
SIP Implementation Statement

This is the Trustee's statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the voting and engagement policies detailed in the Scheme's Statement of Investment Principles (SIP).

What is the Statement of Investment Principles (SIP)?

Regulatory changes in 2018 and 2019 required trustees of UK defined benefit pension schemes to disclose further information in relation to how they undertake stewardship - exercising voting rights and engaging with their investments - in their SIP, and introduced the concept of an annual Implementation Statement. The legislation states that the Implementation Statement must be included in the annual report and accounts, and that it must also be made publicly available online. To reflect new regulatory requirements, the SIP was reviewed and approved on 30 September 2020. Following the Scheme year end, a revised SIP was approved on 30 September 2021.

The SIP sets out the investment principles and practices that the Trustee follows when governing the Scheme's investments. It describes the rationale for selecting the investment strategy and explains the risks and expected returns of the Scheme, and the Trustee's approach to responsible investing (including climate change). This Implementation Statement is in respect of the Scheme's SIPs that were in place from 1 July 2020 to the date of signing this report. The purpose is to:

- Set out the extent to which, in the opinion of the Trustees, the stewardship activities detailed in the Scheme's SIP, required under section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it), have been followed during the year;
- Describe the voting behaviour by, or on behalf of, the Trustee over the year (including most significant votes), and state any use of services of a proxy voter during that year.

A copy of this implementation statement will be made available on the BTPS website alongside the Scheme's SIP: <https://www.btps.co.uk/RegulatoryReporting>

Changes to the SIP during the year

To reflect new regulatory requirements, during the year, the SIP was reviewed and approved by the Trustee in September 2020. The previous SIP was approved in September 2019. This Implementation Statement is in respect of the SIPs that were in place from 1 July 2020 to the date of signing this report, and therefore covers the 2019 and the 2020 SIP. Following the Scheme year end, a revised SIP was approved on 30 September 2021.

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How the Scheme's investments are governed

The main objective of the Trustee is to ensure that there are sufficient assets to pay benefits to members and their beneficiaries as they fall due, and that all members and beneficiaries receive the benefits to which they are entitled under the Rules of the Scheme. In considering their approach to meeting this objective, the Trustee considers the expected progression of the Scheme's total annual benefit payments relative to the projected level of Scheme assets as the proportion of retired members increases over time. The Trustee takes an integrated approach to the management of risk in the Scheme. The Trustee therefore invests the assets of the Scheme consistent with funding a defined level of benefits within an acceptable level of risk, having appropriate regard to the affordability of both the immediate and longer term cash cost to BT, and the funding obligations which BT (and other entities where relevant) may have from time to time to the Scheme. The Trustee recognises the importance of establishing and maintaining stability in the Scheme's funding position and understands that continued investment in risky assets might, over the short to medium term, influence the volatility of the funding level of the Scheme, and hence may influence the level of future contributions that may be required from BT.

The Trustee has established a core set of investment beliefs that provide a framework for consistent and effective investment decision making. This includes beliefs that are related to the nature and characteristics of the Scheme, such as the importance of having an appropriate governance structure, the need to take into account the liabilities when setting investment strategy, and having an understanding of both the competitive advantages and disadvantages facing the Scheme. In addition, the investment beliefs recognise the importance of being a responsible investor and include market-related beliefs, such as those concerning the relationship between risk and return, the importance of diversification, and the belief that markets can be inefficient. The Trustee, supported by its Investment Committee and BTPSM, regularly reviews its investment beliefs against the investment outcomes being delivered by the Scheme.



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The Trustees' expectations of stewardship, engagement & voting

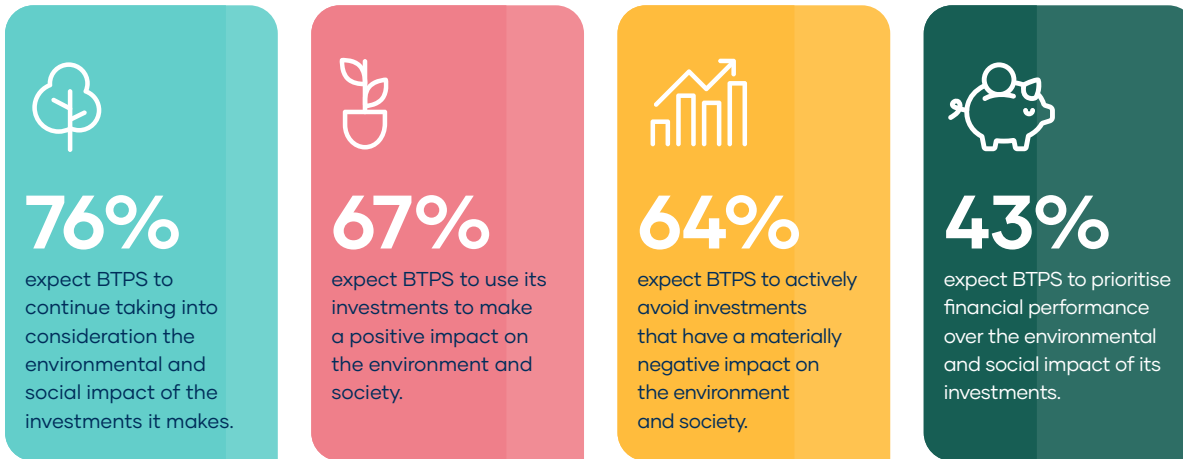
The following section of the Implementation Statement focuses on how, and the extent to which, the Scheme's policies on stewardship have been followed during the Scheme year. It will also describe the voting behaviour by, or on behalf of, the Trustee (including a selection of significant votes cast by the Trustee or on its behalf) during the year, stating any use of the services of a proxy voter during that year.

In relation to stewardship activities, the Scheme's Statement of Investment Principles (SIP) sets out policies across the following areas:

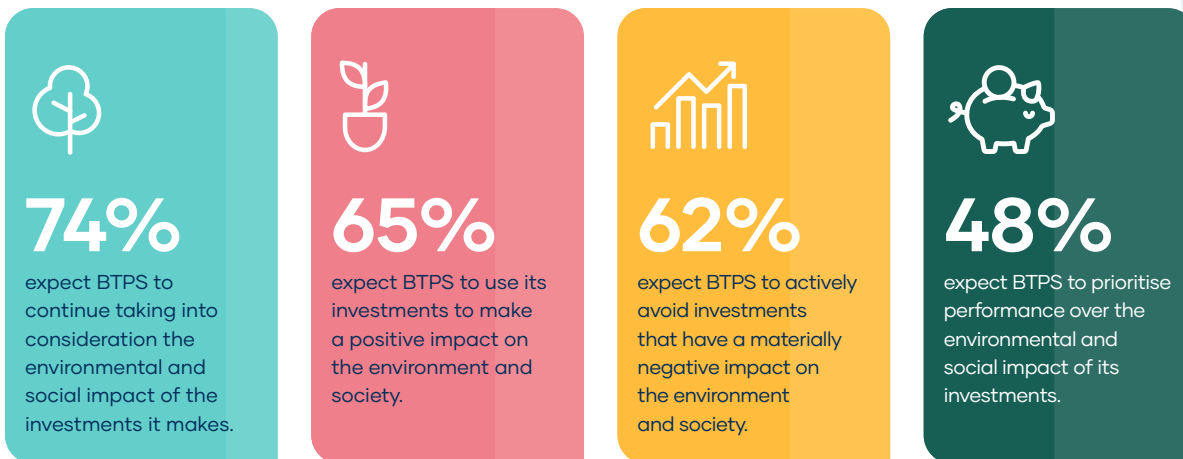
ESG integration Integrating all financially material considerations, including environmental, social and governance (ESG) factors, throughout the investment process	Emerging long-term risks Monitoring emerging long-term risks, such as climate change and technology disruption, that may have a material adverse effect on the Scheme	Reducing emissions & Net Zero 2035 Reducing exposure to carbon emissions, and establishing a goal for the Scheme's investment portfolio to achieve net zero carbon emissions by 2035	Members views Considering the views of members to help inform the Trustees' approach to ESG considerations and stewardship
Investment managers are expected to consider both the risks and opportunities that arise from ESG factors where appropriate in the selection, retention and realisation of the investments they manage on behalf of the Scheme. As relevant to the asset class and strategy, they are expected to provide evidence and ongoing reporting on the ESG integration process across, for example, fundamental analysis, asset valuation and portfolio construction as well as engagement and voting activities. The Trustee delegates the exercise of voting right and engagement activities to Hermes EOS, one of the world's foremost providers of collaborative stewardship services, and where they can demonstrate sufficient capabilities, its investment managers.	Given the time horizon of the Scheme, the Trustee recognises that emerging, long-term risks, including, for example, climate and technology disruption, may have a material adverse impact on the Scheme. These risks are monitored by the Trustee as part of their regular review of the Scheme's risk register. Day-to-day implementation and monitoring of the controls in place to manage these risks is delegated to BTPSM.	The Trustee believes that reducing exposure to carbon emissions over time will improve investment outcomes and reduce the impact of potential adverse outcomes associated with future climate risk. Consequently, the Trustee has established a goal for the Scheme's investment portfolio to achieve net zero carbon emissions by 2035.	The Trustee believes in engaging with members to understand their views on different topics. There are several mechanisms in place that provide this link including through: <ul style="list-style-type: none"> • BT's recognised Trade Unions (CWU and Prospect) and the National Federation of Occupational Pensioners (NFOP) nominate Trustees • Providing an annual presentation by the Trustee Board, BTPSM 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 annual PRI transparency and assessment report • Inviting feedback from members through the annual member newsletter and annual member surveys and supporting a 'member panel' who volunteer to take part in more in-depth research with the Scheme.

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In January 2021, the results of BTPS' member survey demonstrated that members continue to expect BTPS to take into consideration the ESG impact of its investments, and to use its investments to make a positive impact on the environment and society.



These results were also slightly more positive than in 2020 where members surveyed online said:



Trustee Stewardship Training

To ensure the Trustee is kept informed of responsible investment activities, during 2020-2021, the Trustee Investment Committee (IC), which oversees the Scheme's RI strategy, received two presentations regarding net zero and responsible investment activities within the portfolio from BTPSM.

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Engagement

Before appointing an investment manager, BTPSM seeks to understand the manager's philosophy and approach to determine their suitability for the mandate being awarded. This includes an assessment of the alignment between Trustees' beliefs and goals with those of the manager. In addition, clarity is sought on the manager's investment time horizon, approach to responsible investment, and engagement with underlying companies. It is the expectation of the Trustees that investment managers engage regularly with their portfolios. BTPSM therefore actively monitors and engages with investment managers to ensure their ongoing resilience, adherence to mandate expectations and alignment with Trustee objectives. The monitoring process includes ongoing evaluation of the environmental, social and governance characteristics of the portfolio, and managers' engagement, stewardship and voting activities.

BTPS engagement activities

- During 2020-2021, on behalf of the Trustees, the Scheme's fund managers with voting rights and engagement activity applicable to their strategy were reviewed by BTPSM. Managers were asked to outline the objectives of key portfolio engagements and whether investment decisions had been altered because of the discussions.
- BTPSM evaluated how its largest fund managers integrate climate change risks and opportunities in their investment process as part of the Trustees' commitment to achieving the Scheme's Net Zero 2035 goal. Following this, BTPSM has begun amending the Investment Management Agreements (IMAs) of its fund managers to incorporate explicit net zero objectives into the mandates they manage for BTPS.
- BTPS also publicly and directly advocated for stronger action on climate change through:
- Joining the **Net Zero Asset Owner Alliance** and **Transition Pathways Initiative (TPI)**

- Engaging with key UK policy makers and signing public statements such as the **2021 Global Investor Statement to Governments on the Climate Crisis**, with a particular focus on climate change governance in sovereign debt
- Launching and chairing the **Assessing Sovereign Climate Opportunities and Risk (ASCOR) Project** with other asset owners and international investor climate change networks to develop an assessment framework that enables the current and future climate change governance and performance of sovereigns to be fairly and appropriately measured, monitored and compared.
- Signing the Accounting 4 Sustainability (A4S) Pension Fund Chair Net Zero **Statement of Support**
- Signing the **IIGCC's statement on corporate net zero alignment plans** and, via its fund managers, supporting collaborative engagement in Climate Action 100+.

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Investment engagement activities

The following section provides insights and statistics on engagement activities undertaken in 2020 by Hermes EOS, the Scheme's main stewardship services provider.

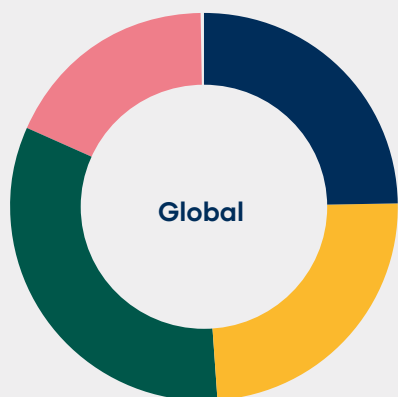
Engagement statistics

In 2020, Hermes EOS engaged with 177 companies on 661 environmental, social, governance, strategy, risk and communication issues and objectives, to promote positive change on a wide range of issues:

Engagement by ESG theme

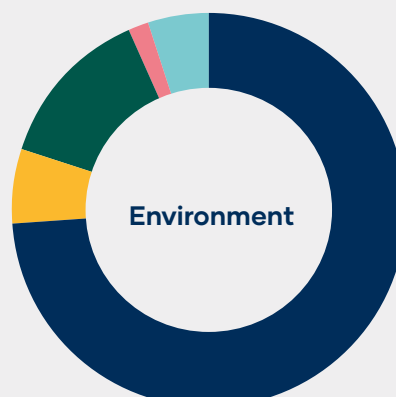
To ensure they achieve positive outcomes, Hermes EOS sets clear and specific objectives within all company engagements. Each objective is tracked using milestones and regularly reviewed until they are completed, or when the company has demonstrably implemented the change requested, or when the activity is discontinued. An example objective is: "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)".

Hermes EOS engaged with 177 companies over the last year



Environmental	25.0%
Social and ethical	24.2%
Governance	32.6%
Strategy, risk, communication	18.2%

Environmental topics featured in 25.0% of Hermes EOS engagements over the last year



Climate change	73.9%
Forestry and land use	6.1%
Pollution and waste management	13.4%
Supply chain management	1.8%
Water	4.8%

Social and ethical topics featured in 24.2% of Hermes EOS engagements over the last year

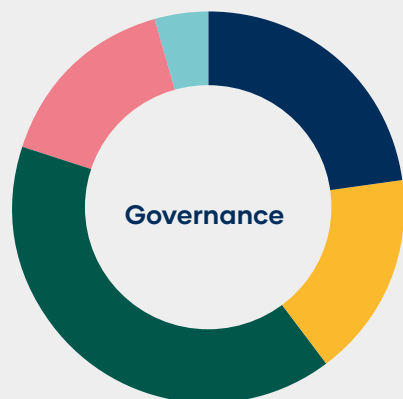


Bribery and corruption	2.5%
Conduct and culture	14.4%
Diversity	18.8%
Human capital management	28.1%
Human rights	27.4%
Labour rights	5.0%
Tax	3.8%

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Engagement by ESG theme

Governance topics featured in **32.7%** of Hermes EOS' engagements over the last year



● Board diversity, skills and experience	23.1%
● Board independence	16.7%
● Executive remuneration	40.3%
● Shareholder protection and rights	15.7%
● Succession planning	4.2%

Strategy, risk and communication topics featured in **18.2%** of Hermes EOS' engagements over the last year



● Audit and accounting	7.5%
● Business strategy	36.6%
● Cyber security	6.7%
● Integrated reporting and other disclosure	20.0%
● Risk management	29.2%

Further to Hermes EOS, the following pages set out further engagement examples from a selection of BTPS' other investment managers. For more examples and a wider insight into the Scheme's stewardship activities, please refer to **BTPS' 2021 Responsible Investment and Stewardship Report**.

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Mental health

Equity engagement via GQG Partners



Investor collaboration to improve mental health support for content reviewers at a US technology company

GQG and other like-minded asset managers wrote a letter to an American technology company because it had allegedly exposed content moderators in the US to traumatic work and inadequate wages. Reportedly, most of the company's content reviewers are employed by third-party firms, and their tasks include filtering sensitive content posted on its social media platforms, such as suicide, terrorism, rape, hate speech, murder and child pornography.

As a consequence of the emotionally intense work, some workers had developed post-traumatic stress disorder (PTSD), anxiety and depression. On-site mental health support is reportedly inadequate and not provided to former workers, some of whom filed a class action lawsuit against the company alleging its failure to provide a safe working environment. In response, the company stated that it requires its partners to offer 24/7 on-site support with trained practitioners, an on-call service, and access to private healthcare from the first day of employment. Despite the company's assurances, the recurring allegations remain a source of concern.

Accounting

Corporate credit engagement via M&G Investment Management



Changing asset accounting assumptions at a UK oil & gas company
M&G co-signed a letter with other major shareholders to support the changes to the company's accounting assumptions, which saw the oil and gas company write down the value of assets based on a lower future expected oil price. The letter was the culmination of a large amount of lobbying behind the scenes to get exploration and production companies to be realistic about demand and pricing assumptions under a Paris Agreement-aligned world. While there was not necessarily a direct causal link between this pressure and the company's changes, it is worth noting how proactive these views have been and that the changes, which are now becoming standardised across the industry, support better information for investors. This is also likely to help companies make investment decisions that are more aligned with climate targets.



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Human Rights Infrastructure engagement via Hermes Infrastructure



Strengthening human and worker rights policies at a UK windfarm

At a Scottish windfarm, extensive engagement with co-shareholders led to a comprehensive review of the wind farm's ESG policy with a focus on managing risk. The policy was updated and expanded to include the consideration of several social matters, primarily on supply chain risks in relation to health, safety and wellbeing, and forced, compulsory and child labour. The policy enhancements and implementation thereof contributed to an improved Global Real Estate Sustainability Benchmark (GRESB) score from 66 in 2019 to 83 in 2020, ranking 3rd out of 6 in its peer group and obtaining 5 GRESB stars.



Voting

When an investor owns shares in a company, they become a part-owner of that business. Having a share also gives them the right to vote at the company's annual general meeting (AGM), which is where companies submit resolutions for shareholders to approve, such as executive remuneration. BTPS believes that making full use of its voting rights is part of its fiduciary duty and requires Hermes EOS and, where applicable, asset managers to execute all votes for the Scheme's directly held public securities. It 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 Hermes EOS are afforded a measure of discretion and flexibility, and can follow their own voting policy on most voting topics. BTPSM monitors the investment managers' and Hermes EOS' voting activities and requests they highlight key voting decisions regularly. The investment managers and Hermes 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. BTPS also publishes Hermes EOS' quarterly voting statistics and activities on the Scheme website - [click here](#) to see more.

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While the Scheme is invested in a diverse range of asset classes, this section focuses on the equity investments which have voting rights attached. The Scheme's equity holdings, as at the end of the year, are held in both segregated and pooled investment funds and are managed on an active basis. The Scheme's equity holdings are invested with five investment managers.

Manager:

GQG Investment Management

Fund type:

Segregated active equity fund

Use of proxy advisor services:

GQG votes its proxies through the proxy advisor ISS and uses bespoke voting policies based on sustainability themes.

Voting activity:

Number of meetings at which the manager was eligible to vote: 50

Number of resolutions on which the manager was eligible to vote: 838

Number of votes cast: 838

Percentage of eligible votes cast: 100%

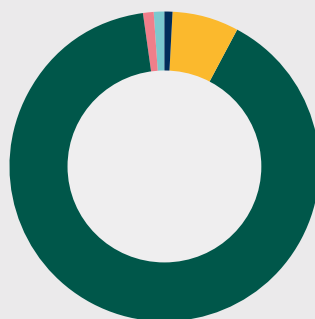
Percentage of votes (management resolutions) with management: 91%

Percentage of votes (management resolutions) against management: 9%

Percentage of votes (all votes) abstained from: 1%

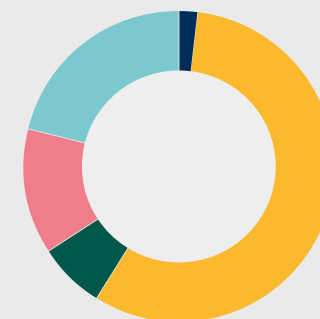
Votes for, against, abstain, withhold, no vote required

Abstain	1%
Against	7%
For	90%
Withhold	1%
No vote required	1%



Votes against management resolutions

Amended articles	2%
Board structure	57%
Capital structure & dividends	7%
Other	13%
Remuneration	21%



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Significant votes¹

¹Significant votes are categorised as a vote which can have a potential impact on financial outcome; 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; potential impact on stewardship outcome; 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, a downgrading of voting rights; it is a significant size of holding in the mandate; it is a high-profile or controversial vote; a significant level of opposition from investors to the company resolution; a significant level of support for an investor resolution; level of media interest; level of political or regulatory interest; level of industry debate; or any vote in non-listed equity asset classes e.g. in private equity, infrastructure or other asset classes.

Company: Glencore Plc

Vote topic: Approve company's climate action transition plan

Issue: Following the expiry of its 2020 GHG intensity target, the Company has not set any further near-term emissions targets. There are also no clear commitments around thermal coal, which is said to represent 10-15% of EBITDA in the medium-term. Finally, the company had not set targets approved by the Science Based Targets Initiative. A stronger strategy is needed.

Voting instruction: Against

Why a significant vote? There is a potential impact on financial outcome if the company does not adopt a business strategy suitably aligned with the Paris Agreement on climate change.

Company: Amazon.com, Inc.

Vote topic: Shareholder request for company to oversee and report on a civil rights, equity, diversity and inclusion audit

Issue: A vote for this resolution is warranted, as an independent racial equity audit would help shareholders better assess the effectiveness of Amazon's efforts to address the issue of racial inequality and its management of related risks, particularly in light of recent discrimination lawsuits.

Voting instruction: For

Why a significant vote? This is a high-profile vote, given ongoing scrutiny of the company's employee rights, and diversity and inclusion activities.

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Manager:

TCI Fund Management

Fund type:

Pooled fund

Use of proxy advisor services:

No proxy advisory service used.

Voting activity:

Number of meetings at which the manager was eligible to vote: 16

Number of resolutions on which the manager was eligible to vote: 285

Number of votes cast: 285

Percentage of votes (management resolutions) with management: 97%

Percentage of votes (management resolutions) with management: 3%

Percentage of votes (total votes) abstained from: 0%

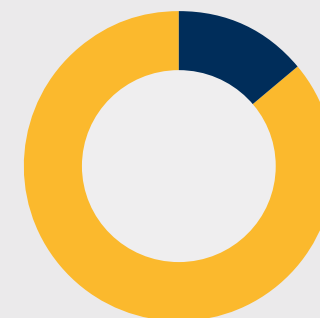
Votes for, against, abstained, withhold

● Abstain	0%
● Against	3%
● For	97%
● Withhold	0%



Votes against management resolutions

● Board structure	14%
● Shareholder resolution	86%



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Manager:

Magellan Investment Management

Fund type:

Segregated active equity fund

Use of proxy advisor services:

Magellan votes its proxies through Glass Lewis' ViewPoint online voting platform. As a result, Magellan has access to Glass Lewis research, but this analysis is based on Magellan's own voting decisions.

Voting activity:

Number of meetings at which the manager was eligible to vote: 25

Number of resolutions on which the manager was eligible to vote: 380

Number of votes cast: 321

Percentage of eligible votes cast: 84%

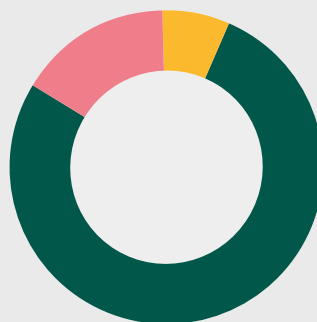
Percentage of votes (management resolutions) with management: 97%

Percentage of votes (management resolutions) against management: 3%

Percentage of votes (all votes) abstained from: 0%

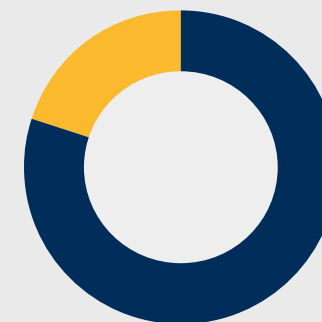
Votes for, against, abstain, withhold

● Abstain	0%
● Against	7%
● For	77%
● Withhold	16%



Votes against management resolutions

● Board structure	80%
● Remuneration	20%



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Significant votes

Company: McDonalds

Vote topic: Executive remuneration

Issue: Magellan voted against McDonald's Compensation Committee members (Lloyd H. Dean, Richard H. Lenny, John W. Rogers Jr and Paul S. Walsh) due to McDonald's continued excessive use of stock options. Magellan believes escalation by voting against committee members was warranted given their consistent vote against say-on-pay over a number of years and engagement with the company on this issue. Magellan voted against McDonald's say-on-pay for the fifth year in a row.

Voting instruction: Against

Why a significant vote? Executive remuneration can have a material impact on future company performance, therefore it is essential remuneration is aligned with the shareholder experience.

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Manager:

Hermes Investment Management

Fund type:

Multiple segregated active equity funds

Use of proxy advisor services:

Hermes EOS uses ISS to provide research and voting recommendations. Voting recommendations are based on ISS' research using Hermes EOS' voting guidelines, overlaid with their voting approach, and uses Hermes EOS engagers to focus on key topics and/or companies with significant holdings and/or contentious issues or ongoing engagement objectives.

Voting activity:

Number of meetings at which the manager was eligible to vote: 307

Number of resolutions on which the manager was eligible to vote: 3131

Number of votes cast: 3131

Percentage of eligible votes cast: 100%

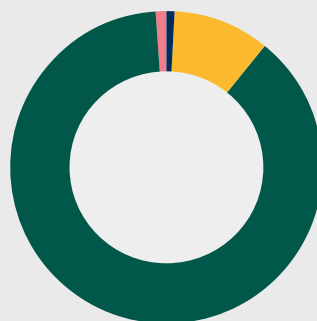
Percentage of votes (management resolutions) with management: 89%

Percentage of votes (management resolutions) against management: 10%

Percentage of votes (all votes) abstained from: 1%

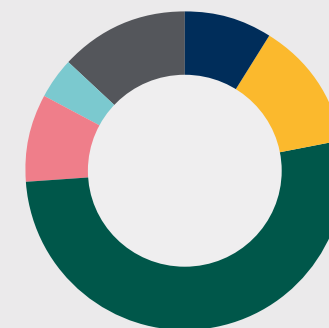
Votes for, against, withheld, abstain

Abstain	1%
Against	10%
For	88%
Withheld	1%



Votes against management resolutions

Amended articles	9%
Audit & accounts	13%
Board structure	52%
Capital structure & dividends	9%
Other	4%
Remuneration	13%



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Significant votes

Company: Alibaba Group Holding Limited

Vote topic: Election of a director

Vote instruction: Against

Issue: EOS wrote to the company to inform it of its AGM 2020 vote recommendations. EOS recommended a vote for all items apart from the proposed election of a director. They explained that they recognise the contribution and capabilities that the proposed director brings to the company as CFO. However, given the control structure and the influence of the partnership, they would like to see the number of executives on the board reduce, so that the board can provide a strong oversight of management if needed.

Why a significant vote? Significant size of the investment holding.

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Manager:

Wellington Asset Management

Fund type:

Segregated active equity fund

Use of proxy advisor services:

Wellington has policies and procedures designed to ensure that they collect and analyse all relevant information for each meeting, apply our proxy voting guidelines accurately, and execute the votes in a timely manner. These policies and guidelines are written to support the best economic interests of the client, in accordance with regulatory and fiduciary requirements. These policies and procedures are contained in the firm's Global Proxy Policy and Procedures and Global Proxy Voting Guidelines.

Voting activity:

Number of meetings at which the manager was eligible to vote: 105

Number of resolutions on which the manager was eligible to vote: 1534

Number of votes cast: 1257

Percentage of eligible votes cast: 82%

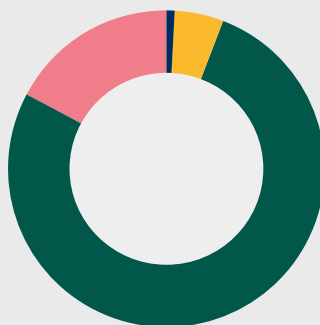
Percentage of votes (management resolutions) with management: 94%

Percentage of votes (management resolutions) against management: 5%

Percentage of votes abstained from: 1%

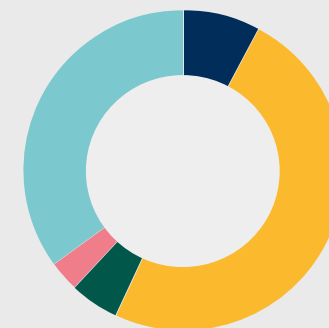
Votes for, against, abstain, withhold

Abstain	1%
Against	5%
For	77%
Withhold	17%



Votes against types of management resolutions

Amended articles	8%
Board structure	49%
Capital structure & dividends	5%
Other	3%
Remuneration	35%



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Significant votes

Company: Otsuka Corp.

Vote topic: Remuneration

Vote instruction: Against

Issue: We believe that the company should disclose the value of retirement bonuses proposed to be paid to the recipients and provide a sufficient rationale and, where possible, include specific metrics as to why the proposed payment is reasonable. This was not the case with Otsuka Corp.

Why a significant vote? Executive remuneration can have a material impact on future company performance because executive compensation plans establish the incentive structure that plays a role in strategy-setting, decision-making, and risk management.

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Implementation Statement conclusion

Overall, the Trustee is satisfied that throughout the last Scheme year, the Scheme's investments and stewardship activities, specifically voting and engagement, have been managed in accordance with the SIP at that time.