

Energia Group NI Pension Scheme

Appendix – Implementation Statement

Implementation Statement, covering the Scheme Year from 1 April 2022 to 31 March 2023

The Trustees of the Energia Group NI Pension Scheme (the “Scheme”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed their Statement of Investment Principles (“SIP”) during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-9 below.

The Implementation Statement (“IS”) is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 9 below.

The Scheme is comprised of two Sections:

- the Focus Section that provides final salary benefits; and
- the Options Section that provides money purchase benefits.

In preparing the IS, the 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.

This Statement is based on and used the same headings as the Scheme’s latest SIP which was in place during the Scheme Year – dated 23 September 2020. This statement should be read in conjunction with the SIP which can be found here (as an appendix to the Chair’s Statement):

<https://energiagroup.com/globalassets/egnips-options-governance-statement.pdf>

1. Introduction

No review of the SIP was undertaken during the Scheme Year. Post year end, the SIP was formally reviewed and updated on 29 September 2023.

The Trustees have, in their opinion, followed all of the policies in the Scheme’s SIP during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which it has done so.

2. Investment objectives (Section 3 of the SIP)

Focus Section (DB)

For the Focus Section, progress against the Scheme’s long-term journey plan is reviewed as part of the quarterly performance monitoring reports. The Trustees are also able to view the progress on an ongoing basis using LCP Visualise online (a tool provided by the Scheme’s investment adviser which show key metrics and information on the Scheme including expected return and risks of the investment strategy).

As at the date of this IS, the Scheme was on track to achieve full funding on a gilts flat basis by the target date.

In addition, the Trustees remain comfortable that the level of risk and expected returns remains appropriate.

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Options Section (DC)

As part of the performance and strategy review of the DC default arrangement in November 2019, the Trustees considered the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Scheme.

Based on this, the Trustees concluded that a new default lifestyle should be created to replace the previous lifestyle, which the majority of current members should be transferred into and should be used as the default option for any new joiners to the Options Section (DC). The new default lifestyle continues to target a drawdown solution for members approaching retirement as this is in the best interests of the majority of the Options Section (DC) members and reflects the demographics of these members. However the balance between risk and return during the growth phase was reviewed and some changes were made to the Options Section default strategy, implemented in November 2020.

The Trustees also provide members with access to a range of investment options which it believes are suitable for this purpose and enable appropriate diversification. The Trustees have made available alternative lifestyle strategies to align with different pension access plans (i.e. Annuity, Cash) and a self-select fund range to members covering all major assets classes. The Trustees monitors the take up of these funds and it has been limited.

The Trustees review changes in member choices, behaviour and trends from time to time using administration reports. Over the Scheme year there were no material changes. In the Trustees' opinion, the policy in the SIP to provide members with a diversified range of investment options from which to choose has been satisfied.

3. Investment strategy (Section 4 of the SIP)

Focus section (DB)

As at 31 March 2023, the Scheme's holdings were outside the Trustees' typical tolerance ranges for considering rebalancing. This is a result of two main changes over the year:

1. The Trustees (in agreement with the Company) implemented a strategic rebalance in Q3 2022 following a funding level trigger hit earlier in the year. As a result it de-risked the investments by switching some equity holdings into bonds and increasing the hedge target.
2. The LDI portfolio drew collateral from the Absolute Return Bond Fund in light of significant rises in real interest rates (in line with the automated process agreed with the LDI manager).

The Trustees have been monitoring this closely with support from their investment adviser and are comfortable with the current balance of investments. In particular, the overall split across "on-risk" and "off-risk" assets is appropriate relative to the agreed strategic allocations.

The Trustees reviewed the Scheme's investment strategy and updated the SIP allocations in September 2023 to address this.

Options section (DC)

The Trustees did not review the investment strategy for the Options Section (DC) over the Scheme Year.

The Trustees reviewed the retirement data on a quarterly basis during the Scheme Year to see how members access their benefits. The available data is limited given the young age profile of the membership.

This was considered as part of the last strategy review, but not over the Scheme Year.

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4. Considerations in setting the investment arrangements (Section 5 of the SIP)

Prior to the Scheme Year end, the Trustees last formally reviewed the DB investment strategy in the SIP dated January 2020 . We note that the Trustees also reviewed the DB investment strategy post Scheme Year end in September 2023. In both these reviews, the Trustees considered the investment risks set out in Section 4.1 of this IS. They also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

When the Trustees last undertook a performance and strategy review of the DC default arrangement, they considered the investment risks set out in Section 4.1 of this IS. They also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

The Trustees invest for the long term, to provide for the Scheme’s members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon, the Trustees therefore seeks to appoint managers whose stewardship¹ activities are aligned to the creation of long-term value and the management of long-run systemic risks.

The Scheme's investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustees promptly about any significant updates or events they become aware of regarding the Scheme's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification in the fund.

The Trustees monitor the performance of the Scheme’s investment managers on a quarterly basis, using a monitoring report prepared by the investment adviser. The report shows the performance over the quarter, one year and three years. Performance is considered in the context of the manager’s benchmark and objectives.

The Trustees also monitor their managers’ responsible investment capabilities using scores provided by its investment adviser from time to time. The latest review was at 31 January 2022.

4.1 Policy towards risk (Appendix 2 of the SIP)

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustees maintain a risk register and this is discussed at quarterly meetings.

The Trustees’ policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Scheme’s investment adviser or information provided to the Trustees by the Scheme’s investment managers. These include the risk of inadequate returns, credit risk, currency risk and ESG (including climate) risks. The Trustees’ implementation of its policy for these risks during the year is summarised below.

With regard to the risk of inadequate returns for the Focus (DB) Section, the best estimate expected return on the Scheme’s strategic asset allocation is expected to be sufficient to produce the return needed over the long-term to be fully funded on a long-term basis. When making changes to the Scheme’s investments the Trustees consider the resulting best-estimate expected return and how this compares to the required return for the Scheme to be fully funded on a long-term basis.

With regard to the risk of inadequate returns for the Options (DC) Section, the Trustees make use of equity and equity-based funds, which are expected to provide positive returns above inflation over

¹ The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

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the long term. These are used primarily in the growth phase of the default option, tapering over the final 10 years to target retirement date so that at the target retirement date the equity exposure that remains is provided through the diversified growth allocation. These funds are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term.

The Scheme's interest and inflation hedging levels within the Focus Section are monitored on an ongoing basis in the quarterly monitoring report. In June 2022 the Trustees rebalanced the Scheme's hedging portfolio to increase interest rate and inflation hedge, in line with the de-risking trigger monitoring framework.

Similarly, the Scheme's credit risk and currency risk is monitored on an ongoing basis in the quarterly monitoring report. Credit risk for the Scheme primarily comes from exposure to absolute return bonds (as well as indirectly through the diversified growth funds) and currency risk primarily from exposure to unhedged overseas equities. Over the Scheme Year the Scheme's exposures were broadly in line with the target levels.

Together, the investment and non-investment risks give rise generally to funding risk. The Trustees and Company formally reviewed the Scheme's funding position as at 31 March 2021 as part of its annual actuarial report.

The Trustees also informally monitor the funding position more regularly, on a quarterly basis at Trustees meetings, and the Trustees have the ability to monitor this daily on LCP Visualise. This ongoing monitoring of the funding position also feeds into the trigger framework, where the Trustees review the funding level in more detail as part of any planned de-risking.

The following risks are covered elsewhere in this Statement: lack of diversification in Section 4, investment manager risk and excessive charges in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

The quarterly report reviewed during the year showed that all managers have produced performance broadly in line with expectations over the long-term.

5. Implementation of the investment arrangements, fees and performance assessment (Section 6 and Appendix 1 of the SIP)

The Trustees have not made any changes to its manager arrangements over the Scheme Year.

The Scheme's investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any significant developments at the managers; and informs the Trustees promptly about any significant updates or events they become aware of with regard to the Scheme's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification in the fund.

The Trustees evaluate manager performance over both shorter and longer periods, encourages managers to improve practices and considers alternative arrangements where managers are not meeting performance objectives. Performance is considered in the context of the managers' benchmarks and objectives. Section 8 provides more detail on the activities carried out over the year.

Over the period, the Trustees undertook a value for members assessment which assessed a range of factors, including the fees payable to managers in respect of the DC Section. Overall, the Trustees believe the investment managers provide reasonable value for money, but have sought to negotiate fees on certain mandates.

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The Trustees invite the Scheme's investment managers to present at Trustee meetings, and have generally seen BlackRock (at an in-person meeting) once a year. Over recent periods, the Trustees have not met with investment managers as regularly due to changing working behaviours following the coronavirus pandemic meaning opportunities for in-person meetings with third parties during the year were limited.

The performance of the professional advisers is considered on an ongoing basis by the Trustees.

The Trustees have put in place formal objectives for their investment adviser and will review the adviser's performance against these objectives on a regular basis. The last review was carried out in March 2023 and the Trustees were satisfied with the performance of the investment adviser. The next review against the agreed objectives is expected to be carried out around Q1 2024.

6. Realisation of investments (Section 7 of the SIP)

Focus Section (DB)

The Trustees review the Scheme's net current and future cashflow requirements on a regular basis. The Trustees' policy is to have access to sufficient liquid assets in order to meet any outflows whilst maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets. When appropriate, the Trustees use cashflows to rebalance the Scheme's assets towards the strategic asset allocation, having regard to the agreed tolerance ranges. When taking advice from their investment consultants on whether to rebalance, the Trustees take into account factors such as market conditions and anticipated future cashflows.

Over the Scheme Year, a deficit contribution of £1.25m was received on 6 December 2022. This was retained in the Trustee bank account to meet known cashflows.

Options Section (DC)

It is the Trustees' policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds which the Trustees offered during the Scheme Year are daily priced.

7. Financially material considerations, non-financial matters (Sections 8-9 of the SIP)

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations).

The Trustees review LCP's responsible investment (RI) scores for the Scheme's existing managers 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. The Trustees rely on their investment adviser to highlight any key changes in its view regarding responsible investment and stewardship as part of its manager research programme.

The Trustees were satisfied with the results of the review and no further action was taken.

The Trustees do not take into account any non-financial matters (ie matters relating to ethical and other views of members and beneficiaries, rather than considerations of financial risk and return). No specific actions have been taken in relation to the selection, retention, and realisation of managers as a result of member and beneficiary views.

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8. Voting and engagement (Section 10 of the SIP)

The Trustees have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. These policies are:

- BlackRock: [Global Corporate Governance & Engagement Principles \(blackrock.com\)](https://www.blackrock.com/global-corporate-governance)
- LGIM: [LGIM's Engagement Policy 2020](https://www.lgim.com/engagements-policy)

However, the Trustees take ownership of the Scheme'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 Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

Focus Section (DB)

Following the introduction of DWP's guidance, the Trustees agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At the Q1 2023 meeting, the Trustees discussed and agreed to set climate change as the Scheme's current stewardship priority.

This priority was selected as it represents a key market-wide risk and area where they believe that good stewardship and engagement can improve long-term financial outcomes for members. The Trustees communicated these priorities to its managers in June 2023 after the end of the Scheme year. The Trustees will report on these priorities in next year's IS.

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

9. Description of voting behaviour during the Scheme Year

All of the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Scheme Year. However, the Trustees monitor managers' voting and engagement behaviour on an annual basis and challenges managers where their activity has not been in line with the 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 Focus (DB) Section's funds that hold equities as follows:

- BlackRock Aquila Life UK Equity Index Fund
- BlackRock Aquila Life World (ex-UK) Equity Index Fund
- BlackRock Aquila Life Overseas Equity Index Fund (hedged)
- BlackRock Aquila Life Emerging Market Equity Index Fund
- BlackRock Market Advantage Strategy Fund

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For the Options (DC) Section, we have included the funds with equity holdings used in the default strategy, given the high proportion of total DC Section assets invested in these funds, and any self-select funds which hold more than 10% of DC Section assets. We have included data on the following funds:

- Aegon BlackRock MSCI World Index Fund
- Aegon LGIM Diversified Fund
- Aegon BlackRock Diversified Growth Fund

In addition to the above, the Trustees contacted the Scheme's other asset managers that don't hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the period. None of the other pooled funds that the Scheme invested in over the Scheme Year held any assets with voting opportunities.

9.1 Description of the voting processes

For assets with voting rights, the Trustees rely on the voting policies which their managers have in place. The Trustees reviewed these policies in August 2022, focusing on the elements which relate to its stewardship priorities, and is comfortable that the policies are aligned with the Trustees' views.

BlackRock

BlackRock determines which companies to engage with directly based on its assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of BlackRock's engagement being productive. BlackRock's voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which BlackRock assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock applies its guidelines pragmatically, taking into account a company's unique circumstances where relevant. BlackRock informs its vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they would need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy themselves, but the client would engage a third-party voting execution platform to cast the votes.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team ("BIS"), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BIS 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 BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into its vote analysis process, and BlackRock does not blindly follow their recommendations on how to vote. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that BlackRock's investment stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial. Other sources of information BlackRock uses includes the company's own reporting (such as the proxy statement and the website), BlackRock's engagement and voting history with the company, and the views of its active investors, public information and ESG research.

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LGIM

All voting and engagement decisions are made by LGIM'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 company, with the aim of ensuring that its 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.

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 it does not outsource any part of the strategic decisions. 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 (IVIS) 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 its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards which it believes all companies globally should observe, irrespective of local regulation or practice.

LGIM 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 LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

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9.2 Summary of voting behaviour over the Scheme Year

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

Focus (DB) Section

	Aquila Life UK Equity Index Fund	Aquila Life World (ex-UK) Equity Index Fund	Aquila Life Overseas Equity Index Fund (hedged)	Aquila Life Emerging Market Equity Index Fund	Market Advantage Strategy Fund
Manager name	BlackRock	BlackRock	BlackRock	BlackRock	BlackRock
Fund name	Aquila Life UK Equity Index Fund	Aquila Life World (ex-UK) Equity Index Fund	Aquila Life Overseas Equity Index Fund (hedged)	Aquila Life Emerging Market Equity Index Fund	Market Advantage Strategy Fund
Total size of fund at end of the Scheme Year	£2.6bn	£1.3bn	£0.9bn	£3.4bn	€0.3bn
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£2.6m / 6.3%	£1.9m / 4.6%	£2.1m / 5.1%	£1.2m / 2.9%	£8.9m / 21.3%
Number of equity holdings at end of the Scheme Year	580	1,998	1,907	1,666	1,973
Number of meetings eligible to vote	1,072	2,235	2,090	3,864	2,300
Number of resolutions eligible to vote	14,903	27,694	26,156	33,350	25,413
% of resolutions voted	96%	92%	91%	97%	91%
Of the resolutions on which voted, % voted with management	94%	92%	92%	88%	93%
Of the resolutions on which voted, % voted against management	5%	7%	7%	8%	6%
Of the resolutions on which voted, % abstained from voting	1%	0%	0%	3%	0%
Of the meetings in which the manager voted, % with at least one vote against management	27%	31%	31%	41%	28%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0%	0%	0%	0%	0%

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Options (DC) Section

	Diversified Growth Fund	MSCI World Index Fund	Diversified Fund
Manager name	BlackRock	BlackRock	Legal and General
Fund name	Aegon BlackRock Diversified Growth Fund	Aegon BlackRock MSCI World Index Fund	Aegon LGIM Diversified Fund
Total size of fund at end of the Scheme Year	£581m	£1.3bn	£198m
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£2.0m / 7.5%	£11.2m / 43.1%	£10.2m / 39.2%
Number of equity holdings at end of the Scheme Year	2,491	1,486	6,396
Number of meetings eligible to vote	103	931	9,540
Number of resolutions eligible to vote	1,349	14,092	99,242
% of resolutions voted	85%	88%	100%
Of the resolutions on which voted, % voted with management	97%	93%	77%
Of the resolutions on which voted, % voted against management	2%	6%	22%
Of the resolutions on which voted, % abstained from voting	1%	0%	1%
Of the meetings in which the manager voted, % with at least one vote against management	23%	29%	73%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0%	0%	13%

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9.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the Scheme Year, from the Scheme’s asset managers who hold listed equities, is set out below.

The Trustees did not inform their managers which votes it considered to be most significant in advance of those votes. The Trustees will consider the practicalities of informing managers ahead of the vote and will report on it in next year’s Implementation Statement.

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 Trustees did not identify significant voting ahead of the reporting period. Instead, the 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 PLSA’s criteria² for creating this shortlist. By informing their managers of their stewardship priorities and through their regular interactions with the managers, the Trustees believe that their managers will understand how they expect them to vote on issues for the companies they invest in on their behalf.

The Trustees have interpreted “significant votes” to mean those that:

- align with the Trustees’ stewardship priority of climate change;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor; and/or
- the subject of the resolution aligned with the investment manager’s engagement priorities or key themes.

The Trustees have reported on three significant votes per manager. If members wish to obtain more investment manager voting information, this is available upon request from the Trustees.

BlackRock

We have selected a subset of votes which are common across the BlackRock pooled funds that the Scheme holds containing equities. These have been selected from the list of significant votes that BlackRock has provided based on its own internal assessment methodology.

Vote #1: Rio Tinto Limited, 8 April 2022

- **Summary of resolution:** Approve climate action plan
- **Relevant stewardship priority:** Climate change
- **Vote cast:** For
- **Outcome of the vote:** Passed
- **Management recommendation:** For

² [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](#). Trustees are expected to select “most significant votes” from the long-list of significant votes provided by their investment managers.

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- **Rationale for the voting decision:** BIS voted for the management proposal seeking shareholders' approval of the Rio Tinto Group's Climate Action Plan, which is described in BlackRock's report "Our Approach to Climate Change 2021." The group's climate action plan, targets, and disclosures are consistent with what BlackRock look for and, in BlackRock's assessment, the disclosures demonstrate management and board responsiveness to shareholder feedback. Accordingly, BIS determined that it is in the best interests of BlackRock's clients as long-term shareholders to support the proposal to approve the Climate Action Plan.
- **The reason the Trustees considered this vote to be "most significant":** relates to a stewardship priority.
- **Outcome and next steps:** Outcome of the vote is in line with the manager's vote. There are no plans for further actions.

Vote #2: Marathon Petroleum Corporation, 27 April 2022

- **Summary of resolution:** Report on Climate Strategy Consistent with ILO's "Just Transition Guidelines"
- **Relevant stewardship priority:** Climate change
- **Vote cast:** Against
- **Outcome of the vote:** Failed
- **Management recommendation:** Against
- **Rationale for the voting decision:** BIS did not support this shareholder proposal because it believed the company's recently published disclosure addresses the topic of a 'just transition' and provided BIS with meaningful information to understand the company's approach and risk oversight process.
- **The reason the Trustees considered this vote to be "most significant":** relates to a stewardship priority.
- **Outcome and next steps:** Outcome of the vote is in line with the manager's vote. There are no plans for further actions.

Vote #3: The Home Depot, 19 May 2022

- **Summary of resolution:** Report on Efforts to Eliminate Deforestation in Supply Chain
- **Relevant stewardship priority:** Climate change
- **Vote cast:** For
- **Outcome of the vote:** Passed
- **Management recommendation:** Against

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- **Rationale for the voting decision:** BIS supported this shareholder proposal because it believed that Home Depot could improve their supply chain management by including responsible sourcing standards within their wood purchasing. Given the growing pressures on natural ecosystems on which Home Depot products depend and from which the company derives economic benefits, BlackRock believes that the company will increasingly face financial risks associated with any negative impacts on forests. Conversely, there could be material business opportunities in taking a more expansive approach. As a result, BIS determined that it was in the financial interests of BlackRock's clients to support this shareholder proposal.
- **The reason the Trustees considered this vote to be "most significant":** relates to a stewardship priority.
- **Outcome and next steps:** Outcome of the vote is in line with the manager's vote. There are no plans for further actions.

LGIM

We have selected a subset of votes from the list of significant votes that Legal and General has provided based on its own internal assessment methodology. These have been selected from the list of significant votes that BlackRock has provided based on its own internal assessment methodology.

Vote #1: TotalEnergies SE, 25 May 2022

- **Summary of resolution:** Approve Company's Sustainability and Climate Transition Plan
- **Relevant stewardship priority:** Climate change
- **Vote cast:** Against
- **Outcome of the vote:** Passed
- **Management recommendation:** For
- **Was the vote communicated 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:** LGIM recognizes the progress the company has made with respect to its net zero commitment, specifically around the level of investments in low carbon solutions and by strengthening its disclosure. However, LGIM remains concerned of the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5C trajectory.
- **The reason the Trustees considered this vote to be "most significant":** relates to a stewardship priority.
- **Outcome and next steps:** LGIM will continue to engage with our investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Vote #2: Royal Dutch Shell Plc, 24 May 2022

- **Summary of resolution:** Approve the Shell Energy Transition Progress Update
- **Relevant stewardship priority:** Climate change
- **Vote cast:** Against

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- **Outcome of the vote:** Passed
- **Management recommendation:** For
- **Rationale for the voting decision:** *“A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, we remain concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.”*
- **The reason the Trustees considered this vote to be “most significant”:** relates to a stewardship priority
- **Outcome and next steps:** LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Vote #3: BP Plc, 12 May 2022

- **Summary of resolution:** Approve Net Zero – From Ambition to Action Report
- **Relevant stewardship priority:** Climate change
- **Vote cast:** For
- **Outcome of the vote:** Passed
- **Management recommendation:** For
- **Rationale for the voting decision:** While LGIM notes the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is LGIM’s view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, LGIM remains committed to continuing its constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.
- **The reason the Trustees considered this vote to be “most significant”:** relates to a stewardship priority
- **Outcome and next steps:** Outcome of the vote is in line with the manager’s vote. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.