

## **CHAIRMAN'S DEFINED CONTRIBUTION GOVERNANCE STATEMENT**

### **Introduction**

This governance statement sets out how the Trustee has embraced statutory governance standards in the running of the Scheme's defined contribution (DC) sections.

This statement is required under Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 for those sections of the Scheme which provide only money purchase benefits. The Trustee is therefore required to prepare this document in respect of the SEEBOARD Pension Investment Plan (PIP).

The Trustee recognises the importance of robust governance standards. As the investments for the London Electricity 1994 Retirement Plan (LERP) and the additional voluntary contributions (AVCs) are invested within the same funds, the Trustee also considers the impact on the members in these sections when making any decisions regarding these investments.

### **Investment strategy**

The Trustee's objective is to provide an investment strategy which seeks to deliver long term growth and protects the value of accumulated saving as each member gets closer to the normal retirement age of 65. This is set out in the Statement of Investment Principles.

Members are asked to choose between self-selecting their funds or a lifestyle matrix, where investments are made into a passive equity fund until members are ten years from their normal retirement date, from which point the investments are gradually switched into lower risk funds until their whole fund is invested into the Cash Fund just prior to retirement. The Trustee does not offer a default investment fund.

All members of the Scheme can request an AVC pack from the UKPN Pensions Team, which will include details of all the funds available and the lifestyle matrix. The contact details of the team are set out at the end of this report.

The Trustee notes that the majority of its members select the lifestyle matrix for their investment strategy.

The Trustee reviews its defined contribution and additional voluntary contributions investments on an annual basis, considering many factors including;

- the performance of the current funds,
- any changes in legislation, to ensure compliance and so members have the flexibility to decide what to do with their fund at retirement,
- recent member experience of how funds have been utilised at retirement,
- consideration of new investment strategies and fund offerings from the fund management industry,
- ongoing suitability, governance arrangements and objectives, and
- to ensure that the investment options made available are proportionate, straight forward and simple for the members to understand.

BlackRock Investment Management (UK) Limited (BlackRock) as the Trustee's investment adviser undertook their annual review of the defined contribution section and presented their report to the Trustee Board meeting in June 2024.

At the meeting in June 2023, it had been agreed to include two new funds in the range made available to members to self-select which were the:

- Aegon BlackRock Corporate Bond All-Stocks Index Fund, and;
- Aegon Baillie Gifford Positive Change Fund.

During the year investments were made in the two additional funds and as such information such as performance is now included in this statement.

BlackRock conducted a review of the Trustee's investment strategy and presented their findings to the Trustee meeting in June 2025. The Trustee can confirm that this review concluded that the lifestyle matrix and funds currently being offered to members remain appropriate.

As part of the annual review the Trustee also concluded that no changes were required to the Statement of Investment Principles in respect of the DC investment strategy.

The Trustee also reviews the historic With-Profits policy with Prudential on an annual basis. Information has been provided to the Trustee on their performance such that the Trustee is comfortable to remain with Prudential.

A copy of the current Statement of Investment Principles has been appended to the annual report and financial statements and can be found on the Company's website at [www.ukpowernetworks.co.uk](http://www.ukpowernetworks.co.uk). Alternatively, members can also request a copy from the UKPN Pensions Team whose contact details are set out at the end of this statement.

### **Administration**

The PIP and LERP sections of the Scheme are closed to further contributions, but members of the defined benefit section can make additional voluntary contributions to the same funds. These and all other financial transactions for these funds such as transfers and payments from the Scheme in respect of members and lifestyle investment switches are managed by the UKPN Pensions Team, who have implemented internal control procedures that helps ensure these transactions are processed promptly and accurately.

The Trustee has an administration agreement with the Principal Employer which contains service level agreements in respect of these transactions. The UKPN Pensions Team prepares a quarterly administration report which is tabled at the subsequent Trustee Board meeting setting out whether the transactions were all processed promptly and accurately, and all reconciliations performed in accordance with the service levels agreed. Any instances which were not in accordance with the agreement are highlighted together with remedial actions taken.

During the year ended 31 March 2025 there were no breaches of the service level agreements (2024: none).

### **Costs and Charges**

The Trustee is aware that the costs and charges borne by members may have a significant impact upon their pension savings. Legislation also requires the disclosure of costs and charges to try and make it clearer to members the total costs incurred in their funds. The Trustee therefore keeps these items under regular review.

As members are aware there is no default fund, as such members are required to select how their contributions are invested.

## THE UK POWER NETWORKS PENSION SCHEME

The table below shows the charges that apply to the Funds used by the members from the options made available. This information has been provided by Aegon and covers the year to 31 March 2025. Further information is contained in the fund factsheets which can be obtained from the UKPN Pensions Team whose contact details are set out at the end of this statement.

	<b>Total Expense Ratio (TER) (%p.a.)</b>	<b>Transaction costs (%p.a.)</b>	<b>Total Cost (TER + Transactions Costs) (%p.a.)</b>
Aegon BlackRock ACS 50:50 Global Equity Fund	0.170	0.068	0.238
Aegon BlackRock World Multifactor ESG Equity Tracker	0.270	0.045	0.315
Aegon BlackRock Market Advantage Fund	0.260	0.153	0.413
Aegon BlackRock iShares Over 5 Year UK Index Linked Gilt Fund	0.110	-0.062	0.048
Aegon BlackRock Cash Fund	0.095	0.014	0.109
Aegon Baillie Gifford Positive Change	0.630	0.115	0.745
Aegon BlackRock Corporate Bond All-Stocks Index	0.140	0.000	0.140

Notes: The Total Expense Ratio (TER) includes the annual management charges and other sundry costs of the Fund. Transaction costs include both explicit and implicit costs associated with the buying and selling of the fund's underlying investments. Transaction costs have been calculated using the slippage methodology which is impacted by market moves between instructing and executing a trade so can result in negative costs.

The Trustee receives a report on an annual basis from its investment adviser to review whether these represent good value for money, further details of which are set out in the next section of this statement.

The Trustee is required to use this information and provide illustrations of the effect over time of the costs and charges on the value of a member's fund. In order to do this a key assumption has to be made over the projected return on each fund over time. For this purpose, the Trustee has used the assumptions as used in the Statutory Money Purchase Illustrations (SMPI) benefit statements being sent to members as at 31 March 2025 which are set out below. It should be noted however that these are assumptions and are not guaranteed.

The details considered when estimating your future pension are known as the 'assumptions'. The assumptions used for the Pension Savings Statement are set out by the Financial Reporting Council (FRC) in their 'Technical Memorandum'. From 1 October 2023, a new version of the Technical Memorandum was introduced. The new guidance includes change to standardise the growth rate assumptions, and the illustration of pensions payable on retirement, which is intended to improve consistency between SMPIs provided by different providers.

The way that growth rate assumptions are set is prescribed, with the rate for each fund being based on its volatility. The accumulation rates that result from this prescribed approach apply to illustrations produced from 1 October 2023 and as such the methodology used below has been updated to align with this new standard.

<b>Projected Return</b>	<b>SMPI Grouping (%p.a.)</b>	<b>Total Cost (%p.a.)</b>	<b>SMPI Grouping Post-Expenses</b>
Aegon BlackRock ACS 50:50 Global Equity Fund	6.00	0.238	5.76
Aegon BlackRock World Multifactor ESG Equity Tracker	6.00	0.315	5.68
Aegon BlackRock Market Advantage Fund	4.00	0.413	3.59
Aegon BlackRock iShares Over 5 Year UK Index Linked Gilt Fund	7.00	0.048	6.95
Aegon BlackRock Cash Fund	2.00	0.109	1.89
Aegon Baillie Gifford Positive Change	7.00	0.745	6.26
Aegon BlackRock Corporate Bond All-Stocks Index	4.00	0.140	3.86

There are then a number of parameters for the illustrations which are based on the Scheme data. The Trustee has decided to look solely at the membership of the Pension Investment Plan (PIP) section when defining these parameters as this is the section of the Scheme to which these legislative disclosures apply.

- Average member age: 54
- Future contributions: £nil (PIP section is closed to additional contributions)
- Starting Fund: £23,024 (based on average fund size of a member as at 31 March 2025)

Using all these parameters the Trustee is required to set out how the fund value changes over time, before any costs, and after all costs are taken into account. The following tables set out the five criteria for which disclosures need to be made and the individual fund which meets these criteria. The projections that follow have taken account of the Department for Work and Pensions (DWP's) guidance about how to present this information and have been prepared with the assistance of BlackRock, using the above parameters set by the Trustee.

<b>Disclosure Criteria</b>	<b>Appropriate Fund</b>
Fund with highest number of members (most popular)	Aegon BlackRock ACS 50:50 Global Equity Fund
Fund with lowest projected investment return	Aegon BlackRock Cash Fund
Fund with highest projected investment return (based on SMPI grouping)	Aegon BlackRock iShares Over 5 Year UK Index Linked Gilt Fund
Fund with lowest projected investment charge *	Aegon BlackRock Cash Fund
Fund with highest projected investment charge	Baillie Gifford Positive Change Fund

*\*Note: The Cash Fund has the lowest TER while, the Gilt Fund has the lowest Total Cost, taking into account negative transaction costs over the period.*

THE UK POWER NETWORKS PENSION SCHEME

Fund Value at end of year	<b>Baillie Gifford Positive Change Fund</b> <i>(Highest charging fund)</i>		<b>Aegon BlackRock Cash Fund</b> <i>(Lowest charging fund)</i>	
	No costs	After all costs	No costs	After all costs
1	24,636	24,464	23,485	23,460
3	28,206	27,621	24,433	24,355
5	32,293	31,184	25,421	25,285
10	45,292	42,236	28,066	27,768
Withdrawal amount at 65	59,369	53,838	30,380	29,929

Fund Value at end of year	<b>Aegon BlackRock ACS 50:50 Global Equity Fund</b> <i>(Most popular fund)</i>		<b>Aegon BlackRock Cash Fund</b> <i>(Lowest return fund)</i>	
	No costs	After all costs	No costs	After all costs
1	24,406	24,351	23,485	23,460
3	27,422	27,238	24,433	24,355
5	30,812	30,467	25,421	25,285
10	41,233	40,316	28,066	27,768
Withdrawal amount at 65	42,055	50,443	30,380	29,929

Fund Value at end of year	<b>Aegon BlackRock iShares Over 5 Year UK Index Linked Gilt Fund</b> <i>(Highest Projected Returning Fund)</i>	
	No costs	After all costs
1	24,636	24,625
3	28,206	28,167
5	32,293	32,220
10	45,292	45,088
Withdrawal amount at 65	59,369	58,994

Note: The above table uses the projected return based on the SMPI grouping for the funds. The Trustee has disclosed projections for the highest and lowest charging self-select fund as well as the most popular and lowest projected return fund.

These projections also assume that members do not make any withdrawals during the period to retirement and that the value of the fund is then liquidated for cash to settle retirement benefits. These projections are purely for illustration purposes only and members should refer to their benefit statements for an estimate of their own pension.

## Good Value for Members

The regulations require the Trustee to assess whether the Scheme provides good value to the members. This is not just a reflection of the costs borne by the member or the Scheme but also includes other subjects like the service quality, and the member communications.

The Trustee can confirm that the only charges borne directly by the members are those included within the unit prices of the investment funds. All other costs of administration are borne by the employer.

The Trustee requests that the investment adviser reviews all of the current funds available for new additional voluntary contributions on an annual basis. BlackRock presented their review to the Trustee in June 2025, which included a comparison of the annual management charges for the funds and those charged for comparable funds. The Trustee concluded that the annual management charges of the BlackRock Funds continue to represent good value for money.

## Fund Performance

The following table shows the performance of the DC and AVC managers over one and three year periods ending 31 March 2025 which was reviewed at the Trustee meeting in June 2025.

Manager	Fund	One Year %		Three Years % p.a.	
		Fund	Benchmark	Fund	Benchmark
BlackRock	Global Equities (50:50)	5.88	5.94	6.67	6.93
BlackRock	World Multifactor ESG Equity	(2.40)	(1.52)	5.69	6.46
BlackRock	Market Advantage Fund *	3.01	8.65 [5.29]	0.07	7.66 [2.93]
BlackRock	Index-Linked Gilts	(9.24)	(10.44)	(16.10)	(16.58)
BlackRock	Cash	5.13	4.94	4.10	4.02
BlackRock	Corporate Bond All-Stocks Index	2.60	2.38	(0.92)	(0.82)
Baillie Gifford	Aegon Baillie Gifford Positive Change	(5.19)	4.87	(2.81)	7.62

*Source: Aegon. Returns quoted net of management fees \* Proposed new fund benchmark returns have been included in brackets sourced by BlackRock (see below)*

The BlackRock 50:50 Global Equity, World Multifactor ESG Equity, Index-Linked Gilts, and Corporate Bond All-Stocks funds are passive index tracking funds. The 50:50 Global Equity Fund and Corporate Bonds All-Stocks Index broadly tracked their index over the period. However, the Index-Linked Gilts Fund and World Multifactor ESG Equity Fund both deviated from their benchmarks. The index-linked gilts fund and its benchmark are priced at different times in the day and volatility in financial markets led to a marked deviation in the fund price at mid-day and benchmark price at close of business. This effect is expected to normalise in longer term performance figures. Aegon's reporting uses a benchmark that has a different valuation point to the World Multifactor ESG Equity Fund (end of day vs 12pm). This difference contributes to the deviation seen from the benchmark, however, the true fund performance of the World Multifactor ESG Equity Fund is broadly in line with its official benchmark. The Trustee is comfortable that the funds are performing within acceptable tolerances.

The Market Advantage Fund has historically been benchmarked against Overnight SONIA +3.5% return. The fund wrote to unitholders in April 2025 to communicate the intention to change the performance benchmark to a 30% equity/70% bonds which the fund looks to outperform. This change is to reflect the historic nature of the fund's underlying investments and to better reflect of the market risk imbedded in the investment process. The investment process has been revised to reflect a shift from a total-return focused portfolio which seeks to maximise return for a given level of risk, to one explicitly focused on outperforming the 30/70 benchmark with a limited amount of tracking error.

The Baillie Gifford Positive Change is benchmarked against MSCI ACWI. The Trustee notes that this fund had underperformed its benchmark over the three-year period but recognises this is to be expected during period of stress in financial markets. The Trustee is comfortable with the fund's return since it was added to the choices available to members.

### **Trustee knowledge and understanding**

Upon appointment and subsequently, the Trustee Directors are required to maintain appropriate levels of trustee knowledge and understanding, both individually and collectively.

Each Trustee Director must

- Be conversant with the trust deed and rules of the Scheme, the Statement of Investment Principles and all other documents adopted by the Trustee relating to the administration of the Scheme; and
- Have sufficient knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment of assets of occupational pension schemes to enable them to exercise their functions as a Trustee.

New trustees joining the Board are provided with an induction session from the UKPN Pensions Team and are expected to complete the Pensions Regulator Trustee Toolkit within the first six months of their appointment. A training plan is developed with the new trustees to ensure that they understand the Scheme rules and their responsibilities.

The Trustee Board has for the past seven years met the requirements of the Pensions Management Institute for Trustee Training. This involves all trustee directors undertaking a minimum of 15 hours of appropriate training a year. All training completed is documented in a register maintained by the UKPN Pensions Team.

In order to facilitate this training, the UKPN Pensions Team arranges quarterly half day training courses from the Scheme advisers, or other firms within the pensions industry, on the latest topical issues. Advisers also provide additional training during Board meetings, as requested. Trustees are expected to attend these events, or where this is not possible to attend other training courses. These training courses include briefings from the Scheme legal advisers and fiduciary managers to ensure that the Trustee maintains a working knowledge of its trust deed and rules, its Statement of Investment Principles, the administration agreement, and other key policy documents.

The UKPN Pensions Team also maintains a list of potential external training courses to ensure that the Trustee Directors can increase their knowledge of the wider industry and the strategic issues that they will face in the future.

As previously reported, the Trustee Board has a formal Trustee review policy, including an annual self-assessment of its capabilities and effectiveness to foster a culture of continuous performance improvement. This includes the completion of questionnaire to assess their understanding of developments over the year, and an annual one to one discussion for each Trustee with the Chairman. Any areas identified for personal development can then be addressed through the following year's training plan.

**Address for UKPN Pensions Team**

If you wish to contact the UKPN Pensions Team regarding this statement or any other matter regarding the Scheme, their address is as follows: The UK Power Networks Pension Scheme, Energy House, Hazelwick Avenue, Three Bridges, Crawley, West Sussex, RH10 1EX.

Telephone: 03330 090007

Email: [pensionservices@ukpowernetworks.co.uk](mailto:pensionservices@ukpowernetworks.co.uk)

This statement was approved at the Trustee meeting held on 16 September 2025.

Andrew Pace  
Chairman