

Implementation Statement (“IS”)

AT&T ISTEEL Pension Plan (the “Plan”) Plan Year End – 31 March 2024

The purpose of the Implementation Statement is for the Trustee of the AT&T ISTEEL Pension Plan to explain what we have done during the year ending 31 March 2024 to achieve our objectives and implement our policies as set out in the Statement of Investment Principles (“SIP”).

It includes:

1. A summary of any review and changes made to the SIP over the year;
2. How our policies in the SIP have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, most of the Plan’s material investment managers were able to disclose good evidence of voting and engagement activity, and the activities completed by our managers align with our stewardship expectations.

For the DB Section, we delegate the management of the Plan’s equity assets to Aon Investments Limited (“Aon”). We believe the activities completed by Aon to review the underlying managers’ voting, engagement policies and activities align with our stewardship expectations. We believe our voting rights have been implemented effectively on our behalf.

At the time of writing, the Plan’s AVC/DC managers have yet to provide a response to our request for engagement and voting information. Aon is engaging with these managers on the Trustee’s behalf.

1. Changes to the SIP during the year

The SIP was reviewed and revised during the year to 31 March 2024. The key change was to update the stewardship policy, including wording to confirm that the Trustee accepts responsibility for how the fund managers steward assets on their behalf and that prospective managers are required to provide stewardship activity reports prior to appointment.

The SIP was further updated in May 2024 to:

- Reflect changes to the property debt portfolio, which is now in the distribution phase;
- Reflect changes to the property portfolio due to the reduced size of this part of the Plan's assets;
- Update the wording to describe the different AVC and DC funds available.

The Plan's latest SIP can be found here: [The Pensions Directory \(att-istelpension.co.uk\)](https://att-istelpension.co.uk)

2. How the policies in the SIP have been followed

In the table below we set out what we have done during the year to meet the policies in the SIP.

Policies in relation to investment strategy and risks	<p>During the year the Plan's assets and liabilities were modelled to review the progress of the investment strategy against the Trustee's Long-Term Objective. Asset stress testing was also conducted to test the resilience of the Plan's strategy to interest rate shocks.</p> <p>Periodic rebalancing of the Plan's investments was completed during the period.</p> <p>The Trustee reviewed the Plan's cashflow and collateral management policy which included updating the cashflow projection and reflecting the latest TPR guidance on liquidity.</p> <p>The Trustee maintains a Risk Register which lists the key investment risks to which the Plan is exposed and how these risks are managed.</p>
Policies relating to Responsible Investment, ESG and Investment Stewardship	<p>The Trustee reviews the investment managers' voting, engagement and stewardship policies on an annual basis.</p> <p>Throughout the year, the Trustee met with all the Plan's investment managers, except property managers. (The property assets are in the process of being sold down and made up around 0.1% of the Plan's assets as at 31 March 2024).</p> <p>At these meetings the ISC discussed performance, investment strategy and stewardship considerations amongst other relevant matters with the managers.</p> <p>During the period, the Trustee received training from Aon on the investment risks and opportunities from climate change. The ISC receives advice from its investment adviser on the Environmental, Social and Governance ("ESG") rating of the majority of its managers on a quarterly basis.</p>
Policies in relation to monitoring the Plan investments	<p>The Trustee received quarterly investment monitoring reports from Aon. The investment reports included performance reporting on all of the investment funds relative to their respective benchmarks and/or targets. The reports raise any issues with the managers, including any changes to ESG assessments.</p> <p>Liability Driven Investment ("LDI") monitoring was completed quarterly, including detailed collateral reporting. The LDI cashflow benchmark was reviewed and updated in Q3 2023.</p> <p>The Trustee conducted an annual due diligence review of the bulk annuity provider, Canada Life.</p>
Policies in relation to Plan charges	<p>The Trustee has appointed ClearGlass to collect investment manager cost data (including ongoing management charges and transactions costs) on behalf of the Trustee, in line with the Cost Transparency Initiative template.</p>
Policies in relation to review of direct investments	<p>The Trustee's investment adviser provided the ISC with an annual direct investment review, with the DB and DC/AVC reviews being conducted separately. Having reviewed the suitability of the Plan's direct investment arrangements, the Trustee concluded that the Plan meets the criteria set out in the regulations.</p>

Meeting the objectives and policies as set out in the SIP – DC/AVC section only

The AVCs and Defined Contribution (DC) funds are invested in insurance policies issued by Zurich Assurance Limited. The Trustee also has a legacy AVC policy with Utmost Life and Pensions (formerly Equitable Life Assurance Society). Investment in the insurance contracts is under the control of the Trustee and it is the Trustee's policy to review the investments and to obtain written advice about them periodically.

The Trustee receives and reviews an annual report from its investment advisers, which provides information regarding the short and long-term performance of all the funds offered to members. It also considers the suitability of the investment options offered to these members. The review did not raise concerns over fund performance, or the suitability of the investment options made available to members.

The Trustee collated details of the costs and charges borne by members during the reporting period, as this information needs to be disclosed in the Chair's Statement. The annual review carried out during the reporting period considered how the charges borne by members compared to current market rates and other similar schemes. The Trustee's DC investment adviser concluded that the costs and charges reported by the providers appeared reasonable, compared to other similar arrangements.

Neither Zurich nor Utmost Life and Pensions have provided any information on voting and engagement activity for the underlying funds to date. The Trustee does not have any major concerns over this at the current time, considering the materiality of the funds (assets under management are low, relative to the level of assets held with other managers). However, the Trustee does expect reporting by all its asset managers to improve over time and expects Zurich and Utmost Life and Pensions to obtain relevant information from the underlying managers so that this can be disclosed to the Trustee in future.

Overall, the Trustee is satisfied that it has met the objectives and adhered to its policies in respect of the DC/AVC funds over this reporting period.

Zurich Managed Funds (DC/AVC funds only)

The Plan's DC assets were invested in funds managed by Zurich over the year. These funds contained underlying managers, specifically; Columbia Threadneedle Asset Management Limited ("Threadneedle"), JP Morgan Asset Management ("JPMAM") and BlackRock. The information regarding BlackRock set out elsewhere in this document is also relevant to the funds which are part of the Zurich arrangement.

Our Engagement Action Plan

Based on the work completed for the IS, we have decided to take the following steps over the next 12 months in relation to the DB section:

1. BlackRock, Blackstone, Invesco and Harris Associates did not provide any engagement information and GQG did not provide a detailed voting example. We will write to the managers to let them know we expect better disclosures in future.
2. We will meet with our equity manager, Aon, again next year to continue to monitor voting practices, encourage Aon to engage with the underlying managers on our behalf, and assess how our Responsible Investment policies are being followed.
3. We will meet with our other material managers over the next Plan year to receive updates on their ESG activities.

3. How our stewardship policy has been followed

3.i. Our equity manager's engagement activity

Aon manages the Plan's equity assets, selecting the underlying investment managers on our behalf.

We delegate monitoring of ESG integration and stewardship of the underlying managers to Aon. We have reviewed Aon's latest annual Stewardship Report and we believe it shows that Aon is using its resources to effectively influence positive outcomes in the funds in which it invests.

Over the year, Aon held several engagement meetings with many of the underlying managers in its strategies. Aon discussed ESG integration, stewardship, climate, biodiversity and modern slavery with the investment managers. Aon provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration across its portfolios.

Over the year, Aon engaged with the industry through white papers, working groups, webinars and network events, as well as responding to multiple consultations.

In 2021, Aon committed to achieve net zero emissions by 2050, with a 50% reduction by 2030 for its fully delegated clients' portfolios and defined contribution default strategies (relative to a baseline year of 2019).

Aon also successfully renewed its signatory status to the 2020 UK Stewardship Code, which is a voluntary code established by the Financial Reporting Council which sets high standards on stewardship for asset owners, investment managers and service providers.

3.ii. Our managers' voting activity

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Plan's investments is an important factor in deciding whether a manager remains the right choice for the Plan.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Plan's equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

The table below shows the voting statistics for each of the Plan's material funds with voting rights for the year to 31 March 2024.

Funds	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
GQG Global Equity Fund	828	95.7%	15.4%	1.3%
Harris Global All Cap Equity Fund	749	97.7%	1.2%	0.0%

Source: Managers. Please note that the 'abstain' votes noted above are a specific category of vote that has been cast, and are distinct from a non-vote.

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

The table below describes how the Plan's managers use proxy voting advisers.

Managers	Description of use of proxy voting adviser(s) (in the managers' own words)
GQG Partners	To augment our independent research, we use Institutional Shareholder Services Inc. ("ISS") as an additional source of information to guide our voting. While we find ourselves voting with ISS on the majority of issues, we do not blindly follow their lead and will vote against their recommendations when we deem it necessary.
Harris Associates L.P.	We use our own Harris policy that ISS implements on our behalf. Harris will generally vote proxies in accordance with this policy. However, there are two circumstances where Harris will escalate voting recommendations to its Proxy Voting Committee: <ul style="list-style-type: none"> • Where the investment professional covering the issuer recommends a vote against the policy; and • Where the policy is silent on the proxy matter and the investment professional covering the issuer recommends a vote contrary to ISS' recommendation or when ISS does not have guidance on the matter. Further information on the proxy voting policy in place is available here: https://harrisassoc.com/wp-content/uploads/sites/2/2019/10/HALPSummaryofProxyVotingGuidelines.pdf

Source: Managers

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Plan's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Plan's funds. A sample of these significant votes can be found in the Appendix.

3.iii. Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Plan's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e., is not necessarily specific to the funds invested in by the Plan.

Funds	Number of engagements		Themes engaged on at a fund level
	Fund level	Firm level	
GQG Global Equity Fund	36	68	Environment - Climate Change; Natural Resource Use/Impact Social - Human Capital Management; Conduct, Culture and Ethics Strategy, Financial & Reporting - Risk Management
Insight Bond Plus	114	2,521	Environment - Climate Change Strategy, Financial & Reporting - Financial Performance; Strategy/Purpose; Capital Allocation; Reporting
M&G Sustainable Total Return Credit Investment Fund	13	297	Environment - Net Zero/Decarbonisation; Nature and Biodiversity Social - Diversity and Inclusion; Inequality Governance - Board Composition
Robeco SDG Credit Income Fund	17	319	Environment - Climate Change; Natural Resource Use/Impact Social - Human and Labour Rights Governance - Brd Eff. - Other Other - SDG Engagement

Source: Managers. Brd eff. refers to Board effectiveness.

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- BlackRock, Blackstone and Invesco did not provide any engagement information.
- GQG have not provided the full information requested in relation to the examples of significant votes provided.
- Harris did not provide engagement data requested stating that they do not track these metrics.

This report does not include commentary on certain asset classes such as liability driven investments, gilts or cash because of the limited materiality of stewardship to these asset classes.

Further, this report does not include the additional voluntary contributions ("AVCs") or DC investments as the providers have yet to provide the information requested. The Trustee does not have any major concerns over this at the current time, considering the relatively small proportion of the Plan's assets that are held in these investment funds, but is working with the managers to resolve the issue.

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Plan's managers. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below:

GQG Global Equity Fund	Company name	Exxon Mobil Corporation	
	Date of vote	31 May 2023	
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	<i>Not provided</i>	
	Summary of the resolution	Commission Audited Report on Reduced Plastics Demand	
	How you voted?	Votes supporting resolution	
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	<i>Not provided</i>	
	Rationale for the voting decision	A vote FOR this proposal is warranted, as shareholders would benefit from additional information on how the company is managing risks related to the creation of plastic waste.	
	Outcome of the vote	Fail	
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	<i>Not provided</i>	
	On which criteria have you assessed this vote to be most significant?	<i>Not provided</i>	
	Harris Global All Cap Equity Fund	Company name	Alphabet Inc.
		Date of vote	02 June 2023
		Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	5.5
Summary of the resolution		Advisory Vote on Say on Pay Frequency	
How you voted?		Votes against resolution	
Where you voted against management, did you communicate your intent to the company ahead of the vote?		No	
Rationale for the voting decision		We believe that a yearly say on pay vote is most appropriate.	
Outcome of the vote		Pass	
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?		We will continue to monitor executive compensation at the company and will engage with management on this issue if necessary.	
On which criteria have you assessed this vote to be most significant?		Voted against management	

Source: Managers

Note: At the time of writing, some of the underlying investment managers were unable to provide all the stewardship information requested. Our fiduciary manager will engage with the managers it believes need to do better to encourage them to provide more detailed and meaningful disclosures about their stewardship activities and better understand their engagement practices.