

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 2023.

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 2022 to 31 March 2023.

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 2023.

Voting activity

The Trustees seek to ensure that the Scheme's managers are exercising 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 2023.

As at 31 March 2023	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)	7.4%	6.2%	6.2%	0.9%	3.9%	0.7%	0.4%	0.4%
No. of meetings eligible to vote at during the year	97	11	1,587	733	676	618	505	503
No. of resolutions eligible to vote on during the year	1,061	152	19,925	10,870	8,543	10,391	6267	3590
% of resolutions voted	97.9%	100.0%	99.9%	99.9%	99.4%	99.9%	100.0%	100.0%
% of resolutions voted with management	95.8%	100.0%	79.3%	94.5%	65.4%	81.0%	88.8%	70.8%
% of resolutions voted against management	3.3%	0.0%	19.2%	5.5%	34.6%	18.5%	11.3%	29.2%
% of resolutions abstained	1.0%	0.0%	1.5%	0.0%	0.1%	0.5%	0.0%	0.0%
% of meetings with at least one vote against management	22.7%	0.0%	71.3%	37.9%	97.2%	79.1%	71.5%	74.4%

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

Rio Tinto Limited, Australia, 5 May 2022

The company management put forward a resolution to Approve Climate Action Plan on 5 May 2022. LGIM voted against the resolution (against management). We set out LGIM's comments on the resolution below:

"We recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.."

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.

NVIDIA Corporation, USA, 2 June 2022

LGIM voted against a resolution to Elect Director Harvey C. Jones on 2 June 2022. We set out LGIM's comments on the resolution below:

"LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. We are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue. A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.."

This vote was considered of greater relevance to the Scheme as it evidenced the manager voting in relation to diversity, and in particular voting against management.

Baillie Gifford

Leg Immobilien, 19 May 2022

Baillie Gifford opposed the executive compensation policy as they did not believe the performance conditions are sufficiently stretching. The vote was passed, however Baillie Gifford re-engaged with the company to let them know about their dissent on remuneration and set out their expectations on pay.

CBRE Group, 18 May 2022

Baillie Gifford opposed a shareholder resolution to lower the threshold for shareholders to call a special meeting as they considered that the existing threshold is appropriate, noting:

“Ahead of voting, we held an engagement call with the company to discuss the proposed agenda. We were satisfied to learn about the company's efforts to engage with their holders, including the proponent, who according to the company, did not have any particular concerns over CBRE but backs a lower threshold out of principle. We intend to follow up with the company later in a year to speak about governance developments.”

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 and public, renewable energy and economic infrastructure sectors. 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 November 2022. All the Scheme's investment managers provided detailed presentations ahead of the meeting, however on this occasion the focus was on the Scheme's LDI manager, BlackRock, and Baillie Gifford, one of the Scheme's multi-asset managers.

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 investment 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.

The below table sets out the engagement meetings with managers over the year to 31 March 2023. 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
15 November 2022	<p>BlackRock LDI portfolio</p> <p>BlackRock Diversified Credit Fund</p>	Broad range of ESG and stewardship matters pertinent to the Scheme.	<p>The Trustees were comfortable with the Manager's approach to responsible investment and their engagement practices. Although the meeting focussed on the recent gilts crisis and its impact on the Liability Driven Investments, BlackRock also provided a report with details of how ESG considerations drive the LDI portfolios.</p> <p>The Trustees highlighted the fact that BlackRock's section on ESG in their report was not as extensive as some of the other managers. BlackRock provided details of how different teams, Trading team, LDI team and cash team contribute to the Fund achieving its ESG objectives.</p>
15 November 2022	Baillie Gifford Diversified Growth Fund	Broad range of ESG and stewardship matters pertinent to the Scheme.	<p>The Trustees were comfortable with the Manager's approach to responsible investment and their engagement practices.</p> <p>Baillie Gifford provided a meeting pack covering ESG factors that are considered around engagement with their holdings. 5 key areas were mentioned - prioritisation of long term value creation, constructive and purposeful boards, long term focussed remuneration targets, fair treatment of stakeholders and sustainable business practices.</p> <p>They gave examples of an operational renewables company and a logistics warehousing company - where they discussed issues with local communities and management. They also questioned management on climate targets and carbon neutrality.</p>

Manager engagement activity

The Trustees expect its investment managers to engage with company management on the Scheme's behalf on relevant issues. As part of the manager day meeting packs, 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. 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.

Scheme's detailed net assets by section (unaudited)

The Scheme and its sections' net assets comprised of the following at the year end.

	VB	VS	VL	WG	Total	Total
	2023	2023	2023	2023	2023	2022
	£'000	£'000	£'000	£'000	£'000	£'000
Legal & General UK Equity Index	1,134	1,262	-	-	2,396	3,286
Partners Group MAC 2017 Fund	10,984	4,923	-	3,756	19,663	23,448
Partners Group MAC VI Fund	4,992	4,992	-	-	9,984	6,632
Baillie Gifford Diversified Growth Fund	12,254	4,931	1,032	2,500	20,717	34,015
Threadneedle Property Unit Trust Class A Units	8,723	4,959	-	1,719	15,401	27,373
Legal & General Gilts (Visit London)	-	-	13,797	-	13,797	21,369
Legal & General North America Equity Index	5,139	5,856	-	-	10,995	17,737
Legal & General Europe (ex-UK) Equity Index	952	906	-	-	1,858	2,460
Legal & General Japan Equity Index	603	571	-	-	1,174	1,544
Legal & General Asia Pacific (ex-Japan) Equity Index	535	516	-	-	1,051	1,508
LGIM Diversified Multi-Factor Equity Fund	8,231	9,113	-	-	17,344	30,430
BlackRock Fixed Income	11,487	1,952	-	2,245	15,684	14,913
BlackRock Liability Hedging	43,063	17,064	-	7,643	67,770	96,276
BlackRock Index Linked	5,103	362	-	2,564	8,029	-
BlackRock Cash & Commitments	11,040	5,117	-	-	16,157	18,054
Insight Broad Opportunities Fund	12,314	5,045	-	-	17,359	27,700
IFM Global Infrastructure	-	9,669	-	-	9,669	-
AVCs	110	499	6	2	617	560
Insurance policies – annuities	6,596	855	6,871	20,877	35,199	40,275
Cash	186	48	-	243	477	435
Other investment balances	307	149	-	69	525	261
Invested assets	143,753	78,789	21,706	41,618	285,866	368,276
Current assets less current liabilities	1,470	1,096	51	424	3,041	8,546
Total net assets	145,223	79,885	21,757	42,042	288,907	376,822