

# Implementation Statement, covering the Scheme Year from 1 April 2024 to 31 March 2025 (the “Scheme Year”)

The Trustee of the NRG Group Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (“SIP”) during the Scheme Year, as well as details of any review of the SIP during the Scheme Year (including the voting and engagement policies set out in the SIP), subsequent changes made with the reasons for the changes, and (where no review of the SIP was undertaken) 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 Section 2 below.

The Statement 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 3.

In preparing the Statement, the Trustee has 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 the following SIPs:

- the SIP dated February 2024 for the period from 1 April 2024 to February 2025; and
- the SIP dated March 2025 for the remaining period to the end of the Scheme Year.

This Statement should be read in conjunction with these SIPs, the latest of which can be found here: <https://nrggrouppensionscheme.pensions-directory.co.uk/>

## 1. Introduction

The SIP was reviewed and updated during the Scheme Year in March 2025 to reflect:

- the removal of the reference to the Trustee’s expected return target for the DB Section.

As part of the SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its 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. Implementation of the policies in the SIP

### a. Investment objectives and investment strategy

#### DB Section

For the DB Section, the Trustee aims to invest the assets prudently to ensure that the Scheme should be able to meet benefit payments as they fall due. Progress against both the Technical Provisions funding measure and more prudent liability targets is reviewed on a regular basis in performance monitoring reports, including at Trustee meetings. The Trustee was also able to view the progress on an ongoing basis using LCP Visualise online (a tool provided by the Scheme’s investment adviser which shows key metrics and information on the Scheme).

The Trustee, with the help of its advisers and in consultation with the sponsoring employers, carried out a full review of the DB investment strategy in October 2024. As a result of the review, the Trustee agreed to fully redeem from the Mercer KKR Multi Asset Credit Fund to reduce risk and improve liquidity for the Scheme.

The below provides a summary of changes made to the strategy over the year as a result of the Trustee’s regular monitoring of its investment strategy as supported by its advisors:

- In July 2024, the Trustee rebalanced the Scheme’s interest rate and inflation hedge ratios back towards the target hedge ratios (broadly equal to the Scheme’s funding level).

- In December 2024 the Trustee fully redeemed from the Mercer KKR Multi Asset Credit Fund to derisk the Scheme. The proceeds were subsequently invested in the Legal & General Asset Management's ("L&G AM") Sterling Liquidity Plus Fund in January 2025.
- In January 2025 the L&G AM Maturing Buy and Maintain 2020-2024 Fund matured, and any excess holdings were transferred to the L&G AM Sterling Liquidity Plus Fund.

The Trustee continued to monitor the asset allocation on a quarterly basis.

Disinvestments to meet the Scheme's cashflow requirements were taken from L&G AM Sterling Liquidity Plus Fund in line with the Scheme's cashflow policy.

### DC Section

The investment objective for the DC Section is to invest the assets in a prudent manner to provide a secure investment with a low-risk return to members. As part of the last performance and strategy review of the DC investment strategy in December 2020, the Trustee considered the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Scheme. Based on the outcome of this analysis, the Trustee concluded that the L&G AM Multi-Asset (formerly Consensus) Fund ("MAF"), previously the only DC investment option in the Scheme, remains an appropriate fund for members of the Scheme.

Following completion of the December 2020 strategy review, the Trustee has also provided members with access to a range of investment options which it believes are suitable alternative options for members. These were made available in Q4 2021 when the changes agreed as part of the 2020 strategy review were implemented in the Scheme. The Trustee makes available two cash lifestyle strategies and a further five investment options, covering all major asset classes.

The Trustee reviews changes in member choices, behaviour and trends on an annual basis, based on administration reports provided by its administrator, Capita. As at the end of the Scheme Year, there has been no take up of the additional self-select options.

As the Scheme does not have a "default arrangement" for the purposes of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, there is no statutory requirement to review the DC Section investment strategy and its performance at a particular frequency. However, the Trustee regularly monitors the performance of the investment strategy. The Trustee did not review the DC investment strategy over the Scheme Year as it is currently undertaking a review of the benefits offered by the DC Section of the Scheme, including the interaction with DB benefits for those with hybrid benefits in the Scheme.

## b. Considerations in setting the investment arrangements

### DB Section

When the Trustee reviewed the DB investment strategy in October 2024, it considered the investment risks set out in the SIP. It also considered a number 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 deciding on the current investment strategy, the Trustee believed the level of risk to be appropriate given the Trustee's and employer's risk appetite and capacity and given the Scheme's objectives. The Scheme's risk levels were reviewed periodically, through both the October 2024 strategy review and quarterly performance monitoring reports (by both looking at Value at Risk and examining risks not captured by this metric, ie liquidity risk and collateral adequacy risk).

The Trustee receives training when required, including on topics such as investment strategy and responsible of investment, which is then taken into account by the Trustee in setting the investment arrangements for the DB Section of the Scheme.

The Trustee invests 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 Trustee therefore seeks to appoint managers whose stewardship<sup>1</sup> activities are aligned to the creation of long-term value and the management of long-run risks.

---

<sup>1</sup> 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.

## DC Section

As part of the performance and strategy review of the DC arrangements in December 2020, the Trustee considered:

- the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Scheme;
- the investment risks set out in the SIP; and
- 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.

### c. Manager selection, review and monitoring

Over the Scheme Year, the Trustee completed a full redemption from the Mercer KKR Multi Asset Credit Fund for the DB Section to reduce risk and improve liquidity for the Scheme. The proceeds were invested in L&G AM's Sterling Liquidity Plus Fund. In addition to this, the L&G AM Maturing Buy and Maintain 2020-2024 Fund matured over the Scheme Year, and any excess holdings were transferred to L&G AM's Sterling Liquidity Plus Fund. No other changes to the investment manager arrangements were made.

The Trustee monitors the performance of the investment managers on a quarterly basis during the Scheme Year, via a report from its investment adviser, LCP. The most recent quarterly report during the period covered the quarter to 31 March 2025. Performance was considered in the context of the manager's benchmark and objectives.

The Trustee undertook a value for members' assessment in July 2025 for the DC Section of the Scheme covering the Scheme Year. This involved assessing a range of factors, including the fees payable to managers in respect of the DC Section, which were found to be reasonable when compared against schemes with similar sized mandates. The Trustee also undertook a review of the performance of the funds used in the DC Section as part of the value for members' assessment. This showed that the funds used had performed broadly as expected over the period. Overall, the Trustee concluded that the investment managers provide good value for money.

In relation to both the DB Section and the DC Section, the Scheme's investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments on managers and informs the Trustee 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 funds.

The Trustee was comfortable with all of its investment manager arrangements over the Scheme Year.

### d. Realisation of investments

The Trustee reviews the Scheme's net current and future cashflow requirements on a regular basis. The Trustee's 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 less liquid assets.

## DB Section

The Trustee's policy is to have access to sufficient liquid assets in order to meet any outflows while maintaining a portfolio which is diversified across a range of factors, including suitable exposure to both liquid and less liquid assets.

The Trustee reviewed the DB Section's liquidity levels throughout the year as part of the performance monitoring report. Over the year, the DB Section maintained a good level of liquidity, in order to help meet any cash outflows, and fund potential collateral calls from the LDI portfolio.

The DB Section's liquidity levels were also considered as part of the strategy review (see further details in 2(h)).

## DC Section

It is the Trustee's 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 Trustee offered during the Scheme Year are daily priced.

### e. Financially material considerations and non-financial matters

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

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 Trustee reviews LCP's responsible investment (RI) scores for the managers and funds in its quarterly performance monitoring reports. 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, the most recent published in 2024. In addition to this, as part of the Trustee's quarterly review of the Scheme's investments LCP highlights to the Trustee whether there have been any developments in this area that require the Trustee's attention. In summary, the Trustee was comfortable with the scores over the year and no further action was taken.

In August 2023, the Trustee agreed to set an ambition to align the Scheme's assets with net zero greenhouse gas emissions by 2050 through selecting managers and investing in funds with credible net zero targets. In February 2024 the SIP was updated to reflect this, with the expectation that the Scheme's investment managers and advisors help the Trustee to achieve this ambition. Most of the Scheme's investment managers are now signatories to the Net Zero Asset Managers initiative (NZAMI).

Pursuant to the December 2020 review, the Trustee added two cash lifestyle strategies and five new L&G AM funds to the DC Section self-select fund range in Q4 2021. As part of its fund selection the Trustee recognised that some members may wish for ESG or responsible investment matters to be taken into account in their investments. Therefore, the Trustee has made available the L&G AM Future World Global Equity Index Fund as an investment option. This was introduced in Q4 2021 and provides access to a multi-factor approach to equity investing, aiming to increase exposure to companies with higher ESG scores, whilst excluding companies that L&G AM considers to be failing to meet global business standards. It also benefits from Legal & General's "Climate Impact Pledge" which is a market leading engagement approach where high risk companies are encouraged to address the transition to a low carbon economy.

The Trustee has not taken into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments during the Scheme Year.

### f. Voting and engagement

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity.

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations. However, the Trustee takes ownership of the Scheme's stewardship by monitoring and engaging with managers.

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.

Following the introduction of DWP's statutory guidance, the Trustee agreed to set 'climate change' as its stewardship priority to focus monitoring and engagement with their investment managers on specific ESG factors. Climate change was selected as the priority because the Trustee recognised the potential large-scale impact it has on the global economy and, therefore, indirectly also the ability of the Trustee to

manage the long-term value and long-run risks relating to its investment portfolio. The Trustee communicated this priority to its managers in March 2023.

The Trustee reviews case studies of the managers' engagements which relate to the Trustee's stewardship priority as part of its ongoing monitoring. This helps the Trustee to better understand its investment managers' approaches to engagement. Over the Scheme Year, the Trustee reviewed 9 different case studies from its investment managers covering the Trustee's priority, climate change. As a result of these case studies, the Trustee was provided with some comfort that its investment managers were taking action in relation to its priority. In practice, the Trustee received less frequent case studies for the Insight Secured Finance and KKR Multi Asset Credit funds which were held on the Mercer platform. The Trustee fully redeemed from the KKR Multi-Asset Credit fund over the Scheme year and submitted a full redemption from the Insight Secured Finance fund post year end.

The Trustee is 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 Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements, either directly or indirectly through the Scheme's investment adviser.

#### **g. Investment governance, responsibilities and decision making**

As mentioned in Section 2(c), the Trustee assesses the performance of the Scheme's DB Section investments on an ongoing basis as part of the monitoring reports it receives.

The performance of the professional advisers is considered on an ongoing basis by the Trustee. The Trustee has put in place formal objectives for its investment adviser and will review the adviser's performance against these objectives annually, with the last review taking place during the Scheme Year in May 2024.

#### **h. Policy towards risk**

Risks are monitored on an ongoing basis with the help of the investment adviser and discussed regularly at meetings.

The Trustee's approach 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 Trustee by the Scheme's investment managers. These include credit risk, equity risk, currency risk, counterparty risk and liquidity risk. These risks were considered as part of the DB Section investment strategy review in October 2024, and the DC Section investment strategy review in December 2020.

The Trustee invests the assets of the DB Section of the Scheme to produce a sufficient long-term return in excess of the DB Section liabilities in order that its investment objectives, including to ensure that the DB Section should be able to meet benefit payments as they fall due, can be met. There is a risk that the performance of the DB Section's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been considered in setting the investment strategy and has been monitored by the Trustee throughout the Scheme Year.

The DB Section's interest and inflation hedging levels are monitored in the performance monitoring report. The Trustee has agreed a policy whereby the DB Section's hedging levels are increased if the funding levels are 3% or more higher than the hedging ratios. Over the year, the Scheme's hedging levels were outside this range and the Trustee rebalanced the Scheme's hedging levels closer to the funding level. As at 31 March 2025, the Scheme's hedging levels were within this range.

The Scheme is subject to credit risk because it invests in a variety of bonds and credit investments via pooled funds. The Trustee manages its exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit instruments and issuers.

With regard to collateral adequacy risk, the Trustee holds investments in L&G AM's Sterling Liquidity Plus Fund alongside the LDI portfolio, to be used should L&G AM (the LDI manager) require cash to be posted for a deleverage event. As at 31 March 2025 the Scheme held more than enough liquid assets to meet the expected value of several sets of capital calls on the LDI funds. The Trustee also invested the proceeds from the KKR MAC redemption over the year transfer over the year in the Sterling Liquidity Plus Fund, which further reduced collateral adequacy risk.

Together, the investment and non-investment risks set out in the SIP give rise generally to funding risk within the DB Section. The Trustee has formally reviewed the Scheme's funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustee reviews the funding position allowing for membership and other experience. The Trustee also monitors the DB Section funding position more regularly, through quarterly monitoring reports. The Trustee Directors also have the ability to monitor the funding position daily on LCP Visualise.

With regard to the risk of inadequate returns within the DC Section, the Trustee makes use of the L&G AM Multi-Asset Fund which invests partly in equity and equity-based funds that are expected to provide positive returns above inflation over the long term. Additional self-select funds, including a global equity fund, are also available for members to invest in.

The following risks are covered earlier in this Statement: diversification risk, investment manager risk and excessive charges, illiquidity/marketability risk and ESG risks.

### 3. Description of voting behaviour during the Scheme Year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year. However, the Trustee monitors managers' voting and engagement behaviour on an annual basis, with a particular focus on its stewardship priority (climate change). The Trustee challenges managers where their activity has not been in line with the Trustee's 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 Scheme's funds that hold equities as follows:

- L&G AM Multi-Asset (formerly Consensus) Fund; and the
- L&G AM Future World Global Equity Fund.

Both funds are used only in the DC Section of the Scheme.

The DB Section does not have any equity investments, so there are no voting actions to report in relation to the DB Section.

#### 3.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place.

##### **L&G AM**

L&G AM's voting and engagement activities are driven by ESG professionals, and their assessment of the requirements in these areas seeks to achieve the best outcome for its clients. L&G AM's voting policies are reviewed annually, considering feedback from its clients. Every year, L&G AM holds a stakeholder roundtable where clients and other stakeholders are invited to express their views directly to the members of L&G AM's Investment Stewardship team. The views expressed by attendees during this event form a key consideration as L&G AM continues to develop its voting and engagement policies and define strategic priorities in the years ahead.

All decisions are made by L&G AM's Investment Stewardship team in accordance with its Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each team member is allocated a specific sector so that voting is undertaken by the same individuals who engage with the company. This ensures L&G AM's stewardship approach flows smoothly throughout the engagement and voting process and that it is fully integrated into the vote decision process, sending a consistent message to companies.

L&G AM's Investment Stewardship team uses Investor Shareholders Service's ("ISS") 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G AM and it does not outsource any part of the strategic decisions. L&G AM's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports

of Institutional Voting Information Services to supplement the research reports that it receives from ISS for UK companies when making specific voting decisions.

To ensure its proxy provider votes in accordance with L&G AM's position on ESG, L&G AM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what L&G AM considers are minimum best practice standards which it believes all companies globally should observe, irrespective of local regulation or practice. L&G AM retains the ability in all markets to override any vote decisions. It has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies.

In determining significant votes, L&G AM's Investment Stewardship team takes into account the criteria provided by the PLSA guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at L&G AM's annual stakeholder roundtable event, or where they note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an L&G AM engagement campaign, in line with L&G AM Investment Stewardship's 5-year ESG priority engagement themes.

It is vital that the proxy voting service is regularly monitored and L&G AM does this through quarterly due diligence meetings with ISS. L&G AM also has its own internal Risk Management System to provide effective oversight of key processes.

### 3.2 Summary of voting behaviour over the Scheme Year

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

	L&G AM Multi-Asset (formerly Consensus) Fund (charges included)	L&G AM Future World Global Equity Index Fund (charges included)
Manager name	L&G AM	L&G AM
Total size of fund at end of the Scheme Year	£80.4m	£52.6m
Value of DC Scheme assets at end of the Scheme Year (£ / % of total assets)	£526k / 100%	£0 / 0%
Number of equity holdings at end of the Scheme Year	7,087	3,197
Number of meetings eligible to vote	10,638	5,515
Number of resolutions eligible to vote	105,686	55,096
% of resolutions voted	99.8%	99.8%
Of the resolutions on which voted, % voted with management	76.6%	81.0%
Of the resolutions on which voted, % voted against management	22.3%	17.9%
Of the resolutions on which voted, % abstained from voting	1.1%	1.1%
Of the meetings in which the manager voted, % with at least one vote against management	69.2%	58.6%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	13.8%	9.7%

*Note: Figures may not sum due to rounding.*

### 3.3 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.

Due to the number of significant votes provided by L&G AM, the Trustee has chosen a subset of votes to report on in this Statement. The Trustee has interpreted 'significant votes' to mean those that are consistent with the Trustee's criteria above, focusing on its stewardship priority, climate change, and relate to environmental, social or corporate governance factors.

**In relation to significant votes**, L&G AM has confirmed that it publicly communicates its vote instructions on its website the day after the company meeting, with the rationale for all votes against management. It is L&G AM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.

In respect of each vote, the outcome and next steps are that L&G AM will continue to engage with the company and publicly advocate L&G AM's position on the issue concerned and monitor company and market-level progress.

The Trustee has reported on three of these significant votes per fund only as the most significant votes. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

#### **L&G AM Multi-Asset (formerly Consensus) Fund**

- **Shell Plc, May 2024**

- **Summary of resolution:** Approve the Shell Energy Transition Strategy
- **Relevant stewardship priority:** Climate change.
- **Vote cast:** Against.
- **Company management recommendation:** For.
- **Approximate size of the holding at the date of the vote:** 0.55%
- **The reason the Trustee considered this vote to be "most significant":** This vote relates to the Trustee's chosen stewardship priority.
- **Rationale:** A vote against was applied. L&G AM acknowledges the significant progress the company has made in climate-related disclosure in recent years, including positive steps such as commitments to reduce emissions from operated assets and oil products, a strong stance on tackling methane emissions, and the pledge to cease frontier exploration activities beyond 2025. However, in light of recent revisions to the Net Carbon Intensity (NCI) targets, alongside the ambition to expand the gas and LNG business this decade, L&G AM expects the company to more clearly demonstrate how these plans align with an orderly transition to net-zero emissions by 2050. L&G AM seeks greater clarity on the anticipated lifespan of the assets Shell is looking to develop, the degree of flexibility in adjusting production across various scenarios, and concrete measures being taken across the value chain to support customer decarbonisation. L&G AM also expects further transparency regarding lobbying activities in regions where hydrocarbon production will remain significant, clearer guidance on capital expenditure allocated to low-carbon initiatives beyond 2025, and clarification on the application of responsible divestment principles in asset sales, as portfolio adjustments represent a key component of the company's decarbonisation strategy.
- **Was the vote communicated to the company ahead of the vote:** L&G AM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is L&G AM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
- **Outcome of the vote and next steps:** Passed. L&G AM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

- **Amazon.com Inc., May 2024**

- **Summary of resolution:** Report on Customer Due Diligence
- **Vote cast:** For.
- **Company management recommendation:** Against.
- **Approximate size of the holding at the date of the vote:** 0.29%

- **The reason the Trustee considered this vote to be “most significant”:** This vote relates to a social and governance aspect of a holding.
  - **Rationale:** L&G AM voted in favour of this shareholder resolution as enhanced transparency over material risks to human rights is key to understanding the company’s functions and organisation. While the company has disclosed that it internally reviews these for some products and has utilised appropriate third parties to strengthen its policies in related areas, there remains a need for increased, especially publicly available, transparency on this topic.
  - **Was the vote communicated to the company ahead of the vote:** L&G AM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is L&G AM’s policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
  - **Outcome of the vote and next steps:** Failed. L&G AM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.
- **Unilever Plc, May 2024**
    - **Summary of resolution:** Approve Climate Transition Action Plan
    - **Relevant stewardship priority:** Climate change.
    - **Vote cast:** For.
    - **Company management recommendation:** For.
    - **Approximate size of the holding at the date of the vote:** 0.28%
    - **The reason the Trustee considered this vote to be “most significant”:** This vote relates to the Trustee’s chosen stewardship priority.
    - **Rationale:** A vote in favour is warranted, as it is understood to meet L&G AM’s minimum expectations. This includes the disclosure of scope 1, scope 2, and material scope 3 greenhouse gas (GHG) emissions, as well as short-, medium-, and long-term emissions reduction targets aligned with the 1.5°C goal of the Paris Agreement.
    - **Was the vote communicated to the company ahead of the vote:** L&G AM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is L&G AM’s policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
    - **Outcome of the vote and next steps:** Passed. L&G AM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

#### **L&G AM Future World Global Equity Index Fund**

- **BHP Group Limited, October 2024**
  - **Summary of resolution:** Approve Climate Transition Action Plan
  - **Relevant stewardship priority:** Climate change.
  - **Vote cast:** For.
  - **Company management recommendation:** For.
  - **Approximate size of the holding at the date of the vote:** 0.16%
  - **The reason the Trustee considered this vote to be “most significant”:** This vote relates to the Trustee’s chosen stewardship priority.
  - **Rationale:** The critical minerals that mining companies provide are essential to the energy transition. It is clear that BHP has made significant strides in carrying out its core role in the transition in a sustainable manner, and has demonstrated this through the substantial alignment of its Climate Transition Action Plan (CTAP) with L&G AM’s framework for assessing mining company transition plans. Therefore, L&G AM voted for this resolution.
  - **Outcome of the vote and next steps:** Passed. Going forward, L&G AM will assess the disclosure of progress on BHP’s plans for the development of a more targeted methane measurement, management and mitigation strategy, as well as the plans it is executing to support the decarbonisation of steelmaking. L&G AM will also continue to engage with BHP to ensure resilience whilst navigating the dynamic market for metallurgical coal.

- **Canadian National Railway Company, April 2024**
  - **Summary of resolution:** Management Advisory Vote on Climate Change
  - **Relevant stewardship priority:** Climate change.
  - **Vote cast:** For.
  - **Company management recommendation:** For.
  - **Approximate size of the holding at the date of the vote:** 0.11%
  - **The reason the Trustee considered this vote to be “most significant”:** This vote relates to the Trustee’s chosen stewardship priority.
  
- **Microsoft Corporation, December 2024**
  - **Summary of resolution:** Report on AI Data Sourcing Accountability
  - **Vote cast:** For.
  - **Company management recommendation:** Against.
  - **Approximate size of the holding at the date of the vote:** 4.9%
  - **The reason the Trustee considered this vote to be “most significant”:** This vote relates to a governance aspect of a holding.
  - **Rationale:** L&G AM voted for this resolution as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models.
  - **Was the vote communicated to the company ahead of the vote:** L&G AM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is L&G AM’s policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
  - **Outcome of the vote and next steps:** Failed. L&G AM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.
  
- **Meta Platforms, Inc., May 2024**
  - **Summary of resolution:** Elect Director Peggy Alford
  - **Vote cast:** Against.
  - **Company management recommendation:** For.
  - **Approximate size of the holding at the date of the vote:** 1.3%
  - **The reason the Trustee considered this vote to be “most significant”:** This vote relates to a governance aspect of a holding.
  - **Rationale:** A vote against was applied as L&G AM expects companies to have at least one-third female representation on the board. A vote against was also applied in relation to the Lead Independent Director, as L&G AM expects companies to appoint an independent lead director where there is a combined Board Chair and CEO. On the basis of remuneration, L&G AM applied a vote against as the company did not seek annual shareholder approval for executive directors’ pay and non-executive directors’ fees, which L&G AM considers best practice. Furthermore, L&G AM does not support the company’s private use of corporate jets.
  - **Was the vote communicated to the company ahead of the vote:** L&G AM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is L&G AM’s policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
  - **Outcome of the vote and next steps:** Passed. L&G AM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.