

Engagement Policy Implementation Statement (“EPIS”)

National Grid Electricity Group of the Electricity Supply Pension Scheme (the “Group”)

Group Year End – 31 March 2023

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 2023 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 Group’s investment managers were able to disclose adequate evidence of voting and engagement activity where this would be expected, the activities completed by our managers align with our stewardship priorities, and our voting policy has been implemented effectively in practice.

We will engage with those managers who have not provided data to encourage improvements in their reporting, as set out in our Engagement Action Plan.

How voting and engagement policies have been followed

The Group Trustee delegates the responsibility for voting and engagement to the Group's investment managers. We reviewed the stewardship activity of the investment managers (ignoring those with immaterial holdings) carried out over the Group year and in our view, most were able to disclose adequate evidence of voting and engagement activity given the asset class. 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.

During the year, we received training on ESG and stewardship topics, and agreed 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) and are nearing completion of the Group's first complete report.

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

Our Engagement Action Plan

Based on the work we have done for the EPIS, we have decided to take the following steps over the next 12 months:

- 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 a timely fashion. Our investment adviser, Aon, will continue to engage with the fund managers in which the Group is expected to remain invested to encourage improvements in their reporting.
- We will invite select investment managers to future meetings to get a better understanding of their engagement practices, and how these help us fulfil our Responsible Investment policies.
- We will undertake detailed ESG monitoring of our investment managers with material holdings on a regular basis.

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 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. 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 exercise their voting rights responsibly.

Voting statistics

The table below shows the voting statistics for the Group's material fund holdings with voting rights for the year to 31 March 2023.

DB Section

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
Walter Scott - Global Equity Fund	589	100.0%	2.0%	0.0%

Source: Walter Scott

AVC Section

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM - Global Equity Market Weights 30:70 Index 75% currency hedged	76,499	99.9%	18.2%	1.1%
Schroders - Sustainable Future Multi Asset	9,657	93.0%	10.0%	0.0%
BlackRock - Aquila UK Equity Index	14,741	96.5%	3.8%	1.6%
Aviva				
- Pension International Index Tracking				
- Pension Mixed Investment (40-85% Shares)			Not Provided	
- Pension UK Index Tracking				
- Pension with Profit				
- Pension with Profit Guaranteed				
M&G - Prudential International Equity			Not Provided	
JPMorgan				
- Utmost Life and Pensions Multi-Asset Moderate			Not Provided	
- Utmost Life and Pensions Multi-Asset Cautious				

Source: Managers

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

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 managers have described their use of proxy voting advisers.

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.

	Description of use of proxy voting advisers
Walter Scott	Institutional Shareholder Services (ISS): Walter Scott receives third party research from ISS for information purposes. However, the recommendations from any intermediary have no bearing on how Walter Scott votes.
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. For more details, please refer to the Voting Policies section of this document.
Schroders	Institutional Shareholder Services (ISS) act as our one service provider for which we have our own bespoke policy.
BlackRock	Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines. While we subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.
Aviva	<i>Not Provided</i>
M&G	<i>Not Provided</i>
JP Morgan	JP Morgan Asset Management ("JPMAM") acted as majority underlying fund manager for Utmost. JPMAM uses a third party corporate governance data provider, ISS, to receive meetings notifications, provide company research and process its votes. Although we use the ISS ProxyExchange platform and see their voting recommendations, this forms only the starting point for our proprietary thinking, and all our voting decisions are made on a case by case basis by in-house specialists in conjunction with the Analyst and/or Fund Manager in reference to the JPMAM Corporate Governance Policy and Voting Guidelines.

Source: Managers. The proxy voting policy for JP Morgan is as at 31 December 2022

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Group's investment managers 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.

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 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 fund invested in by the Group.

DB Section

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
Walter Scott – Global Equity Fund	4	11	Environment - Carbon Footprint, Climate change Governance - Remuneration
LGIM - Global Diversified Credit SDG Fund	79	<i>Not Provided</i>	Environment – Climate change, Natural resource use/impact (e.g. water, biodiversity), Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Governance - Board effectiveness - Diversity, Board effectiveness - Other, Remuneration, Reporting (e.g. audit, accounting, sustainability reporting), and others.
Insight Bond Plus	145	1,178	Environment - Climate change, Pollution, Waste Social - Human capital management, Public health Governance - Board effectiveness - Independence or Oversight, Remuneration Strategy, Financial and Reporting - Strategy/purpose, Financial performance
PIMCO - Dynamic Bond Full Authority Strategy*	>220	>1,800	Environment - Climate change, Natural resource use/impact Social - Conduct, culture and ethics, Human and labour rights Governance - Board effectiveness – Diversity, Independence or Oversight Strategy, Financial and Reporting - Capital allocation
HPS Investment - Credit Value Offshore Fund VI	0	>100	<i>Not Provided</i>
KKR Global - Infrastructure Partners			<i>Not Provided</i>
CBRE Global Investors UK Property PAIF			<i>Not Provided</i>
Blackrock - UK Property Fund			<i>Not Provided</i>
CVC - Credit Partners EU DL 2021 Feeder SCSp			<i>Not Provided</i>

Source: Managers. *PIMCO did not provide fund-level themes; themes provided are at a firm-level.
All engagement data is as at 31 December 2022

AVC Section

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
LGIM - Global Equity Market Weights 30:70 Index 75% currency hedged	663	<i>Not Provided</i>	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion and diversity, employee terms, safety) Governance - Public health, Board effectiveness - Diversity, Board effectiveness - Other, Remuneration, Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose
Schroders - Sustainable Future Multi Asset	>900	>2,800	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion and diversity, employee terms, safety) Governance and Strategy, Financial and Reporting
BlackRock - Aquila UK Equity Index	3,188	<i>Not Provided</i>	Environment- Climate Risk Management, Land Use/Deforestation Social - Business Ethics and Integrity, Diversity, and Inclusion Governance – Remuneration, Executive Management
Aviva - Pension International Index Tracking - Pension Mixed Investment (40-85% Shares) - Pension UK Index Tracking - Pension with Profit Pension with Profit Guaranteed			<i>Not Provided</i>
M&G - Prudential International Equity	<i>Not Provided</i>	157	<i>Not Provided</i>
JP Morgan - Utmost Life and Pensions Multi-Asset Moderate Utmost Life and Pensions Multi-Asset Cautious	<i>Not Provided</i>	3277	<i>Not Provided</i>

Source: Managers. All engagement data is as at 31 December 2022

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- Aviva, M&G and JP Morgan did not respond to our requests, thus no voting or engagement data has been provided by these managers.
- KKR did not provide any engagement data. The manager said it does not track its engagements on any topic, including ESG-related issues.
- CVC did not provide the requested engagement data. They said they are unable to complete this request, given both the nature of the request and the nature of the strategy.
- CBRE did not provide the engagement data as it stated that it does not collate statistics on the number of engagements undertaken by the firm or fund.
- BlackRock did not provide engagement data for its UK Property Fund. The manager stated that the fund does not hold publicly listed securities, hence they do not produce engagement reporting.
- For the Aquila UK Equity Index, BlackRock provided significant voting examples which are detailed but not in the industry standard format, and so there are some data items missing. BlackRock also did not provide firm-level engagement information.
- PIMCO did not provide fund-level themes.
- HPS Investment did not provide fund-level or firm-level engagement themes.
- LGIM did not provide detailed fund-specific engagement examples and did not provide firm-level engagement information.

We will engage with the managers to encourage improvements in reporting, where this would be expected given the asset class and where the Group is expected to have medium to long-term holdings.

This report does not include commentary on the Group's gilts or cash, because of the limited materiality of stewardship to these asset classes.

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

DB Section

Walter Scott - Global Equity	Company name	Prudential
	Date of vote	26 May 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.5%
	Summary of the resolution	Authorise Issue of Equity without Pre-emptive Rights in Connection with an Acquisition or Other Capital Investment
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	Yes
	Rationale for the voting decision	Due to potential dilution greater than 10%
	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?	All significant votes are reviewed and approved by the Investment Stewardship Committee. Any potential learnings from our significant votes are then taken into account for periodic reviews of our Proxy Voting Policy.
	On which criteria have you assessed this vote to be "most significant"?	Vote against management

Source: Walter Scott

AVC Section

LGIM - Global Equity Market Weights 30:70 Index 75% currency hedged	Company name	Alphabet Inc.
	Date of vote	1 June 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.34%
	Summary of the resolution	Report on Physical Risks of Climate Change
	How you voted	For
	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 with the 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	Shareholder Resolution - Climate change: A vote in favor is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
Outcome of the vote	Failed
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

Schroders - Sustainable Future Multi Asset

Company name	The Toronto-Dominion Bank
Date of vote	14 April 2022
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	<i>Not Provided</i>
Summary of the resolution	Advisory Vote on Environmental Policy
How you voted	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	We may tell the company of our intention to vote against the recommendations of the board before voting, in particular if we are large shareholders or if we have an active engagement on the issue. We always inform companies after voting against any of the board's recommendations.
Rationale for the voting decision	We believe our vote for this item will maximize the value to our clients. The company is asked to establish an annual advisory vote policy regarding its environmental and climate change targets and action plan. We welcome additional mechanisms for shareholders to hold the board accountable for its management of climate risk and contribution to the transition to a low carbon economy. As such, we support the proposal.
Outcome of the vote	Failed
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We monitor voting outcomes particularly if we are large shareholders or if we have an active engagement on the issue. If we think that the company is not sufficiently responsive to a vote or our other engagement work, we may escalate our concerns by starting, continuing, or intensifying an engagement. As part of this activity, we may also vote against other resolutions at future shareholder meetings, such as voting against the election of targeted directors.
On which criteria have you assessed this vote to be "most significant"?	Significant Vote - SH E&S Proposal; Significant Vote - SH Governance Proposal; Significant Vote - MGT Governance Proposals; Votes against mgmt.

BlackRock - Aquila UK Equity Index

Company name	Rio Tinto Group
Date of vote	5 May 2022
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	<i>Not Provided</i>

Summary of the resolution	Approve Climate Action Plan
How you voted	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	Yes
Rationale for the voting decision	Rio Tinto Group's Climate Action Plan, targets, and disclosures are consistent with what we look for and, in our assessment, demonstrate management and board responsiveness to shareholder feedback. Accordingly, BlackRock determined that it is in the best interests of our clients as long-term shareholders to support the proposal to approve the Climate Action Plan.
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?	We will continue to engage to further assess progress, especially in relation to the group's strategy of "combining investments in commodities that enable the energy transition with actions to decarbonise [our] operations and value chains."
On which criteria have you assessed this vote to be "most significant"?	<i>Not Provided</i>

Source: Managers