

Engie Defined Benefit Pension Scheme - Implementation Statement for 2019 DB Regulations

Statement of Compliance with the Engie Defined Benefit Pension Scheme's Stewardship Policy for the year ending 31 December 2020

Introduction

This is the Trustee's statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the Scheme's Stewardship Policy during the period from 1 January 2020 to 31 December 2020

Stewardship policy

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

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with their investment managers and any other stakeholders.

The Scheme's Stewardship Policy is reviewed periodically in conjunction with reviews of the Scheme's Statement of Investment Principles (SIP) review which was last completed on August 2020 to ensure it is compliant with new DB Investment Regulations.

You can review the Scheme Stewardship Policy which can be found within the Scheme's Statement of Investment Principles, at <https://www.engie.co.uk/wp-content/uploads/2020/09/engie-sip-2020.pdf>.

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustee believes it is important that their investment managers take 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 Trustee's engagement activity is focused on their dialogue with their investment managers which is undertaken in conjunction with their investment advisers. The Trustee meets regularly with their managers and the Trustee considers managers' exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

The Trustee also monitors their compliance with their Stewardship Policy on a regular basis and is satisfied that they have complied with the Scheme's Stewardship Policy over the last year.

Voting activity

The Trustee seeks to ensure that their managers are exercising voting rights and where appropriate, to monitor managers' voting patterns.

The Trustee has investments in equity assets through a global equity mandate with LGIM. LGIM have reported on how votes were cast in respect of this mandate as set out in the table below.

LGIM World Equity Index Fund	
Proportion of Scheme assets	10.7%
No. of meetings eligible to vote at during the year	3,310
No. of resolutions eligible to vote on during the year	39,613
% of resolutions voted	99.5%
% of resolutions voted with management	81.6%
% of resolutions voted against management	17.9%
% of resolutions abstained	0.5%
% of meetings with at least one vote against management	6.0%

Significant votes

The Trustee has asked LGIM to report on the most significant votes cast within the portfolios they manage on behalf of the Trustee. LGIM was 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. LGIM has confirmed to the Trustee that 13 significant votes were cast over the reporting period, examples of these votes are provided below.

Date	Company	Subject	Manager's vote and rationale
07 May 2020	Barclays	To approve Barclays' commitment in tackling climate change and ShareAction's requisitioned resolution	<p>LGIM voted for both resolutions.</p> <p>LGIM considers this outcome to be positive for Barclays, ShareAction and long-term asset owners. Barclays' resolution sets out its long-term plans and has the backing of ShareAction and co-filers. The manager was particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.</p>
27 May 2020	ExxonMobil	To elect Director Darren W. Woods	<p>LGIM voted against the resolution.</p> <p>In June 2019, LGIM announced that they would be removing ExxonMobil from their Future World fund range and would be voting against the chair of the board. Additionally, LGIM stated their intent to support shareholder proposals for an independent chair and report on company's political lobbying.</p>
11 December 2020	Medtronic plc	Advisory vote to ratify named executive officers' compensation.	<p>LGIM voted against the resolution.</p> <p>The executive directors of the company were granted a one-off stock option award to compensate for no bonus being paid out during the financial year. LGIM generally does not support one-off awards, especially if they are to compensate for a forgone payment.</p>

Engagement activity

The Trustee holds meetings with their investment managers on a regular basis where stewardship issues are discussed in further detail. Over the last 12 months, the Trustee has met with 2 of their 3 managers. The Trustee has discussed the following issues over the course of the year. The Trustee has since met their third fund manager, M&G in 2021.

Date	Fund manager	Subject discussed	Outcome
25 February 2020	LGIM	ESG-tilted passive equity funds	<p>The Trustee asked LGIM to provide an overview of their passive equity ESG solutions and how these funds integrate ESG issues in their investments.</p> <p>Following this meeting, and after taking advice from the Trustee's investment adviser, the Trustee decided to fully switch its current equity holdings to a fund that takes a broad range of ESG issues under consideration in the investment process. The switch will be implemented in 2021.</p>
25 August 2020	Barings	ESG integration in investment process	<p>Barings explained to the Trustee how they take ESG issues into account as part of their fundamental credit analysis and monitoring of investments.</p> <p>The manager also explained that they are developing carbon footprint reporting for their portfolios.</p>

Summary of manager engagement activity

The following table summarises the key engagement activity for the 12 month period ending 31 December 2020.

Fund	Number of engagements relating to topic
LGIM World Equity Index Fund LGIM Active Corporate Bond – All Stocks - Fund	891 engagements with 796 companies. The manager engaged on environmental topic (416), social (241), governance (401) and other e.g. financial and strategy (171). Engagements primarily focused on remuneration, diversity and climate issues . The main methods of engagement were emails and letters to the companies.
Barings Global High Yield Credit Strategies Fund	26 engagements on topics including greenhouse gas emissions, climate change, stakeholder management and corporate strategy.
M&G Credit Opportunities Fund IV	63 engagements out of which the majority (60) were on governance topics including the impact of COVID-19 on the companies.

Use of a proxy adviser

In their management of the Scheme's equity assets LGIM made use of the voting information data extracted from third-part proxy-voting provider ISS in the period to 31 December 2020. LGIM also used ISS's electronic voting platform. LGIM makes all voting decisions and does not outsource the strategic decisions to ISS.

Review of policies

The Trustee has committed to reviewing the managers' RI policies on an annual basis. This review was undertaken by the Trustee in December 2020 . The review considered managers broader approach to responsible investment issues in addition to considering any change in approach by the manager over the year. The Trustee also considered changes made to LGIM's voting policy over 2020.

The Trustee and its advisors remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies remain suitable for the Scheme.