British Tourist Boards’ Staff Pension and Life Assurance Scheme

Statement of Compliance with the British Tourist Boards’ Staff Pension and Life Assurance Scheme’s Stewardship Policy for the year ending 31 March 2022.

Introduction

This is the Trustees’ statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustees have complied with the Scheme’s Stewardship Policy during the period from 1 April 2021 to 31 March 2022.

Stewardship policy

The Trustees’ Stewardship Policy is included in the Scheme’s Statement of Investment Principles (SIP) document and sets out how the Trustees will behave as an active owner of the Scheme’s assets which includes the Trustees’ approach to:

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustees monitor and engage with their investment managers and any other stakeholders.

The Scheme’s Stewardship Policy is reviewed at least every three years in line with the Scheme’s SIP, or sooner if there is a requirement to do so. The Trustees last reviewed the Scheme’s SIP in November 2021 however there were no amendments made to the Trustees’ policies on stewardship of assets (the changes reflected updates to asset allocation and amendments to ESG and climate-change wording).

You can review the Scheme’s Stewardship Policy, which can be found within the Scheme’s Statement of Investment Principles, at https://www.btbpensionscheme.org.uk/for-members/library/#1493809696224-3cdd248f-d06f73f1-0d79

Policy Wording

The Trustees have delegated voting and engagement activity in respect of the underlying assets to the Scheme’s investment managers. The Trustees believe it is important that their investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company’s financial performance.

Policy implementation

The Trustees’ own engagement activity is focused on their dialogue with their investment managers which is undertaken in conjunction with their investment advisers. The Trustees meet regularly with the Scheme’s investment managers and the Trustees consider managers’ exercise of their stewardship responsibilities both during these meetings and through reporting provided by their investment adviser.

The Trustees also monitor their compliance with their Stewardship Policy on a regular basis and are satisfied that they have complied with the Scheme’s Stewardship Policy over the year to 31 March 2022.

Voting activity

The Trustees seek to ensure that the Scheme's managers are excising voting rights and where appropriate and monitor managers voting patterns. The Trustees also monitor investment manager's voting on particular companies or issues that affect more than one company.

The Scheme has investments in equity assets with attaching voting rights through pooled equity funds managed by LGIM. The Scheme also has exposure to equity assets through the Baillie Gifford and Insight multi-asset funds. The investment managers have reported on how votes were cast in each of these mandates as set out in the table below as at 31 March 2022.

As at 31 March 2022	Baillie Gifford Diversified Growth Fund	Insight Broad Opportunities Fund	LGIM Diversified Multi-Factor Equity Fund	LGIM UK Equity Index Fund	LGIM North America Equity Index Fund	LGIM Europe (ex UK) Index Fund	LGIM Japan Equity Index Fund	LGIM Asia Pacific ex Japan Index Fund
Proportion of Scheme assets (in aggregate)	9.0%	7.4%	8.2%	0.9%	4.7%	0.7%	0.4%	0.4%
No. of meetings eligible to vote at during the year	133	12	1,276	772	663	549	512	499
No. of resolutions eligible to vote on during the year	1,537	141	16,077	10,813	8,181	9,447	6,109	3,457
% of resolutions voted	88.1%	100.0%	99.9%	99.9%	99.7%	99.8%	100.0%	99.9%
% of resolutions voted with management	96.0%	99.3%	80.9%	93.1%	70.4%	82.2%	86.6%	73.4%
% of resolutions voted against management	3.4%	0.7%	17.9%	6.9%	29.5%	17.1%	13.3%	26.4%
% of resolutions abstained	0.6%	0.0%	1.2%	0.0%	0.1%	0.7%	0.0%	0.2%
% of meetings with at least one vote against management	18.1%	8.3%	68.3%	43.6%	94.7%	76.9%	75.0%	72.9%

Significant votes

The Trustees have asked their managers to report on – in the manager's opinion – the most significant votes cast within the funds they manage on behalf of the Scheme. The managers were asked to explain the reasons why votes identified were significant, the size of the position in the portfolio, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote. While the term 'significant votes' has not been defined, guidance suggests that a vote should be considered significant if it relates to situations where there is disagreement between the manager (on behalf of investors) and the company; including matters such as shareholder rights, corporate governance, corporate strategy and corporate behaviour. However, some resolutions which may be significant from an investment point of view, such as uncontroversial mergers and takeovers, may not be included.

Each manager responsible for managing equity assets on the Scheme's behalf has provided the Trustees with a long-list of significant votes. Insight did not provide examples of significant votes for reasons detailed below. From that long-list, the Trustees have identified the following votes as being of greater relevance to the Scheme:

LGIM

Domino's Pizza Group Plc, UK, 22 April 2021

The company management put forward a resolution to re-elect Matt Shattock as Director on 22 April 2021. LGIM voted against the resolution (against management). We set out LGIM's comments on the resolution below:

"The company is deemed to not meet minimum standards with regards to climate risk management and disclosure. LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change. LGIM will continue to engage with the company and monitor progress."

This vote was considered of greater relevance to the Scheme as it evidenced the manager voting against company management due to issues relating to climate change.

Frasers Group plc, UK, 29 September 2021

LGIM voted against a resolution to receive and adopt report and accounts on 29 September 2021. We set out LGIM's comments on the resolution below:

"LGIM's corporate governance policy requires all UK-listed companies to meet the requirements of the Modern Slavery Act 2015. Section 54 of the Act requires companies to provide a statement setting out the steps they have taken to ensure that slavery and human trafficking is not taking place in their own operations or within their supply chain. In addition, the statement should be signed by the board of directors. LGIM will sanction any company that has failed to meet the requirements of the Act for two consecutive years. Not only do we consider this to be serious governance failing, we see this as both a humanitarian crisis and a risk to a company's operating model. In 2016, it is estimated that there were more than 40 million cases of modern slavery globally; the true figure today is thought to be significantly higher, LGIM is part of a collaborative engagement group that is trying to ensure UK companies comply with this legislation."

This vote was considered of greater relevance to the Scheme as it evidenced the manager voting in relation to one human rights / inequality.

Baillie Gifford

Galaxy Entertainment Group Ltd, 13 May 2021

Baillie Gifford opposed multiple resolutions relating to the incentive plan as they did not believe they were in the interests of shareholders. They opposed the Share Option Scheme specifically due to poor disclosure and the potential conflict of having the plan administrators eligible to participate in the plan. Baillie Gifford provided the following narrative for this vote:

"We have opposed similar resolutions in previous years and will continue to advise the company of our concerns and seek to obtain proposals that we can support. This resolution is significant because it received greater than 20% opposition."

They also opposed two resolutions which sought authority to issue equity because of the potential dilution levels. Baillie Gifford provided the following narrative for this vote:

"Our principle concern was with the poor disclosure of how performance is calculated and awards granted under the Share Option Scheme. The resolution received a significant dissent with a 22% opposition. Following the AGM we contacted the company to encourage improved disclosure in this area. This resolution is significant because it received greater than 20% opposition."

Insight

Insight did not provide case studies detailing significant votes because they do not feel that the structure of the Broad Opportunities Fund's equity positions (i.e. the means of exposure, often using derivatives) make it possible to provide comparable examples to conventional equity exposure. Insight's comment on this matter is set out below (unchanged from previous year):

"The strategy invests in listed closed-end investment companies with a focus on cash-generative investments in social infrastructure, renewable energy and asset-backed aviation finance. The corporate structure of closed-end investment companies held in the strategy includes an independent board which is responsible for providing an overall oversight function on behalf of all shareholders. This governance framework includes a range of aspects including setting out investment objectives, and on an ongoing basis ensuring that the underlying strategy and portfolio activities within it remain within the agreed framework. This governance framework, that is with an independent board acting on behalf of shareholders, generally limits contentious issues that can arise with other listed entities. As a result, examples of significant votes cast that may be comparable to other listed entities are not applicable to the strategy's exposures."

Engagement activity

To comply with the Scheme's Stewardship Policy the Trustees aim to meet with the Scheme's investment managers at least once a year. The Trustees will usually do this through an annual 'manager day' meeting. The last manager day meeting took place in December 2021.

Prior to each manager meeting, the Trustees and their investment advisor sets each manager a comprehensive agenda to assist the Trustees in holding each manager to account. The agenda covers a wide range of topics including review of short and long term performance in the market context, market outlook, risks and opportunities, and responsible investing. In addition, the Trustees' investment advisor prepared a paper prior to the meeting setting out the policies included within the SIP and how the Trustees could comply with the policies through the manager day meeting.

In addition to regular manager day meetings, the Trustee may also meet with the Scheme's managers on an ad-hoc basis, for example to discuss any relevant market themes, concerns or opportunities. An example of this was an infrastructure manager selection exercise for the VisitScotland Section of the Scheme.

The below table sets out the engagement meetings with managers over the year to 31 March 2022. We also draw out details of any stewardship / responsible investment matters discussed between the Trustees and the managers.

Meeting date	Manager / fund	Stewardship / responsible investment matters discussed	Outcome
19 January 2022	IFM Investors	VisitScotland Section infrastructure manager selection exercise – responsible investment considerations.	As part of the selection exercise, the trustees took the opportunity to understand the manager's approach to responsible investment within the context of an infrastructure mandate. IFM were able to give several case studies that supported their commitment to net zero (with a target date of 2050), in particular supporting companies that are leading on the energy transition. In addition, IFM is on the steering committee for the United Nations Principles of Responsible Investment (UNPRI), conducts detailed and transparent ESG reporting and adheres to the Taskforce on Climate-related Financial Disclosures (TCFD) framework. As such, the trustees were satisfied that IFM is committed to responsible investment.
7 December 2021	LGIM market-cap equity portfolio LGIM Diversified Multi-Factor Equity Fund	Broad range of ESG and stewardship matters pertinent to the Scheme.	The Trustees were comfortable with the Manager's approach to responsible investment and their engagement practices. LGIM have worked to make ESG materials more accessible through online portals and trustee education materials. Significant work has been done in the last two years on ESG, providing stewardship, adding new exclusions, and monitoring the carbon footprint (which has lowered the carbon footprint of the multi-factor fund by 50%, with plans to be carbon neutral by 2050). It was also confirmed that four companies were disinvested, following engagement, due to LGIM's climate pledge not being consistent with investment in these companies.
7 December 2021	Partners Group Multi-Asset Credit Fund 2017	Broad range of ESG and stewardship matters pertinent to the Scheme.	The Trustees were comfortable with the Manager's approach to responsible investment and their engagement practices. Partners Group have been UNPRI signatories since 2008 and achieved an A+ rating for the last 6 years. ESG is now part of all processes and Partners Group is moving towards further embedding ESG within their lending criteria (e.g. via ratchets). They outlined their new concept of sustainability-linked loans, where the interest rate varies depending on ESG goals. Partners Group set ESG key performance indicators (KPIs) for borrowers. If the company meets their KPIs by a

			set date, the interest rate decreases by an agreed number of basis points (typically up to 5). This provides a small saving for the company, but also allows for tracking of KPIs and allows Partners to have influence over the ESG factors.
7 December 2021	Columbia Threadneedle Property Unit Trust	Broad range of ESG and stewardship matters pertinent to the Scheme.	The Trustees were comfortable with the Manager's approach to responsible investment and their engagement practices. The manager discussed his vision for an increased emphasis on ESG going forward, which will be boosted by their merger with Bank of Montreal. Discussion was also held regarding the carbon efficiency of rebuilding vs retrofitting offices; with the manager suggesting that retrofitting can be more carbon efficient than rebuilding, but that the focus on ESG means that how buildings are built is likely to change and so incremental improvements in sustainability and cost efficiency are likely to occur.
7 December 2021	BlackRock LDI portfolio BlackRock Diversified Credit Fund	Broad range of ESG and stewardship matters pertinent to the Scheme.	The Trustees were comfortable with the Manager's approach to responsible investment and their engagement practices. The Trustees noted that conventional stewardship and engagement practises were not of material relevance for this mandate given the underlying assets being held (government bonds and synthetic credit). However, BlackRock did provide an overview on ESG and sustainability. Blackrock is focussing on three key areas: building technology and tools for measurement, creating investment solutions to align client thinking, and stewardship (improving transparency on how companies are held accountable). Also highlighted was the possibility of including green gilts in the LDI portfolio – government bonds ringfenced for projects dedicated to tackling environmental challenges.
7 December 2021	Insight Broad opportunities Fund	Broad range of ESG and stewardship matters pertinent to the Scheme.	The Trustees were comfortable with the Manager's approach to responsible investment and their engagement practices. Insight gave a detailed overview of how each of the UNPRI's six principles were embedded within the management of the fund, noting an improving ESG rating distribution and lower carbon intensity of the fund. Also discussed was their approach to stewardship and engagement, with recent case studies highlighted.

7 December 2021	Baillie Gifford Diversified Growth Fund	Broad range of ESG and stewardship matters pertinent to the Scheme.	The Trustees were comfortable with the Manager's approach to responsible investment and their engagement practices. Baillie Gifford were challenged by the Trustees on how they consider ESG factors when investing in Chinese equities. The manager acknowledged general concerns around ESG in China, however stated that the Chinese market does also contain a number of companies with strong sustainability credentials. In general terms, ESG has been incorporated into strategy since outset, as they believe it makes financial sense from a long-term view. Baillie Gifford uses an 8-question framework when picking investments. They gave examples of disinvestments following engagement; Kepple Infrastructure Trust, due to insufficient clarity on how they intend to transition carbon-based infrastructure and coal assets out of the fund; and Kepco Korea Electric, which failed to respond to Baillie Gifford on ESG matters.

Manager engagement activity

The Trustees expects its investment managers to engage with company management on the Scheme's behalf on relevant issues. As part of the manager day meeting, each manager was asked to provide case studies of engagement activity on the Scheme's behalf. Of particular importance to the Trustees is the managers' engagement framework which sets out how they identify companies to engage with, what format the engagement is in (i.e. meetings, letters, press releases) and how the managers then evaluate the impact of their engagement. Following the manager day meeting in 2021, the Trustees are satisfied that each manager is carrying out their engagement responsibilities on behalf of the Scheme.

Use of a proxy adviser

The Trustees investment managers have made use of the services of the following proxy voting advisors over the Scheme year:

Manager	**Proxy Advisor used**
LGIM	LGIM use **Institutional Shareholder Services ("ISS")** electronic voting platform to carry out proxy voting. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure ISS votes in accordance with LGIM's position on ESG, the manager has put in place a custom voting policy with specific voting instructions.
Insight	Insight use the services of **Minerva Analytics (Minerva)** for the provision of proxy voting services and votes at meetings where it is deemed appropriate and responsible to do so. Minerva provides research expertise and voting tools through sophisticated proprietary IT systems allowing Insight to take and demonstrate responsibility for voting decisions. Independent corporate governance analysis is drawn from market, national and international legal and best practice provisions from jurisdictions around the world. Independent and impartial research provides advance notice of voting events and rules-based analysis to ensure contentious issues are identified. Minerva Analytics analyses any resolution against Insight-specific voting policy templates which will determine the direction of the vote.
Baillie Gifford	Baillie Gifford have access to the voting recommendations of proxy advisors (**ISS and Glass Lewis**) but do not delegate or outsource any stewardship activities or follow or rely upon their recommendations when deciding how to vote on resolutions. All client voting decisions are made in-house. Baillie Gifford vote in line with their in-house policy and not with the proxy voting providers' policies. They also employ specialist proxy advisors in the Chinese and Indian markets to provide them with more nuanced market specific information.