

Scottish Hydro-Electric Pension Scheme - Implementation Statement

Statement of Compliance with the Scottish Hydro-Electric Pension Scheme's Stewardship Policy for the year ending 31 March 2025.

Introduction

This is the Trustee's annual implementation 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 (as set out in the Statement of Investment Principles) during the period from 1 April 2024 to 31 March 2025. It also describes the voting behaviour on behalf of the Trustee, including the most significant votes cast on its behalf during that period.

Statement of Investment Principles

The Statement of Investment Principles (SIP) sets out the investment principles and practices the Trustee follows when governing the Scheme's investments. It describes the rationale for selecting the investment strategy and explains the risks and expected returns of the investments made and the Trustee's approach to responsible investing (including a separate Stewardship Policy, discussed in the next section).

The Trustee last reviewed and updated the SIP in February 2025. The main change made during this review was a revision to the Risk Management section to include further detail on the seven principal risks, which the Trustee deems to be those that could have the most significant impact on the Scheme.

The Trustee has prepared this Implementation Statement on the basis of the SIP in force throughout the period, with reporting within this document in line with the SIP applicable at the relevant time.

Stewardship policy

The Scheme'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's approach to;

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

The Scheme's Stewardship Policy is reviewed in line with the Scheme's SIP at least every three years and will normally be reviewed on an annual basis. The last review was completed in February 2025.

No changes were made to the Scheme's Stewardship Policy during the last year.

The Trustee has undertaken monitoring of its investment managers' engagement with underlying investee companies, as well as conducting engagement directly with the managers focused on high-risk areas of the portfolio. Manager adherence to industry codes and initiatives has also been monitored. The Trustee is comfortable that the Scheme's Stewardship Policy has been followed during the period.

You can review the Scheme's Stewardship Policy which can be found within the Scheme's SIP, at [SSE - Home Page \(ssepensions.com\)](https://www.ssepensions.com)

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 its 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 all aspects of company performance.

How the Scheme's investments are governed

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustee has overall responsibility for how the Scheme's investments are governed and managed in accordance with the Scheme's Trust Deed and Rules as well as Trust Law, Pensions Law and Pension Regulations.

There was no change to the Trustee Board during the Scheme year, and no change to governance processes.

The Trustee has delegated day-to-day investment decisions, such as which individual investments to buy and sell, to the Scheme's investment managers.

The Trustee has agreed a set of objectives with its investment advisor, designed to align with the Trustee's objectives and investment strategy set out in the SIP. The Trustee carried out a quarterly evidence-based review of the advisor's performance against these objectives during the Scheme year, and was satisfied that overall, they had been achieved for the year. This involved assessing the advisor against the different objectives. Feedback on specific areas for development was shared and discussed with the advisor.

The Trustee's views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e., what type of assets and areas of the world the Scheme invests in over the longer-term), and the style of management adopted by the Scheme's managers.

Policy implementation

The Trustee's own engagement activity is focused on dialogue with the Scheme's investment managers which is undertaken in conjunction with its investment advisor. The Trustee aims to meet regularly with the Scheme's investment managers and considers the managers' exercise of stewardship both during these meetings and through reporting provided by the Trustee's investment advisor.

The Trustee monitors, on an annual basis, the Scheme's managers' adherence to the UK Stewardship Code, UN Principles for Responsible Investment and other relevant industry codes or standards where applicable and challenges managers who have not signed up to the relevant codes when appropriate.

The Trustee also monitors its own compliance with the Scheme's Stewardship Policy on a regular basis and is satisfied that it has complied with the Stewardship Policy over the last year.

Voting activity

The Trustee seeks to ensure that the Scheme's managers are exercising voting rights.

During the Scheme year, the Scheme held listed equity assets with attached voting rights through a pooled mandate with Baillie Gifford. This was the only mandate that carried voting rights for the Scheme's holdings. The Trustee terminated the Baillie Gifford mandate on 31 May 2024.

The investment manager has reported on how votes were cast in this mandate for the period 1 April 2024 to termination (31 May 2024) which are set out in the table below.

Baillie Gifford

Baillie Gifford Long Term Global Growth Investment Fund	
Proportion of Scheme's assets (as at 31 March 2025)	0%
No. of meetings eligible to vote at during the period	18
No. of resolutions eligible to vote on during the period	218
% of resolutions voted	100%

% of resolutions voted with management	93.1%
% of resolutions voted against management	5.5%
% of resolutions abstained	1.4%
% of meetings with at least one vote against management	22.2%

Source: Baillie Gifford as at 31 May 2024

Significant votes

The Trustee has asked Baillie Gifford to provide a report on all the votes cast within the portfolio they manage on behalf of the Scheme. From the manager's report, and with assistance from their investment advisor, the Trustee has identified the following votes as being of greater relevance to the Scheme in relation to the three key Stewardship themes: Climate Change, Modern Slavery and Board Composition. Due to the short holding period of the mandate during the Scheme year, not all Stewardship themes were covered within the reporting period.

Date	Company	Subject	Manager's vote and rationale	Outcome
22/05/24	Amazon Inc.	Climate Change – “just” transition	For – Baillie Gifford supported a shareholder resolution requesting a report on how the company's climate strategy is consistent with a 'just' transition. Amazon's pledge to reach net zero by 2040 suggests dramatic transformations are imminent. Baillie Gifford believe they should carefully consider the impacts their climate strategy will have on stakeholders and any barriers to implementation. This is consistent with how Baillie Gifford voted on this resolution previously.	Vote failed – The resolution received greater than 20% support from shareholders but failed to gather a majority.
22/05/24	Amazon Inc.	Social – pay gap	For – Baillie Gifford supported a shareholder resolution on gender/racial pay gap reporting. Baillie Gifford have supported this resolution at Amazon for the last four years. Baillie Gifford believe that women and minorities are underrepresented in leadership positions compared with the broader workforce, and reporting the unadjusted median gap would help to assess structural bias regarding job opportunity and	Vote failed – The resolution received greater than 20% support from shareholders but failed to gather a majority.

			pay. Baillie Gifford believe a diverse workforce supports future business growth.	
22/05/24	Dexcom, Inc.	Governance – reporting and transparency	For – Baillie Gifford supported the shareholder proposal for the company to report on political donations. The company are permitted to make political donations but do not report on this and are lagging behind their peers.	Vote passed – Baillie Gifford will be monitoring the implementation of the resolution.
15/05/24	Enphase Energy, Inc.	Governance - remuneration	Abstain – Baillie Gifford abstained on the resolution to approve executive remuneration due to concerns over the replication of performance measures, the stretch of targets, and the general short-termism of pay.	Vote passed – The resolution passed despite receiving greater than 20% opposition.

Engagement activity

The Trustee aims to meet regularly with the Scheme's investment managers where, if appropriate, stewardship issues are discussed in further detail. Over the last 12 months, the Trustee met with one of the Scheme's investment managers, Insight, and the Scheme's insurer, PIC. The Trustee discussed the following.

Date	Fund manager	Subject discussed	Outcome
16/05/24	Insight	Insight provided an update on ESG ratings for individual bonds held within the Buy & Maintain credit portfolio. They also highlighted that all of the companies were either aligned or committed to align to Net Zero with no issues currently foreseen.	The Trustee was satisfied with their engagement with the manager.
14/11/24	PIC	PIC provided an update on their sustainability goals, targets and achievements.	The Trustee was satisfied with their engagement with the manager.

The Trustee has now ceased monitoring reporting from Baillie Gifford following the termination of the Scheme's mandate. This was the Trustee's only listed equity manager. For the relevant period the Scheme held the mandate (1 April 2024 – 31 May 2024), Baillie Gifford carried out 20 engagements with 16 entities, where climate change and governance reporting were the most common themes.

The Trustee engaged with Insight and PIC over the year. ESG topics were discussed, and the Trustee is comfortable with the management of the Scheme's holdings with each manager in relation to the Trustee's stewardship policy.

Use of a proxy advisor

The Trustee's investment manager Baillie Gifford did not use a proxy advisor over the period ending 31 May 2024. All voting decisions were made in-house in alignment with its own policies.

Review of policies

It is the intention of the Trustee to review the investment managers' RI policies together with their voting practices and policies on an annual basis. This review was last undertaken by the Trustee in March 2025. The review considered the managers' broader approach to RI, their adherence to the relevant industry codes and voting activity over the year.

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

Cost transparency

As the steward of the Scheme's assets, the Trustee is also responsible for reviewing costs associated with management of the assets to ensure that these accurately reflect value added by each manager and are broadly comparable with industry standards.

The Trustee's approach to monitoring these costs is set out in the SIP, which states that:

- The Trustee periodically reviews the fees paid to the Scheme's investment managers against industry standards; and
- The Trustee will request turnover costs incurred by the asset managers over the Scheme reporting year.

The Trustee expects managers to report on at least an annual basis on the underlying assets held within the portfolio and details of transactions over the period. The Trustee will challenge the manager if there is a sudden change in the portfolio turnover or if the level of turnover seems excessive.

The Trustee has previously conducted cost transparency exercises with the support of ClearGlass, an organisation specialising in supporting clients in understanding the total cost of their investments. The Trustee may consider similar exercises in future to understand the level of trading of the Scheme's assets carried out by the fund managers and ensure this has been consistent with the Scheme's objectives. Over the Scheme year, the Trustee performed its own cost transparency analysis, with the assistance of its investment advisors, on the Scheme's existing holdings.