

# *Implementation Statement, covering the year from 1 April 2022 to 31 March 2023*

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**

No changes were made to the voting and engagement policies in the SIP during the year.

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 the 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 Groups’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 managers, the Group’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

In May 2022, the Group Trustees reviewed LCP’s responsible investment (RI) scores for the Groups’s existing manager and funds, along with LCP’s qualitative RI assessments for each fund and red flags for any managers of concern. 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 scores and red flags are based on LCP’s Responsible Investment Survey 2022. These scores are also summarised in the Group’s quarterly performance monitoring reports.

The Group Trustees were satisfied with the results of the review and no further action was taken. The Group Trustees continue to monitor the manager and fund level scores on a quarterly basis.

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. In November 2022 the Group Trustees received training on the DWP Stewardship Guidance, and discussed and agreed stewardship priorities for the Group which were: Pollution, Human Rights and Remuneration.

The Group Trustees communicated these priorities to their manager in March 2023. The Group Trustees’ quarterly investment report has been updated to include examples of Stewardship activities related to their priorities undertaken by their investment manager.

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 Trustees aim to have an ongoing dialogue with their investment manager to clarify expectations and encourage improvements.

In addition to the above, 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 Trustees' attention.

The Group Trustees regularly invite the Group's investment manager to present at Trustee meetings. Over the year, the Group Trustees met with LGIM to discuss the Group's investments, including how they used voting and engagement to improve outcomes in a passive approach to investing.

A sub-set of Group Trustees sit on a Joint Investment Sub-Committee ("JISC") comprising of Trustees from three schemes associated with the sponsoring employer. Over the year under review the JISC has received training in relation to a wide range of climate-related topics. This has included training on: the new Task Force on Climate Related Financial Disclosure ("TCFD") requirements for large pension schemes; the types of climate risks and opportunities facing pension schemes; how to identify, assess and manage climate risks; and the metrics schemes can use to monitor their climate exposures.

### 3. Description of voting behaviour during the year

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

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Group's funds that hold equities as follows:

- LGIM World Equity index Fund

In addition to the above, the Group Trustees contacted LGIM 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. LGIM 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 LGIM has in place. The Group Trustees review LGIM'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 LGIM's voting processes

LGIM'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 LGIM clients. LGIM's voting policies are reviewed annually and take into account feedback from clients. Every year, LGIM 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.

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

LGIM's Investment Stewardship team uses ISS's electronic voting platform to electronically vote using clients' shares. All voting decisions are made by LGIM and no part of the strategic decision-making process is outsourced. LGIM's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of 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 LGIM's position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.

LGIM retains the ability in all markets to override any vote decisions. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies.

As regulation on vote reporting has recently evolved with the EU Shareholder Rights Directive II, LGIM wants to ensure it continues to help its clients in fulfilling their reporting obligations. LGIM believes public transparency of its voting activity is critical for its clients and interested parties to hold them to account.

In determining significant votes, LGIM's Investment Stewardship team 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 the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM notes 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 LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

It is vital that the proxy voting service are regularly monitored and LGIM does this through quarterly due diligence meetings with ISS. LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. Annually, as part of LGIM's formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that it has the capacity and competency to analyse proxy issues and make impartial recommendations.

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 over the year

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

LGIM - World Equity Index Fund	
Manager name	Legal and General Investment Management ("LGIM")
Fund name	World Equity Index Fund
Total size of fund at end of reporting period (£m)	£1,851.5m
Value of Group assets at end reporting period (£m)	£8.5m
Number of equity holdings at end reporting period	3,309
Number of meetings eligible to vote	3,145
Number of resolutions eligible to vote	38,823
% of resolutions voted	99.9%
Of the resolutions on which voted, % voted with management	78.8%
Of the resolutions on which voted, % voted against management	20.5%
Of the resolutions on which voted, % abstained from voting	0.7%
Of the meetings in which the manager voted, % with at least one vote against management	75.6%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	14.4%

### 3.3 Most significant votes over the year

Commentary on the most significant votes over the period, from the Group's asset manager who hold listed equities, LGIM, is set out below.

The Group Trustees did not inform LGIM which votes they considered to be most significant in advance of those votes. In March 2023, the Group Trustees wrote to LGIM to inform them of their stewardship priorities and highlight which votes it considers significant for the year ahead.

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

LGIM has provided multiple examples of its most significant votes over the year. The Group Trustees have selected a subset of two votes, each covering a different stewardship priorities, as set by the Group Trustees during the year.

#### LGIM World Equity Index Fund

- **Amazon.com, Inc., May 2022.**
  - **Relevant stewardship priority:** Human Rights.
  - **Vote cast:** Against resolution.    **Outcome of the vote:** Passed.
  - **Summary of resolution:** Elect Daniel P Huttenlocher as Director
  - **Rationale for the voting decision:** LGIM voted against the resolution as, at the time of the vote, the proposed director was a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.
  - **Approximate size of the fund's holding at the date of the vote:** 1.8%
  - **The reason the Trustees considered this vote to be "most significant":** This vote relates to Human Rights, which is one of the Group Trustees' chosen stewardship priorities.
  - **Was the vote communicated to the company ahead of the vote:** Yes
  - **Outcome and next steps:** LGIM will continue to engage with the investee company, publicly advocate its position on this issue and monitor company and market-level progress.
  
- **Twitter, Inc., September 2022.**
  - **Relevant stewardship priority:** Remuneration
  - **Vote cast:** Against resolution.    **Outcome of the vote:** Passed.
  - **Summary of resolution:** Vote on Golden Parachutes.
  - **Rationale for the voting decision:** LGIM does not support the use of golden parachutes. As a long-term and engaged investor, LGIM entrusts the board to ensure executive directors' pay is fair, balanced and aligned with the strategy and long-term growth and performance of the business. Where this is not the case LGIM will use its vote.
  - **Approximate size of the fund's holding at the date of the vote:** 0.05%
  - **The reason the Trustees considered this vote to be "most significant":** This vote relates to Remuneration, which is one of the Trustees' chosen stewardship priorities.
  - **Was the vote communicated to the company ahead of the vote:** Yes
  - **Outcome and next steps:** In Twitter Inc.'s 2022 AGM, LGIM voted against their say on pay proposal, as did 42% of shareholders. LGIM will continue to engage with the investee company, publicly advocate its position on this issue and monitor company and market-level progress.