

Addendum to the Statement of Investment Principles

For the Powerhouse Retail Group of the Electricity Supply Pension Scheme

Effective from: October 2025

This addendum to the Statement of Investment Principles (“SIP”) for the Powerhouse Retail Group of the Electricity Supply Pension Scheme (the “Group”) has been prepared by the Group Trustees of the Group (“the Trustees”). It sets out a description of various matters which are not required to be included in the SIP, but which are relevant to the Group’s investment arrangements.



Part 1:

Investment governance, responsibilities, decision-making and fees

The Trustees have decided on the following division of responsibilities and decision making for the Group. This division is based upon the Trustees' understanding of the various legal requirements placed upon them and it is their view that this division of responsibility allows for efficient operation and governance of the Group overall. The Trustees' investment powers are set out within the Group's governing documentation.

1. Trustees

The Trustees' responsibilities include:

- Developing a mutual understanding of investment and risk issues with the employer.
- Setting investment policies, including those relating to financially material factors and the exercise of rights and engagement activities in respect of the investments.
- Putting effective governance arrangements in place and documenting these arrangements in a suitable form.
- Monitoring, reviewing, engaging with and replacing investment managers, investment advisers, actuary, and other service providers.
- Monitoring the exercise of investment powers that the Trustees have delegated to their investment manager and monitoring compliance with Section 36 of the Pensions Act 1995 (as amended).
- Communicating with members as appropriate on investment matters.
- Reviewing the SIP and modifying it as necessary.
- Consulting with the employer when reviewing the SIP.

To assist with the decisions on investment matters, the Trustees have delegated certain responsibilities to a Joint Investment Sub-Committee ("the JISC") which comprises members of the Trustee Boards of the Hanson Pension Schemes¹. The powers of the JISC are set out in a separate document called the "Terms of

Reference for the Joint Investment Sub-Committee (JISC) of the Hanson Pension Groups". A summary of these powers is provided below.

2. The JISC

In broad terms, for the JISC has been delegated the responsibility to:

- Make appropriate recommendations to the Trustees regarding the Group's investment strategy.
- Appoint appropriate investment managers within each broad asset class.
- Make alterations to any managers within each broad asset class, including discretion to alter the mandates of the chosen managers.
- Monitor the Group's investment manager and the performance of the investment strategy.
- Take decisions involved with rebalancing the Group's investment strategy.
- Take decisions on disinvestments required to meet the cash flow requirements of the Group.

3. Investment manager

As at the date of this SIP Addendum, all of the Scheme's investments were held with one Investment manager, L&G. The investment manager's responsibilities include:

- Managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their investment manager agreement and/or other relevant governing documentation.
- Taking account of financially material considerations (including climate change, and other Environmental, Social and Governance ("ESG") considerations) as appropriate in managing the assets.
- Exercising rights (including voting rights) attaching to investments and

¹ The Hanson Pension Schemes for the purpose of the JISC are the Hanson Industrial Pension Scheme, the Castle Pension Scheme and the Powerhouse Retail Group of the Electricity Supply Pension Scheme.

undertaking engagement activities in respect of investments.

- Providing regular information concerning the management and performance of their respective portfolios, including information on voting and engagement undertaken.
- Having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

4. Investment adviser

The investment adviser's responsibilities include:

- Advising on how material changes within the Group's benefits, membership, and funding position may affect the manner in which the assets should be invested.
- Advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations).
- Assisting the Trustees with reviews of this SIP.

5. Fee structures

The provision of investment management 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 Trustees have agreed Terms of Business with the Group's actuarial and investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment manager receives fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the manager's general terms for institutional clients and the Trustees consider these to be reasonable when compared with those of other similar providers.

The fee structures used in each case have been selected with regard to existing custom and practice, and the Trustees' view as to the most appropriate arrangements for the Group, and the Trustees keep the fee structures under review.

6. Performance assessment

The Trustees are satisfied that there are adequate resources to support their investment responsibilities, and that they have sufficient expertise to carry out their role effectively.

It is their policy to assess the performance of the Group's investments, investment providers and professional advisers from time to time. The Trustees will also periodically assess the effectiveness of its decision-making and investment governance processes and will decide how this may then be reported to members.

7. Working with the sponsoring employer

When reviewing matters regarding the Group's investment arrangements, such as the SIP, the Trustees seek to give due consideration to the employer's perspective. Whilst the requirement to consult does not mean that the Trustees need to reach agreement with the employer, the Trustees believe that better outcomes will generally be achieved if they work with the employer collaboratively.

Part 2:

Policy towards risk

1. Risk capacity and appetite

Risk capacity is the maximum level of risk that the Trustees consider to be appropriate to take in the investment strategy. Risk appetite is how much risk the Trustees believe is appropriate to take to meet their investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action.

When assessing risk and reviewing the investment strategy, the Trustees consider:

- The strength of the employer covenant and how this may change over time.
- The agreed journey plan and employer contributions.
- The Group's long-term and shorter-term funding targets.
- The Group's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged.
- The Group's cash flow and target return requirements.
- The level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

2. Approach to managing and monitoring risks

There are different types of investment risk that are important to manage, and the Trustees monitor these on a regular basis. These include, but are not limited to:

Strategic risk

This is the risk that the performance of the Group's assets and liabilities diverges in certain financial and economic conditions. This risk has been considered in the Trustees' investment strategy reviews and will be monitored by the Trustees on a regular basis.

The Trustees will review the Group's investment strategy at least every three years in light of the various risks faced by the Group.

Risk of inadequate returns

A key objective is that the assets produce a sufficient long-term return in excess of the liabilities, and the Trustees have set an appropriate target return for the assets accordingly. There is a risk that the return experienced is not sufficient. This risk has been considered in setting the investment strategy.

Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustees receive written professional advice, and it will typically undertake a manager selection exercise. The Trustees monitor the investments regularly against their objectives and receives ongoing professional investment advice as to their suitability.

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 (eg equities), could materially adversely affect the Group's assets. The Trustees believe that the Group's assets are adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Group's investment arrangements.

Illiquidity/marketability risk

This is the risk that the Group is unable to realise assets to meet benefit cash flows as they fall due, or that the Group will become a forced seller of assets to meet benefit payments. The Trustees are aware of the Group's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Group's investments.

Climate-related risks

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). The Trustees seek to appoint investment managers who will manage this risk appropriately, and the Trustees monitor how this risk is being managed in practice.

Other environmental, social and governance (ESG) risks

ESG factors are sources of risk, which could be financially material over both the short and longer term. These include risks relating to unsustainable or socially harmful business practices, and unsound corporate governance. The Trustees seek to appoint investment managers who will manage these risks appropriately and monitor how these risks are being managed in practice.

Credit risk

The Group is subject to credit risk because it invests in bonds via pooled funds. This risk is managed by only investing in pooled funds that have a diversified exposure to different credit issuers, and only invest in bonds that are classified as “investment grade”.

Equity risk

The Trustees believe that equity risk is a rewarded investment risk, over the long term. The Trustees consider exposure to equity risk in the context of the Group’s overall investment strategy and believe that the level of exposure to this risk is appropriate.

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 Trustees consider the overseas currency exposure in the context of the overall investment strategy and believe that it diversifies the strategy and is appropriate.

Interest rate and inflation risk

The Group’s assets are subject to interest rate and inflation risk because some of the Group’s assets are held in bond funds. However, the interest rate and inflation exposure of the Group’s assets provide protection (hedges) part of the corresponding risks associated with the Group’s liabilities. Given that this should reduce the volatility of the funding level, the Trustees believe that it is appropriate to manage exposures to these risks in this manner.

Other non-investment risks

The Trustees recognise that there are other non-investment risks faced by the Group. The Trustees take these into consideration as far as practical in setting the investment arrangements.

Examples include:

- longevity risk (risk that members live, on average, longer than expected); and

- sponsor covenant risk (risk that, for whatever reason, the sponsoring employer is unable to support the Group as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Group’s funding position falls below what is considered an appropriate level. The Trustees regularly review progress towards the Group’s funding target, both in the longer-term as well as against short-term milestones, comparing the actual versus the expected funding level.

By understanding and considering each of the risks that contribute to funding risk, the Trustees believe that it has addressed and are positioned to manage this general risk.

Part 3:

Investment manager arrangements

The Trustees have appointed Legal & General Asset Management (“L&G”) to manage the Group’s assets. The table below shows the strategic allocation of the assets agreed in the last review:

Asset class	Manager	Benchmark allocation %
Equities	L&G	5.0
Total growth assets		5.0
Single-stock gilt funds	L&G	76.0
Corporate bonds	L&G	9.0
Cash	L&G	10.0
Total matching assets		95.0
TOTAL		100.0

Further details of the underlying mandates, including details of the performance objective and benchmark for each portfolio, are set out in the sections below.

Equities

The Trustees have appointed L&G to manage the Group’s equity investments.

The Group’s investment is represented by units in L&G’s World Equity Index Fund. The benchmark for the fund is the FTSE World Index. L&G’s objective is to replicate the performance of the benchmark.

Single-stock gilt funds

The Trustees have appointed L&G to manage the Group’s fixed interest and index-linked gilt investments.

The Group’s investment is represented by units in a number of L&G’s single stock gilt funds. The benchmark for each single stock gilt fund is the return of the underlying gilt. L&G’s objective is to replicate the performance of the benchmark for each fund.

Corporate bonds

The Trustees have appointed L&G to manage the Group’s corporate bond investments.

The Group’s investment is represented by units in L&G’s Net Zero Short Dated Global Corporate Bond Fund. The stated objective of the Fund is to provide long term return consisting of a combination of capital growth and income.

Cash

The Trustees have appointed L&G to manage the Group’s cash holdings which occur over time.

The Group’s investment is represented by units in L&G’s Cash Fund. L&G’s objective is to achieve a gross return of at least SONIA.

Additional Voluntary Contributions

While the main Group assets are invested as above, AVCs are invested in a number of funds which the Trustees believe are suitable for meeting the needs of members.

With the help of their advisors the AVC arrangements are periodically reviewed to ensure they remain appropriate for the investment needs of the members.

Part 4:

Monitoring and engaging with managers on voting and engagement

This section sets out the Trustees' effective system of governance ("ESOG") in relation to stewardship. This includes monitoring the voting and engagement activities that the Trustees' investment manager undertakes on the Trustees' behalf, engaging with them regarding the Trustees' expectations in relation to stewardship, and encouraging improvements in their stewardship practices. The Trustees will review this ESOG periodically, and at least triennially.

Stewardship priorities

The Trustees have selected some priority themes to provide a focus for their monitoring of investment managers' voting and engagement activities. The Trustees will review them regularly and update them if appropriate. The Trustees' current priorities are **Pollution, Remuneration and Human Rights**.

The Trustees chose these priorities because they are market-wide areas of risk that are financially material for the investments and can be addressed by good stewardship. Therefore, the Trustees believe it is in their members' best interests that their manager adopts strong practices in these areas.

The Trustees have written to their investment manager to notify it of their stewardship priorities.

Manager selection

The Trustees aim to appoint investment managers that have strong responsible investment skills and processes. The Trustees therefore favour investment managers who are signatories to the Principles for Responsible Investment, the UK Stewardship Code as well as the Net Zero Asset Managers Initiative.

When selecting new managers, the Trustees consider their investment consultant's assessment of potential managers' capabilities in this area. If the Trustees meet prospective managers, the Trustees usually ask questions about responsible investment, focusing on their stewardship priorities.

Manager monitoring

The Trustees receive information regularly to enable them to monitor their manager's responsible investment practices and check how effective it is being. This information includes metrics such as the investment consultant's responsible investment grades for the manager and whether it is a signatory to responsible investment initiatives. It also includes a selection of voting, engagement examples relating to the Trustees' stewardship priorities. The examples are chosen to reflect the Trustees' stewardship priorities and material mandates over the course of the year (although not necessarily every priority for every mandate).

Annual responsible investment review

Each year, the JISC undertakes a more comprehensive review of the Group's manager's responsible investment practices. This includes the investment consultant's qualitative responsible investment assessments for each manager, a summary of the manager's voting and engagement policies and summary statistics for their voting and engagement over the previous year where available.

Ongoing cycle of manager engagement

Given that responsible investment is rapidly evolving, the Trustees expect most managers will have areas where they could improve. The Trustees therefore aim to have an ongoing dialogue with their manager to clarify their expectations and encourage improvements.

The Trustees review the information outlined above to identify any concerns, for example where the manager's actions are not aligned with their views. Where there are concerns, the Trustees typically seek further information through their investment consultants. If a concern is confirmed, the Trustees will consider what further action is appropriate.

Implementation statement including most significant votes

Following the end of each year, the Trustees prepare a statement which explains how the Trustees have implemented their Statement of Investment Principles during the year. The Trustees publish it online for the Group's members to read.