportunity regardless of individual differences or backgrounds.

Engagement

The practice of shareholders entering into dialogue with the management of companies to change or influence the way in which that company is run.

Equities

Shares directly held in companies.

Equity

A method of raising fresh capital by selling shares of the company to public, institutional investors or financial institutions. The people who buy shares are referred to as shareholders of the company because they have received ownership interest in the company.

ESG

Environmental, social and governance issues that constitute the three pillars of responsible investments. E, S, and G are the three central factors in measuring the sustainability qualities of an investment.

ESG mainstreaming and integration

The incorporation of ESG factors and analysis into investment decisions.

Exposure

The level of risk to a particular asset, asset type, sector, market or government.

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Fiduciary Duty

The duties (or equivalent obligations) that exist to ensure that those who manage other people's money act in the interests of beneficiaries, rather than serving their own interests.

Financial Conduct Authority (FCA)

The conduct regulator for nearly 60,000 financial services firms and financial markets in the UK, and the prudential supervisor for 49,000 firms, setting specific standards for 19,000 firms. It seeks to promote the safety and soundness of the firms it regulates.

Fixed interest securities

Investments on which a fixed rate of interest is received.

Futures and options contracts

A futures contract is a firm agreement to buy or sell a security or a quantity of securities at a future date; an option confers the right, but no obligation, to complete a similar transaction at a predetermined price.

Gilt

Sterling bond issued by the UK Government.

Government bond

Debt-based investment where money is loaned to a government in return for an agreed rate of interest. Governments use them to raise funds that can be spent on new projects or infrastructure, and investors can use them to get a set return paid at regular intervals.

Green bonds

A bond that is issued to raise capital for the development of environmentally friendly projects or assets.

Greenhouse gas emissions (GHG)

The main GHGs in the Earth's atmosphere are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) and ozone (O₃). These gases absorb and re-emit heat, thereby keeping the planet's atmosphere warmer than it otherwise would be. Human activities, such as the burning of fossil fuels, are increasing the levels of GHGs in the atmosphere, causing global warming and climate change. The gases are categorised into three scopes: Scope 1 covers direct emissions from the reporting company's owned or controlled sources; Scope 2 covers indirect emissions from purchased electricity, steam energy, heating and cooling; and Scope 3 includes all other indirect emissions that occur in the company's value chain.

GRESB

Assesses and benchmarks the environmental, social and governance (ESG) and other related performance of infrastructure and buildings, providing standardised and validated data to the capital markets.

Indenture (or debenture)

A legal and binding agreement, contract or document between bond issuers and bondholders detailing provisions and clauses associated with a credit offering.

Index-linked securities

Securities on which the rate of interest and the capital value are linked to the rate of inflation.

Infrastructure

Investments in 'real assets', which contain physical assets such as bridges, roads, highways, sewage systems or energy.

Institutional Investor Group on Climate Change (IIGCC)

A forum for collaboration by institutional investors on the investor implications of climate change.

Intergovernmental Panel on Climate Change (IPCC)

The United Nations intergovernmental body for assessing the science of climate change. The IPCC's assessment reports supported the creation of the Paris Agreement.

Investment Management Agreement (IMA)

A formal document that governs the arrangement between a company/individual (investment manager) providing investment management services and the investor (client).

Long-term assets

Investments other than those in which funds are held on a temporary basis e.g. interest-earning deposits and short-dated government securities.

Low-carbon economy

An economy based on low-carbon power sources with minimal carbon emissions into the environment. It also implies a world where the temperature increase is contained well below 2°C or 1.5°C.

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Market value

The best estimate of the price for which assets could be sold at a given date.

Negative emissions technologies

Mechanisms for the absorption and storage of carbon and other atmospheric greenhouse gases which are considered vital to attaining net zero carbon emissions.

Net zero

Achieving net zero emissions (absolute scope 1–3) in the investment value chain and investing in transition solutions to reduce or remove carbon emissions from the atmosphere.

Net Zero Asset Owners Alliance

An asset owner alliance committing to transitioning their investment portfolios to Net Zero GHG emissions by 2050, playing a key role in helping the world deliver on a 1.5°C target and addressing Article 2.1c of the Paris Agreement.

Paris Agreement

The Paris Agreement was reached at COP21 in 2015. Its aim is to ensure global warming in the 21st century remains well below 2°C above the average level recorded for the period 1850 to 1900 and to support efforts to limit global warming to 1.5°C.

Passively managed

Where investments are held in the same proportions as a selected index (e.g. the FTSE All-Share Index) rather than managers being allowed to choose their own investments.

Proxy voting

A proxy vote is a ballot cast by one person on behalf of another. One of the benefits of being a shareholder is the right to vote on certain corporate matters. Since most shareholders cannot attend the annual and special meetings at which the voting occurs, corporations provide shareholders with the option to cast a proxy vote. Shareholders may vote at the Annual or Extraordinary General Meetings (AGM/EGMs) of the companies in which they invest.

Real estate

Investments in office buildings, industrial parks, apartments or retail complexes.

Responsible investment

Incorporating corporate environmental, social and governance (ESG) factors into investment decision-making to help investors identify future risks and opportunities.

Securities lending

Loaning shares of stock, commodities, derivative contracts or other securities to other investors or firms.

Share

A unit of ownership in a company or financial asset.

Stewardship

The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Sustainable investment

Aiming to generate long-term financial returns while contributing positively to society and the planet.

Sale and repurchase agreements

A transaction, carried out under an agreement, in which one party sells securities to another and, at the same time and as part of the same transaction, commits to repurchase equivalent securities on a specified future date at a specified price.

A reverse repo is a transaction, carried out under an agreement, in which one party purchases securities from another and, at the same time and as part of the same transaction, commits to resell equivalent securities on a specified future date at a specified price.

Task Force on Climate-related Financial Disclosures (TCFD)

Will develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers and other stakeholders.

The Pensions Regulator (TPR)

The Pensions Regulator was established under the Pensions Act 2004 with effect from 6 April 2005. Its main statutory objectives are to:

- protect the benefits of members of work-based pension arrangements
- keep calls on the Pension Protection Fund to a minimum, and
- facilitate good pension administration.

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The Scheme

The BT Pension Scheme.

The Transition Pathway Initiative (TPI)

Co-founded in 2016 by the Environment Agency Pension Fund and the Church of England National Investing Bodies. The initiative assesses how companies are preparing for the transition to a low-carbon economy and will form the basis for engagement with companies.

Trustee Directors

Directors of BT Pension Scheme Trustees Limited, the corporate Trustee of the BT Pension Scheme (the Trustee). A Director of the Trustee is also a member of the Trustee Board.

UK Stewardship Code

A code first published by the Financial Reporting Council in 2010 to enhance the quality of engagement between asset managers and companies in the UK. Its principal aim is to make asset managers more active and engaged in corporate governance matters in the interests of their beneficiaries.

United Nations Principles for Responsible Investment (PRI)

A United Nations (UN) supported and investor-led global coalition promoting the incorporation of environmental, social and governance factors.

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