
BT (CDL) Section of The Pensions Master Plan

Implementation Statement

For the year ended 31 March 2025

Introduction

This Implementation Statement (the "Statement") has been prepared by the Section Trustee (the "Trustee") of the BT (CDL) Section of The Pensions Master Plan (the "Section") to demonstrate how the Trustee has acted on certain policies within its Statement of Investment Principles ("SIP").

Each year, the Trustee must produce an Implementation Statement that demonstrates how it has followed certain policies within the Section's SIP over the year. This Statement covers the year from 1 April 2024 to 31 March 2025.

This Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the Defined Benefit investments held by the Section.

Trustees of pension schemes are required to provide details of how, and the extent to which, their SIP policies on engagement with investee companies have been followed over the year, including (where applicable) a description of their voting behaviour, the most significant votes cast and any use of proxy voting on their behalf over the year.

Due to the Section not being invested in any equity holdings, there were no investments over the year that carried any voting rights.

The Section entered into a buy-in policy with the Insurance Provider, Phoenix Life Ltd ("Standard Life") on 13 March 2023. This policy is designed to meet all members benefit payments as they fall due. The buy-in policy was implemented on 13 March 2023.

The Section's residual surplus assets are invested with Legal & General Investment Management Ltd ("LGIM" or "Legal & General"), with a small amount held in the Section's bank account.

Changes to the SIP

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

As mentioned above, the majority of the Section's assets are invested in the buy-in policy with the insurer Standard Life. Following the investment in the buy-in policy, over the year to 31 March 2024, the Trustee invested part of the Section's surplus assets with LGIM whilst retaining a small amount in the Trustee bank account to meet ongoing expenses.

This included investment into the LGIM Sterling Liquidity Fund to be used to provide capital stability, with growth in line with money market rates on the Section's residual surplus. A small amount of the surplus was invested across the LGIM All Stocks Gilts Index Fund and LGIM All Stocks Index-Linked Gilts Index Fund with the aim of hedging the value of an expected true up premium adjustment to the initial insurance premium. The intention is to hedge a significant proportion of the interest rate risk and inflation risk associated with this true-up premium.

The SIP was last updated in January 2024 to reflect the changes in the investment strategy mentioned above.

The Section's SIP includes policies on: -

- How "financially material considerations" including environmental, social and governance ("ESG") considerations are taken into account when making investment decisions for the Section.
- The extent to which non-financial matters are taken into account in the investment decision-making process.

- Stewardship and voting policy, including details on monitoring and engaging with the investee companies in which they invest (and other relevant stakeholders) on relevant matters (including performance, strategy, capital structure, the management of actual or potential conflicts of interest, risks, corporate governance, and governance, social and environmental issues concerning the Trustee's investments)
- A policy on monitoring the Section's asset managers, particularly concerning financial arrangements and ESG factors.
- A policy covering the duration of arrangements with the Section's investment manager.

The Trustee acknowledges the importance of ESG factors and climate change and notes that, as the majority of the assets are invested in the buy-in policy, there is limited scope for the Trustee to incorporate ESG into the Section's investment Strategy.

The Section was invested in pooled funds managed by Legal & General Investment Management ("LGIM") (the "Investment Manager") over the year under review between 31 March 2024 and 31 March 2025.

It was therefore LGIM that was responsible for the policy on taking ESG considerations into account in the selection, retention and realisation of investments within the pooled investment vehicles and for the exercise of rights (including any voting rights) for the Section's surplus assets invested with LGIM.

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

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

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

In the opinion of the Trustee, the policies in the SIP have been followed throughout the year to 31 March 2025 for the Section. The investments held by the Section did not carry any voting rights and the Section had no exposure to investee companies in order to influence practice over the year. The Trustee also had no ability to influence the selection or engagement activities undertaken on the underlying investments held by Standard Life as the buy-in policy provider.

The Trustee's policies on investment objectives:

The Trustee's primary investment objectives for Section are:

Policy	Assessment
"Funding" objective – for the Section to be fully funded on a low-risk basis, taking account of the strength of the Company covenant.	The Trustee has entered into a buy-in policy with an insurance provider, with this policy designed to meet all members' benefit payments as they fall due. This decision was made to help meet and maintain the Section's funding objectives.
"Stability" objective – to have regard for the Company's ability to meet its contribution payments and to have regard for the volatility of funding; and	There is no reason to suggest that the sponsoring employer's financial strength and commitment to the Section has changed, and therefore the Trustee retains the belief that the long-term strategy of the Section is appropriate.
"Hedging" objective – for the assets to hedge a portion of the interest rate and inflation risk associated with the Section's liabilities on a low-risk basis.	The Section invested the residual surplus assets into gilts and index-linked gilt funds, with the intention of hedging the expected cost of the true-up premium.

Proxy voting

The Trustee did not employ a proxy-voting service nor set stewardship priorities during the Section year to 31 March 2025 as the Section's invested assets did not have any voting rights. The Trustee does not have visibility or control over the assets held by Standard Life underlying the buy-in policies.

Engagement

Given the buy-in policy, the Trustee is not able to influence the selection of underlying investments held by the insurer.

The Section's residual surplus assets are invested in nominal and index-linked government bonds and money market instruments through the LGIM All Stocks Gilts Index Fund, LGIM All Stocks Index-Linked Gilts Index Fund and the LGIM Sterling Liquidity Fund respectively. LGIM has governance practices in place to capture key regulatory developments which might influence the future management and performance of these assets.

While not directly applicable to the Section's assets, the Trustee does expect LGIM to actively engage elsewhere across its assets under management to influence the underlying investee companies in respect of the ESG and stewardship matters outlined above.

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

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

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

Given the assets held by the Section over the year did not result in the investment manager voting or engaging on the Trustee's behalf, the implementation of these policies was not applicable over the Section year. Having reviewed the actions taken by LGIM more generally over the year, the Trustee believes that the policies on voting rights and engagement have been implemented and followed over the year. The Trustee will continue to monitor any actions taken on its behalf each year.

If the investment manager deviates substantially from the Trustee's stated policies, the Trustee will initially discuss this with the relevant fund manager. If in the opinion of the Trustee the difference between the policies and the investment manager's actions is material, the Trustee will consider terminating the mandate.

June 2025

