

Implementation Statement, covering the year from 1 April 2023 to 31 March 2024

The Group Trustees of the Powerhouse Retail Group of the Electricity Supply Pension Scheme (the “Group”) are required to produce a yearly statement to set 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. This is provided in Section 1 below.

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 by the Group Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

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

The SIP was formally reviewed and updated during the Scheme Year, in July 2023, to include additional wording around stewardship in relation to DWP’s new guidance on Reporting on Stewardship and Other Topics through the SIP and Implementation Statement, which expects trustees to take a more active role in monitoring and engaging with managers on stewardship.

The SIP was also updated to include a new climate-related investment belief. The accompanying SIP Addendum was updated to reflect the Group Trustees’ new stewardship priorities and monitoring process in line with DWP’s new guidance, as well as the inclusion of climate risk as a separate risk to help strengthen the Group Trustees’ approach to climate change. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Group Trustees have, in their opinion, followed the Group’s voting and engagement policies during the year.

2. Voting and engagement

The Group Trustees have delegated to their investment manager the exercise of rights attaching to investments, including voting rights, and engagement. These policies are detailed in the following:

- [LGIM Vote Disclosures \(issgovernance.com\)](#)

However, the Group Trustees take ownership of the Group’s stewardship by monitoring and engaging with the investment manager as detailed below.

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

Following the introduction of DWP’s guidance, the Group Trustees agreed to set the following stewardship priorities, to focus monitoring and engagement with its investment managers on specific ESG factors:

- Pollution
- Human Rights
- Remuneration.

These priorities were selected as the Group Trustees believe that poor management of these factors could have a material impact on the financial performance of a company. The Group Trustees communicated these priorities to their investment manager, L&G, in March 2023. L&G confirmed that the factors were key areas of engagement for it and has provided the Group Trustees with examples of how it is managing ESG risks relating to those factors in its portfolios.

The Group Trustees review case studies of the L&G’s votes and engagements which relate to the Group Trustees’ stewardship priorities as part of their ongoing monitoring. This helps the Group Trustees to better understand its investment manager’s approach to voting and engagement and form a view on its appropriateness for the Group.

Over the year the Group Trustees reviewed 9 different case studies from their investment manager covering all three priorities. As a result of these case studies, the Group Trustees were provided comfort that its investment manager was taking action in relation to their priorities and used them to help challenge the manager on engagement over the year. The Group Trustees also received case studies relating to the manager's engagement on climate change, another key ESG risk highlighted in their SIP.

The Group Trustees are conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects their investment manager will have areas where it could improve. Therefore, the Group Trustees will continue to have an ongoing dialogue with their investment manager to clarify expectations and encourage improvements.

The Group Trustees report on LCP's responsible investment (RI) scores for the Group's manager and funds in their quarterly performance monitoring reports. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme, and it is these that directly affect LCP's manager and fund recommendations. The manager score is based on LCP's Responsible Investment Survey 2022. In addition to this, as part of the Group Trustees' quarterly review of the Group's investments, the investment advisor, LCP, highlights to the Group Trustees whether there have been any developments in this area that require the Group Trustees' attention. The Group Trustees were comfortable with the scores over the year and no further action was taken.

The Group Trustees invite their investment manager to present at each of their quarterly Trustee meetings, and therefore met with their manager a number of times during the year. During these meetings the Groups Trustees and L&G discussed the Group's investments, and where relevant, L&G's approach to ESG and climate risk management. The Group Trustees were comfortable with the manager's approach. The Group Trustees undertake a review of its manager's voting and engagement practices on an annual basis. The review was carried out in May 2023 and included a summary of the manager's voting and engagement policies and summary statistics for their voting and engagement over the previous year where available.

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 their manager to clarify expectations and encourage improvements.

3. Description of voting behaviour during the Group Year

All of the Group Trustees' holdings in listed equities are within pooled funds and the Group Trustees have delegated to their investment manager, L&G, the exercise of voting rights. 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 under review. However, the Group Trustees monitor their investment manager's voting and engagement behaviour on a quarterly basis and challenge the manager if their activity has not been in line with the Group Trustees' expectations.

Over the year, the Group held listed equities in the L&G World Equity Index Fund. In this section we have sought to include voting data on this fund in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance.

In addition to the above, the Group Trustees contacted L&G with regards to the Group's funds that do not hold listed equities, to ask if any of the assets held by the Group had voting opportunities over the year. L&G confirmed that there were no voting opportunities for the other funds that the Group invests in over the period.

3.1 Description of the voting processes

For assets with voting rights, the Group Trustees rely on the voting policies which L&G has in place. The Group Trustees review L&G's stewardship activity in relation to their stewardship priorities on a quarterly basis and is comfortable that action taken by LGIM over the year was aligned with the Group Trustees' views.

A summary of L&G's voting processes

L&G's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all L&G clients. L&G's voting policies are reviewed annually and take into account feedback from clients. Every year, L&G holds a stakeholder roundtable where clients and other stakeholders are invited to express their views directly to the members of the Investment Stewardship team.

All voting decisions are made by L&G's Investment Stewardship team and in accordance with L&G's 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 company. This ensures L&G's stewardship approach flows smoothly, and that engagement is fully integrated into the vote decision process, sending consistent messaging to companies.

L&G's Investment Stewardship team uses International Shareholder Services ("ISS")'s electronic voting platform to electronically vote using clients' shares. All voting decisions are made by L&G and no part of the strategic decision-making process is outsourced. L&G's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. L&G also use research reports from Institutional Voting Information Services to supplement the research reports that it receives from ISS for UK companies when making specific voting decisions.

To ensure its proxy provider votes in accordance with L&G's position on ESG, L&G have in place a custom voting policy with specific voting instructions. L&G retains the ability in all markets to override any vote decisions. L&G has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies.

In determining significant votes, L&G's takes into account the criteria provided by the PLSA guidance. This includes but is not limited to:

- a high profile vote which has such a degree of controversy that there is high client and/or public scrutiny;
- significant client interest for a vote: directly communicated by clients to L&G at its Stakeholder roundtable event, or where there is a significant increase in requests from clients on a particular vote;
- a sanction vote as a result of a direct or collaborative engagement; and
- a vote linked to an L&G engagement campaign.

It is vital that the proxy voting service are regularly monitored and L&G does this through quarterly due diligence meetings with ISS. L&G has its own internal Risk Management System to provide oversight of key processes. Vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. It also provides the rationale for all votes cast against management, including votes of support to shareholder resolutions.

3.2 Summary of voting behaviour

A summary of voting behaviour over the year is provided in the table below.

L&G – World Equity Index Fund	
Manager name	Legal and General Investment Management ("L&G")
Fund name	World Equity Index Fund
Total size of fund at end of reporting period (£m)	£1,852.5m
Value of Group assets at end of reporting period (£m)	£9.0m
Number of equity holdings at end of reporting period	2,915
Number of meetings eligible to vote	2,982
Number of resolutions eligible to vote	37,017
% of resolutions voted	99.9%
Of the resolutions on which voted, % voted with management	79.1%
Of the resolutions on which voted, % voted against management	20.8%
Of the resolutions on which voted, % abstained from voting	0.1%
Of the meetings in which the manager voted, % with at least one vote against management	75.3%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	15.5%

3.3 Most significant votes

Commentary on the most significant votes over the period, from the Group's asset manager who holds listed equities, L&G, is set out below.

In March 2023, the Group Trustees communicated their Stewardship priorities to L&G to help inform it of their stewardship priorities and highlight which votes they consider significant for the year ahead.

By informing L&G of their stewardship priorities and through their regular interactions with L&G, the Group Trustees believe that L&G will understand how they expect it to vote on issues for the companies it invests in on their behalf.

L&G has provided multiple examples of its most significant votes over the year. The Group Trustees have selected three votes, each based on one of the stewardship priorities set by them.

L&G World Equity Index Fund

Fisher & Paykel Healthcare Corporation, August 2023

- **Relevant stewardship priority:** Remuneration
- **Vote:** Against resolution
Outcome of the vote: Passed
Management recommendation: For resolution
- **Summary of resolution:** Approve Increase in Maximum Remuneration of Non-Executive Directors ("NEDs").
- **Rationale for the voting decision:** The proposed NED fee pool increase was substantial. Concerns were highlighted that the level of chair and NED fees were higher than New Zealand market capitalisation peers. The proposed increase in NED fee cap would allow the company to increase individual fees which would further contribute to put NED fees at this company well above its NZX-listed market capitalisation peers.
- **Approximate size of the fund's holding at the date of the vote:** 0.01%
- **The reason the Trustee considered this vote to be "most significant":** This vote relates to Remuneration, which is one of the Trustee's chosen stewardship priorities.
- **Was the vote communicated to the company ahead of the vote:** Yes
- **Outcome and next steps:** The outcome of the vote was not in line with the manager's vote. L&G will continue to engage with the company and monitor progress.

Yum! Brands Inc, May 2023

- **Relevant stewardship priority:** Pollution
- **Vote:** For resolution.
Outcome of the vote: Not passed.
Management recommendation: Against resolution.
- **Summary of resolution:** Report on efforts to reduce plastic use.
- **Rationale for the voting decision:** The issue at stake in this resolution was plastic pollution and transparency around the company's efforts to reduce plastic use, as L&G felt that the company had not aligned with industry recommended targets for reducing use of single-use plastics. L&G believes that improving the recyclability of products will have a positive impact on climate change and biodiversity, and therefore a vote for this resolution was warranted.
- **Approximate size of the fund's holding at the date of the vote:** 0.07%

- **The reason the Trustees considered this vote to be “most significant”:** This vote relates to Pollution, which is one of the Group Trustees’ chosen stewardship priorities.
- **Was the vote communicated to the company ahead of the vote:** Yes.
- **Outcomes and next steps:** The outcome of the vote was not in line with the manager’s vote. L&G will continue to engage with the company and monitor its progress.

Amazon Inc, May 2023

- **Relevant stewardship priority:** Human Rights.
- **Vote:** For resolution.
Outcome of the vote: Not passed.
Management recommendation: Against resolution
- **Summary of resolution:** Perform a third party audit on working conditions.
- **Rationale for the voting decision:** Amazon has received this proposal for a second time and has not performed a third party audit on working conditions, despite strong support for the resolution last year. LGIM believes Human Rights issues pose an important risk to investee companies and so this warranted a vote in favour of the resolution.
- **Approximate size of the fund’s holding at the date of the vote:** 1.63%
- **The reason the Trustee considered this vote to be “most significant”:** This vote relates to Human Rights, which is one of the Trustee’s chosen stewardship priorities.
- **Was the vote communicated to the company ahead of the vote:** Yes
- **Outcome and next steps:** The outcome of the vote was not in line with the manager’s vote. L&G will continue to engage with the company and monitor progress.