

BT (Lynx) Section of the Deloitte Pensions Master Plan

Implementation Statement

For the year ended 31 March 2022

Introduction

This Implementation Statement (the “Statement”) has been prepared by the Section Trustee (the “Trustee”) of the BT (Lynx) Section of the Deloitte 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 2021 to 31 March 2022.

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.

SIP Policies

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.

The Section’s SIP was updated and during the year in September 2021 following changes to the Section’s strategic asset allocations to reflect the new investment strategy that had been agreed by both the Trustee and the Principal Employer. These investment strategy changes included switching the Section’s global equity allocation from the Legal & General Investment Manager (“LGIM”) All World Equity Index Fund (GBP Hedged) Fund to the LGIM Future World Global Equity Index Fund (GBP Hedged), implementing a private markets allocation through the Partners Group Generations Fund and implementing an allocation to Liability Driven Investments (“LDI”) through the LGIM Matching Core Fund Range, with these transitions completed on 4 May 2021. The Trustee’s stated policies found below were unchanged over the year to 31 March 2022 within the Section’s SIPs.

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.

This Statement reviews the voting and engagement activities covering the 12-month period to 31 March 2022 and the extent to which the Trustee believes the policies within the SIP have been followed.

The Section was invested in pooled funds managed by LGIM and Partners Group (the “Investment Managers”) over the year under review to 31 March 2022.

It is therefore the Investment Managers that are responsible for the policies on taking ESG considerations into account in the selection, retention and realisation of investments within the pooled investment vehicles and for the exercise of rights (including voting rights) attaching to these investments.

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

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

Description of Equity Voting Behaviour

The Section invests in pooled funds, which means that the responsibility for exercising the voting rights of the shares held by the Section sit primarily with the Investment Managers, LGIM and Partners Group. The Section's voting behaviour over the Section year is summarised below.

The pooled fund investment held by the Section which carried voting rights during the year were:

- The LGIM All World Equity Index Fund (GBP Hedged) from 1 April 2021 to 4 May 2021;
- The LGIM Buy & Maintain Credit Fund from 1 April 2021 to 31 March 2022;
- The LGIM Future World Global Equity Index Fund (GBP Hedged) from 4 May 2021 to 31 March 2022; and
- The Partners Group Generations Fund from 4 May 2021 to 31 March 2022;

LGIM manage over £1.4 trillion in assets, and use their resulting influence as investors, focussing their votes and engagement with organisations on climate change, income equality, diversity, and ESG integration.

The table below shows LGIM's voting summary covering the Section's investment in the LGIM All World Equity Index Fund (GBP Hedged) over the year until 30 June 2021. LGIM is developing its reporting but is currently only able to provide voting statistics for full 12-month periods to standard quarter-ends, rather than the actual periods invested. Therefore, we have included voting information covering the most relevant 12-month period from 1 July 2020 to 30 June 2021, noting that the Section only held investment in the LGIM All World Equity Index Fund (GBP Hedged) from the 1 April 2021 until 4 May 2021.

LGIM All World Equity Index Fund – GBP Currency Hedged		1 July 2020 – 30 June 2021
Number of meetings LGIM was eligible to vote at over the year		6,192
Number of resolutions LGIM was eligible to vote on over the year		64,750
Of the eligible resolutions, percentage that LGIM voted on.		99.9%
Of the resolutions voted, percentage that LGIM voted with management.		82.7%
Of the resolutions voted, percentage that LGIM voted against management.		16.2%
Of the resolutions voted, percentage where LGIM abstained .		1.1%
Percentage of eligible meetings where LGIM voted at least once against management.		59.0%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.		8.9%

The table below shows LGIM's voting summary covering the Section's investment in the Buy and Maintain Credit Fund over the year to 31 March 2022.

LGIM Buy and Maintain Credit Fund		1 April 2021 – 31 March 2022
Number of meetings LGIM was eligible to vote at over the year		1
Number of resolutions LGIM was eligible to vote on over the year		2
Of the eligible resolutions, percentage that LGIM voted on.		100.0%
Of the resolutions voted, percentage that LGIM voted with management.		100.0%
Of the resolutions voted, percentage that LGIM voted against management.		0.0%
Of the resolutions voted, percentage where LGIM abstained .		0.0%
Percentage of eligible meetings where LGIM voted at least once against management.		0.0%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.		0.0%

The table below shows LGIM's voting summary covering the Section's investment in the LGIM Future Global Equity Index Fund (GBP Hedged) over the year until 31 March 2022. As highlighted earlier, LGIM is developing its reporting but is currently only able to provide voting statistics for full 12-month periods to standard quarter-ends, rather than the actual periods invested. Therefore, we have included voting information covering the most relevant 12-month period from 1 April 2021 to 31 March 2022, noting that the Section only held investment in the LGIM All World Equity Index Fund (GBP Hedged) from 4 May 2021 until 31 March 2022.

LGIM Future World Equity Index Fund – GBP Hedged		1 April 2021– 31 March 2022
Number of meetings LGIM was eligible to vote at over the year		4,465
Number of resolutions LGIM was eligible to vote on over the year		47,851
Of the eligible resolutions, percentage that LGIM voted on.		99.9%
Of the resolutions voted, percentage that LGIM voted with management.		81.7%
Of the resolutions voted, percentage that LGIM voted against management.		17.4%
Of the resolutions voted, percentage where LGIM abstained .		0.8%
Percentage of eligible meetings where LGIM voted at least once against management.		61.9%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.		10.7%

The table below shows Partners Group's voting summary covering the Section's investment in the Partners Group Generation's Fund, which the Section was invested in from 4 May 2021 to 31 March 2022. Partners Group is developing its reporting but is currently only able to provide voting statistics for 12-month periods to standard half-years, rather than the actual periods invested. Therefore, we have included voting information covering the most relevant 12-month period from 1 January 2021 to 31 December 2021, noting that the Section only held investment from the Partners Group Generation Fund from 4 May 2021 to the 31 March 2022 over the Section year.

Partners Group Generation Fund	1 January 2021 – 31 December 2021
Number of meetings Partners Group was eligible to vote at over the year to 31/12/2021	68
Number of resolutions Partners Group was eligible to vote on over the year to 31/12/2021	931
Of the eligible resolutions, percentage that Partners Group voted on.	100.0%
Of the resolutions voted, percentage that Partners Group voted with management.	94.0%
Of the resolutions voted, percentage that Partners Group voted against management.	4.0%
Of the resolutions voted, percentage where Partners Group abstained .	2.0%
Percentage of voted resolutions where Partners Group voted contrary to the recommendation of their proxy adviser.	1.0%

Regarding the Section's property and LDI investments managed by LGIM, these funds did not invest in any investments that carried voting rights.

Proxy Voting

The Trustee did not employ a proxy-voting service during the Section year to 31 March 2022.

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

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

How Voting and Engagement Policies Have Been Followed

The Trustee intends to review a summary of the voting and engagement activity taken on its behalf on a regular basis. The information published by LGIM and Partners Group on their voting policies has provided the Trustee with comfort that the Section's voting and engagement policies have been followed during the year to 31 March 2022.

As set out in the SIP, the Trustee expects the Investment Managers to engage with investee companies on aspects such as performance, strategy, risks, corporate governance, management of actual or potential conflicts of interest, capital structure, and social and environmental issues concerning the Trustee's investments.

Details of specific voting and engagement topics are shown in the following table.

Voting and Engagement topic	Policy followed in the opinion of Trustee?	Comments
Performance of debt or equity issuer	✓	Partners Group and LGIM's voting and engagement policies do not cover the past financial performance of investee companies. However, the voting and engagement which has been undertaken aims to improve the long-term future performance of the investee companies.
Strategy	✓	Partners Group and LGIM believe that board independence, diversity and remuneration can have a financially material impact on the assets it invests within, with the Board ultimately responsible for the strategy for any company that is invested in or held as a counterparty. Partners Group and

		<p>LGIM have clear voting policies covering each of these topics and have acted on them throughout the Section year on behalf of the Trustee.</p> <p>This year, LGIM voted against the election of male chairmen due to a lack of gender diversity at a number of companies, including Atlas Copco AB, NVIDIA Corporation, and The Boeing Company.</p>
Risks	✓	<p>LGIM and Partners Group have clear voting policies on ensuring that companies manage risk effectively and have robust internal controls.</p> <p>LGIM believes that increased transparency and disclosure can allow for financially material risks to be identified. In 2021, LGIM engaged with Moderna over increasing publicly available information on how much government financial support it had received in developing and manufacturing Covid-19 vaccines and whether this had affected decision making on products, including setting prices. Following in-depth engagement, Moderna released a press note covering this topic, which allowed LGIM to assess the viability of continued investment in the company.</p> <p>To ensure that employees at Partners Group are acting within the regulatory and legal environment that is associated with their investments, Partners Group have clear policies on business ethics, whistleblowing, anti-bribery, anti-money laundering and prevention of market abuse which all employers comply with. In scenarios where risks and concerns are raised, Partners Group also have processes in place to ensure that that these can be resolved in an appropriate manner.</p>
Social and Environmental impact	✓	<p>LGIM have engaged with companies that have poor climate scores relative to their size. For those that don't meet minimum standards and, if these minimum standards are not met over time, LGIM may look to divest until progress is shown.</p> <p>LGIM have also introduced a policy to vote against the chair of the board of UK companies which fall short on its ethnic diversity expectations. In relation to this policy, LGIM have engaged with Amazon five times over the past year to discuss the company's human rights policies. LGIM supported Amazon shareholders at the 2021 AGM asking for an audit report of civil rights, equity, diversity and inclusion within the company.</p> <p>As a direct lead investor, Partners Group are able to exert their control at a board level to integrate a range of ESG policies and initiatives. For instance, for VSB, Partners Group was able to assess scope 1 and scope 2 emissions with help from an external advisor in an attempt to reduce carbon footprint. Similarly, a climate change initiative was carried out for Techem with an external advisor to give a detailed greenhouse gas inventory of scope 1, scope 2 and scope 3 emissions with reduction opportunities identified which will form part of the carbon neutrality target.</p>
Conflicts of Interest	✓	<p>Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management).</p> <p>Over the period under review, LGIM voted against incentive awards which did not have performance conditions, as these awards would not align remuneration with company performance.</p> <p>For example, LGIM voted against AT & T ratifying named executive officers' compensation. There were concerns around a lack of performance criteria and the magnitude of awards and payments suggested.</p> <p>Partners Group also has policies relating to conflicts of interest, namely within its whistleblowing and prevention of market abuse policies that apply to all employees, which extend to the underlying investments of the Generations Fund.</p>

Corporate Governance	✓	<p>The Trustee believes that the board's duty is to decide the appropriate company strategy, with the CEO in turn responsible for executing the strategy. For this structure to work effectively, the Trustee also believes that the appropriate governance structures need to be in place. These include the separation of duties between the board and the CEO.</p> <p>LGIM's policy from 2021 is to vote against all elections which combine the roles of CEO and Chair. LGIM voted against electing directors of Microsoft Corporation, JPMorgan Chase & Co., and Johnson & Johnson, alongside several others, in line with this policy.</p> <p>To ensure that each board is operating at an appropriate level, a 'board maturity' assessment is used to assess effectiveness, covering areas such as performance and company strategy. Additionally, Partners Group aims to appoint a board member or executive at the leadership level to become responsible for developing a meaningful ESG journey plan within 100 days of investment.</p>
Capital Structure	✓	<p>LGIM and Partners Group have policies on voting in respect of resolutions regarding changes to company capital structure such as share repurchase proposals and new share issuance.</p> <p>For example, LGIM and Partners Group have policies that newly issued shares should not expose minority shareholders to excessive dilution.</p> <p>LGIM also has policies that protect minority shareholder rights including "one share, one vote" to avoid the weakening of corporate governance as investors ability to influence and hold directors accountable would be reduced. As such LGIM decided against participating in the IPO of Deliveroo and The HUT Group in 2021.</p>

Significant Votes

LGIM have provided examples of what it believes to be the most significant votes cast on the Trustee's behalf during the period.

A number of the most significant votes over the Section year related to the separation of CEO and board chair roles. LGIM have a long-standing policy advocating the separation and independence of the roles of CEO and chair, due to the different nature of these positions. Dividing these responsibilities ensures a single individual does not hold unbalanced powers of decision and creates equal authority on the board. From 2020 LGIM took a stronger stance on combined roles and will vote against individuals being elected or re-elected into both positions.

With respect to the Section's investment in the LGIM All World Equity Index Fund – GBP Hedged, the manager participated in a number of related votes, including withholding from a vote electing Mark Zuckerberg as Director of Facebook, Inc. due to his role as Chair and CEO of the company, and also against electing Jeffrey P. Bezos as Chair of Amazon.com, Inc. due to his previous role as CEO.

A significant vote was also placed in favour of a Report on Civil Rights Audit for Apple Inc. LGIM noted diversity as being a key factor in this decision as LGIM supports proposals related to diversity and inclusion policies as these issues are considered to be a material risk to companies.

Note that there were no significant votes made for the LGIM Buy and Maintain Credit Fund.

Due to the private markets nature of the Partners Fund, voting is only relevant for a small proportion of the portfolio. As such, Partners Group provided no examples of significant votes over the year to 31 December 2021 but noted that due to their control of the Board it was able to implement a range of ESG policies and initiatives including carbon emission monitoring at Civica and Hearthside Food Solutions and commitments to improved diversity of workforce at Foncia.

In addition, ESG efforts by Techem Metering GmbH included the completion of a climate change engagement with an external advisor where a detailed greenhouse gas inventory was established including Scope 1, Scope 2 as well as material Scope 3 emissions. Initial carbon reduction opportunities were identified, and this analysis forms the basis for

the development of Techem's carbon neutrality target. After successfully completing a detailed materiality assessment, Techem published its first Corporate Sustainability Report in June 2021, which highlights key ESG achievements and lays out a detailed sustainability roadmap for the company. In the roadmap, the company commits to the development of a carbon neutrality target by 2022 and to increase the number of women in management from 17% in 2020 to 35% in 2025.

Engagement with Investee Companies

Exercising equity voting rights (including those related to the Section's investment in the LGIM Future World Equity Index Fund – GBP Hedged, which had a value of c. £9.4m or 52.7% of Section assets as at 31 March 2022) is not the only method of influencing behaviours of investee companies and is not entirely applicable for the Section's fixed income investments held with LGIM in the Buy and Maintain Credit Fund (c. £4.2m or 23.6% of Section assets as at 31 March 2022), property investments also held with LGIM in the Managed Property Fund (c. £2.1m or 11.8% of Section assets as at 31 March 2022) or Partners Group Generations Fund as these investments do not always carry voting rights (c. £1.1m or 6.2% of Section assets as at 31 March 2022). However, the Trustee expects the Investment Managers to engage on its behalf to influence the underlying investee companies in respect of the ESG and stewardship matters outlined above.

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

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for clients. LGIM's voting policies are reviewed annually and take into account client feedback.

Over the 12 months to 31 March 2022, LGIM undertook 696 engagements with 593 companies. Some engagements cover multiple topics and LGIM have provided the following summary:

- 340 on environmental topics;
- 271 on social topics;
- 332 on governance issues; and
- 97 on other topics including finance and strategy.

The top five engagement topics included climate change, remuneration, board composition, energy and climate impact pledges.

Over the year, LGIM began to release fund specific engagement statistics, with the following table summarising the engagements undertaken on a fund-by-fund basis. The All World Global Equity Fund – GBP Hedged statistics relate to the year period to 30 June 2021, with LGIM only producing quarterly figures and this period being the most applicable to the period of holding by the Section over the year to 31 March 2022. The Buy and Maintain Credit Fund statistics below relate to the year to 31 December 2021, as LGIM are yet to publish updated reports. Data was available for the Future World Global Equity Fund – GBP Hedged for the year to 31 March 2022. LGIM were unable to provide individual engagement statistics for the Managed Property Fund over any period.

	Total Engagements	No. Unique Companies Engaged	Environmental Topics	Social Topics	Governance Topics	Other Topics
All World Global Equity Fund – GBP Hedged	820	-	426	235	329	231
Buy and Maintain Credit Fund	178	95	92	63	96	34

Future World Global Equity Fund – GBP Hedged	528	343	241	179	278	83
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The Trustee will monitor LGIM's reporting to see if more detail at a fund level can be provided in the future for monitoring purposes.

Partners Group were unable to provide engagement activity statistics at the Partners Group Generations Fund level. As an example of engagement carried out by the Investment Manager, for Ammega an organisational health index assessment was carried out to assess key practices and outcomes with a resulting health score provided to be used against a benchmark and peers. From this assessment a plan was created to improve opportunities to decrease this health score.

Partners Group also carried out a review of its 15 suppliers to Vishal Mega Mart with respect to child labour with no adverse findings made.

The remainder of the Section's assets are invested in leveraged nominal and index-linked government bonds through the LGIM Matching Core Fund Range (c. £1.0m or 5.6% of Section Assets as at 31 March 2022) with the purpose of reducing risk by hedging the exposure to interest rate and inflation inherent in the Section's liabilities and a cash fund for liquidity purposes. LGIM have governance practices in place to capture key regulatory developments which might influence the future management and performance of these hedging assets.

Extent to which Trustee Policies Have Been Followed

Having reviewed the actions taken by the Investment Managers over the year, the Trustee believes that its policies on stewardship and engagement have been implemented appropriately over the year and in line with its views as stated in the Section's SIP. The Trustee will continue to monitor the actions taken on its behalf each year and press for improved engagement information and ESG reporting metrics from the Investment Managers at a fund specific level.

If the Investment Managers deviate substantially from the Trustee's stated policies, the Trustee will initially engage and discuss this with Investment Manager, and if the Trustee still believes the difference between its policies and Investment Manager's actions are material, the Trustee will consider terminating and replacing the mandate if necessary.

August 2022

For and behalf of the Trustee of the BT (Lynx) Section of the Deloitte Pensions Master Plan.