INNOGY GROUP (the "Group") OF THE ELECTRICITY SUPPLY PENSION SCHEME

IMPLEMENTATION STATEMENT

For year ending 31 March 2021

September 2021

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations ("the Regulations"). The Regulations, amongst other things, require that the Group Trustees provide information on various aspects of the Group's Statement of Investment Principles ("**SIP**"). This is the first Implementation Statement the Group Trustees have prepared under the Regulations and covers the year ended 31 March 2021 (the "**Scheme Year**").

This Implementation Statement (the "**Statement**") will outline:

- any reviews of the SIP the Group Trustees have undertaken, and any changes made to the SIP over the Scheme Year as a result of the review;
- the extent to which, in the opinion of the Group Trustees, the policies and objectives set out in the SIP have been adhered to over the course of the Scheme Year; and
- the voting behaviour carried out by, or on behalf of, the Group Trustees over the Scheme Year (including the most significant votes cast by, or on behalf of, the Group Trustees), and any use of the services of a proxy voter during the Scheme Year.

The latest SIP in force is dated March 2021 and this can be found on the following websites: www.scottishwidows.co.uk/save/innogy and https://epa.towerswatson.com/.accounts/innogy.

Background

The SIP in place at the beginning of the Scheme Year was dated June 2019.

The SIP is reviewed (and if necessary revised) at least every three years and following any significant changes in investment policy.

The SIP was reviewed and updated three times during the Scheme Year, further details of which are provided below.

As part of the updates to the SIP, the Principal Employer was consulted and confirmed it was comfortable with the changes.

First review of the SIP:

In Q1 2020, the SIP was updated in readiness for the change of Principal Employer to E.ON UK Plc, which then took effect from 30 June 2020.

The updated SIP, dated March 2020, was adopted in Q2 2020.

Second review of the SIP:

In Q3 2020, the SIP was reviewed to include required regulatory updates detailing arrangements with asset managers and the consideration of financial and non-financial matters.

As a result of new legislative requirements coming into force from 1 October 2020, the 'Investment Manager' section was added to the SIP. This new section sets out the Group Trustees' expectations of their asset managers and their policy on incentivising managers to align their strategy with that of the Group Trustees and on managers' performance.

In addition, the 'Socially Responsible Investment and Corporate Governance' section was amended to provide detail regarding the Group Trustees' policy on the delegation of the day-to-day decisions of the Group's assets to the investment managers.

The updated SIP, dated September 2020, was adopted in Q4 2020.

Third review of the SIP:

The investment strategy of the Retail Section was reviewed during the course of 2020 following the corporate restructuring of the Group. Following the completion of the strategy review in Q4, the SIP was then also reviewed and updated to reflect the current investment objectives of the Retail Section.

The updated SIP, dated March 2021, was adopted in Q1 2021 and is the version of the SIP currently in place.

This Statement

The Statement is divided into the 2 sections* detailed below:

A. Section A relating to the defined benefit Retail Section ("**Retail Section**");
B. Section B relating to the defined contribution arrangement (referred to as the "**DC Section**" in line with the SIP) and defined benefit additional voluntary contributions ("**DB AVCs**").

The assets and liabilities of each Section of the Group are segregated from one another.

A copy of this Statement has been made available on the following websites: www.scottishwidows.co.uk/save/innogy and https://epa.towerswatson.com/.accounts/innogy.

*A further section, the Innogy Section, was part of the Group between April 2020 and June 2020. In June 2020 all members of the Innogy Section, and all assets held by the Innogy Section in respect of these members, were transferred out of the Group and into the RWE Group of the Electricity Supply Pension Scheme. Despite the transfer of assets out of the Group to the RWE Group of the Electricity Supply Pension Scheme, the investment strategy for the assets held in the Retail Section remained unchanged. Accordingly, a full review of the SIP over the course of the Scheme Year in relation to the Innogy Section is provided under the Implementation Statement for the RWE Group of the Electricity Supply Pension Scheme (and therefore made available by the RWE Group on its relevant website) rather than within this Statement.

Conclusion

Over the course of 2020-2021, the Group Trustees believe that they have adhered to the policies set out in the SIP during the Scheme Year. In addition, the Group Trustees believe that the funds invested have met the objectives set out in the SIP, which has been regularly monitored and reviewed by the Group Trustees and their advisors throughout the Scheme Year. The below Statement explains the Group Trustees' reasoning for this conclusion.

Contact Details

If you have any questions on any part of this Statement, or wish to provide any additional information in relation to this Statement, please contact: GA@trusteesolutions.co.uk (Address: The Group Administrator, Pinsent Masons Pensions Services, 30 Crown Place, London, EC2A 4ES)

September 2021

Section A: Defined Benefit Retail Section

CHANGES MADE TO THE SIP RELATING TO THE RETAIL SECTION DURING THE SCHEME YEAR

The section of the SIP in relation to the Retail Section (Section A) was reviewed and revised at various points during the Scheme Year, as part of the Group wide changes to the SIP described in the "Background" section of this Statement.

HOW AND TO WHAT EXTENT HAVE THE OBJECTIVES AND POLICIES IN THE SIP RELATING TO THE RETAIL SECTION BEEN FOLLOWED DURING THE SCHEME YEAR?

There were no instances of the SIP being departed from in any material way during the Scheme Year. While the Group was not aligned with its target hedge ratio at year-end, this was due to the implementation of the agreed investment strategy still being in progress.

In this section, we summarise the most significant activity undertaken in relation to the SIP in respect of the Retail Section and in turn describe the actions and decisions that have been taken throughout the Scheme Year and the extent to which these align with the beliefs or policies stated within the SIP.

Investment Objectives

Relevant policy in the SIP	**How and to what extent this policy has been met over the Scheme Year**
Investment Objectives in respect of the Retail Section ***(Investment Objectives, SIP March 2021)***	The approach that the Group Trustees have taken to ensure the investment objectives were being met during the Scheme Year was to monitor the portfolio performance each quarter and take advice from their DB investment advisor, Willis Towers Watson ("WTW") on the level of diversification during these quarterly reviews. The Group Trustees also monitored the hedging position of the Group each quarter. Following their quarterly reviews, the Group Trustees decided to update their investment strategy to provide for an increase in the hedge ratio to c.80% of assets and improved diversification through an investment in alternative credit. The choice of alternative credit as an asset class was based on the attractiveness of these assets relative to the existing sovereign credit mandate. As at 31 March 2021, the agreed investment strategy was in the process of being implemented. The change in investment strategy was reflected in the updated SIP adopted in Q1 2021.

Investment mandates, inception dates and asset breakdown

The Group Trustees aim to hold a diversified portfolio of assets. The allocation to the individual investment mandates as at 31 March 2021 is shown below. During the Scheme Year the Group Trustees made the decision to terminate the investment manager appointment of BlackRock and disinvest any holdings in the Global Sovereign Credit Fund. The proceeds from this were used to purchase more UK government bonds in addition to those already held within the SSgA Segregated Bond mandate. The aim of this decision was to temporarily increase the level of interest rate and inflation rate hedging until the LDI portfolio could be fully implemented towards the end of Q1 2021.

Investment Manager	**Fund Name /Strategy**	**Inception Date**	**Allocation as at 31 March 2021**
State Street Global Advisors Limited (“SSgA”)	Liquidity Fund	30 June 2018	4.2%
State Street Global Advisors Limited (“SSgA”)	Segregated bond mandate	30 June 2018	16.6%
State Street Global Advisors Limited (“SSgA”)	Global Equity Sub-Fund (hedged)	30 June 2018	21.3%
Towers Watson Investment Management (“TWIM”)	Diversifying Strategies Fund	30 June 2018	27.5%
Insight Investment Management (Global) Limited	LDI	30 March 2021	30.4%

<u>Investment manager fees</u>

Relevant policy in the SIP	**How and to what extent this policy has been met over the Scheme Year**
Investment management fees ***(Investment Manager, SIP March 2021)***	The Group Trustees reviewed the investment manager fees in their annual cost review undertaken in Q3 2020 (the “Cost Review”), to ensure that fees were in line with normal market practice for the services provided. As part of this Cost Review, the Group Trustees reviewed transaction costs via their annual cost report and a MiFID II cost and charges report. The Group Trustees were comfortable with the level of fees charged by all managers during the Scheme Year.

Monitoring of investment options/managers

Relevant policy in the SIP	How and to what extent this policy has been met over the Scheme Year
Monitoring investment managers throughout the Scheme Year ***(Investment Manager, SIP March 2021)***	The Group Trustees have held managers accountable for their performance during the Scheme Year. This was done by reviewing their performance on a quarterly basis and engaging with managers where appropriate. No engagements with managers were deemed to be required during the Scheme Year as a result of their performance. The selection process for each manager involved using input from the WTW manager research team and meetings with the managers were undertaken. The Group Trustees, through WTW's manager research team, also considered each manager's investment policies during the Scheme Year and decided that the policies were still broadly consistent with those of the Group. No action was deemed necessary in relation to the investment policies of the managers of the Group. During a review of the Group's investment managers in Q2 and Q3 2020 a decision was made to terminate the BlackRock Sovereign Credit mandate due to the relative attractiveness of an Alternative Credit investment which replaced it, as mentioned above.

Risk management

Relevant policy in the SIP	How and to what extent this policy has been met over the Scheme Year
Compliance with the risk policies listed in the SIP ***(Investment risk and return, SIP March 2021)***	Risks are monitored on an ongoing basis with the help of the Group Trustees' investment advisors. The Group Trustees also utilise quarterly investment reports from WTW in order to monitor the relative performance of, and any substantial changes to, each manager's investment strategies. The Group Trustees were comfortable with the risk management of their portfolio over the Scheme Year, even during the period of increased volatility due to the impact of COVID-19 on markets. This was discussed at an Investment Implementation Committee meeting in April 2020 and a subsequent FGT(Investment) meeting in June 2020at which point it was agreed that no changes were required. However, the investment strategy changes detailed above were subsequently made, in order to reduce the Group's risk further through a higher interest rate and inflation hedge ratio and increased diversification. Towards the end of Q1 2021 the Group Trustees decided to implement a specialist portfolio which seeks to mitigate interest rate and inflation risk.

Portfolio turnover

There is no broad targeted portfolio turnover (i.e. how frequently assets within a fund are bought and sold by investment managers) which the Group Trustees adhere to. The Group Trustees, with the help of their investment advisor, WTW, monitored the level of portfolio turnover on an annual basis throughout the Scheme Year to ensure that it remained appropriate in the context of the investment managers' strategy and the Group's investment strategy.

Investment Fund	Portfolio Turnover
SSgA - Liquidity Fund	2%
SSgA - Segregated bond mandate	Nil
SSgA - Global Equity Sub-Fund (hedged)	20%
TWIM - Diversifying Strategies Fund	16%

Notes: Turnover data provided over the 12 month period to 31 December 2020.

Socially responsible investment and corporate governance

Relevant policy in the SIP	How and to what extent this policy has been met over the Scheme Year
Consideration of environmental, social and governance (“ESG”) factors and risks ***(Socially Responsible Investment and Corporate Governance, SIP March 2021)***	The Group Trustees have taken account of ESG factors and risks in their general running of the Group during the Scheme Year. In addition, they have agreed to formally monitor and review their Responsible Investment objectives annually going forwards. This policy was first agreed towards the end of the Scheme Year so no formal review was carried out during that period.

Investment governance

Relevant policy in the SIP	How and to what extent this policy has been met over the Scheme Year
The Group Trustees’ approach to setting investment objectives, appointing investment managers, and agreeing delegations and performance targets **(*Investment Governance, SIP March 2021*)**	The approach that the Group Trustees have taken to investment governance and decision making over the Scheme Year has aligned with the approach set out in the SIP. Most notably: • During 2020, the Group Trustees undertook an investment strategy review for the Retail Section, at which point the investment objectives, investment target return and risk were reviewed and considered. The strategy was refined as set out in the Risk Management section of this Statement. • In addition, a paper discussing the impact of COVID-19 on investment markets and the Group’s strategy was presented to the Group Trustees in Q2 2020. The Group Trustees agreed that no action was required as a result of COVID-19.

There were no instances of the SIP being departed from in any material way during the Scheme Year.

VOTING BEHAVIOUR

As set out in the SIP, the Group Trustees’ policy is to delegate the day to day responsible investment considerations (including ESG factors) and stewardship activities (including voting and engagement) to the Group’s investment managers.

The Group Trustees require their investment managers to develop and maintain appropriate voting and engagement policies. The Group Trustees review their policies annually and monitor procedures and practices as necessary. The Group Trustees considered the voting activity of managers/funds over the Scheme Year as part of their engagement monitoring process and decided that no action was required to influence the way in which votes were cast on the Group Trustees’ behalf during the Scheme Year.

Summary of voting behaviour over the year

A summary of voting behaviour over the Scheme Year for the following funds that hold equities is provided below.

Manager: State Street Global Advisors (SSgA)

SSgA retains Institutional Shareholder Services Inc. ("**ISS**"), a firm with expertise in proxy voting and corporate governance. They utilise ISS's services in three ways:

1. As SSgA's proxy voting agent, ISS provides SSgA with vote execution and administration services;
2. ISS applies SSgA's 'Proxy Voting Guidelines' where appropriate; and
3. ISS provides the highest level of research and analysis related to general corporate governance issues and specific proxy items.

SSgA's Stewardship team reviews its Proxy Voting Guidelines on an annual basis or on a case-by-case basis as needed. Voting that is nuanced or requires additional analysis is referred to and reviewed by the Stewardship team.

SSgA's 'Issuer Engagement Protocol' is designed to increase transparency around their engagement philosophy, approach and processes. SSgA's engagement activities are driven exclusively to maximise and protect the long-term value of their clients' assets. Each year, as part of its strategic review process, the Stewardship team develops an annual engagement strategy, and it identifies a target list of companies that SSgA intend to engage with during the year. Factors considered include:

- Companies identified based on the in-house governance, compensation, and sustainability screens.
- Thematic ESG issues that the team identifies as potential risks facing investee companies.
- In-depth sector specific engagements across global holdings.
- Companies with lagging long-term financial performance within their sector.
- Companies at which follow-up engagement is needed based on past discussions.

The intensity and type of engagement with a company is determined by SSgA's relative and absolute holdings in that company. In addition, they consider geographic diversity and the engagement culture in a market/geographic region when developing a target list and approach.

	SSgA - Global Equity Sub-Fund (hedged)
Underlying fund: RAFI (hedged) Total size of fund: Hedged: £652,346,097 Number of holdings at end of reporting period: 2,681 Number of meetings eligible to vote: 3,185 Number of resolutions eligible to vote: 39,040 % of resolutions voted on for which the fund was eligible: 99% % of resolutions voted with management: 90% % of resolutions voted against management: 10% % of abstention votes: 1% % of resolutions on which manager voted contrary to proxy advisor: 7%	

Significant votes over year

The Group Trustees have collected information on the most significant votes undertaken on their behalf in relation to the SSgA Global Equity Sub-Fund.

In determining significant votes, the Group Trustees considered the following criteria, as laid down by the Pensions & Lifetime Savings Association:

- a high-profile vote which has a degree of controversy such that there is high client and/or public scrutiny
- significant client interest for a vote: directly communicated by clients to the relevant stewardship team or where we note a significant increase in requests from clients on a particular vote
- a sanction vote as a result of a direct or collaborative engagement

The Group Trustees are satisfied with the above benchmarks for a significant vote.

The investment manager has provided the Group Trustees with examples of the most significant votes made on their behalf in relation to assets invested in the SSgA Global Equity Sub-Fund:

Investee company	Exxon Mobil Corporation	AT&T	JP Morgan Chase & Co.	JP Morgan Chase & Co.
Date of vote	27 May 2020	24 April 2020	19 May 2020	19 May 2020
Nature of resolution	Community-Environment Impact	Advisory vote to ratify named Executive Officers' compensation	Report on Climate Change	Report on Climate Change
How voted	For	Abstain	Against	For
If voting against management, was this communicated to the company ahead of the vote?	SSgA does not publicly communicate their vote in advance.	SSgA does not publicly communicate their vote in advance	SSgA does not publicly communicate their vote in advance	SSgA does not publicly communicate their vote in advance
Rationale for voting decision	SSgA supported the proposal as they believe the company's environmental disclosure and/or practices can be improved.	SSgA deemed that the proposal merits qualified support as SSgA had some concerns with the remuneration structure for senior executives at the company.	SSgA decided that the proposal did not merit support as the company's disclosure and/or practices related to climate change are reasonable.	SSgA decided that the proposal merits support as the company's disclosure and/or practices related to climate change can be improved.
Outcome of vote	Not available	Not available	Not available	Not available
On which criteria have you assessed this vote to be "significant"?	Environmental proposal	Compensation	Environmental proposal	Environmental proposal

Conclusions on voting engagement

The Group Trustees are satisfied (based on the voting information provided) by the approach to voting adopted by the investment managers during the Scheme Year.

Section B: Defined Contribution ("DC") Section and DB Additional Voluntary Contributions ("DB AVCs")

CHANGES MADE TO THE SIP RELATING TO THE DC SECTION AND DB AVCS DURING THE SCHEME YEAR

The section of the SIP in relation to the DC Section and DB AVCs (Section B) was reviewed and revised in September 2020, as part of the Group wide changes to the SIP described in the "background" section of this Statement. When Section A (Retail Section) of the SIP was updated in March 2021 Section B remained as drafted in the September 2020 version of the SIP, as no further review of the DC Section was required at that time.

HOW AND TO WHAT EXTENT HAVE THE POLICIES IN THE SIP RELATING TO THE DC SECTION AND DB AVCS BEEN FOLLOWED DURING THE SCHEME YEAR?

In this section, we summarise the most significant activity undertaken in relation to the SIP in respect of the DC Section and DB AVCs, and in turn describe the actions and decisions that have been taken throughout the Scheme Year and the extent to which these align with the beliefs or policies stated within the SIP.

Aims, Objectives and Governance

Relevant policy in the SIP	**How and to what extent this policy has been met over the Scheme Year**
DC Investment Aims, Objectives and Governance for the DC Section and DB AVCs ***(Section B, SIP March 2021)***	The Group Trustees monitored the performance of all investment funds made available to members, including the funds underlying the lifestyle strategies, at least quarterly. These were monitored against the funds' respective benchmarks and performance targets, to ensure they continued to meet their performance objectives. As a result of the Group Trustees' quarterly monitoring activity, it was identified that the fund underlying the Innogy Global Equity (including Emerging Markets) Active Fund, offered as part of the self-select fund range, had consistently failed to meet its outperformance target over recent periods (its rating was also downgraded in a prior Scheme Year). However, the Group Trustees decided not to take any immediate action as the triennial review of the Group's investment strategy was underway. We provide further information on this in the following sections.

Review of the Lifestyle Strategies, Expected Returns and Risks of Investments

<table>
<tr><th>Relevant policy in the SIP</th><th>How and to what extent this policy has been met over the Scheme Year</th></tr>
<tr><td>Lifestyle Strategies for the DC Section and DB AVCs
(Section B, SIP March 2021)</td><td>Over the course of the Scheme Year, the Group Trustees, in conjunction with the Groups' DC investment advisor, Aon, commenced the triennial review of the Group's investment strategy.

The review will be completed post Scheme Year end and will cover:
membership analysis – segmenting the membership and determining projected fund values, to assess how members will take their benefits from the DC Section and DB AVCs.
a review of the current and pre 2015 lifestyle arrangements – this includes a review of the forward-looking risk and return characteristics of the asset classes used by the strategies, to ensure that the strategies remain appropriate for use by members.
a review of the self-select fund range to ensure that the type, number and appropriateness of the self-select funds offered, as alternatives or supplementary options to the lifestyle strategies, reflect the needs of the Group's membership.
This review also takes into account any significant changes in the make-up of the Group's membership.
The Group Trustees concluded that no action was required in relation to the lifestyle strategies during the Scheme Year and are waiting for the results of the triennial strategy review before considering any changes that may be made.</td></tr>
</table>

Arrangements with managers

Relevant policy in the SIP	How and to what extent this policy has been met over the Scheme Year
Assessing performance of funds and manager appointments	The Group Trustees received quarterly investment monitoring reports over the Scheme Year, covering the DC Section and DB AVCs. These investment reports provided information on the short and long-term performance of the funds that are open to new contributions from members (including those underlying the default lifestyle strategy), as well as risk related analysis of these funds and ratings assigned by Aon's Research Team. As part of these quarterly reports, there is a "RAG" (Red, Amber, Green) status that helps identify funds that suffer from prolonged poor performance against benchmark/target. Over the Scheme Year, the Group Trustees also received an annual monitoring report in relation to the legacy DC and DB AVC arrangements. This report included asset valuation and performance information (absolute and relative to benchmarks/targets) on the funds invested in by members of these arrangements. The Group Trustees have carried out reviews of the fund information provided by Aon over the Scheme Year and with the exception of one of the reported funds (discussed below), these reviews did not raise concern over the fund managers' ability to meet the performance targets set by the Group Trustees or the adequacy of their investment strategies to meet the Group Trustees' objectives stated in the SIP. As part of the review, it was identified that the fund underlying the Innogy Global Equity (including Emerging Markets) Active Fund, offered as part of the self-select fund range, had consistently failed to meet its outperformance target over recent periods and its rating was also downgraded in a prior Scheme Year. Whilst the Group Trustees decided that no action needed to be taken regarding the underperforming fund during the Scheme Year, the Group Trustees will revisit this decision as part of the triennial strategy review being completed post Scheme Year end.
	The Group Trustees, in conjunction with their advisor, consider the suitability of the Group's asset managers on an ongoing basis. Aon's Research Team assigns ratings to the majority of DC funds that the Group invests in, which reflects their views of the specific fund and their opinion of its strengths and weaknesses. Over the Scheme Year, research meetings were conducted by the team with the managers on a quarterly basis, to assess any changes in the investment staff, investment process, risk management and other manager evaluation factors to ascertain whether the overall rating assigned to the fund remained appropriate and the manager remained suitable to manage the Group's assets. Following these assessments, there were no changes to the assigned ratings, or to the managers appointed for the Group.

	Over the course of the Scheme Year, the Group Trustees, in conjunction with their advisor, commenced the triennial review of the Group's investment strategy. This exercise also includes a review of the Group's asset manager appointments. The review will be completed after the Scheme Year end and any agreed changes to the strategy and appointments will be implemented thereafter.

Costs and Transparency

Relevant policy in the SIP	How and to what extent this policy has been met over the Scheme Year
Member-borne costs and charges	The Chair's Statement for the year ending 31 March 2020 was produced during the Scheme Year by the Group Trustees and was published in a publicly accessible location, ahead of the regulatory deadline. This Chair's Statement included the available member-borne costs and charges information, including transaction costs, for the funds offered to members over the period. Whilst the Group Trustees have not set specific ranges for acceptable costs and charges, they are satisfied that costs and charges for the period were reasonable and did not require any further consideration. The Chair's Statement for the year ended 31 March 2021 will be published at the same time as this Statement and will also include information on member-borne costs and charges.
Remuneration of the Group's investment managers	The DC Section and DB AVCs' investment managers are remunerated by the deduction of set percentages (charges) of assets under management, which is in line with market practice. These member-borne charges are made up of the Annual Management Charge and Additional Fund Expenses and together are referred to as the Total Expenses Ratio ("TER"). During the Scheme Year, the Group Trustees completed a 'Manager Fee Review', which focussed on the TER for each of the funds used by the DC Section and DB AVCs (both current and legacy funds).

	Following the review, it was concluded that the TERs for the majority of funds fell within the expected range for their asset class and represent good value for members. The exception to this, were the TERs for the Annuity Target Fund and the Threadneedle Pension Sterling Fund – whilst the latter fund is a legacy fund, both of these funds are administered by Scottish Widows and made available on the Scottish Widows platform for members to invest in. As a result of the review, the Group Trustees liaised with Scottish Widows regarding the TERs for these funds and the TER for the Threadneedle Pension Sterling Fund was subsequently reduced. Scottish Widows was unable to reduce the TER for the Annuity Target Fund, as it is a unique fund in the range of investment options, designed to track changes in annuity prices. As the TER for this fund was outside of the expected range of charges by only a very small amount, the Group Trustees were comfortable retaining this fund in the investment strategy.

Responsible Investment

Relevant policy in the SIP	How and to what extent this policy has been met over the Scheme Year
Responsible Investment for the DC Section and DB AVCs ***(Section B, SIP March 2021)***	The Group Trustees have developed a Responsible Investment ("RI") policy for the Group, which can be found in the latest version of the SIP (available on www.scottishwidows.co.uk/save/innogy). The RI policy sets out the Group Trustees' policy in relation to responsible investment issues for the DC Section and the DB AVCs. Over the Scheme Year, the Group Trustees (or their advisor on behalf of the Group Trustees) took the following steps to monitor and assess RI related risks and opportunities: • undertaking an in-depth 'ESG Manager Review', which considered: the responsible investment practices and policies of the Group's investment managers, their voting and engagement activities, and a full manager analysis to monitor and identify areas that could form the basis for further engagements, and changes to the portfolios as a result of ESG issues; • as part of quarterly monitoring of the Group's investment managers, used ESG ratings information provided by the advisor, where available, to monitor the level of the Group's investment managers' integration of ESG; and • monitoring the RI related risks on the Group's risk register as part of ongoing risk assessment and monitoring. The Group Trustees concluded that there were no significant actions required for the DC Section and DB AVCs as a result of the above steps taken over the year.

Risk Management

Relevant policy in the SIP	How and to what extent this policy has been met over the Scheme Year
• Risk Management for the DC Section and DB AVCs ***(Section B, SIP, March 2021)***	Over the Scheme Year, the Group Trustees have made the following decisions and taken the following actions in respect of the DC Section and DB AVCs to minimise the risks to the Group: • continuing to provide a range of funds and asset classes for members to invest in. • by reviewing quarterly investment monitoring reports provided by their advisor, which contain both short and long-term performance information, on both an absolute and relative (to benchmark / target) basis. No concerns were raised over the managers' ability to meet the performance targets set by the Group Trustees.

	• by commencing the triennial review of the Group’s investment strategy, including the lifestyle strategies (to be completed post Scheme Year end). • by carrying out a Security of Assets review, to understand the impact, if any, of COVID-19 on the operations of Scottish Widows and the legacy providers and whether any of the Group’s underlying fund managers were under stress due to the ongoing COVID-19 crisis. Overall, the Group Trustees were satisfied that the risk of loss associated with the current arrangements was low and that there were safeguards in place to mitigate risks as far as possible.

Investment funds and asset breakdown

The tables below show the investment managers and mandates that were appointed as at 31 March 2021.

The funds available in the main DC and DB AVC arrangement are administered by Scottish Widows and are available on the Scottish Widows platform for members to invest in. This arrangement also includes DC assets invested in Legal & General and Threadneedle funds (the "Legacy DC funds").

<table>
<tr><th>Fund/Strategy name</th><th>Underlying investment manager(s)</th><th>Underlying fund name(s)</th><th>Allocation as at 31 March 2021 (£m)</th></tr>
<tr><td>Innogy Pre-2015 DC Lifestyle Strategy (primary default)</td><td>BlackRock, Invesco, Schroder Investment Management ("Schroders")</td><td>• Innogy Pre-2015 Growth Fund
• BlackRock Sterling Liquidity Fund
• BlackRock DC Pre Retirement</td><td>29.4</td></tr>
<tr><td>Innogy Pre-2015 DB AVC Lifestyle Strategy</td><td>BlackRock, Invesco Schroders</td><td>• Innogy Pre-2015 Growth Fund
• BlackRock Sterling Liquidity Fund</td><td>0.3</td></tr>
<tr><td>Innogy Lifestyle Strategy - Pearl</td><td rowspan="3">BlackRock, Invesco Schroders</td><td rowspan="3">• Innogy Growth Fund
• Innogy Corporate Bond Fund
• Innogy Index-Linked Gilt Fund
• Innogy Multi-Asset (Capital Preservation) Fund
• Innogy Money Market Fund (used in Pearl only)
• Innogy Annuity Target Fund (used in Jade only)</td><td>3.2</td></tr>
<tr><td>Innogy Lifestyle Strategy - Opal</td><td>6.6</td></tr>
<tr><td>Innogy Lifestyle Strategy - Jade</td><td>2.5</td></tr>
<tr><td>Innogy Global Equity (including Emerging Markets) Passive Fund</td><td>BlackRock</td><td>Aquila Connect 30:70 (Currency Hedged) Global Equity Index</td><td>0.9</td></tr>
</table>

Fund/Strategy name	Underlying investment manager(s)	Underlying fund name(s)	Allocation as at 31 March 2021 (£m)
Innogy Global Equity (excluding Emerging Markets) Passive Fund	BlackRock	Aquila 50:50 Global Equity Index	1.9
Innogy Ethical Global Equity Fund	Legal & General Investment Management ("LGIM")	Ethical Global Equity Index	1.1
Innogy Global Equity (including Emerging markets) Actively Managed Fund	MFS	Meridian Global Equity	2.4
Innogy Corporate Bond Fund	BlackRock	Aquila Connect Corporate Bond All Stocks Index	0.5
Innogy Long Gilt Fund	BlackRock	Aquila Over 15yrs UK Gilt Index	0.5
Innogy Long Index-Linked Gilt Fund	BlackRock	Aquila Over 5yrs Index Linked Gilt Index	0.3
Innogy Annuity Target Fund	BlackRock	DC Pre Retirement	0.1
Innogy Money Market Fund	BlackRock	Sterling Liquidity	1.2
Innogy Growth Fund	BlackRock, Schroders	• Aquila UK Equity Index (3%) • Aquila Currency Hedged Overseas Equity Index (26%) • Aquila Global Developed Fundamental Weighted Equity Index (29%) • Aquila Global Minimum Volatility Equity Index (29%) • Schroders Life Global Emerging Markets Equity (6.5%) • Aquila Emerging Markets Equity Index (6.5%)	0.3

Fund/Strategy name	**Underlying investment manager(s)**	**Underlying fund name(s)**	**Allocation as at 31 March 2021 (£m)**
Innogy Pre-2015 Growth Fund	BlackRock, Schroders, Invesco,	• Aquila UK Equity Index (2.25%) • Aquila Currency Hedged Overseas Equity Index (19.5%) • Aquila Global Developed Fundamental Weighted Equity Index (21.74%) • Aquila Global Minimum Volatility Equity Index (21.75%) • Schroders Global Emerging Markets Equity (4.88%) • Aquila Emerging Markets Equity Index (4.88%) • Schroder Dynamic Multi-Asset Fund (12.5%) • Invesco Perpetual Global Targeted Returns (12.5%)	2.7
Innogy Multi-Asset (Capital Preservation) Fund	BlackRock, Invesco	• Aquila Market Life Advantage Fund (50%) • Invesco Perpetual Global Targeted Returns (50%)	0.0
Innogy Multi-Asset (Diversified Growth) Fund	Schroders, Invesco	• Schroder Dynamic Multi-Asset Fund (50%) • Invesco Perpetual Global Targeted Returns (50%)	1.2
Innogy Index-Linked Gilt Fund	BlackRock	• Aquila Up to 5yrs Index-linked Gilts Index (30%) • Aquila Over 5yrs Index-linked Gilts Index (70%)	0.0
BlackRock DC Pre-Retirement Fund	BlackRock	N/A	0.4
BlackRock Sterling Liquidity Fund	BlackRock	N/A	0.1
Innogy Emerging Markets Equity Fund*	BlackRock, Schroders	• Schroders Life Global Emerging Markets Equity (50%) • Aquila Connect Emerging Markets Equity Index (50%)	-

**This fund is used in the Innogy Growth and pre 2015 Growth funds only.*

Legacy DC funds

Fund name	Investment manager(s)	Allocation as at 31 March 2021 (£)
L&G Over 15 Year Gilts Index	LGIM	1,165
L&G Global Equity FW (50:50) Index	LGIM	174,875
L&G Money Market	LGIM	454
L&G Over 5 Year Index Linked Gilts Index	LGIM	636
L&G Ethical UK Equity	LGIM	1,079
Threadneedle Pension Property	Columbia Threadneedle Investments	2,857
Threadneedle Pensions Global Select	Columbia Threadneedle Investments	209,237
Threadneedle Pensions Sterling	Columbia Threadneedle Investments	3,843

Closed AVC arrangements

The Group also has AVC assets invested with Utmost Life and Pensions (previously Equitable Life), Clerical Medical, and Prudential (the "Closed Arrangements"). These funds are closed to new contributions and are administered by WTW.

The table below shows the total assets invested in each arrangement as at 31 March 2021. At the time of writing, asset breakdowns at fund level were unavailable for the Closed Arrangements however, information on the funds held by the Group in these arrangements can be found in the next section. Currently, the Group holds the below sums in each Closed Arrangement in respect of AVC assets:

Arrangement	Allocation as at 31 March 2021 (£)
Clerical Medical	4,812
Prudential	31,056
Utmost Life and Pensions ("Utmost Life")	3,162
Total	**39,030**

Utmost Life and Pensions ("Utmost Life")

With the exception of the Sterling Corporate Bond Fund and the Multi-Asset Funds, which are managed by JP Morgan Asset Management ("JPM"), all of the self-select funds which were offered as part of the previous Equitable Life unit-linked fund range were managed by Aberdeen

Standard Investments (ASI).

Upon transfer to Utmost Life, management of these funds remained unchanged however, it is intended that in 2022 all funds will be managed by JPM. Between now and 2022, the ASI and JPM funds will be held alongside one another with a gradual transition from ASI to JPM.

Clerical Medical

With the exception of the Clerical Medical Balanced Fund used by the Group, which is managed by Clerical Medical Investment Fund Managers Limited, all of the Clerical Medical funds used by the Group are managed by HBOS Investment Fund Managers Limited.

Prudential

The Prudential With Profits Cash Accumulation Fund that the Group invests in is managed by the M&G Treasury & Investment Office (T&IO).

<u>Portfolio turnover</u>

In relation to the DC Section and DB AVCs, the Group Trustees monitor portfolio turnover costs (transaction costs) on an annual basis, as part of the annual preparation of the Chair's Statement.

The table below shows the available transaction costs data, covering the Scheme Year, collated in respect of the DC Section and DB AVCs.

Fund/Strategy	**Transaction Costs (%)**
Innogy Pre-2015 DC Lifestyle Strategy (primary default)	0.02 – 0.12
Innogy Pre-2015 DB AVC Lifestyle Strategy	0.01 – 0.12
Innogy Lifestyle Strategy - Pearl	0.01 – 0.05
Innogy Lifestyle Strategy - Opal	0.04 – 0.08
Innogy Lifestyle Strategy - Jade	0.03 – 0.05
Innogy Global Equity (including Emerging Markets) Passive Fund	0.00
Innogy Global Equity (excluding Emerging Markets) Passive Fund	0.00
Innogy Ethical Global Equity Fund	0.00
Innogy Global Equity (including Emerging markets) Actively Managed Fund	0.08
Innogy Corporate Bond Fund	0.00
Innogy Long Gilt Fund	0.00
Innogy Long Index-Linked Gilt Fund	0.00
Innogy Annuity Target Fund	0.03
Innogy Money Market Fund	0.01

Fund/Strategy	Transaction Costs (%)
Innogy Growth Fund	0.04
Innogy Pre-2015 Growth Fund	0.12
Innogy Multi-Asset (Capital Preservation) Fund	0.32
Innogy Multi-Asset (Diversified Growth) Fund	0.37
Innogy Index-Linked Gilt Fund	0.01
BlackRock DC Pre-Retirement Fund	0.03
BlackRock Sterling Liquidity Fund	0.01
Innogy Emerging Markets Equity Fund	-
Legacy DC funds	
Threadneedle Pensions Property Fund	0.00
Threadneedle Pensions Adventurous Pathway Fund*	n/a
Threadneedle Pensions UK Equity Fund	0.09
Threadneedle Pensions Global Select Fund	0.30
Threadneedle Pensions Sterling Fund	0.02
L&G Ethical UK Equity Fund	0.02
L&G Global Equity Fund	0.01
L&G Over 15 Year Gilts Index Fund	0.04
L&G Over 5 Year Index Linked Gilts Index Fund	0.10
L&G Money Market Fund	0.00

* Columbia Threadneedle closed this fund on 27 January 2021 and all members' holdings in the fund were transferred to the Threadneedle Pensions Sterling Fund. Transaction costs information for this fund was unavailable at the time of writing.

Closed AVC arrangements

Fund name	Transaction Costs (%)
Utmost Life and Pensions	
Investing by Age strategy	-
Multi-Asset Cautious[1]	0.50
Multi-Asset Moderate[1]	0.41
Multi-Asset Growth[1]	0.24
Money Market[1]	0.00
Sterling Corporate Bond	0.00
UK Government Bond	0.02
Managed	0.13
UK Equity	0.54
UK FTSE All Share Tracker	0.11
Asia Pacific Equity	0.43
European Equity	0.47
Global Equity	0.28
US Equity	0.18
Clerical Medical	
Lifestyle UK Growth[2]	0.39
Retirement Protection	0.08
Lifestyle Balanced	0.25
Lifestyle International Growth	0.36
Halifax	0.00
Lifestyle Cautious	0.24
Smaller Companies[3]	0.00
Far Eastern	0.58

Fund name	Transaction Costs (%)
Balanced	0.44
UK Equity Income[2]	0.25
Japanese	0.24
Prudential	
With Profits Cash Accumulation Fund	0.11

Source: Utmost Life and Pensions, Prudential and Clerical Medical.

[1] Forms part of the Investing by Age Lifestyle Strategy.

[2] Transaction costs shown cover 12 months from 1/2/2020 to 31/1/2021.

[3] Transaction costs shown cover 12 months from 1/3/2020 to 28/2/2021.

VOTING BEHAVIOUR AND ENGAGEMENT

Summary

Overall, the Group Trustees believe the stewardship carried out on their behalf over the Scheme Year has been adequate, noting examples of the willingness and ability of the managers engaged by the DC Section of the Group and in relation to DB AVCs to take proactive votes against management where appropriate.

The Group Trustees recognise that they have a responsibility as a large institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Group invests in. Accordingly, the Group Trustees continue to expect improvements over time (for instance, with provision of examples of significant votes and voting and engagement information from all managers, including the providers of the closed AVC arrangements) in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Group through considered voting and engagement.

The section below lays out the voting and engagement policies of the DC Section and DB AVCs' investment managers in place over the Scheme Year. Following the transfer of assets out of the Group and into the RWE Group of the Electricity Supply Pension Scheme in June 2020, the investment strategy for the assets held in the Retail Section remained unchanged.

Further information can also be found in the appendices as follows:

- Appendix 1: Summary of voting statistics over the Scheme Year.
- Appendix 2: Examples of significant votes and engagements cast and carried out on behalf of the Group Trustees during the Scheme Year.

Equity

The DC Section and DB AVCs invested in the following equity funds over the Scheme Year

Manager	**Fund Name**
BlackRock	• Aquila 30:70 Currency Hedged Global Equity Index • Aquila Connect 50:50 Global Equity Index • Aquila UK Equity Index • Aquila Currency Hedged Overseas Equity Index • Aquila Global Developed Fundamental Weighted Equity Index • Aquila Global Minimum Volatility Equity Index • Aquila Emerging Markets Equity Index
Legal & General Investment Management ("LGIM")	• Ethical Global Equity Index • Ethical UK Equity • Global Equity FW 50:50
MFS Investment Management ("MFS")	• MFS Meridian Global Equity
Schroder Investment Management ("Schroders")	• Schroders Global Emerging Markets

Threadneedle Asset Management Limited ("Threadneedle")	• Pensions UK Equity • Pensions Global Select • Pensions Adventurous Pathway (closed Jan 2021)

BlackRock

Voting Policy

BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services Inc. (“ISS”) and Glass Lewis & co. (“GL”) but does not follow any single proxy research firm’s voting recommendations. BlackRock uses several other inputs, including a company’s own disclosures, and its record of past engagements, in its voting and engagement analysis. BlackRock uses ISS's electronic platform to execute vote instructions, manages client accounts in relation to voting and facilitates client reporting on voting. In certain markets, BlackRock works with proxy research firms who apply its proxy voting guidelines to filter out routine or non-contentious proposals and refer to BlackRock any meetings where additional research and possibly engagement might be required to inform BlackRock's voting decision.

BlackRock states that it votes (or refrains from voting) proxies for each fund for which they have voting authority based on their evaluation of the best long-term economic interests of shareholders, in the exercise of their independent business judgment, and without regard to the relationship of the issuer of the proxy (or any shareholder proponent or dissident shareholder) to the fund, the fund’s affiliates (if any), BlackRock or BlackRock’s affiliates, or BlackRock employees.

BlackRock votes in accordance with guidelines for each relevant market, which are reviewed regularly and changed in line with developments within those markets. Blackrock’s voting decisions are informed by internally developed proxy voting guidelines, their pre-vote engagements, research, and the situational factors for each underlying company. Voting guidelines are reviewed annually and are updated as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

BlackRock ordinarily refrain from abstaining from both management and shareholder proposals unless:

- abstaining is the valid vote option (in accordance with company by-laws) to signal concern to management;
- there is a lack of disclosure regarding the proposal voted; or
- an abstention is the only way to implement their voting.

Engagement Policy

BlackRock state that they aim to enhance the long-term value of client assets through their proxy voting and engagement activities. BlackRock's Investment Stewardship (BIS) team engage with companies in both active and indexed investment strategies, noting the importance of engagement within index-based strategies where divestment is not an option. BlackRock use engagement as a tool to raise concerns regarding governance and sustainability issues that may affect the long-term performance of the company.

The BIS team's stated key engagement priorities include:

- Board quality
- Environmental risks and opportunities

- Corporate strategy and capital allocation
- Compensation that promotes long-termism
- Human capital management.

BlackRock has increased its engagement activity year on year significantly on a variety of key issues, including having over 400 engagements with companies where they discussed the impact of COVID-19. More information can be found in the BIS Annual Report2020:

https://www.blackrock.com/corporate/literature/publication/blk-annual-stewardship-report-2020.pdf

Legal & General Investment Management ("LGIM")

Voting Policy

LGIM's Investment Stewardship team use the leading voting research and platform provider ISS to assist with the application of their own voting guidelines. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services ("IVIS") to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

LGIM have provided examples of significant votes cast for these funds, with a vote being considered as significant in line with the criteria provided by the Pension and Lifetime Savings Association guidance. This includes (but is not limited to) high profile votes which are subject to a degree of controversy or high public scrutiny, votes with significant client interest, or votes linked to an LGIM engagement campaign. LGIM have also provided details of votes across their wider book of business that they believe to be significant, detailed in their quarterly stewardship reports, more detail on recent activity can be found here: https://www.lgim.com/landg-assets/lgim/_document-library/esg/esg-impact-report-q4-2020.pdf

Engagement Policy

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public Policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

More information can be found on LGIM's engagement policy here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf

LGIM's latest annual active ownership report showed that in 2019 they engaged with 493 companies as well as participating in about 30 engagements with regulators, and policy-makers, to improve market standards around the world. LGIM have also begun producing quarterly stewardship reports, more detail on recent activity can be found here: https://www.lgim.com/landg-assets/lgim/_document-library/esg/esg-impact-report-q4-2020.pdf

This report shows that over Q4 2020 alone, LGIM carried our 489 engagements with 428 companies: 357 of these engagements were on environmental topics, 64 on social and 139 on governance topics.

MFS Investment Management ("MFS")

Voting Policy

MFS utilises ISS to perform various proxy voting-related administrative services, such as vote processing and recordkeeping functions. While MFS also receives research reports and vote recommendations from ISS and GL MFS analyses all proxy voting issues within the context of the MFS Proxy Policies, which are developed internally and independent of third-party proxy advisory firms. MFS' voting decisions are not defined by any proxy advisory firm benchmark policy recommendations. MFS has due diligence procedures in place to help ensure that the research they receive from their proxy advisory firms is accurate and to reasonably address any potentially material conflicts of interest of such proxy advisory firms.

All proxy voting decisions are made in what MFS believes to be the best long-term economic interests of their clients.

Engagement Policy

Engaging with companies that MFS has invested in on behalf of clients and investors is an important component of the MFS investment approach. As an investment manager with a long-term investment horizon, MFS believes engagement can protect and enhance long term value to the benefit of both asset owners and companies. Engagement is recognised as an important component of effective stewardship in the UK Stewardship Code which MFS is a signatory. The MFS statement of compliance on the UK Stewardship Code is available on the "Sustainable Investing at MFS" section on www.mfs.com.

Broadly, MFS approaches engagement as two related parts: engaging companies, especially through meetings and direct communications with the management of companies ("Management Engagement"); and exercising voting rights as a shareholder on behalf of clients for whom MFS has voting discretion ("Proxy Voting").

MFS prioritises its engagement activity in a number of ways. For example, MFS will prioritise engagements with companies where MFS has substantial ownership or where MFS believes a particular topic is financially material for an issuer. In addition, MFS Investment Professionals and MFS Proxy Professionals both monitor engagement results and outcomes.

Further detail on MFS' engagement policy can be found here: https://www.mfs.com/content/dam/mfs-enterprise/microsites/meridian/Directive%20II%20-%20Lux.pdf

Schroder Investment Management ("Schroders")

Voting Policy

Schroders receive research from both ISS and the IVIS for upcoming general meetings, however this is only one component that feeds into their voting decisions. In addition to relying on their own policies, Schroders will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts. Further information can be found in our Environmental, Social and Governance Policy for Listed Assets policy: https://www.schroders.com/en/sysglobalassets/global-assets/english/campaign/sustainability/integrity-documents/schroders-esg-policy.pdf

On a monthly basis, Schroders produce a voting report which details how votes were cast, including votes against management and abstentions. The reports are publicly available on their website: https://www.schroders.com/en/about-us/corporate-responsibility/sustainability/influence/.

While there are a number of case studies within these reports, Schroders are as yet unable to disclose fund level significant vote examples. The Group Trustees recognise that these disclosures are relatively new but do expect improved transparency at a fund level moving forward. The DC investment advisors are engaging with Schroders on this matter on behalf of the Group Trustees.

Engagement Policy

Schroders' engagement activities are prioritised based on the materiality of their exposure to the individual companies, either by the total size of assets invested on behalf of clients or by the percentage of shares held.

Schroders generally engage for one of three reasons:

1. To seek improvement in performance and processes in order to enhance and protect the value of our investments
2. To monitor developments in ESG practices, business strategy and financial performance within a company
3. To enhance their analysis of a company’s risks and opportunities

Their mechanisms for engagement vary but typically involve actions such as phone calls, written correspondence, one to one meetings with company representatives and voting. Engagements are prioritised based on the materiality of the issues and size of Schroders’ exposure.

More information can be found on Schroders' compliance statement to the UK Stewardship Code here: https://www.schroders.com/id/about-us/corporate-responsibility/sustainability/uk-stewardship-code/

Threadneedle Asset Management Limited ("Threadneedle")

Voting and Engagement Policy

Threadneedle's approach to engagement and voting is based on collaboration between the portfolio managers, analysts and RI team members. Threadneedle actively vote in over 50 markets globally both as an extension of their engagement and in signalling support or concerns about a company’s practices and proposals. Final votes are cast identically across all mandates for which Threadneedle have voting authority.

In practice, engagement covers a broad range of issues, and regularly relates to ESG and sustainability matters. The decision to engage on certain issues considers factors including our assessment of the significance to the company, the risks to our clients, relative holdings, scope to effect change and opportunities to collaborate.

Decisions are made by the RI team following discussions with portfolio managers and analysts and are disclosed on Threadneedle's website. Threadneedle also provide fund-specific reports to clients.

As an active manager, Threadneedle do not outsource voting to third parties. Threadneedle carry out proxy voting in all markets, in accordance with their corporate governance and proxy voting principles and their proxy voting policy. Threadneedle's approach sees them regularly opposing items where proxy voting advisors are more lenient and supporting where they are more aggressive. Threadneedle regularly withhold support from individual directors and cast dissenting votes based on pay-related concerns. More recently in EMEA, Threadneedle have adopted a systematic approach to voting and engaging on executive pensions. Threadneedle have signalled that from 2020 they will take a more systematic approach to voting on gender diversity at senior management as well as board level. Threadneedle publish their voting decisions seven days after the relevant general meeting and their proxy voting activities are published on their website.

Multi-Asset Funds

The DC Section and DB AVCs invested in the following multi-asset funds over the Scheme Year;

Manager	Fund Name
BlackRock	Aquila Life Market Advantage
Invesco	Invesco Global Targeted Returns Fund
Schroders	Schroders Dynamic Multi Asset Fund

The BlackRock and Schroders funds are managed in line with the firm-wide voting and engagement policies for each manager laid out in the equity section above.

Invesco

Voting Policy

Invesco supplements its internal research with information from third parties, such as proxy advisory firms. Globally, Invesco leverages research from ISS and GL as well as the IVIS in the UK for research on UK securities. Invesco generally retains full and independent discretion with respect to proxy voting decisions. ISS and GL both provide research reports, including vote recommendations, to Invesco and its asset managers. Invesco also retains ISS to assist with receipt of proxy ballots and vote execution for use through its proprietary voting platform as well as ISS vote disclosure services in Canada, the UK and Europe.

The proxy voting process at Invesco, which is driven by investment professionals, focuses on maximising long-term value for its clients, protecting clients' rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders. All of its activities are aimed at enhancing and protecting the value of its investments for its clients. Invesco takes a nuanced approach to voting, therefore, many matters to be voted upon are reviewed on a case by case basis as each investment team makes independent voting decisions based on criteria that may be important to their investment approach. Invesco's proxy voting process is designed to ensure that proxy votes are cast in accordance with the best interests of all clients.

Invesco's funds may occasionally participate in a securities lending program. In circumstances where shares are on loan, the voting rights of those shares are transferred to the borrower. If the security in question is on loan as part of a securities lending program, Invesco may determine that the benefit to the client of voting a particular proxy outweighs the benefits of securities lending. In those instances, Invesco may determine to recall securities that are on loan prior to the meeting record date, so that it will be entitled to vote those shares. There may be instances where Invesco may be unable to recall shares or may choose not to recall shares. The relevant portfolio manager will make these determinations.

Engagement Policy

Invesco aims to influence the strategy of a company via active engagement with management and at board level. They have a centralised engagement process which aims to leverage Invesco's scale to increase the chance of meaningful engagement. Their established global process aims to ensure that their ESG targeted engagements are a collaboration between their Global ESG research team and the investment teams across the firm who may have interest in the issuer:

- Internal assessment and coordination – their Global ESG team consults with the appropriate investors and reviews the ESG engagement focus list and decides whether to: a) gather feedback on a topic and provide that feedback to an issuer, b) schedule a call if it is deemed to be necessary, or c) engage directly and serve as a liaison.
- Research and follow up – Invesco's Global ESG research team conducts in-depth ESG research in preparation for these meetings and discusses with shareholders across Invesco to ensure that companies are questioned on the key ESG topics. The Global ESG team writes up an Engagement Report for these meetings and this is shared on Bloomberg and ESG intel for all Invesco investors to access.

Fixed Income and Property

The Group Trustees acknowledge that the concept of stewardship may be less applicable with respect to its fixed income and property investments, particularly for short-term money market instruments and gilt investments. The section below details the information that has been gathered on the DC and DB AVC fixed income manager engagement policies.

The DC Section and DB AVCs invested in the following fixed income funds over the Scheme Year;

Manager	Fund Name
BlackRock	▪ Aquila Connect Corporate Bond All Stocks Index ▪ DC Pre Retirement ▪ Sterling Liquidity Fund
Threadneedle	▪ Pensions Property ▪ Pensions Sterling Fund

The BlackRock fixed income funds are managed in line with the firm-wide voting and engagement policies for each manager laid out in the equity section above.

For the Threadneedle Pensions Property Fund, Threadneedle takes an approach to real estate whereby it strives to understand the risks posed within the asset class and focus on mitigating these during the lifecycle of the projects. This can be done through property management, refurbishment and building improvements and strategic asset management. Threadneedle submits annually to the Global ESG Benchmark for Real Estate.

Appendix 1 – DC Section and DB AVCs: Voting statistics over the Scheme Year

The table below shows voting statistics for each of the relevant funds used within the Group over the Scheme Year, where available. This data has been provided by the underlying managers.

At the time of writing, data was not available for any of the Invesco and Threadneedle funds. The information has been requested by the Group Trustees' investment advisors and will be shared in next year's Implementation Statement once received.

We are comfortable that based on the information provided on voting undertaken over the Scheme Year that the Group Trustees' stewardship policy has been appropriately implemented by the Group's investment managers.

BlackRock

Equity

	Aquila 30:70 Currency Hedged Global Equity Index Fund	**Aquila Connect 50:50 Global Equity Index Fund[1]**	**Aquila UK Equity Index Fund**	**Aquila Currency Hedged Overseas Equity Index Fund**
Number of meetings eligible to vote	5,301	3,201	1,211	2,122
Number of resolutions eligible to vote	59,781	40,054	15,742	26,239
% of resolutions voted on for which the fund was eligible	95.19%	94.85%	97.17%	93.35%
% of resolutions voted with management	92.68%	93.78%	94.26%	93.55%
% of resolutions voted against management	7.22%	6.26%	5.84%	6.45%
% of abstention votes	1.51%	1.00%	1.85%	0.45%
% of resolutions on which manager voted contrary to proxy advisor	n/a	n/a	n/a	n/a

1 Information only available for the Aquila Life version of the fund.

	Aquila Global Developed Fundamental Weighted Equity Index Fund	Aquila Global Minimum Volatility Equity Index Fund	Aquila Emerging Markets Equity Index Fund
Number of meetings eligible to vote	658	404	3,632
Number of resolutions eligible to vote	10,315	5,704	32,114
% of resolutions voted on for which the fund was eligible	90.65%	96.41%	98.23%
% of resolutions voted with management	93.96%	96.20%	90.16%
% of resolutions voted against management	6.04%	3.80%	9.84%
% of abstention votes	0.71%	0.47%	2.07%
% of resolutions on which manager voted contrary to proxy advisor	n/a	n/a	n/a

Multi-Asset

	BlackRock Aquila Life Market Advantage Fund[1]
Number of meetings eligible to vote	2,979
Number of resolutions eligible to vote	28,532
% of resolutions voted on for which the fund was eligible	94.27%
% of resolutions voted with management	91.12%
% of resolutions voted against management	8.88%
% of abstention votes	2.39%
% of resolutions on which manager voted contrary to proxy advisor	n/a

1 Information only available for the Aquila Connect version of the fund.

LGIM

Equity

	Ethical Global Equity Index Fund	Ethical UK Equity Fund	Global Equity FW 50:50 Fund
Number of meetings eligible to vote	1,274	336	3,641
Number of resolutions eligible to vote	18,215	5,109	44,680
% of resolutions voted on for which the fund was eligible	99.92%	100.00%	99.97%
% of resolutions voted with management	83.77%	93.76%	83.56%
% of resolutions voted against management	15.95%	6.24%	16.29%
% of abstention votes	0.27%	0.00%	0.15%
% of resolutions on which manager voted contrary to proxy advisor	0.55%	0.90%	0.44%

MFS

Equity

	MFS Meridian Global Equity Fund
Number of meetings eligible to vote	100
Number of resolutions eligible to vote	1466
% of resolutions voted on for which the fund was eligible	100.00%
% of resolutions voted with management	93.59%
% of resolutions voted against management	6.41%
% of abstention votes	1.16%
% of resolutions on which manager voted contrary to proxy advisor	n/a

Schroders

Equity

	Schroders Global Emerging Markets Fund
Number of meetings eligible to vote	-*
Number of resolutions eligible to vote	1,734
% of resolutions voted on for which the fund was eligible	98.10%
% of resolutions voted with management	89.18%
% of resolutions voted against management	7.82%
% of abstention votes	2.29%
% of resolutions on which manager voted contrary to proxy advisor	8.76%

*information not available at the time of writing

Multi Asset

	Schroder Dynamic Multi Asset Fund
Number of meetings eligible to vote	-*
Number of resolutions eligible to vote	10,143
% of resolutions voted on for which the fund was eligible	99.11%
% of resolutions voted with management	90.01%
% of resolutions voted against management	10.88%
% of abstention votes	0.32%
% of resolutions on which manager voted contrary to proxy advisor	n/a

*information not available at the time of writing

Appendix 2 - DC Section and DB AVCs: Examples of significant votes and engagements cast and carried out on behalf of the Group Trustees during the Scheme Year

Below are examples of significant votes and engagements that have been cast and carried out on behalf of the Group Trustees in relation to the DC Section and DB AVC equity and multi-asset managers. The criteria for determining significant votes is as stated in Section A.

At the time of writing, examples were not available for MFS, Invesco and Threadneedle. The information has been requested by the Group Trustees' investment advisors and will be shared in next year's Implementation Statement once received.

LGIM (example in respect of LGIM Ethical Global Equity Index Fund)

In September 2020, LGIM voted against a remuneration policy put forward by an investee company Pearson. Pearson issued a series of profit warnings under its previous CEO. Despite this, shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role.

This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO, but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items and felt forced to accept a less-than-ideal remuneration structure for the new CEO.

LGIM spoke with the chair of the board earlier in the year, on the board's succession plans and progress for the new CEO. They also discussed the shortcomings of the company's current remuneration policy.

LGIM spoke with the chair directly before the EGM and relayed their concerns that the performance conditions were weak and should be re-visited to strengthen the financial underpinning of the new CEO's award. LGIM also asked that the post-exit shareholding requirements were reviewed to be brought into line with expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.

33% of shareholders voted against the co-investments plan and therefore, by default, the appointment of the new CEO. While this resulted in the plan being passed, it highlighted concerns around governance, which LGIM has stated will need to be addressed through continuous engagement going forward.

LGIM have provided an engagement case study where they engaged with the energy company BP. Believing that the shift to a low-carbon economy has profound implications, LGIM and other major shareholders put forward a motion calling on BP to explain how its strategy was consistent with the Paris Agreement on climate change. In May 2019, LGIM worked with the board of BP to secure its support for the motion. At BP's annual general meeting, the proposal was passed with overwhelming approval from shareholders. LGIM have since met BP repeatedly – including its chair and incoming CEO – to advise on implementing the resolution. At the time of this report, the company announced industry-leading targets: net zero emissions from its operations, net zero carbon emissions from the oil and gas it digs out of the ground, and a 50% reduction in the carbon intensity of all the products it sells.

BlackRock (example in respect of BlackRock Aquila Emerging Markets Equity Index)

On 9 December 2020, BlackRock voted against the management proposal and recommendation that shareholders vote to approve an Equity Interests and Assets Transfer Agreement between Yankuang Group Company Limited and Yanzhou Coal Mining Company Limited ("Yanzhou Coal"). In September 2020, Yanzhou Coal proposed to acquire the equity interests held by Yangkuang Group in seven business entities for a total cash consideration of CNY 18.4 billion. The key assets to be acquired include a coal liquefaction project, a supporting coal mine and a coal-fired power plant, as well as other ancillary facilities.

BlackRock duly noted Yanzhou Coal's rationale for making the acquisition, namely to expand its coal chemical business and to extend the industrial chain for profit enhancement. Nevertheless, BlackRock believes it is in their clients' best long-term economic interests to vote against the proposed acquisition due to two primary concerns: 1) The underlying valuation for the terms of the transaction and 2) Management's oversight of potential stranded asset risk.

With respect to the latter, BlackRock are cautious about the potential stranded asset risks at Yanzhou Coal following the asset purchase. The transaction was announced shortly after China pledged to achieve carbon neutrality by 2060 with carbon emissions peaking by 2030. Yet Yanzhou Coal as a state-owned enterprise did not articulate how the acquisition of these coal-related assets aligns with China's stated goals, including the new Nationally Determined Contributions to be updated at the UN Climate Change Conference ("COP 26"). In particular, concerns remain about Yanzhou Coal's decision to acquire a coal-fired power plant as part of this transaction. The coal-fired power sector in China is already facing numerous challenges such as tightened emission standards, overcapacity, as well as declining utilisation hours. The sector is expected to become even more challenged as more provinces anticipate grid parity for renewable energy. Therefore, such an acquisition could well exacerbate the company's stranded asset risks and delay progress to achieve the company's decarbonization targets.

BlackRock have communicated the above concerns with management and requested the company consider reporting on its approach to the energy transition in alignment with the recommendations of the Task Force on Climate related Financial Disclosures ("TCFD"). BlackRock Investment Stewardship team will continue to closely monitor Yanzhou Coal's progress on sustainability reporting and engage to advocate for business practices aligned with long-term value creation.

More detail on the vote rationale can be found at the vote bulletin here:

https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-yanzhou-coal-dec-2020.pdf

Schroders (example in respect of Schroders Dynamic Multi Asset Fund)

An example of Schroders firm-wide engagement and voting over the year would be with Amazon, specifically on their labour standards. Schroders requested increased transparency of the company's workforce structure and employment practices. This is part of an ongoing engagement with Amazon, having done so sixteen times since 2015. Over the recent year, Schroders decided to escalate engagement by voting against the company at the AGM on social issues, namely voting against the lead independent director in May 2020. Schroders had a call with Amazon in March and again in May before the meeting. Whilst some improvements on sustainability issues had been made overall, such as increased transparency and an ambitious climate pledge, the fund did not think their labour and business ethics concerns had been addressed.

At the AGM in May 2020, Schroders supported six calls for increased disclosure on employment issues. These were resolutions, or recommendations, from other shareholders which we voted in favour of. Schroders have explained to Amazon that the vote marks the start of a 12-month window for improvement, and that further escalation will be considered at the 2021 AGM.

A further example of Schroders engagement over the year would be with Schneider Electric, specifically in relation to board structure, remuneration and governance oversight. Schroders carried out fact finding and engaged with Schneider Electric in a meeting with Fred Kindle, the new Lead Independent Director for the first time since his appointment at the 2020 AGM. During this meeting, it was disclosed that more board meetings took place to ensure good management of the unprecedented events of 2020, with 12 taking place in the calendar year versus 7 in the previous 12 months. Board attendance was also good at 97% and information exchange has become more frequent with Fred meeting the chairman each week. Schroders have requested that the CEO and Chair role be kept separate. Schneider Electric will seek to do this in the future, setting out more clarity at their next governance roadshow, but for the moment these roles will continue to be combined due to the external uncertainty in the market right now. Further, a female director is to be recruited by the 2021 AGM to comply with the target 40% ratio.

Further to this, Schroders enquired about executive remuneration in the year given the events surrounding the Covid-19 pandemic. Schneider Electric have invoked their discretion clause around executive remuneration in the year. Schroders will continue to engage on governance issues in future.