

# E.ON UK Group of the ESPS

## Statement of Investment Principles

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December 2025

# Introduction

This document is the Statement of Investment Principles (the 'Statement') for E.ON UK Group of the ESPS (the 'Group'). It has been approved by E.ON UK Trustees Limited (the 'Trustee'), taking into account the relevant legislation.

The Statement sets out the high-level objectives, principles and policies governing the investment decisions of the Trustee.

## Governance arrangements

The Trustee has ultimate responsibility for the management of the Group and its investments, but it delegates various decisions and responsibilities to specialist advisers and service providers. The Trustee ensures that appropriate guidelines and restrictions are agreed with each party to clearly set out their responsibilities and the scope of their powers. The Trustee takes all such steps as are reasonable to satisfy itself the parties to whom it delegates responsibilities have the appropriate knowledge and experience required to take on their role.

The Trustee has established an Investment Committee with agreed terms of reference. The purpose of the Investment Committee is to consider all matters related to the Group's investments with the exception of the overall investment strategy (meaning assessment of the appropriate target investment return and associated level of risk). The membership and terms of reference for the Committee are reviewed from time to time.

A key Trustee appointment is the Outsourced Chief Investment Officer ("OCIO") (Schroders IM Limited, abbreviated Schroders), a professional investment firm with expertise in investment consulting and risk management for pension funds. The OCIO provides investment advice to the Trustee, including advice on setting the Investment Objective and preparing this Statement. The OCIO is also responsible for the ongoing management of the Scheme's underlying investments and the composition of each of the Scheme's portfolios.

## Objectives

### Long Term Objectives

The following high-level strategic objectives have been agreed by the Trustee:

- To target 100% funding on a low-risk measurement basis by 2036:
  - The Trustee and Principal Employer agreed a Journey Plan which sets out in more detail the evolution toward this low-risk measurement basis;
- To reduce the risk the Group becomes underfunded on this basis over the required timeframe and on a variety of risk metrics;
- To achieve the above by:

- Targeting expected outperformance over the Group's liabilities, with an initial target of gilts + 2.0% p.a.;
- Investing in a broader range of growth assets, the exact make-up of which may vary over time;
- Increasing the level of leverage within the Group's LDI portfolio in order to increase the allocation to growth assets, while maintaining a fully-hedged liability position (as a % of assets)

## Investment Objectives

A performance objective known as the "Investment Objective" is set and reviewed by the Trustee, ensuring consistency with Trustee's Long-Term Objective and Statement of Funding Principles.

When setting the Investment Objective, the Trustee also takes into account the trade-off between expected returns and investment risk:

### Investment Objective

*The Trustee aims to achieve a return on the Group's assets of 2.0% p.a. (net of fees) above the return of the relevant proportion of the Liability Benchmark*

### Risk Statement

*The Trustee expects that the active risk<sup>1</sup> within the Group's portfolio will generally not exceed 5% per annum. The Trustee recognises that the experienced risk will fluctuate over time as the composition of the portfolio changes and the levels of risk in markets change.*

The Liability Benchmark is a measure of the return on the Group's liabilities on a gilts-flat basis. It is agreed between the Trustee and the OCIO and is periodically updated, such as after triennial actuarial valuations.

The Trustee has the benefit of a Parent Company Guarantee ("PCG") from E.ON SE ("the Guarantor") in respect of the Group's liabilities. The Guarantor has power to terminate the PCG if the Trustee, without the consent of the Principal Employer, changes the investment return objective prior to the tenth anniversary of the Effective Date of the PCG (as defined in the PCG).

In order to preserve the PCG, until the tenth anniversary of the Effective Date of that PCG, the Trustee will ensure that it (including its Investment Committee) and its OCIO implement the investment strategy in a manner which is targeted to achieve the Investment Objective. In the light of the PCG, during the period prior to ten years after the Effective Date as defined in the PCG, the Trustee will ensure that the OCIO

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<sup>1</sup> The active risk is defined as the ex-ante (expected) volatility of the Group's assets relative to the Liability Benchmark, calculated as the percentage underperformance of assets versus liabilities which might be expected to occur over a one-year period in every six years.

provides quarterly confirmation that the implementation of the investment strategy is consistent with the investment return objective.

## **Investment policies**

### **Securing compliance with the duty to choose scheme investments under Section 36 of the Pensions Act**

In advance of choosing investments, the Trustee obtains and considers written advice from the Investment OCIO. This advice considers the overall suitability of the investments in relation to key investment principles.

### **The kinds of investments held by the Group**

The Group's assets are split between three sub-portfolios, detailed below. Responsibility for the management of the sub-portfolios is delegated by the Trustee to the Investment Committee and OCIO.

#### **Liability Hedging Portfolio:**

The purpose of these assets is to reduce the risk that the funding position deteriorates as a result of changes in the value of the liabilities due to movements in long-term interest rates and inflation expectations.

This requires an asset portfolio which seeks to broadly match an agreed portion of the interest rate and inflation sensitivities of the Liability Benchmark. The assets are invested in a mixture of cash, physical gilts and leveraged gilts.

#### **Cashflow Driven Investment Portfolio:**

The purpose of this portfolio is to generate a consistent, contractual income above that of a portfolio of gilts and cash. This income is used to support ongoing benefit payments by the Scheme. The portfolio achieves this by investing in a range of credit-based assets including Investment Grade Credit, Securitised Credit and Higher Yielding Credit.

#### **Growth Portfolio:**

The purpose of these assets is to generate consistent, absolute returns while managing downside risks and reducing the chance of large losses in stress situations.

When combined with the Liability Hedging Portfolio and Cashflow Driven Investment Portfolio, the Growth Portfolio returns above short-term cash rates result in the total Group assets outperforming the Liability Benchmark, as targeted in the Investment Objective.

The assets are invested in a wide range of instruments to create a diversified portfolio, with positions including, but not limited to: Equities and Equity Options, Private Equity, Credit, Government Bonds, Commodities, High Yield Bonds and Emerging Market Bonds.

## The balance between different kinds of investments

The Trustee considered written advice from its OCIO when choosing the asset allocation and, in doing so, addressed the following:

- A full range of asset classes
- The risks and rewards of a range of alternative asset allocation strategies
- The suitability of each asset class
- The need for appropriate diversification
- The need for sufficient liquidity to meet cashflow requirements; and
- The need for sufficient collateral available to manage the collateral risk of the derivative positions.

## Risks, including the ways in which they are to be measured and managed

The key risk to the Group is that the value of assets is insufficient relative to the value of the liabilities. This is called solvency risk and ultimately could lead to there being insufficient assets to secure all benefits.

There are many other individual risk factors which have the potential to contribute to solvency risk. Due to the complex and interrelated nature of these risks, the Trustee considers most of these in a qualitative rather than quantitative manner.

The main risk factors affecting the Group are described in the Appendix, along with a summary of how each is measured and managed.

## The expected return on investments

The Trustee delegates assessment of the expected return on investments to the OCIO.

## The realisation of investments

The Trustee delegates decisions around the realisation of investments to the Investment Committee and OCIO. Assets are realised as part of the rebalancing of assets in response to changing market conditions and to meet the cashflow needs of the Trustee.

## Financially material considerations over the appropriate time horizon of the investments

The Trustee has a long-term time horizon in relation to the Group's investment strategy, and as such, recognises that being a responsible investor should improve financial outcomes. The Trustee considers responsible investment to be the integration of non-financial matters such as environmental, social and governance (ESG) factors into investment decisions where financial risk and / or return could be materially affected. These considerations include the potential impact of climate change.

The Group assets are typically held in pooled arrangements, managed by investment managers who are in

a position to exert significant influence on the companies in which they invest on the Group's behalf. The Trustee therefore expects its appointed OCIO and investment managers to integrate social, environmental and governance considerations (including but not limited to climate change) and opportunities within their investment process as applied to the assets of the Group.

## The extent to which non-financial matters are taken into account in the selection, retention and realisation of investments

The Trustee believes that by being a responsible investor, it is managing investment risk with the aim of enhancing long-term portfolio returns, which is in the best interests of the members and beneficiaries of the Group. Beyond these requirements of responsible investing, the Trustee does not explicitly target any non-financial matters in its investment decision making.

## The exercise of the rights (including voting rights) attaching to the investments

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the OCIO and investment managers. The OCIO encourages the Group's investment managers to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council.

## Undertaking engagement activities in respect of the investments

Where relevant, the Trustee prefers its investment managers to have an explicit strategy, outlining the circumstances in which they will engage with a company (or issuer of debt or stakeholder) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance matters) and how they will measure the effectiveness of this strategy.

The OCIO is responsible for engaging with investment managers regarding those investment managers' voting records and level of engagement with the underlying investments, where this is expected to have meaningful impact (and the Trustee monitors the Investment OCIO's activity in this regard).

The Trustee has recently selected two stewardship priorities, which are shared with the Group's OCIO who oversee the Group's investment managers, in order to improve alignment against its policies and beliefs as well as enhance disclosure. These priorities are linked to the UN Sustainable Development Goals with an international endeavour in mind and aim to improve sustainability within the portfolio and have a direct real-world impact. The Trustee's two stewardship priorities are:

- **Climate Crisis** (with a focus on climate change and net zero greenhouse gas emissions)
- **Environmental Impact** (with a focus on biodiversity, deforestation and water)

## Arrangements with the OCIO

The OCIO operates under an agreement which ensures that the Trustee is fully briefed both to take the decisions it takes itself and to monitor those it delegates. Schrodgers is paid on an ad-valorum fee for all the work undertaken for the Group. This structure has been chosen to ensure that cost-effective, independent advice is received. The extent of the investment decision making delegated to the OCIO has been agreed with the Trustee and the OCIO is overseen by the Investment Committee.

## Arrangements with all Investment Managers

The Trustee believes that an understanding of, and engagement with, investment managers' arrangements is required to ensure they are aligned with Trustee policy, including its responsible investment and engagement policy. It is the Trustee's policy to ensure that the following are understood and monitored:

- How investment manager arrangements incentivise investment managers to align their strategy and decisions with the Trustee's policies
- How investment manager arrangements incentivise investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term
- How the method (and time horizon) of the evaluation of investment managers' performance and their remuneration are in line with the Trustee's policies
- Portfolio turnover costs incurred by the investment managers, in the context of the investment manager's targeted portfolio turnover (defined as the frequency within which the assets are expected to be bought or sold)
- Duration of the arrangement with the investment manager

The responsibility for monitoring these aspects day to day has been delegated to the OCIO. At the time of appointment of an investment manager, the OCIO will take consideration of the alignment of the investment manager with the Trustee policies.

The OCIO is also required to report back to the Trustee on any areas of potential divergence between Trustee policy and investment manager practice on an ongoing basis.

## Process for agreeing and reviewing this Statement

The Trustee has obtained written advice on the content of this statement from the OCIO acting as investment adviser.

The Trustee monitors compliance with this Statement regularly and will review it at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Principal Employer over any changes to the SIP.

Signed:

Martine Trouard-Riolle  
Chair of the Trustee Board

*December 2025*

E.ON UK Group of the ESPS

# **APPENDIX A – Investment responsibilities of different parties**

The division of investment responsibilities for the Group is set out below. This list is not meant to be exhaustive.

## **Trustee**

The Trustee has ultimate responsibility for decision-making on investment matters. The Trustee's investment responsibilities include:

- Deciding on an appropriate governance structure for the management of the Group including the role of advisers and other third parties
- Setting appropriate investment objectives, following advice from the OCIO and Scheme Actuary
- Agreeing the range of investment types to be used to achieve the investment objectives, taking account of the need to manage risks
- Agreeing the policies for governing investment manager arrangements
- Monitoring the appropriateness of the OCIO
- Monitoring the investments held by the Group to ensure holdings in the Employer or the Employer's parent company do not exceed 5% of Group's assets. (Given the nature of the Group's investment strategy it is highly unlikely that this limit could be exceeded.)
- Reviewing the content of this Statement at least every three years and following any significant change in investment strategy
- Modifying this Statement, if deemed appropriate, in consultation with the Principal Employer and with written advice from the OCIO
- Monitoring compliance with this Statement on an ongoing basis
- Identifying Trustee training needs

## **Outsourced Chief Investment Officer (“OCIO”)**

The OCIO's role includes providing investment advice to the Trustee and certain delegated investment management activities.

- Advice on setting the Investment Objective
- Risk modelling (including asset-liability analysis)
- Asset class, investment manager and risk reporting



- Managing the Portfolio in line with the objectives agreed by the Trustee, taking into account any guidelines or investment restrictions. This includes:
  - Manager selection within the underlying portfolios
  - Ongoing monitoring and rebalancing of the investment strategy
  - Execution of fund trades, transition management and day-to-day implementation
  - Where relevant, execution of segregated mandates within the underlying portfolio
- Advice and monitoring of any direct investments
- Trustee investment training and education
- Advice relating to investment governance and compliance
- Advice on this Statement
- Advice relating to potential conflicts of interest, including its own

## **Scheme Actuary**

The key aspects of the Scheme Actuary's role that have a bearing on investment decisions include:

- Liaising with the OCIO on the suitability of the Group's Investment Objective given the liabilities of the Group
- Ensuring consistency between the Statement of Funding Principles and the Trustee's Investment Objectives and investment strategy
- Assessing the funding ratio of the Group by performing valuations and advising on the appropriate contribution levels
- Providing data to enable decisions about hedging liability risks to be taken and implemented
- Estimating the cashflows of the Group, to be used in the calculation of the value of liabilities on at least a triennial basis, or more frequently as required
- Advice relating to potential conflicts of interest, including its own

## **Investment managers**

The investment managers' responsibilities include:

- Managing the assets delegated to them within the terms of their agreement
- Providing regular reports on their performance, including any agreed benchmark and performance targets

- Providing reports at least annually on portfolio turnover and costs, including their remuneration
- Instructing their custodian on corporate governance and voting issues, including issues relating to Responsible Investment
- Where relevant, providing information at least annually on how they are incentivised to consider both financial and non-financial risks over the medium to long term, including but not limited to detailing their engagement activities with investee companies
- Ensuring they are complying with the requirements applicable to them in this Statement. In particular, when investing the assets delegated to them they must be invested in the best interests of members and beneficiaries. Their powers of investment must be exercised to ensure the security, quality, liquidity and profitability of the portfolio as a whole.

## **Providers of direct investments**

Investments held directly by the Group are held in the form of units in pooled funds, insurance policies or other contractual arrangements. The responsibilities of the providers are set out in the legal documentation for each investment. There is then usually an agreement between the provider and an organisation which manages the assets underlying the direct investment on a day-to-day basis. This agreement sets out the responsibilities of this organisation to the provider.

## APPENDIX B – Risk measurement and management

| Risk factor                      | What is the risk?   | How is the risk measured?   | How is the risk managed?   |
|----------------------------------|---|---|--|
| Economic (or market) risk        | Economic, financial or political conditions cause the return on investments to be worse than expected, reducing the chance of meeting the investment return objective | The OCIO and Investment Committee monitor the economic exposures and assesses the economic outlook and regularly reports the position to the Trustee      | The assets are spread across a range of different investments in a highly diversified portfolio that manages downside risks and reduces the chance of large losses in stress situations                              |
| Investment manager risk          | The investment managers fail to meet their performance expectations   | The OCIO and Investment Committee monitor manager performance relative to suitable benchmarks and peers and regularly reports the position to the Trustee | Rigorous investment and operational due diligence is performed upon manager appointment and close monitoring is performed thereafter   |
| Interest rate and inflation risk | The value of the Group's liabilities rises due to either or both of the interest rate falling or the inflation rate rising  | The Trustee and its advisers monitor any mismatch between the interest rate and inflation sensitivities of the assets relative to the Liability Benchmark | The Liability Benchmark is designed to reflect the sensitivity of the liabilities to interest rate and inflation risk. The Liability Hedging Portfolio is designed to match an agreed portion of these sensitivities |
| Currency risk                    | Loss arising from the falling value of overseas investments due to strengthening Sterling   | The Investment Committee monitors the currency risk and regularly reports the position to the Trustee   | The Trustee mitigates this risk by electing to allow the OCIO to strategically hedge currency exposures at its discretion.   |
| Concentration risk               | Underperformance in a section of the investments has an overly large adverse impact on the total portfolio return   | The OCIO and Investment Committee monitor the portfolio concentration and reports the position to the Trustee as needed                                   | The Investment Committee operates to guidelines that ensure assets are spread across a range of investments  |

| Risk factor                         | What is the risk?   | How is the risk measured?   | How is the risk managed?  |
|-------------------------------------|---|---|---|
| Liquidity risk                      | There is a shortfall in liquid assets relative to the Group's immediate cashflow requirements   | The OCIO and Investment Committee monitor the cashflow needs and reports the position to the Trustee as needed  | The OCIO ensure assets are spread across a range of investments, and these investments have differing liquidity profiles  |
| Operational risk                    | Loss arising as a result of fraud, acts of negligence or lack of suitable processes   | The OCIO and Investment Committee monitor the operational procedures of the collective investment schemes and bank counterparties and reports the position to the Trustee as needed | The Trustee ensures that all advisers and third-party service providers are suitably qualified and experienced. Suitable liability and compensation clauses are included in all contracts for professional services |
| Demographic risk                    | The mortality assumptions used to value the Group's liabilities strengthen, resulting in an increase in the value of the liabilities                | Regular updates on changes in demographic assumptions are provided by the Scheme Actuary  | The Trustee make an allowance for this risk by setting prudent actuarial assumptions  |
| Sponsor risk                        | The principal employer makes insufficient contributions to support payment of the Group benefits, leading to greater reliance on investment returns | Assessment of the ability and willingness of the sponsor to support the continuation of the Group and make good any current / future deficit  | Sponsor risk has been taken into account when agreeing a suitable Recovery Plan and investment strategy   |
| ESG (including climate change) risk | The potential for non-financial factors to adversely impact the value of the assets or overall funding position                                     | The OCIO measures ESG risk based on the materiality of potential impact on each investment and distinguishes between high and low focus positions                                   | The OCIO and Investment Committee monitor the portfolio regularly to ensure ESG risks are being appropriately considered in ongoing investment decisions. This is reported to the Trustee as needed                 |