Chair's Statement

Annual Chair's Statement for the npower Group of the Electricity Supply Pension Scheme

The npower Group (the "Group") of the Electricity Supply Pension Scheme ("ESPS"), formerly known as the innogy Group of the ESPS, is established within a trust and is governed by a trust deed and rules that set out the way in which the Group operates. The Group is managed by the Group Trustees, whose role is to ensure that the Group is operated both in accordance with the trust deed and rules and in compliance with current legislation and regulations.

The Group Trustees believe that good governance is key to delivering better outcomes for Group members. The Group Trustees regularly review and update their governance processes and procedures to make sure that these continue to meet industry best practice.

From 6 April 2015, the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (the "Regulations") introduced minimum governance standards that apply to all trust-based Defined Contribution ("DC") schemes, including DC schemes with Additional Voluntary Contribution ("AVC") arrangements where the AVCs are not the only money purchase benefits.

The Regulations include ensuring that schemes:

- meet the required governance standards,
- explain how they have done so in an annual statement (i.e. this "Chair's Statement") which must be included with the Group Trustees' Report and Financial Statements,
- have an appointed Chair who signs the annual statement, and
- are compliant with the charge controls for this type of arrangement.

Transfer of members and assets

This Chair's Statement covers the period from **1 April 2023 to 31 March 2024** (the "Scheme Year") for the Group's DC arrangements and the defined benefit ("DB") money purchase AVC ("MPAVC") arrangements held in the Group.

During the Scheme Year, the Group's DC and DC AVC arrangements were transferred to the Aviva Master Trust. The transfer took place during June 2023. Consequently, at the end of the Scheme Year, the Group had no DC members or investments (only the legacy DB AVC assets held with Scottish Widows, Clerical Medical and Prudential remained within the Group). The legacy DB AVC assets held with Scottish Widows, Clerical Medical and Prudential were transferred as part of a bulk transfer to the E.ON UK Group of the ESPS ("the E.ON UK Group") with effect from 31 March 2024, with the physical transfer of those assets following the end of the Scheme year, in June and July 2024.

Therefore, in relation to the Group's DC and DC AVC arrangements this Chair's Statement refers to the position only up to when these funds were transferred to the Aviva Master Trust on 13 June 2023. In relation to the Group's DB money purchase AVC arrangements, this Chair's Statement refers to the position up to 31 March 2024.

Specifically, this Chair's Statement addresses governance and charge disclosures, as they apply to the following:

1. The Group's Lifestyle investment strategies
2. Processing of core financial transactions
3. Member-borne charges and transaction costs
4. Investment returns net of costs and charges
5. The Group Trustees' assessment of how the charges and transaction costs represent good value for members.
6. The Group Trustees' knowledge and understanding.

Summary of DC Section assets and membership prior to the transfer of members and assets to the Aviva Master Trust

Prior to the transfer to the Aviva Master Trust, the DC arrangement (including all DC members and the majority of DB members with AVCs) was administered by Scottish Widows. However, a small number of DB members continued to hold AVCs with Prudential and Clerical Medical – collectively, the "closed arrangements". Where differences exist between the DC arrangement and the closed arrangements, these are highlighted in this Statement.

Immediately prior to transfer to the Aviva Master Trust, the DC Section had 1,341 DC members, with total assets under management of £51.8m.

At the end of the Scheme Year, the Group had no DC members or investments (only the legacy DB AVC assets held with Scottish Widows, Clerical Medical and Prudential remained within the Group). The legacy DB AVC assets held with Scottish Widows, Clerical Medical and Prudential were transferred to the E.ON UK Group of the ESPS ("the E.ON UK Group") with effect from 31 March 2024, with the physical transfer following the end of the Scheme year in June and July 2024.

Overall, the Group Trustees are confident that the requirements of the Regulations, as they apply, have been met and, in certain areas, are being exceeded, in the interests of members of the Group.

Approved and signed for and on behalf of the Group Trustees of the npower Group of the Electricity Supply Pension Scheme.

John Harding

Chair of the Group Trustees

Jul 16, 2024

Date of signing

The following sections of the Chair's Statement cover in detail each of the six areas listed on page 1.

1. Lifestyle Investment Strategies and Default Arrangement

The Group is not used for auto-enrolment and all members have actively chosen to join the Group. In addition, the trust deed and rules prohibit the Group Trustees from nominating a default investment option for members' retirement savings. Therefore, all members have made their own investment decisions, including whether to invest in any of the lifestyle strategies.

The Group offered three lifestyle strategies to members:

- The npower Lifestyle Strategy
- The npower Pre-2015 DC Lifestyle Strategy
- The npower Pre-2015 DB AVC Lifestyle Strategy

The two Pre-2015 lifestyle strategies, which pre-date pensions freedom and choice introduced from April 2015, were carried over when the Group was split out of the former RWE npower Group of the ESPS (the "old Group") in 2016. The Group Trustees are constrained by the trust deed and rules from moving members' savings into different funds or strategies without their consent. As a result, many members have remained invested in the Pre-2015 lifestyle strategies.

As at 6 April 2015, when the Regulations came into force, more than 80% of members in the DC Section of the old Group had actively chosen to invest in the npower Pre-2015 DC Lifestyle Strategy. Therefore, this strategy was deemed to be the Group's "default arrangement" as defined in the Regulations and was monitored accordingly.

The most popular option for new joiners to the Group since then has been the npower Lifestyle Strategy. The npower Lifestyle Strategy is not a default arrangement under the Regulations but details of it are included in this Chair's Statement for completeness.

The npower Lifestyle Strategy

The npower Lifestyle Strategy was designed to address the different ways in which members may choose to take their benefits in the future (aligned with the pensions freedom and choice introduced from April 2015) while striking an appropriate balance of risk and reward depending on members' time to retirement. The npower Lifestyle Strategy comprised two phases: a growth phase and a pre-retirement phase.

In each phase, the npower Lifestyle Strategy invested in a number of underlying funds. The allocation of members' savings to each fund varied depending on time to the members' Selected Retirement Age ("SRA") and the choice of retirement options:

- During the growth phase – the period in which members were looking to build up the value of their retirement savings – the npower Lifestyle Strategy invested in a diversified mix of growth assets such as equities with the aim of long-term capital growth. In this phase, it was assumed that members have a greater capacity for risk as there is more time to recover from swings in the value of their savings that may be caused by short-term market volatility.
- In the 15 years prior to a member's SRA, the npower Lifestyle Strategy gradually switched to assets with lower investment risk to protect the member's accumulated retirement savings against the effect of potential falls in the value of assets held.
- During the pre-retirement phase – the final five years prior to a member's SRA – the npower Lifestyle Strategy aligned the underlying investments with how members plan to use their pension savings at their SRA. The three retirement options offered (Pearl, Jade, Opal) target

benefits payable in different forms (cash, annuity or drawdown) and the investment strategy differs for each form of benefit.

Default arrangement – The npower Pre-2015 DC Lifestyle Strategy

The Group Trustees' Statement of Investment Principles (SIP), which is appended to this Statement, sets out the objective of the npower Pre-2015 DC Lifestyle Strategy as follows:

- During the 'growth phase' – the period in which members are looking to build up their pension savings – the strategy aims to beat the potentially adverse impact of inflation on the value of the pension savings by investing in a diversified mix of growth assets such as equities.
- As members move towards their SRA and get closer to retirement – the 'pre-retirement phase' – the strategy gradually switches to lower investment risk assets with the aim of providing some protection for their accumulated savings against the effect of falls in the stock market.
- It does this by automatically switching the pension savings from higher risk, more volatile funds such as equity funds, which provide potential for high growth, into lower risk alternatives to help protect the value of members' DC accounts as they approach their SRA.

Default arrangement asset allocation

The Group Trustees are required to disclose their full asset allocations of investments for each default arrangement. The table below shows the asset allocations applicable to the funds available to members via the Scottish Widows platform from 1 April 2023 to 31 March 2024, although DC members were only invested in these funds until they were transferred to the Aviva Master Trust on 13 June 2023.

	Asset allocation as at 31 March 2024 (%)			
Asset class	25 years old	45 years old	55 years old	Normal Retirement Age (NRA – 65)
Cash	13.70%	13.70%	13.70%	28.53%
Bonds	3.21%	3.21%	3.21%	70.41%
Listed equities	70.14%	70.14%	70.14%	0.00%
Private equity	0.00%	0.00%	0.00%	0.00%
Infrastructure	0.00%	0.00%	0.00%	0.00%
Property	0.00%	0.00%	0.00%	0.00%
Private debt	0.00%	0.00%	0.00%	0.00%
Other	12.95%	12.95%	12.95%	1.07%

Governance

The Group Trustees are responsible for the Group's investment governance, which includes setting and monitoring the investment strategy for the options available to members.

Up until funds were transferred out of the Group to the Aviva Master Trust, a strategic review of the range of funds offered to members and the suitability of the lifestyle strategies (including the default arrangement) was carried out at least every three years or immediately following any significant change in investment policy or the Group's member profile.

The last strategic review of the range of the investment strategy had been due to commence before 31 March 2020. However, the Group Trustees agreed to postpone the investment strategy review until later in 2020, after corporate transaction activity between RWE and E.ON was complete as this affected the membership profile of the Group. The Group Trustees are comfortable that given the strong rationale for the deferral of the review, it was carried out at the earliest point at which a review could be based on a stable membership position.

The most recent review was completed on 17 February 2022 and included:

- A review of the Group's membership, including analysis of members' ages, salary, fund value and choices to determine if the overall investment strategy remained appropriate.
- A review of the 'growth phase' of the lifestyle strategies.
- A review of the two Multi-Asset Funds (Diversified Growth and Capital Preservation) used in the lifestyle strategies.
- A review of the self-select fund range, including:
    - options for the fund underlying the npower Global Equity (including Emerging Markets) Actively Managed Fund, which had experienced persistent poor performance; and
    - the addition of several new self-select funds to the range, including:
        - a listed Infrastructure fund
        - a listed Property fund
        - an Environmental, Social and Governance ("ESG") focussed fund
        - an Islamic Equity Fund

Given the planned move to a Master Trust arrangement and the desire to avoid members incurring additional costs of switching funds as well as higher ongoing costs with likely minimal improvements in risk adjusted returns, the Group Trustees decided to only implement one of the changes mentioned above; namely, the addition of an ESG - focussed self-select fund. This was implemented in March 2022.

In Q4 2023, Invesco announced the closure of its Global Targeted Returns ("GTR") Fund which was held within the npower Multi-Asset (Capital Preservation) Fund and the npower Multi-Asset (Diversified Growth) Fund used as part of the Group's Lifestyle Strategies and as a self-select fund option. In view of the relatively short notice given of the closure and the planned bulk transfer of the Group's DC assets to the Aviva Master Trust, the Group Trustees decided to move the assets from the GTR Fund to the npower Money Market Fund as an interim measure. Assets remained invested in the Money Market Fund until they were transferred to the Aviva Master Trust, unless self select members switched to an alternative fund.

A review of the section of the SIP relating to the DC Section and DB MPAVCs (Section B of the SIP) was completed in March 2022. The review of the SIP involved:

- Making updates to reflect the change in the Group name during the year (from the 'Innogy Group' to the 'Npower Group');
- Reflecting the completion of the triennial investment strategy review in 2022, which did not result in any significant changes to the Group's investment strategy; and
- Reflecting the addition of the Baillie Gifford Positive Change Fund as an ESG-focussed self-select option which was added to the fund range following conclusion of the latest review of the investment strategy.

There were no other changes to the SIP as a result of the review and no changes to the Group Trustees' overall investment policies and objectives under the SIP. A copy of the current SIP is appended to this Statement.

2. Processing of Core Financial Transactions

The Group Trustees have a specific duty to ensure that core financial transactions are processed promptly and accurately. These transactions include, but are not limited to:

- investment of contributions received by the Group
- transfer of member assets into and out of the Group
- transfers between different investments within the Group
- payments to and in respect of members.

DC arrangement (including DB MPAVCs)

In 2018, Scottish Widows, part of the Lloyds Bank group of companies, became the provider of administration and investment platform services for the Group's DC and DB MPAVC arrangements, as a result of its acquisition of Zurich Financial Services.

The principal employer (E.ON UK plc) was responsible for ensuring that contributions are paid over to the Group promptly, and the timing of such payments was monitored through reports submitted regularly by Scottish Widows to the Group Trustees.

To enable the Group Trustees to monitor the processing of core financial transactions, quarterly governance reports were received from Scottish Widows on key aspects of the administration, which included:

- performance against agreed service levels
- membership movements and analysis
- web analytics
- asset valuations
- fund governance
- investment performance
- contributions and single and transfer in payments monitoring.

The agreed service levels cover time-critical processes (claims and non-claims; target of 100% for completing processes within the agreed service level), manual administration activities (target of 95%) and handling of calls (target of 97%). The turnaround times set within the service level agreement vary depending on the criticality of the activity ranging from 1 business day for time-critical processes to 10 business days for more complex member enquiries. The full report was reviewed in detail by the Group Trustees to monitor and ensure that the agreed service level standards were consistently met.

Over the Scheme Year, the majority of these activities were completed within the agreed service levels. There were periods however, where the agreed service levels were not met and during the year the SLAs on certain manual administration tasks were missed, with an average of 85% of activities being completed within the agreed service levels compared to a target of 95%. The Group Trustees have sought reassurances from Scottish Widows on actions taken to address any issues that resulted in missed targets as well as actions taken to minimise future recurrences. This information was also detailed within the quarterly governance reports received.

There have been no other issues, significant or otherwise, over the Group year and there are no outstanding unresolved issues to report related to core financial transactions.

Scottish Widows has provided the Group Trustees with their Pensions Administration Report on Internal Controls, which details relevant internal controls in place relating to core financial transactions. Contributions are processed via a bulk payroll upload, with systems in place to invest these contributions as per individual member instructions. Scottish Widows has confirmed that there is daily monitoring and reconciliation of all bank accounts within the Group, with two team members reviewing this reconciliation. Separately, Scottish Widows' platform supplier, FNZ, has confirmed that a daily reconciliation takes place of units purchased and sold at an aggregate level, with any differences investigated and corrected in line with the Financial Conduct Authority's rules regarding client assets. In addition, Scottish Widows carries out periodic internal audits to review and assess its controls and performance. Finally, the Group's financial statements are subject to an annual audit by independent statutory auditors, PricewaterhouseCoopers LLP.

The Group Trustees are pleased to confirm that there have been no reportable administration service issues with respect to core financial transactions.

In light of the above, the Group Trustees are satisfied that there are processes and procedures in place to ensure that all core Group transactions are processed in an accurate and timely manner.

In June 2023, the Group’s DC funds were bulk transferred to the Aviva Master Trust. This transaction was carefully planned, with a transition manager appointed by Aviva to oversee the project and ensure any associated risks were minimised. Aviva pre-funded the transfer to minimise the length of time members were out of the market. Aviva also met any transaction costs members incurred as a result of the transfer. The Group Trustees are pleased to confirm that the transfer went according to plan.

Legacy DC arrangements

The Group also had DC assets invested in Legal & General and Threadneedle funds (the "Legacy DC arrangements").

These arrangements were administered by Scottish Widows and were available on the Scottish Widows platform for members to invest in. They were monitored in conjunction with the main DC section and information received for these arrangements was identical to that detailed above. As such, the Group Trustees are satisfied for the reasons set out above that there are processes and audit procedures in place to ensure that all core Group transactions are processed in an accurate and timely manner.

The Group Trustees are pleased to confirm that there have been no reportable administration service issues with respect to core financial transactions.

AVC arrangements

The Group had AVC assets invested with Scottish Widows, Clerical Medical and Prudential.

The Scottish Widows arrangements were monitored in conjunction with the main DC section and information received for these arrangements was identical to that detailed above, except these funds were not transferred to the Aviva Master Trust.

The Clerical Medical and Prudential funds were closed to new contributions; core financial transactions are therefore restricted to 'transfers out' or 'payments in respect of members'.

There were no core financial transactions for the closed AVC arrangements over the year.

All AVC assets were transferred to the E.ON UK Group of the ESPS (“the E.ON UK Group”) with effect from 31 March 2024, with the physical transfer following the end of the Scheme Year, in June and July 2024.

3. Member Borne Charges and Transaction costs

This section sets out the levels of costs incurred by the Group's members. An assessment of the extent to which these costs represent value for members can be found in Section 5.

Previous statements have included example illustrations of the cumulative impact of costs and charges on member fund values over time. However, the Group Trustees have decided not to include forward-looking illustrations in this statement as these funds are no longer held within the Group.

The costs and charges associated with the running of the DC and MPAVC arrangements are shared between the employer and members. The contribution towards costs from the employer reduces the costs to members. The Group Trustees are required to monitor the member costs associated with the Group which are deducted from members' funds and comprise charges and transaction costs.

Charges consist of costs such as the Annual Management Charge ("AMC" – the annual fee charged by the provider for administration and investment), as well as additional expenses. Together these comprise the Total Expense Ratio ("TER"), which is the total explicit cost of investing in a fund.

The TER information is readily available as these charges are explicit and are deducted as a percentage of members' funds. Members are signposted to this information on the Scottish Widows microsite as part of the member investment guide, which is available here:
https://adviser.scottishwidows.co.uk/assets/literature/docs/innogy-dcfund.pdf

Transaction costs are costs which are incurred within the day-to-day management of the assets by the fund manager. These cover such things as the cost of buying and selling securities within the fund. Transaction costs are incurred on an on-going basis in addition to the TER and are included within the performance of the fund.

The requirement for fund managers to calculate and disclose transaction costs using a method prescribed by the Financial Conduct Authority (FCA) was introduced on 3 January 2018. As defined by the FCA, transaction costs are categorised as 'explicit' or 'implicit':

- Explicit transaction costs are the costs that are directly charged to or paid by the fund and may include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker in order to buy and sell investments) and costs of borrowing or lending securities;
- Implicit transaction costs are calculated as the difference between the actual price paid (execution price) and the quoted "mid-market price" at the time the order was placed (arrival price). This method, although reasonable if observed over a long period of time, can result in a volatile measure from one year to another and can even result in a profit, known as "negative costs". This can happen, for example, when buying an asset if the actual price paid ends up being lower than the mid-market price at the time of placing the order – perhaps as the result of a sudden market event that pushes down the price of the asset, such as some negative publicity or a big sell order by another party.

Fund managers calculate transaction costs at fund-level not scheme-level. Therefore the Group Trustees requested details of transaction costs for the period 1 April 2023 to 31 March 2024 from the Group's fund managers via Scottish Widows and directly from the closed AVC arrangement providers. The transaction costs calculated, using the method prescribed by the FCA, has resulted in negative costs (i.e. a profit) for some funds held by members during the period of review.

Note that DC members were only invested in these funds until 13 June 2023 when DC assets were transferred to the Aviva Master Trust, not for the whole period reported below.

DC arrangement (including DB MPAVCs)

The table below shows the TERs and transaction costs applicable to the funds available to members via the Scottish Widows platform from 1 April 2023 to 31 March 2024, although DC members were only invested in these funds until they were transferred to the Aviva Master Trust on 13 June 2023. As well as the three lifestyle strategies, the Group Trustees offered members a range of 13 self-select funds.

The data in the table is reliant on information provided by the fund managers and reflects the most up to date information held on transaction costs. No costs and charges are shown for the Invesco GTR Fund, as this closed before the end of the year.

The table shows that the default arrangement, the npower Pre-2015 DC Lifestyle Strategy, has levied a TER that ranges from 0.28% p.a. to 0.39% p.a. (as at 31 March 2024) of assets under management, depending on the member's period to retirement. Importantly, this is below the charge cap set by the Regulations of 0.75% p.a. More information on how the level of charges varies for the lifestyle strategies can be found in Appendix 1 of this statement.

Fund	TER (% p.a.)	Transaction Costs (%)	Total Charge (%)
npower Pre-2015 Lifestyle Strategies[1]			
npower Pre-2015 DC Lifestyle Strategy	0.28 – 0.39	0.05 – 0.05	0.33 – 0.44
npower Pre-2015 DB AVC Lifestyle Strategy	0.16 – 0.39	0.02 – 0.05	0.18 – 0.44
npower Lifestyle Strategy options[1]			
Pearl	0.16 – 0.31	0.00 – 0.02	0.16 – 0.33
Opal	0.25 – 0.31	0.00 – 0.02	0.25 – 0.33
Jade	0.27 – 0.32	0.00 – 0.07	0.27 – 0.39
Self-select options			
npower Annuity Target Fund	0.32	0.07	0.39
npower Corporate Bond Fund	0.17	0.01	0.18
npower Ethical Global Equity Fund	0.37	0.00	0.37
npower Global Equity (excluding Emerging Markets) Passive Fund	0.17	0.02	0.19
npower Global Equity (including Emerging Markets) Actively Managed Fund	0.79	0.04	0.83
npower Global Equity (including Emerging Markets) Passive Fund	0.24	0.00	0.24
npower Growth Fund	0.31	0.00	0.31
npower Long Gilt Fund	0.17	0.03	0.20
npower Long Index Linked Gilt Fund	0.17	0.03	0.20
npower Money Market Fund	0.16	0.02	0.18

npower Multi-Asset (Diversified Growth) Fund	0.37	0.19	0.56
npower Pre-2015 Growth Fund	0.39	0.04	0.43
Baillie Gifford Positive Change Fund[2]	0.61	0.15	0.76
Lifestyle Strategy Only Funds			
npower Multi-Asset (Capital Preservation) Fund	0.35	0.07	0.42
npower Index-Linked Gilt Fund	0.16	0.04	0.20
BlackRock DC Pre-Retirement Fund	0.32	0.07	0.39
BlackRock Sterling Liquidity Fund	0.16	0.02	0.18
Legacy DC Funds[2]			
Threadneedle Pension Property Fund	0.79	0.00	0.79
Threadneedle Pensions Global Select Fund	0.60	0.24	0.84
Threadneedle Pensions Sterling Fund	0.18	0.00	0.18
L&G Ethical UK Equity Fund	0.29	0.05	0.34
L&G Global Equity (50:50) Fund	0.19	0.07	0.26
L&G Over 15 Year Gilts Index Fund	0.18	0.04	0.22
L&G Over 5 Year Index Linked Gilts Index Fund	0.18	0.23	0.41
L&G Money Market Fund	0.16	0.06	0.22

Source: Scottish Widows.
[1]Members in the Growth phase of the lifestyle strategies would typically be at the higher end of the ranges provided.
[2]Transaction costs shown cover the 12 months from 1 October 2022 to 30 September 2023.

AVC arrangements

Please refer to the table above for the costs and charges information on the AVCs held with Scottish Widows.

The table below shows charges for the closed arrangement funds held by members. The table includes all the required cost and charge information requested from the providers of the closed arrangements.

Provider	Fund	TER (% p.a.)	Transaction Costs (%)	Total Cost (%)
Prudential[1]	With Profits Cash Accumulation	-	0.17	-
Clerical Medical[2]	Lifestyle International Growth	0.50	0.20	0.70
	Lifestyle UK Growth	0.50	0.27	0.77

Source: Prudential and Clerical Medical.
1. Transaction costs shown cover the 12 months from 1 July 2022 to 30 June 2023.
2. Clerical Medical only provide AMC and do not use TER. Transaction cost for the Lifestyle International Growth Fund shown cover the period 1 April 2023 to 31 March 2024. Transaction costs for the Lifestyle UK Growth Fund shown cover the period 1 February 2023 to 31 January 2024.

There are no explicit costs and charges for the Prudential With Profits Cash Accumulation fund. Charges are inherent within the annual bonus declarations, which is a standard market practice for With Profits funds. The transaction cost information provided by Prudential relates to the period from 1 July 2022 to 30 June 2023, which is the most recent 12-month period for which information is available.

For the Clerical Medical Lifestyle UK Growth Fund, the transaction cost data shown covers a slightly different period (detailed in the table footnotes above).

4. Investment returns net of costs and charges

The Group Trustees are required to report on net investment returns for each default arrangement and for each non-default fund which scheme members were invested in during the scheme year. Net investment return refers to the returns on funds minus all member-borne transaction costs and charges. Information for the default arrangement is shown below and information for non-default funds is shown in Appendix 2.

The net investment returns have been prepared having regard to statutory guidance. Performance is shown over periods to 31 March 2024, although members were not invested in these funds for this whole period.

It is important to note that past performance is not a guarantee of future performance.

Default arrangement

Default arrangement - The npower Pre-2015 DC Lifestyle Strategy

Age of member at the start of the reporting period	1 year net return to 31 March 2024 (%)	5 year net return to 31 March 2024 (%)
25	13.7	6.9
45	13.7	6.9
55	13.7	6.9

Net investment returns for the other lifestyle strategies and self select funds and the AVC funds are included at Appendix 2.

5. Value for Members Assessment

In addition to the requirement to assess the charges and transactions costs paid by members, the Group Trustees are also required to consider the extent to which those charges and costs represent good value for money for members ("value for members"). The Regulations do not prescribe how trustees are to assess value for members – it is left to the respective trustee body to develop their own assessment framework. Given the bulk transfer of the DC assets to the Aviva Master Trust during this Scheme Year the Group Trustees have utilised the Value for Members assessment carried out for the period ending 31 March 2023 making small updates where necessary to reflect activities carried out during the Scheme Year to formulate their overall assessment.

In conjunction with their DC investment advisers, the Group Trustees have established a cost-benefit analysis framework in order to assess whether the member-borne charges deliver good value for members. The cost part of the analysis considers the cost and charges members pay, as described in

Section 3 above. The benefit side of the analysis considers the following areas where the Group Trustees believe there is a benefit derived by members. These benefits can be financial or non-financial in nature.

The benefits identified are as follows.

(i) Quality of Group communications

- The Group provided effective communications that were accurate, clear, informative and timely.
- The Group Trustees used a variety of communication media.
- Members had access to the Scottish Widows infosite: https://www.scottishwidows.co.uk/save/npower/

  On this site, members had access to:

  - a Member Guide to the Group and a glossary to aid members understanding of their pension.
  - a detailed Fund Guide and Fund factsheets to provide details of the investment options available to members.
  - daily price information for funds that members can invest in directly, reflecting any changes to underlying funds where applicable.
  - retirement planning tools to project future savings and aid members in the savings process, including monitoring and managing their savings and retirement expectations.

Communications were issued both by Scottish Widows on behalf of the Group Trustees (e.g. regular retirement communications and benefit statements) and also directly from the Group Trustees via the Group Administrator. The Group Trustees published a newsletter in November 2023 and other general communications that they felt were of benefit to all members as well as targeted communications to specific sub-groups of the membership.

(ii) Quality of investment choices

- The Group offered a variety of lifestyle strategies and self-select funds covering a range of member risk profiles and asset classes. The investment options available were designed with advice from the Group's DC investment adviser and with reference to the Group's membership profile and the retirement objectives members may have.
- The majority of the self-select funds take the form of a “white-label” wrapper – e.g. the npower Growth Fund – which contained one or more proprietary funds that most appropriately met the specific fund objective. This enabled the Group Trustees to switch between underlying funds within the white-label wrapper when it was in members’ interests to do so while still retaining the overall fund objective.
- A strategic review of the investment choices available to members to ensure the continued quality of these investment choices was concluded in February 2022. Further detail on this review can be found in Section 1 of this Statement.

(iii) Quality of administration

- The Group Trustees are satisfied that Scottish Widows had sufficient checks in place to monitor and report on the standard of the administration service and to ensure that if administrative errors did occur, members are not disadvantaged as a result.
- Over the year, the majority of all time-critical processes (claims and non-claims), manual administration activities and handling of calls were completed within the agreed service levels. Where service levels were missed the Group Trustees are comfortable that appropriate action

was taken to ensure an acceptable level of administration service was still provided to members– further detail can be found in Section 2 of this Statement.

- The costs for the above benefits were part funded by members through the costs and charges deducted from the members' funds and partly through payments made by the employer to Scottish Widows, which had the effect of reducing the charges paid by the members. The Group Trustees are comfortable that these services represented value for members and believe costs to be competitive with the wider market, validated by their DC investment advisers.

(iv) Quality of governance and management of the Group (how the Group is run by the Group Trustees)

- The Group Trustees believe that the key to good governance is ensuring that a framework exists and is actively in use to help deliver better member outcomes. The Group Trustees regularly reviewed and updated their governance processes and procedures to make sure that these met industry best practice.
- The Group Trustees maintained an Objectives document, formalising the high-level aims for the Group Trustees in relation to the DC and DB MPAVC arrangements of the Group. This covered a number of areas including investment matters, communication and administration. The overall objective of the DC and DB MPAVC arrangements was to help members achieve a good outcome at the point of retirement by offering them a range of options designed to help them meet their individual objectives in terms of their retirement benefits.
- The Group Trustees met on a quarterly basis with DC matters as a standing agenda item and with investment and legal advisers attending all meetings. These meetings enabled the continuous monitoring and evaluation of various aspects of the DC and DB MPAVC arrangements, including investment matters and administration, in order to ensure the Group continued to provide good value for members whilst helping them achieve a good outcome at the point of retirement.
- Separate project groups were also created as needed to deal with larger scale matters, such as the bulk transfer of the DC assets to the Aviva Master Trust.
- The costs relating to the governance and management of the Group were borne entirely by the employer.

Under the assessment framework, the Group Trustees believe that the charges and costs, as far as these can be identified, represented good value for members. All of the charges that applied to the funds were of a reasonable level, with the charges on the lifestyle strategies being well below the charge cap for defaults of 0.75%.

The Group Trustees carried out a ‘Value for Members’ assessment as part of the Chair’s Statement process, which included a comparison of the fund TERs against market expectations, as set out by the Group’s DC investment adviser. 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, in line with the broader market and did not require any further consideration.

The levels of charges for the closed arrangements are generally higher than the main Group fund options, though they are in line with other similar arrangements. The Group Trustees continued to provide communications to members who are invested in the closed arrangements, highlighting the range of options available to them under the Group and the features of those, so that the members could choose the options most suited to their particular needs.

Given the level of charges and transaction costs, and the other benefits identified above regarding communications, investment choices, administration and governance of the Group, the Group

Trustees have concluded that the member-borne costs and charges represented good value for members over this reporting period.

6. Group Trustees' Knowledge and Understanding

The Pensions Regulator sets out in its General Code (and previously in its Code of Practice (No. 7))the requirement for the Group Trustees to have appropriate knowledge and understanding of relevant topics to enable them to run the Group effectively.

Structure of the Group Trustees

During the Scheme Year, the Group Trustees consisted of two company appointed trustees and three member trustees who were elected from the member population. This structure brings together a diverse range of skills and experiences. The current board includes both new and experienced Group Trustees, some of whom have a number of years' experience serving as a pension scheme trustee and running a DC section.

Member elected Group Trustees normally serve a term of 4½ years. When a vacancy is due to arise, nominations are governed by the rules as from time to time agreed by Group Trustees.

In addition to the skills within the Group Trustee board, the Group Trustees work closely with and challenge their appointed professional advisers throughout the year to ensure that they run the Group and exercise their functions properly. Their professional advisers also attend meetings where DC matters are being discussed.

Training and Development

Prospective Group Trustees undergo an induction process, meeting some of the existing Group Trustees and their advisers for a training session. New Group Trustees undertake training through adviser-organised training sessions and through the Pensions Regulator's online training toolkit. The Group Trustees recognise the importance of training and development and a record is kept of the training completed by each Group Trustee. This training record is reviewed regularly by the Group Trustees to identify any gaps in the knowledge and understanding of the Group Trustee board as a whole, with the last review taking place in September 2020.

The Group Administrator presents annual proposals for future training, which are then confirmed and undertaken by the Group Trustees over the year. Regular DC-specific training ensures that all of the Group Trustees have broad-based knowledge and understanding of issues relating to the governance of the DC and DB MPAVC arrangements. Ad-hoc training is arranged as required, which allows the Group Trustees to work with their professional advisers to fill any gaps. All training gaps identified over the year were addressed.

In addition to collective training sessions, Group Trustees take personal responsibility for keeping themselves up to date with relevant developments and undertaking a self-assessment of training needs. The Group Trustees are conversant with the trust deed and rules of the Group, documents setting out the current policies of the Group, the SIP, pension/trust law and funding and investment principles in relation to DC Schemes.

Exercising knowledge and understanding

The Group Trustees maintain an annual business plan with specified annual objectives, which the Group Trustees set themselves. This includes (but is not limited to):

- Training/learning objectives, including keeping training logs up to date and reviewing annual proposals for training as set out above.
- Objectives around reviewing advisers, including reviewing advisers on a five-yearly basis; this is done via a working group with the last review carried out in December 2020
- Administration objectives, including the requirement for Scottish Widows to present quarterly administration reports at each Group Trustees meeting (until the DC assets were transferred out of the Group).

At each Group Trustees meeting, the Group Trustees review the objectives in the business plan and evaluate themselves against them. Where appropriate, objectives are updated, and additional objectives are added.

During the Scheme Year, the Group Trustees have, amongst other things, reviewed the stewardship activities of the Group's investment managers, including high level voting activity and their environmental, social and governance (“ESG”) commitments, resources and credentials.

Taking into consideration the training activities completed by the Group Trustees and the professional advice available to them, the Group Trustees consider that they continue to meet the Pensions Regulator's requirements for trustee knowledge and understanding. The Group Trustees remain confident that their combined knowledge and understanding, together with the input from their specialist advisers, has enabled them to properly exercise their functions as the trustees of the Group during the reporting year.

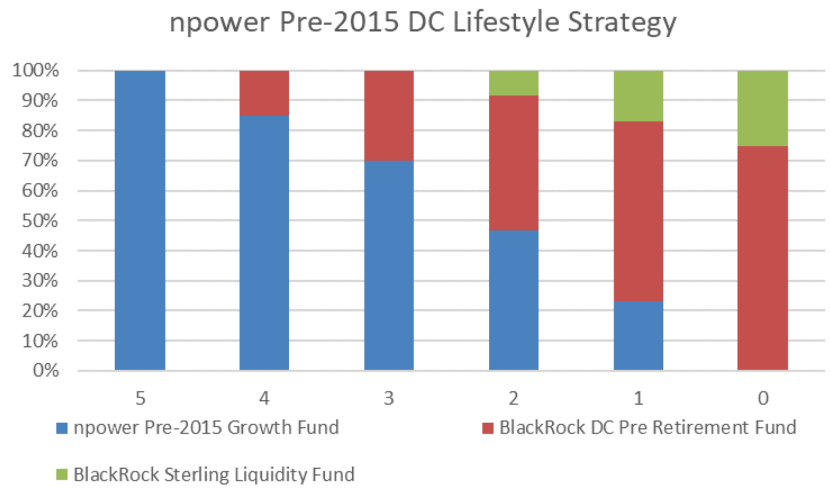
Appendix 1 – Costs and Charges for the Lifestyle Strategies

npower Pre-2015 DC Lifestyle Strategy (Default Arrangement)

The level of charges and transaction costs applicable to the npower Pre-2015 DC Lifestyle Strategy vary depending on the number of years left until a member's selected retirement age, as shown in the table below.

As required, the TER of the default arrangement remained well below the regulatory charge cap of 0.75% for all members invested.

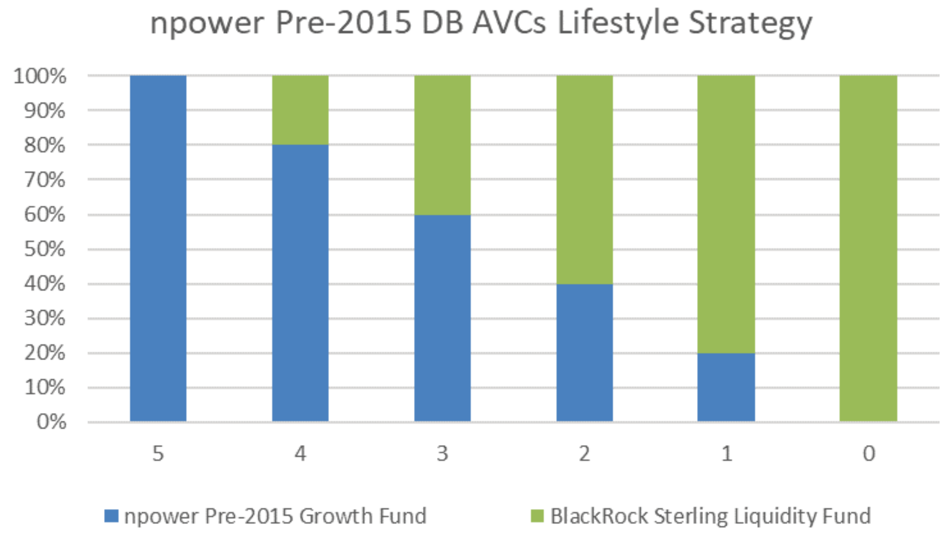
The chart below displays the allocation of funds that make up the npower Pre-2015 DC Lifestyle Strategy, while the table provides a breakdown of the charges and transaction costs applicable to a member each year up to retirement. Please note that due to rounding it is possible that the total cost value displayed below may not be equal to the sum of the TER and transaction cost.



Years to retirement	5+	4	3	2	1	0
TER % p.a.	0.39	0.38	0.37	0.34	0.31	0.28
Transaction Costs %	0.05	0.05	0.05	0.05	0.05	0.05
Total Cost %	0.44	0.43	0.42	0.39	0.36	0.33

npower Pre-2015 DB AVC Lifestyle Strategy

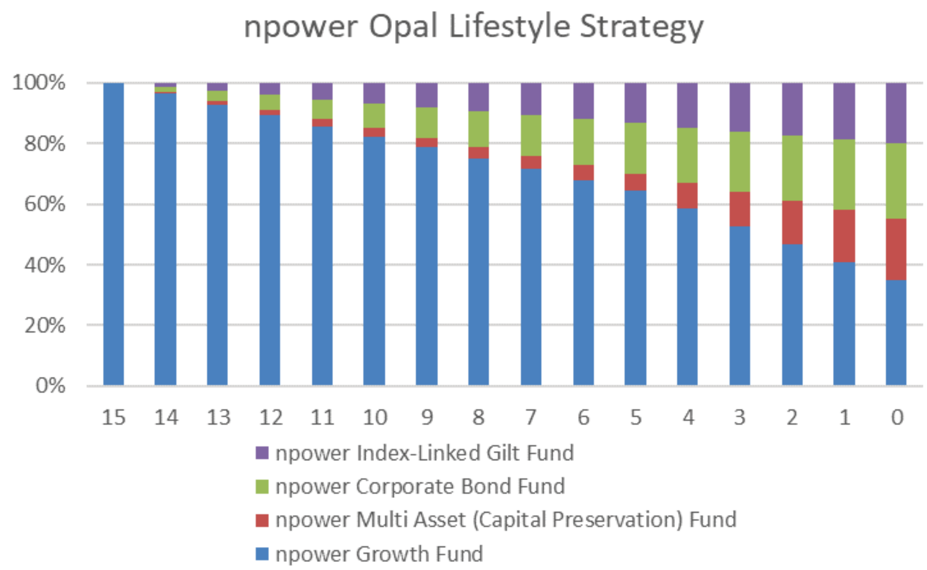
The chart below displays the allocation of funds that make up the npower Pre-2015 DB AVC Lifestyle Strategy, while the table indicates the varied level of charges and transaction costs applicable to the npower Pre-2015 DB AVC Lifestyle Strategy across each year until a member's selected retirement age. Please note that due to rounding it is possible that the total cost value displayed below may not be equal to the sum of the TER and transaction cost.



Years to retirement	5+	4	3	2	1	0
TER % p.a.	0.39	0.34	0.30	0.25	0.21	0.16
Transaction Costs %	0.05	0.04	0.03	0.03	0.02	0.02
Total Cost %	0.44	0.38	0.33	0.28	0.23	0.18

npower Opal Lifestyle Strategy

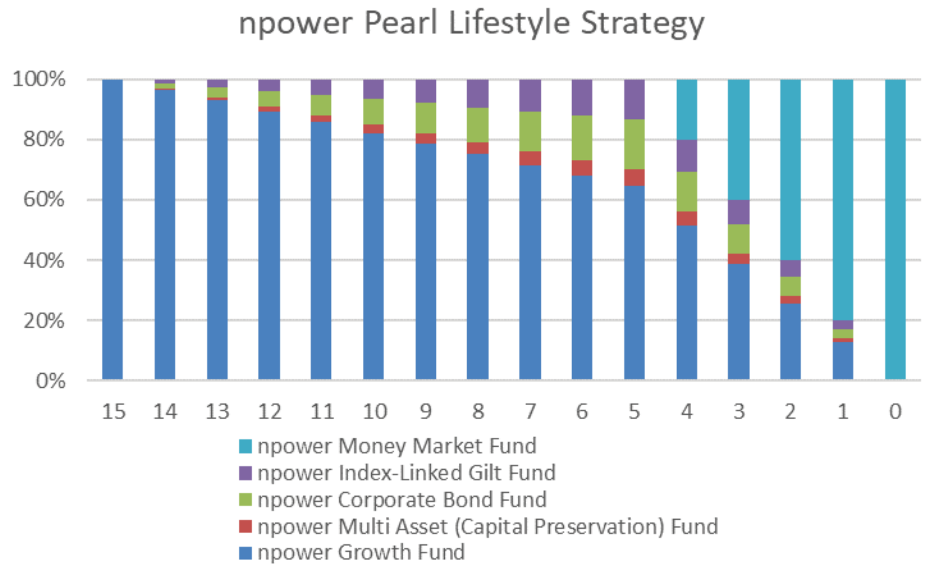
The chart below displays the allocation of funds that make up the npower Opal Lifestyle strategy, while the table indicates the varied level of charges and transaction costs applicable to the npower Opal Lifestyle strategy across each year until a member's selected retirement age. Please note that due to rounding it is possible that the total cost value displayed below may not be equal to the sum of the TER and transaction cost.



Years to retirement	15+	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0
TER % p.a.	0.31	0.31	0.30	0.30	0.29	0.29	0.29	0.28	0.28	0.27	0.27	0.27	0.26	0.26	0.26	0.25
Transaction Costs %	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02
Total Cost %	0.31	0.31	0.30	0.30	0.29	0.30	0.30	0.29	0.29	0.28	0.28	0.28	0.28	0.28	0.28	0.27

npower Pearl Lifestyle Strategy

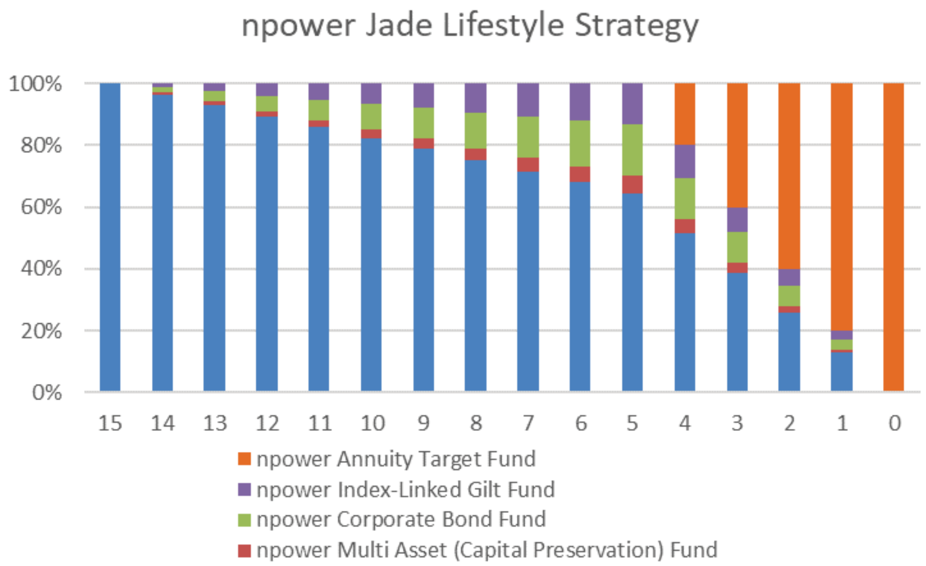
The chart below displays the allocation of funds that make up the npower Pearl Lifestyle strategy, while the table indicates the varied level of charges and transaction costs applicable to the npower Pearl Lifestyle strategy across each year until a member's selected retirement age. Please note that due to rounding it is possible that the total cost value displayed below may not be equal to the sum of the TER and transaction cost.



Years to retirement	15+	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0
TER % p.a.	0.31	0.31	0.30	0.30	0.29	0.29	0.29	0.28	0.28	0.27	0.27	0.25	0.23	0.20	0.18	0.16
Transaction Costs %	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02
Total Cost %	0.31	0.31	0.30	0.30	0.29	0.30	0.30	0.29	0.29	0.28	0.28	0.26	0.24	0.21	0.19	0.18

npower Jade Lifestyle Strategy

The chart below displays the allocation of funds that make up the npower Jade Lifestyle strategy, while the table indicates the varied level of charges and transaction costs applicable to the npower Jade Lifestyle strategy across each year until a member's selected retirement age. Please note that due to rounding it is possible that the total cost value displayed below may not be equal to the sum of the TER and transaction cost.



Years to retirement	15+	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0
TER % p.a.	0.31	0.31	0.30	0.30	0.29	0.29	0.29	0.28	0.28	0.27	0.27	0.28	0.29	0.30	0.31	0.32
Transaction Costs %	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.03	0.04	0.06	0.07
Total Cost %	0.31	0.31	0.30	0.30	0.29	0.30	0.30	0.29	0.29	0.28	0.28	0.30	0.32	0.34	0.37	0.39

Appendix 2 – Investment returns net of costs and charges for non-default funds

The Group Trustees are required to report on net investment returns for each default arrangement and for each non-default fund which scheme members were invested in during the scheme year. Net investment return refers to the returns on funds minus all member-borne transaction costs and charges. Information for the default arrangement is set out in section 4.

The net investment returns have been prepared having regard to statutory guidance. Performance is shown over periods to 31 March 2024.

It is important to note that past performance is not a guarantee of future performance.

npower Pre-2015 DB AVC Lifestyle Strategy

Age of member at the start of the reporting period	1 year net return to 31 March 2024 (%)	5 year net return to 31 March 2024 (%)
25	13.7	6.9
45	13.7	6.9
55	13.7	6.9

npower Opal Lifestyle Strategy

Age of member at the start of the reporting period	1 year net return to 31 March 2024 (%)	5 year net return to 31 March 2024 (%)
25	16.2	8.4
45	16.2	8.4
55	13.4	7.0

npower Pearl Lifestyle Strategy

Age of member at the start of the reporting period	1 year net return to 31 March 2024 (%)	5 year net return to 31 March 2024 (%)
25	16.2	8.4
45	16.2	8.4
55	13.4	7.0

npower Jade Lifestyle Strategy

Age of member at the start of the reporting period	1 year net return to 31 March 2024 (%)	5 year net return to 31 March 2024 (%)
25	16.2	8.4
45	16.2	8.4
55	13.4	6.9

Self-select investment funds

Fund name	1 year net return to 31 March 2024 (%)	5 year net return to 31 March 2024 (%)
npower Annuity Target Fund	1.1	-3.5
npower Corporate Bond Fund	6.3	-0.4
npower Ethical Global Equity Fund	23.6	14.0
npower Global Equity (excluding Emerging Markets) Passive Fund	12.9	8.3
npower Global Equity (including Emerging Markets) Actively Managed Fund	9.6	9.2
npower Global Equity (including Emerging Markets) Passive Fund	22.0	9.9
npower Growth Fund	16.3	9.4
npower Long Gilt Fund	-4.7	-8.3
npower Long Index Linked Gilt Fund	-7.7	-6.8
npower Money Market Fund	5.0	1.6
npower Multi-Asset (Diversified Growth) Fund	6.4	2.4
npower Pre-2015 Growth Fund	13.8	7.6
Baillie Gifford Positive Change Fund[1]	6.8	-

[1]Fund was made available to members during 2022 therefore performance is not yet available over five years.

No net investment returns are shown for the Invesco GTR Fund as this Fund closed during the year.

Legacy Additional Voluntary Contributions

Note that the net investment return shown for the Prudential With Profits Cash Accumulation Fund is the annualised bonus rate declared on this fund over the relevant period. Whilst in practice we would expect a terminal bonus to increase returns to close to the returns achieved by the underlying assets of these funds over the period held (after deducting all costs of running the funds, including the costs of any guarantees), these amounts are unknown and are not guaranteed. A market value reduction, which can reduce the return delivered to investors, may be applied on exit from these funds at any time other than at maturity date, or in the event of death before retirement.

Performance to 31 March 2024	Annualised net returns (%)	
Fund name	**1 year**	**5 years**
Prudential		
With Profits Cash Accumulation	2.5	1.4
Clerical Medical		
Lifestyle International Growth	22.3	12.0
Lifestyle UK Growth	10.2	3.6