
Stewardship and Engagement

Implementation Statement – 1 April 2025 to 31 March 2026

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 2025 to 31 March 2026.

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 as set out in the Statement of Investment Principles (“the SIP”) has been adhered to 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 31 March 2025 has been considered. The latest version of the SIP can be found online at ngukgaspension.co.uk/documents.

The SIP has since been updated, effective on and from 31 March 2026, following the reporting period, to predominantly reflect updated key ESG Themes.

As the Scheme no longer holds a public equity allocation, there was no voting activity to report over the year. The focus of stewardship activity has therefore been on 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.

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 integrating 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 sets out requirements to the external investment managers to engage on the Scheme’s behalf. The Trustee, via Russell Investments, continuously engaged with its external investment managers to monitor compliance with the framework set out within the RI Policy. Furthermore, the RI Policy enabled 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.

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

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

- Russell Investments and the Scheme's provider of executive services, the LCP Executive, monitored the external investment managers and their mandates on an ongoing basis. Russell Investments also met with 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 was 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 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 its Active Ownership Enhanced Oversight process, which seeks formalised input from investment managers on key ESG risks and engagement opportunities. This process supports Russell Investments' assessment of each manager's ESG commitment, resources, data and tools, integration of ESG considerations into portfolio management, quality of active ownership, risk management, reporting and responsiveness to challenges raised.
- In line with the Trustee's beliefs and RI Policy, the LCP Executive 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 has provided key observations and highlighted changes from previous quarters.
- Furthermore, Russell Investments has provided a quarterly ESG report including metrics such as ESG risk scores, Scope 1, 2 and 3 greenhouse gas emissions, weighted average carbon intensity, net zero portfolio alignment, carbon footprint and other broader ESG indicators, which help the Trustee assess the Scheme's overall exposure to climate change risk. The Scheme remained 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 aligned 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 continued 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 key engagement activities of the external investment managers, namely L&G – Asset Management and AXA, that managed the Scheme's public debt investments, which did not hold voting rights but did provide the opportunity to drive change by engaging with the underlying issuers. As the Scheme no longer held a public equity allocation during the year, there was no voting activity to report.²

Following the monitoring of the Scheme's investment managers over the year and reviewing the 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 continues 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.

² The Scheme may, from time to time, be exposed to public equity on a temporary basis through private equity pooled funds, including in connection with the realisation or exit of underlying investments. In such circumstances, any voting rights are exercised by the relevant private equity manager in accordance with its own voting policy. Due to the nature of pooled fund arrangements, the Trustee is not generally able to influence voting decisions in these circumstances, and detailed reporting on voting activity is not provided by private equity managers.

Appendix

The following section outlines key **engagement** activities of L&G – Asset Management on the Trustee's behalf over the year (mentions of voting are included for completeness as the Scheme's exposure is through credit holdings):

JPMorgan Chase & Co	
Engagement Topic	Environmental – Climate Change
NGUKPS Key Engagement Theme	Environmental – Climate Change Resilience
Rationale	L&G – Asset Management believes banks have a prominent role to play in financing the global transition to net zero. As one of the world's leading financial institutions, with an extensive geographical footprint including in emerging markets, JPMorgan's commitments to green financing have the potential to influence a wide range of emitting sectors. JPMorgan was selected as one of L&G – Asset Management's "in-depth" engagement companies under its Climate Impact Pledge. The engagement focused on the bank's approach to thermal coal financing, disclosure of financed emissions, climate-related lobbying activities and the extent to which these are aligned with a 1.5°C scenario. L&G – Asset Management also identified specific engagement objectives relating to the bank's disclosure of green opportunities, its Energy Supply Ratio, just transition and social risks, and governance structures including the combined Chair / CEO role. This engagement aligns with the Trustee's ESG themes on Climate Change Resilience, which encourage companies to manage climate-related financial risks. By engaging banks on climate financing, transition-related social risks and governance structures, such activity helps mitigate financial, regulatory and reputational risks linked to the transition to a low-carbon economy.
Actions	L&G – Asset Management held five calls with JPMorgan in 2025, in addition to email exchanges. Engagement was led by the Investment Stewardship team and the Climate Solutions team. The engagement explored how the bank could help investors and the wider market better understand and value its green opportunities, thereby supporting long-term value creation and improving transparency on the opportunities associated with the transition to net zero. L&G – Asset Management also discussed the concept of a just transition, including the active role banks can play and the need for investors to align on reasonable expectations in this area. At the bank's AGM, L&G – Asset Management's voting demonstrated areas of continued concern around governance, including director independence, the combined Chair / CEO role and aspects of executive remuneration. L&G – Asset Management also supported a shareholder resolution requesting a report on the social aspects of transition finance.
Outcome and next steps	
JPMorgan now discloses its Energy Supply Ratio (a financial metric that compares a bank's or investor's funding for low-carbon energy (like wind and solar) against its financing for fossil fuels), and L&G – Asset Management considers this engagement objective to be complete. The remaining objectives, including increased disclosure on green opportunities, just transition and social risks, and governance structures, remain in progress. L&G – Asset Management will continue to engage with the bank on other objectives such as increased information on how the bank values their "green" opportunities, increased disclosure on 'just transition' and social risks and governance structures and split chair/ CEO role.	

Royal Bank of Canada**Engagement Topic**

Environmental – Climate Impact Pledge

NGUKPS Key Engagement Theme

Environmental – Climate Change Resilience; Environmental – Natural Capital Management

Rationale

L&G – Asset Management believes banks have an important role to play in financing the transition to a low-carbon economy. As a result, the banking sector is included among the 20 climate-critical sectors covered by L&G – Asset Management's Climate Impact Pledge. As one of North America's largest banks, Royal Bank of Canada has significant influence through its lending and financing activities, making its approach to climate-related risks and sustainable finance particularly important.

The engagement focused on RBC's climate strategy, sustainability disclosures and the transparency of its sustainable finance framework. While RBC continued to meet the quantitative minimum standards of L&G – Asset Management's Climate Impact Pledge, L&G – Asset Management became concerned by the direction of travel of the bank's sustainability approach, including the removal of its coal policy, the scaling back of certain sustainability commitments and disclosures, and the discontinuation of the methodology underpinning its Sustainable Finance Framework.

This engagement aligns with the Trustee's ESG themes on Climate Change Resilience and Natural Capital Management. For RBC, these issues are financially material given the scale of the bank's lending and financing activities and the importance of understanding how these activities support the transition to a low-carbon economy. Engagement on financed-emissions targets, sustainable finance policies, climate and nature-related disclosure, and circular-economy financing helps investors assess the robustness of RBC's transition planning and the credibility of its broader sustainability strategy. This is particularly relevant where reduced disclosure makes it more difficult for investors to assess the bank's management of climate- and nature-related risks and sustainable finance opportunities.

Actions

Since 2024, L&G – Asset Management has engaged with RBC as part of the quantitative stream of the Climate Impact Pledge. This covers over 5,000 companies in climate-critical sectors and assesses companies against a range of criteria, which can inform potential voting sanction decisions against the Chair.

For the banking sector, the quantitative Climate Impact Pledge assessment considers whether the company:

- i) has Board-level oversight of climate-related issues;
- ii) has comprehensive climate disclosures;
- iii) discloses its portfolio emissions;
- iv) discloses its Scope 1 and 2 emissions;
- v) uses sustainable credit and loan standards;
- vi) engages with regulators and policymakers directly and indirectly in a climate-positive manner; and
- vii) has achieved a year-on-year reduction in emissions intensity.

Having communicated its Climate Impact Pledge expectations to RBC in both 2024 and 2025, L&G – Asset Management considered the company to be meeting its quantitative expectations and did not escalate the engagement by voting against the Chair under this initiative.

However, L&G – Asset Management remained concerned by the weakening of RBC's sustainability framework and disclosures. It therefore voted against management on three proposals at the 2026 AGM:

- i) L&G – Asset Management voted against the re-election of Ms Côté to signal concerns regarding the weakening of the bank's sustainability framework and disclosures;
- ii) L&G – Asset Management supported Proposal 9, which sought an advisory vote on environmental policies, reflecting its expectation that companies provide robust climate-related analysis and disclosure; and

iii) L&G – Asset Management supported Proposal 10, which requested enhanced reporting on circular-economy financing, reflecting its expectation that companies assess and disclose material sustainability risks and opportunities.

Outcome and next steps

The climate and circular-economy shareholder proposals received 16.19% and 12.23% support, respectively, but were not adopted. Ms Côté was also re-elected, despite L&G – Asset Management's concerns.

Since the AGM, L&G – Asset Management has seen limited evidence of progress against the underlying concerns. The retirement of interim financed-emissions targets and removal of certain sector policies were viewed as indicating a weakening of climate accountability and measurable transition planning.

L&G – Asset Management will continue to monitor RBC's progress on its climate strategy, circular-economy financing and related disclosures. This assessment will inform future stewardship decisions, including whether further escalation is warranted through votes against management proposals and/or relevant directors.

Realty Income Corp

Engagement Topic	Environmental – Climate Impact Pledge
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NGUKPS Key Engagement Theme	Environmental – Climate Change Resilience, Governance – Transparency
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Rationale	Realty Income owns over 13,250 properties across 85 industries, leased to more than 1,300 clients across the US, Puerto Rico, the UK and a number of European countries. As the seventh largest global REIT, with a substantial European portfolio, its retail and industrial property holdings make it an important influence in the property sector's climate transition.
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L&G – Asset Management selected Realty Income as one of its “in-depth” engagement companies under the Climate Impact Pledge. For the property sector, L&G – Asset Management's minimum expectations include disclosure of the property portfolio's operational emissions, a reduction target for those emissions, and disclosure of climate-related lobbying activities, including trade association memberships and alignment with a 1.5°C scenario.

This engagement aligns with the Trustee's ESG theme on Climate Change Resilience, which encourages companies to manage transition risks and improve transparency on climate-related exposures. By engaging companies on emissions data, climate targets and lobbying disclosure, such activity helps mitigate operational, financial and reputational risks linked to the transition to a low-carbon economy. For Realty Income, these issues are financially material given the scale of its retail and industrial property portfolio and its triple-net lease structure, under which operational control largely rests with tenants. Improved disclosure on tenant emissions, climate targets and climate lobbying helps investors assess the resilience of the company's assets to future energy-efficiency standards, regulation and changing occupier expectations. It also supports better assessment of potential risks to asset values, rental income, tenant retention and the company's cost of capital as the property sector transitions to a lower-carbon economy.

Actions	L&G – Asset Management has engaged with Realty Income by emails, as part of the Climate Impact Pledge since 2023. It engaged with the company in December 2024 and through email exchanges in 2025.
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The engagement focused on the company's approach to Scope 3 emissions, recognising the challenges created by its triple-net lease structure, where operational control rests with clients. Engagement objectives included increasing client-provided Scope 3 emissions data, improving climate lobbying disclosure and enhancing disclosure on green initiatives undertaken by tenants.

L&G – Asset Management also explored Realty Income's client engagement process, the role of its sustainability team and its participation in industry groups including NaREIT and the Real Estate Sustainability Council. Engagement was conducted individually and was led by the Investment Stewardship team, with the Head of Sustainability typically involved.

Outcome and next steps

Realty Income has made notable improvements, particularly in Scope 3 data collection, which now covers 54% of the portfolio, up from approximately 35% and enhanced its analysis of climate-related risks and opportunities. Given the company's triple-net lease structure, data collection remains a key challenge, but progress during the year was recognised.

Although Realty Income did not yet meet L&G – Asset Management's climate expectations in 2025, L&G concluded, following an internal review, that this represented meaningful progress in the context of the company's predominantly triple-net lease structure and relative to peers facing similar constraints. As a result, no further Climate Impact Pledge escalation was applied in 2025.

L&G – Asset Management will continue to monitor the company's progress against its expectations.

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

TotalEnergies SE	
Engagement Topic	Climate Change, Corporate Governance and Executive Remuneration
NGUKPS Key Engagement Theme	Environmental – Climate Change Resilience; Governance – Board Compensation & Accountability
Rationale	AXA's engagement with TotalEnergies focused on the company's climate-related reporting, shareholder consultation, Board composition and executive remuneration. As an energy company, TotalEnergies is exposed to material risks and opportunities associated with the transition to a lower-carbon economy. The quality of the company's climate strategy, governance arrangements and shareholder accountability are therefore important considerations for investors. This activity supports the Trustee's Climate Change Resilience theme by encouraging transparency around climate-related risks, progress and transition planning. It also supports the Trustee's governance themes by promoting effective Board oversight, meaningful shareholder rights, clear disclosure and remuneration structures that are aligned with long-term sustainable business outcomes.
Actions	AXA met with TotalEnergies' ESG investor relations representative in May 2025, ahead of the company's 2025 Annual General Meeting. The meeting focused on the company's decision not to submit its climate progress report to a shareholder vote, despite having done so in previous years. AXA sought to understand the rationale for this change and communicated its expectation that shareholders should be consulted on material climate-related developments. In particular, AXA made clear that any future downward revision to climate-related targets would be considered a significant matter and that it would expect to be consulted in such circumstances. The company appeared to acknowledge this expectation. AXA also discussed Board governance and executive remuneration. This included the composition of the Corporate Social Responsibility Committee, particularly whether it had sufficient energy-sector expertise to provide effective challenge and oversight of the company's climate strategy. AXA also reiterated concerns previously raised through its ongoing dialogue with the company, including the stringency of certain performance-related remuneration indicators.
Outcome and next steps	
AXA considers that the engagement has reached a success milestone following the company's review of the composition of its Corporate Social Responsibility Committee. The Committee now includes energy industry expertise, addressing a previous concern regarding the absence of industry-specific expertise to challenge the perspective of the Chair and Chief Executive Officer, who also chairs the Committee. AXA's expectations on shareholder consultation were also communicated clearly to the company. AXA will monitor whether TotalEnergies consults shareholders appropriately if there are any future material changes, including any downward revisions to climate-related targets. If such revisions are made without appropriate consultation, AXA will consider whether further escalation is warranted. AXA will continue its dialogue with TotalEnergies, having engaged with the company each year since 2022. Future engagement will focus on climate-related reporting, shareholder consultation, Board oversight and executive remuneration. AXA's remuneration concerns have been made known to the company, and AXA will assess whether further progress is made in future engagements.	

Vinci SA**Engagement Topic**

Biodiversity

NGUKPS Key Engagement Theme

Natural Capital Management - Biodiversity

Rationale

AXA's engagement with Vinci focused on the company's approach to biodiversity, but also covered climate change and energy, circular economy considerations. These areas are relevant to the Trustee's environmental and social objectives, given the potential for companies to be exposed to operational, regulatory, financial and reputational risks arising from their dependencies on and impacts on natural capital, as well as from human rights-related issues in their operations and value chains.

This activity outlined below supports the Trustee's Natural Capital Management theme by encouraging the sustainable management of natural resources and biodiversity across operations and value chains.

Actions

AXA's engagement with Vinci formed part of a multi-year dialogue on biodiversity and nature-related risks. AXA had previously engaged with the company on its biodiversity strategy, including most recently in March 2024, when it met with Vinci's Environment Director, who is also a member of the company's management team.

During earlier discussions, AXA sought updates on Vinci's formal biodiversity commitments and the development of its published biodiversity strategy. AXA also discussed areas where the company's approach did not fully align with the biodiversity pressures relevant to its business, including the need for clearer assessment and disclosure of estimated biodiversity impacts. AXA provided feedback on the areas it expected the company's strategy to cover and shared its views on what would constitute a stronger approach to biodiversity management.

In May 2025, AXA met with Vinci again as part of a group call with other investors during the ODDO Sustainability conference. This engagement followed up on the previous biodiversity-related objectives and provided an opportunity to assess progress against the expectations AXA had previously communicated.

Outcome and next steps

AXA considers that the engagement objective on biodiversity has been achieved following Vinci's publication of an updated biodiversity strategy, including new act4nature commitments. AXA noted that the updated strategy reflected points raised through previous engagement and had received external recognition through the Now for Nature campaign.

As AXA's expectations on biodiversity have been met for now, no escalation is currently planned. AXA considers the new biodiversity plan to be positive, both from its own perspective and given the external recognition it has received.

AXA will continue to engage with Vinci and monitor the company's progress in implementing its updated biodiversity strategy. AXA will also continue to engage with the company on other areas where further progress is needed, including decarbonisation, given Vinci's exposure to construction and other high-emitting areas of the economy, including airports.

The following section outlines key **engagement** activities undertaken by Russell Investments, recorded where these were relevant to Scheme holdings over the year (mentions of voting are included for completeness as the Scheme's exposure is through credit holdings):

<u>The Toronto-Dominion Bank</u>	
Engagement Topic	Environmental – Climate change resilience; Governance – UNGC compliance and anti-money laundering controls
NGUKPS Key Engagement Theme	Environmental – Climate Change resilience, Governance – UN Global Compact (UNGC) Compliance, Governance – Board Composition & Accountability
Rationale	Russell Investments sought greater transparency on The Toronto-Dominion Bank's (TD) climate strategy and capital allocation, particularly in relation to the balance of financing provided to fossil fuel activities compared with renewable and low-carbon energy. This was considered important in assessing the credibility of TD's net zero ambition and the extent to which its financing activities are aligned with its decarbonisation strategy. The engagement also focused on material governance concerns relating to TD's anti-money laundering controls. TD experienced significant and systemic failures in its US Bank Secrecy Act / anti-money laundering programme between 2014 and 2023, resulting in guilty pleas, substantial US regulatory fines and an asset cap on its US retail operations. Russell Investments considered this to represent a material governance concern, with potential implications for regulatory risk, financial performance and investor confidence. This engagement supports the Trustee's Climate Change Resilience and governance priorities by promoting greater transparency on climate-related financing, while also encouraging stronger oversight, accountability and remediation of conduct and control failures.
Actions	Russell Investments supported a shareholder proposal at TD's 2025 AGM requesting disclosure of an Energy Supply Ratio, which would show the balance of financing provided to low-carbon energy relative to fossil fuel energy. The proposal received significant shareholder support, with approximately 38% of votes cast in favour. Russell Investments subsequently engaged directly with TD on two key areas: Climate Change Resilience: i) Russell Investments encouraged TD to enhance climate-related disclosures, including clearer quantitative reporting on how its capital allocation aligns with its decarbonisation strategy. ii) TD has set 2030 financed-emissions intensity targets for selected high-emitting sectors, including energy, power generation, automotive manufacturing and aviation, alongside a 2050 net zero commitment. iii) However, TD does not currently disclose the year-on-year split of financing between fossil fuel and renewable or low-carbon energy activities, which limits investors' ability to assess progress against its climate objectives. Governance and UNGC Compliance: i) Russell Investments engaged with TD on the remediation of its anti-money laundering control failures and the steps being taken to restore alignment with UN Global Compact Principle 10. ii) Discussions focused on Board oversight, management accountability, regulatory monitoring, investment in AML systems and evidence that improved controls are operating effectively in practice. iii) Russell Investments also undertook enhanced oversight of L&G – Asset Management as the underlying fixed income manager, asking how it assessed the residual downside risk from TD's AML failures, including the multi-year asset cap, potential further enforcement action, capital requirements and litigation risk.

Outcome and next steps

TD confirmed that it does not intend to disclose an Energy Supply Ratio at this stage, although it calculates and monitors the metric internally. The company cited methodological challenges and noted that there is not yet an internationally accepted methodology acknowledged by regulators. TD also confirmed that its climate strategy remains under review, with greater emphasis expected on client-side energy demand and transition support. These changes are expected to become visible during 2026.

Russell Investments will continue to engage with TD during 2026, focusing on greater transparency on the composition of its energy financing and clearer disclosure of how its evolving climate strategy supports its net zero ambition. Russell Investments will assess progress against these expectations as the strategy develops. Should TD fail to make sufficient progress, Russell Investments will consider escalation using the stewardship tools available to it, with the appropriate course of action determined on a case-by-case basis at that time.

On governance, TD confirmed that new Board-level remediation committees have been established, with a bi-weekly oversight process and new global AML leadership appointed. The company is also providing quarterly investor updates on remediation progress through investor presentations and earnings calls.

Russell Investments will continue to monitor the effectiveness of TD's AML remediation programme and whether enhanced governance and controls are operating effectively in practice. Any further action will be assessed based on TD's progress and the circumstances at that time.
