VAN LANSCHOT KEMPEN

INVESTMENT MANAGEMENT

Statement of Investment Principles

UNIPER GROUP OF THE ELECTRICITY SUPPLY PENSION SCHEME
("The Group")

December 2023

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1. Introduction

This Statement of Investment Principles (the "SIP") sets out the policy for the Trustee of the Uniper Group of the ESPS Pension Scheme ("the Group") on various matters governing decisions about the investments of the Group's assets. This SIP replaces the previous SIP dated June 2022.

This SIP has been drawn up by the Trustee to meet the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004) (the "Act"), the Occupational Pension Schemes (Investment) Regulations 2005, the Occupational Pension Schemes (Investment and Disclosure)(Amendment) Regulations 2019 ("the Regulations") and subsequent legislation. It is also intended to be consistent with the Pensions Regulator's Investment Guidance for defined benefit pension schemes.

The SIP is intended to affirm the investment principles that govern decisions about the Group's investments setting out details of the investment strategy being followed, the Trustee's investment objectives and approach to risk management.

The Trustee confirms that, before publishing this SIP, they have considered written advice from the Fiduciary Manager acting as their investment adviser. The Trustee believes the Fiduciary Manager to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Group requires.

The Group operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries.

The Group is a trust-based defined benefit pension scheme and is registered under Part 4 of Finance Act 2004 for tax purposes.

The Trustee is responsible for the investment of the Group's assets and the administration of the Group. In accordance with the Financial Services & Markets Act 2000 ("FSMA"), the Trustee sets general investment policy, but delegates the day-to-day investment of the Group's assets to professional investment managers (which may include an insurance company or companies) selected by the Fiduciary Manager. Those investment managers provide the skill and expertise necessary to manage the underlying investments of the Group.

In preparing this SIP the Trustee has consulted Uniper UK Ltd (the "Employer") to ascertain whether there are any material issues which the Trustee should consider in determining the Group's investment arrangements. The Trustee seeks to maintain a good working relationship with the Employer and will discuss any proposed changes to the SIP with the Employer. However, the decision on investment strategy is ultimately one for the Trustee, having regard to its fiduciary obligation to the Group's members.

2. Investment Governance

The Trustee is responsible for the governance and investment of the Group's assets. The Trustee considers that the governance structure set out in this SIP is appropriate for the Group as it allows the Trustee to make important decisions on investment policy, while delegating the day-to-day aspects to the Fiduciary Manager and the investment managers as appropriate.

Effective governance of the Group's assets and management of risk is achieved by the following division of responsibilities.

2.1 The Trustee

The Trustee's principal responsibilities in relation to investments include but are not limited to:

- Determining the investment objectives of the Group and reviewing these from time to time.
- Agreeing an investment strategy designed to meet the investment objectives of the Group.
- Reviewing annually (or without delay after any significant change in investment policy) the content of this SIP and modifying it if deemed appropriate, having taken advice from the Fiduciary Manager.
- Setting an investment policy consistent with relevant legislation, which consists of:
  - A strategic investment objective
  - A list of permissible asset classes and/or target asset allocations
  - The degree of flexibility afforded to the Fiduciary Manager or any other manager
- Setting investment guidelines to be implemented by the Fiduciary Manager that are consistent with the SIP and reviewing the investment guidelines at least annually.
- When updating the investment guidelines or the SIP more widely, the Trustee shall consult with the Employer.
- Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Fiduciary Manager and Group Actuary.
- Monitoring the performance and ongoing effectiveness of the Fiduciary Manager and other investment-related service providers.
- Keeping the Fiduciary Manager informed of any changes to Group benefits and significant changes in membership.

In connection with those responsibilities, the Trustee has determined to include in the guidelines a policy for the type of assets that may be invested in and any particular requirements relating to those assets.

The Fiduciary Manager will appoint and select investment managers on the Trustee's behalf. The Fiduciary Manager or others in its group may also act as investment manager in certain circumstances.

The Trustee intends to ensure that those investment managers are appropriately remunerated and incentivised to make decisions which are aligned with the Trustee's investment plan, policies and this SIP more generally (including in relation to environmental, social and corporate governance (ESG) criteria). The Trustee believes this can be achieved by:

- Setting targets/objectives in the investment guidelines against which the Fiduciary Manager's performance can be measured. The Trustee has selected a strategic investment objective and parameters governing eligible assets and target asset allocations that are set out in the investment guidelines;
- assessing the total running costs of the Group's investments on an annual basis; and
- appraising the performance of the Fiduciary Manager on an annual basis.

2.2 Fiduciary Manager

The management of the Group assets is the responsibility of the Trustee, acting on expert advice. The Trustee has concluded that a fiduciary management approach would be most appropriate for the Group.

The Trustee has set investment guidelines which apply under the Fund Management Agreement and Additional Services Agreement, ("FMA" and "ASA", respectively) where the Group's Fiduciary Manager is responsible for all aspects of advising on and implementing the Trustee's investment policy. The Fiduciary Manager is required to exercise its powers having regard to the criteria for investment as set out in the Occupational Pension Schemes (Investment) Regulations 2005. In particular, the Fiduciary Manager selects and liaises with investment managers and other service providers on behalf of the Trustee and monitors the Group's assets to ensure compliance with the agreed parameters and objectives. The Fiduciary Manager's powers and responsibilities are specified in the FMA. The Trustee believes that by using a Fiduciary Manager it can achieve a better balance of return, risk and cost for the Group.

There is typically no set duration for the arrangements with the Fiduciary Manager, although the continued appointment will be reviewed periodically. The Trustee last conducted a full market review and competitive tender process of its fiduciary management arrangements in 2021 and, as a result of that process, appointed Van Lanschot Kempen Investment Management (UK) Limited ("VLK IM") (formerly known as Kempen Capital Management (UK) Limited or "Kempen") (the "fiduciary manager") as the Group's Fiduciary Manager on 6 October 2021, replacing the prior fiduciary manager.

The Fiduciary Manager's principal responsibilities in an investment advisory capacity include, but are not limited to:

- Advising the Trustee on the SIP and the investment guidelines, taking into account the liabilities of the Group and the view that the Trustee has formed regarding the covenant of the Employer.
- Advising the Trustee on all other matters for which it is responsible (other than on the monitoring of the Fiduciary Manager itself).
- Liaising with the Group Actuary to determine suitable methods and assumptions to model the Group's liabilities for the purposes of the investment policy.
- Attending Trustee meetings.

The Fiduciary Manager's principal responsibilities in an investment implementation capacity include, but are not limited to:

- Implementing, monitoring and managing the Group's investments in accordance with the investment guidelines. In particular;
  - Rebalancing the assets to maintain compliance with the investment guidelines.
  - Appointing, monitoring and dismissing investment managers.
  - Entering into legal agreements on behalf of the Trustee, including for derivative transactions and for investment management, obtaining legal advice where appropriate and acting in accordance with the administrative control and custody requirements of the Electricity Supply Pension Scheme ("ESPS") clauses and rules as they relate to investment matters.
- Making provision for the Group's cash flow requirements, based on projections provided by the Group's administrator and as agreed with the Trustee.

- Record keeping and reporting on the performance and risk of the investments, including providing sufficient information in an agreed format and to an agreed timescale for the Group's administrator to prepare the Group's annual report and accounts for audit purposes.

2.3 Fiduciary Oversight Adviser

The Group appointed Barnett Waddingham as its Fiduciary Oversight Adviser in 2021. The Fiduciary Oversight Adviser will provide the Trustee with independent advice regarding the fiduciary management arrangements and monitor the Fiduciary Manager. As part of The Fiduciary Oversight Adviser's remit, they will alert the Trustee to any matters of material significance that might affect the ability of the Fiduciary Manager to achieve its objectives.

2.4 Legal Adviser

The Group Legal Adviser's responsibility is to assist the Trustee with legal compliance, including in relation to investment matters. The Trustee may seek legal advice in relation to the following matters, amongst other things:

- Regulatory compliance issues that arise in the course of the provision of services by the Fiduciary Manager or other service providers.
- The Trustee's rights and obligations under the FMA, ASA or other applicable agreements, and any changes to those rights and obligations.
- The SIP and the legal aspects of investment governance.

2.5 Group Actuary

The Group Actuary's responsibilities in relation to investments include, but are not limited to:

- Providing liability data to the Fiduciary Manager on request.
- Confirming any market-derived assumptions used to value the Group's liabilities – to assist the Fiduciary Manager with interpreting its own estimates of the Group's funding position.
- Liaising with the Fiduciary Manager on the suitability of the Group's investment strategy given the characteristics of the liabilities.
- Performing the triennial (or more frequently as required) actuarial valuations and advising on the appropriate contribution levels and any recovery plan.

2.6 Administrator

The administrator's principal responsibilities in relation to investments are:

- Together with the Group Secretary, ensuring payment of benefits of the Group, and receipt of contributions where applicable.
- Providing advance cash projections based on estimated requirements where this is possible.
- Preparing the annual accounts for the Group with input from the Fiduciary Manager.

2.7 Group Secretary

The Group Secretary's principal responsibilities in relation to investments are:

- Operating and keeping records in relation to the Trustee's bank account.
- Ensuring payment of expenses of the Group.

- Together with the administrator, ensuring payment of benefits of the Group, and receipt of contributions where applicable.
- Requesting cash from the Fiduciary Manager as required.
- Transferring any surplus cash beyond a reasonable buffer level to the Group's custodian for investment by the Fiduciary Manager.

2.8 Custodian

The Custodian will be responsible for, amongst other things:

- Safe-keeping and administration of all the directly held assets.
- Collecting income from assets and transferring it to the Trustee.
- Where relevant, processing all tax reclaims in a timely manner.
- Reconciling records of assets held.

3. Investment Policy

The investment policy is determined by the Trustee and specifies the key elements of the investment of the Group's assets.

It is the responsibility of the Trustee to maintain investment guidelines that are consistent with this investment policy (and consistent with the SIP more generally). The investment guidelines set out the investment strategy in more detail and specify how it is to be implemented from time to time.

3.1 The Trustee's overall investment objectives

The overall objective of the Trustee is to invest the Group's assets in the best interest of the members and beneficiaries and optimise the return on investments. The Trustee has set a number of objectives to help guide their strategic management of the assets and control of the various risks to which the Group is exposed. The Trustee's objectives are as follows:

- Ensure that the Group can meet its obligations to the beneficiaries of the Group as they fall due.
- To maintain the funding position of the Group (i.e., the value of its assets relative to the assessed value of its liabilities) at an appropriate level in order to meet its liabilities. The Trustee is aware there are various measures of funding, and have given due weight to those considered most relevant to the Group. In particular, the Trustee has taken into account the funding requirements detailed in the Occupational Pension Schemes (Scheme Funding) Regulations 2005.
- To achieve a return which is compatible with the Trustee's risk tolerance, in line with assumptions used to value the Group's liabilities by the Group Actuary in the latest actuarial valuation.
- Aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Group.
- Pay due regard to the Employer's interest in assessing the potential impact of investment matters on the size and incidence of contribution payments.

3.2 The investment strategy

The Trustee agreed that the investment strategy of the Group should have the objective to target returns of gilts +2.2% p.a. net of fees over the agreed recovery period.

Under the terms of the Fiduciary Manager's appointment, the Trustee has given the Fiduciary Manager flexibility to determine the asset allocation and select appropriate benchmarks from time to time and subject to the constraints agreed in advance with the Trustee. It has been agreed that the assets will be split between three portfolios: a Matching Portfolio, a Return Portfolio and an Alternatives Portfolio.

The main purpose of the Matching Portfolio is to manage liability risks, while the Return Portfolio and Alternatives Portfolio are primarily there to generate additional return. The Return Portfolio will generally contain assets that are relatively liquid and can be priced and traded daily or weekly, whereas the Alternatives Portfolio will generally contain assets that are less liquid or which price or trade less frequently.

ASSET ALLOCATION ACROSS PORTFOLIOS

	MINIMUM WEIGHT (%)	MAXIMUM WEIGHT (%)
Matching Portfolio	35.0	75.0
Return Portfolio	5.0	30.0
Alternatives Portfolio	10.0	50.0

The Trustee has further agreed that the Group should also aim to minimize the volatility of the funding level with respect to the liabilities. Given the value of the liabilities is sensitive to both inflation and interest rate risk, the Trustee has agreed with the Fiduciary Manager to hedge a proportion of the liability exposure to interest rates and inflation.

The day-to-day management of the assets of the Group is delegated to the Fiduciary Manager who executes the investment strategy and has responsibility for investing in and realising investments in assets on the Trustee's behalf in accordance with the investment guidelines. The Trustee delegates responsibility for the appointment, termination and ongoing monitoring of the Group's investment managers to the Fiduciary Manager. The Fiduciary Manager provides the Trustee with regular reports regarding the appointed investment managers and their performance.

There are costs incurred as a result of the buying, selling, lending or borrowing of investments and the Trustee monitors these costs through quarterly transaction reports and an annual transaction costs report provided by the Fiduciary Manager.
The portfolios are re-balanced to their target weights quarterly, to ensure the assets are aligned to the agreed targets. The turnover and transaction costs associated with this rebalancing activity are expected to be small. A greater degree of portfolio turnover (and therefore cost) is only expected as a result of changes to the asset allocation, for example as the investment strategy is de-risked as the funding level improves or if the Fiduciary Manager believes that a different combination of assets could achieve the return targets after taking all transaction costs into consideration.

4. Risk Management and Measurement

The Trustee recognises that the key risk to the Group is that it has insufficient assets to meet its liabilities. The Trustee considers there to be a number of different types of investment risk, which are important for the Group as they have the potential to cause deterioration in the Group's funding level and therefore contribute to this risk. These include, but are not limited to:

4.1 Strategic risk

This is the risk that the performance of the Group's assets and liabilities diverges negatively in certain financial and economic conditions. This risk has been taken into account in the Trustee's investment strategy review, and will be monitored by the Trustee on a regular basis. The Trustee will review the Group's investment strategy at least every three years in light of the various risks faced by the Group.

4.2 Investment manager risk

This is the risk that the investment managers fail to meet their investment objectives. The Fiduciary Manager is responsible for monitoring the investment managers on a regular basis.

4.3 Active manager risk

The Trustee understands that the use of active, rather than passive, management introduces additional risk. Where active management is adopted, the Trustee deems the risk to be acceptable in the context of the Group's overall investment risk profile, taking advice from the Fiduciary Manager.

4.4 Fiduciary manager risk

There are risks associated with actions of the Fiduciary Manager and its selection of investment managers. The Trustee will monitor the continuing suitability of the Fiduciary Manager, supported by the Fiduciary Oversight Adviser.

4.5 Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Trustee's ability to meet their investment objectives.

The Trustee believes the need for the Group's assets to be adequately diversified between different asset classes and within each asset class has been met by the strategy outlined in Section 3 where the Fiduciary Manager aims to ensure that the Group's investments are placed in an adequately diversified portfolio. To help diversify investment manager specific risk, the Trustee understands that VLK IM may make multiple manager appointments within some asset classes.

4.6 Currency risk

Whilst the majority of the currency exposure of the Group's assets is to sterling, the Group is subject to currency risk because some of the Group's investments are held in overseas markets. The Fiduciary Manager will consider, and where appropriate seek to mitigate, the overseas currency exposure in the context of the overall investment strategy.

4.7 Interest rate and inflation risk

The Group's assets are subject to interest rate and inflation risk because a portion of the Group's assets are held in interest rate or inflation sensitive assets. However, the interest rate and inflation exposure of the Group's assets hedges part of the corresponding risks associated with the Group's liabilities. The net effect will be to reduce the volatility of the funding level, and so the Trustee believes that it is appropriate to have exposures to these risks in this manner.

The Fiduciary Manager works with the Actuary to analyse the Group's liabilities and looks to buy assets that match interest rate and inflation sensitivities as closely as possible with the sensitivities of the Group's liabilities to these same risks. As and when the liabilities are updated the matching portfolio is rebalanced accordingly so as to maintain as close a match as possible.

4.8 Liquidity risk

This is the risk that the Group is unable to realise assets to meet benefit cash flows as they fall due. The Trustee is aware of the Group's cash flow requirements and believes that this risk is managed appropriately.

The Fiduciary Manager, Trustee and Group administrators will seek to ensure that the Group holds sufficient cash to meet the likely benefit outflow from time to time. The Fiduciary Manager will ensure that there are sufficient investments in liquid or readily realisable assets to meet unexpected cash flow requirements so that realisation of assets will not disrupt the Group's overall investment policy where possible.

4.9 Counterparty risk

Responsibility for the safe custody of the Group's assets is retained by the Scheme Trustee of the ESPS, Electricity Pensions Trustee Limited ("EPTL"). EPTL has appointed Bank of New York Mellon ("BNY Mellon") as custodian of the assets. EPTL is responsible for determining the ongoing suitability of BNY Mellon.

4.10 Environmental, social and governance risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Group's investments which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. This is discussed further in Section 5 of this Statement.

4.11 Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the Group. Examples include:

- longevity risk (the risk that members live, on average, longer than expected);
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Group as anticipated);
- decisions being taken without appropriate advice or expertise;
- derivative counterparty risks, such as the risk of counterparty insolvency; and
- risk of fraud or acts of negligence ("operational risk"), which the Trustee seeks to minimise by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner.

Together, the investment and non-investment risks contribute to the risk that the Group's funding position falls below what is considered an appropriate level. By understanding and considering each of the risks described (and others), the Trustee and their advisors believe that they are well positioned to manage these risks.

5. Financially material considerations and non-financial matters

The Trustee has considered how ESG and other ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Group and its members. The Trustee believes that if these factors are considered and managed within the investments the Group holds, it is expected to produce better financial (and therefore member) outcomes.

In setting and implementing the Group's investment strategy, the Trustee does not explicitly take into account the views of Group members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as non-financial factors).

The Trustee believes that ESG and climate change factors within an investment context can be financially material, and that taking these financial factors into account within the investment plan can yield different returns and/or risks. The Trustee also recognises that ESG factors, and particularly climate change factors, are more likely to influence risk adjusted returns over the long term.

The Trustee selected its Fiduciary Manager in part because of its investment policies and approach to ESG in general.

Without prejudice to the Trustee's legal obligations, the Trustee delegates full discretion to the Fiduciary Manger around the evaluation of ESG factors within the investment process as well as direct engagement and exercise of shareholder rights.

The Fiduciary Manager will exercise discretion when evaluating ESG issues, giving consideration to investments in a responsible way, taking account of ESG related risks and making sure the investment strategy is aligned with the Trustee's investment principles and ESG beliefs. The Fiduciary Manager's Responsible Investment Policies can be found at https://www.vanlanschotkempen.com/en-gb/investment-management/sustainability-approach/sustainable-investment-policies-and-publications.

The Fiduciary Manager has more limited influence over investment managers' investment practices where assets are held in pooled funds, but they closely engage with and encourage their chosen managers to improve their practices where appropriate and ESG factors and associated risks are managed as a consequence of the following:

- ESG criteria are assessed based on international conventions and initiatives, such as UN Global Compact and the Principles for Responsible Investment (PRI).
- All asset managers are screened against ESG criteria before inclusion in the Fiduciary Manager's approved manager list. For example, the Fiduciary Manager asks the following questions in its initial due diligence:
  - does the fund manager have a responsible investment policy?
  - is the manager open for a dialogue on ESG criteria?, and
  - does the manager have exposure to companies that are on the Fiduciary Manager's Exclusion List? (The Fiduciary Manager has an exclusion policy where they look to exclude investing in companies involved in the production of controversial weapons. They maintain an exclusion list of such companies and every quarter they review the entire universe of firms covered by MSCI

ESG Research against this policy. Based on the screening results, they decide whether any alterations to the exclusion list are necessary.)

- All asset managers are reviewed against ESG criteria on an ongoing basis. For example, the Fiduciary Manager asks the following questions on an ongoing basis:
  - Do the investment manager's processes continue to integrate responsible investment considerations?
  - Is the investment manager making progress at integrating responsible investment considerations into its investment process?
  - Is the investment manager well informed about current practice for applying ESG criteria and current ESG initiatives?
  - Does the investment manager screen all underlying equity and debt securities during a quarterly monitoring cycle to check for exclusion candidates?
- The Fiduciary Manager engages with and encourages their chosen managers to improve their practices where appropriate.

As a result, the Trustee is satisfied that the Fiduciary Manager is providing advice and implementation services that are aligned with the Trustee's responsible investment beliefs and has the capacity to advise the Trustee on these issues and develop solutions as the Trustee's responsible investment beliefs develop over time.

The Trustee includes a standing item on the agenda for the Trustee meetings annually to review the Group's policies and progress concerning ESG factors.

6. Stewardship

The Trustee recognises its responsibilities as an owner of capital, and believes good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to their Fiduciary Manager and underlying investment managers the duty to exercise rights attaching to investments, including voting rights, as well as engagement with issuers of debt and equity and other relevant persons about matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations. They expect the Fiduciary Manager and underlying investment managers to exercise ownership rights and undertake monitoring and engagement in line with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code 2018 and the UK Stewardship Code 2020. The Trustee will monitor the Fiduciary Manager in this regard, who will itself monitor the underlying investment managers, who must also abide by the Fiduciary Manager's Responsible Investment and Exclusions Policy in order to be appointed.

The Trustee will review annual reports on the voting undertaken by each underlying manager during the period to get assurance that it remains broadly consistent with the Trustee's view of good stewardship standards. However, the Trustee is conscious that the underlying manager may not be able to provide voting records for all investment held within certain pooled structures.

7. Fee structures

The Trustee recognises that the provision of investment management, dealing and advisory services to the Group results in a range of charges to be met, directly or indirectly, by deduction from the Group's assets.

The Trustee has agreed Terms of Business with the Group's advisers, under which charges are calculated on a fixed fee or "time-cost" basis as appropriate. The Fiduciary Manager levies a fee based on the value of the Group's assets managed by VLK IM which covers the design, implementation, monitoring and annual strategic review of the investment assets, as well as related services. In addition, the underlying investment managers within the VLK IM funds also levy fees based on a percentage of the value of the assets under management.

The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers, having conducted a market review of such providers in 2021.

The Trustee will consider revising any given structure if and when it is considered appropriate to do so.

8. SIP compliance and review

The Trustee will monitor compliance with this SIP annually. In particular they will obtain confirmation from the Fiduciary Manager that it has complied with this SIP insofar as is reasonably practicable and that in exercising any discretion it has done so in accordance with Regulation 4 of the Occupational Pension Schemes (Investment) Regulations 2005.

The Trustee will review this SIP after consultation with their professional advisers at least once every three years, and immediately after any significant change in investment policy. Any change to this SIP will only be made after having obtained and considered the written advice of professional advisers who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension investments.

Adopted by the Trustee with effect from:	31 December 2023
Next review at the latest by:	31 December 2024

Signed:

Name: Matthew Bayes

Date 22nd December 2023

for and on behalf of Uniper Group of the Electricity Supply Pension Scheme ("The Group")