Energia Group NI Pension Scheme

Statement regarding DC Governance for the year ended 31 March 2019

This statement has been prepared by the Trustees in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations (Northern Ireland) 1997 (as subsequently amended) (the "Administration Regulations") and supporting guidance issued by the Pensions Regulator. It describes how the Trustees have met the statutory governance standards in relation to:

- The default arrangement for the Options Section,
- The requirements for processing financial transactions,
- Assessment of charges and transaction costs and
- The requirement for trustee knowledge and understanding.

It relates to the period from 1 April 2018 to 31 March 2019, the 2018/2019 Scheme year ("Scheme year").

Default arrangement
Following the introduction of "Freedom and Choice" the Trustees reviewed their existing investment options and in October 2016 implemented three new Lifestyling investment strategies to reflect how members can access their pension savings at retirement. Since October 2016 the strategies available to members are as follows:

(i) the "Flexible Income Lifestyle Option strategy" which targets flexible income drawdown at retirement. This is the Scheme's current default arrangement.

(ii) the "Income for Life Lifestyle Option" which targets an annuity purchase at retirement, and

(iii) the "Lump Sum Lifestyle Option" which may be appropriate for members who wish to take cash at retirement.

If an Options member does not make an explicit choice regarding the investment of their funds, then their funds are invested in the Flexible Income Lifestyle Option strategy. This default is managed as a "lifestyle" strategy, in that it automatically combines investments in proportions that vary according to the time to the member's target Fund Access Date. The objective of this strategy is to provide investment growth by investing in return seeking assets in a Diversified Growth Fund ('DGF') with a medium growth/risk profile, with a gradual switching of assets over the ten years before the member's expected retirement date, towards a final position of 50% in the DGF, 25% in a DC cash fund and 25% in a DC Index linked gilt fund. The Lifestyle option, which is managed by BlackRock, is designed for taking a flexible drawdown from a member's pension account in retirement, and meets the requirements for social, environmental and ethical considerations as set out in Section 8 of the Trustees' Statement of Investment Principles.

The DGF fund is managed actively. By investing in this manner, the Trustees expect to deliver growth over the member's lifetime within the Scheme without excessive risk taking, with a focus in the final ten years on de-risking to dampen volatility as members approach retirement and seek a combination of Cash and ongoing flexible drawdown. The Trustees, having taken advice from their appointed investment advisers, considered this approach to be in the best interests of relevant members and relevant beneficiaries.

Members can select one of the other two Lifestyling strategies if they plan to access their pension fund by purchasing an income for life or if they wish to take cash and in each case the asset switching over the ten year de-risking period is different reflecting that different objective. Communication will be made with Members in advance of the commencement of such de-risking (i.e. more than ten years from the member's target retirement date) to ensure they have an opportunity to select the most appropriate Lifestyling option that best reflects their intentions, prior to the commencement of de-risking.

Default arrangement (continued)
With input from their investment advisers, the Trustees monitor the investment performance of the default arrangement at each of their quarterly Trustee meetings. A formal review of the performance and strategy of the default arrangement last took place during 2016, which culminated in the current default arrangement being introduced during October 2016. A formal review did not take place in the Scheme year. A formal review is due to take place during the latter part of 2019.

Appended to this statement at Appendix 1 is a technical appendix which provides more details of the Funds available to Options section members along with illustrations of the impact of fund charges on member outcomes.

Statement of investment principles (SIP)
The Trustees' 2017 statement of investment principles governed decisions about investments for the purposes of the default arrangement described above. That statement was prepared in accordance with regulation 2A (default investment strategy) of the Occupational Pension Schemes (Investment) Regulations (Northern Ireland) 2005.

The SIP was updated on 30 September 2019 to include policies on financially material considerations, non-financial factors and engagement activities as required by the Pensions Regulator. This is appended to this statement at Appendix 2.

Processing Scheme core financial transactions
The Trustees have a specific duty to secure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to the Options Section are processed promptly and accurately. These transactions are undertaken on the Trustees' behalf by Energia Group NI Holdings Limited and its DC administrator Aegon and investment manager BlackRock. With effect from 1 July 2018, the DC administration transferred from BlackRock to Aegon, following Aegon's acquisition of BlackRock's DC administration business.

The Trustees have reviewed, at quarterly trustee meetings, the processes and controls implemented by those organisations and consider them to be suitably designed to achieve these objectives. The Trustees consider that the requirements for processing core financial transactions specified in the Administration Regulations have been met.

Following Aegon's acquisition of BlackRock's DC administration business, we have paid close attention to service level performance, noting that they have fallen below target during the Scheme year. Aegon attended Trustee meetings to provide an explanation for the degradation in performance and have outlined the remedial actions they have taken to achieve the target performance levels going forward.

Member-borne charges and transaction costs
The Administration Regulations require the Trustees to make an assessment of administration charges and transactions costs borne by Options Section members and the extent to which those charges and costs represent value for members.

Member-borne charges and transaction costs (continued)
The annual management and transaction costs for the default Flexible Income Lifestyle Option is summarised below and are applied depending on the stage at which each member's pension saving is invested within the strategy.

Default Flexible Income Lifestyle Option	Annual Management Charge	Additional Charge	Total Charges and Costs
Diversified Growth Fund	0.55%	0.08%	0.63%
Index-linked Gilt Fund	0.30%	0.01%	0.31%
Cash Fund	0.25%	0.03%	0.28%

During the Scheme year 1 April 2018 to 31 March 2019, the default arrangement attracted a total annual management charge of 0.61% p.a., of assets under management for all members, which reduces as the member enters the ten year life-styling period. This is lower than the maximum allowed of 0.75% p.a.

The Trustees also make available a range of alternative funds which may be chosen by members as an alternative to the default arrangement. These funds attract annual charges of between 0.28% p.a. and 1.12% p.a., and the level of charges for each fund is set out in the Investment Leaflet which can be accessed from a member's online account or is available on request from the Scheme administrator. These funds allow members to take a more tailored approach to managing their own pension investments.

The Trustees believe, having taken and considered investment advice, that the range of funds and associated charges represent reasonable value for members, but, as noted above, the Trustees will continue to monitor charges and investment performance.

The Trustees' investment advisers, on behalf of the Trustees, have sought to obtain a breakdown of the underlying transaction costs over the period covered by this Chair's Statement from all of the investment managers (both in the default and self-select funds). The information received from the investment managers has enabled the Trustees to model the effect of transaction costs on the build-up of accumulated pension funds over time.

Self Selection Funds	Annual Management Charge	Additional Charge	Total Charges and Costs
Global Equity Fund	0.35%	0.01%	0.36%
Corporate Bind Fund	0.35%	0.02%	0.37%
Standard Life GARS Fund	1.10%	0.02%	1.12%
Emerging Market Equity Fund	0.50%	0.06%	0.56%
Cash Fund	0.25%	0.03%	0.28%
Index-linked Gilt Fund	0.30%	0.01%	0.31%
Pre-Retirement Fund	0.30%	0.01%	0.31%
Diversified Growth Fund	0.55%	0.08%	0.63%
Property Fund	1.00%	0.03%	1.03%
UK Equity Fund	0.60%	0.01%	0.61%

Member-borne charges and transaction costs (continued)
For this statement, the Trustees are required to provide an illustration of the compounding effect of costs and charges applied on members' DC pension savings. The effect of costs and charges on member's savings in their Options Member Account will be influenced by a member's investment election, the contributions made, the effects of inflation and the duration a member's savings remain invested in the Scheme. In line with statutory guidance as outlined in v 4.2 of AS TM1: Statutory Money Purchase Illustrations, dated October 2016 the Trustees have provided members with some illustrations. The illustrations are included in this Chair statement on pages 19 to 22 (Appendix 1).

Excerpts of this Statement is available to view here
https://www.energiagroup.com/globalassets/egnips-options-governance-statement.pdf

Value assessment
In accordance with regulation 25(1)(b) of the Administration Regulations, the Trustees assessed the extent to which the member-borne charges and transactions costs set out above represent good value for members. The Trustees' assessment included a review of the performance of the funds and the non-financial benefits to members, i.e. the quality of customer services (including access to the helpline and on-line tools) and communications offered by Aegon. On the basis of their assessment, the Trustees concluded that, overall, the charges and costs borne by Options Section members nevertheless offered good value for members.

Trustees' knowledge and understanding
The Trustees own knowledge and understanding, together with the professional advice which is available to them, enables them to properly exercise their functions as Trustees of the Scheme. Collectively the Trustees have a wealth of expertise and experience which enables them to effectively manage the Scheme with their advisers.

Roy Foreman is the Employer appointed Chair of the Trustees and has been a Trustee since 2011. Roy has held various roles within Energia Group during his 33 years employment with the Group and is Managing Director of a Wholesale Energy Trading business within the Energia Group. Roy has a BSc in Computer Science, an MBA, an MSc in Corporate Leadership and completed the General Management Programme at Harvard Business School.

David Macartney is a Member Appointed Trustee and has been a pension scheme Trustee since 2010. David has held various roles during his 21 years employment with the Group including the Risk Manager in a Wholesale Energy Trading business and he is currently the Group's Corporate Development Manager. David has a BEng in Electrical and Electronic Engineering and an MBA. David is a Chartered Engineer and is a Member of the Institution of Engineering and Technology.

Brendan McKenna is a Member Appointed Trustee and has been a Trustee since 2011. Brendan was previously employed by the Group for 38 years until his retirement in 2015 and he is now a pensioner member of the Scheme. Brendan is a qualified Accountant and is a member of CIMA.

Trustees' knowledge and understanding (continued)

The Trustees discuss with their advisers and the Scheme Actuary their training needs and knowledge gaps when updating the Trustees' business plan. During the Scheme year, the Trustees met the requirements of Articles 224 and 226 of the Pensions (Northern Ireland) Order 2005 (requirements for knowledge and understanding) and addressed identified knowledge gaps in relation to the detail of Integrated Risk Management and DC disclosure requirements by attending compulsory Trustee training built into their quarterly trustee meetings, reading the various bulletins, briefing notes and updates circulated via e-mail to them periodically by the Trustees' advisers.

The training topics covered during the Scheme year included:

- upcoming changes to auto-enrolment contribution rates and thresholds for Option members from 6 April 2019;
- DWP new disclosure requirements (including in relation to costs and charges) applying to the Scheme from 6 April 2018 in respect of DC benefits;
- IRM training session;
- TPO published guidance (Sept 2018) on redress for non-financial injustice awards;
- refresher training on the Scheme's DC investment funds and lifestyle strategies, including the highlighting of areas that the Trustees could consider prioritising for their detailed formal review;
- training session on 'strengthening trustees' investment duties' and upcoming statutory changes to the content of the statement of investment principles (SIP);
- proposed reform of the Pensions Regulator's powers;
- quarterly case law updates on cases on a range of topics: GMP equalisation, overpayments of benefits, age discrimination, RPI/CPI and transfers out;
- setting actuarial assumptions.

The Trustees have responsibility for keeping themselves up-to-date with relevant developments on a rolling basis and carry out a self-assessment of their training needs. A Training Log is maintained by the Scheme Secretary.

In addition, the Trustees receive advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors.

All Scheme documents are available to the Trustees via a dedicated Trustee online depository. During the Scheme year the Trustees refreshed their detailed knowledge of the Rules when considering and agreeing the drafting of a number of changes to them. The Trustees also spent time considering the changes made to the Rules since they were last consolidated in August 2013. A new draft consolidated rules was prepared for consideration at the Trustee meeting on 21 March 2019.

DC Scheme governance
As Trustees of the Scheme we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in The Pensions Regulator's:

- Code of Practice 13: Governance and administration of occupational defined contribution trust-based Schemes; and

- Regulatory guidance for defined contribution Schemes.

We completed a review to ensure the Options Section complies with GDPR requirements that became effective from 25 May 2018. A Scheme Privacy Notice and a Data Protection Policy were provided to all scheme members and are available on request.

Based on our assessment we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance. These help demonstrate the presence a quality Scheme, which we believe will help deliver better outcomes for members at retirement.

Signed on behalf of the Energia Group NI Pension Scheme Trustees

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Roy Foreman
Chair of the Trustees

Date: 31 October 2019.

Technical Appendix 1

Cost and charge illustration as at 31 March 2019

Illustration assumptions

1. The tables illustrate the potential impact fund costs may have on the projected value of monies invested in an average member's pension plan over various time periods.
2. These are not projections of your own pension plan. Please refer to your annual account statement for an estimate of your pension.
3. All the figures illustrated here are only examples and are not guaranteed – they are not minimum or maximum amounts.
4. All figures are calculated as at the end of March 2019.
5. You could get back more or less than this and you may also get back less than the amount that you have invested.
6. Investment return in real terms: is the effective annual growth rate of the fund after adjusting for the inflation rate.
7. The starting pot size is assumed to be £50,000
8. Contributions are £0.
9. Inflation is assumed to be 2.5% each year.

Technical Appendix 1 (continued)

Cost and charge illustration as at 31 March 2019

Fund	Assumed Investment Returns	Assumed Inflation	Real Return Before Charges	Fund Management Charge	Additional Expenses	Effective Total Annual Charge	Net (Real) return
AGN BLK 50/50 Glob Eq Idx (BLK)	6.25%	2.50%	**3.66%**	0.35%	0.01%	0.36%	**3.31%**
AGN BLK Over 15 Yr Corp Bnd (BLK)	1.50%	2.50%	**-0.98%**	0.35%	0.02%	0.37%	**-1.34%**
AGN Standard Life GARS (BLK)	4.00%	2.50%	**1.46%**	1.10%	0.02%	1.12%	**0.37%**
AGN BLK Emerging Mkts Eq Idx (BLK)	6.75%	2.50%	**4.15%**	0.50%	0.06%	0.56%	**3.60%**
AGN BLK Cash (BLK)	0.50%	2.50%	**-1.95%**	0.25%	0.03%	0.28%	**-2.22%**
AGN BLK Index Linked Gilt (BLK)	0.50%	2.50%	**-1.95%**	0.30%	0.01%	0.31%	**-2.25%**
AGN BLK Pre-Retirement (BLK)	0.75%	2.50%	**-1.71%**	0.30%	0.01%	0.31%	**-2.01%**
AGN BLK Diversified Growth (BLK)	4.00%	2.50%	**1.46%**	0.55%	0.08%	0.63%	**0.85%**
AGN BLK Property (BLK)	3.75%	2.50%	**1.22%**	1.00%	0.03%	1.03%	**0.21%**
AGN BLK UK Equity Optimum (BLK)	6.00%	2.50%	**3.41%**	0.60%	0.01%	0.61%	**2.82%**

Technical Appendix 1 (continued)

Cost and charge illustration as at 31 March 2019

Fund value at end of year £ (in real terms / after inflation	AGN BLK 50/50 Glob Eq Idx (BLK)		AGN BLK Over 15 Yr Corp Bnd (BLK)		AGN Standard Life GARS (BLK)		AGN BLK Emerging Mkts Eq Idx (BLK)		AGN BLK Cash (BLK)	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	51,829	51,654	49,512	49,332	50,732	50,185	52,073	51,800	49,024	48,888
3	55,691	55,127	48,551	48,022	52,227	50,558	56,481	55,597	47,130	46,737
5	59,841	58,834	47,608	46,747	53,767	50,934	61,262	59,672	45,309	44,681
10	71,618	69,228	45,331	43,705	57,818	51,885	75,060	71,214	41,057	39,928
15	85,713	81,458	43,162	40,861	62,174	52,854	91,967	84,990	37,205	35,680
20	102,582	95,850	41,097	38,203	66,859	53,841	112,681	101,430	33,714	31,885
25	122,771	112,784	39,131	35,717	71,896	54,846	138,061	121,050	30,551	28,493
30	146,934	132,710	37,259	33,393	77,313	55,871	169,157	144,465	27,684	25,462
35	175,852	156,156	35,477	31,220	83,138	56,914	207,258	172,410	25,087	22,753

Technical Appendix 1 (continued)

Cost and charge illustration as at 31 March 2019

Fund value at end of year £ (in real terms / after inflation	AGN BLK Index Linked Gilt (BLK)		AGN BLK Pre-Retirement (BLK)		AGN BLK Diversified Growth (BLK)		AGN BLK Property (BLK)		AGN BLK UK Equity Optimum (BLK)	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	49,024	48,873	49,146	48,995	50,732	50,424	50,610	50,107	51,707	51,410
3	47,130	46,695	47,482	47,046	52,227	51,284	51,852	50,323	55,299	54,350
5	45,309	44,614	45,875	45,174	53,767	52,158	53,124	50,539	59,140	57,458
10	41,057	39,808	42,090	40,813	57,818	54,410	56,443	51,084	69,950	66,028
15	37,205	35,520	38,618	36,873	62,174	56,758	59,970	51,634	82,737	75,876
20	33,714	31,694	35,432	33,314	66,859	59,208	63,717	52,191	97,861	87,193
25	30,551	28,280	32,509	30,098	71,896	61,764	67,698	52,753	115,750	100,198
30	27,684	25,234	29,827	27,193	77,313	64,430	71,928	53,322	136,908	115,143
35	25,087	22,516	27,366	24,568	83,138	67,211	76,422	53,896	161,935	132,316

Appendix 2 - Statement of investment principles - September 2019

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustees of the Energia Group NI Pension Scheme on various matters governing decisions about the investments of the Energia Group NI Pension Scheme (the "Scheme"). It replaces the Trustees' previous Statement of Investment Principles dated March 2017.

This SIP constitutes the Statement of Investment Principles required under Article 35 of the Pensions (Northern Ireland) Order 1995 (the "Order"), the Occupational Pension Schemes (Investment) Regulations (Northern Ireland) 2005 (as amended), the Pension Regulator's guidance for defined benefit pension schemes (March 2017) and the Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015.

This SIP has been prepared after obtaining and considering written professional advice from Lane Clark & Peacock LLP, the Trustees' appointed investment advisers. The Trustees reasonably believe that their investment advisers are suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification, given the circumstances of the Scheme, and the principles contained in this SIP.

Before finalising this SIP, the Trustees consulted with Energia Group NI Holdings Limited (the "Company"), as the Principal Employer of the Scheme acting on behalf of all the participating employers in the Scheme.

The Trustees will keep this Statement under regular review, and will formally review it at least once every three years. It will be amended or replaced, as appropriate, to reflect any future changes in the Trustees' investment policy. In particular, the Trustees regularly review both the default strategy for the investment of Options Member Accounts and the performance of the default arrangement. The Trustees will also review, without delay, those parts of this SIP which relate to the default strategy and default arrangement if there is a significant change in the demographic profile of Options members invested in the default arrangement.

Appendix 1 contains a description of the basis of remuneration of the investment adviser and the investment managers.

2. Scheme structure

The Scheme has two different benefit structures, known as "sections":

- The Focus Section that provides final salary benefits; and
- The Options Section that provides money purchase benefits.

The Focus Section provides benefits on a final salary (or defined benefit) basis. Members pay contributions towards their pension benefits, with the employer paying contributions to meet the balance of cost. The Trustees invest Focus Section assets in order to provide final salary benefits for members on their retirement (or earlier date of taking benefits). Each member's benefits at retirement (or earlier date of taking benefits) are calculated based on final salary and length of service whilst a member of the Focus Section.

Appendix 2 - Statement of investment principles - September 2019 (continued)

The Options Section provides benefits on a money purchase (or defined contribution) basis. In respect of each member the employer and members pay contributions at an agreed rate into an Options Member account. This account is invested to provide benefits for the member at retirement (or earlier date of taking benefits). The member's benefits depend on the amount of contributions, investment strategy and returns achieved on contributions over the period to the date the Options Member account is accessed (the "Fund Access Date"). To the extent that benefits are taken by a member as an income for life (an annuity) rather than as a single cash lump sum or series of cash lump sums, the amount of the pension will depend on the annuity rates at the Fund Access Date.

3. Investment objectives

The Trustees' primary objectives for the Focus (DB) Section are that:

- The Focus Section should be invested in appropriate assets in a prudent manner in order to be able to meet benefit payments as they fall due; and
- The funding position of the Focus Section should remain at an appropriate level consistent with the long-term funding assumptions.

The Trustees' primary objectives for the Options (DC) Section are:

- to provide members with a diversified range of investment options from which to choose which will generate capital growth and improve the likelihood of members meeting their own retirement objectives.;
- to offer members a number of lifestyle strategies, to enable members to target their preferred retirement income strategy from (1) income drawdown, (2) a single lump sum at retirement or (3) annuity purchase.
- to have a simple, transparent and appropriate charging structure where the annual management charges reflect the individual asset class; and
- for the chosen provider to provide suitable administration and communication services for members.

4. Investment strategy

The Trustees, having considered advice from their investment advisers and in consultation with the Company, reviewed the investment strategy for the Focus and Options Sections concluding in September 2016 taking into account the objectives described in Section 3 above.

4.1. Focus Section (DB) investment strategy

The result of the investment review was that the Trustees agreed that the investment strategy for the Focus Section should be based on the allocation below.

Asset class	Strategic allocation	Tolerance range for considering rebalancing
UK equities	9.0%	8.1% - 9.9%
Global developed market equities – 95% currency hedged	7.1%	6.4% - 7.8%
Global developed market equities – Nil currency hedged	6.4%	5.8% - 7.0%
Emerging markets equities	4.5%	4.0% - 5.0%
Diversified growth fund	18.0%	16.2% - 19.8%
On-risk assets	**45.0%**	

Appendix 2 - Statement of investment principles - September 2019 (continued)

Absolute return bonds	27.5%	24.8% - 30.3%
Long dated index-linked gilts – Over 5 Years	3.3%	3.0% - 3.6%
Long dated index-linked gilts – Over 25 Years	12.2%	11.0% - 13.4%
Liability driven investments	12.0%	9.5% - 14.5%
Off-risk assets	**55.0%**	
Total	**100.0%**	

The Trustees are aware that the actual strategic allocation of assets in the Focus Section may differ from the strategic benchmark allocation range due to market movements and valuations at any given time.

There is no automatic rebalancing policy currently in place with BlackRock. However, the Trustees monitor the asset allocation on a quarterly basis, with the help of their investment advisers. If material deviations from the strategic allocation occur taking the allocation outside the tolerance ranges detailed above, the Trustees will consider, on advice from their investment advisers, rebalancing the assets, taking into account factors such as market conditions and anticipated future cash flows.

The Trustees have considered the membership and liability profile of the Focus Section and are aware that, as it is closed to new members, the Focus Section is becoming increasingly mature.

4.2. Options Section (DC) investment strategy

For the Options Section, the Trustees have made available a range of passively and actively managed self-select funds and three lifestyle strategies. Each member is responsible for specifying one of the lifestyle strategies or self-selecting from the range of funds for the investment of their Options Member Account, having regard to their attitude to the risks involved.

If a member does not choose where to invest his or her monies, their Options Member Account is invested in the default lifestyle option, the "Flexible Income Lifestyle Option lifestyle strategy". This default is managed as a "lifestyle" strategy (i.e. it automatically combines investments in proportions that vary according to the time to the member's target Fund Access Date).

The default option is designed to target income drawdown at retirement, since the Trustees consider that a reasonable proportion of members will wish to take their benefits in this form. Under the lifestyle strategy, in the initial growth phase the default option is invested to target a return significantly above inflation, and then in the 10 years before the member's targeted Fund Access Date, it switches gradually into less risky assets, with the asset allocation at the Fund Access Date being designed to be appropriate for members taking drawdown.

To help manage the volatility that members' assets experience in the growth phase of the default strategy, the Trustees have selected a "diversified growth" to invest in over the growth phase, which over the long term is expected to generate equity-like returns but with lower volatility than equities.

The Trustees will monitor the relevant members' behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

Appendix 2 - Statement of investment principles - September 2019 (continued)

5. Considerations made in determining the investment arrangements

When deciding how to invest the Scheme's assets, the Trustees consider a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustees have sought to allow for the relative importance and magnitude of each risk.

The Trustees considered a wide range of asset classes for investment, and the expected returns and risks associated with those asset classes. The key financial assumption made by the Trustees in determining the investment arrangements is that equity-type investments will, over the long term, outperform gilts by 4.5% pa.

In setting the strategy for the Focus Section the Trustees also considered:

- the circumstances of the Scheme, including the profile of the benefit cash flows, the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies; and the need for appropriate diversification between different asset classes;
- the other key assumptions for expected returns above gilts are as follows:
  - Diversified growth funds: 3.5% pa
  - Absolute return bonds: 1.8% pa
- financially material environmental, social and governance considerations given the time horizon that the Trustees consider is needed for the funding of future benefits by the investments of the Scheme; and
- the Trustees' investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes.

In determining the investment arrangements for the Options Section the Trustees also took into account:

- the profile of the membership and what this was likely to mean for the choices members might make upon reaching retirement;
- the risks and rewards of a number of different lifestyle strategies;
- the need for appropriate diversification within the default strategy and between the other investment options offered to members;
- financially material environmental, social and governance considerations given the periods until members' retirement, or any other timeframe which the Trustees believe to be appropriate; and
- the Trustees' investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

The Trustees' key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;

Appendix 2 - Statement of investment principles - September 2019 (continued)

- long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

6. Implementation of the investment arrangements

Before investing in any manner, the Trustees obtain and consider proper written advice from their investment advisers on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments. The Trustees' investment advisers, Lane Clark & Peacock LLP, are authorised to give such investment advice in accordance with the Financial Services & Markets Act 2000 ("FSMA").

Details of the investment manager, BlackRock Advisors (UK) Limited ("BlackRock") are set out in Appendix 3.

In respect of the Options Section, the Trustees have entered into a contract with a platform provider that makes available the range of investment options to members. There is no direct relationship between the Scheme and the underlying investment managers of the Options Section investment funds.

The Trustees have signed agreements with the investment manager for the Focus Section, and with the platform provider in respect of the Options Section setting out in detail the terms on which the portfolios are managed. The investment manager's primary role is the day-to-day investment management of the Scheme's investments. The investment manager is authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The Trustees and investment managers to whom discretion has been delegated exercise their powers to giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

7. Realisation of investments

The investment manager has discretion over the timing of realisation of investments of the Scheme within the portfolios, and in considerations relating to the liquidity of investments.

For the Focus Section, when appropriate, the Trustees, on the administrators' recommendation, decide on the amount of cash required for benefit payments and other outgoings and inform the investment manager of any liquidity requirements. In general, the Trustees' policy is to use cash flows to rebalance the Scheme's assets towards the strategic asset allocation, having regard to the tolerance ranges detailed in Section 4.1 above.

For the Options Section, the Trustees' policy is to make available funds that offer daily dealing to enable members to readily realise and change their investments.

Appendix 2 - Statement of investment principles - September 2019 (continued)

8. Consideration of financially material matters

The Trustees have considered how environmental, social, governance ("ESG") factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

8.1 Focus (DB) Section

The Trustees have currently delegated responsibility for the selection, retention and realisation of investments within all investment funds to BlackRock (within certain guidelines and restrictions).

The Trustees believe that ESG factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors and long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions.

The Trustees are primarily invested in pooled funds in which they have limited influence over the managers' investment practices, particularly in relation to those pooled funds which are designed to track an index (passive funds) where the choice of index dictates the assets held by the manager. The Trustees accept that the role of the passive manager is to deliver returns in line with the index and this approach is in line with the basis on which their current strategy has been set. However, the Trustees will periodically review the indices employed for this purpose to ensure that the investment strategy, including ESG considerations, is being met.

In relation to funds where the manager is permitted to make active decisions about the selection, retention and realisation of investments, the Trustees anticipate that the managers will consider all financially material factors, including ESG-related issues where permissible within applicable guidelines and restrictions. This will continue to be monitored through reports from BlackRock and the Trustees' other investment advisers.

8.2 Options (DC) Section

The Trustees have currently delegated responsibility for the selection, retention and realisation of investments within all investment funds to BlackRock (within certain guidelines and restrictions).

The Trustees believe that ESG factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors and long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions.

The Trustees have primarily invested the default option in pooled funds in which they have limited influence over the managers' investment practices, particularly in relation to those pooled funds which are designed to track an index (passive funds) where the choice of index dictates the assets held by the manager. The Trustees accept that the role of the passive manager is to deliver returns in line with the index and this approach is in line with the basis on which their current strategy has been set. However, the Trustees will periodically review the indices employed for this purpose to ensure that the investment strategy, including ESG considerations, is being met.

In relation to funds where the manager is permitted to make active decisions about the selection, retention and realisation of investments, the Trustees anticipate that the managers will consider all financially material factors, including ESG-related issues where permissible within applicable guidelines and restrictions. This will continue to be monitored through reports from BlackRock and the Trustees' other investment advisers.

Appendix 2 - Statement of investment principles - September 2019 (continued)

9. Consideration of non-financial matters

Across both the Focus Section and the Options Section, the Trustees do not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

10. Stewardship

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. They monitor the investment managers' exercise of ownership rights and engagement through the reports provided to them, but the Trustees have limited influence over the investment managers' stewardship practices, particularly where assets are held in pooled funds.

Signed: ______________________ **Dated:** **30 September 2019**

Roy Foreman, Chair of the Trustees.
For and on behalf of the Trustees of the Energia Group NI Pension Scheme

Appendix 2 - Statement of investment principles - September 2019 (continued)

Appendix 1 – Fees

1. Fee structures

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

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

The investment managers and platform provider receive 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 are considered by the Trustees (in consultation with their investment advisers) to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustees' view as to the most appropriate arrangements for the Scheme. However, the Trustees will consider revising any given structure if and when it is considered appropriate to do so.

2. Performance assessment

The Trustees are satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustees believe that they have sufficient expertise and appropriate training to carry out their role effectively.

It is the Trustees' policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. The Trustees will also carry out periodically an assessment of their own effectiveness as a decision-making body and will decide how this may then be reported to members.

Appendix 2 - Statement of investment principles - September 2019 (continued)

Appendix 2 – Policy towards risk, risk measurement and risk management

The Trustees consider that there are a number of different types of investment risk that are important for the Scheme. These include, but are not limited to:

1. Risk of inadequate returns

For the Focus Section, there is a risk of failing to meet the objective set out in Section 2. There is also a risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustees on a regular basis.

In the Options Section, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, diversified growth funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategies. To reduce the chance of a sharp deterioration in members' benefits close to their target Fund Access Date, the Trustees have made the default option a "lifestyle" strategy.

2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's assets. The Trustees believe that the Focus Section's assets and the Options Section's default strategy are adequately diversified between different asset classes and within each asset class. Further, the Trustees believe that they have made available a suitably diversified range of self-select investment funds for Options Section members to choose from. This was a key consideration when determining the Scheme's investment arrangements and is monitored by the Trustees on a regular basis.

3. 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 advice from a suitably qualified individual, and will typically undertake an investment manager selection exercise. The Trustees monitor the investment manager on a regular basis to ensure it remains appropriate for their selected mandates.

4. Liquidity/marketability risk

For the Focus Section, this is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due. The Trustees are aware of the Scheme's cash flow requirements and believes that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments.

For the Options Section, this is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustees manage this risk by only using pooled funds with daily dealing within the default strategy and adopting a default investment strategy which is invested across different types of investment.

Appendix 2 - Statement of investment principles - September 2019 (continued)

Appendix 2 – Policy towards risk, risk measurement and risk management

5. Risk from excessive charges

Within the Options Section, if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustees are comfortable that the charges applicable to the Scheme are in line with market practice and assess regularly whether these represent value for members.

6. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Scheme is subject to credit risk because it invests in bonds via pooled funds. The Trustees manage exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers, and invest mostly in bonds that are classified as "investment grade".

Indirect exposure to credit risk also arises from the Scheme's investments in diversified growth funds, LDI funds and absolute return bond funds.

7. Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. The Trustees consider the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustees manage the amount of currency risk by investing in some pooled funds that hedge currency exposure.

8. Interest rate and inflation risk

The Focus Section's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in bonds and swaps, via pooled funds. However, the interest rate and inflation exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and so the Trustees believe that it is appropriate to have exposures to these risks in this manner.

9. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments, some of which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustees consider and engage with ESG risks as set out above.

Appendix 2 - Statement of investment principles - September 2019 (continued)

Appendix 2 – Policy towards risk, risk measurement and risk management

10. Other non-investment risks

The Trustees recognise that there are other, non-investment, risks faced by the Scheme, and takes these into consideration as far as practical in setting the Scheme's investment arrangements as part of their assessment of the other aspects of the Scheme's Integrated Risk Management framework.

Examples for the Focus Section include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. The Trustees regularly review progress towards the Scheme'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 the key risks that contribute to funding risk, the Trustees believe that they have appropriately addressed and are positioned to manage this general risk.

Appendix 2 - Statement of investment principles - September 2019 (continued)

Appendix 3 – Investment Manager arrangements

Details of the investment manager, its objectives, and custody arrangements are set out below.

The Focus Section

1. BlackRock

The Scheme invests with BlackRock through a range of pooled funds. These are outlined in the table below:

Asset class	Fund	Objective	Investment Style
On-risk assets			
UK equities	Aquila Life UK Equity Index Fund	Track the FTSE All Share Index with tracking error 0.2%	Passive
Global developed market equities	Aquila Life Currency Hedged Overseas Equity Index Fund	Track composite[1] global index with tracking error of 0.6% with 95% of the currency risk hedged	Passive
	Aquila Life World ex UK Equity Index Fund	Track the FTSE All World Developed ex UK Index with tracking error 0.4%	Passive
Emerging markets equities	BlackRock Emerging Markets Index Sub Fund	MSCI Emerging Markets Index	Passive
Diversified growth fund	BlackRock Market Advantage Strategy Fund (Sterling)	Deliver returns in line with long-run equity returns and approximately two-thirds of equity risk	Active
Off-risk assets			
Absolute return bonds	BlackRock Absolute Return Bond Fund	3 month Sterling LIBOR +3 - 5% before fees, on a rolling 12 month basis	Active
Long dated index-linked gilts	Aquila Life Over 5 Years UK Index-Linked Gilt index fund	Track the FTSE UK Gilts Index-Linked Over 5 Years Index with tracking error of 0.2%	Passive
	Aquila Life Over 25 Years UK Index-Linked Gilt index fund	Track the FTSE UK Gilts Index-Linked Over 25 Years Index with tracking error of 0.2%	Passive
Liability driven investments	BlackRock Liability Matching Fund range	Funds seek to provide protection against adverse movements in long-term interest rates or inflation expectations	Passive

[1] 33.3% FTSE USA Index, 33.3% FTSE All-World Developed Europe ex UK Index, 16.7% FTSE All-World Developed Asia Pacific ex Japan Index and 16.7% FTSE Japan Index

Appendix 2 - Statement of investment principles - September 2019 (continued)

Appendix 3 – Investment Manager arrangements

Bank of New York Mellon is responsible for custody of the Scheme assets under a custody agreement with the Trustees.

2. Additional Voluntary Contributions

The Trustees provide a facility for members of the Focus Section to pay AVCs into the Scheme to enhance their benefits at retirement. In addition, the Trustees make arrangements for the investment of any credits held for members of the Focus Section in their Bonus Accounts. The Trustees have full discretion as to the appropriate vehicles made available for members' AVCs and Bonus Accounts.

The Trustees have decided to offer Focus Section members the same investment options for their AVCs and Bonus Accounts, as they make available to members of the Option Section for their DC contributions.

The Options Section

The Trustees make available a range of passively and actively managed self-select funds and three lifestyle strategies. The default option is the Flexible Income Lifestyle Option lifestyle strategy. Details of the options are set out below. Members are provided with clear information on the investment options and their characteristics to make an informed choice.

The fund options are provided to members via bundled platform arrangement with Aegon. The funds are priced daily. The funds are open-ended and are unlisted.

1. Lifestyle strategies

The Trustees have made available three lifestyle options for members. All maintain the same "growth phase" and have a 10 year de-risking period before the member's target Fund Access Date. The default option may be appropriate for members targeting drawdown, the 'Income for Life Lifestyle Option' may be appropriate for members looking to target annuity purchase and the 'Lump Sum Lifestyle Option' may be appropriate for members looking to take their Options Account as a single cash lump sum on their Fund Access Date.

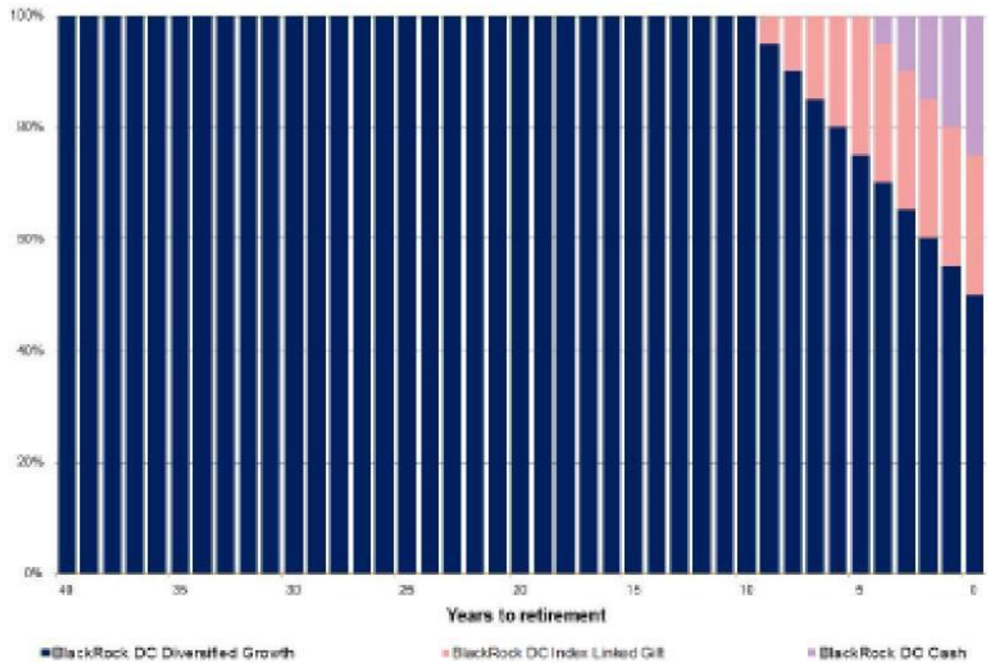
2. The default strategy

For members that do not make an active choice regarding their investments, the Trustees have set the default option to be the Flexible Income Lifestyle Option strategy. The default follows a pre-agreed investment strategy and provides an automated investment switching facility which will move members' funds from higher risk/return investments into lower risk/return investments as their target Fund Access Date approaches.

The chart below illustrates the default investment strategy, which may be appropriate for members looking to target drawdown at retirement:

Appendix 2 - Statement of investment principles - September 2019 (continued)

Appendix 3 – Investment Manager arrangements



3. Self-select fund options

The Trustees make available the following funds:

Fund type	Fund
Equity	Aegon BlackRock UK Equity Optimum Aegon BlackRock (50:50) Global Equity Index Aegon BlackRock Emerging Markets Equity Index
Bonds	Aegon BlackRock Index-Linked Gilt Aegon BlackRock Pre-Retirement Aegon BlackRock Over 15 Year Corporate Bond Index
Cash	Aegon BlackRock Cash
Diversified growth	Aegon BlackRock Diversified Growth Aegon Standard Life GARS
Property	Aegon BlackRock Property