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 2026.

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 2025 to 31 March 2026.

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 Scheme's SIP is subject to formal review at least every three years (or following a significant change in investment policy), with the Trustee considering the continued appropriateness of the SIP as part of its ongoing governance process. The last formal review and update was completed 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 formally reviewed in line with the Scheme's SIP at least every three years but may be reviewed more regularly as part of the Trustee governance process. The last formal review was completed in February 2025.

No changes were made to the Scheme's Stewardship Policy within the Scheme 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)

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. 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 Scheme year.

Voting activity & use of proxy voting advisor

Since 31 May 2024, the Trustee has not held any listed equity assets that carry voting rights and as a result has not used a proxy voting advisor.

Engagement activity

The Trustee aims to meet regularly with the Scheme's investment managers where, if appropriate, stewardship issues are discussed in further detail. During the Scheme year, 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
15/05/25	Insight	Insight provided an update on the ESG and climate attributions of the MAC, Buy & Maintain and LDI mandates.	The Trustee was satisfied with the engagement.
13/11/25	PIC	PIC provided an overview of their investment strategy, and how, in their view, it creates social value including social housing, urban regeneration, and renewable energy. They also provided an update on the pending acquisition by Athora.	The Trustee was satisfied with the engagement.

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. The review considers the managers' broader approach to RI, their adherence to the relevant industry codes and voting activity over the Scheme 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.

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. Overall, costs were in-line with expectations with no concerns raised by the Trustee.