

Engagement Policy Implementation Statement (“EPIS”)

National Grid Electricity Group of the Electricity Supply Pension Scheme (the “Group”) Group Year End – 31 March 2024

The purpose of the EPIS is for us, the Trustee of the National Grid Electricity Group of the Electricity Supply Pension Scheme, to explain what we have done during the year ending 31 March 2024 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”).

It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Group’s investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, most of the Fund’s material investment managers were able to disclose good evidence of engagement activity, and the activities completed by our managers align with our stewardship expectations.

A few managers, as outlined later in the report, did not provide any requested engagement information, or the information provided was limited and/or not in line with what our Investment Adviser consider to be best practice.

We (or our Investment Adviser, Aon Investments Limited (“Aon”) on our behalf) will engage with these managers to encourage them to provide detailed and meaningful disclosures about their engagement activities, and learn how they consider financially material Environmental, Social and Governance (“ESG”) factors into their stewardship policies.

How voting and engagement policies have been followed

The Group is invested in pooled funds, and so the responsibility for voting and engagement is delegated to the Group's investment managers, which is in line with the policies set out in our SIP. We reviewed the stewardship activity of the material investment managers carried out over the Group year and in our view, most of the investment managers were able to disclose good evidence of voting and engagement activity. More information on the stewardship activity carried out by the Group's investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Group's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). In particular, we received quarterly Environment Social Governance ("ESG") ratings from Aon for the funds the Group is invested in where available. These ratings include consideration of stewardship activities (including voting and engagement) undertaken by managers on behalf of investors such as the Group Trustee.

During the year, we received training on ESG and stewardship topics, and reviewed our policies in relation to these. We also received ongoing training on the requirements of the Pensions Regulator as set out as part of the Task Force on Climate-related Financial Disclosures (TCFD).

The Group's stewardship policy can be found in the SIP: [LIBRARY - National Grid Pension Portal \(nationalgridpensions.com\)](#)

Next steps

Based on the work we have carried out for the EPIS, we intend to take the following actions:

1. We recognise that the investment processes and the nature of some of our alternative investments may mean that stewardship is less practicable or may be less relevant for these types of strategy. Nevertheless, we expect our managers to provide reporting on stewardship activities in line with what Aon considers to be best practice and industry standard. Both we and Aon will continue to engage with the fund managers in which the Group is expected to remain invested, to encourage improvements in their reporting.
2. We will continue to invite select investment managers to future meetings to get a better understanding of their voting and/or engagement practices, and how these help us fulfil our Responsible Investment policies.
3. We will continue to undertake regular ESG monitoring of our managers to ensure their actions align with our own policies.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Group's investments is an important factor in deciding whether a manager remains the right choice for the Group.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Group's equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

The table below shows the voting statistics for the Group's only material fund with voting rights for the year to 31-Mar-2024.

Fund	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM Global Equity Market 30:70 Index Fund	72,082	99.9%	18.6%	0.5%

Source: Manager. Please note that the 'abstain' votes noted above are a specific category of vote that has been cast and are distinct from a non-vote.

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Group's manager uses proxy voting advisers.

Manager	Description of use of proxy voting adviser(s) (in the manager's own words)
Legal & General Investment Management (LGIM)	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM, and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.

Source: Manager

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Group's investment manager to provide a selection of what they consider to be the most significant votes in relation to the Group's funds. A sample of these significant votes can be found in the appendix.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Group's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e. is not necessarily specific to the funds invested in by the Group.

Funds	Number of engagements		Themes engaged on at a fund/ firm level
	Fund level	Firm level	
CBRE UK Property PAIF	Not provided	Not provided	Not provided
CVC Credit Partners EU DL 2021 Feeder SCSp	100% of portfolio companies have been engaged with around ESG issues.	Not provided	Not provided
HPS Credit Value Offshore Fund VI	Not provided	Not provided	Not provided
Insight Bonds Plus Fund	114	2,521	Environment - Climate Change Strategy, Financial & Reporting - Strategy/Purpose; Financial Performance; Reporting; Capital Allocation
LGIM Global Diversified Credit SDG Fund	129	2,500	Environment - Climate Change; Climate Impact Pledge Governance - Remuneration; Nominations & Succession Other - Corporate Strategy
PIMCO Dynamic Bond Full Authority Strategy	202	1,355	Environment - Climate Change Governance - Board, Management & Ownership Strategy, Financial & Reporting - Capital Allocation; Financial Performance; Strategy/Purpose
LGIM Global Equity Market 30:70 Index	1,135	2,500	Environment - Climate Impact Pledge; Climate Change; Deforestation Social - Ethnic Diversity Governance - Remuneration

Source: Managers.

*Insight did not provide fund level themes; themes provided are at a firm-level

Data limitations

At the time of writing, the following managers did not provide the complete set of information requested:

- LGIM did provide fund level engagement information but not in the requested format, the Investment Consultants Sustainability Working Group ("ICSWG") engagement reporting template.
- CVC did provide some of the engagement information but not in the requested ICSWG engagement reporting template format and also did not provide firm level engagement information. This is typical for private market funds.
- HPS did not provide any data requested. This fund is in run-off and not anticipated to be an ongoing Group investment.

- Insight did not provide fund level engagement themes, the themes provided are at firm level.
- CBRE did provide some data although it did not provide anything specific to engagement numbers/ themes. The Group Trustee are in the process of redeeming from this fund and it is not anticipated to be an ongoing Group investment.

This report does not include commentary on the Group's gilts or cash because of the limited materiality of stewardship to these asset classes. Further, this report does not include all of the Group's additional voluntary contributions ("AVCs") due to the relatively small proportion of the Group's assets that are held within the other AVC Funds.

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Group’s managers. Each manager has their own criteria for determining whether a vote is significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below:

LGIM - Global Equity Market 30:70 Index Fund	Company name	Shell Plc
	Date of vote	23-May-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	4.9
	Summary of the resolution	Resolution 25 - Approve the Shell Energy Transition Progress
	How you voted?	Votes against resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Climate change: A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, we remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.
	Outcome of the vote	Pass
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM continues to undertake extensive engagement with Shell on its climate transition plans
	On which criteria have you assessed this vote to be most significant?	Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.

Source: Manager