

Scotia Gas Networks Pension Scheme – Implementation Statement

Welcome to the trustees' Statement of how they implemented the policies and practices in the Scotia Gas Networks Pension Scheme's ("the Scheme") Stewardship Policy for the year ending 31 March 2025.

Introduction

This is the 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 Scheme's Stewardship Policy during the period from 1 April 2024 to 31 March 2025 and other policies and practices within the Statement of Investment Principles.

The trustees are satisfied that:

- The Scheme's investments have been managed in accordance with the Scheme's Stewardship Policy during the period;
- The Scheme's investments have been managed in accordance with the remainder of the Scheme's Statement of Investment Principles; and
- The provisions of the Statement of Investment Principles remain suitable for the Scheme's members.

Stewardship policy

The trustees' Stewardship (voting and engagement) Policy sets out how the trustees will behave as an active owner of the Scheme's assets which includes how the trustees monitor and engage with the Scheme's investment managers and any other stakeholders. This statement does not include the AVCs.

The Scheme's Stewardship Policy is reviewed periodically in line with the Scheme's Statement of Investment Principles (SIP) review, which was last completed in August 2024. No changes were made to the SIP during the period. You can review the SIP at <https://www.sgnpensionscheme.co.uk/media/2bmirnuh/db-statement-of-investment-principles-july-2024-review-clean.pdf>

The trustees have delegated engagement activity (having de-risked from equity in year ending 31 March 2024, there are no voting rights to exercise) in respect of the underlying assets to the Scheme's investment managers. The trustees believe it is important that their investment managers takes an active role in the supervision of the companies in which they invest and engaging with the management on issues which affect a company's financial performance.

Policy implementation

The trustees' own engagement activity is focused on their dialogue with their investment managers which is undertaken in conjunction with their investment advisers. The trustees meet regularly with their managers and the trustees consider how managers have exercised their stewardship both during these meetings and through reporting provided by their investment adviser.

The trustees also monitor their compliance with the Scheme's Stewardship Policy on a regular basis and are satisfied that they have complied with the Stewardship Policy over the year to 31 March 2025.

The information within this statement is based on the Scheme's investments held over the year to 31 March 2025.

- Given the Scheme's strong funding position, the trustees carried out de-risking activity during Q1 2023; reducing the strategic allocation to listed equity to zero and the complete disinvestment from equity assets. Therefore, within the reporting period the Scheme held no investment in equity assets.

- The Scheme retains an allocation to private debt for which monitoring and engaging with underlying companies is less readily accessible than through equity ownership. The Trustees continue to meet and engage with the manager (which in turn engages with the underlying companies in the loan portfolio), however given the portfolios are in run-off, the trustees recognise the limited scope and opportunity to benefit from engagement in this instance.

Voting activity – equities no longer held

The Scheme does not currently invest in public equities and therefore has no exposure to assets which carry any voting rights. While equities were still held by the Scheme, the trustees sought to ensure that where relevant, their manager exercised voting rights and, where appropriate, monitored the manager's voting patterns.

Engagement activity

Insight Investment Management (Global) Limited ("Insight") were appointed in January 2024 to manage the Scheme's integrated credit and Liability Driven Investment ("LDI") mandates. Throughout the manager selection process RI and ESG factors were considered, and Insight were selected in part due to their ability to meet RI objectives of the Scheme, and their comprehensive offering in terms of RI considerations in asset selection and reporting.

Given the difficulty and restrictions in applying RI policies to LDI (and limited opportunity to influence the primary underlying issuer, being the UK government), the focus of engagement has been on the credit mandate.

In agreeing investment guidelines with Insight, the trustees incorporated clear policies and restrictions for management of assets in line with the Scheme's objectives and SIP. Insight manages the portfolio on a segregated basis, to investment guidelines that restrict investment in certain bonds dependant on sector, credit rating and sustainability. The policies are reviewed on a regular basis to ensure they meet the Scheme's objectives and industry best practice.

- Sustainability guidelines restrict Insight from investing in issuers that are materially involved in any of the following activities:
 - Adult entertainment
 - gambling
 - civilian weapons
 - controversial weapons
 - cannabis production
 - tobacco production
 - thermal coal mining
 - coal power generation
 - unconventional oil and gas extraction
- Climate focused guidelines are also in force, including not investing in issuers that do not have a 2050 net zero commitment, are highly carbon intensive, or are materially involved in thermal coal mining, coal power generation and unconventional oil/gas extraction.
- Allocation restrictions include a minimum of 35% allocation to impact investments (defined as a Use-of-Proceeds bond that has been assessed by the manager and not assigned the weakest level of impact rating, or bonds issued by issuers that in the opinion of the manager are not materially misaligned with the

UN Sustainable Development Goals and have at least 20% of their revenue or capex linked to activities deemed to have a positive environmental and/or social impact).

- The mandate also shall not invest in issuers that have the weakest level of overall ESG rating (as assigned by the manager).

The trustees hold meetings with Insight Investment Management on a regular basis where stewardship issues are discussed in further detail.

Summary of manager engagement activity

Over the year to 31 March 2025, the Insight credit mandate invested in by the Scheme engaged with a number of investee companies, with the engagement topics for most of these companies including climate change and in particular de-carbonisation.

A summary of engagement by Insight Investment Management is provided in table 1 below.

Table 1: Summary of manager engagements

Manager: Fund	Engagements	Topics engaged on
Insight: Buy & Maintain Investment Grade credit	Examples include: - Engaging a major US automotive manufacturer to improve targets for electric vehicle sales given weaker ESG profile relative to peers. - Exploring counterparty institution's ESG performance, focusing on improved disclosure around financing of natural capital (specifically deforestation) and commitment to decarbonisation initiatives. - Seeking to clarify a telecommunications provider's labour practices and environmental considerations around 5G energy use and net zero targets. - Reviewing with a European state-owned energy provider their energy mix, green bond carbon foot-printing plans, and water risk management. - Engaging with a UK housing association to understand plans to address failings raised by the Regulator for Social Housing and resulting governance rating downgrade. - Discussing with an international bank updates to its sustainable bond framework and progress on reducing exposure to thermal coal and upstream oil and gas.	Engagement is carried out on a wide range of ESG and RI factors. Insight conducts a formal half-yearly evaluation of ESG risks for each issuer considered for inclusion in the Scheme's portfolio and have developed a screening procedure to target and prioritise those companies for which ESG risks may be of particular concern. The manager believes that integrating ESG factors in research processes and engaging with companies to improve their ESG standards is an important part of effectively managing risk and fulfilling our stewardship obligations.

Review of policies

The trustees and their advisors remain satisfied that the voting policies of the managers remain suitable for the Scheme at present and intend to review this periodically.