

Statement of Investment Principles

1. Introduction

The Group Trustee (we) has drawn up this Statement of Investment Principles (the Statement) to comply with the requirements of the Pensions Act 1995 and of the Occupational Pension Schemes (Investment) Regulations 2005 (the Regulations) made under that Act.

The Statement is intended to affirm the investment principles that govern decisions about the Group's investments. This Statement is available to the Group members on request and the Statement is published publicly at www.edfenergy.com/download-centre.

The Defined Benefit (DB) section investment principles are contained in Part A of this Statement. The Defined Contribution (DC) section investment principles are contained in Parts B and C. Part D of this Statement relates to both sections of the Group.

The detailed asset allocation targets for the DB section are set out in a separate Statement of Investment Arrangements, which is not part of the Statement.

We have consulted EDF Energy Nuclear Generation Limited (the Company), the Principal Employer, to ascertain whether there are any material issues of which we should be aware in deciding investment principles.

PART A: DEFINED BENEFIT SECTION

2. Process For Choosing Investments

Our process for choosing the Group's investments is as follows:

- We identify appropriate investment objectives and consistent with these we set an investment goal which defines our target return and risk tolerance;
- We construct a portfolio of investments that is expected to meet the agreed target return (net of all costs); and
- We aim to ensure that no unnecessary investment risk is taken and that the level of overall risk is appropriate for the Group's circumstances.

We review the Group's investment objectives, strategy, and structure on a regular basis. In deciding the appropriate investments for the Group, we have obtained and considered the written advice of our Investment Consultant, Redington Ltd (Redington) who we believe is suitably qualified to provide such advice.

3. Investment Objectives

In accordance with the Regulations, our overall objective is to invest the Group's assets in the best interests (and, where there is any potential conflict of interest, in the sole interest) of the members and beneficiaries. We are required by law to ensure that our powers of investment are exercised in a manner calculated to ensure the security, quality, liquidity, and profitability of the Group's investment portfolio as a whole.

We have noted that our primary responsibility is to have sufficient assets to pay the benefits in full when they fall due.

Overall, we would like to balance the dual aims of reaching full funding within a reasonable timeframe and managing the risk exposure. Noting that these aims conflict with each other, we strike an appropriate balance between risk and reward, as follows:

i. Investment Goal

We will invest the fund in such a manner that the Group's assets plus agreed contributions and expected investment returns are expected to cover the Group's accrued liabilities (Technical Provisions) by the end of any Recovery Plan.

Now that the Group has reached full funding of the Technical Provisions, we have agreed the following return-focused investment goal:

- *To set the asset allocation with the target of being fully funded on a self-sufficiency (defined by reference to a discount rate of gilts +0.5%) basis within 10 years through a combination of investment returns and employer contributions.*

The Company has agreed to pay additional contributions which combined with the investment strategy outlined in Section 6 are currently expected to result in full funding on the self-sufficiency basis no later than 2027.

The Group Trustee's aspiration is currently to manage the asset allocation on an ongoing basis to achieve full funding no later than 2027. The Group Trustee is mindful that this aspiration may need to be reviewed in certain circumstances.

ii. Risk Tolerance

To target the asset returns required to meet the investment goal, the Group needs to invest in some assets that do not match its liabilities (growth assets). This introduces the risk that the funding level, instead of improving as expected, could deteriorate. The risk is mitigated by arrangements agreed with the Company, including the covenant support provided by EDF SA and the support provided by the local covenant.

We also have an objective to minimise risk while targeting the required level of return. The risk tolerance may need to be adjusted (subject to the level of investment risk remaining reasonable) to ensure sufficient target returns to meet the investment goal. The Group Trustee does not expect to make changes to the investment allocation that would materially increase the overall level of risk, unless this is necessary to meet the target returns set out in section 8. The Group Trustee will periodically review the allocation to ensure it remains consistent with this risk-focussed objective.

4. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. Our policy on risk management is as follows:

- The primary investment risk on which we must focus is the risk arising from a mismatch between the Group's assets and its liabilities.
- We recognise that targeting higher returns is likely to increase investment risk. We have taken advice on the matter and, in light of the objectives noted previously, have carefully considered the implications of adopting different levels of risk.
- The Group Trustee monitors risk on a regular basis against a range of risk measures.
- As noted above, our overall approach is to minimise risk while seeking the target return, and we also recognise our legal requirements to diversify properly. In particular, we aim to ensure that the asset allocation policy in place results in an adequately diversified portfolio.
- There is also a risk that the Group does not have sufficient liquid assets to pay benefit payments when they fall due. The Group attempts to mitigate this risk by holding a large proportion of diversified liquid assets as well as a pool of immediately accessible liquidity as part of its liability-hedging programme.
- While the Group's liability-hedging arrangements within the Matching Assets are designed to mitigate risk by reducing the impact of adverse movements in interest rates and inflation expectations on its funding position, we also recognise that investing in derivatives and using leverage to increase the efficiency of our overall asset portfolio introduces other risks. These risks include, but are not restricted to:
 - **Counterparty default risk** – the risk that a counterparty bank becomes insolvent when it is in debt to the Group at the point of default.
 - This is managed through frequent (in most cases daily) collateralisation of the positions. Further, the LDI manager has the ability to clear swaps with a central clearing house.
 - Counterparties must meet minimum credit strength requirements verified by the LDI manager who also monitors

their credit worthiness on an ongoing basis. Counterparty diversification is monitored by the LDI manager on a regular basis.

- **Out of market risk** – the risk that following the default of a counterparty bank, interest rates or inflation expectations move against the Group prior to new hedging exposure being entered into. This risk is managed through counterparty diversification as well as holding a sizeable liquidity buffer, which could be used to replace derivatives-based hedges with physical hedges.
- **Collateral call and Liquidity risk** – the risk that additional collateral is required by the LDI manager at a time when the Group does not want to sell or does not have enough liquid growth assets that can be redeemed quickly enough to meet the collateral call. The Investment Consultant provides updates on the collateral position quarterly to help the Group Trustee understand its exposure to collateral call and liquidity risk. Potential collateral and liquidity requirements are considered at each review of the strategic asset allocation. The Group's collateral adequacy is also monitored daily by the LDI manager relative to optimal and critical target levels and reports this to the Group Trustee on a monthly basis. As part of this monitoring the LDI manager will also report to the Group Trustee on an ad-hoc basis if collateral falls sharply and additional collateral may be required.
- **Roll risk** – the risk that it is no longer possible to enter into short-term derivative positions like repo contracts at acceptable rates (cost) on a timely basis.
 - The LDI manager diversifies roll dates to ensure that not all repo contracts expire on the same day.
 - The LDI manager uses a range of repo counterparties.
 - The LDI can use alternative instruments to gain the required hedging exposure.
- **Funding risk** – the risk that the cost of derivative funding becomes prohibitively expensive.
- These additional risks are all managed by the LDI manager within the liability-hedging mandate and monitored by both the LDI manager and the Investment Consultant.
- The documents governing the Group's investment manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Group. The investment managers are prevented from investing in asset classes not included in their mandate without our prior consent.
- Arrangements are in place to monitor the Group's investments to help us to check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, we receive regular reports from all the investment managers and our Investment Consultant. These reports include an analysis of the overall level of risk and return, along with their component parts, to ensure that the risks taken and returns achieved are consistent with those expected. We aim to meet with the Group's investment managers periodically,

with priority based on the materiality of the investment and for investment managers where we have future performance concerns.

- The safe custody of the Group's assets is delegated to professional custodians (either directly or via the use of pooled funds).

Should there be a material change in the Group's circumstances, we will review whether and to what extent the investment arrangements should be altered and whether the current risk profile remains appropriate.

There are also two other key risks which are taken into account by the Group Trustee:

- **Longevity risk** – the risk that the Group's funding position deteriorates due to members living longer than expected as this would result in pensions having to be paid for longer than anticipated, resulting in higher liabilities. An estimate of the potential impact of this risk is included in the regular risk reporting received by the Group Trustee. The impact of this risk is mitigated by the Group aiming to achieve self-sufficiency full funding by no later than 2027 and continuing to build a buffer over and above this funding level thereafter. In due course, direct hedges, such as longevity swaps, may be considered if they are considered attractive.
- **Climate change risk** – the risk that the Group's investments fall in value due to the physical impact of climate change or due to the financial and economic impact of policies implemented to combat it. This risk is monitored through analysis provided by the Investment Consultant on a regular basis. It is managed through engagement with the Group's investment managers to ensure climate change risk is being taken into account in their investment decisions as well as moving to investment approaches which explicitly aim to reduce climate change risk where this is appropriate and consistent with the wider investment strategy.

5. Portfolio Construction

As noted in Section 2, in order to meet the objectives set out in Section 3, we keep under regular review the investment objectives, strategy and structure of the Group's assets. As part of this work we have considered, and continue to consider, the following matters:

- The role of both active and passive investment management within the portfolio.
- The suitability of using pooled funds or segregated mandates for each investment manager.
- Diversification across the underlying asset classes held by investment managers as well as any relevant differences in investment managers' investment styles and approaches.
- The advantages of diversifying investment manager-specific risk and the implications of this for portfolio construction.
- The advantages, both at the total Group level and within individual investment manager appointments, of investments being broadly diversified to ensure that there is no undesirable concentration of exposures.
- The investment strategy is split into Matching Assets, which are used to hedge the Group's liabilities, and Growth Assets, which aim to generate returns in excess of the liabilities.

6. Investment Strategy

As noted in Section 2, we continue to review our investment strategy in order to meet the objectives set out in Section 3. We are comfortable that the investment strategy agreed and adopted meets the broad policy objectives. The details of the agreed investment strategy are set out in the Statement of Investment Arrangements and additionally later in this section. The Investment Principles section in the Memorandum of Understanding (MoU) sets how we expect to revise the agreed allocation and target return once the Group reaches full funding on the self-sufficiency basis.

The Matching Assets may include a mix of fixed interest and index-linked investments, including physical instruments (including cash and gilts) and derivative instruments such as swaps and gilt repo.

We have agreed with the Company to hedge the liabilities in line with the funding ratio on the TP (Technical Provisions) basis until the Group reaches 110% funding on the TP basis. At that point, we will review whether to switch hedging to be in line with the funding ratio on the self-sufficiency (SS) basis.

The Group's growth portfolio includes a number of diversifying asset classes and approaches to investment management. We recognise the importance of achieving diversification of underlying investments and investment approaches when selecting investment managers. We continue to explore alternative asset classes that may improve the overall efficiency and underlying diversification of the current portfolio. We note, however, that significant comfort needs to be gained regarding the use of these alternative investments.

We believe that the investment risk arising from the portfolio, combined with the risks arising from active management, is consistent with the objectives set out above. We review the risk position of the portfolio on a quarterly basis.

In order to achieve the investment objectives, the Group will invest in the following asset classes:

- LDI,
- Multi-asset strategies,
- Credit strategies,
- Equities, and
- Illiquid growth assets.

The Group intends to ensure adequate diversification between different sub-asset classes/strategies, mandate types and investment managers within the broader asset class buckets. However, it has been agreed that setting out precise allocation targets and ranges for these sub-categories would be too cumbersome from a day-to-day management perspective. The weights in the table below reflect the initial position agreed as part of the asset allocation review. Exposure to these sub-asset classes will be monitored regularly to ensure that adequate diversification is maintained.

The position vs. the target benchmark allocation for the weights of the asset classes is reviewed on a quarterly basis by the Investment Committee. If the position is found to be outside of the ranges, the Investment Committee will agree a plan to return

allocations to within the agreed ranges over an appropriate time period, having consulted with the Company.

Asset Class	Target Benchmark Allocation ⁽²⁾ (%)	Ranges (%)
Matching Assets (Liability Driven Investment (LDI))	45.0⁽¹⁾	+/-5
Growth Assets	55.0⁽¹⁾	+/-5
Liquid Growth Assets	38.0	
Multi-asset class strategies (non-credit)	11.0	+/-3
Credit strategies	17.0	+/-3
Equities	10.0	+/-3
Illiquid Growth Assets	17.0	+/-3
Total	100.0	

(1) The overall allocation between Growth and Matching Assets may be varied as set out in the Target Return section of the Statement of Investment Principles, in which case the allocations within the Liquid Growth Asset will be scaled pro rata so as to maintain the same overall Liquid Growth Asset allocation.

(2) We may change the asset allocation from time to time in line with written investment advice that the change is expected to result in the same (or reduced) overall risk and the same (or increased) expected long-term return.

7. Day-to-Day Management of the Assets

We delegate the day-to-day management of the Group's assets to a number of investment managers. We are satisfied that these investment managers have the appropriate knowledge and experience to manage the Group's investments and that they are carrying out their work competently.

We regularly review the continuing suitability of the Group's investments, including the appointed investment managers and the balance between active and passive management, which may be adjusted from time to time. However, any such adjustments would be made with the aim of ensuring that the overall level of risk is consistent with that being targeted as set out in Section 3.

8. Target Return

The key investment objective is to target a return on the Group's strategic asset allocation which at 31 December 2021 was 1.8% a year (net of expenses) above that which would have been achieved if no investment risk had been taken with the assets (i.e. if they had been invested solely in a portfolio of gilts matching the profile of the Group's liabilities), assessed on a best-estimate basis. We recognise that, over the short term, performance may deviate significantly from the long-term target.

We may increase our target return above gilts, but not so as to exceed 2.5% a year, to the extent necessary after an actuarial valuation of the Group (based on formal investment advice which allows for the Company's contribution commitments) to

eliminate a Technical Provisions deficit within 10 years, in which case the Company has agreed that we may proportionately increase the allocation to growth assets if necessary for our strategy to support the target return.

In line with the de-risking provisions set out in the formal MoU and guarantee, the Group Trustee may follow the agreed process with the results that (1) either there are no Company contributions due (other than for ongoing accrual) or the Group Trustee gives the "Contributions Confirmation" and such Company contributions are terminated by amending the Schedule of Contributions and (2) the Group Trustee de-risks the portfolio to target a lower return provided that:

1. The expected return from the assets is higher than the return required to reach Gilts +0.5% full funding by 2027 by a sufficiently large margin (which is set out separately in the de-risking plan and reviewed regularly).

and

2. The lower target return would still be expected to achieve Gilts +0.5% full funding within the next 10 years without any further Company contributions.

PART B: DEFINED CONTRIBUTION SECTION

9. Governance

- 9.1 The Group Trustee has appointed Mercer Limited as professional consultants (the DC Investment Consultant) to provide relevant investment advice to the Group Trustee on the DC Section. The Group Trustee also obtains and considers advice as appropriate from other professional advisers. Fees for the DC Investment Consultant are agreed in advance for particular work and projects.
- 9.2 The Group Trustee is responsible for the investment of the Group's assets and retains control over the decisions on investment strategy. The Group Trustee decides what to delegate after considering whether it has the necessary internal skills, knowledge and professional support to make informed and effective decisions.
- 9.3 The Group Trustee has appointed Mercer Workplace Savings (MWS) for the provision of services related to the corporate investment platform where the Group's assets are invested. The Group Trustee has delegated the ongoing governance and monitoring of Scottish Widows Limited (Scottish Widows), as the provider of the corporate investment platform, to MWS. MWS aims to ensure that the Scottish Widows corporate investment platform remains market leading and provides access to a range of investment strategies. The investment strategies on the corporate investment platform include funds (Mercer funds) where the underlying investment manager selection has been delegated by the Group Trustee to Mercer Limited (the Delegated Investment Manager) and funds that are highly rated by Mercer Limited (externally managed funds).
- 9.4 In order to more effectively deliver the investment strategy, after taking advice from the DC Investment Consultant, and with support from the Company, the Group Trustee has delegated management of the majority of the Group's assets to the Delegated Investment Manager who invests them in Mercer funds which have a number of specialist external investment managers underlying them. The Delegated Investment Manager is responsible for the design of the Mercer funds that are used in the default investment arrangement where the majority of assets are invested and the majority of the self-select funds. The Delegated Investment Manager is also responsible for making decisions on asset allocation, selection, appointment, removal and monitoring of underlying external investment managers in Mercer funds. The underlying external investment managers have full discretion to buy and sell investments on behalf of the Group. The Group Trustee is responsible for the selection, appointment, removal and monitoring of the Delegated Investment Manager. The Group Trustee, after taking advice from the DC Investment Consultant, has also selected a small number of externally managed funds managed by specialist investment managers. These investment managers are responsible for buying and selling investments on behalf of the Group.

10. Responsible Investment and Corporate Governance (Voting and Engagement)

- 10.1 The Group Trustee incorporates financially material considerations into decisions on the selection, retention and realisation of investments through the appointment of investment managers, including the Delegated Investment Manager, so far as possible, taking into account the advice of the Group Trustee's DC Investment Consultant. Monitoring is undertaken on a regular basis and is documented at least annually.

- 10.2 The Group Trustee believes that environmental, social and governance factors (ESG) (including but not limited to climate risk) will be financially material over the time horizon of the Group and should be considered as part of investment strategy and implementation decisions, noting that these decisions have largely been delegated to the Delegated Investment Manager. This will have varying levels of importance for different types of assets invested in by the Group.
- 10.3 The Group may consider non-financial factors (such as ethical or moral beliefs) in their investment decision-making, but not to the extent that these prevent the Group from meeting its investment objectives.
- 10.4 Once appointed, the Group Trustee gives appointed investment managers, including the Delegated Investment Manager, full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

In particular, given the majority of the funds are managed by the Delegated Investment Manager, the Group Trustee has delegated the ESG, climate change and stewardship considerations to the Delegated Investment Manager along with other investment responsibilities. The Group Trustee believes that the Delegated Investment Manager has the necessary expertise and framework in place to effectively manage and monitor investments in line with the above areas. The Delegated Investment Manager approaches responsible investment and corporate governance through a four pillar framework: integration, stewardship, thematic investment and screening, and the Mercer funds incorporate these four pillars as far as is practical. The Delegated Investment Manager is expected to provide reporting on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios.

11. Investment Objectives

- 11.1 The Group Trustee's objective is to invest the Group's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. Within this framework the Group Trustee seeks to achieve this, as detailed below:
 - To establish a default arrangement broadly appropriate for the needs of the majority of the membership. This is structured as an investment programme which automatically manages a member's investments over their lifetime (Retirement Strategy). The Retirement Strategy is structured to invest members in a growth phase aiming to provide long term growth and gradually de-risk members' investments as they reach eight years from when they expect to retire (the de-risking phase) into funds which more closely match how the member wishes to access their pension savings.
 - To make available a range of pooled investment funds and Retirement Strategies which serve to meet the needs and risk tolerances of the members in a DC pension arrangement. The Group Trustee recognises that members of the Group have differing investment needs and that these may change during the course of members' working lives. They also recognise that members have different attitudes to risk. The Group Trustee

believes that members should be able to make their own investment decisions based on their individual circumstances.

- To avoid over-complexity in investment in order to manage administration costs and facilitate employee understanding.
- To provide options to assist members to maximise benefits (cash, annuity or drawdown) received at retirement, whilst protecting against risks relative to that benefit near retirement.
- To support members with clear communication. This is to be achieved via regular and effective communication and by signposting points of contact for bespoke advice or guidance.

12. Investment Policies

- 12.1 The Group Trustee invests all money purchase assets under a long term insurance policy with Scottish Widows. The Pensions Act 1995 distinguishes between investments where the management is delegated to an investment manager under a written contract and those where a product is purchased directly, such as this policy. The latter are known as direct investments. The Group Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals.
- 12.2 The Group Trustee has made available a range of individual self-select fund options for investment in addition to the default arrangements. All of the funds within the default arrangements are also available as self-select options. More details specifically related to the default arrangements are provided in Part C of this Statement. In addition, there are also a number of legacy AVC fund options invested with Prudential and Aviva. These are not on the Scottish Widows/MWS platform but the Group Trustee receives information on the legacy AVC assets at least once a year.
- 12.3 The Group Trustee, after taking advice from the DC Investment Consultant, has selected a range of Mercer funds and externally managed funds on the Scottish Widows platform to make available to the Group's members. Day-to-day management of the assets is delegated to the Delegated Investment Manager for Mercer funds, which have a range of specialist external investment managers underlying them, and to external professional investment managers for the externally managed funds. The investment managers have appointed custodians for the safe custody of assets held within their pooled funds in which the Group is invested.
- 12.4 The Group Trustee is responsible for the selection, appointment, removal and monitoring of the Delegated Investment Manager and additional external investment managers. The Group Trustee has taken steps to satisfy itself that the investment managers have the appropriate knowledge and experience for managing the Group's investments and that the investment managers are carrying out their work competently.
- 12.5 In considering appropriate investments for the Group, the Group Trustee has obtained and considered the written advice from the DC Investment Consultant, whom the Group Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Group Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).
- 12.6 All funds are daily-dealt pooled investment arrangements, with assets mainly invested on regulated markets. It is the Group Trustee's policy to offer both active and passive management options to members, depending on asset class.

- 12.7 A range of asset classes has been made available, including: developed market equities, emerging market equities, small capitalisation equities, low volatility equities, real estate, money market investments, gilts, index-linked gilts, corporate bonds, diversified growth funds and pre-retirement funds.
- 12.8 The Group Trustee has made three Retirement Strategies available, which seek to more closely match how the member wishes to access their pension savings as they approach retirement. These are designed to be suitable for a member who wishes to take either cash, an annuity (secured income) or income drawdown (variable income) for members who ultimately plan to draw down their savings flexibly throughout retirement. The switching period commences eight years before a member's Selected Retirement Age in the Group. Some members of the legacy EEPS scheme remain invested in an additional two legacy lifestyles which target annuity at retirement, with the switching period starting either 5 or 11 years before a member's Selected Retirement Age. As outlined in Section 16.14, these legacy strategies are closed to new members and only contain members who actively selected to remain rather than being reinvested in the updated default lifestyles.
- 12.9 The Group Trustee recognises the risks that may arise from the lack of diversification of investments. The Group Trustee therefore makes available a range of investment options, to enable members to achieve a diversified holding. Members can combine the investment funds in any proportion in order to achieve the desired balance between different kinds of investments. This will also determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerances. Each of the available funds is considered to be diversified across a reasonable number of underlying holdings / issuers.
- 12.10 Four Mercer risk profiled funds have also been made available to members, which are multi-asset funds targeting different risk and return objectives in order to provide members with a choice from lower risk to higher risk funds. The Delegated Investment Manager is responsible for making decisions on asset allocation, selection, appointment, removal and monitoring of underlying external investment managers in the Mercer risk profiled funds.
- 12.11 The Group Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Group Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk The real value (i.e. post inflation) value of members' accounts decreases.	The Group Trustee provides members with a range of funds, across various asset classes, with the majority expected to keep pace with inflation (with the exception of the money market and fixed interest bond funds). Members are able to set their own investment allocations, in line with their risk tolerances.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.

Risk	How it is managed	How it is measured
<p>Pension Conversion Risk</p> <p>Member's investments do not match how they would like to use their pots in retirement.</p>	<p>The Group Trustee makes available three Retirement Strategies for members, each targeting either cash, drawdown or annuity.</p> <p>Retirement Strategies automatically switch member assets as they approach retirement into investments that are expected to be less volatile relative to how they wish to access their pension savings. These Retirement Strategies increase the proportion of assets that more closely match the chosen destination as members approach retirement. This aims to reduce the risk of a substantial fall in the purchasing power of their accumulated savings near retirement.</p>	<p>Considering the returns of the funds used within the de-risking phase of the Retirement Strategy both in absolute terms as well as relative to inflation, cash or annuity prices (depending on their selected retirement destination).</p>
<p>Market Risk</p> <p>The value of securities, including equities and interest bearing assets, can go down as well as up.</p>	<p>The Group Trustee provides members with a range of funds, across various asset classes. Members are able to set their own investment strategy in line with their risk tolerances.</p>	<p>Monitoring the performance of investment funds on a quarterly basis.</p>
<p>Counterparty Risk</p> <p>A counterparty (i.e. external investment manager), either an underlying holding or pooled arrangement, cannot meet its obligation.</p>	<p>Delegated to investment managers.</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Monitoring the performance of investment funds on a quarterly basis.</p> <p>Monitoring the investment funds from a security of assets point of view.</p>

Risk	How it is managed	How it is measured
Currency Risk The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.	The Group Trustee provides diversified investment options that invest in local as well as overseas markets and currencies. Delegated to investment managers. Members are able to set their own investment allocations, in line with their risk tolerances.	Monitoring the performance of investment funds on a quarterly basis. Considering the movements in foreign currencies relative to pound sterling
Operational Risk A lack of robust internal processes, people and systems.	Outsourced to MWS with regards to Scottish Widows as the corporate investment platform. Outsourced to the Delegated Investment Manager with regards to Mercer funds. Outsourced to the DC Investment Consultant with regards to externally managed funds. Members are able to set their own investment allocations, in line with their risk tolerances.	Considering the ratings of investment strategies, monitoring these on a quarterly basis. Considering MWS's research view on Scottish Widows on an annual basis.
Liquidity Risk Assets may not be readily marketable when required.	The Group Trustee accesses daily dealt and daily priced pooled funds through a unit-linked insurance contract from Scottish Widows.	The pricing and dealing terms of the funds underlying the unit-linked insurance contract.
Valuation Risk The value of an illiquid asset is based on a valuer's opinion, realised value upon sale may differ from this valuation.	The management of valuation risk is delegated to investment managers. The majority of investment managers invest solely in liquid quoted assets.	The Group Trustee monitors performance of funds on a quarterly basis, and where relevant delegates the monitoring of valuation risk to the DC Investment Consultant and MWS where applicable.

Risk	How it is managed	How it is measured
<p>Environmental, Social and Governance Risk</p> <p>ESG factors can have a significant effect on the performance of the investments held by the Group e.g. extreme weather events, poor governance. This includes climate specific risks of the value of investments falling due to the impact of climate change.</p>	<p>Delegated to investment managers.</p> <p>The Group Trustee's policy on ESG risks is set out in Section D of this Statement.</p>	<p>The Group Trustee reviews their investment managers' policies and actions in relation to this on an annual basis.</p> <p>Climate risks specifically are measured through modelling provided by the Delegated Investment Manager on a regular basis.</p>
<p>Investment Manager Skill / Alpha Risk</p> <p>Returns from active investment management may not meet expectations, leading to lower than expected returns to members.</p>	<p>The Group Trustee makes available a number of actively managed funds to DC members where they deem appropriate; for example, equity, multi-asset or property funds.</p> <p>The day to day management of the majority of the active funds, including asset allocation and investment manager selection decisions, have been delegated to the Delegated Investment Manager, who in turn places responsibility for the investment of the Group's assets in Mercer funds with a range of underlying specialist external investment managers. The Delegated Investment Manager invests exclusively in Mercer highly rated funds, those that Mercer believes have above average chance, over time, of meeting their objectives and outperforming their benchmarks.</p>	<p>The Group Trustee considers the ratings of investment strategies from their DC Investment Consultant during the selection process.</p> <p>The Group Trustee monitors performance and rating of funds on an ongoing basis relative to the fund's benchmark and stated targets/objective.</p>

12.12 The above items listed are in relation to what the Group Trustee considers ‘financially material considerations’. The Group Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member’s age and when they choose to retire. It is partly for this reason that the default investment option is a Retirement Strategy.

12.13 The Group Trustee takes into account member views, when expressed, and may ask for member views from time to time in relation to financial and non-financial matters.

13. Investment Restrictions

13.1 The Group Trustee recognises that it is not possible to specify investment restrictions where assets are managed via pooled funds. For the DC section, it is noted that this is particularly true given that it is Scottish Widows, the Group’s corporate investment platform provider, who has the direct relationship with the third parties offering the funds (and not the Group Trustee).

14. Implementation, Realisation of Investments and Engagement Policy

14.1 Within the DC section of the Group, the Group Trustee has contracted with Scottish Widows to deliver DC investment management services. Scottish Widows is regulated by the Financial Conduct Authority (the FCA).

14.2 The pooled investment vehicles are daily-dealt, with assets mainly invested in regulated markets and therefore should be realisable at short notice, based on either Group Trustee or member demand. The selection, retention and realisation of investments within the pooled investment vehicles is the responsibility of the relevant investment manager. For further information regarding the Group Trustee’s approach to implementation and engagement please refer to Part D: General.

PART C: DEFAULT ARRANGEMENTS FOR THE DEFINED CONTRIBUTION SECTION

The Group Trustee recognises that not all members wish to make an active choice that is tailored to their individual circumstances. However, it is expected that a proportion of members will actively choose a default option because they feel it is most appropriate for them. The vast majority of Group members do not make an active investment decision and are, therefore, invested in a default arrangement.

15. Investment Objectives

15.1 In relation to the default investment options, the Group Trustee’s aims and objectives are as follows:

- The growth phase of the default arrangements aim to provide long term growth with some protection against inflation erosion and volatility when compared to global equity markets.
- As a member’s pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Group Trustee believes that a default arrangement that seeks to reduce investment risk as the member approaches retirement is appropriate. This is known as the de-risking phase.

- The balance of investments at retirement should be appropriate for how the Group Trustee believes a typical member will take their benefits in retirement. This does not mean that members have to take their benefits in this format at retirement - it merely determines the default arrangement that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats have the option of switching to an alternative Retirement Strategy prior to retirement or even choosing their own investment strategy.
- Taking into account the demographics of the Group's membership and the Group Trustee's views of how the membership will behave at retirement, different Retirement Strategies have been selected as the default arrangement for different groups of members, as outlined in the following section. These Retirement Strategies invest in the same Mercer fund during the growth phase but they have different de-risking phases in order to provide a better alignment with how the Group Trustee views the membership will behave at retirement.

16. Policies in relation to the Default Arrangements

16.1 The Group Trustee's policies in relation to the design of the Default Arrangements are as follows:

- The default Retirement Strategy manages investment and other risks through a strategic asset allocation consisting of equities, other diversifying growth funds, bonds and cash. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- In designing the default Retirement Strategy, the Group Trustee has explicitly considered the trade-off between risk and expected returns.
- Assets in the default Retirement Strategy are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- The investment manager has responsibility for buying and selling the underlying assets. All of the pooled funds used operate daily dealing cycles.

16.2 The Group's investments are provided under a long term insurance contract between the Group Trustee and Scottish Widows. The Group Trustee, after taking advice from the DC Investment Consultant, has selected a range of Mercer funds on the Scottish Widows platform to make available to the Group's members. Day-to-day management of the assets is delegated to the Delegated Investment Manager for Mercer funds, which have a range of specialist external investment managers underlying them. The investment managers have appointed custodians for the safe custody of assets held within their pooled funds in which the Group is invested.

16.3 The Group Trustee has delegated the design of the strategy in the growth phase of the Retirement Strategy, including asset allocation and investment manager selection decisions, to the Delegated Investment Manager. The Group Trustee is responsible for the design of the de-risking phase of the Retirement Strategy, including asset allocation decisions, which is delivered after taking advice from the DC Investment Consultant. After taking advice from the DC Investment Consultant, investment manager selection decisions in the de-risking phase of the Retirement Strategy have been delegated to the Delegated Investment Manager. The Group Trustee is responsible for the selection, appointment, removal and monitoring of the Delegated Investment Manager. The Group Trustee has taken steps to satisfy itself that the Delegated Investment

Manager has the appropriate knowledge and experience for managing the Group's investments and that the investment managers are carrying out their work competently.

- 16.4 All funds within the default arrangements are daily-dealt pooled investment arrangements, with assets mainly invested on regulated markets. Both active and passive management funds are utilised within the default investment option, depending on asset class.
- 16.5 The Group Trustee considers illiquid assets as those which cannot easily or quickly be sold or exchanged for cash; including where such assets are invested as a component of a daily-dealt multi-asset fund. The default arrangements include no direct allocation to illiquid investments.
- 16.6 The Group Trustee understands the potential return and diversification benefits that illiquid assets can offer relative to more traditional asset classes (such as bonds or equities). While these benefits are recognised by the Group Trustee, it is also aware of the risks associated with these investments, for example illiquidity and active investment manager risk. The Group Trustee acknowledges illiquid assets are a developing area for defined contribution pensions and expects the Delegated Investment Manager to monitor the position closely and continue to evaluate the suitability of such an investment.
- 16.7 It is the Group Trustee's policy to review the allocation of the default investment strategy on a triennial basis, and it expects the Delegated Investment Manager to review on an annual basis. The Delegated Investment Manager has confirmed that such reviews will include whether the incorporation of illiquid asset investments is appropriate.
- 16.8 In considering appropriate investments for the Group, the Group Trustee has obtained and considered the written advice of their DC Investment Consultant, whom the Group Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Group Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).
- 16.9 A range of asset classes are included within the default arrangements, including: developed market equities, emerging market equities, sustainable equities, small capitalisation equities, low volatility equities, real estate, money market investments, gilts, index-linked gilts, corporate bonds, systematic macro, diversified growth funds and pre-retirement funds.
- 16.10 In designing the default arrangements, the Group Trustee has explicitly considered the trade-off between risk and expected returns. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. The default arrangements allocate to a diversified strategic asset allocation consisting of traditional and alternative assets. The asset allocation is consistent with the expected amount or risk that is appropriate given the age of a member and when they expect to retire.
- 16.11 Taking into account the demographics of the Group's membership and the Group Trustee's views of how the membership will behave at retirement, the Group Trustee believes that the default arrangements outlined in this document are appropriate and will continue to review this over time, at least triennially, or after significant changes to the Group's demographic, if sooner.
- 16.12 Assets in the default arrangements are invested in a manner that aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole. In

selecting assets, the Group Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable based on member demand.

- 16.13 Based on the Group Trustee's understanding of the Group's membership for the DC Top-Up, AVC members and legacy lifestyle DC Seeboard PIP members (ex EEGS), the default arrangement for these members is the Cash Lifestyle. This is a lifestyle strategy that targets a balanced risk/return profile in the growth phase and de-risks to cash at retirement. The Group Trustee believes this is likely to be the least risk position from a pension conversion risk perspective for a typical member that does not select any investment preference as they believe that a typical member is likely to take a cash lump sum at retirement.

- 16.14 Based on the Group Trustee's understanding of the Group's membership for the DC Only members (post 2015 for ex EEPs members) the default arrangement for these members is the Drawdown Lifestyle. This is a lifestyle strategy that targets a balanced risk/return profile in the growth phase and de-risks to lower risk assets maintaining some growth potential at retirement. The Group Trustee believes this is likely to be the least risk position from a pension conversion risk perspective for a typical member that does not select any investment preference as they believe that a typical member is likely to drawdown on their savings in retirement (through another arrangement).

- 16.15 Based on the Group Trustee's understanding of the Group's membership for the legacy Lifestyle DC LERP members (ex EEPs) the default arrangement for these members is the Annuity Lifestyle. This is a lifestyle strategy that targets a balanced risk/return profile in the growth phase and de-risks to an investment strategy that targets annuity purchase and a tax-free cash lump sum, up to 25% of a member's pot. The Group Trustee believes this is likely to be the least risk position from a pension conversion risk perspective for a typical member that does not select any investment preference as they believe that a typical member is likely to take their benefits as a combination of a level annuity and a tax-free cash lump sum in retirement.

- 16.16 Members who held legacy lifestyle holdings through Scottish Widows and were less than one year from their selected retirement age in January 2017 within the legacy EEPs scheme, had the option to remain invested in their existing legacy holdings. The legacy default lifestyle strategy is an investment strategy that targets returns that exceed inflation in the growth phase and de-risks to a strategy that targets a blend between index-linked annuity purchase and cash in the lifestyle phase up to retirement.

In February 2017, the Group Trustee transferred the majority of members invested in the legacy default lifestyle to new Retirement Strategies held under the existing policy with Scottish Widows. The Group Trustee believes that AVC and Seeboard PIP legacy DC members are more likely to take their benefits as cash and therefore their assets were mapped from the legacy default lifestyle to the Cash Retirement Strategy. The Group Trustee believes that legacy lifestyle DC LERP members are more likely to take their benefits as a combination of a level annuity and a tax-free cash lump sum in retirement and therefore their assets were mapped from the legacy default lifestyle to the Annuity Retirement Strategy. In order to minimise disruption for members close to retirement, the Group Trustee has retained the legacy default strategy for members invested in it and less than one year from their selected retirement age as at January 2017.

- 16.17 This does not mean that members must use this risk/return growth phase profile or must take their benefits in this format at retirement – it merely defines the default arrangement that will be in place pre-retirement. Members who intend to take their

retirement benefits through other formats or have a different risk/return profile have the option of switching to an alternative Retirement Strategy prior to retirement or choosing their own investment strategy.

- 16.18 The Group Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Group Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk The real value (i.e. post inflation) value of members' accounts decreases.	During the growth phase of the default investment option the Group Trustee invests in a diversified range of assets which are likely to grow in real terms. The Group Trustee monitors the performance of the growth phase against the change in CPI. The default investment options invest in a diversified range of assets which are considered likely to grow in excess of inflation.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.
Pension Conversion Risk Member's investments do not match how they would like to use their pots in retirement.	The default arrangement is a Retirement strategy which targets different retirement destinations for different groups of members, as outlined above.	Considering the returns of the funds used within the de-risking phase of the Retirement Strategy both in absolute terms as well as relative to inflation (the retirement destination). As part of the triennial default strategy review, the Group Trustee ensures the default destination remains appropriate.
Market Risk The value of securities, including equities and interest bearing assets, can go down as well as up.	The default arrangement is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Group Trustee.	Monitors the performance of the default arrangement on a quarterly basis. Consider the ongoing suitability of the risk being taken across age cohorts as part of the triennial review of the default strategy.

Risk	How it is managed	How it is measured
Counterparty Risk A counterparty (i.e. external investment manager), either an underlying holding or pooled arrangement, cannot meet its obligation.	Delegated to investment managers. The default arrangement is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Group Trustee.	Monitors the performance of the default arrangement on a quarterly basis. Monitoring the investment funds from a security of assets point of view.
Currency Risk The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.	Currency risk management is delegated to the Delegated Investment Manager. The default arrangement is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Group Trustee and currency management within the funds is managed at the overall fund level to achieve a balanced profile.	Monitors the performance of external investment funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling.
Operational Risk A lack of robust internal processes, people and systems.	Outsourced to MWS with regards to Scottish Widows as the corporate investment platform. Outsourced to the Delegated Investment Manager with regards to Mercer funds. Outsourced to the DC Investment Consultant with regards to externally managed funds. The default arrangement is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Group Trustee.	Consider the ratings of investment strategies from their DC Investment Consultant and monitoring these on a quarterly basis.
Liquidity Risk Assets may not be readily marketable when required.	The Group Trustee accesses daily dealt and daily priced pooled funds through a unit-linked insurance contract from Scottish Widows.	The pricing and dealing terms of the funds underlying the unit-linked insurance contract.

Risk	How it is managed	How it is measured
<p>Valuation Risk</p> <p>The value of an illiquid asset is based on a valuer's opinion, realised value upon sale may differ from this valuation.</p>	<p>The management of valuation risk is delegated to the external investment manager.</p> <p>The majority of underlying holdings within the default arrangement are invested in liquid quoted assets.</p>	<p>The Group Trustee monitors performance of funds on a quarterly basis, and where relevant delegates the monitoring of valuation risk to the DC Investment Consultant.</p>
<p>Environmental, Social and Governance Risk</p> <p>ESG factors can have a significant effect on the performance of the investments held by the Group e.g. extreme weather events, poor governance. This includes climate specific risks of the value of investments falling due to the impact of climate change.</p>	<p>Delegated to investment managers.</p> <p>The Group Trustee's policy on ESG risks is set out in Section D of this Statement.</p>	<p>The Group Trustee reviews their investment managers' policies and actions in relation to this on an annual basis.</p> <p>Climate risks specifically are measured through modelling provided by the Delegated Investment Manager on a regular basis.</p>
<p>Investment Manager Skill / Alpha Risk</p> <p>Returns from active investment management may not meet expectations, leading to lower than expected returns to members.</p>	<p>Delegated to Delegated Investment Manager. The Delegated Investment Manager invests exclusively in Mercer highly rated funds, those that Mercer believes have above average chance, over time, of meeting their objectives and outperforming their benchmarks.</p> <p>The default arrangement is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Group Trustee.</p>	<p>The Group Trustee monitors performance and rating of funds on an ongoing basis relative to the fund's benchmark and stated targets/objective.</p>

- 16.19 The above items listed are in relation to what the Group Trustee considers 'financially material considerations'. The Group Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire. It is partly for this reason that the default arrangement is a Retirement Strategy.
- 16.20 The Group Trustee takes into account member views, when expressed, and may ask for member views from time to time in relation to financial and non-financial matters.

17. Member's Interests

- 17.1 Taking into account the demographics of the Group's membership and the Group Trustee's views of how the membership will behave at retirement, the Group Trustee believes that the aims and objectives, and policies of the default arrangement outlined in sections B and C of this document are appropriate and in the best interests of members.
- 17.2 In order to ensure this remains appropriate the Group Trustee will undertake a review of the default arrangement, at least triennially, or after significant changes to the Group's demographic, if sooner.

PART D: GENERAL

18. **Monitoring the Investment Managers**

The Group Trustee delegates the day-to-day management of the assets of the Group to a number of investment managers for the DB assets and the Delegated Investment Manager for the DC assets.

The Group Trustee appoints investment managers of externally managed funds and the Delegated Investment Manager based on their capabilities and, therefore the perceived likelihood of achieving the expected return and risk characteristics required.

Investment managers are carefully selected to manage each of the underlying mandates following guidance and written advice from the investment adviser. As required under Section 36 of the Act, the Group's Investment Consultants will provide written advice on new investment manager appointments, investments in funds and other products in respect of the "satisfactory" nature of the investments for the Group. Where discretionary investment managers are appointed they are expected to comply with s36 Pensions Act 1995 and Regulation 4 of the Occupational Pension Schemes (Investment) Regulations 2005 so far as they relate to their mandate.

The details of the investment manager structure, investment objectives and mandates for each investment manager are set out in the Investment Management Agreement (or equivalent document).

For segregated mandates, the terms of the long-term relationship between the Group Trustee and its investment managers are set out in separate Investment Management Agreements (IMAs). These document the Group Trustee's expectations of their investment managers; alongside the investment guidelines they are required to operate under.

For pooled arrangements, the Group's investments are managed according to standardised fund terms, ensuring the investment objectives and guidelines of the vehicle are consistent with its own objectives. These terms are reviewed at the point of investment by the Group Trustee for DB assets or the Delegated Investment Manager for DC assets and following any material changes notified by the investment manager. The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have

been appointed to manage. If the Group Trustee or Delegated Investment Manager is dissatisfied, then they will look to replace the investment manager.

The investment guidelines are based on the policies set out in this Statement. The Group Trustee shares this Statement (which includes its responsible investment and stewardship engagement policy) with the investment managers periodically, with the aim of ensuring investment managers invest in line with the Group Trustee's policies.

Where relevant, the Group Trustee requires its investment managers to invest with a medium-to long-term time horizon, and use any rights associated with the investment to drive better long-term outcomes. For some asset classes, the Group Trustee does not expect the respective investment managers to make decisions based on long-term performance. These may include investments that provide risk reduction through diversification or through hedging, consistent with the Group Trustee's strategic asset allocation.

The Group Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Group's assets. When assessing an investment manager's performance, the focus is on longer-term outcomes and is assessed over a medium-to longer-term timeframe. Shorter term performance is also monitored to ensure any concerns can be identified in a timely manner. The Group Trustee would not expect to terminate an investment manager's appointment based purely on short-term performance. However, an investment manager's appointment could be terminated within a shorter timeframe than three years due to other factors such as a significant change in business structure or the investment team.

The Group Trustee also relies upon the Investment Consultant's manager research capabilities.

All DC funds are open-ended, with no set duration. Within the DC section, the Delegated Investment Manager is responsible for the selection, appointment, monitoring and removal of the underlying investment managers. The Group Trustee is responsible for the selection, appointment and removal of the externally managed funds. The Group Trustee may also choose to remove a fund from the fund range, if no longer considered appropriate, and the fund range reviewed on at least a triennial basis.

Investment Managers are paid an ad valorem fee for a defined set of services. The Group Trustee reviews the fees periodically to confirm they are in line with market practices. The annual Value for Money Assessment reviews the DC section fees to ensure they represent value for members. If performance is not satisfactory, the Group Trustee will ask the Delegated Investment Manager to provide additional rationale, and if not satisfied with this, may request further action be taken, including a review of fees.

The Group Trustee reviews the portfolio transaction costs and portfolio turnover range of investment managers periodically, where the data is disclosed and available. The Group Trustee will then determine whether the costs incurred were within reasonable expectations. Within the DC Section, portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members assessment. The Group Trustee does not currently define target portfolio turnover ranges for funds.

The Group Trustee's policy towards monitoring non-financial performance is set out in the Socially Responsible Investment policy.

19. Employer-Related Investments

The Group Trustee recognises that investment in pooled funds may result in employer-related investments being held within the Group. However, given the nature of the pooled funds selected by the Group Trustee and the diversification of assets held within the pooled funds, it is unlikely that such investment could breach the restriction under Section 40 of the Pensions Act.

20. Realisation of Investments

The investment managers have discretion in the timing of investment realisation and in considerations relating to the liquidity of investments within limits laid down in the relevant appointment documentation and pooled fund prospectuses.

With regards to the DB Section, the Group Trustee monitors the Group's asset classes with respect to the agreed rebalancing ranges at quarterly IC meetings and agrees on any associated actions. With regards to the DC Section, all assets are daily dealing and therefore should be realisable based on member demand.

21. Additional Voluntary Contributions (AVCs)

Under the terms of the Trust Deed, the Group Trustee is responsible for the investment of AVCs paid by members. The Group Trustee reviews the investment performance of the chosen providers on a regular basis and takes advice as to the providers' continued suitability.

22. Socially Responsible Investment

The Group Trustee incorporates financially material considerations into decisions on the selection, retention and realization of investments through strategic asset allocation decisions and the appointment of investment managers, so far as possible, taking into account the advice of the Group Trustee's Investment Consultants .

The Group Trustee believes that environmental, social and governance factors (including but not limited to climate risk) will be financially material over the time horizon of the Group and should be considered as part of investment strategy and implementation decisions. This will have varying levels of importance for different types of assets invested in by the Group.

The Group may consider non-financial factors (such as ethical or moral beliefs) in their investment decision-making, but only to the extent that these do not prevent the Group from meeting its investment objectives.

Stewardship and Engagement

The Group Trustee recognises that good stewardship practices, including engagement and voting activities, are an important part of general scheme governance as they help preserve and enhance asset owner value over the long term. The Group Trustee expects all of its investment managers to practise good stewardship and to exercise influence where possible. The Group Trustee has a stand-alone Stewardship Policy which describes the Group Trustee's approach to stewardship and engagement in more detail, including: its priority stewardship themes; its treatment of significant votes; and process for overseeing parties that carry out stewardship and engagement activity, including exercising of voting rights, on its behalf.

The Group Trustee has committed to the Taskforce on Climate-Related Financial Disclosures (TCFD) to support the monitoring and management of climate change risks.

23. Compliance with this Statement

We monitor compliance with this Statement regularly and seek confirmation from the investment managers that they have given effect to the investment principles in this Statement so far as is reasonably practicable and that in exercising any discretion they have done so in accordance with paragraph 4 of the Regulations.

24. Review of this Statement

We will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after we have obtained and considered the written advice of someone who we reasonably believe is qualified by their ability in and practical experience of financial matters and has appropriate knowledge and experience of the management of pension scheme investments.

Date:

Signed on behalf of EDFG Trustee Limited as Group Trustee of the EDF Group of the ESPS

Richard Grant

Andy McKinnell

.....

It is acknowledged that under Section 35(5) of the Pensions Act 1995, the Group Trustee ultimately determines how the assets of the Group are to be invested, subject to their obligations to consult with the Principal Employer (acting on behalf of the Employers participating in the Group) and to maintain a Statement of Investment Principles. Decisions as to the strategic investment allocation will remain with the Group Trustee. The signature of this revised Statement of Investment Principles by and on behalf of the Principal Employer represents the agreement of the Principal Employer for the purposes of clause 4.1 of the Memorandum of Understanding agreed between (amongst others) the Principal Employer, the Group Trustee, and the Principal Employer's ultimate parent company dated 5 November 2021 (as amended from time to time) and any other purpose for which such agreement is relevant.

Signed for and on behalf of the Principal Employer

David Tomblin

.....

Date: 25 September 2023

.....