

SSE Southern Group of the ESPS – Implementation Statement

Statement of Compliance with the SSE Southern Group of the ESPS Stewardship Policy for the year ending 31 March 2025.

Introduction

The Group Trustee has prepared this Implementation Statement in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and subsequent amending legislation, and those of the Pensions Regulator's General Code of Practice. This statement sets out how the Group Trustee has complied with the Group'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 of the Group's managers, undertaken on behalf of the Group Trustee, including the most significant votes cast during that period.

Statement of Investment Principles

The Statement of Investment Principles (SIP) sets out the investment principles and practices the Group 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 on behalf of the Group, as well as the Group Trustee's approach to responsible investing (including a separate Stewardship Policy, discussed in the next section).

The Group Trustee last reviewed and updated the SIP in September 2024. There were no major changes made to the SIP as part of this review, with some minor wording updates to:

- Reflect updates to the Group Trustee's monitoring approach of ESG metrics to include pertinent metrics for certain portfolios in the Group's quarterly reporting.
- Expand expectations of the Group Trustee's investment managers for them to explain any non-compliance with the UK Stewardship Code.

The SIP is scheduled for its next review during the second half of 2025.

The Group Trustee has prepared this Implementation Statement on the basis of the SIP that was in force throughout the year to end 31 March 2025. The reporting within this document is in line with the SIP applicable at the relevant time.

Stewardship Policy

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

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

The Group's Stewardship Policy is reviewed regularly in line with the Group's SIP review, which was last completed in September 2024. There were no changes made to the Group's Stewardship Policy over the last year.

You can review the Group's Stewardship Policy within the Group's SIP at <https://ssepensions.com/scheme-documents/>.

The Group Trustee has monitored its investment managers' engagement with underlying investee companies, as well as engaging directly with the managers on the areas of their portfolios that the Group Trustee has deemed to

require specific attention. Manager adherence to industry codes and initiatives has also been monitored. The Group Trustee is comfortable that the Group's stewardship policies have been followed during the period.

The Group Trustee has delegated voting and engagement activity in respect of the underlying assets to the Group's investment managers. The Group Trustee believes it is important that the 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 that affect a company's financial performance.

Investment governance

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

There has been one change to the Group Trustee Board during the last year, but no change to governance processes.

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

The Group Trustee has agreed with its investment adviser a set of objectives designed to align with the Group Trustee's objectives and investment strategy set out in the SIP. The suitability of these objectives was last reviewed in December 2024 and is scheduled for review no later than 31 March 2026. The Group Trustee carried out an evidence-based review of the adviser's performance against these objectives in December 2024 and was satisfied that they had been achieved for the year.

The Group Trustee has undertaken training during the last year to ensure that its knowledge of investment matters remains up to date. Training focused on understanding and interpreting responsible investment (RI) and climate metrics as well as training for a new Trustee that included an overview of the Group's investment objectives, strategy and de-risking framework.

The investment risks relating to the Group, and expected return of the investment strategy, are described in the SIP.

The Group 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 Group invests in over the longer term), as well as the style of management adopted by the Group's investment managers.

The Group Trustee produces an annual report to meet the Task Force on Climate-Related Financial Disclosures (TCFD), which feeds into a wider TCFD report produced by the Electricity Pension Trustee Limited (EPTL) as Trustee of the Electricity Supply Pension Scheme (ESPS). EPTL is required to submit a TCFD report covering the ESPS in its entirety. This captures all of the Groups within the ESPS and includes detail on each Group's approach to governance and risk management in relation to climate risk and opportunities.

Policy implementation

The Group Trustee's own engagement activity is focused on dialogue with its investment managers, which is undertaken in conjunction with its investment advisers. The Group Trustee meets regularly with its managers and considers the managers' exercise of stewardship both during these meetings and through reporting provided by the Group Trustee's investment adviser.

The Group Trustee also monitors its compliance with its Stewardship Policy on an annual basis and is satisfied that it has complied with the Group's Stewardship Policy over the last year.

Voting activity

The Group Trustee seeks to ensure that the Group's managers are exercising voting rights. Where appropriate, the Group Trustee monitors managers' voting patterns.

During the year ended 31 March 2025, the Group held equity assets through mandates with Legal and General (L&G) and Storebrand. The Group's investment managers have reported on how votes were cast in each of these mandates as set out in the tables overleaf.

L&G (year to 31 March 2025)

L&G Future World Global Equity Index (Pooled Fund)	
Proportion of Group's assets (as at 31 March 2025)	4.8%
No. of meetings eligible to vote at during the year	5,515
No. of resolutions eligible to vote on during the year	55,096
% of resolutions voted	99.8%
% of resolutions voted with management	81.0%
% of resolutions voted against management	17.9%
% of resolutions abstained	1.1%
% of meetings with at least one vote against management	58.6%

Storebrand (year to 31 March 2025)

Storebrand Global ESG Plus strategy (Pooled Fund)	
Proportion of Group's assets (as at 31 March 2025)	6.4%
No. of meetings eligible to vote at during the year	661
No. of resolutions eligible to vote on during the year	9,645
% of resolutions voted	94.9%
% of resolutions voted with management	87.0%
% of resolutions voted against management	7.9%
% of resolutions abstained	5.1%
% of meetings with at least one vote against management	40.7%

The Group Trustee is satisfied that a very high proportion of the eligible resolutions have been voted on behalf of the Group; c95% or greater across the two funds. Furthermore, the Group Trustee is encouraged by a healthy proportion of voting being carried out against company management, as this signifies manager engagement on voting matters.

Significant votes

The Group Trustee has asked its managers to report on any votes in relation to the Group's four key Stewardship themes: Climate Change, Modern Slavery, Board Composition and Biodiversity, as well as those votes the manager deemed to be significant.

Managers were asked to explain the reasons for the vote, 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.

The Group Trustee has identified the following votes as being of greatest relevance to the Group.

L&G

Date	Company	Subject	Manager's vote and rationale	Outcome
01/05/24	Unilever Plc	Climate Change – Climate change reporting	For – L&G voted for a management resolution to introduce its new Climate Transition Action Plan, considering it to meet its minimum standards. The support was based on the company's disclosure of key emissions data and targets aligned with a 1.5°C pathway. While the SBTi had withdrawn approval of the long-term scope 3 target, L&G noted the company had submitted revised near-term targets for validation and viewed its overall climate ambition as sufficient at this stage.	The vote passed – 97.6% support
21/05/24	Shell Plc	Climate Change – Net zero alignment	Against – L&G voted against the management resolution to approve Shell's updated Energy Transition Strategy. While L&G acknowledged the company's progress on climate disclosure and emissions reduction from operated assets, it remained concerned about revisions made to the Net Carbon Intensity targets and the planned growth in gas and liquefied natural gas. L&G felt the strategy lacked sufficient clarity on how these plans align with a net-zero 2050 pathway.	The vote passed – 78% support
29/05/24	Meta Platforms	Board composition – Gender diversity	Against – L&G voted against the election of a director due to the company not meeting its expectation that at least one-third of the board should be women.	The vote passed – 81.6% support
26/2/25	Deere & Company	Modern Slavery – Civil rights	For – L&G voted for the shareholder resolution requesting a civil rights audit, viewing it as a transparent mechanism for the company to assess whether its code of conduct is effectively preventing inequalities related to gender or ethnicity. L&G believes such an audit can help mitigate potential legal and financial risks.	The vote did not pass - 29.1% support

Storebrand

Date	Company	Subject	Manager's vote and rationale	Outcome
14/05/24	Centene Corporation	Climate Change	For – Storebrand voted for a shareholder resolution requesting the company to set near- and long-term science-based greenhouse gas (GHG) emissions reduction targets. Storebrand viewed this as aligned with best practice in climate risk governance and supportive of net-zero alignment.	The vote did not pass - 36.1% support
24/05/25	Amazon	Biodiversity	For – Storebrand voted in favour of a shareholder proposal asking Amazon to report on efforts to reduce plastic use in packaging. This aligns with Storebrand's broader biodiversity strategy to	The vote did not pass - 32% support

			reduce plastic pollution and ecosystem degradation.	
06/06/24	Netflix Inc.	Modern Slavery	For – Storebrand supported a shareholder resolution calling for stronger protections on freedom of association and labour rights across the company’s global operations. Storebrand believes these risks are critical for preventing exposure to modern slavery and ensuring responsible supply chain management.	The vote did not pass - 35% support
22/05/24	American Tower Corp.	Board Composition	For – Storebrand supported a shareholder resolution requesting enhanced reporting on gender and racial pay gaps. While not directly a board vote, this reflects governance oversight responsibilities and the view that equitable pay reporting is essential for long-term talent sustainability and diversity.	The vote did not pass - 49.2% support

Engagement activity

While not all of the Group’s mandates carry voting rights, the Group Trustee takes engagement seriously, aiming to meet periodically with the Group’s investment managers. If appropriate, stewardship issues are discussed in further detail and engagement is challenged as necessary.

Over the 12-month period, the Group Trustee met with both of the Group’s equity managers and Insight. The Group Trustee discussed the following issues.

Date	Fund manager	Subject discussed	Outcome
10/09/24	Storebrand	Storebrand was invited to present at the September 2024 RI Manager Day as part of the Group Trustee’s ongoing review of ESG integration across the Group’s investment mandates.	Storebrand outlined its engagement approach within the Group’s mandate, including both direct and collaborative efforts. The manager provided examples of engagement with companies flagged for poor board diversity, noting a broad consideration of diversity factors including gender. Storebrand also explained how it engages with companies rated lowest by its ESG data provider to drive improvements.
	L&G	L&G was invited to present at the September 2024 RI Manager Day as part of the Group Trustee’s ongoing review of ESG integration across the Group’s investment mandates.	L&G provided an overview of its approach to responsible investment, including how ESG factors are integrated into credit analysis within the Buy & Maintain (B&M) mandate. L&G explained the rationale for holding certain more carbon-intensive bonds, outlining how engagement and transition potential are considered in these cases. The presentation also covered how L&G engages with companies on issues aligned to the Group’s key stewardship themes including Climate Change, Modern Slavery, Board Composition and Biodiversity. Specific examples of engagement activity across these areas were discussed.

	Insight	Insight was invited to present at the September 2024 RI Manager Day to update the Group Trustee on developments in ESG integration within the secured finance and asset-backed securities (ABS) space and how they relate to the Group's mandate.	Insight discussed ongoing efforts to improve data quality and transparency across the secured finance and ABS, highlighting the challenges that persist in comparison to other asset classes. It outlined how these developments may enhance ESG integration in the Group's mandate over time. The presentation included examples of initiatives Insight is conducting across the broader fixed income space to strengthen ESG data quality, particularly in relation to issuer-level transparency and risk assessment. Insight also updated the Group Trustee on work related to the Taskforce on Nature-related Financial Disclosures (TNFD), noting how this may apply to secured finance and ABS exposures in the future.
10/12/24	Storebrand	Following Storebrand's participation in the September 2024 RI Manager Day, the Group Trustee invited it to further discuss key topics related to RI and how this is integrated into the manager's investment process.	During the meeting, discussion focused on Storebrand's approach to ESG integration and RI across its investment and engagement processes. Storebrand was asked to provide practical examples of company engagements and the tangible outcomes or impacts these had achieved.

Summary of manager engagement activity

Reporting on engagement activity from L&G and Storebrand is provided at a company level and is not bespoke to the fund that the Group invests in.

- L&G carried out 1,944 engagements over the year ended 31 March 2025. Specific ESG engagements included 1,281 Environmental, 380 Social and 233 Governance engagements.
- At a company-wide level, Storebrand carried out 337 comprehensive engagements over the year ended 31 March 2025. Across the ESG spectrum, these largely focused on Social (166) and Environmental (168) issues.

Use of a proxy adviser

The Group's investment managers have made use of the services of the following proxy voting advisers over the Group year to 31 March 2025:

Manager	Proxy Adviser used
L&G	All voting decisions are made in-house by L&G. L&G's use of ISS recommendations is to support the manager's own research and proprietary ESG assessment tools.
Storebrand	Storebrand uses ISS to monitor relevant company events, notify events of special interest and to vote according to the manager's instructions. Storebrand independently monitors ESG votes on high-profile companies to check votes have been approved and properly registered. While proxy adviser

	recommendations are usually followed, Storebrand follows its own overarching voting policy and retains the discretion to override adviser guidance when it is in the best interests of the fund.
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Review of policies

It is the intention of the Group Trustee to review the managers' RI policies together with their voting practices and policies on an annual basis. This review was undertaken during the reporting year in May 2024 and was most recently undertaken by the Group Trustee in May 2025. The next review is scheduled to be carried out in Q2 2026. The review considered managers' broader approach to RI, their adherence to the relevant industry codes and engagement activities over the year.

The Group Trustee and its advisers remain satisfied that the RI policies of the managers and, where appropriate, the voting and engagement policies remain suitable for the Group.

Cost transparency

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

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

- The Group Trustee periodically reviews the fees paid to its investment managers against industry standards.
- The Group Trustee will request turnover costs incurred by the asset managers over the Group reporting year.

The Group Trustee conducts cost transparency exercises with the support of ClearGlass, an organisation specialising in supporting clients to understand the total cost of their investments. The Group Trustee most recently reviewed the results of a cost transparency exercise in Q1 2025 for the year to 31 December 2023.