

Implementation Statement (“IS”)

AT&T ISTEEL Pension Plan (the “Plan”)

Plan Year End – 31 March 2023

This IS documents the actions we have taken as Trustee of the AT&T ISTEEL Pension Plan during the year ending 31 March 2023 (the reporting period) to implement our policies and achieve our objectives as set out in our Statement of Investment Principles (“SIP”).

The statement includes:

1. A summary of any review and changes made to the SIP over the reporting period;
2. How our policies in the SIP have been followed during the reporting period; 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 our activity during the year, the Trustee believes that the policies set out in the SIP have been implemented effectively.

In the Trustee’s view, the key investment managers have been able to disclose adequate evidence of:

- Voting and/or engagement activity;
- That the activities completed by the managers align with our stewardship priorities; and
- That the Plan’s voting policy has been implemented effectively in practice.

For the DB Section, the Plan’s investment managers have provided adequate engagement information which has enabled the Trustee to conclude that the policies in the SIP had been implemented effectively. However, additional data would be preferable, including detail on significant votes cast and fund-level engagement information. Aon Investments Limited (“Aon”) are engaging with these managers and will continue to set expectations on behalf of the Trustee regarding the availability and quality of this data in future.

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.

Changes to the SIP during the year

The SIP was reviewed and revised during the year to 31 March 2023 to:

- Reflect agreed strategy changes, including a full redemption of the Plan's allocation to Diversified Growth Assets (BlackRock and Ruffer), an allocation to Multi-Asset Credit assets (M&G and Robeco), and an update to the Plan's strategic asset allocation.
- Reflect the interest rate and inflation hedge now relating to a more prudent measure of the Plan's liabilities.
- Include reference to the Plan's cashflow and collateral management policy.

The SIP was further amended in May 2023 to:

- Reword the Plan's investment objective.
- Incorporate changes agreed by the Trustee following the latest stewardship guidance published by the Department for Work & Pensions.

Meeting the objectives and policies as set out in the SIP – DB section

The SIP outlines the Trustee's key objectives and policies. The full wording of these policies can be found in the SIP document which can be accessed using this link: [The Pensions Directory \(att-istelpension.co.uk\)](https://att-istelpension.co.uk)

The Trustee has considered the broad themes these objectives and policies fit into and have noted these below together with an explanation of how these objectives and policies have been met over the course of the year.

This document makes reference to an Investment Sub Committee (ISC). The Trustee has established an ISC, comprising Trustee Directors, to monitor the Plan's investments, to make ongoing operational investment decisions and make recommendations to the Trustee in relation to the Plan's investments.

Policies in relation to investment strategy and risks

During the year, the Trustee reviewed the Plan's cashflow and collateral management policy and updated it to reflect the latest guidance released by The Pension Regulator ("TPR") around sourcing liquidity in urgent scenarios.

The Trustee maintains a Risk Register which lists the key investment risks to which the Plan is exposed and how the risks are managed.

Policies relating to Responsible Investment, ESG and Investment Stewardship

In May 2023, the Trustee completed an annual review of the SIP and updated the Plan's stewardship policy to delegate all voting and engagement activities to the Plan's asset managers but accept responsibility for how the assets are invested on their behalf, including the casting of votes. The Trustee reviews the investment managers' voting, engagement and stewardship policies on an annual basis.

Throughout the year, the Trustee met with all the Plan's investment managers, except CBRE. (The CBRE assets are in the process of being sold down and made up around 0.1% of the Plan's assets as at 31 March 2023).

The ISC received presentations from Insight and AIL on 8 June 2022, Ardevora (AIL underlying manager) on 1 September 2022, BlackRock and Blackstone Fund of Hedge Fund managers on 7 December 2022 and Invesco and Insight on 28 February 2023.

At these meetings the ISC discussed performance, investment strategy and stewardship considerations amongst other relevant matters with the managers.

The ISC also receives advice from its investment adviser on the Environmental, Social and Governance ("ESG") rating of the majority of its managers on a quarterly basis.

Policies in relation to monitoring the Plan investments

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 changes to ESG assessments.

In addition to quarterly monitoring reports, ad-hoc projects were undertaken during the year. For example, an overweight position to growth assets was trimmed with the proceeds directed to the LDI portfolio.

Policies in relation to appointing new managers

The Trustee agreed to replace the Plan's allocation to Diversified Growth Funds with Multi-Asset Credit funds. The M&G Sustainable Total Return Credit Fund was implemented in March 2023 and the Robeco SDG Credit Income fund in May 2023.

Policies in relation to Plan charges

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 CTI template. During the reporting period, the Trustee received cost benchmarking from McLagan based on cost data collected by ClearGlass. The findings were presented to the Trustee in December 2022.

Policies in relation to review of direct investments

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.

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.

The exercise of our voting rights

The Plan invests in pooled funds, and the Trustee has delegated responsibility for the selection, retention and realisation of investments to the Plan's appointed investment managers. This means that the Trustee has also delegated its stewardship activities, including the exercise of voting rights, to the investment managers, although, the Trustee accepts responsibility for how the managers steward assets on its behalf.

The rest of this section sets out the stewardship activities, including the exercise of voting rights, carried out on behalf of the Trustee over the year to 31 March 2023.

Based on the information provided, the Trustee is comfortable that all key managers are carrying out stewardship activities that are in line with the expectations and policies set out in the SIP.

Where managers have been unable to provide the requested information, the Trustee is engaging with these managers to set expectations regarding the provision of this data in the future.

Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. 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 activity details are presented in Appendix 1.

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.

The table in Appendix 1 describes how the Plan's managers use proxy voting advisers.

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 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

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.

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.

Significant voting examples

To illustrate the voting activity being carried out on the Trustee's 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 Appendix 2.

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 in Appendix 3 shows some of the engagement activity carried out by the Plan's key 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 fund invested in by the Plan.

As well as investing directly with appointed managers, the Trustee invests a proportion of the Plan's DB assets in a multi-manager equity portfolio managed by Aon Investments Limited (AIL). This invests in underlying equity funds managed by external investment managers.

The Trustee delegates the monitoring of ESG integration and stewardship of the underlying managers to AIL. The Trustee has reviewed AIL's latest annual Stewardship Report and believes it shows that AIL is using its resources to effectively influence positive outcomes in the funds in which it invests.

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

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

In 2021, AIL committed to achieve net zero emissions by 2050. AIL also renewed its signatory status to the 2020 UK Stewardship Code.

Data limitations

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

- BlackRock did not provide any engagement information for BASLTD and stated that this was because it did not have investment discretion with respect to the underlying holdings of the hedge fund managers within the portfolio. It also did not provide any firm level engagement information.
- GQG, Harris and BlackRock have not provided the full information requested in relation to the examples of significant votes provided.
- Ruffer LLP did not provide any information on engagement themes.

- CBRE did not provide any engagement information and stated that it did not collate statistics on the number of individual engagements.
- Blackstone did not provide any engagement information on a fund level. On firm level, Blackstone provided information only on number of entities engaged with.
- Invesco did not provide any engagement information on a firm level.
- Zurich and Utmost Life and Pensions (the Plan's DC managers) are yet to reply to our request for voting and engagement data.

Our investment advisor is engaging with the DB managers to encourage improvements in reporting. They are also engaging with Zurich and Utmost Life and Pensions to highlight the requirement to obtain this information from the underlying managers.

This report does not include commentary on the Plan's liability driven investments/gilts or cash investments 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 1 – voting information over the year to 31 March 2023

This below information relates to the specific funds the Plan invests in.

Over the year to 31 March 2023	Proxy voting services used	Voting policy	% of resolutions voted on for which the fund was eligible	% that were voted against management	% that were abstained from?
DB assets					
GQG Partners Global Equity Fund (via AIL)	<ul style="list-style-type: none"> Utilises Institutional Shareholder Services Inc. (“ISS”) Sustainability Policy and recommendations 	<ul style="list-style-type: none"> Will vote against ISS recommendations on occasion. Clients can take responsibility for voting their own proxies or give GQG written instructions on how to vote on their respective shares. Votes in accordance with the UNPRI’s responsible investment principles. 	99.8%	10.3%	4.7%
Harris Global Equity (via AIL)	<ul style="list-style-type: none"> Harris uses ISS to assist in proxy voting. 	<ul style="list-style-type: none"> Invests in companies where management goals and shareholder goals are aligned. Follows own proxy voting policy except where the analyst covering a stock recommends voting otherwise. In these cases, final decision rests with Harris’ Proxy Voting Committee. 	100.0%	8.0%	0.0%
Ruffer Absolute Return Fund	<ul style="list-style-type: none"> Internal voting guidelines as well as access to proxy voting research from ISS. Ruffer does not delegate or outsource stewardship activities when deciding how to vote. 	<ul style="list-style-type: none"> Ruffer have developed its own internal voting guidelines, but also take into account issues raised by ISS, to assist in the assessment of resolutions and the identification of contentious issues. Research analysts are responsible, supported by Ruffer’s responsible investment team, for reviewing the 	100.0%	5.7%	0.1%

Over the year to 31 March 2023	Proxy voting services used	Voting policy	% of resolutions voted on for which the fund was eligible	% that were voted against management	% that were abstained from?
		relevant issues on a case-by-case basis and exercising their judgement, based on their in-depth knowledge of the company shares on which they vote.			
BlackRock Dynamic Diversified Growth Fund	<ul style="list-style-type: none"> Use ISS and Glass Lewis platforms to cast votes based on internally developed proxy voting guidelines, pre-vote engagements, research and situational factors for each company. 	<ul style="list-style-type: none"> Proxy voting process led by the BlackRock Investment Stewardship team (“BIS”). Voting decisions made by the BIS team with input from investment colleagues in accordance with BlackRock’s Global Principles and custom market-specific voting guidelines. Input to decisions includes the company’s own reporting (such as the proxy statement and the website), BlackRock’s engagement and voting history with the company, and the views of BlackRock’s active investors, public information and ESG research. 	92.2%	5.2%	1.2%
DC/AVC assets					
JP Morgan Multi-Asset Moderate Fund (via Utmost Life and Pensions)	*	*	*	*	*
JP Morgan Multi-Asset Cautious Fund (via Utmost Life and Pensions)	*	*	*	*	*
Threadneedle American Fund (via Zurich)	*	*	*	*	*

Over the year to 31 March 2023	Proxy voting services used	Voting policy	% of resolutions voted on for which the fund was eligible	% that were voted against management	% that were abstained from?
Zurich- Equity Managed Fund	*	*	*	*	*
Zurich- Managed Fund	*	*	*	*	*
BlackRock Aquila 60/40 Global Equity Index Fund (via Zurich)	As for the BlackRock Dynamic Diversified Growth Fund		*	*	*

Source: Managers

Notes:

*No voting information has been received for the DC/AVC funds.

AIL considers its most material allocations to be to the GQG and Harris equity funds and has therefore provided voting information on these funds only.

Appendix 2 – Significant Voting Examples

The table below shows examples of significant votes provided by the Plan’s managers. The Trustee considers 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. The table below shows the responses provided by the Plan’s managers.

Harris Associates Global All Cap Equity	Company name	Alphabet Inc.
	Date of vote	June 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	6.21%
	Summary of the resolution	Approve Recapitalization Plan for all Stock to Have One-vote per Share
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote? (Please add additional comments in the space below)	No
	Rationale for the voting decision	Harris agreed with the proponent that a one-vote-per-share capital structure would further align economic interest and voting power. Harris therefore voted FOR this resolution.
	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"?	Vote against management
BlackRock Dynamic Diversified Growth Fund	Company name	Rio Tinto Plc.
	Date of vote	8 April 2022
	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	Approve Climate Action Plan

How you voted	For
Where you voted against management, did you communicate your intent to the company ahead of the vote? (Please add additional comments in the space below)	BlackRock endeavor to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. BlackRock publish their voting guidelines to help clients and companies understand their thinking on key governance matters that are commonly put to a shareholder vote. The guidelines are the benchmark against which BlackRock assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock apply their guidelines pragmatically, taking into account a company's unique circumstances where relevant. BlackRock's voting decision reflects their analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and active investment colleagues.
Rationale for the voting decision	<i>Not provided</i>
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?	BlackRock's approach to corporate governance and stewardship is explained in their Global Principles. The Global Principles describe BlackRock's philosophy on stewardship, including how they monitor and engage with companies. These high-level principles are the framework for more detailed, market-specific voting guidelines. BlackRock do not see engagement as one conversation. BlackRock have ongoing direct dialogue with companies to explain their views and how they evaluate their actions on relevant ESG issues over time. Where BlackRock have concerns that are not addressed by these conversations, they may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, BlackRock monitor developments and assess whether the company has addressed the concerns.
On which criteria have you assessed this vote to be "most significant"?	Vote Bulletin; BIS periodically publishes Vote Bulletins on key votes at shareholder meetings to provide insight into details on certain vote decisions expected to be of particular interest to clients.
Ruffer LLP Absolute Return Fund	
Company name	BP Plc
Date of vote	12-May-2022
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	3.1%
Summary of the resolution	Environmental - Approve Shareholder Resolution on Climate Change Targets

How you voted	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote? (Please add additional comments in the space below)	Yes
Rationale for the voting decision	Ruffer voted in line with ISS and management. Ruffer have done extensive work on BP's work on the energy transition and climate change, and they think they are industry leading. Ruffer support management in their effort to provide clean, reliable and affordable energy and therefore Ruffer voted against the shareholder resolution.
Outcome of the vote	The resolution failed with 85.1% votes against.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Ruffer will monitor how the company progresses and improves over time and continue to support credible energy transition strategies and initiatives which are currently in place, and will vote against shareholder resolutions which are deemed as unnecessary.
On which criteria have you assessed this vote to be "most significant"?	Ruffer believe this vote will be of particular interest to their clients. Ruffer support management in their effort to provide clean, reliable and affordable energy.
GQG Partners- Global Equity Fund	
Company name	Exxon Mobil Corporation
Date of vote	25-May-2022
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	GHG emissions
How you voted	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote? (Please add additional comments in the space below)	No
Rationale for the voting decision	<i>Not provided</i>
Outcome of the vote	Fail
Implications of the outcome eg were there any lessons learned and what	<i>Not provided</i>

**likely future steps will you take in
response to the outcome?**

**On which criteria have you assessed
this vote to be "most significant"?**

Not provided

Source: Managers

Appendix 3 – Engagement activities over the year to 31 March 2023

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
GQG Partners Global Equity Fund	36	80	<p>Environment- Climate change, Pollution, Waste and others.</p> <p>Social- Conduct, culture and ethics, Human capital management and others.</p> <p>Strategy, Financial and Reporting- Risk management, Reporting and others.</p>
Harris Associates Global All Cap Equity			Not provided
BlackRock BASLTD (Hedge Fund of Funds)			Not provided
BlackRock Dynamic Diversified Growth Fund	693	Not provided	<p>Environment - Climate Risk Management, Environmental Impact Management, Operational Sustainability and others.</p> <p>Social - Human capital management, Social Risks and Opportunities, Diversity and Inclusion and others.</p> <p>Governance - Board Composition and Effectiveness, Business Oversight/Risk Management, Corporate Strategy, Governance Structure, Remuneration and others.</p>
Insight Bond Plus	102	948	<p>Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) and others.</p> <p>Social - Human capital management (e.g. inclusion & diversity, employee terms, safety), Human and labour rights (e.g. supply chain rights, community relations) and others.</p> <p>Governance - Board effectiveness – Independence or Oversight, Remuneration and others.</p> <p>Strategy, Financial and Reporting - Strategy/purpose, Capital allocation, Financial performance and others.</p>

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
Ruffer LLP Absolute Return Fund	17	44	Not provided
Blackstone Partners Offshore Fund (Hedge fund of funds)	Not Provided	40*	Not Provided
Invesco Real Estate UK Residential Fund		183	<p>Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) and others.</p> <p>Social - Human and labour rights (e.g. supply chain rights, community relations), Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying) and others.</p> <p>Governance - Remuneration, Leadership - Chair/CEO and others.</p> <p>Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting), Risk management (e.g. operational risks, cyber/information security, product risks)</p>
Utmost Life and Pensions- Multi-Asset Moderate			<i>No data received</i>
Utmost Life and Pensions- Multi-Asset Cautious			<i>No data received</i>
Zurich- American			<i>No data received</i>
Zurich- BlackRock Aquila 60/40 Global Equity Index			<i>No data received</i>
Zurich- Equity Managed			<i>No data received</i>
Zurich- Managed			<i>No data received</i>
Zurich- Secure			<i>No data received</i>

Source: Managers

* Blackstone has provided the number of entities engaged with instead of number of engagements.

AIL considers its most material allocations to be to the GQG and Harris equity funds and has therefore provided detailed engagement information for these funds only.