
Stewardship and Engagement

Implementation Statement – 1 April 2024 to 31 March 2025

1. Introduction

This document is the Annual Implementation Statement (“the statement”) which has been prepared by the Trustee with the assistance of the Scheme’s Master Manager Russell Investments¹ and covers the Scheme year (“the year”) from 1 April 2024 to 31 March 2025.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustee, the Trustee’s policy on engagement and voting as set out in the Statement of Investment Principles (“the SIP”) has been adhered to during the year; and
- A description of voting behaviour (including the most significant votes made on behalf of the Trustee) and any use of proxy voting services during the year.

The SIP is a document which outlines the Trustee’s policy with respect to various aspects related to investing and managing the Scheme’s assets including but not limited to: oversight of Investment Managers, portfolio construction and risks.

In preparing this statement, the SIP effective on and from 27 March 2024 has been considered. The latest version of the SIP can be found online at ngukgaspension.co.uk/documents. Since 31 March 2025, a new SIP has been in place which will be considered in next year’s implementation statement.

2. How the Trustee has adhered to the engagement and voting policy

The Trustee’s engagement and voting policy as outlined in the SIP is as follows:

The Trustee believes that active ownership (voting and engagement) is the most appropriate channel to promote positive environmental, social and governance (“ESG”) practices. All of the Scheme’s assets are managed externally by the appointed investment managers and overseen by the Master Manager. As such, the Trustee delegates active ownership to the investment managers, and delegates the responsibility for overseeing the investment managers’ active ownership practices to the Master Manager.

The key role of active ownership to promote positive ESG practices is reflected in the Trustee’s Responsible Investment (“RI”) Policy. This sets out the approach to integrate ESG/RI considerations to the different parts of the Scheme’s investment process and aims to drive the Scheme towards best practice.

The RI Policy articulates requirements to the external investment managers to engage and vote on the Scheme’s behalf. The Trustee, via Russell Investments, continuously engages with its external investment managers to monitor compliance with the framework set out within the RI Policy. Furthermore, the RI Policy enables the Trustee to either unilaterally or collaboratively undertake direct engagement on themes and topics that are particularly relevant to the Scheme. The latest version of the RI Policy can be found online at ngukgaspension.co.uk/documents.

Over the year, Russell Investments continued to implement its stewardship operating model for the Scheme assets which is based on two pillars:

- Pillar 1: Active ownership activities of the third-party investment managers that are responsible for the day-to-day management of the Scheme’s portfolios. Activities include direct engagement, collaborative engagement and proxy voting.
- Pillar 2: Active ownership activities of Russell Investments itself, which include direct engagements, collaborative engagement, active participation in industry consultations and collaborations as well as third party manager monitoring.

Over the year, the Trustee has undertaken the following actions in line with its RI Policy:

- Russell Investments and the Scheme’s provider of executive services, the LCP Executive², monitored the external investment managers and their mandates on an ongoing basis. Russell Investments also met with

¹ The role of the Master Manager is to provide oversight and implementation of investments with LCP Executive, and the Trustee retaining responsibility for strategic asset allocation.

² Formerly TEL. In September 2024, the services provided by TEL transitioned to LCP.

each manager at least quarterly. During these meetings, the integration of RI/ESG into the investment processes, risk management and engagement activities of the investment managers were challenged and discussed. A particular focus during these meetings was the identification and assessment of climate-related risks and opportunities in their investment processes and engagement approaches.

- Russell Investments and the LCP Executive have monitored the extent to which the external investment managers' engagement activities are aligned with the Trustee's Key Engagement Themes that are set on an annual basis. Overall, the investment managers' engagement activities were found to have sufficient focus on the Trustee's Key Engagement Themes.
- Russell Investments continued to implement their Active Ownership Enhanced Oversight process which seeks formalised input on the key ESG risks and engagement opportunities identified by the managers to strengthen the understanding of the managers' ESG assessments.
- In line with the Trustee's beliefs and RI Policy, the LCP Executive has continued engaging with insurers involved in buy-in transactions, focusing on providing climate-related metrics for inclusion in the Scheme's TCFD-compliant reporting, enhancing transparency around the ESG/RI characteristics of the insurers' investment portfolios.
- Summarising the outcomes of its continuous monitoring activities, Russell Investments has reported RI/ESG ratings of the external investment managers in the quarterly investment reports to the LCP Executive and the quarterly reporting received by the Trustee. Where appropriate, Russell Investments provides key observations and highlights changes from previous quarters.
- Furthermore, Russell Investments provides a quarterly ESG report including metrics such as ESG risk scores, temperature alignment measures, and carbon footprint, which help the Trustee assess the Scheme's overall exposure to climate change risk. The Scheme remains committed to the Paris Aligned Investment Initiative ("PAII") Net Zero Asset Owner Initiative, targeting net zero portfolio greenhouse gas emissions by 2050 or sooner. This commitment aligns with the Paris Agreement's goal to limit the global temperature increase to 1.5°C above pre-industrial levels and reflects National Grid's own climate ambitions. The Scheme continues to disclose its targets annually alongside other asset owners in the PAII target disclosure report. Over the past year, the LCP Executive and Russell Investments engaged with the IIGCC on best practices for climate metric performance attribution and the baselining of climate targets.

The Appendix summarises the voting behaviour and use of proxy voting services of the external investment managers that managed the Scheme's equity investments during the year until 30 September 2024.² Furthermore, the Appendix summarises the key engagement activities of the external investment managers that manage the Scheme's public debt investments, which do not hold voting rights but do provide the opportunity to drive change by engaging with the underlying issuers.

3. Conclusion

Following the monitoring of the Scheme's investment managers over the year and reviewing the voting information and engagement activities outlined in this statement, the Trustee is satisfied that the external investment managers' stewardship activity has been undertaken in the Scheme members' best interests to help drive long-term value. The Trustee believes that the investment managers are effective stewards of the Scheme's assets.

The Trustee will continue to monitor the investment managers' stewardship practices on an ongoing basis.

The Trustee believes that the engagement policy, as outlined in the SIP, has been adhered to over the year.

²With effect from 1 October 2024, the assets and liabilities of Section B, which related to the gas transmission business, were transferred to the National Gas Transmission Pension Scheme (NGTPS), as a result only Section A remained within NGUKPS. As all of the Scheme's public equity investments are held in Section B, this implementation statement includes voting activities only up to the transfer date of 30 September 2024.

Appendix

This section focusses on the Scheme's public equity allocations, which had voting rights and the engagement activities regarding the Scheme's public debt investments that do not hold voting rights but provide the opportunity to drive change by engaging with the underlying issuers.

Over the year, the Scheme's only public equity allocation was within Section B of the Scheme and was managed by Legal & General Asset Management (L&G – Asset Management). With effect from 1 October 2024, Section B was transferred to the National Gas Transmission Pension Scheme. As a result, the Scheme no longer holds a public equity allocation, reflecting its funding position, low risk appetite, and continued de-risking journey.

The Scheme is from time to time exposed to public equity on a temporary basis in private equity pooled funds during an exit strategy and votes may occur during that period. It is not practical for the Trustee to influence the voting policy of the private equity fund's manager during that period and private equity managers do not generally share detailed information about voting activities in their pooled funds.

The Scheme's public debt investments are managed by L&G – Asset Management and AXA which come with the opportunity to engage with the issuers.

As set out in the SIP, the Trustee's policy is to delegate the exercising of voting rights to the Scheme's external investment managers. The Scheme's investment managers have their own voting policies which determine their approaches to voting, and the principles they follow when voting on their investors' behalf. The Master Manager reviews the managers' approaches to voting and engagement annually, to ensure these approaches are in line with the Trustee's own voting and engagement policy. The review also ensures that the managers' policies are in line with market practice and the Trustee's expectations.

Over the year, key changes to L&G – Asset Management's voting policy were made on:

- Audit and remuneration committees' independence,
- North America board composition independence,
- Executive remuneration,
- Whistleblowing and digitisation in audit, risk and internal control,
- Shareholder and bondholder rights renamed to investor rights,
- Further information introduction in the sustainability sector.
- Consolidation of the standalone UK and North American policy within the Global policy.

These changes are line with the Trustee's engagement themes: Natural Capital, Climate Change Resilience, Human Capital, Diversity & Inclusion, Board Compensation & Accountability, Executive Compensation and Cyber Security⁴.

Investment managers also use voting proxy advisors which aid in their decision-making when voting. L&G – Asset Management's use of proxy voting services is summarised below:

L&G – Asset Management's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G – Asset Management and are not outsource any part of the strategic decisions. L&G – Asset Management's use of ISS recommendations is purely to augment their 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 L&G – Asset Management receives from ISS for UK companies when making specific voting decisions.

To ensure its proxy provider votes in accordance with their position on ESG, L&G – Asset Management has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what it considers are minimum best practice standards which it believes all companies globally should observe, irrespective of local regulation or practice.

L&G – Asset Management 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 it to apply a qualitative overlay to their voting judgement. L&G – Asset Management 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 L&G – Asset Management of rejected votes which require further action.

⁴ Digitization replaced cyber security as a more encompassing engagement theme in the latest SIP from 31st March 2025

The below table sets out the voting activity of L&G – Asset Management, on behalf of the Trustee, over the year until 30 September 2024:

Voting activity	L&G – Asset Management
Number of meetings at which the manager was eligible to vote	1,117
Number of resolutions on which manager was eligible to vote	15,136
Percentage of eligible votes cast	99.81%
Percentage of votes with management	78.31%
Percentage of votes against management	20.84%
Percentage of votes abstained from	0.85%
Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser	15.99%

Given the large number of votes which are cast by managers during every Annual General Meeting season (as shown in the table above), the timescales over which voting takes place as well the resource requirements necessary to allow this, the Trustee did not inform L&G – Asset Management which votes it considered to be most significant in advance of those votes being cast. Instead, Russell Investments, as the Scheme's Master Manager, informs L&G – Asset Management of the Scheme's key engagement themes on an annual basis and actively engages with L&G – Asset Management to help direct focus towards these priorities.

In determining significant votes, L&G – Asset Management takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. L&G – Asset Management defines significant votes as including but not limited to the following characteristics:

- 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 – Asset Management annual Stakeholder roundtable event, or where we 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 – Asset Management engagement campaign, in line with L&G – Asset Management Investment Stewardship's 5-year ESG priority engagement themes.

The Master Manager also reviews the most significant votes each year, assesses their relevance to the Scheme's engagement themes and the materiality of the holding, and reports the outcomes to the Trustee in this Implementation Statement.

The following table outlines the **most significant votes** cast by L&G – Asset Management on the Trustee's behalf over the year:

<u>Alphabet Inc.</u>	
Voting topic	Board Leadership
NGUKPS Engagement theme	Governance – Board Composition & Accountability
Summary of the Resolution	Resolution 1d: Elect Director John L. Hennessy
Date	07/06/2024
Management Recommendation	For
How the vote was cast	Against
Communication to company ahead of the vote	Yes

Vote Outcome	Pass
Reason for being a significant vote	L&G – Asset Management considers votes related to board structure, independence, and accountability to be significant. These votes align with the Trustee's ESG theme on Board Composition and Accountability, which seeks to ensure that companies have boards that are diverse, independent, appropriately skilled, and focused on long-term value creation. Supporting such votes helps the Trustee promote effective governance, safeguard shareholder interests, and encourage sustainable business practices.
Size of holding (in % of equity allocation)	2.90%
Rationale	
Average board tenure: A vote against is applied as L&G – Asset Management expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	
Diversity: A vote against is applied as L&G – Asset Management expects a company to have at least one-third women on the board. Independence: A vote against is applied as L&G – Asset Management expects the Chair of the Committee to have served on the board for no more than 15 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background.	
Independence: A vote against is applied as L&G – Asset Management expects the Chair of the Board to have served on the board for no more than 15 years and the board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	
Shareholder rights: A vote against is applied because L&G – Asset Management supports the equitable structure of one-share-one-vote. L&G – Asset Management expects companies to move to a one-share-one-vote structure or provide shareholders a regular vote on the continuation of an unequal capital structure.	
Next steps	
L&G – Asset Management will continue to engage with the company, publicly advocate its position on average board tenures, board composition and independence and monitor company and market-level progress.	

Broadcom Inc.

Voting topic	Climate
NGUKPS engagement theme	Environmental – Climate change resilience
Summary of the Resolution	Resolution 1g: Elect Director Henry Samueli
Date	22/04/2024
Management Recommendation	For
How the vote was cast	Against
Vote Outcome	Pass
Reason for being a significant vote	L&G – Asset Management considers this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting companies in climate-critical sectors. By holding companies accountable on their climate strategies and transparency, the initiative directly supports the Trustee's objective of addressing climate change as a systemic, long-term financial risk.
Size of holding (in % of equity allocation)	0.40%
Rationale	
L&G – Asset Management voted against the company as it was deemed to fall short of its minimum standards on climate risk management. This vote was taken under the Climate Impact Pledge.	

Next steps

L&G – Asset Management will continue to engage with the company, publicly advocate their position on this issue and monitor company and market-level progress.

Investor AB

Voting topic	Diversity
NGUKPS engagement theme	Social – Diversity and inclusion
Summary of the Resolution	Resolution 15: Re-elect Jacob Wallenberg as Board Chair
Date	07/05/2024
Management Recommendation	For
How the vote was cast	Against
Communication to company ahead of vote	Yes
Vote Outcome	N/A
Reason for being a significant vote	L&G – Asset Management views gender diversity as a financially material issue for clients, with direct implications for the assets they manage. This approach aligns with the Trustee's ESG theme on Diversity and Inclusion, which encourages companies to demonstrate how they recruit, promote, protect, and retain a diverse workforce. Supporting such votes helps to promote long-term shareholder value, enhance business performance, and reduce risks linked to discrimination or poor workplace culture.
Size of holding (in % of equity allocation)	0.48%

Rationale

Diversity: A vote against is applied as L&G – Asset Management expect a company to have a diverse board, with at least 40% of board members being women. This threshold reflects Swedish market standards, which set a higher expectation of 40% female representation on boards. L&G – Asset Management expect companies to increase female participation both on the board and in leadership positions over time.

Next steps

L&G – Asset Management will continue to engage with the company, publicly advocate its position on this issue and monitor company and market-level progress.

During the year, the Scheme completed Section B's transfer to the National Gas Transmission Pension Scheme. As Section B held the public equity allocation of the Scheme, after the transfer, the Scheme had no remaining public equity allocation. As a result, the focus of stewardship activity has moved away from voting, which is primarily associated with listed equities, and towards engagement within the credit portfolio. Engagement within the credit portfolio remains an important tool for influencing issuers on the key engagement themes of NGUKPS, and the Trustee continues to rely on its managers, such as L&G – Asset Management and AXA, to carry this out on its behalf.

The following section outlines key **engagement** activities of L&G – Asset Management on the Trustee's behalf over the year:

Procter & Gamble	
Engagement Topic	Environment: biodiversity, deforestation
NGUKPS Key Engagement Theme	Environmental – Natural Capital
Rationale	L&G – Asset Management recognises deforestation as a material risk to both climate stability and biodiversity, with significant implications for the global economy and the value of clients' assets. In line with its commitment to a net zero economy by 2050, L&G – Asset Management engages with companies such as Procter & Gamble to encourage the elimination of deforestation from supply chains, particularly in relation to commodities like palm oil and wood pulp. This approach aligns with the Trustee's ESG theme on Natural Capital, which encourages responsible environmental management and the sustainable use of resources. By engaging companies on their dependencies and impacts on natural capital, such activity helps mitigate operational, financial, and reputational risks linked to the misuse of scarce resources.
Actions	L&G – Asset Management engaged with Procter & Gamble to address concerns around its exposure to deforestation risks, particularly the absence of a time-bound commitment to eliminate deforestation in primary forests across its supply chain. While recognizing improvements in transparency around forestry practices, L&G – Asset Management engaged with Procter & Gamble as part of its deforestation campaign, outlining their expectations and the potential voting sanctions for non-compliance. Levels of individual typically engaged with include the associate General Counsel and Investor Relations.

Outcome and next steps

Following its endorsement of the COP26 Commitment on Eliminating Agricultural Commodity Driven Deforestation and the publication of its deforestation policy, L&G – Asset Management has refined its minimum expectations: companies in deforestation-critical sectors, where data is available, are expected to have both a deforestation policy and a supporting programme in place. These disclosures are essential for enabling investors and the broader market to accurately assess and price deforestation-related risks and opportunities. L&G – Asset Management sees appropriate market pricing as a key lever for change.

L&G – Asset Management remains concerned about Procter & Gamble's exposure to deforestation risks, particularly the absence of a time-bound commitment to eliminate deforestation in primary forests. While the company has improved transparency around its forestry practices, L&G – Asset Management expects continued progress, regular reporting, and will closely monitor performance in line with its engagement strategy.

Tesco	
Engagement Topic	Human Capital
NGUKPS Key Engagement Theme	Social – Human Capital
Rationale	L&G – Asset Management recognises the structural reliance of the retail sector on lower-skilled, lower-wage employment and has been actively engaging with Tesco—one of the UK's largest supermarkets—on this critical issue. Promoting fair treatment of employees, including pay equity and diversity and inclusion, is a core component of L&G – Asset Management's stewardship approach. As inflationary pressures and the post-pandemic cost of living crisis deepen, L&G – Asset Management's focus on income inequality and the adoption of the living wage has taken on greater urgency.

	L&G – Asset Management sets clear expectations for companies in this area: i) Companies should ensure all employers receive at least a living wage, with this standard ideally extended across tier 1 and 2 suppliers within the value chain; ii) Boards should actively challenge any decision to pay employees below the living wage; iii) Remuneration committees should take into account they pay and conditions of the wider workforce when setting executive pay; iv) During the pandemic, L&G – Asset Management strengthened its stance by tightening bonus criteria for executives at companies that had conducted large-scale layoffs or accessed government financial assistance to remain operational. Through this engagement, L&G – Asset Management aims to drive improvements in workforce practices and support more equitable and resilient business models.
Actions	L&G – Asset Management participates in three collaborative engagement initiatives focused on advancing living wage standards: ShareAction's Good Work Coalition, the Platform for Living Wage Financials (PLWF), and the ICCR Living Wage campaign for US workers. Through the Good Work Coalition, which L&G – Asset Management has supported since 2015, the firm advocates for UK companies to pay a real living wage to all employees working on their premises and to seek accreditation as living wage employers. In 2022, L&G – Asset Management joined the PLWF to assess and engage with investee companies on living wage commitments across their supply chains. L&G – Asset Management led the evaluation and engagement process with three companies—PVH, Tesco, and Walmart—as part of this initiative. Over the course of 2022, L&G – Asset Management conducted 38 engagements with 23 companies on income inequality, leading engagements with the aforementioned three firms and collaborating with other investors in 12 of these interactions. Building on this work, L&G – Asset Management launched its own global campaign in 2023 targeting 15 of the world's largest food retailers, calling on them to ensure living wages are paid not only to direct employees but also to workers across their supply chains. Tesco, while meeting the real living wage standard for its direct employees, remains an engagement priority for L&G – Asset Management due to ongoing concerns around pay standards for contractors and supply chain workers.
Outcome and next steps	L&G – Asset Management believes its sustained engagement with Tesco has contributed to the company's decision to pay all of its UK employees a real living wage—a standard that was not met in 2022. While Tesco collaborates with the trade union USDAW to determine pay levels and has not explicitly credited L&G – Asset Management's engagement for this change, L&G – Asset Management considers that its dialogue may have influenced Tesco's negotiations with USDAW. The resulting increases in base pay, alongside employee discounts on food purchases, have helped workers manage the financial pressures of the ongoing cost of living crisis. As part of L&G – Asset Management's 2023 living wage campaign, the firm has made clear that it will vote against Tesco's Chairman at the 2025 AGM if minimum living wage requirements are not met. Tesco is aware of this position, and L&G – Asset Management is actively engaging with the new Chairman, investor relations, and company secretary teams. In 2024, L&G – Asset Management will also meet with Tesco's supply chain procurement team to address challenges related to paying a living wage to supply chain workers. The campaign's milestones aim not only to raise wages for significant numbers of low-paid workers globally but also to drive broader market change. Given the scale and influence of targeted companies like Tesco, L&G – Asset Management expects that achieving these standards will compel competitors and smaller peers to follow, thereby improving the livelihoods of thousands of workers and supporting wider economic growth. Looking ahead, L&G – Asset Management will continue to engage on L&G – Asset management's minimum expectations under their living wage campaign and assess progress ahead of 2025 AGM.

United Utilities

Engagement Topic

Environment: pollution, Governance

NGUKPS Key Engagement Theme

Environmental – Natural Capital

Rationale

L&G – Asset Management's engagement focus for United Utilities have been on the wider environmental and financial issues facing the water sector, such as pollution and the monitoring of outflows, water security, infrastructure investment, high levels of debt, capex uncertainty, resilience, and so forth.

Water is a key component within L&G – Asset Management's global stewardship theme of 'Nature'. L&G – Asset Management believes that water is at the core of resilient, sustainable economic development, and it is linked to a broad spectrum of concerns, from net zero, food and human health, to involuntary migration, and social and political instability.

The water industry in England Wales is facing a number of environmental issues, many of which have received frequent press coverage in recent months. There are several financially material challenges that L&G – Asset Management has identified for engagement within its Global Research and Engagement Groups ('GREGs'). As a major lender in the sterling corporate bond market, L&G – Asset Management believe it has a responsibility to push for positive change at underperforming companies.

Actions

Within the GREGs, members of L&G – Asset Management Investment Stewardship and investment teams have been working on L&G – Asset Management's thematic policies, incorporating both corporate engagement and policy dialogue.

With regards to engagement, L&G – Asset Management has joined a collaborative working group that is being led by the Investor Forum focused on short-, medium- and long-term concerns regarding the UK water system. The collaborative engagement is crucially approaching the topic at corporate, policy and regulatory levels. To date, meetings have been held with United Utilities, in addition to other water utilities companies.

Topics discussed with United Utilities have included the regulatory backdrop for UK water infrastructure and the risk of financial penalties, the necessary improvements that have been identified and the cost and funding of these, given the current economic backdrop, the company's climate adaptation plans and their Environmental Protection Agency rating. Levels of individual typically engaged with have included the Chair and the CFO.

L&G – Asset Management has also met with other large investors in the sector to help us understand broader concerns and formulate expectations. L&G – Asset Management directly engages when companies are marketing bonds and also amplifies its voice through its leading role at UK industry body The Investment Association.

Outcome and next steps

The outcomes of L&G – Asset Management's engagements will help to form the basis of its expectations for the sector going forward, enabling L&G – Asset Management to work with industry stakeholders towards solutions and improvements. The challenges facing the water sector in England Wales are significant, both from an environmental and governance perspective. In L&G – Asset Management's capacity as an investor, it is working with other key stakeholders to ensure that the global water system becomes more resilient.

The in-depth discussion L&G – Asset Management had with United Utilities, its first meeting with United Utilities on this topic, provided L&G – Asset Management's investment and stewardship teams with helpful insights into the challenges facing the sector and their plans for overcoming these. L&G – Asset Management will continue to meet with them to understand their actions, going forward.

The following section outlines key **engagement** activities of AXA on the Trustee's behalf over the year:

<u>Severn Trent PLC</u>	
Engagement Topic	Climate Change, Natural Capital & Ecosystems
NGUKPS Key Engagement Theme	Environmental – Natural Capital, Environmental – Climate change resilience
Rationale	AXA's objective in engaging with the firm was to detail its progress and demonstrate its capacity to meet intermediate climate targets. In addition, AXA aimed to advance discussions on integrating nature considerations into transition plans, ensuring that nature-related impacts are effectively mitigated. This activity supports the Trustee's environmental objectives by promoting responsible management of natural capital, encouraging the firm to manage its dependencies and impacts on natural resources, and mitigating associated operational, financial, and reputational risks. At the same time, it addresses climate change resilience by enhancing transparency around climate-related risks and opportunities, supporting decarbonization efforts, and ensuring alignment with the Trustee's broader climate strategy to strengthen the long-term sustainability and resilience of the Scheme's investments.
Actions	AXA began engaging with Severn Trent on climate, aiming to assess progress toward targets, integrate nature into disclosures and plans, and mitigate nature-related impacts. AXA met separately with investor relations, treasury, and sustainability teams. AXA discussed pollution incident reduction, collaboration with farmers to improve river health, nature-based solutions, and TNFD early adoption, where they shared expectations on integrated reporting.
Outcome and next steps	
The company expressed confidence in achieving operational Net Zero and are working to scale technologies piloted in NZ hubs to reduce process emissions—an industry-wide challenge. As they near 2026 and 2031 milestones, they are reassessing targets and trajectory to 2050, with an updated transition plan expected. AXA will monitor updates to targets, deployment of new technologies, and pollution control progress.	
<u>United Utilities PLC</u>	
Engagement Topic	Climate Change, Natural Capital and Ecosystems
NGUKPS Key Engagement Theme	Environmental – Climate Change Resilience
Rationale	AXA's engagement with United Utilities (UU) in late 2024 centred on evaluating the company's pathway towards operational net zero and the integration of nature considerations into its transition planning. This activity supports the Trustee's objective of promoting transparency around climate-related risks and opportunities, particularly within the utilities sector, which faces significant physical and transition risks. By encouraging progress on decarbonisation and the mitigation of nature-related impacts, AXA's engagement contributes to evidence of active stewardship aligned with the Trustee's climate change strategy, reinforcing the resilience of the Scheme's investments to long-term, systematic financial risks associated with climate change.
Actions	AXA began engaging with UU on climate, aiming to assess progress toward climate targets and mitigation of nature-related pollution impacts. AXA met individually with investor relations and sustainability team members. AXA raised concerns over poor pollution performance and litigation risks following UK rulings. UU acknowledged the issue and indicated that regulatory scrutiny is expected to intensify.
Outcome and next steps	
UU acknowledged that there is still significant work to be done on Scope 1 and 2 emissions, especially as process emissions remain a major challenge across the sector. The company is investigating ways to reduce nitrous oxide through changes to biological processes, although reducing methane emissions is proving more difficult and requires improved control of fugitive emissions and greater biomethane generation. On Scope 3 emissions, UU is engaging with suppliers and promoting smart	

metering and customer education to influence demand. AXA will continue to monitor the company's Scope 1 and 2 performance in comparison to its peers, as well as any developments related to pollution management and nature integration.

The following section outlines key **engagement** activities undertaken by Russell Investments, recorded where these were relevant to Scheme holdings over the year:

<u>Haleon PLC</u>	
Engagement Topic	Environmental – Climate change resilience and Natural Capital Management
NGUKPS Key Engagement Theme	Environmental – Natural Capital, Environmental – Climate change resilience
Rationale	Russell Investments sought greater transparency on the company's decarbonisation strategy to assess climate-related risks and progress towards emissions reduction. The review also considered the environmental characteristics of its packaging, recognising that material extraction and waste create pressures on natural capital and potential financial and reputational risks. This engagement supports the Trustee's natural capital objective by promoting responsible use of resources and reducing operational and reputational risks linked to unsustainable practices. At the same time, it advances the Trustee's climate change resilience priorities by driving greater transparency around decarbonisation efforts, ensuring progress towards emissions reduction, and aligning with investor expectations for companies to mitigate long-term financial risks associated with climate change.
Actions	Russell Investments engaged with the company to encourage further disclosure on its decarbonization strategy. Additionally, the objective was to evaluate the company's approach to the environmental characteristics of its packaging, considering that material extraction and waste contribute to environmental externalities. Climate Change Resilience: i) The company is reducing Scope 1 and 2 emissions with strong management and minimal reliance on offsets. ii) In China, two sites are net-zero, following clear plans that address local challenges. In North America, cheap gas makes switching to electricity costly. iii) For Scope 3, they are mapping energy use and pushing suppliers to adopt SBTi standards. Natural Capital Management: i) The company saw a 3% rise in virgin petroleum-based plastic due to volume growth and product mix. To address this, they plan to use lighter materials and switch to bio-resin. ii) They are promoting recyclable packaging through the Blister Pack Collective and mono-material designs and testing recycling pilots with waste partners. iii) Bottles are recycled more than toothpaste tubes and blister packs. iv) Their goals include earning Alliance of Water Stewardship certification by 2025 and making water-stressed sites water-neutral by 2030, starting in South Africa.
Outcome and next steps	
The company is making strong progress in cutting carbon emissions and tackling climate challenges. While efforts to reduce plastic use are ongoing, balancing growth with sustainability remains a challenge. They focus on long-term environmental responsibility, and we will continue to engage with the company in 2025 to assess the progress.	