

# Group Trustees of the OVO Energy Group of the ESPS - Implementation Statement for 2019 DB Regulations

**Statement of Compliance with the Group Trustees of the OVO Energy Group of the Electricity Supply Pension Scheme's ('Group Trustees of the OVO Energy Group of the ESPS') Stewardship Policy for the year ending 31 March 2021.**

## Introduction

This is the Group Trustees' statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustees have complied with the Group's Stewardship Policy during the period from 1 April 2020 to 31 March 2021.

## Stewardship policy

The Group Trustees' Stewardship (voting and engagement) Policy sets out how the Group Trustees will behave as an active owner of the Group's assets which includes the Group Trustees' approach to;

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Group Trustees monitor and engage with their investment managers and any other stakeholders.

The Group's Stewardship Policy is reviewed on a triennial basis or after any significant change to investment strategy, in line with the Group's Statement of Investment Principles (SIP) review which was last completed in March 2020.

You can review the Group's Stewardship Policy which can be found within the Group's Statement of Investment Principles.

A copy of the SIP for the SSE Section may be viewed here:

<https://www.ovoenergy.com/binaries/content/assets/documents/pdfs/legal/sip-sse-section-vf.pdf>

A copy of the SIP for the SSE Hydro Section may be viewed here:

<https://www.ovoenergy.com/binaries/content/assets/documents/pdfs/legal/sip-sse-hydro-section-vf.pdf>

The Group Trustees have delegated voting and engagement activity in respect of the underlying assets to the Group's investment manager Legal and General Investment Management ('LGIM'). The Group Trustees believe it is important that their investment manager takes an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Group Trustees' own engagement activity is focused on their dialogue with their investment manager, which is undertaken in conjunction with their investment advisers. The Group Trustees meet their manager from time to time and consider the managers exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

The Group Trustees will monitor their compliance with their Stewardship Policy on an annual basis and are satisfied that they have complied with the Group's Stewardship Policy over the last year.

### Voting activity

The Group Trustees seek to ensure that their manager is exercising voting rights and where appropriate, they monitor their investment manager's voting patterns. The Group Trustees also monitor their investment manager's voting on particular companies or issues that affect more than one company.

The Group Trustees have investment in equity assets through LGIM. LGIM have reported on how votes were cast in each of these mandates as set out in the table below.

Note that the Group has two separate sub-sections which are named in accordance with the originating schemes from which member benefits were transferred, SSE Southern Group ('SSE Section') and Scottish Hydro Electric Pension Scheme ('SSE Hydro Section').

All World Equity Index Fund	
Proportion of Group assets	17.6% (SSE Section) 17.1% (SSE Hydro Section)
No. of meetings eligible to vote at during the year	6,779
No. of resolutions eligible to vote on during the year	70,672
% of resolutions voted	99.85%
% of resolutions voted with management	83.25%
% of resolutions voted against management	15.96%
% of resolutions abstained	0.79%
% of meetings with at least one vote against management	5.59%

Source: LGIM

Scientific Beta MF Developed Equity Index Fund	
Proportion of Group assets	17.7% (SSE Section) 17.2% (SSE Hydro Section)
No. of meetings eligible to vote at during the year	1,123
No. of resolutions eligible to vote on during the year	15,664
% of resolutions voted	99.90%
% of resolutions voted with management	81.78%
% of resolutions voted against management	17.99%
% of resolutions abstained	0.23%
% of meetings with at least one vote against management	5.53%

Source: LGIM

LGIM voted against management across a wide range of topics including remuneration, environmental and governance. They take an active role when engaging with companies to better understand the reasons behind a resolution and vote against the majority if they believe a better outcome can be achieved.

### Significant votes

The Group Trustees have asked their sole equity manager, LGIM, to report on the most significant votes cast within the portfolios they manage on behalf of the Group Trustees. LGIM were asked to explain the reasons why

votes identified were significant, the size of the position in the portfolio, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote. From the managers reports, LGIM have identified the following votes as being of greater relevance to the Group.

Note that the below table applies to the Group's LGIM All World Equity Index Fund. Those marked with an asterisk also apply to the Group's LGIM SciBeta Multi-Factor Dev Equity Index allocation.

Date	Company	Subject	Manager's vote and rationale	Outcome
05/05/2020	Lagardere	Director Appointments	<b>For</b> – Amber Capital, a 16% shareholder proposed removing all incumbent directors pre-2019 and appointing 8 new directors to the Supervisory Board (SB). LGIM agreed with their opinion that company strategy was not creating value for shareholders and the structure was restricting the SB from holding management accountable.	<b>Vote rejected</b> – The vote did not pass but did receive a significant portion of overall votes at c35%, suggesting other shareholders have similar concerns. LGIM continue to engage with the company on its future strategy, corporate structure and long-term plans.
07/05/2020 *	Barclays	Environmental	<b>For</b> - LGIM believed that the resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. LGIM were particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.	<b>Vote passed</b> - The vote was supported by 99.9% of shareholders
27/05/2020 *	Amazon	Social and Corporate Governance	<b>For (majority)</b> - LGIM voted to support 10 of 12 resolutions put forward. These were wide ranging and covered Governance, Separation of CEO and board roles, data transparency, Amazon's climate pledge, workplace culture and employee health and safety. These followed widespread allegations throughout the pandemic from employees of unsafe working conditions and issues with the internal culture.	<b>Votes rejected (majority)</b> - Most resolutions did not receive shareholder support but the intense focus on these issues within Amazon has remained. LGIM continue to engage within Amazon and have done so on numerous occasions over the last 12 months on a broad range of ESG issues.
27/05/2020 *	ExxonMobil	Director Appointment	<b>Against</b> - In June 2019, under LGIM's annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, LGIM announced that they will be removing ExxonMobil from LGIM's Future World fund range, and will be voting against the chair of the board.	<b>Vote passed</b> - 93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods.

30/07/2020 *	Olympus Corporation	Director Appointment	<b>Against</b> – LGIM believe that Japanese companies lack diversity at board level when compared to Europe and the US regarding the proportion of women in senior roles.	<b>Vote passed</b> – LGIM continue to engage with all Japanese company boards and since the beginning of 2020 have voted against board appointments within the largest Japanese companies who have no female directors on their board.
07/09/2020 *	International Consolidated Airlines Group	Remuneration	<b>Against</b> – LGIM believed the size of the bonus payments to the departing CEO and current executives was excessive given recent events in laying off 30% of the workforce, seeking an additional €2.75bn from investors during the pandemic and withdrawing their 2020 dividends.	<b>Vote passed</b> – Around 30% of shareholders voted against the remuneration package and LGIM will continue to closely engage with the new board.
18/09/2020 *	Pearson	Remuneration	<b>Against</b> - Pearson issued a series of profit warnings under its previous CEO, yet shareholders were continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward a resolution to appoint a new CEO, but on the condition that a new remuneration structure including approval for a co-investment award also be adopted, which LGIM felt backed many shareholders into a corner.	<b>Vote passed</b> - At the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO.
13/10/2020 *	The Procter & Gamble Company (P&G)	Environmental	<b>For</b> – P&G to produce a report on their effort to eliminate deforestation. P&G use palm oil and forest pulp as raw materials within their products and have only obtained sustainable certification for around one-third of its supplies despite setting a goal of 100% by 2020. These are significant contributors to illegal deforestation and LGIM believe they have not done enough to combat this nor show significant commitment to doing so in the future.	<b>Vote passed</b> – The resolution received two-thirds of shareholders support including LGIM who continue to engage with P&G on the issue and monitor its sustainability disclosure for improvements.

23/10/2020	Qantas Airways Limited	Remuneration	<p><b>Against</b> – Long term incentive plan (LTIP) to CEO Alan Joyce given the share price at the time and the inability of the remuneration committee to exercise discretion for such plans which is against best practice.</p> <p><b>For</b> – A vote was also taken to approve remuneration. Given executive salary cuts and short-term incentive cancellations, along with the CEO’s decision to defer the vesting of the LTIP, LGIM supported the vote.</p>	<p><b>Votes passed</b> – Both votes received c90% of shareholders support. LGIM say this highlights their tougher stance on executive remuneration and will continue to engage with the company</p>
04/11/2020	Cardinal Health	Remuneration	<p><b>Against</b> - The company paid out an above-target bonus to the CEO, the same year it recorded a total pre-tax charge of \$5.63 billion (\$5.14 billion after tax) for expected opioid settlement costs during the fiscal year ended 30 June 2020. The Compensation Committee excluded the settlement costs from the earnings calculations which resulted in executive pay being boosted. LGIM voted against the resolution to signal their concern over this bonus payment.</p>	<p><b>Vote passed</b> - The resolution encountered a significant amount of oppose votes from shareholders, with 38.6% voting against the resolution and 61.4% supporting the proposal.</p>
22/10/2020	Whitehaven Coal	Environmental	<p><b>For</b> – Shareholders asked for a report exploring an increase in the amount of capital returned to them following the potential wind-down of the company’s coal operations. LGIM have publicly supported this stance.</p>	<p><b>Vote rejected</b> – only a small percentage of shareholders voted for this resolution. The company has previously broken environmental laws surrounding mining and is on LGIM’s Future World protection list of exclusions with their ESG funds not investing in this company. They continue to monitor the company.</p>
26/11/2020	Fast Retailing Co. Limited.	Director Appointment	<p><b>Against</b> – LGIM believe that Japanese companies lack diversity at board level when compared to Europe and the US regarding the proportion of women in senior roles. LGIM announced at the beginning of 2020 that they would vote against the chair of the nomination committee (or the most senior board member) where the board did not have at least one female director to signal</p>	<p><b>Vote passed</b> – LGIM continue to engage with all Japanese company boards and since the beginning of 2020 have voted against board appointments within the largest Japanese companies who have no female directors on their board.</p>

			that the company needed to act on this issue.	
11/12/2020 *	Medtronic plc	Remuneration	<b>Against</b> - Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year. LGIM voted against the one-off payment as LGIM are not supportive of one-off awards in general and in particular when these are awarded to compensate for a payment for which the performance criterion/criteria were not met.	<b>Vote passed</b> - The vote was supported by 91.73% of shareholders. Prior to the AGM, LGIM engaged with the company and communicated their concerns over one-off payments.
28/01/2021 *	Walgreens Boots Alliance, Inc.	Remuneration	<b>Against</b> - The company's compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance. LGIM saw this as an issue because investors expect pay and performance to be aligned. LGIM believed that exercising discretion in such a way, during a year in which the company's earnings per share (EPS) declined by 88%, caused a significant misalignment between pay and performance and LGIM felt that the company did not provide sufficient justification for the level of discretion applied.	<b>Vote rejected</b> - The resolution failed to get a majority support as 52% of shareholders voted against.
03/02/2021	Imperial Brands plc	Remuneration	<b>Against</b> - The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. Prior to the AGM, LGIM engaged with the company outlining their concerns over the remuneration structure. LGIM's opinion was that a new CEO should have to prove that they are worthy of a similar or higher level of salary than any outgoing CEO with multiple years of experience to warrant such an award.	<b>Votes passed</b> - both resolutions were passed by majority vote
11/02/2021	Tyson Foods	Social and Corporate Governance	<b>For</b> - A shareholder-led resolution requested that the company produce a report on Tyson's human rights due	<b>Vote rejected</b> - The resolution failed to get a majority support

			diligence process. The pandemic highlighted potential deficiencies in the application of its human rights policies. The following issues have been highlighted as giving grounds to this assessment: strict attendance policies, insufficient access to testing, insufficient social distancing, high line speeds and non-comprehensive COVID-19 reporting.	as only 17% of shareholders supported it.
11/03/2021	Amerisource Bergen Corporation	Remuneration	<b>Against</b> - During the same year the Company recorded a \$6.6 billion charge related to opioid lawsuits, its CEO's total compensation was approximately 25% higher than the previous year. By excluding the settlement costs, the Compensation Committee ensured executive pay was not impacted by an operating loss of \$5.1bn (on unadjusted basis).	<b>Vote passed</b> - The resolution encountered a significant amount of oppose votes from shareholders, with 48.36% voting against the resolution and 51.63% supporting the proposal.
17/03/2021	Samsung Electronics	Director Appointment	<b>Against</b> - LGIM were concerned that vice-Chairman Lee Jae-yong continues to make strategic company decisions from prison. Additionally, they were not satisfied with the independence of the company board and that the independent directors are really able to challenge management. LGIM voted against resolutions to appoint 3 outside directors who have collectively failed to remove criminally convicted directors from the board.	The meeting results are not yet available.
18/03/2021 *	Toshiba Corp.	Social and Corporate Governance	<b>For</b> - LGIM supported the resolution calling for the appointment of investigators to address doubts over the company's 2020 AGM conduct and vote tallying. They believed the enquiry, which is unlikely to be a burden on the company, will be an important step in rebuilding trust between shareholders and the company's executive team and board. They also supported the shareholder resolution mandating the company to present its strategic investment policy to a shareholder vote in order to	The first resolution passed with 57.9% of participating shareholders in support. The company promptly put investigators in place and set up a confidential hotline for any individuals who are willing to provide information. The second resolution received 39.3% support and did not pass.



			increase transparency and accountability.	
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Source: LGIM

### Engagement activity

The Group Trustees aim to hold meetings with the Group's investment manager on a periodic basis where, if appropriate, stewardship issues are discussed in further detail. Over the last 12 months, the Group Trustees did not meet with their equity manager owing to the Group only being incepted in January 2020. The seeding funds were received towards the end of March, with the investments being incepted on 1 April 2020. However, the Group has met with their investment manager post the year end date, at the Group Trustee meeting on May 2021 where both the effects of the COVID-19 pandemic and the integration of ESG within the Group's mandates were discussed.

### Summary of manager engagement activity

LGIM produced a report on their wider stewardship activity over the year detailing their engagement activity across their entire range of funds. The following table summarises the key engagement activity for the 12-month period ending 31 December 2020.

Topic engaged on	Number of times topic was engaged
Climate Change Matters	407
Executive Remuneration	234
Diversity (gender and ethnicity)	174
Board Composition	94
Strategy	92

The above are the top five topics LGIM engaged with companies on over 2020, frequently engaging on executive remuneration as well as topics surrounding climate change and sustainability. The main methods of engagement were management meetings, shareholder calls and AGMs.

### Use of a proxy adviser

The Group Trustees' investment manager, LGIM, made use of an in-house custom voting policy in conjunction with the Institutional Shareholder Services ('ISS') 'ProxyExchange' platform.

### Review of policies

The Group Trustees' investment advisors continue to monitor the manager's RI capabilities on the Group's behalf. Due to the infancy of the Group, the Group Trustees recognise that their Responsible Investment and engagement policies should continue to be developed over the next 12 months.

The Group Trustees and their advisors remain satisfied that the responsible investment policies of the manager and, where appropriate, the voting policies remain suitable for the Group.