

# *First Hydro Company Group of the Electricity Supply Pension Scheme*

## *Implementation Statement, covering 1 April 2024 to 31 March 2025 (“Group Year”)*

The Group Trustees of the First Hydro Company Group (the “Group”) of the Electricity Supply Pension Scheme are required to produce a yearly Statement setting out how, and the extent to which, the Group Trustees have followed the voting and engagement policies in their 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 Trustees (including the most significant votes cast on behalf of the Group Trustees) and to state any use of the services of a proxy voter during that year.

In preparing the Statement, the Group Trustees have 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 review of the SIP was undertaken during the Group Year. The last time the SIP was formally reviewed was October 2023.

The latest SIP can be found online at <https://www.engie.co.uk/ENGIE-UK-pensions>.

The Group Trustees have, in their opinion, followed the Group’s voting and engagement policies during the Group Year, by continuing to delegate to their 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 Trustees 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 Trustees have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. However, the Group Trustees take 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. During the Group Year, the Trustees completed a manager selection exercise for appointing a new credit mandate. The selection and appointment process was informed by the LCP’s research views which include consideration of the managers’ voting and engagement policies and how effective these are. The Trustees invested in a new pooled fund with Aegon Asset Management (“Aegon”), and as part of the selection the Group Trustees were satisfied with Aegon’s voting and engagement policies.

Should LCP become concerned about the way in which any of the investment managers are undertaking voting and engagement, it would notify the Group Trustees and suggest a course of action to take, which may include more detailed engagement with a manager to improve its policies or possibly to review the manager. There were no significant concerns raised about any of the investment managers during the Group Year.

The Group Trustees monitor LCP’s Responsible Investment (“RI”) scores of the Group’s investment managers on a quarterly basis as part of its investment monitoring. The Group Trustees were satisfied with the results of the reviews during the Group Year and no further action was taken. The Group Trustees undertakes a more comprehensive review of managers’ voting and engagement practices on a periodic basis, the previous such review was in Q1 2022 and the next more comprehensive review took place following the end of the Group Year in May 2025.

The Group Trustees are 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 Trustees 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 are climate change, corporate transparency and business ethics. These priorities were selected as the Group Trustees believe 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 Group Trustees communicated these priorities to their managers and informed the managers of their expectations in relation to ESG and stewardship in Q2 2023. The priorities were reviewed after the Group Year end in May 2025, and no changes were made to the priorities.

Additionally, the Group Trustees received quarterly updates on ESG and Stewardship related issues from LCP, to ensure they remained up to date on the latest developments in the area.

The Group Trustees are 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 Trustees aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

### 3. Description of voting behaviour during the Group Year

The Group Trustees' holdings in listed equities are within pooled funds. Therefore, the Group Trustees are not able to direct how votes are exercised and the Group Trustees themselves have 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 in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Group's funds that held equities over the Group Year as follows:

- L&G Low Carbon Transition UK Equity Index
- L&G Low Carbon Transition Developed Markets Equity Index GBP Hedged

Please note this does not include the AVC investments, as these assets are not considered significant in size, in relation to the overall investments of the Group.

In addition to the above, the Group Trustee's investment adviser, LCP, contacted the Group's other asset manager, Aegon, who was appointed by the Group Trustees in October 2024. Aegon confirmed that there were some voting opportunities for the European Asset Backed Securities ("ABS") fund in which the Group invested, over the year to 31 March 2024. Aegon were only able to provide data for the full year, so this has been included in the Statement.

#### 3.1 Description of the voting processes

For assets with voting rights, the Group Trustees rely on the voting policies which the 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. L&G also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

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. This helps ensure the stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to 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.

## Aegon

Aegon first investigates the situation and the available options on receiving of notification of a vote. If the issuer has not already reached out, Aegon reach out to the issuer to make sure the situation and motives are fully clear. The best vote for the clients is determined within the ABS investment team, in case needed with input or advice from experts. Aegon's votes need authorisation of at least two portfolio managers. Aegon treat all votes as significant.

Voting is rare and in principle always related to technical adjustments of the transaction documentation, such as cash flows of trigger dates or necessary language to comply with changing regulation. Aegon's policy is to vote in line with the mandate restrictions and in the best economic interest on the client. Investment decisions within the limits of the mandate restrictions are not consulted with clients beforehand.

### 3.2 Summary of voting behaviour over the Group Year

Manager and Fund name	L&G Low Carbon Transition UK Equity Index	L&G Low Carbon Transition Developed Markets Equity Index	Aegon European ABS Fund
Total size of fund at end of reporting period	£1.0bn	£1.9bn	€7.7bn
Value of Group assets at end of reporting period (£ / % of total assets)	£3.8m (3%)	£2.7m (2%)	£6.6m (6%)
Number of equity holdings at end of reporting period	78	1,341	0
Number of meetings eligible to vote	92	1,527	n/a
Number of resolutions eligible to vote	1,849	21,428	11
% of resolutions voted	100%	99.5%	100%
Of the resolutions on which voted, % voted with management	96.5%	78.2%	100%
Of the resolutions on which voted, % against management	3.5%	21.3%	0%
Of the resolutions on which voted, % abstained from voting	0.0%	0.5%	0%
Of the meetings in which the manager voted, % with at least one vote against management	31.5%	78.9%	n/a
Of resolutions on voted, % voted contrary to recommendation of proxy advisor	3.4%	15.9%	n/a

### 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 Trustees have 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 Trustees did not identify significant voting ahead of the reporting period. Instead, the Group Trustees have 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 Pension and Lifetime Savings Association (PLSA) criteria for creating this shortlist.

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

#### L&G Low Carbon Transition UK Equity Index

- **Unilever Plc, May 2024. Vote: For (against management recommendation). Outcome of the vote: For**

**Summary of the resolution:** Resolution 4: Approve Climate Transition Action Plan

**Rationale:** L&G's minimum expectations include the disclosure of scope 1, 2 and material scope 3 GHG emissions and short, medium and long-term GHG emissions reduction targets consistent with a 1.5°C Paris goal. Despite the SBTi recently removing their approval of the company's long-term scope 3 target, L&G note that the company has recently submitted near term 1.5 degree aligned scope 3 targets to the SBTi for validation and therefore, at this stage, L&G believe the company's ambition level to be adequate. L&G therefore remain supportive of the net zero trajectory of the company at this stage.

**Criteria against which this vote has been assessed as "most significant":** L&G is publicly supportive of so called "Say on Climate" votes. L&G expects transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, L&G deem such votes to be significant, particularly when L&G votes against the transition plan.

**Stewardship priority:** Climate change

#### L&G Low Carbon Transition Developed Markets Equity Index

- **The Boeing Company, May 2024. Vote: For (against management recommendation). Outcome of the vote: Against**

**Summary of the resolution:** Resolution 6 – Report on Median and Adjusted Gender/Racial Pay Gaps

**Rationale:** A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap.

**Criteria against which this vote has been assessed as "most significant":** This shareholder resolution is considered significant due to the relatively high level of support received.

**Stewardship priority:** Corporate Transparency

- **Bank of America Corporation, April 2024. Vote: For (against management recommendation). Outcome of the vote: Against**

**Summary of the resolution:** Resolution 7 – Report on Clean Energy Supply Financing Ratio

**Rationale:** L&G believes that banks and financial institutions have a significant role to play in shifting financing from 'brown' to funding the transition to 'green'. L&G expects the company to be undertaking appropriate analysis and reporting on climate change matters, as they consider this issue to be a material risk to companies.

**Criteria against which this vote has been assessed as “most significant”:** L&G considers this vote to be significant as they pre-declared the intention to support.

**Stewardship priority:** Climate change

- **Microsoft Corporation, December 2024. Vote: For (against management recommendation). Outcome of the vote: Against**

**Summary of the resolution:** Resolution 9 - Report on AI Data Sourcing Accountability

**Rationale:** L&G notes that Microsoft is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, L&G believes that shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models.

**Criteria against which this vote has been assessed as “most significant”:** L&G considers this vote to be significant due to the relatively high level of support received.

**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.

#### **Aegon European ABS Fund**

- **Polaris 2021-1 and 2022-1, December 2024. Vote: For (with management recommendation). Outcome of the vote: For**

**Summary of the resolution:** Consent solicitations to keep up to 10% of product switches in these transactions.

**Rationale:** An administrative change to comply with updated regulation

**Criteria against which this vote has been assessed as “most significant”:** As voting is very rare for ABS, Aegon treats all votes as significant.

**Stewardship priority:** Corporate transparency

- **JPMF 7, March 2025. Vote: For (with management recommendation). Outcome of the vote: For**

**Summary of the resolution:** A certification requirement for the above security that will evidence an investors eligibility to hold or sell securities.

**Rationale:** To confirm that Aegon are an eligible holder.

**Criteria against which this vote has been assessed as “most significant”:** As voting is very rare for ABS, Aegon treats all votes as significant.

**Stewardship priority:** Corporate transparency