

International Power Group of the Electricity Supply Pension Scheme

Implementation Statement, covering 1 April 2022 to 31 March 2023 (“Group Year”)

The Group Trustee of the International Power Group (the “Group”) of the Electricity Supply Pension Scheme is required to produce a yearly Statement setting out how, and the extent to which, the Group Trustee has followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the year.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, the Group Trustee (including the most significant votes cast on behalf of the Group Trustee) and to state any use of the services of a proxy voter during that year.

In preparing the Statement, the Trustee has had regard to the [guidance](#) on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Group Year. These policies were last updated in December 2021.

The Group Trustee has, in its opinion, followed the Group’s voting and engagement policies during the Group Year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, by seeking to appoint managers that have strong stewardship policies and considering a manager’s ESG credentials during the selection, retention, and realisation of investments.

The Group Trustee took a number of steps to review the Group’s investment managers and funds over the period, as described in the following section.

2. Voting and engagement

The Group Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. However, the Group Trustee takes ownership of the Group’s stewardship by monitoring and engaging with managers as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Group’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

The Group Trustee monitors LCP’s Responsible Investment scores of the Group’s investment managers on a quarterly basis as part of its investment monitoring. The Trustee undertakes a more comprehensive review of managers’ voting and engagement practices on a periodic basis, the last such review was in Q1 2022.

The Group Trustee is supportive of the UK Stewardship Code with which they expect the managers to comply and to produce a commitment statement. Over the Group Year all of the Group’s investment managers were signatories to the UK Stewardship Code and were committed to the UN Principles for Responsible Investment.

Following the introduction of DWP’s guidance, the Group Trustee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. The Directors discussed their stewardship priorities and decided to adopt 3 priorities which were climate change, corporate transparency and business ethics. These priorities were selected as the Group Trustee believes that they reflect key market-wide risks and are areas where good stewardship and engagement can improve long-term financial outcomes for the Group’s members. The Trustee communicated these priorities to its managers after the Group Year end.

The Group Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Group Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

3. Description of voting behaviour during the Group Year

The Group Trustee's holdings in listed equities are held via pooled funds. The Group Trustee is not able to direct how votes are exercised for those equities held in pooled funds and the Group Trustee itself has not used proxy voting services over the year. All voting is carried out by the investment managers.

In this section we have sought to include relevant voting data on the mandate used by the Group that held equities over the Group Year, which is the L&G Low Carbon Transition Developed Equity Index Fund.

In addition to the above, the Group Trustee's investment adviser, LCP, contacted the Group's other asset manager. None of the other pooled funds that the Group invested in over the Group Year held any assets with voting opportunities.

3.1 Description of the voting processes

For assets with voting rights, the Group Trustee relies on the voting policies which its managers have in place.

L&G

L&G's voting and engagement activities are driven by its ESG professionals and their assessment of the requirements in these areas. L&G seeks to achieve the best outcome for all its clients. L&G's voting policies are reviewed annually and take into account feedback from clients. Every year, L&G holds a stakeholder roundtable event where clients and other stakeholders are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as they continue to develop their voting and engagement policies and define strategic priorities in the years ahead.

All decisions are made by L&G's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant companies. The Investment Stewardship team use third parties to augment their own research and proprietary ESG assessment tools when making specific voting decisions.

To ensure its proxy provider votes in accordance with its position on ESG, L&G has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what it considers to be minimum best practice standards which all companies globally should observe, irrespective of local regulation or practice.

L&G retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows L&G to apply a qualitative overlay to its voting judgement. It has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by the service provider. This includes a regular manual check of the votes inputted into the platform, and an electronic alert service to inform L&G of rejected votes which require further action.

3.2 Summary of voting behaviour over the Group Year

| | Fund 1 |
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| Manager name | L&G |
| Fund name | Low Carbon Transition Developed Markets Equity Index Fund |
| Total size of fund at end of reporting period | £1.8bn |
| Value of Group assets at end of reporting period (£ / % of total assets) | £16.0m / 6% |
| Number of equity holdings at end of reporting period | 1,482 |
| Number of meetings eligible to vote | 1,760 |
| Number of resolutions eligible to vote | 24,018 |
| % of resolutions voted | 99.8% |
| Of the resolutions on which voted, % voted with management | 78.5% |
| Of the resolutions on which voted, % voted against management | 21.3% |
| Of the resolutions on which voted, % abstained from voting | 0.2% |
| Of the meetings in which voted, % with at least one vote against management | 81.0% |
| Of the resolutions on which voted, % voted contrary to recommendation of proxy advisor | 15.0% |

3.3 Most significant votes over the Group Year

Commentary on the most significant votes over the period, from the Group's asset managers who hold listed equities, is set out below. The Group Trustee has reported on the significant votes that were most relevant to its stewardship priorities.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Group Trustee did not identify significant voting ahead of the reporting period. Instead, the Group Trustee has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria for creating this shortlist.

The Group Trustee has interpreted "significant votes" to mean those that align with the stewardship priorities (climate change, corporate transparency and business ethics.)

L&G Low Carbon Transition Developed Markets Equity Index Fund

- **Alphabet Inc, USA, June 2022. Vote: For. Outcome of the vote: Against**

Summary of the resolution: Resolution 7 - Report on Physical Risks of Climate Change

Rationale: A vote in favour is applied as L&G expects companies to be taking sufficient action on the key issue of climate change.

Criteria against which this vote has been assessed as "most significant": L&G considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.

Stewardship priority: Climate change

- **Meta Platforms Inc, USA, May 2022. Vote: For. Outcome of the vote: Against**

Summary of the resolution: Resolution 5 – Require Independent Board Chair

Rationale: Shareholder Resolution – Joint Chair/CEO: A vote in favour is applied as L&G expects companies to establish the role of an independent Board Chair.

Criteria against which this vote has been assessed as “most significant”: L&G considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

Stewardship priority: Corporate transparency

- **McDonald's Corporation, USA, May 2022. Vote: For. Outcome of the vote: Against**

Summary of the resolution: Resolution 6 - Report on Public Health Costs of Antibiotic Use and Impact on Diversified Shareholders

Rationale: L&G voted in favour of the proposal as they believed the proposed report would contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company's supply chain and its impact on global health, with a particular focus on the systemic implications. Antimicrobial resistance (AMR) continues to be a key focus of the L&G Investment Stewardship team's engagement strategy. L&G believe that, without coordinated action today, AMR could prompt the next global health crisis, with a potentially dramatic impact on the planet, people and global GDP. While L&G note the company's past efforts to reduce the use of antibiotics in its supply chain for chicken, beef and pork, L&G believe AMR is a financially material issue for the company and other stakeholders, and that concerted action is needed sooner rather than later. By supporting this proposal, L&G want to signal to the company's board of directors the importance of this topic and the need for action.

Criteria against which this vote has been assessed as “most significant”: L&G views this to be financially material issue for McDonald's, with implications for the assets it manages on their behalf.

Stewardship priority: Business ethics

L&G stated that it will continue to engage with its investee companies, publicly advocate its position on the above issues, and monitor company and market-level progress.