



National Grid YouPlan Implementation Report

September 2021

Background and Implementation Statement

Background

The Department for Work and Pensions (DWP) is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their Statement of Investment Principles (SIP) and demonstrate adherence to these policies in an implementation report.

The Plan's usual year end is 31 March however as the Plan is currently in the process of moving to Master Trust, the reporting period has been extended. For the purpose of this statement we have considered the reporting period of 31 March 2020 to 9 June 2021 (the date when assets were transferred to Master Trust).

Statement of Investment Principles (SIP)

The Plan's SIP was last updated in March 2020 and it is in compliance with the latest regulations of DWP. We note that no changes were made to the SIP during the considered reporting period.

The latest SIP can be found online at the web address Documents | YouPlan | National Grid (nationalgridyouplan.co.uk).

Implementing the current ESG policy and approach

Appendix 3 of the SIP describes the Plan's policy regarding ESG as a financially material risk.

The Trustee undertook an ESG review of the Plan's investment managers in September 2019, and a follow up on their progress was carried out in March 2020.

Given the move to Master Trust, no further changes to the ESG policy or monitoring of managers' ESG policies were undertaken over the reporting period.

Implementation Report

This Implementation Report is to provide evidence that the Plan has followed and acted on the principles outlined in the SIP throughout the reporting period. This report details:

- actions the Trustee has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- voting behaviour covering the reporting period for and on behalf of the Plan including the most significant votes cast by the Plan or on its behalf

Summary of key actions undertaken over the Scheme reporting year

- The Trustee has continued to regularly review the investment arrangements, monitor performance, and keep abreast of market developments. However given the Plan's move to Master Trust, the Trustee decided not to make any changes to the strategy.
- In March 2021 the Trustee also conducted a Value for Members (VfM) assessment, which confirmed that the governance procedures remain robust and members continue to receive a high level of support throughout their savings journey.

Implementation Statement

This report demonstrates that throughout the reporting period National Grid YouPlan has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Signed	CPV Martin - Independent Trustee Services Ltd
Position	Chair of Trustees
Date	22nd September 2021

Managing risks and policy actions

Trustee policies for managing risks

The Trustee has identified the following risks that it has considered in the Plan's SIP. These risks and the Trustee's policies are set out in the tables below.

The key actions the Trustee has taken over the accounting year to address some of these risks, prior to the move to Master Trust, have been highlighted in the table.

Risk / Policy	Definition	Policy	Actions
Interest rates	The Plan is subject to interest rate risk because some of the Plan's investments are held in bonds via pooled investment vehicles.	Members are offered a range of funds to invest in and the default invests in a diverse range of assets to mitigate this risk.	The Trustee reviewed the performance of the funds as part of their quarterly reporting and meeting structure.
Inflation	The value of the same 'shopping basket' of goods will increase in the future because of the effect of inflation.	The Trustee has defined its investment choices to provide options for members looking to grow the value of their savings and has set performance targets against this risk.	The Trustee reviewed the performance of the funds as part of their quarterly reporting and meeting structure, including comparison of member performance against inflation.
Pension conversion	For members nearing their retirement, the potential impact of poor performance leading to a reduction in retirement benefit value is significantly increased as they have less time to make up any lost money.	The Trustee has created its choice of funds to cater for members looking to limit this risk to provide greater certainty as members approach their retirement.	The Trustee reviewed the ongoing suitability and performance of the investment arrangements as part of their quarterly reporting and meeting structure. This includes reviewing changes in projected pension pots for example members.
Liquidity	Some investments such as property or shares in private companies are not easy to sell, meaning it can take time to get money returned or transferred to another fund.	The Trustee has limited this risk by offering funds designed to reduce this issue, however investments in the YouPlan Commercial Property Fund remain subject to this risk.	The YouPlan Commercial Property Fund was temporarily suspended in 2020 due to valuation uncertainty. Members were promptly communicated with and funds were temporarily invested in a cash fund until the suspension was lifted.

Other price risk	Other price risk arises principally in relation to the Plan's return seeking investments, which includes equity, multi-asset and property and are held via pooled investment vehicles.	The Trustee has selected the Plan's investment options, after considering market risk in the context of its investment objective. The Plan also manages exposure to other price risk by offering a range of funds which provide exposure to a diverse range of investments across various markets, with particular focus on diversification within the default investment option.	The Trustee reviewed the performance of the funds as part of their quarterly reporting and meeting structure.
Credit	The Plan is subject to direct credit risk in relation Standard Life Assurance Limited (SLAL) through its holding in unit linked insurance funds provided by Aberdeen Standard Investments Limited (ASIL). It is therefore directly exposed to credit risk in relation to the units it holds in the pooled investment vehicle. The Plan is also subject to indirect exposure to credit risk arising for the underlying investments in the pooled funds.	ASIL is regulated by the Financial Conduct Authority and the Prudential Regulation Authority and maintains separate funds for its policy holders. In the event of default by Standard Life, the Plan is protected by the Financial Services Compensation Scheme. The Trustee monitors the financial strength of Standard Life and the security of Plan assets.	There have been no credit risk issues over the reporting period.
Shortfall	Although the Trustee has no influence over how much money a member saves into the Plan, there is the potential that members receive a retirement benefit less than they had hoped for.	The Trustee will aim to provide clear communication on at least an annual basis to inform members of the likely value of their benefits at retirement. Also some of the fund options provided aim to reduce the impact on members' benefits of a sudden change in investment markets as they approach retirement, reducing the chance of a sudden shock to the value of retirement savings.	Member benefit statements have been issued annually. The Trustee reviewed the ongoing suitability and performance of the investment arrangements as part of their quarterly reporting and meeting structure. This includes reviewing changes in projected pension pots for example members.

Performance	The performance of the funds will increase and decrease. This is called volatility. Those funds which have a chance of earning more money for members over the long term are likely to see greater volatility over short periods.	The Trustee has provided a range of carefully considered choices, some of which provide a balance between the need to increase value but without exposing members to too much of this risk.	The Trustee reviewed the performance of the funds as part of their quarterly reporting and meeting structure.
Diversification	Keeping all your eggs in one basket, or holding a limited number of different investments, increases the risk of losing money if one particular investment fails.	Funds holding a greater number of different shares, or which hold different types of investments, help to increase diversification and therefore reduce this particular risk. The Trustee has designed the fund range to provide appropriate levels of diversification in each of the fund options.	The Trustee reviewed the performance of the funds as part of their quarterly reporting and meeting structure.
Environmental, Social and Governance	The Plan's investments are subject to ESG risk.	The Trustee has considered this risk when setting the Plan's investment strategy and they have an ESG policy in place.	The Trustee undertook an ESG review of the Plan's investment managers in September 2019, and a follow up on their progress was carried out in March 2020. Given the move to Master Trust, no further changes to the ESG policy or monitoring of managers' ESG policies were undertaken over the reporting period.
Currency	The Plan is subject to currency risk because some of its investments are held in overseas markets via pooled investment vehicles. Additionally, some of the UK pooled investment vehicles have underlying exposures to foreign currencies resulting in indirect currency risk.	The Trustee does not invest in currency hedged vehicles.	The Trustee regularly reviewed the impact of currency movements on the performance of funds as part of their quarterly meetings.

Voting (equity and multi-asset funds only)

As the Plan invests via fund managers, BlackRock have provided details on their voting actions including a summary of the activity from 31 March 2020 to 31 March 2021. BlackRock also provided examples of any significant votes.

The information below is provided for the equity and multi-asset funds held within the default investment strategy.

Fund name	Voting summary	Examples of significant votes	Commentary
BlackRock ACS World Multifactor ESG Equity Tracker	<p>Meetings eligible to vote at: 223</p> <p>Resolutions eligible to vote on: 3,225</p> <p>Resolutions voted: 87.0%</p> <p>Votes with management: 91.6%</p> <p>Votes against management: 8.4%</p> <p>Abstained from voting: 0.4%</p>	<p>J.B. Hunt Transport Services – BlackRock voted against two shareholder proposals asking for a report on political contributions and a report on climate change initiatives.</p> <p>BlackRock believe the company has markedly improved its disclosures and has committed to publishing a SASB-aligned report by year-end, which will highlight oversight of climate-related risks and showcase key performance indicators on material factors, such as greenhouse gas emissions. BlackRock also do not currently have reason to believe that the company has mismanaged its political spending and involvement in industry associations.</p> <p>Alphabet, Inc. – BlackRock voted against the company recommendation to elect Director Ann Mather due to her excessive board commitments.</p> <p>BlackRock also voted in favour of a shareholder proposal regarding a recapitalization plan as BlackRock generally support one share one vote capital structures.</p>	<p>BlackRock use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions.</p> <p>BlackRock’s Investment Stewardship (BIS) team engages with companies to provide feedback on their practices and inform their voting including, focussing on ESG considerations where there may be a long-term impact for these companies.</p>
Blackrock ACS World ESG Equity Tracker	<p>Meetings eligible to vote at: 266</p> <p>Resolutions eligible to vote on: 4,196</p> <p>Resolutions voted: 85.3%</p> <p>Votes with management: 95.4%</p>	<p>Exxon Mobil Corporation – BlackRock voted against the re-election of two directors due to insufficient progress on TCFD aligned reporting and related action.</p> <p>BlackRock also voted for a proposal to appoint an independent chair to provide a more robust independent leadership structure.</p>	

	<p>Votes against management: 4.6%</p> <p>Abstained from voting: 0.6%</p>	<p>Chevron Corporation – BlackRock voted in favour of shareholders who filed a proposal requesting that Chevron report on how the company's direct and indirect lobbying align with the Paris Climate Agreement goals.</p> <p>BlackRock believe that greater transparency into the company's approach to political spending as aligned with its stated support for the Paris Agreement will help articulate consistency between private and public messaging for managing climate risk and transition to a lower-carbon economy.</p>
iShares Emerging Markets Equity Index	<p>Meetings eligible to vote at: 2,777</p> <p>Resolutions eligible to vote on: 25,487</p> <p>Resolutions voted: 96.0%</p> <p>Votes with management: 90.7%</p> <p>Votes against management: 9.3%</p> <p>Abstained from voting: 4.0%</p>	<p>PT Indofood CBP Sukses Makmur Tbk – BlackRock voted against the company's resolution to approve acquisition of another company due to concerns about the valuation and terms of transaction, as well as the board's oversight in relation to the inherent conflict of interest.</p> <p>In addition, to address the material failure in governance at the board, BlackRock intends to hold the current members of the Board of Directors and Board of Commissioners accountable by voting against their re-election at future shareholder meetings.</p> <p>ČEZ, a. s. – BlackRock voted against recalling and electing Supervisory Board Members for the company's lack of progress on climate-related reporting and insufficient information with regards to the identity of the directors. For similar transparency issues, BlackRock voted against the remuneration policy, and recalling and electing the Members of the Audit Committee.</p> <p>BlackRock also voted against the shareholder proposal to amend the business strategy due to its overly prescriptive nature and the lack of sufficient rationales for the restrictions</p>

		on capital allocation decisions that it would introduce.
BlackRock Dynamic Allocation	<p>Meetings eligible to vote at: 639</p> <p>Resolutions eligible to vote on: 8,499</p> <p>Resolutions voted: 96.6%</p> <p>Votes with management: 95.1%</p> <p>Votes against management: 4.9%</p> <p>Abstained from voting: 0.4%</p>	<p>Royal Dutch Shell plc - BlackRock voted against the shareholder resolution to request Shell to set and publish targets for greenhouse gas emissions.</p> <p>BlackRock has engaged with Shell over the past several years on a range of governance and material sustainability topics, including climate-related disclosures. Given the company's progress around reporting with TCFD recommendations and its responsiveness to shareholder engagement, BlackRock are supportive of management for the time being.</p> <p>Facebook, Inc. – BlackRock voted against the management proposal to elect Director Marc L. Andreessen as he serves on the audit Committee and BlackRock do not consider him independent.</p> <p>BlackRock also voted in favour of a shareholder proposal asking for a recapitalization plan as BlackRock generally support one share one vote capital structures.</p>

This report has been prepared for the sole benefit of the Trustee of National Grid YouPlan and based on their specific facts and circumstances and pursuant to the terms of Isio Group Limited's services contract. It should not be relied upon by any other person. Any person who chooses to rely on this report does so at their own risk. To the fullest extent permitted by law, Isio Group Limited accepts no responsibility or liability to that party in connection with the Services.