IMPLEMENTATION STATEMENT

Year ending 31 March 2024

1. Introduction

This Implementation Statement has been prepared by the Trustee of the Cadent Gas Pension Scheme (the "Scheme") in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and regulations issued by the Department for Work and Pensions ("DWP") in 2022. This Statement sets out how the Trustee has complied with the voting and engagement policies detailed in the Scheme's Statement of Investment Principles ("SIP") over the 12 months to 31 March 2024. The Scheme did not have any holdings in public equities over the period, and all of the investment managers have confirmed that no voting was undertaken on any of the Scheme's investments.

Details of how and the extent to which, in the opinion of the Trustee, these policies have been followed during the year are set out in sections 4 and 5 below.

2. Statement of Investment Principles and Investment Objectives

The 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 Scheme and the Trustee's approach to responsible investing (including climate change).

The Scheme's SIP (which can be found on the Scheme website/here) was last reviewed in September 2023. During the year, the SIP was updated to include reference to the Trustee's Environmental, Social and Governance Policy and the Trustee's policy on stewardship, including the priorities set in 2023. In the opinion of the Trustee, the SIP has been followed appropriately during the year.

The Trustee's decision about investment risk depends on the Scheme's funding level and the financial position and willingness of Cadent Gas Limited as the principal employer (the "Company") to support the Scheme.

During the year, the Trustee finalised the Scheme's triennial valuation as at 31 March 2022. The valuation showed that the Scheme's funding level on the technical provisions basis had improved since the last full valuation in 2019 (of the National Grid UK Pension Scheme - Section C).

In addition, the Trustee monitors the Scheme's funding position on a quarterly basis and measures progress against the Long-Term Funding Objective1. As at 31 March 2023, the Trustee was comfortable that the Scheme was on target to meet its Long-Term Funding Objective based on expected projections of the future funding levels.

The Trustee regularly monitors the strength of the Company's covenant and receives covenant advice every six months. During the year, revised security arrangements with the Company were agreed as part of finalising the 2022 triennial valuation. The Trustee took advice from its actuarial, legal and covenant in agreeing the actuarial valuation and the security arrangement.

During the year, the Trustee implemented changes agreed to the strategic arrangements in March 2023 to make the portfolio more resilient following the movements in the gilt market over 2022. The main change was to increase the allocation to Asset Backed Securities ("ABS") by appointing a new bond manager to run a second ABS mandate. To ensure that the investment arrangements continue to be appropriate, the Trustee will be reviewing the investment strategy in October 2024.

3. Policy on Environmental, Social and Governance, Stewardship and Climate Change

The Trustee believes that Environmental, Social and Governance ("ESG") factors are important for risk management and can be financially material. The Trustee recognises that there is a need for the Scheme to be a long-term responsible investor to achieve sustainable returns and, to support the Government's climate change ambitions, have an aspiration to target net zero (scopes 1,2 and 3) by 2050.

The SIP, Investment Beliefs and ESG Policy include the Trustee's policy on ESG factors, stewardship, and climate change. All three documents are reviewed annually or sooner if there is a significant change to the investment strategy.

ESG integration and stewardship are delegated to the investment managers, but the Trustee is responsible for ensuring the managers have the requisite skills and resources to do this and monitor outcomes. The Scheme's investment consultant assists the Trustee in undertaking this oversight. Also, as part of its ESG Policy, the Trustee has established a governance structure setting out its process when considering ESG issues, including climate-related risks.

The Trustee ensures that ESG issues are considered as part of regular discussions at meetings, both as explicit agenda items and considering the impact of ESG risks on other discussion items.

The Scheme has published its Task Force on Climate Related Financial Disclosures ("TCFD") report, which is available on the Scheme website/here. The 2023/24 report includes information on scope 3 emissions (where this is available).

4. Implementation of Engagement and Stewardship Policy

This section sets out the extent to which the Trustee has followed its policies on engagement, covering engagement actions with its investment managers and, in turn, the engagement activity of the investment managers with the companies they invest in.

Incumbent investment managers

Investment managers provide regular reports, including details on the underlying investments' performance and how the managers have engaged with companies on matters, including ESG issues. The Trustee scrutinises the extent to which the investment managers assess, monitor, and reflect on ESG issues in making their investment decisions as part of their review of these reports.

The Trustee has a rolling schedule of manager review meetings at which the investment manager presents to the Trustee, including how ESG, stewardship and climate change considerations are incorporated into their investment process. During the year, the Trustee met with Insight and DTZ and discussed how ESG matters were integrated into the respective portfolios.

The investment consultant engages with the investment managers on relevant matters on the Trustee's behalf. On an annual basis, the investment consultant assesses how the investment managers incorporate ESG within their processes and how this compares against the Trustee's ESG beliefs in a 'Sustainability Integration Assessment' Report. The investment managers are measured against five criteria: investment approach, risk management, stewardship, reporting and collaboration. A separate climate score and an overall ESG score and separate climate score are determined based on the assessment of these factors. Any actions agreed by the Trustee to improve ESG integration are taken to the investment managers by the investment consultant. Following the 2024 Report the Trustee identified actions on the LGIM Inflation-Linked Credit portfolio, the Insight mandate and the Barings mandate, to discuss if their respective ESG scores could be improved. The outcomes will be included in next year's Implementation Statement.

The Trustee also receives quarterly monitoring reports from its investment consultant, who maintains a regular dialogue with the investment managers and monitors their stewardship and engagement activities as part of their ongoing assessment. The investment consultant also engages with the investment managers on matters that have impacted/may impact the investment performance of the mandate, on behalf of the Trustee.

To improve ESG (climate change) integration, the Trustee agreed to reduce carbon emissions in the liquid credit portfolios and target a reduction in carbon footprint (scopes 1 and 2) vs 2021 of 38% by 2030. The risk dashboard in the quarterly monitoring report keeps track of the carbon intensity measure in the liquid credit portfolios. The emissions reduction target has been communicated to the investment managers, and the investment management agreements with the Buy & Maintain Credit managers have been updated to reflect the target and some other broader measures to improve ESG and climate integration.

During the year, training was provided on ESG initiatives introduced, specifically on the Taskforce on Nature related Financial Disclosures (TNFD) and the Taskforce on Social Factors (TSF). The Trustee agreed to consider these issues over the next year and further ESG training is planned in 2024/25.

Stewardship priorities

During the year, the Trustee set its stewardship priorities based on the four UN Sustainable Development Goals which the Trustee believes best align to its investment beliefs. These are:

- Climate Action
- Affordable and clean energy
- Decent work and economic growth
- Industry, innovation and infrastructure

With advice from its investment consultant, the Trustee performs regular reviews of the stewardship activities undertaken by the principal investment managers.

Over the year, the Trustee and its investment consultant reviewed the stewardship priority of "Climate Action" and considered the extent to which the investment managers' stewardship activity was aligned to the priority. The Trustee assessed:

i. At a firm level: What initiatives and climate engagement did the principal investment managers take over the year? The Trustee did not have any concerns about the managers' overall policies and processes on climate change and were comfortable with the progress the managers were making.

ii. Within the liquid portfolio: how the principal investment managers had engaged with the underlying companies which had contributed the most to the portfolio's carbon emissions. This review highlighted that further work was needed for the Trustee to get comfortable with LGIM's stewardship activity. Following further discussions with LGIM over the year to understand their approach to engaging with the underlying companies on climate objectives, the Trustee concluded that LGIM's process was aligned to its climate stewardship priority.

Manager selection exercises

In appointing new investment managers, the Trustee considers the investment manager's expertise, investment track record and stated policies and frameworks on ESG related issues, with the assistance of the investment consultant.

During the year, the Trustee undertook a manager selection exercise for an ABS mandate. The managers were rated on several factors, including their ability to manage the mandate in line with the target set by the Trustee and their ESG capabilities and credentials.

Underlying investments

All decisions about the day-to-day management of the assets have been delegated to the investment managers via written agreements, including the day-to-day investment decision-making, climate change considerations, undertaking engagement activities with investee companies and other stewardship obligations attributed to the investments, in accordance with their corporate governance policies and best practice. The investment managers are expected to report at least annually on ESG considerations.

The Trustee requested details from its investment managers on how ESG factors are integrated into their investment processes and how they engage with the underlying companies. There have been no significant changes to the investment managers' policies since last year. All of the Scheme's investment managers are signatories to the UN PRI (United Nations Principles for Responsible Investment) and/or FRC's (Financial Reporting Council) Stewardship Code. Many of the investment managers are also members of other industry bodies, including the Net Zero Asset Managers Initiative1 and Climate Action 100+2. The investment managers provided information on their engagement policies, including how ESG factors are integrated into their policies and a summary of their engagements with underlying investee companies. The table in Appendix A summarises comments provided by the Scheme's managers on their engagement activities during the period.

5. Voting Activity

The Trustee's policy is to delegate the exercise of rights (including voting rights) to its investment managers. Where relevant, the Trustee expects its investment managers to exercise voting rights and stewardship obligations attached to the investments in accordance with their corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Scheme did not have any holdings in public equities over the period, and all of the investment managers have confirmed that no voting was undertaken on any of the Scheme's investments.

The Implementation Statement was adopted by Cadent Gas Pension Trustee Limited as trustee of the Cadent Gas Pension Scheme with effect from:

Date: 17 October 2024

[1] *Asset manager alliance committed to aligning the financial sector and supporting the goals of the Paris Agreement*
[2] *Organisation to help ensure the world's largest greenhouse gas emitters take necessary action on climate change.*

APPENDIX A: Summary of investment managers' engagement activities

Manager	ESG policy changes/ process on engagement	Engagement activity	Examples of engagement
AXA	AXA updated its Corporate Governance and Voting Policy in 2023 to reflect societal and corporate changes. This policy emphasised ESG expectations, incorporating new guidelines on sustainability governance at the Board level, unconflicted Board leadership, and tax transparency. Following the strengthening of its Deforestation and Ecosystems Protection Policy, AXA formalised the possibility of holding boards accountable in case of insufficient progress in biodiversity-related engagements. AXA reaffirmed its commitment to the UK Stewardship Code.	AXA engage with the underlying companies on those issues they believe are the most strategic and financially material for long-term investors including climate change, biodiversity, human capital management, data privacy, and corporate governance. Over the period. AXA undertook 54 engagements. The breakdown was: Environmental: 32 Social: 14 Governance: 8	AXA engaged with a leading Biopharmaceutical on sustainability. The company's Sustainability 2023 Highlights Summary showcased progress across three pillars: Access to Healthcare, Environmental Protection, and Ethics & Transparency. The company exceeded targets in training healthcare professionals and developing data-driven improvements. They achieved a 68% reduction in Scope 1 & 2 greenhouse gas ("GHG") emissions since 2015 and are on track for a 98% absolute reduction by the end of 2026, while also focusing on energy efficiency and renewable energy consumption. Despite an increase in scope 3 emissions, they are confident of reaching their reduction target due to supplier commitments. Additionally, efforts to promote workforce health and safety, the launch of diversity programs, maintaining gender equality in management, and analysis of the ethical use of AI in healthcare were highlighted. A risk-based approach to assessing biodiversity risks across the value chain and a reforestation project update were also discussed.
Aviva	No change in policy. Aviva note that once the origination process is complete there is little opportunity or ability to engage with the issuers. During the origination process, ESG factors were part of the due diligence process.	Four sustainability linked loans are held in the portfolio, with KPIs agreed as part of the engagement process. KPI assessments are carried out annually and over 2023/24 no issues of concern were noted.	Aviva engaged with one of the four sustainability linked loans over new KPIs which were effective from 1 October 2023. One new KPI on the "Net Carbon Pathway" was introduced to reduce the energy intensity of the occupied areas of the buildings by 2% p.a. from the 2022/23 baseline. In addition, two of the existing KPIs were enhanced.

Manager	ESG policy changes/ process on engagement	Engagement activity	Examples of engagement
Barings	Barings' preferred approach is typically to engage rather than exclude, and partner with entities in which they invest to address the material ESG risks and opportunities identified through their ESG integration approach. Over the year, Barings have looked to address the ESG data gap in private markets by developing an ESG questionnaire, based on industry standards, but with a focus on private markets. This initiative, due to be completed in 2024, is expected to enhance the availability of data for Barings' own analysis and in future reporting to clients. Barings' Portfolio Solutions & Analytics ESG team are also working with MSCI to run estimation reports for the GHG emissions of Barings' portfolios, based on fundamental data points of borrowers, which Barings believe will improve reporting coverage for the companies in their portfolio.	At a firmwide level Barings undertook a targeted client survey on stewardship preferences to help inform firm-wide ESG integration and stewardship approach going forwards. The Global Private Finance teams undertook engagement training over the year. Over the next year, Barings expect that reporting of engagement activity will increase. Over the period, Barings undertook 9 engagements within the portfolio. The breakdown was: Environmental: 3 Social: 3 Governance: 3	Barings backed the primary buyout of a Dutch company by another Dutch investor. The documentation proposed the implementation of ESG margin ratchets offering up to a 0.1% discount upon the achievement of annual targets across 5 KPIs. The group had no prior formalised ESG strategy. The company and sponsor provided Barings with initial ESG targets in Q1 2024 informed by a materiality and carbon footprint assessment completed by a third-party consultant covering 2022 and 2023. Management presented 5 KPIs and annual targets, including (i) reduction in scope 1 & 2 carbon emissions, (ii) reduction in scope 3 carbon emissions, (iii) promote the installation of one of their circular products, (iv) avoid product waste through recycling & remanufacturing of redundant products/used products,(v) employment of people with disabilities or social disorders. Whilst the initial proposal was already ambitious, Barings negotiated to replace KPI (iii) with the promotion of diversity and gender equality through an increased proportion of women in management positions. Targets were agreed in March 2024 but remain subject to review and sign off by the consultant by year-end to benefit from the ratchets in the future.
BlackRock	Over the past year, BlackRock have enhanced their platform-wide approach to engagement by hiring a dedicated Head of "Borrower Engagement" and developing a consistent policy to guide engagement across strategies. The Head of Borrower Engagement partners with companies to share best practices and provide resources to help them achieve their sustainability-related goals.	Given the lack of third-party data in private markets, BlackRock have continued to focus on increasing transparency by collecting ESG metrics from portfolio companies and creating their own proprietary data sets based on investment teams' analysis. Over the past year, BlackRock have seen an increase in interest from their borrowers in climate-related themes.	BlackRock provided a case study of a company to which BlackRock provided financing via a senior secured loan. Extensive due diligence of the company's environmental profile was undertaken at origination, highlighting improved sustainability from the client's outsourcing (better paper sourcing, reduced printing volume etc), and the company's strong ESG policies and track record of realising environmental savings recognised through numerous ESG awards.

Manager	ESG policy changes/ process on engagement	Engagement activity	Examples of engagement
	BlackRock have continued their annual ESG questionnaire efforts, including sending to an increasing number of portfolio companies than in prior years. Additionally, BlackRock have continued to seek incorporation of ESG margin ratchets and ESG disclosure requirements into loan documentation. As each loan document is negotiated under deal specific dynamics, the number of targets, the margin reduction and penalties vary and are agreed on a best-efforts basis. Margin ratchets commonly include emissions reporting and reduction targets along with other ESG targets material to the company.	As regulatory requirements for disclosure expands, companies are working to expand their measurement and disclosure of climate-related metrics, specifically, around building capabilities to measure and report emissions, along with setting emissions reduction targets. At a strategy level, as at Q1 2024, 27 investments in the DPD fund had ESG margin ratchets or ESG undertaking agreements in the loan agreement.	BlackRock worked with the company to incorporate an ESG ratchet mechanism in the amended legal documentation allowing for a margin incentivisation based on the company satisfying specific ESG criteria. The company has set mid (50% absolute emissions reduction by 2030) and long (90% by 2040) term reduction targets (scope 1, 2 and 3) which are SBTi aligned. The company is currently on track to achieve those targets (14.3% reduction on scope 1, 2 and 3 absolute emissions in the last 12-month period). The loan agreement includes the company committing to reduce emissions intensity by 5% p.a. and currently it is achieving year on year reduction, well in excess of its reduction target by 2030.
DTZ	DTZ have not made any significant changes to their policy and continue to embed responsible investing into the management of the assets.	DTZ focussed on four key themes over the year: Leadership & Governance: To focus on promoting a Responsible Investment ("RI") culture, where colleagues feel personally responsible for identifying improvements and delivering change as part of their day-to-day role, rather than assuming RI is the "ESG team's" responsibility. Investment Process & Implementation: DTZ have developed a proprietary, online collaboration tool, the Asset Management Toolkit, to ensure that the team have the data needed to make informed decisions in line with DTZ's RI goals. Stakeholder Engagement, including investors, occupiers and local communities.	Each year, DTZ carry out an Environmental Performance Data Collection exercise, all tenants are requested to give information on electricity, gas, water and waste generation. Using this data, DTZ aim to collaborate with site teams to deliver consumption and cost reductions.

Manager	ESG policy changes/ process on engagement	Engagement activity	Examples of engagement
		Benchmarking & Disclosure: To enable effective decision-making and action that leads to positive environmental and societal impact. Over the period. DTZ undertook 5 engagements within the portfolio. The breakdown was: Environmental: 4 Social: 1 Governance: 0	
Insight	ESG data within asset-backed markets is at a less developed stage than other asset classes. ESG factors are considered in the decision-making process, although they are not a primary factor for investing. If issues are identified, the team will engage with the issuer to understand how the risks are being mitigated.	Engagement with the issuers is driven by a specific issue relevant to an industry or sector on relevant and material issues, with all engagement and stewardship activity categorised by theme including environment, governance, social and strategy, financial and reporting.	Insight have been working with an issuer in the Australian market. ESG had previously not formed part of their loan origination process, so Insight identified them as an issuer to engage with to raise ESG as an area of concern. The first step towards better disclosures and to enable Insight's ESG analytics to be conducted was to raise the issue and determine the issuer's level of engagement. Engagement first occurred in Q4 2022 with subsequent engagements in 2023 relating to EPC (energy performance certificate) data analysis. The issuer is now showing the underlying borrowers potential EPC improvements they can make to their properties and are linking this into new business.
LGIM	LGIM review their ESG processes annually and last year at a firm wide level, the following enhancements were made: • LGIM's Deforestation policy was updated to include social aspects and human rights considerations, and LGIM tightened their minimum expectations on deforestation policies and programmes.	On behalf of the Scheme, LGIM engaged with a total of 79 underlying issuers on 158 issues, broken down as follows: Environmental – 61 Governance – 57 Social – 29 Other – 11	Engagement with a multi-national drink and brewing company (in the SDC portfolio) on water stewardship, responsible marketing and consumption. As a part of LGIM's engagement they look for the company to lead the industry in water stewardship given the size and scale of its operations. As another leg of the circular economy, LGIM expect the company to increase packaging that is recyclable/returnable and to support the ecosystem via education and infrastructure support.

Manager	ESG policy changes/ process on engagement	Engagement activity	Examples of engagement
	• LGIM published a separate Diversity policy, including their expectations, stewardship, escalation steps and timeframe. • LGIM updated and consolidated their UK Executive Pay Principles as a stand-alone document, taking into account discussions around executive pay competitiveness in the UK market. • LGIM published a new Human Rights policy.	On behalf of the Scheme, LGIM engaged with a total of 79 underlying issuers on 158 issues, broken down as follows: Environmental – 61 Governance – 57 Social – 29 Other – 11	Additionally, LGIM expect it to meet or exceed localised legislation for responsible marketing, particularly given the company's focus on emerging market economies, where its business is supported by consumers' switch from the illicit/homebrewed alcohol market to legal brands as wealth improves. LGIM have regularly met with the company over the last few years. While these calls are primarily focused on financial policy and deleveraging, LGIM also discuss ESG topics given their materiality to the company's business. LGIM have also participated in ESG-focused virtual group calls where the company shares updated commitments and targets. The company has set several goals including to improve water availability and quality, set efficiency targets, and a target that by 2025 100% (from 77% in 2022) of products will be in packaging that is returnable or made from majority recycled content. In terms of next steps, with respect to recycling, LGIM believe a near term goal of 100% recyclable content is reasonable given its duration and ambition penetration is 100%. LGIM also take a similar view to water efficiency targets. These are not long dated goals but appear to be reasonably focused on given its timing expectations. LGIM will continue to engage on these topics going forward.
Octopus	Octopus have partnered with a climate risk assessment data provider (Climate Scale) and have introduced Climate Scale to the Fund's underlying companies to inform their own climate risk processes. As a result, Octopus have improved the climate-related data for the Fund's assets and are better able to quantify the climate related risks for investors.	Octopus engage with all the investee companies on all areas of ESG annually. The key themes of engagement this past year have been biodiversity, human rights, climate change risk and carbon footprint. This has extended to the external asset managers Octopus work with to manage the assets.	One of the Fund's investments, an onshore wind farm in Germany, is now participating in Octopus Energy's Fan Club, an initiative to drive access to cheaper, greener "people-led" renewable energy. Octopus believe that renewables should be brought closer to the consumer and that people living alongside generation projects should enjoy cheaper electricity when their local turbine is spinning.

Manager	ESG policy changes/ process on engagement	Engagement activity	Examples of engagement
			The Fan Club energy tariff is open to the communities local to the wind site and offers different energy discounts depending on the speed at which their local turbine is spinning. When wind speeds are high, local Fan Club tariff holders can enjoy up to 50% off their energy. This initiative helps to demonstrate the potential benefits of renewable energy projects in communities and encourages individuals to change their energy consumption behaviour, incentivising them to use energy when renewable energy is cheap, and supply is high. This initiative provides environmental benefits as well as consumer benefits, as these behavioural actions on a large scale can help to welcome new renewable energy projects into communities, help to balance the grid and reduce reliance on fossil fuel alternatives.

Notes:

All of the examples in this section are directly linked to the Scheme's investments in each of the portfolios.

The information contained herein, and views expressed, are based solely on information provided by the investment managers.

This Implementation Statement is based on information and data from the investment managers prior to the FCA anti-greenwashing regulatory changes effective from 31 May 2024.