

Cadent Gas Pension Scheme

Implementation Statement – Year ending 31 March 2025

Introduction

This Implementation Statement has been prepared by Cadent Gas Pension Trustee Limited (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 2025. The Scheme did not hold any 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 below.

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 October 2024. During the year, the SIP was updated to include the Trustee’s collateral framework for the efficient management of the Liability Driven Investment (“LDI”) portfolio. 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.

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 2024, the date of the last annual actuarial report, the Trustee was comfortable that the Scheme was on track to meet its Long-Term Funding Objective, based on expected projections of future funding levels. The Trustee will complete a full review of the funding position as part of the triennial valuation at 31 March 2025.

The Trustee regularly monitors the strength of the Company's covenant and receives covenant advice from its adviser every six months. There has been no change to the view on the strength of the covenant over the year.

During the year, the Trustee reviewed its investment strategy, including an assessment of the Scheme's liquidity requirements, and considerations for the liquid and illiquid portfolios. As a result, the Trustee added three new Asset Backed Security (ABS) portfolios. In addition, the Trustee agreed to sell down its holdings in the Inflation Linked Credit Portfolio.

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 the Scheme needs to be a long-term responsible investor to achieve sustainable returns. To support the Government's climate change ambitions, the Trustee has 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. 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 also has a Climate Delegation Document, which outlines the roles and responsibilities of various parties in managing climate-related risks and opportunities.

ESG integration and stewardship are delegated to the investment managers, but the Trustee is responsible for ensuring that the managers possess the requisite skills and resources to perform these tasks effectively and monitor the outcomes. The Scheme's investment consultant assists the Trustee in undertaking this oversight.

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

Target: The Scheme has a target 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 provided by the managers and the investment consultant tracks the carbon intensity measure in the liquid credit portfolios. At the year-end, the Scheme was on track to meet this target. The Trustee reviews this

¹ The Long-term Funding Objective is to target full funding on a low dependency basis (Gilts+0.25% p.a.)

target on an annual basis. At the last review in November 2024, the Trustee agreed the target remained appropriate.

Task Force on Climate Related Financial Disclosures ("TCFD") report: The Scheme has published its annual TCFD report, which is available on the Scheme's website/[here](#).

Climate scenario analysis: The Trustee completed its triennial climate scenario analysis in March 2025, and the results are reported in the 2025 TCFD report.

Training: The Trustee will attend a two-day ESG training course during 2025/26.

Implementation of Engagement and Stewardship Policy

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

Incumbent investment managers

The investment managers provide regular reports, including details on the underlying investments' performance and their engagement 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.

Meetings with Investment Managers: 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 AXA and LGIM to discuss how ESG matters were integrated into their respective portfolios.

Sustainability Integration Assessment (SIA) Report: 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 SIA report. The investment managers are measured against five criteria: investment approach, risk management, stewardship, reporting and collaboration. An overall ESG score, and a 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.

The 2024 SIA report identified specific actions and over the year the Trustee, via the investment consultant, engaged with the managers on these issues. These actions, and the outcome of the engagement with the managers over the year were:

- *Credit portfolio oversight:* One of the portfolios is managed on a 'care and maintain' basis and does not have any specific ESG objectives. After extensive discussions

around the governance and oversight of the portfolio, and their concerns regarding performance and ESG related risks, the Trustee agreed to divest the entire portfolio.

- **ABS:** The investment consultant raised several proposed actions. In particular, 'reporting' in the ABS asset class was identified as a laggard due to data quality limitations in the ABS market. The investment consultant continues to engage with the investment managers to improve reporting.
- **Diversified Private Credit (DPC):** Lack of ESG reporting was also recognised as an issue in both DPC portfolios, and in particular for one of the mandates. Over the year and following engagement with this manager, notable improvements were made in their reporting practices. Continued engagement, via the investment consultant, is in progress to support further improvements.

The 2025 Report (discussed post year-end) identified several additional actions. In particular, further improved transparency across the DPC and infrastructure mandates would strengthen overall transparency at the Scheme level. Due to the more complex structure of ABS deals when compared to typical corporate or government bonds, it was identified as a continued specific area of focus for reporting.

The Trustee recognises the ongoing challenges in climate reporting for both ABS and DPC, particularly in relation to data availability and transparency. It expects its investment managers to continue strengthening their operational ESG capabilities and to actively contribute to the development of industry-wide standards for climate risk disclosures. Going forward, the investment consultant will continue to engage with the managers on all of these issues on behalf of the Trustee to improve the scores, and an update will be provided in the next 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 or may impact the investment performance of the mandate, on behalf of the Trustee.

Investment managers industry collaboration: The Trustee wrote to its investment managers to reiterate its position on ESG issues, and to encourage the managers' commitment to collaborative ESG engagement initiatives and to proactively monitor, identify and communicate critical ESG risks to the Trustee. The responses reflected the SIA analysis, showing good engagement from three of the managers and weaknesses in the DPC portfolios.

In June 2025, an exercise conducted by the investment consultant, which reviewed the industry bodies to which each investment manager belonged or participated in, echoed these findings. Membership participation in industry bodies was also part of the questionnaire sent to all investment managers to complete this Implementation Statement.

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, which the Trustee believes is a baseline for sustainability initiatives.

Some of the investment managers are also members of other industry bodies, including the Net Zero Asset Managers Initiative² and Climate Action 100+³, albeit several have exited these initiatives over the last year.

Stewardship priorities

The Trustee has four stewardship priorities. These are:

1. Climate Action
2. Affordable and Clean Energy
3. Decent Work and Economic Growth
4. 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.

In 2024, the Trustee and its investment consultant reviewed the stewardship priority of "Climate Action". In 2025, the remaining three priorities were assessed. The Trustee considered the extent to which the investment managers' stewardship activities were aligned with the priorities. The Trustee assessed:

- *Manager level stewardship quality*: Three of the managers were identified as stewardship leaders, due to their firm-wide integration of key themes such as climate, nature and social issues. DPC as an asset class was identified as a laggard.
- *Mandate level UN SDG stewardship*: Across the priorities of 'clean and affordable energy' and 'decent work and economic growth' two of the managers provided clear evidence of targeted engagement while others lacked either fund-level stewardship reporting or a systematic approach to identifying and engaging with underperformers).

The managers were unable to provide consistent and comparable stewardship data on the 'innovation, industry and infrastructure' priority. However, some of the managers acknowledged the relevance of this theme in their investment processes. One manager had mapped its portfolio holdings against this priority, and none of the investments had performed poorly against this measure.

Recognising that the investment landscape has changed since the stewardship priorities were set, to maximise its stewardship efforts on those issues that align with financially material issues, going forward the Trustee will focus its stewardship analysis on the 'Climate action' priority. The Trustee will also continue engagement with managers whose stewardship disclosures require improvements.

² Asset manager alliance committed to aligning the financial sector and supporting the goals of the Paris Agreement. In January 2025 NZAMI suspended its activities pending a review of the initiative to ensure that the body remains fit for purpose, following a change in regulatory and client expectations in investors' respective jurisdictions.

³ Organisation to help ensure the world's largest greenhouse gas emitters take necessary action on climate change.

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 appointed three investment managers for new ABS mandates. 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.

The Trustee recognises that increasing the allocation to ABS is expected to worsen the visibility over the Scheme's carbon emissions given the nature of this asset class, and will, via its investment consultant, work with the ABS managers to improve disclosure.

Underlying investments

All decisions about the day-to-day management of the assets have been delegated to the investment managers through 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 practices. The investment managers are expected to report at least annually on ESG considerations to the Trustee.

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.

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.

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 fulfil their stewardship obligations attached to the investments in accordance with their corporate governance policies and current best practices, including the UK Corporate Governance Code and the UK Stewardship Code.

The Scheme did not hold any public equities during the period, and all of the investment managers have confirmed that no voting was undertaken on any of the Scheme's investments (and therefore no use of any proxy voters).

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

Date: 30 October 2025

Appendix A: Summary of investment managers' engagement activities

Manager	ESG policy changes/process on engagement	Engagement activity	Examples of engagement
Aviva	No change in policy over the year.	Four sustainability linked loans are held in the portfolio, with KPIs ⁴ agreed as part of the engagement process. KPI assessments are carried out annually, and over the 2024/25 period, no issues of concern were noted.	None to report. As the investment period has ended and the portfolio is in run-off, and given the assets held, Aviva does not expect the ESG status of each investment to change significantly, or for there to be significant engagement on ESG risks other than where sustainability-linked KPIs' are in place.
AXA	AXA did not make changes to its policy over the year. One enhancement made to its process was a shift from solely aiming for net-zero goals to including a focus on transition to net zero, for a more holistic approach to sustainability. AXA are also proactive in incorporating biodiversity and social factors into its investment process.	Over the period. AXA undertook 76 engagements with 50 companies in the Buy & Maintain (B&M) portfolio. The breakdown was: Environmental: 44 Social: 18 Governance: 14	AXA and other investors engaged with Procter & Gamble (P&G) to address biodiversity loss and forest degradation in its Canadian wood pulp supply chain. After co-filing a shareholder resolution at P&G's 2024 AGM, the investors reached an agreement with P&G to withdraw the resolution in exchange for company commitments. These included: • A \$20 million investment (2025–2030) in innovation for non-wood fibre alternatives. • Enhanced and regularly updated disclosures on wood pulp sourcing, biodiversity protection, deforestation prevention, and human rights.

⁴ Key performance indicators

Manager	ESG policy changes/process on engagement	Engagement activity	Examples of engagement
			Greater transparency in lobbying efforts and addressing gaps in forestry policy. The company has shown willingness to continue collaborating, and AXA will monitor the implementation of these commitments. This was a collaborative engagement with other investors, in which AXA were actively involved in engaging with P&G.
Barings	There has been no change to policy over the year. Barings is developing an ESG questionnaire based on industry standards and aim to issue it to all European Private Credit borrowers on an annual basis. Data points in the questionnaire include greenhouse gas emissions, energy consumption, workforce safety and governance metrics. When a borrower agrees to a Sustainability-Linked Loan or ESG-linked margin ratchet, establishes the Sustainability Performance	Over the period, the Barings Global Private Credit team undertook 37 engagements within the portfolio. The breakdown was: Environmental: 5 Social: 1 Governance: 31 Barings notes that in North America, there is generally less-developed interest in ESG from private equity firms, and Barings is piloting the role of questionnaires to North American borrowers (replicating the process in Europe).	Barings closed on the initial transaction of a European healthcare tech payment provider in October 2022, and the loan documentation included an ESG margin ratchet mechanism. The Company had no prior experience formalising its ESG approach, and the initial proposals received from the management team regarding the ESG issues were not in line with Barings' expectations. In 2023, Barings re-engaged with the company, offering revised terms aligned with its new sustainability-linked loan guidance, which included incentives for adopting meaningful ESG KPIs. In 2024, with help from a third-party consultant, the Company formalised its ESG strategy and agreed on three, more ambitious, KPIs:

Manager	ESG policy changes/process on engagement	Engagement activity	Examples of engagement
	Targets and corresponding KPIs and completes the initial ESG questionnaire, the borrower may be eligible for a small discount on the margin, with a commitment to complete the questionnaire annually to retain that discount.		1. Carbon emissions reduction (Scope 1–3) 2. Anti-discrimination practices 3. Cybersecurity risk management The agreed upon margin ratchet reduction specified are: -5bps if 1/3 KPIs are met, -10bps if 2/3 are met, and -15bps if all are met. 2024 was the first evaluation year, and the third-party consultant is responsible for calculating and certifying such ESG targets annually. The borrower is due to provide this assessment shortly.
BlackRock Diversified Private Credit Fund	There has been no change to policy over the year. In 2024, BlackRock launched a proprietary climate transition rating framework, which is utilised by the Fund. The framework allows BlackRock to track and measure where companies are on their decarbonisation journey. BlackRock actively engages with existing companies and new investment opportunities to identify companies that are both committed to setting and	BlackRock does not currently provide a breakdown of engagement activities given the nature of the companies in the portfolio. However, they continue to evolve the data they collect and report on, and assess the questions included in their annual ESG Questionnaires to underlying companies. At a strategic level, as at Q1 2025, 32 investments in the Fund had ESG margin ratchets or ESG undertaking agreements in the loan agreement. Note ESG ratchets are only applied in the	BlackRock engaged with one of the companies in the portfolio to support the company's sustainability progress, particularly in decarbonisation and net zero target setting, aligning with the UNSDG 13: Climate Action. BlackRock initiated a six-week engagement program with its climate consultancy, ERM, which included a C-suite workshop with key executives. The work uncovered that the largest emissions reduction was in switching from new to recycled versions of aluminium, plastic, and rubber.

Manager	ESG policy changes/process on engagement	Engagement activity	Examples of engagement
	achieving decarbonisation targets and partner to provide assistance, resources, and incentives to help companies progress to higher ratings.	European Direct Lending allocation.	The outcome of the program was that the company now provides annual carbon emissions reporting and that: • The company formed a target-setting working group. • The company is exploring sustainable material sourcing and product design for a new model. • Paris-aligned targets are expected by H1 2025. Discussions are underway to include a margin ratchet linked to the decarbonisation roadmap.
DTZ	There has been no change to policy over the year.	To support DTZ's goal of reaching Net Zero Carbon, they work with companies in the portfolio to understand how they use energy, water, and manage waste to help identify ways to reduce consumption together. In the past, collecting this data was mostly manual and often inaccurate. Over the past year, DTZ have been improving their systems to automate data collection, increase accuracy, and make the process easier for the occupiers.	DTZ's key focus for engagement this year was around Energy Consumption (of the property occupiers).

Manager	ESG policy changes/process on engagement	Engagement activity	Examples of engagement
		Over the period, DTZ undertook 53 engagements within the portfolio. The breakdown was: Environmental: 50 Social: 1 Governance: 2	
Insight	There has been no change to policy over the year. A key initiative that continued over the period was in Insight's efforts to encourage the wider industry to drive change, working with industry working groups and regulators. Over the year Insight enhanced their ESG integration process by implementing impact scorecards tailored to the ABS sectors which included the issuer profile, deal structure and risks associated with the underlying asset. Further, internal emissions calculation methodology was expanded, and Insight	Most engagements involve discussions related to the improvement of data provided by originators and the inclusion of ESG into their loan underwriting process. Insight do not currently track ABS engagements at the portfolio level. At a strategy level, Insight engaged with 55 entities.	Insight engaged with an auto finance loan company, Finance Ireland (a new holding over the year), about the potential for additional green auto loans, as the company already provided "Green loans" which included offering discounted rates for electric vehicles in their leasing business. Although the company did not have any initial plans for green auto loans, they agreed to consider it in the future, follows Insight's indication that they would be keen to participate.

Manager	ESG policy changes/process on engagement	Engagement activity	Examples of engagement																									
	now also report on carbon data for UK Residential Mortgage-Backed Securities (RMBS) and European Collateralised Loan Obligations (CLO).																											
LGIM	There have been no fundamental changes to LGIM's policy and approach over the year. LGIM has published separate thematic policy documents to elaborate on individual policy stances, for example updating their deforestation policy to tighten minimum expectations on deforestation policies and programmes.	On behalf of the Scheme, LGIM engaged with issuers across all the portfolios they manage. <table><tr><td></td><td>B&M⁵</td><td>SDC⁶</td><td>ARB⁷</td><td>Total</td></tr><tr><td>E*</td><td>53</td><td>2</td><td>183</td><td>238</td></tr><tr><td>S**</td><td>20</td><td>0</td><td>68</td><td>88</td></tr><tr><td>G***</td><td>29</td><td>0</td><td>62</td><td>91</td></tr><tr><td>Other</td><td>15</td><td>0</td><td>40</td><td>55</td></tr></table> * Environmental, ** Social, *** Governance Given the nature of the Opportunistic Credit mandate and the residual holdings in the Inflation-Linked Credit, LGIM reported zero engagements in these portfolios.		B&M ⁵	SDC ⁶	ARB ⁷	Total	E*	53	2	183	238	S**	20	0	68	88	G***	29	0	62	91	Other	15	0	40	55	LGIM has engaged with Barclays (part of the Absolute Return Bond portfolio) for years on climate-related issues, recognising some progress Barclays have made, such as the introduction of the BlueTrack™ carbon assessment tool. However, LGIM still has concerns about the bank's progress on climate targets. Their ongoing goal is to push Barclays for greater transparency in how it engages with clients and assesses their transition plans, aligning with UN Sustainable Development Goal 13: Climate Action. Barclays had not clearly shown how its climate targets would lead to real-world change aligned with the Paris Agreement. LGIM engaged with the bank through direct and collaborative discussions, often involving senior figures like the Head of Sustainability. These engagements provided
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⁵ Buy & Maintain

⁶ Short Dated Credit

⁷ Absolute Return Bonds

Manager	ESG policy changes/process on engagement	Engagement activity	Examples of engagement
		LGIM's key focus of engagement over the year was on their Climate Impact Pledge.	valuable insights into Barclays' proposed improvements to its climate policies and due diligence. A collective investor engagement led by Share Action showed that even the prospect of a shareholder resolution can prompt companies like Barclays to accelerate policy updates and improve disclosures. Collaboration with non-government organisations and peer investors proved to be an effective strategy. LGIM continues to engage with Barclays to ensure ongoing commitment to climate action. This engagement led to the withdrawal of a proposed shareholder resolution. LGIM has also broadened discussions to include Barclays' impact on nature and agriculture in the UK, and its sustainable finance initiatives. Progress on these objectives is ongoing.
Octopus	There have been no material changes to Octopus's policy over the year.	Octopus engage with all the investee companies on all areas of ESG annually. The key themes of engagement this past year have continued to be biodiversity, human rights,	Octopus acknowledges that the portfolio's renewable energy assets are not exempt from the impact of climate change and actively works to understand and mitigate any climate-related risks that could affect these sites or business. Octopus has been part of a number of collaborative initiatives over the years,

Manager	ESG policy changes/process on engagement	Engagement activity	Examples of engagement
		climate change risk, and carbon footprint.	including being part of a working group led by the Institutional Investors Group on Climate Change to enhance the Physical Climate Risk Assessment Methodology. As part of this, they looked to identify and quantify significant climate risks affecting infrastructure portfolios and explored adaptation strategies to reduce risks and improve portfolios' long-term resilience and value. In addition, Octopus is undertaking an internal workstream to model on a more granular level how climate-driven changes to wind speeds and solar irradiance could impact the energy yield of infrastructure assets. Octopus has engaged Climate Scale for climate-related data and a consulting partner to review the methodology. The outcome of this review is being finalised, and Octopus are also reviewing how to apply this to new and existing assets.

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.