

## ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

### Introduction

Under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, the Group Trustee is required to produce an annual Engagement Policy Implementation Statement (“EPIS”). This statement outlines how, and the extent to which, the policies relating to stewardship, voting and engagement as outlined in the Statement of Investment Principles (“SIP”) have been followed.

This statement covers the Group’s accounting year to 31 March 2025. It is intended to meet the updated regulations and also forms a part of the Annual Report of the Group Trustee. In preparing this statement, the Group Trustee has taken advice from its professional advisers.

This statement details some of the activities taken by the Group Trustee, the Fiduciary Manager and the investment managers during the period, including voting statistics, and provides the Group Trustee’s opinion on the stewardship activities over the period.

### Policies

The Group Trustee’s relevant policies regarding stewardship, voting and engagement are outlined in the SIP. The most recent version of the SIP is publicly available and is published online and will be updated from time-to-time.

The Group Trustee has appointed BlackRock as the adviser and Fiduciary Manager (“the Manager”) to the Group. The Group Trustee delegates the day-to-day investment decisions and asset allocation to the Manager. The Group Trustee retains responsibility for the strategic investment objective and oversight of the Manager. A number of underlying investment managers (including the Manager) have been appointed to invest the Group’s assets. The underlying investment managers are ultimately responsible for carrying out the stewardship, voting and engagement activities in respect of the Group’s assets in line with the SIP.

The Group Trustee reviewed the SIP signed in September 2023 at its meeting in September 2024 and determined that no changes were necessary at that time. The relevant excerpts from the SIP are included below.

### ***SIP from September 2023 – present***

#### ***7. Responsible Investing***

*The Group Trustee recognises that Environmental, Social and Governance (ESG) risks could impact the ability of the Group to meet its investment objectives. The Group Trustee has therefore considered how to evaluate and manage these risks when setting its investment strategy. The Group Trustee shall detail its policies with regards to ESG, stewardship and engagement in the ESG Policy, however a summary of these policies are provided in the paragraphs below and in Section 8.*

*The Group Trustee will ensure that the Group's Fiduciary Manager shall, alongside other investment risks, integrate consideration of ESG risks throughout its investment decision making processes.*

*The Group Trustee requires that the Fiduciary Manager:*

- Assesses the approach of all the Group's investment managers in integrating ESG risks considerations into the selection, retention and realisation of investments as part of their due diligence process. This will take place before appointing any underlying investment manager.*
- Assesses the managers' integration of ESG into the investment process as part of the Investment Due Diligence process).*
- Reviews the adherence of the Group's investment managers to their ESG principles as part of its ongoing monitoring. They will report on key ESG metrics for the Group's investment managers and aggregate these to portfolio level where appropriate. This will take place at least quarterly.*
- Reports on its execution of voting and engagement responsibilities set by the Group Trustee as part of its ongoing quarterly monitoring. Where the Group invests in pooled funds, the Group Trustee recognises that the investment manager of the pooled funds is responsible for exercising voting rights and reporting on how they have exercised those rights.*
- Where UK-domiciled investment managers are not signatories to the FRC's UK Stewardship Code, the Fiduciary Manager shall consider the investment manager's rationale for this position and, where appropriate, report back its findings to the Group Trustee.*

*The Group Trustee does not take into account non-financial matters when selecting, retaining and realising investments. Non-financial matters are defined as the views of members and beneficiaries, including (but not limited to) their ethical views, and their views relating to social and environmental impact and quality of life. It is not possible to reflect individual member views as the assets are typically held in pooled arrangements.*

*However, the Group Trustee believes that by being a responsible investor, it is managing investment risk with the aim of enhancing long term portfolio returns, which is in the best interests of the members and beneficiaries of the Group.*

*In order to better assess climate-related risks and opportunities, the Group Trustee produces a Taskforce on Climate-Related Financial Disclosures (TCFD) report on an annual basis. The intention is that the report helps the Group Trustee better assess the Group's exposures to climate-related risks and ultimately increase the likelihood of meeting the Group's investment objective.*

## 8. Stewardship

*The Group Trustee understands that stewardship can enhance value over the long term and recognises that it has a responsibility to act as a good steward and protect and grow the long-term value for the benefit of the members.*

*The Group Trustee recognises the importance of good stewardship and it expects that the Fiduciary Manager is a signatory of the UN Principles for Responsible Investment (UN PRI) and the FRC UK Stewardship Code. The Fiduciary Manager has confirmed that it is a signatory of the UN PRI and the UK Stewardship Code. In order to be a good steward, the Group Trustee has set a policy which states that the Group's respective stakeholders should undertake activities in relation to issues that have a material impact on the long-term value of the Group's investments.*

*The Group Trustee acknowledges that it retains ultimate responsibility for the way in which each appointed manager acts as a steward of the Group's assets, though the Group Trustee expects the Fiduciary Manager ensures that the stewardship policy is appropriately implemented as far as is reasonably practicable. The policy includes ensuring to the extent possible that the underlying or external managers exercise on the Group Trustee's behalf rights and duties as an investor. This should include, where appropriate, voting and engaging with underlying investee companies, as part of an effective stewardship approach that meets the Group Trustee's expectations. The Group Trustee expects that voting and engagement activities are carried out in the best financial interests of the assets being managed.*

*The Group Trustee has delegated monitoring of underlying or external managers to BlackRock. As part of this responsibility, BlackRock is expected to:*

- Use reasonable efforts to obtain voting and/or stewardship policies of the underlying or external managers.*
- Inquire about underlying manager's voting activity with respect to their stated policies, where appropriate.*
- Request that underlying investment managers report on an annual basis a summary of the voting actions which have been taken and any votes cast which differ from the stated voting policy of that manager.*
- Provide a summary to the Group Trustee of the overall level of voting activity on an annual basis.*

*The Group Trustee will engage with BlackRock to understand any reports which have been provided and challenge any outcomes which they feel are not in keeping with policy. BlackRock is expected to engage with the underlying or external managers as and when required to facilitate this. Where an underlying or external manager is not adhering to this policy in line with the Trustee's expectations, the Trustee would expect BlackRock to consider appropriate actions having regard to the long-term financial interests of the Group.*

## **Appendix A – Investment Beliefs**

### *Climate Change*

*We believe that the risks associated with climate change can have a significant, negative impact on the investment returns of occupational pension schemes and could impact the security of members' benefits over the short, medium and long term. We believe that climate change may also present significant investment opportunities.*

### *Environmental, Social and Corporate Governance (excluding Climate Change)*

*We believe that the risks associated with ESG matters can have an impact on the investment returns of occupational pension schemes and could, as a result, impact the security of members' benefits. We believe that ESG matters may also present investment opportunities.*

*We will formulate our own policies on ESG matters and then appoint a fiduciary manager who is aligned to those policies to deliver effective stewardship of the investment portfolio.*

## **Scope of this statement**

The Group Trustee acknowledges that the extent to which the policies in relation to stewardship, voting and engagement can be applied varies across the portfolio, with equity managers generally having made more progress than fixed income. For example, in general, voting rights are not attached to fixed income securities, while the applicability to the LDI portfolio is limited. Nonetheless, the Group Trustee and the Manager expect all investment managers to take an active role in the stewardship of investments where relevant.

This statement mainly focuses on equity investment; however, the Group Trustee notes that it is important to monitor how fixed income managers are implementing their stewardship efforts. An example is included in this statement.

## **Group activity over the year**

The SIP includes the Group Trustee's policy on Environmental, Social and Governance ("ESG") factors and stewardship. This policy sets out the Group Trustee's beliefs on ESG and the processes followed by the Group Trustee in relation to voting rights and stewardship.

In order to establish these beliefs and produce this policy, the Group Trustee undertook ESG training provided by the Manager which covered what ESG considerations are, the difference between values and value-based investing, the Group Trustee's beliefs and how these can be incorporated into an investment strategy.

Following on from the training received in 2024, the Group Trustee decided to revisit and revise its ESG Policy and how it monitors the adherence of its Manager to that policy. The Group Trustee decided to join together with the Trustee of the UK Power Networks Pension Scheme which has also appointed BlackRock as its fiduciary manager to form a joint working party to dedicate more time to the oversight of ESG matters. Two members of each Board sit on the ESG working party which held its first meeting in the summer of 2024. The working party received reports from BlackRock regarding its ESG engagement with the Companies within the portfolio and how it exercised voting rights on the shares on behalf of the Group Trustee during the period. The working

party recommended some changes to the Group Trustee's ESG Policy which was ratified at the subsequent Board meeting. The most recent meeting was held in July 2025, where an annual update on stewardship and voting was received from BlackRock, looking at how this aligned to the Group Trustee's ESG policy.

During the year the Group Trustee also received ESG reporting in the quarterly investment report, which includes aggregate and asset class level reporting of ESG scores relative to an appropriate benchmark. The Group Trustee uses this to measure how the overall Group assets are invested and assess the metrics over time.

As part of the Group Trustee's ESG policy, the Manager is required to request the underlying managers' policies and their adherence to them. The Manager reviews the policies of each underlying manager to ensure that these are appropriate. Furthermore, the Manager is required to engage with underlying managers to better understand their actions and understand their level of engagement. The Group Trustee is comfortable that the underlying managers are taking their voting and engagement responsibilities seriously.

The Group Trustee expects the Manager to continue to work with underlying managers in order to ensure those on the weaker side of voting and engagement take action to make improvements. The Manager has acknowledged that all managers have been taking steps to improve both their voting and engagement and 'best in class' continues to evolve. The Group Trustee will be closely monitoring developments over the coming years.

## **Voting and Engagement**

The Group Trustee has delegated to the Manager the responsibility of collecting the stewardship and engagement reports of the underlying managers and assessing the suitability. The Group Trustee also expects the Manager to monitor the underlying managers' activity to ensure compliance and confirm that it remains a suitable investment for the Group. The Group Trustee is comfortable that under the governance structure the responsibility sits with the Manager to communicate with the underlying managers and on a regular basis collect information as required.

The Manager has noted that there is variability between managers in the extent of their engagement and voting policies, with equity managers generally having made more progress than fixed income. While this Implementation Statement focuses on the Group's equity managers, the expectations of fixed income managers are covered later in a separate section of this report.

The section below details the investment managers' approach to voting and engagement as well as some examples of significant engagements these managers have made over the 12 months in respect to the funds in which the Group is invested. In addition, summary voting statistics in respect of the Group's equities funds over the year to 31 March 2025 have been included.

The Group Trustee notes that the voting statistics are broadly in line with the 2024 statement, where the same investments were held, and are comfortable with the voting activities carried out on its behalf over the period.

### **BlackRock:**

The Group has a significant portion of its equities portfolio invested in funds managed by the Manager. Given the Manager's appointment as both the fiduciary manager as well as one of the investment managers, the Group Trustee recognises the importance of ensuring that the Manager's own policies and actions are appropriate for the Group. The Manager publicises its own policies as well as quarterly updates online (which can be accessed at [www.blackrock.com/corporate/about-](http://www.blackrock.com/corporate/about-)

us/investment-stewardship) which the Group Trustee has visibility of. This includes details of any changes to policies and also reports at an aggregate level the impact of its voting and engagement. The Group Trustee is comfortable that the transparency of the Manager in publicising reports and developments online ensures alignment with the interests of the Group.

While it is important to monitor the activities of the Manager at a high level through this publicly available information, it is also important to monitor the voting and engagement activities undertaken on behalf of the Group Trustee by the Manager on a more granular level.

In line with the Group Trustee's investment beliefs, as outlined in the SIP, the largest single strategy of the equities portfolio is invested in the BlackRock ACS World ESG Equity Fund. In respect of passive strategies, there is a wide universe of underlying companies which may number in the hundreds if not thousands. Where strategies are actively managed, investments are typically more concentrated. As such, ownership is more concentrated for actively managed strategies and therefore there will be fewer resolutions in which to vote. In addition, actively managed strategies have the option to sell holdings in companies at its discretion. For these reasons, in the context of passive strategies, it is important that voting and engagement rights are exercised and that this is monitored. Examples of a significant vote in respect of the BlackRock equities holdings is included below. The summary voting statistics below illustrate that the voting rights attached the underlying investments in these instances have been exercised to a large extent.

The Manager's approach to voting is described in the table below, along with summary voting statistics for the Manager's equities funds.

**Approach to voting**

BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty and to enhance the value of clients' assets, using their voice as a shareholder on their behalf to ensure that companies are well led and well managed.

BlackRock does this through engagement with management teams and/or board members on material business issues including environmental, social, and governance matters and, for those clients who have given BlackRock authority, through voting proxies in the best long-term economic interests of its clients.

BlackRock's stewardship policies are developed and implemented separately by two independent, specialist teams, BlackRock Investment Stewardship (BIS) and BlackRock Active Investment Stewardship (BAIS). While the two teams operate independently, their general approach is grounded in widely recognised norms of corporate governance and shareholder rights and responsibilities.

BIS is a dedicated function within BlackRock, which is responsible for stewardship activities in relation to clients' assets invested in index equity strategies. Voting decisions are made by members of the BIS team with input from investment colleagues as required, in each case, in accordance with its Global Principles and custom market-specific voting guidelines.

BAIS, established in January 2025, manages BlackRock's stewardship engagement and voting on behalf of clients invested in active strategies globally. Their activities are informed by their Global Engagement and Voting Guidelines and insights from active investment analysts and portfolio managers, with whom we work closely in engaging companies and voting at shareholder meetings.

Index or active, our BlackRock stewardship teams, and all of BlackRock's stewardship efforts across the firm, are focused on making decisions in the best interests of BlackRock's clients.

BlackRock stewardship analysts engage with the boards and management of companies in which clients are invested to listen to their perspectives on material business risks and opportunities they are facing to help make more informed voting decisions. Voting at a company's shareholder meeting is a basic right of share ownership and the formal means by which investors express their views on a company's corporate governance and performance. When authorised by clients to vote on their behalf, BlackRock votes to convey support for or concern about a company's approach to delivering financial returns for investors over time.

BlackRock contracts primarily with the vote services provider ISS and leverages its online platform to supply research and support voting, record keeping, and reporting processes. BlackRock also use Glass Lewis' research and analysis as an input into their voting process. Whilst BlackRock subscribes to research from the proxy advisory firms, it is just one among many inputs into its vote analysis process, and it does not blindly follow their recommendations on how to vote. BlackRock does not follow any single proxy research firm's voting recommendations. It subscribes to research providers and uses several other inputs in its voting and engagement analysis, including a company's own disclosures, public information and ESG research. In certain markets, BlackRock works with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform their voting decision.

Shell plc is an energy company headquartered in the United Kingdom. BIS has had extensive, multi-year engagements with Shell where they have discussed, among other topics, board composition, corporate strategy, and the board's oversight of, and management's approach to, climate-related risks and opportunities.

**Shell Plc**  
(UK, Energy)

At the May 2024 AGM, BIS supported management's proposal to approve Shell's energy transition update and its Energy Transition Strategy 2024. Shell first submitted its Energy Transition Strategy for a vote at the May 2021 AGM, when it received 89% support from shareholders, including BIS. In the two subsequent years, the company proposed an advisory shareholder vote on the progress made to date against its Energy Transition Strategy. The proposals received 79.9% and 80% shareholder support in 2022 and 2023, respectively, including from BIS. In BIS' view, Shell has provided and continues to provide a clear assessment of its plans to manage material climate-related risk and opportunities, while also demonstrating progress its stated Energy Transition Strategy.

Shell's 2023 Capital Markets Day highlighted its strategy to deliver "more value with less emissions," focusing on markets where it has a competitive edge, like decarbonising transportation. By the end of 2023, Shell had achieved over 60% of its goal to reduce scope 1 and 2 emissions by 50% by 2030. The company is also progressing towards eliminating routine flaring and achieving near-zero methane emissions by 2030. Due to changes in energy markets and its power

business strategy, Shell adjusted its climate targets, including retiring its 2035 net carbon intensity (NCI) target and modifying its 2030 NCI reduction target to 15-20%. These adjustments are seen as reasonable and transparent efforts to manage climate-related risks and opportunities.

Nestlé S.A. (Nestlé) is a multinational food and beverage company headquartered in Switzerland.

At the April AGM, BIS voted against the shareholder proposal for an amendment to the Articles of Association (AOA) regarding sales of healthier and less healthy foods. BIS did not support the shareholder proposal because we determined that amending the company's AOA was an unnecessarily prescriptive course of action. In BIS' view, the increased focus on healthy products sought by the proponents is a strategic decision, which is the responsibility of management. Additionally, Nestlé already discloses sufficient information on this issue and more than its peers.

**Nestle S.A**  
(Switzerland,  
Food and  
Beverage)

In BIS' view, the request made by the proponent that Nestlé increase its focus on healthier products is a strategic matter that should be determined by management. As one of many minority shareholders in public companies, BIS cannot – and does not try to – direct a company's strategy or its implementation. BIS' role, on behalf of their clients as long-term investors, is to better understand how corporate leadership is managing material risks and capitalising on opportunities to help protect and enhance the company's ability to deliver long-term financial returns.

Moreover, BIS did not have concerns regarding the company's current level of disclosure associated with the nutritional value of its products and nutrition strategy, given Nestlé's track record of transparency in reporting on the environmental and societal impacts of its business activities. Since 2008, Nestlé has published its "Creating Shared Value and Sustainability Report," which includes details about how the company supports access to healthy food and sustainable food systems. In BIS' assessment, the report provides sufficient information, including the nutritional value of the products in its portfolio, for investors to assess management's approach and how the company compares to its peers, which provide less information.

BIS determined that support for this shareholder proposal was not warranted. The proposal did not pass, receiving ~11% investor support.

		<b>Year to 31 March 2025</b>
<b>BlackRock ACS World ESG Equity</b>	Votable proposals	6,679
	% of resolutions voted	92%
	% of resolutions voted against management	2%
	% of resolutions abstained	0%
		<b>Year to 31 March 2025</b>
<b>iShares Edge MSCI USA Value Factor ETF</b>	Votable proposals	2,039
	% of resolutions voted	100%
	% of resolutions voted against management	1%
	% of resolutions abstained	0%



<b>BlackRock</b>		<b>Year to 31 March 2025</b>
<b>Factor</b>	Votable proposals	2,740
<b>Strategy</b>	% of resolutions voted	98%
	% of resolutions voted against management	2%
	% of resolutions abstained	0%

### ***Other investment managers***

The approach to voting and engagement of the Group's other equity manager, Schroders, is detailed below. Schroders is appointed in relation to the Group's Emerging Markets holding.

#### ***Schroders:***

The overriding principle governing Schroders' approach to voting is to act in the best interests of its clients. Schroders' voting policy and guidelines are outlined in its publicly available Environmental, Social and Governance Policy. Schroders evaluates voting issues arising and, where it has the authority to do so, votes on them in line with its fiduciary responsibilities in what it deems to be the interests of its clients. In applying the policy, Schroders considers a range of factors, including the circumstances of each company, performance, governance, strategy and personnel.

#### **Approach to voting**

It is Schroders' policy to vote all shares at all meetings globally, except where there are onerous restrictions – for example, share blocking. Schroders utilises the services of ISS and the Investment Association's Institutional Voting Information Services ('IVIS') in conjunction with its own research and policies when formulating voting decisions. With regards to abstaining from votes, Schroders' preference is to support or oppose management and only use an abstention sparingly. Schroders may abstain where mitigating circumstances apply, for example where a company has taken some steps to address shareholder issues.

For certain holdings of less than 0.5% of share capital in the USA, Australia, New Zealand, Japan, and Hong Kong, Schroders has implemented a custom policy that reflects the views of its ESG policy and is administered by Schroders' proxy voting provider, ISS. Schroders votes on both shareholder and management resolutions.

Mahindra & Mahindra is an Indian automobile manufacturing company headquartered in Mumbai.

#### **Mahindra & Mahindra Ltd**

(Indian automotive company)

In July 2024, there was a vote on the election of Ranjan Pant and Haigreve Khaitan as board members, as well as the re-appointment and approval of remuneration for Anish Shah (Managing Director and CEO) and Rajesh Jejurikar (Whole-time Director).

Schroders vote was against management due to concerns about independence, as less than 50% of the non-executive directors could be considered independent, and concerns of "over boarding" due to one or more of the

nominees sitting on multiple external boards, potentially impacting their effectiveness in their role.

**China Petroleum & Chemical Corp**

(Chinese oil refining conglomerate)

China Petroleum & Chemical Corp is a Chinese oil and gas enterprise based in Beijing. It is one of the world's largest oil refining conglomerate and has the second highest revenue in the world.

In June 2024, there was a vote to elect Chairman Ma Yongsheng. Schroders voted against management as they had concerns over multiple topics. Notably, they believed there was insufficient independence on the nomination committee, a lack of gender diversity on the board, and concerns over independent oversight. Less than half of the committee can be considered independent.

**Schroders EM Equities**

Votable proposals  
% of resolutions voted  
% of resolutions voted against management  
% of resolutions abstained

**Year to 31 March 2025**

2,062  
100%  
9%  
1%

**Fixed Income**

The Group has fixed income exposure via a Buy and Maintain mandate within the Insight QIAIF as well as fixed income funds managed by BlackRock, T. Rowe Price, PGIM, Neuberger Berman and Axa. Despite not having voting rights attached to the investments, the Group Trustee expects fixed income managers to be active owners and engage with issuers.

Voting and engagement practices with regards to listed equities are generally more developed than other asset classes, with greater transparency and standardisation of reporting. In addition, where there are funds which invest in government bonds (for example the BlackRock funds and Neuberger Berman), the method by which an investment manager engages with an issuer are often more complex.

The Group Trustee is comfortable that the fixed income managers have provided examples of engagements with issuers to the Fiduciary Manager. One example of such engagement conducted by T. Rowe Price for an investment in their Global High Yield Fund is set out below:

**BBVA**  
(Spanish retail-focused bank)

BBVA is a retail-focused Spanish bank with a long-established presence in Latin America.

T Rowe Price engaged with BBVA on its climate strategy.

T Rowe Price joined a collaborative investor meeting with BBVA to discuss the bank's overall climate strategy and progress. They believe the bank is aligned with European peers on topics relating to sustainable financing, decarbonising the loan book, and engaging with counterparties on their transition plans. However, the bank falls behind the industry gold standard on various topics and the meeting gave T Rowe Price an opportunity to provide feedback to the bank on future enhancements.

**Sustainable finance:** The bank is on track to meet its 2018–2025 EUR 300bn sustainable financing target, with EUR 226bn committed as of March 2024. Most of this has been allocated to climate (80%) and inclusive growth (20%) categories, with BBVA noting that it expects the allocation to natural capital to grow from 2024 onward. The company also noted that its sustainable lending accounts for 15%–20% of all new lending, but it remains challenging for investors to understand the impact this is having on its profit and loss account. T Rowe Price recommended the bank report the revenue contribution from its sustainable financing to bring it in line with the leading industry standards.

**Sectoral targets:** BBVA has financed emission reduction targets on eight sectors and noted it intends to announce targets for the commercial real estate, residential real estate, and aluminum sectors by June 2024 to meet its Net-Zero Banking Alliance (NZBA) commitments. T Rowe Price endorsed the bank's actions, which would bring it in line with the industry gold standard. T Rowe Price also encouraged the bank to set targets for its facilitated emissions (driven from its capital markets business) now that the Partnership for Carbon Accounting Financials (PCAF) has published its guidance. BBVA intends to report these in the first quarter of 2025.

**Client engagement:** The bank has developed a framework (Transition Risk Indicator) to measure the climate maturity of its counterparties and is reporting the % of customers (80% as of FY23) who are actively managing transition risks. T Rowe Price encouraged the bank to continue reporting this metric on an annual basis so that investors can better understand how the clients' transition efforts are maturing.

The engagement provided T Rowe Price with reassurance that the bank continues to evolve its climate strategy and is aligned with the “above average” banks in Europe. T Rowe Price also provided a series of recommendations to help the bank align with the industry gold standard.

## **Concluding remarks**

The Group Trustee is comfortable that the policies in the SIP have been followed over the year to 31 March 2025. The Group Trustee expects that the format and content will continue to evolve over time, in line with guidance and to reflect any future changes in the SIP.

The Group Trustee recognises the responsibility that institutional investors have to promote high standards of investment stewardship and will continue to use the influence associated with the Group's assets in order to positively influence the Group's investment managers.

**Andrew Pace**  
**Chair of Trustee**  
31 July 2025