

EA Technology Group of the Electricity Supply Pension Scheme
Statement of Investment Principles
June 2025

1. INTRODUCTION

- 1.1. This Statement of Investment Principles (the “SIP”) has been prepared by the Trustees of the EA Technology Group of the Electricity Supply Pension Scheme (the “Scheme”) to govern the investment decisions of the Scheme in order to meet its investment objective.
- 1.2. The SIP has been prepared in accordance with Section 35 of the Pensions Act 1995, as amended, and the Occupational Pension Group (Investment) Regulations 2005, as amended.
- 1.3. The SIP will be made available on a publicly accessible website.

2. GROUP DETAILS

- 2.1. The Scheme operates for the sole purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries.
- 2.2. The Scheme is closed to future accrual.

3. GOVERNANCE

- 3.1. The Trustees are responsible for ensuring the investment strategy is consistent with the Scheme’s funding objectives and its assessment of the employer covenant.

4. INVESTMENT STRATEGY

- 4.1. The Trustee has invested the majority of the Scheme’s assets in a buy-in policy with Just Retirement (“Just”, “the Insurer”). In addition to the buy-in policy, the Scheme’s residual assets consist of a closed-ended alternative fund (due to wind down end of 2025) and a small sum of cash held within a liquidity fund and/or in the Trustee Bank Account. As the Scheme has purchased a full buy-in policy, the Trustee’s primary focus is on monitoring and liquidating the remaining assets rather than making significant changes.

5. RISK MANAGEMENT

The Trustee has invested the majority of the Scheme’s assets in a bulk annuity contract with the Insurer.

The key risks relating to the buy-in policy and the residual assets are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“mismatching risk”). The Trustee and its advisers considered this mismatching risk when setting the Investment Strategy. It is intended that this risk is eliminated through the purchase of the buy-in policy with Just.
- The risk of a shortfall of liquid assets relative to the Scheme’s immediate liabilities (“cash flow risk”). The Trustee has purchased a full buy-in policy, minimising cash flow risk.
- The risk that the Insurer defaults (“default risk”) and that the buy-in is an illiquid asset which cannot be sold at a later date (“liquidity risk”). Lane Clark and Peacock LLP (‘LCP’), the Scheme’s buyout advisor, undertook a review of the Insurer prior to the purchase of the buy-in policy.
- The possibility of failure of the Scheme’s sponsoring employer (“covenant risk”). This risk is intended to be eliminated through the purchase of the buy-in policy with Just.
- The risk of fraud, poor advice or acts of negligence (“operational risk”). The Trustee has sought to minimise such risk 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.

6. RESPONSIBLE INVESTING

- 6.1 The Trustee recognises that ESG risks could impact the ability of the Scheme to meet its objectives and therefore has considered how to evaluate and manage this risk over the appropriate time horizon for the Scheme. The Trustee holds a buy-in policy with the Insurer, a closed ended alternative fund and a small sum of cash, therefore the Trustee does not consider ESG considerations to be a material

risk over the time horizon of the Scheme. The Trustee considered these risks when selecting bulk annuity providers and appointing the Insurer.

- 6.2 The Trustee does not take into account non-financial matters when selecting, retaining and realising investments. Non-financial matters are defined as the views of members and beneficiaries, including (but not limited to) their ethical views, and their views relating to social and environmental impact and quality of life.

7. STEWARDSHIP

- 7.1 The Trustee understands that stewardship can enhance value over the long-term and recognises that it has a responsibility to act as a good steward and protect and grow the long-term value of the Scheme for the benefit of the Scheme's members.
- 7.2 The Trustee holds a buy-in policy with the Insurer, a closed ended alternative fund and a small sum of cash. Given the nature of these assets, the Trustee does not consider that it is able to meaningfully undertake engagement activities or exercise any voting rights.

8. ARRANGEMENTS WITH MANAGERS

- 8.1 The Trustee recognises that the arrangements with all of the managers of the Scheme are important to ensure that its interests are aligned as far as is reasonably practicable. This includes arrangements with the underlying managers, and the Insurer.
- 8.2 As the Scheme is now on a care and maintenance basis, the Scheme's assets held outside of the buy-in arrangement ("residual assets") are managed in accordance with any relevant instruction from the Trustee. The Trustee will terminate the investment management arrangements with the underlying managers once the residual assets have transitioned fully. The Scheme will have BlackRock as investment advisor until the Scheme fully buys out with the Insurer.
- 8.3 When selecting the Insurer, purchasing the buy-in policy and selling the illiquid assets, the Trustee has sought professional advice from LCP to ensure that its interests are aligned as far as is reasonably practicable.

9. REALISATION OF ASSETS

- 9.1 Two of the Scheme's closed-ended alternative funds were sold at the end of March on the secondary market to facilitate the purchase of the buy-in policy. The Trustees received advice from their buy-in advisor, LCP, with regards to the sale of the assets.
- 9.2 The Scheme's residual assets are held within pooled funds or as physical cash. Any cash or gilt funds can be liquidated in accordance with the dealing cycle of the pooled funds that are invested in by the Scheme.

10. MONITORING

- 10.1 As the Scheme has purchased a buy-in policy with the Insurer, the Trustee's focus will shift towards ensuring that the transition is smooth and that the remaining assets are managed appropriately during this period.