

## **The EDF Group of the ESPS (the Group) Annual Defined Contribution Governance Statement by the Chair of the Group Trustees for the year to 31 March 2025**

### **Summary**

I, along with my fellow Group Trustees, are responsible for looking after the money you and other members have invested in our Group.

This statement confirms for the last year:

#### **The Group's default arrangements remained suitable for most members**

The last formal Investment Strategy Review took place in November 2022, with the next one scheduled for the fourth quarter of 2025. In March 2024, the Group Trustees undertook an additional review exercise focused on the new SmartPath glidepath design introduced by Mercer Workplace Savings (MWS) and concluded that no changes were required for the default strategies. Furthermore, the June and September 2024 Self-Select Fund Range review confirmed no changes were necessary to the existing fund range.

#### **The charges and costs borne by members remain appropriate**

The charges paid by members for the Group's default investment arrangement during the growth phase were 0.286% p.a. (or £2.86 per £1,000 fund value).

The charges for the Group's self-select investment options were in a range from 0.079% to 0.919% (or £0.79 to £9.19 per £1,000 fund value).

#### **The Group gave good value for members**

With the help of their advisers, the Group Trustees carried out their annual assessment of how the Group's services, which members pay for, compared to other similar schemes. The Group Trustees look at both the quality of these services as well as the costs and charges members pay.

#### **The action being taken by the Group Trustees to improve value for members**

During the last year, the Group Trustees sought to improve the Group's value for members by:

- Regularly assessing fund fees, suitability and performance, with input from the Group's DC investment adviser;
- Considering quarterly reports from the administrator on the processing of financial transactions and other administration processes to ensure that these were within the agreed service levels;
- Considering member feedback including reviewing complaints at quarterly meetings;
- Undertaking appropriate training to maintain and develop their knowledge on matters relating to the Group.

During the next year, the Group Trustees will seek to improve the Group's value for members by:

- Monitoring fund fees, suitability and performance with input from the Group's DC investment adviser;
- Communicating the results of the value assessment and arrange for the publication of the Chair's Statement in a publicly searchable location on the internet with a note of this location in the annual benefit statements;
- Statement in a publicly searchable location on the internet with a note of this location in the annual benefit statements;
- Enhancing Group Trustees' Knowledge and Understanding through completion of a minimum number of annual hours of Continuing Professional Development (CPD) and any new or updated Trustee Toolkit modules.

### **Financial transactions were carried out promptly and efficiently**

The Group Trustees monitor the performance of the Group's administration against the agreed service levels.

The quarterly administration report provides the Group Trustees with analysis of the administrator's performance against the agreed Service Level Agreements (SLAs) over the year to 31 March 2025. The majority of core financial transactions were generally processed accurately, promptly and efficiently for the Group for the year to 31 March 2025 with approximately 84% completed within agreed SLAs. The Group Trustees are pleased with the success of the transition to the new administrator in the year and note that there remains room for improvement in meeting the agreed SLAs as the team become more familiar with the Group and its members. Currently, the SLA measures apply to the services provided across the Group as a whole, however moving forward, we will aim to include performance metrics specifically related to the DC section services to drive further improvements.

### **How the Group Trustees have kept their knowledge of pension matters up to date**

The Group Trustees have a programme of training and an annual assessment to help maintain their knowledge of pension matters. This is set out in section F.

We hope this statement helps you understand how the Group is run. A copy of this statement can be downloaded from <https://www.edfgpensions.co.uk/content/group-downloads>. If you have any comments or questions, please contact the Group's secretary Laura LeMay on: Tel: 07809 593 900 Email: [Laura.LeMay@edfenergy.com](mailto:Laura.LeMay@edfenergy.com).

The rest of this statement describes in more detail the Group Trustees' management of the Group's Defined Contribution and additional voluntary contribution sections during the last year.

#### **For the record**

This Annual Statement regarding governance has been prepared in accordance with:

Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (SI 2015/879);

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 (SI 2018/233); and

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations')

#### **a) The default arrangements**

The main investment principles governing the default Retirement Strategies (an investment programme which automatically manages a member's investments over their lifetime) arrangements are outlined below:

- The growth phase of the default arrangements aim to provide long term growth with some protection against inflation erosion and volatility when compared to global equity markets.
- As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Group Trustees believe that a default arrangement that seeks to reduce investment risk as the member approaches retirement is appropriate. This is known as the de-risking phase.
- The balance of investments at retirement should be appropriate for how the Group Trustees believe a typical member in that section will take their benefits in retirement. This does not mean that members are required to take their benefits in this format at retirement - it merely determines the default arrangement that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats have the option of switching to an alternative Retirement Strategy prior to retirement or even choosing their own investment strategy.

- Taking into account the demographics of the Group's membership, and the Group Trustees' views of how the membership will behave at retirement, different Retirement Strategies have been selected as the default arrangement for different groups of members, as outlined in the following section. These Retirement Strategies invest in the same Mercer fund during the growth phase, but they have different de-risking phases in order to provide a better alignment with how the Group Trustees view the membership will behave at retirement.

The Group's Statement of Investment Principles (SIP), including the part relating to the strategy for the Group's default arrangements, is appended to this statement at Appendix 1.

Taking into account the demographics of the Group's membership and the Group Trustees' views on how the membership might behave at retirement, the Group Trustees believe that these default arrangements are appropriate for the majority of the Group's members.

*Cash Retirement: DC Top-Up members, Legacy Lifestyle DC Seaboard PIP members and AVC payers*

Based on the Group Trustees' understanding of this cohort, they believe a typical member that does not select any investment preference is likely to take a cash lump sum at retirement, hence an investment strategy that targets a balanced risk/return profile in the growth phase and de-risks to cash at retirement, is likely to be the most appropriate strategy.

*Drawdown Retirement: Post 2015 DC Only Section*

Based on the Group Trustees' understanding of this cohort, they believe a typical member that does not select any investment preference is likely to drawdown on their savings in retirement, hence an investment strategy that targets a balanced risk/return profile in the growth phase and de-risks to lower risk assets maintaining some growth potential at retirement, is likely to be the most appropriate strategy.

*Annuity Retirement: LERP Section*

Based on the Group Trustees' understanding of this cohort, they believe a typical member that does not select any investment preference is likely to take an annuity alongside their tax-free cash lump sum at retirement, hence an investment strategy that targets a balanced risk/return profile in the growth phase and de-risks to a blend between level annuity purchase and cash at retirement, is likely to be the most appropriate strategy.

*Legacy Defaults: Legacy EEPS Members*

Members who held legacy lifestyle holdings through Scottish Widows and were less than one year from their selected retirement age in January 2017 within the legacy EEPS scheme, had the option to remain invested in their existing legacy holdings. The legacy default lifestyle strategy is an investment strategy that targets returns that exceed inflation in the growth phase and de-risks to a strategy that targets a blend between index-linked annuity purchase and cash in the lifestyle phase up to retirement.

In February 2017, the Group Trustees transferred the majority of members invested in the legacy default lifestyle to new Retirement Strategies held under the existing policy with Scottish Widows. In order to minimise disruption for members close to retirement, the Group Trustees retained the legacy default strategy for members invested in it and less than one year from their selected retirement age as at January 2017.

These legacy default funds for EEPS members, which were part of the Group's default arrangements until their closure in November 2024, were reviewed as part of the Group's ongoing governance. The decision to close the funds was due to the small number of members invested all having reached retirement age and lifestyling having ceased. Members received communications on this point and their records were updated to show them as self-select members. Performance and charges for the two legacy lifestyle funds are included in this statement.

*Latest Strategy Review of Default Arrangements*

A full strategy review including a review of the default arrangements was undertaken by the Group Trustees during November 2022, the result of which confirmed the defaults in place continue to be considered suitable for the membership. The next formal Investment Strategy Review is scheduled for the fourth quarter of 2025.

In March 2024, the Group Trustees reviewed the arrangements offered by the Group following a number of changes made by Mercer in respect of its SmartPath investment solution that the Group’s lifestyle investment strategies’ have historically mirrored. Following advice from their Investment Adviser, Mercer Limited, the Group Trustees considered:

- Whether the lifestyle strategies should add an allocation to the new Mercer Long Term Growth Fund – following analysis of the Group’s membership, the Group Trustees decided not to add this to the glidepath for any members.
- Whether to update the Cash Lifestyle Strategy to replace the BlackRock All Stocks Corporate Bonds Fund with the Mercer Diversified Retirement Fund. The Group Trustees decided to implement this change as part of the move to new administrators in the year.

In addition, the Group Trustees, with advice from Mercer, considered:

- Whether to remove the legacy lifestyles from the arrangement. As all members have now passed their retirement dates, the Group Trustees decided to remove these strategies as part of the move to the new administrators in the year.
- Whether to update the name of the “EDFG Inflation Linked Pre-Retirement Fund” to the “EDFG Future World Inflation Linked Annuity Aware Fund” in line with the changes to the underlying fund. The Group Trustees decided to implement this as part of the move to the new administrators in the year.
- Whether to update the name of the name of the “EDFG Legal & General Ethical Global Equity Index” to the “FTSE4Good Developed Equity” in line with the changes to the underlying fund. The Group Trustees decided to implement this as part of the move to the new administrators in the year.

Furthermore, in June and September 2024 the Group Trustees, with Mercer’s guidance, conducted a Self-Select Fund Range review and determined the existing fund range remains suitable for the membership.

#### Performance based fees

There are currently no performance-based fees being charged for the funds.

#### Asset allocation of default arrangements

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023 (“the 2023 Regulations”) introduced new requirements for trustees and managers of certain occupational pension schemes.

For the first scheme year that ends after 1 October 2023 and every Scheme year thereafter, trustees or managers of relevant occupational pension schemes, are required to disclose their full asset allocations of investments for their default arrangements. We have set out this information below for members aged 25, 45, 55 and 65 for the year to 31 March 2025.

Cash Retirement ( <i>current default</i> )	Percentage allocation - average 25 years (%)	Percentage allocation - average 45 years (%)	Percentage allocation - average 55 years (%)	Percentage allocation - 65 years (NRD)
Cash	2.47	2.47	2.47	100.00
Bonds	23.09	23.09	23.09	0.00
Listed Equities	66.41	66.41	66.41	0.00
Private Equity	0.00	0.00	0.00	0.00
Infrastructure	0.00	0.00	0.00	0.00
Property/Real Estate	1.00	1.00	1.00	0.00
Private Debt/Credit	0.00	0.00	0.00	0.00
Other	7.03	7.03	7.03	0.00

<b>Drawdown Retirement:</b> <i>Post 2015 DC Only Section</i>	<b>Percentage allocation – average 25 years (%)</b>	<b>Percentage allocation – average 45 years (%)</b>	<b>Percentage allocation – average 55 years (%)</b>	<b>Percentage allocation – 65 years (NRD)</b>
Cash	2.47	2.47	2.47	25.89
Bonds	23.09	23.09	23.09	45.45
Listed Equities	66.41	66.41	66.41	22.23
Private Equity	0.00	0.00	0.00	0.00
Infrastructure	0.00	0.00	0.00	0.00
Property/Real Estate	1.00	1.00	1.00	0.74
Private Debt/Credit	0.00	0.00	0.00	0.00
Other	7.03	7.03	7.03	5.69

<b>Annuity Retirement: LERP</b>	<b>Percentage allocation - average 25 years (%)</b>	<b>Percentage allocation - average 45 years (%)</b>	<b>Percentage allocation - average 55 years (%)</b>	<b>Percentage allocation - 65 years (NRD)</b>
Cash	2.47	2.47	2.47	25.00
Bonds	23.09	23.09	23.09	75.00
Listed Equities	66.41	66.41	66.41	0.00
Private Equity	0.00	0.00	0.00	0.00
Infrastructure	0.00	0.00	0.00	0.00
Property/Real Estate	1.00	1.00	1.00	0.00
Private Debt/Credit	0.00	0.00	0.00	0.00
Other	7.03	7.03	7.03	0.00

Legacy Default 5 Years	Percentage allocation – average 25 years (%)	Percentage allocation – average 45 years (%)	Percentage allocation – average 55 years (%)	Percentage allocation – 65 years (NRD)
Cash	0.00	0.00	0.00	25.00
Bonds	0.00	0.00	0.00	75.00
Listed Equities	100.00	100.00	100.00	0.00
Private Equity	0.00	0.00	0.00	0.00
Infrastructure	0.00	0.00	0.00	0.00
Property/Real Estate	0.00	0.00	0.00	0.00
Private Debt/Credit	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00

Legacy Default 11 Years	Percentage allocation – average 25 years (%)	Percentage allocation – average 45 years (%)	Percentage allocation – average 55 years (%)	Percentage allocation – 65 years (NRD)
Cash	0.00	0.00	0.00	25.00
Bonds	0.00	0.00	0.00	75.00
Listed Equities	100.00	100.00	100.00	0.00
Private Equity	0.00	0.00	0.00	0.00
Infrastructure	0.00	0.00	0.00	0.00
Property/Real Estate	0.00	0.00	0.00	0.00
Private Debt/Credit	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00

#### (b) Charges and transaction costs

The charges and transaction costs borne by members and/or the Group for the services are:

Service	By members	Shared	By the Group
Investment management	Yes	-	-
Administration	-	-	Yes
Governance	-	-	Yes
Investment transactions	Yes	-	-

The presentation of the charges and transaction costs, together with the projections of the impact of charges and costs, have considered the statutory guidance issued by the Department for Work and Pensions. The Group Trustees have followed the statutory guidance in all areas.

## Charges

The charges quoted in this statement are the funds' Total Expense Ratios (TERs). The TERs consist of a fund's Annual Management Charge (AMC) and Operating Costs and Expenses (OCE). OCEs include, for example, the fund's custodian costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day.

## Transaction costs

The funds' transaction costs are in addition to the funds' TERs and can arise when:

- The investment manager buys or sells part of a fund's portfolio of assets; or
- The platform provider or investment manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs include: custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes). Transaction costs are taken into account when the funds' unit prices are calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance.

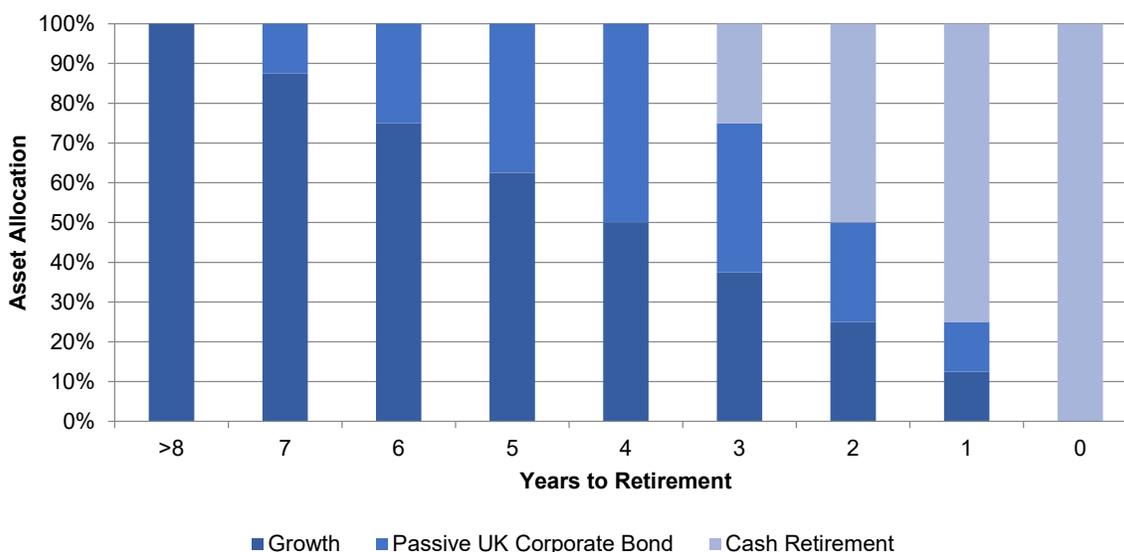
The (Financial Conduct Authority) FCA requires investment managers and providers to calculate transaction costs using the "slippage method", which compares the value of assets immediately before and after a transaction has taken place. The slippage method takes account of explicit costs of the transaction such as commission and taxes, as well as implicit costs associated with market movements. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs. This can make comparisons difficult.

The tables in Appendices 2a, 2b and 2c give the transaction costs for each fund used in each default arrangement

## Charges for the default arrangements

### Default - Cash Retirement

This default arrangement is a "lifestyle strategy" which invests contributions in funds according to how far each member is from retirement. As a result, charges borne by each member can vary from one year to the next.



During the year covered by this statement the member-borne charges for the default arrangement were in a range from 0.170% to 0.286% of the amount invested or, put another way, in a range from £1.70 to £2.86 per £1,000 invested:

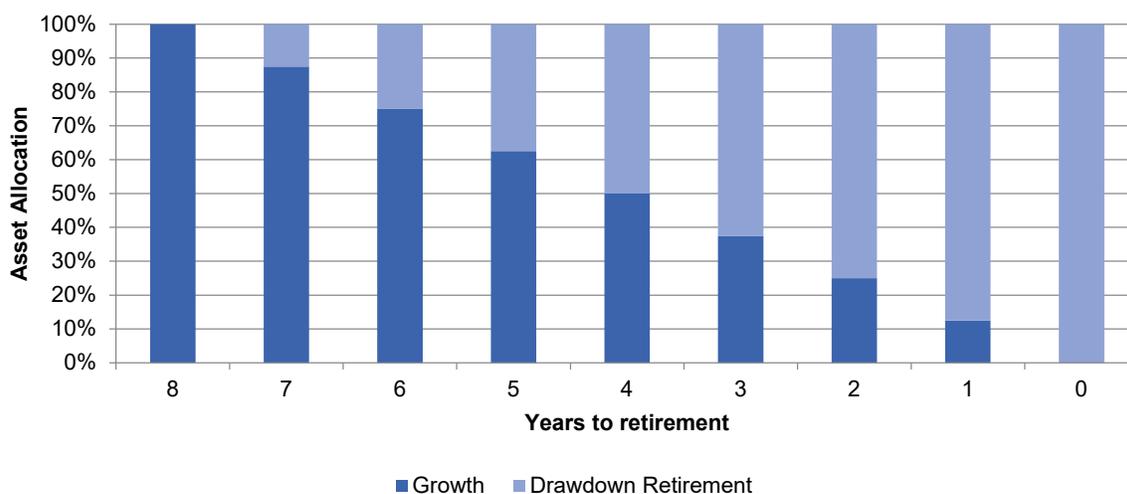
Period to retirement	Charge	
	% p.a.	£ per £1,000
8+ years	0.286	£2.86
7 years	0.251	£2.51
6 years	0.215	£2.15
5 years	0.180	£1.80
4 years	0.144	£1.44
3 years	0.151	£1.51
2 years	0.157	£1.57
1 year	0.164	£1.64
At retirement	0.170	£1.70

Source: MWS (Mercer Workplace Savings) report to 31 March 2025

The table in Appendix 2a gives the charges for each fund used by the default arrangement.

### **Default - Drawdown Retirement**

This default arrangement is a “lifestyle strategy” which invests contributions in funds according to how far each member is from retirement. As a result, charges borne by each member can vary from one year to the next.



During the year covered by this statement the member-borne charges for the default arrangement were in a range from 0.286% to 0.334% of the amount invested or put another way, in a range from £2.86 to £3.34 per £1,000 invested:

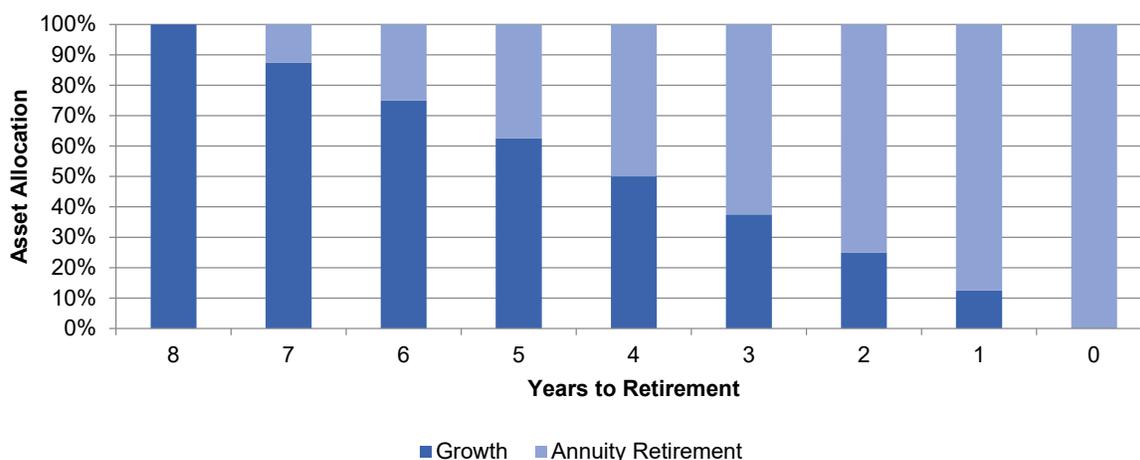
Period to retirement	Charge	
	% p.a.	£ per £1,000
8+ years	0.286	£2.86
7 years	0.292	£2.92
6 years	0.298	£2.98
5 years	0.304	£3.04
4 years	0.310	£3.10
3 years	0.316	£3.16
2 years	0.322	£3.22
1 year	0.328	£3.28
At retirement	0.334	£3.34

Source: MWS report to 31 March 2025

The table in Appendix 2b gives the charges for each fund used by the default arrangement.

### Default - Annuity Retirement

This default arrangement is a “lifestyle strategy” which invests contributions in funds according to how far each member is from retirement. As a result, charges borne by each member can vary from one year to the next.



During the year covered by this statement the member-borne charges for the default arrangement were in a range from 0.202% to 0.286% of the amount invested or put another way, in a range from £2.02 to £2.86 per £1,000 invested:

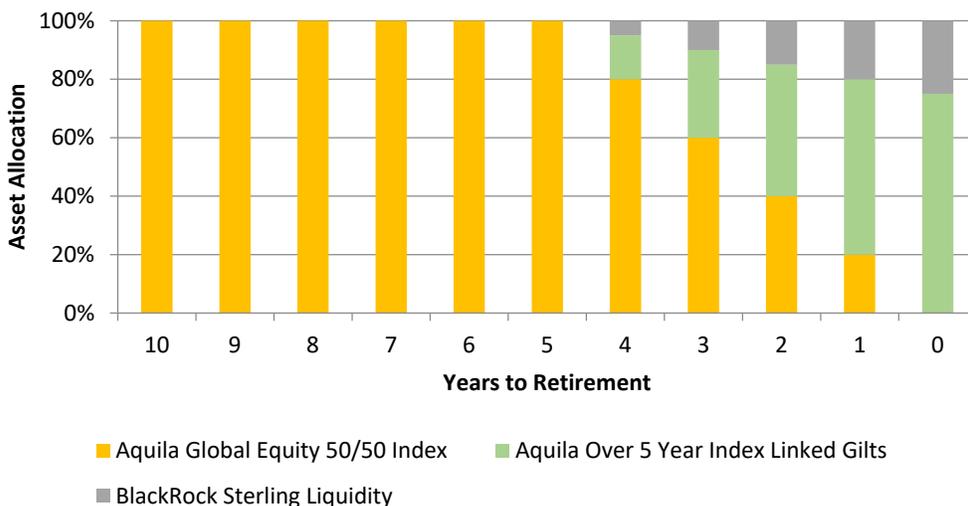
Period to retirement	Charge	
	% p.a.	£ per £1,000
8+ years	0.286	£2.86
7 years	0.276	£2.76
6 years	0.265	£2.65
5 years	0.255	£2.55
4 years	0.244	£2.44
3 years	0.234	£2.34
2 years	0.223	£2.23
1 year	0.213	£2.13
At retirement	0.202	£2.02

Source: MWS report to 31 March 2025

The table in Appendix 2c gives the charges for each fund used by the default arrangement.

### Default - Legacy Default 5 Years

This default arrangement is a “lifestyle strategy” which invests contributions in funds according to how far each member is from retirement. As a result, charges borne by each member can vary from one year to the next.



During the year covered by this statement the member-borne charges for the default arrangement were in a range from 0.083% to 0.092% of the amount invested or put another way, in a range from £0.83 to £0.92 per £1,000 invested:

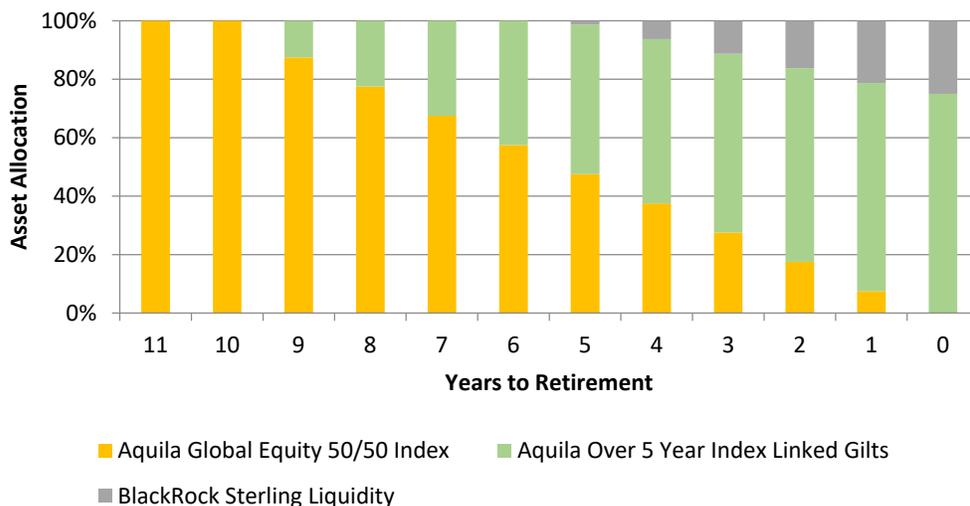
Period to retirement	Charge	
	% p.a.	£ per £1,000
5+ years	0.083	£0.83
4 years	0.085	£0.85
3 years	0.087	£0.87
2 years	0.088	£0.88
1 year	0.090	£0.90
At retirement	0.092	£0.92

Source: MWS report to 31 March 2025

The table in Appendix 2d gives the charges for each fund used by the default arrangement.

### Default - Legacy Default 11 Years

This default arrangement is a “lifestyle strategy” which invests contributions in funds according to how far each member is from retirement. As a result, charges borne by each member can vary from one year to the next.



During the year covered by this statement the member-borne charges for the default arrangement were in a range from 0.083% to 0.092% of the amount invested or put another way, in a range from £0.83 to £0.92 per £1,000 invested:

Period to retirement	Charge	
	% p.a.	£ per £1,000
10+ years	0.083	0.83
9 years	0.083	0.83
8 years	0.082	0.82
7 years	0.082	0.82
6 years	0.081	0.81
5 years	0.081	0.81
4 years	0.083	0.83
3 years	0.085	0.85
2 years	0.087	0.87
1 year	0.090	0.90
At retirement	0.092	0.92

Source: MWS report to 31 March 2025

The table in Appendix 2e gives the charges for each fund used by the default arrangement.

## **Transaction costs for the default arrangements**

### **Default - Cash Retirement**

The transaction costs borne by members in the default arrangement during the year were in a range from 0.014% to 0.140% of the amount invested or put another way, in a range from £0.14 to £1.14 per £1,000 invested.

The table in Appendix 2a gives the transaction costs for each fund used in the default arrangement.

### **Default - Drawdown Retirement**

The transaction costs borne by members in the default arrangement during the year were in a range from 0.111% to 0.136% of the amount invested or put another way, in a range from £1.11 to £1.36 per £1,000 invested.

The table in Appendix 2b gives the transaction costs for each fund used in the default arrangement.

### **Default - Annuity Retirement**

The transaction costs borne by members in the default arrangement during the year were in a range from 0.003% to 0.136% of the amount invested or put another way, in a range from £0.03 to £1.36 per £1,000 invested.

The table in Appendix 2c gives the transaction costs for each fund used in the default arrangement.

### **Default - Legacy Default 5 Years**

The transaction costs borne by members in the default arrangement during the year were in a range from 0.043% to 0.068% of the amount invested or put another way, in a range from -£0.43 to £0.68 per £1,000 invested. The transaction costs of the underlying funds range from 0.068% to -0.062%.

The table in Appendix 2d gives the transaction costs for each fund used in the default arrangement.

### **Default - Legacy Default 11 Years**

The transaction costs borne by members in the default arrangement during the year were in a range from 0.043% to 0.068% of the amount invested or put another way, in a range from -£0.43 to £0.68 per £1,000 invested. The transaction costs of the underlying funds range from 0.068% to -0.062%.

The table in Appendix 2e gives the transaction costs for each fund used in the default arrangement.

## **Charges for the investment options outside the default arrangements (self-select funds)**

The Group offers members a choice of 34 self-select funds.

During the year the charges for the self-select funds were in a range from 0.079% to 0.919% of the amount invested or put another way, in a range from £0.79 to £9.19 per £1,000 invested.

The table in Appendix 2f gives the charges for each self-select fund.

## **Transaction costs for the investment options outside the default arrangements (self-select funds)**

The transaction costs borne by members in the self-select funds during the year were in a range from -0.241% to 0.935% of the amount invested or put another way, in a range from -£2.41 to £9.35 per £1,000 invested.

The table in Appendix 2f gives the transaction costs for each self-select fund.

## **Additional Voluntary Contributions (AVCs)**

The Group offers members in the Defined Benefit section the same choice of funds for their AVCs as are available to DC members.

## **Charges and transaction costs for legacy AVCs**

A small number of members remain invested in the legacy AVCs provided by Prudential and Aviva. A high level AVC review was completed in November 2024. Information relating to the charges and transaction costs for the 12-month period to 31 March 2025 was requested but was not received from all providers in time for the reporting. Full details of the charges and transaction costs that are available can be found in Appendix 2g.

### Missing information and limitations

The Group Trustees have been unable to obtain full information on the charges and transaction costs for the AVC funds during the period covered by this statement. These funds are:

- Aviva Pension Newton Multi-Asset Balanced
- Aviva Pension Pre-retirement Fixed Interest
- Av FP With-Profits Sub-Fund
- Aviva With-Profit (NU) Pension Standard
- Aviva With-Profit Guaranteed (NU) Pension Standard
- Aviva With-Profit 1 (CGNU) Pension Standard
- Aviva Deposit Pension
- Aviva Long Gilt Pension
- Aviva UK Index Tracking Pension
- Aviva International Index Tracking Pension
- Aviva Mixed Invest (40-85 & Shares) S2 Pension
- Prudential With-Profits Cash Accumulation Fund
- Prudential WPIA

The following steps are being taken to obtain the missing information for the future:

- The Group Trustees will request the information from the providers; and
- The Group Trustees will continue to monitor the provider's and fund managers' progress on implementing the FCA rules on transaction cost disclosure which came into force on 3 January 2018 with a view to providing this information next year.

The Group Trustees also note the following limitations:

- The Group Trustees acknowledge that at this point, limited data is available on industry wide comparisons and the Group Trustees have relied heavily on the market knowledge of its advisers; and
- The Group Trustees acknowledge that at this point, there is limited transaction costs data available to provide industry wide comparisons.

The Group Trustees understand that these issues currently affect many pension schemes and pension providers and that, the amount of comparative information available should improve over the next few years.

### Impact of costs and charges

The Group Trustees have asked their Investment Adviser to illustrate the impact over time of the costs and charges borne by members.

These illustrations show projected fund values in today's money before and after costs and charges for typical members at stages from joining the Group at age 25 and 52 up to retirement.

The tables in Appendix 3 to this statement show these figures for the Group's default arrangements along with self-select funds with differing levels of investment risk, together with a note of the assumptions used in calculating these illustrations. The Group Trustees have taken account of relevant statutory guidance in preparing the illustrations.

As an example, for a member who joins the cash retirement default arrangement at age 52 with a pot of £14,470 the illustrated level of charges and costs would reduce their projected pot value at retirement in today's money from £20,001 to £19,065.

Please note: The member age assumptions have been rolled forward based on those used in last year's Annual Defined Contribution Governance Statement. These illustrated values are also not guaranteed and may not prove to be a good indication of how your own savings might grow.

### (c) Net returns on investments

The tables below set out annualised net performance for the one and five-year periods for the lifestyle arrangements (for age 25, 45, and 55) and for the self-select fund range.

Lifestyle strategies - Drawdown retirement	Annualised returns to 31 March 2025 (%)	
	1 year	5 years
<b>Age of member</b>		
25-year-old member	3.7	7.9
45-year-old member	3.7	7.9
55-year-old member	3.7	7.7

Source: Scottish Widows and Mercer estimates.

Lifestyle strategies - Annuity Retirement	Annualised returns to 31 March 2025 (%)	
	1 year	5 years
<b>Age of member</b>		
25-year-old member	3.7	7.9
45-year-old member	3.7	7.9
55-year-old member	3.7	7.4

Source: Scottish Widows and Mercer estimates.

Lifestyle strategies - Cash Retirement	Annualised returns to 31 March 2025 (%)	
	1 year	5 years
<b>Age of member</b>		
25-year-old member	3.7	7.9
45-year-old member	3.7	7.9
55-year-old member	3.7	7.9

Source: Scottish Widows and Mercer estimates.

Legacy Default - 5 Years	Annualised returns to 31 March 2025 (%)	
	1 year	5 years
<b>Age of member</b>		
25-year-old member	5.5	12.5
45-year-old member	5.5	12.5
55-year-old member	5.5	12.5

Source: Scottish Widows and Mercer estimates.

Legacy Default - 11 Years	Annualised returns to 31 March 2025 (%)	
	1 year	5 years
<b>Age of member</b>		
25-year-old member	5.5	12.5
45-year-old member	5.5	12.5
55-year-old member	5.1	7.5

Source: Scottish Widows.

Self-select funds	Annualised returns to 31 March 2025 (%)	
	1 year	5 year
Drawdown Retirement	3.5	4.0%
Annuity Retirement	-0.8	-3.1%
Growth	3.7	7.9%
Passive UK Corporate Bond	2.6	0.0%
Cash Retirement	5.0	2.4%
BlackRock Global Equity 50/50 Index	5.5	12.5%
BlackRock Over 5 Year Index Linked Gilts	-9.1	-9.6%
BlackRock Sterling Liquidity	5.0	2.4%
Active UK Property	6.1	.*
Defensive	1.6	1.3%
Moderate Growth	3.0	5.6%
High Growth	3.8	9.6%
Active UK Equity	9.2	10.0%
Active Global Equity	5.2	14.5%
Active Low Volatility Equity	6.7	10.4%
Active Global Small Cap Equity	-1.2	13.2%
Active Emerging Markets Equity	1.5	3.7%
Active Emerging Markets Debt	-1.2	2.5%
Active Sustainable Global Equity	0.0	.*
Diversified Growth	4.1	7.6%
Future World Annuity Aware	-2.6	-5.0%
Diversified Retirement	3.0	4.6%
Passive UK Equity	8.5	11.3%
Passive Sustainable Global Equity	.*	.*
Passive Overseas Equity	2.9	14.8%
Passive Overseas Equity Hedged	7.9	16.1%
FTSE4Good Developed Equity Index	2.5	.*
Passive Emerging Markets Equity	5.8	7.3%
Passive Over 5 Year Index Linked Gilt	-9.2	-9.6%
Passive Over 15 Year Gilt	-7.2	-12.8%
Active Money Market	5.0	2.4%
BlackRock Corporate Bond All Stocks Index	2.6	.*
Shariah	3.7	16.4%
Future World Inflation Linked Annuity Aware	-5.2	.*

Source: Scottish Widows.

\*Performance data was not available for the time period shown

AVC Funds	Annualised returns to 31 March 2025 (%)	
	1 year	5 year
Aviva Pension BNY Multi-Asset Balanced	*	*
Aviva Pension Pre-retirement Fixed Interest	*	*
Av FP With-Profits Sub-Fund	*	*
Aviva With-Profit (NU) Pension Standard	*	*
Aviva With-Profit Guaranteed (NU) Pension Standard	*	*
Aviva With-Profit 1 (CGNU) Pension Standard	*	*
Aviva Deposit Pension	*	*
Aviva Long Gilt Pension	*	*
Aviva UK Index Tracking Pension	*	*
Aviva International Index Tracking Pension	*	*
Aviva Mixed Invest (40-85 & Shares) S2 Pension	*	*
Prudential With-Profits Cash Accumulation Fund	*	*
Prudential Index-Linked	-11.3	-9.0
Prudential Discretionary	4.0	7.8
Prudential Cash	4.9	1.9
Prudential Dynamic Global Equity Passive Fund	5.1	11.6
Prudential WPIA	*	*

Source: Prudential and Aviva. \*Performance data was not available at the time of writing

#### (d) Value for Members

Each year the Group Trustees carry out an assessment of whether the charges and transaction costs for the default arrangement and other investment options, which are borne in full or in part by members, represent good value for members.

Value is not simply about low cost – the Group Trustees also consider the quality of the services which members pay for. With the help of their advisers the Group Trustees compare the charges and costs as well as the quality of the services against other similar schemes.

The Group Trustees adopted the following approach to assessing Value for Members during the last year:

#### Assessment approach

1. Considered the Group’s features in four areas where costs are borne by members: investment, communications, group management and governance, and administration;
2. Considered the Group’s membership characteristics and weighted each of the areas according to its likely impact on member outcomes;
3. Gathered information and evaluated how the services perform against the agreed metrics, taking into account cost, quality and scope of provision against any available external benchmarking assessment; and
4. Agreed an action plan with clear timescales where the Group Trustees believe the Group is not providing value for members, is missing information, or areas which should be improved.

#### Member borne charges

Members bear the charges for investment only, including transaction costs. The Group bears the costs of administration, communication and governance.

## Results

The Group has been assessed as offering GOOD value for members in the year ending 31 March 2025. The results and rationale of the Group's Value for Members assessment is summarised below along with the rating definitions used.

Rating	Key Rationale
GOOD	<p><i>Cash Retirement Strategy (used by 'top up members', Legacy Lifestyle DC Seaboard PIP members and AVC payers)</i>  This arrangement is under the 0.75% p.a. charge cap requirement and moves from 0.286% p.a. (during the growth phase) to 0.170% p.a. (at the end of the de-risking phase). Over a 40-year saving period the average charge is 0.279% p.a. The transaction costs for the Cash Retirement Strategy range from 0.014% p.a. to 0.140% p.a. Notwithstanding challenging performance during 2022 and 2023 as interest rates rose sharply and the value of fixed income assets in particular fell significantly, performance has been in line with or ahead of objective (depending on members' position in the lifestyle) over the long term (five-year period and since inception), and the strategy helped mitigate the impact of equity market falls seen during Q1 2025.</p> <p><i>Drawdown Retirement Strategy (used by DC Only Members)</i>  This arrangement is under the 0.75% p.a. charge cap requirement and moves from 0.286% p.a. (during the growth phase) to 0.334% p.a. (at the end of the de-risking phase). Over a 40-year saving period the average charge is 0.291% p.a. The transaction costs for the funds used for this strategy range from 0.111% p.a. to 0.136% p.a. Notwithstanding challenging performance during 2022 and 2023 as interest rates rose sharply and the value of fixed income assets in particular fell significantly, performance has been in line with or ahead of objective (depending on members' position in the lifestyle) over the long term (five-year period and since inception), and the strategy helped mitigate the impact of equity market falls seen during Q1 2025.</p> <p><i>Annuity Retirement Strategy (used by LERP Members)</i>  This arrangement is under the 0.75% p.a. charge cap requirement and moves from 0.286% p.a. (during the growth phase) to 0.202% p.a. (at the end of the de-risking phase). Over a 40-year saving period the average charge is 0.277% p.a. The transaction costs for the funds used for this strategy range from 0.003% p.a. to 0.136% p.a. Notwithstanding challenging performance during 2022 and 2023 as interest rates rose sharply and the value of fixed income assets in particular fell significantly, performance has been in line with or ahead of objective (depending on members' position in the lifestyle) over the long term (five-year period and since inception), and the strategy helped mitigate the impact of equity market falls seen during Q1 2025.</p> <p>The Group Trustees provide three lifestyle strategies in total which members can choose from and a wide range of funds for the membership to self-select. The Group Trustees consider that this is a suitable range of self-select funds given membership characteristics. Performance for most funds remains competitive against respective benchmarks (after fees). The Group Trustees and its DC investment adviser continue to monitor charges and reviews quarterly detailed investment reports. The SIP was reviewed in September 2024.</p> <p><i>Group Governance and Management</i>  The Group has a strong governance structure. The SIP is reviewed on a regular basis and the Group Trustees and sub-committees meet and consider investment and operational reports on a regular basis.</p> <p><i>Administration</i>  The Group Trustees review the SLAs on a regular basis. Should the administrator's performance levels drop, the Group Trustees would request information to ascertain the reasons why and to ensure any corrective measures are undertaken. As noted earlier in this statement, the Group Trustees made the decision to move to a new administrator with effect from 1 July 2024.</p> <p>The Group Trustees have asked for DC specific SLAs, but these were not available at the time of writing.</p>

Rating	Key Rationale
	<p><i>Communications</i></p> <p>The overall quality of communications remains high. The website uses calculators in an engaging way, which are useful to members to assist them plan for their retirement appropriately and make informed decisions.</p>

### Value Ratings

Value Rating	Definition
<b>Excellent</b>	The Group Trustees consider the Group offers excellent value for members; providing services within a top 20% quality/cost range compared with other options or similar schemes.
<b>Good</b>	The Group Trustees consider the Group offers good value for members providing services at better quality/cost compared with other typical options or similar schemes.
<b>Average</b>	The Group Trustees consider the Group offers average value for members providing similar services at similar quality/cost compared with other typical options or similar schemes.
<b>Below average</b>	The Group Trustees consider the Group offers below average value for members; providing similar services at higher cost for similar quality compared with other typical options or similar schemes.
<b>Poor</b>	The Group Trustees consider the Group offers poor value for members providing services within the bottom 20% quality/cost range compared with other options or similar schemes.

### (e) Processing financial transactions and administration

The administration of the Group was transitioned from Aptia Limited to Trafalgar House with effect from 1 July 2024.

The Group Trustees monitor core financial transactions during the year including:

- The investment of contributions (including inward transfers of funds);
- Switches between investment options; and
- Payments of benefits (including retirements and outward transfers of funds).

The Group Trustees have a service level agreement in place with the Group's administrator covering:

- New joiners are processed within 72 hours;
- Provision of retirement pack and quotation of benefits within 15 working days (internal SLA's) or within 20 working days (external SLA's);
- Payments of benefits are made: These range within 10 to 20 working days (noting that this differs depending on the type of benefit) (internal SLA's) or within 25 to 40 working days (external SLA's);
- Provision of transfer value quotation within 15 working days for active and deferred members (internal SLA's) within 20 working days for active members and 40 working days for deferred members (both external SLA's);
- Payment of transfer value within 20 working days (internal SLA's) or within 40 working days (external SLA's);
- Provision of leaver option pack within 50 working days;
- Processing individuals transferring into the Group within 10 working days (internal SLA's) or within 15 days (external SLA's);

- Response to members enquiries within 10 working days; and
- Provision of statements upon request within 10 working days (if a retirement statement the external SLA is 20 working days).

The Group's administrator (formerly Aptia, now Trafalgar House) aims to ensure that all these processes are completed within these service levels.

The Group Trustees understand that the administrator monitors its performance against these service levels by:

- Monitoring daily transactions;
- Monitoring daily workflow items;
- Regular internal audits of administration procedures; and
- Reviewing the level, causes and resolution of complaints.

The Group Trustees monitor core financial transactions and administration service levels during the year by:

- Checking that contributions deducted from members' earnings have been paid promptly to the Group by the Employer at quarterly meetings;
- Receiving quarterly reports from the administrator on the processing of financial transactions and other administration processes against the agreed service levels;
- Considering the reasons for and resolution of any breaches of service standards at quarterly meetings; and
- Considering member feedback including any complaints at quarterly meetings.

Overall, the Group Trustees are satisfied that, in general terms, during the year:

- Core financial transactions were processed accurately, promptly and efficiently; and
- The wider administration of the Group achieved the agreed service standards.

The Group Trustees' Risk Register includes risks in relation to financial transactions and considers the impact, likelihood, controls and mitigation steps for each risk. The Risk Register is subject to ongoing monitoring and review.

### **Security of assets**

The situation regarding the security of where pension contributions are invested is complex. It can vary from scheme to scheme and from fund to fund within each scheme. To date there have only been a few instances where UK pension scheme members have seen their benefits reduced as a result of a financial failure of a provider or fund manager.

The Group Trustees review the structure of the funds used within the default arrangements (drawdown, cash and annuity) and self-select options every three years. The Group Trustees believe that the current structures are appropriate for members when compared to other possible structures.

The Group Trustees take the security of members' assets into account when selecting and monitoring the funds used by the Group.

### **(f) Group Trustees knowledge and understanding**

The Group Trustees' current practices to maintain and develop their level of knowledge and understanding of matters relating to the Group (in accordance with sections 247 and 248 of the Pensions Act 2004) are:

- There is an induction process for newly appointed Group Trustees, who are asked to complete the Pensions Regulator's "Trustee Toolkit" within six months of becoming a Group Trustee.
- Group Trustees are expected to have a working knowledge of the Group's Trust Deed and Rules.
- Group Trustees are expected to have a working knowledge of the Group's SIP as well as the investment concepts relevant to the Group.
- Group Trustees are expected to have a working knowledge of the law relating to pensions and trusts.
- Group Trustees are encouraged to undertake further study and qualifications which support their work as Group Trustees. The Group Trustees have PMI Trustee membership. The board is aiming for all professional and lay Group Trustees to achieve PMI accreditation. This sets a high bar, ensuring that accredited Group Trustees demonstrate professional standards and that we are observing best practice with regard to Trustee Knowledge and Understanding (TKU) obligations and 'the Regulators 21<sup>st</sup> Century Trusteeship';

- The Group Trustees have a plan in place for ongoing training appropriate to their duties;
- The effectiveness of these practices and the training received are reviewed annually; and
- The Group Trustees carry out regular assessments to confirm and identify any gaps in their knowledge and skills.

The Group Trustees received the following training during the last year:

Date	Topic	Aim/benefit	Trainer
Jun 2024	LDI and stewardship	To provide the Group Trustees with a refresh of their knowledge on LDI and stewardship	LDI Investment Manager
Sep 2024	Incidence response – War games	To challenge the Group Trustees and their advisers on how they would react in an emergency/business critical situation and document learning points/actions from the experience	EDF Risk Manager and EDF EIS Manager
Sep 2024 Dec 2024 Mar 2025	Investments with focus on ESG and stewardship	To provide the Group Trustees with a refresh of their knowledge on the investment manager's mandate and how the investment manager incorporates stewardship and ESG considerations into investment decisions	Various Investment Managers
Nov 2024	Asset-Backed Securities (ABS)	To provide the Group Trustees with a refresh of their knowledge on ABS, explaining how any new investment would fit within the existing portfolio and also for the Group Trustees to meet suitable investment managers in this asset class	Investment Adviser
Jan 2025	New Funding Code	To provide the Group Trustees with an understanding of the new Funding Code and implications for the Group	Group Advisers for Actuary, Covenant, Legal and Investment
Mar 2025	Liquid Credit	To provide the Group Trustees with an overview of the existing liquid credit strategy and discuss if the Group should take an opportunity to take an early step towards the long-term asset allocation in light of market conditions and funding position	Investment Adviser
Mar 2025	Illiquid assets	To provide the Group Trustees with a refresh of their knowledge on the different illiquid asset classes and discuss what could be suitable new investments for the Group	Investment Adviser

To ensure the Group Trustees are compliant with their duties, they review the DC performance on a quarterly basis with the in-depth review being carried out by the Investment Committee and the full Trustee Board receiving an update at their quarterly meetings. The Group Trustees also review a quarterly News and Views update provided by the DC investment adviser, Mercer. This covers current topics and relevant market updates.

The Group Trustees, with the help of their advisers, review the SIP at least every three years. The last review for the Group was September 2024.

The Group Trustees have appointed suitably qualified and experienced Actuaries, Legal Advisers, Covenant Advisers and Investment Advisers to provide advice on the operation of the Group in accordance with its Trust Deed and Rules, legislation and regulatory guidance.

The Group Trustees are satisfied that the combination of their knowledge and understanding together with access to suitable advice enabled them to properly exercise their duties during the period covered by this statement. The Group Trustees have a board with members bringing a range of relevant skills and experience. The Chair and all board members have substantial knowledge and expertise in (variously) commercial, financial, pensions and governance matters. All board members have the requisite trustee knowledge and understanding as described above. The Group Trustees are supported by a dedicated secretariat of pensions professionals with extensive experience, and by leading professional advisers. Based on these factors, we are satisfied that the Group Trustees are able properly to exercise their trustee functions.

**(g) Action plan**

In the coming year (which will be covered by the next statement), the Group Trustees intend to carry out the following:

- Integrate performance metrics specifically related to the DC section into the existing SLA measures, that currently govern the services provided across the Group.
- Monitor fund fees, suitability and performance with input from the Group's DC investment adviser;
- Communicate the results of the value assessment and arrange for the publication of the Chair's Statement in a publicly searchable location on the internet with a note of this location in the annual benefit statements;
- Work with Mercer to ensure that the missing information and limitations are monitored with a view to providing this information next year;
- Review the Group's default investment strategy and active options to ensure that it remains suitable and offers value for members compared with other options in the market; and
- Review the security of the asset classes used within the DC strategy.

Signed on behalf of the Group Trustees by:

*Joanna Matthews*

**Joanna Matthews**  
**Chair of the Group Trustees**  
**Date: 5 August 2025**

## Annual Defined Contribution Governance Statement – Appendix 1

### Statement of Investment Principles

EDF Group of the ESPS (“the Group”)  
September 2024

#### Statement of Investment Principles

##### 1. Introduction

The Group Trustee (we) has drawn up this Statement of Investment Principles (the Statement) to comply with the requirements of the Pensions Act 1995 and of the Occupational Pension Schemes (Investment) Regulations 2005 (the Regulations) made under that Act.

The Statement is intended to affirm the investment principles that govern decisions about the Group’s investments. This Statement is available to the Group members on request and the Statement is published publicly at [www.edfgpensions.co.uk/content/group-downloads](http://www.edfgpensions.co.uk/content/group-downloads).

The Defined Benefit (DB) section investment principles are contained in Part A of this Statement. The Defined Contribution (DC) section investment principles are contained in Parts B and C. Part D of this Statement relates to both sections of the Group.

The detailed asset allocation targets for the DB section are set out in a separate Statement of Investment Arrangements, which is not part of the Statement.

We have consulted EDF Energy Nuclear Generation Limited (the Company), the Principal Employer, to ascertain whether there are any material issues of which we should be aware in deciding investment principles.

## PART A: DEFINED BENEFIT SECTION

### 2. Process For Choosing Investments

Our process for choosing the Group's investments is as follows:

- We identify appropriate investment objectives and consistent with these we set an investment goal which defines our target return and risk tolerance;
- We construct a portfolio of investments that is expected to meet the agreed target return (net of all costs); and
- We aim to ensure that no unnecessary investment risk is taken and that the level of overall risk is appropriate for the Group's circumstances.

We review the Group's investment objectives, strategy, and structure on a regular basis. In deciding the appropriate investments for the Group, we have obtained and considered the written advice of our Investment Consultant, Redington Ltd ("Redington") who we believe is suitably qualified to provide such advice.

### 3. Investment Objectives

In accordance with the Regulations, our overall objective is to invest the Group's assets in the best interests (and, where there is any potential conflict of interest, in the sole interest) of the members and beneficiaries. We are required by law to ensure that our powers of investment are exercised in a manner calculated to ensure the security, quality, liquidity, and profitability of the Group's investment portfolio as a whole.

We have noted that our primary responsibility is to have sufficient assets to pay the benefits in full when they fall due.

Overall, we would like to balance the dual aims of reaching full funding within a reasonable timeframe and managing the risk exposure. Noting that these aims conflict with each other, we strike an appropriate balance between risk and reward, as follows:

#### i. Investment Goal

We will invest the fund in such a manner that the Group's assets plus agreed contributions and expected investment returns are expected to cover the Group's accrued liabilities (Technical Provisions) by the end of any Recovery Plan.

Now that the Group has reached full funding of the Technical Provisions, we have agreed the following return-focused investment goal:

- *To set the asset allocation with the target of being fully funded on a self-sufficiency (defined by reference to a discount rate of gilts +0.5%) basis within 10 years through a combination of investment returns and employer contributions.*

The Company has agreed to pay additional contributions which combined with the investment strategy outlined in Section 6 are currently expected to result in full funding on the self-sufficiency basis no later than 2027.

The Group Trustee's aspiration is currently to manage the asset allocation on an ongoing basis to achieve full funding no later than 2027. The Group Trustee is mindful that this aspiration may need to be reviewed in certain circumstances.

## ii. Risk Tolerance

To target the asset returns required to meet the investment goal, the Group needs to invest in some assets that do not match its liabilities (growth assets). This introduces the risk that the funding level, instead of improving as expected, could deteriorate. The risk is mitigated by arrangements agreed with the Company, including the covenant support provided by EDF SA and the support provided by the local covenant.

We also have an objective to minimise risk while targeting the required level of return. The risk tolerance may need to be adjusted (subject to the level of investment risk remaining reasonable) to ensure sufficient target returns to meet the investment goal. The Group Trustee does not expect to make changes to the investment allocation that would materially increase the overall level of risk, unless this is necessary to meet the target returns set out in section 8. The Group Trustee will periodically review the allocation to ensure it remains consistent with this risk-focussed objective.

## 4. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. Our policy on risk management is as follows:

- The primary investment risk on which we must focus is the risk arising from a mismatch between the Group's assets and its liabilities.
- We recognise that targeting higher returns is likely to increase investment risk. We have taken advice on the matter and, in light of the objectives noted previously, have carefully considered the implications of adopting different levels of risk.
- The Group Trustee monitors risk on a regular basis against a range of risk measures.
- As noted above, our overall approach is to minimise risk while seeking the target return, and we also recognise our legal requirements to diversify properly. In particular, we aim to ensure that the asset allocation policy in place results in an adequately diversified portfolio.
- There is also a risk that the Group does not have sufficient liquid assets to pay benefit payments when they fall due. The Group attempts to mitigate this risk by holding a large proportion of diversified liquid assets as well as a pool of immediately accessible liquidity as part of its liability-hedging programme.
- While the Group's liability-hedging arrangements within the Matching Assets are designed to mitigate risk by reducing the impact of adverse movements in interest rates and inflation expectations on its funding position, we also recognise that investing in derivatives and using leverage to increase the efficiency of our overall asset portfolio introduces other risks. These risks include, but are not restricted to:
  - **Counterparty default risk** - the risk that a counterparty bank becomes insolvent when it is in debt to the Group at the point of default.
    - This is managed through frequent (in most cases daily) collateralisation of the positions. Further, the LDI manager has the ability to clear swaps with a central clearing house.
    - Counterparties must meet minimum credit strength requirements verified by the LDI manager who also monitors their credit worthiness on an ongoing basis. Counterparty diversification is monitored by the LDI manager on a regular basis.

**Out of market risk** – the risk that following the default of a counterparty bank, interest rates or inflation expectations move against the Group prior to new hedging exposure being entered into. This risk is managed through counterparty diversification as well as holding a sizeable liquidity buffer, which could be used to replace derivatives-based hedges with physical hedges.

- **Collateral call and Liquidity risk** – the risk that additional collateral is required by the LDI manager at a time when the Group does not want to sell or does not have enough liquid growth assets that can be redeemed quickly enough to meet the collateral call. The Investment Consultant provides updates on the collateral position quarterly to help the Group Trustee understand its exposure to collateral call and liquidity risk. Potential collateral and liquidity requirements are considered at each review of the strategic asset allocation. The Group’s collateral adequacy is also monitored daily by the LDI manager relative to optimal and critical target levels and reports this to the Group Trustee on a monthly basis. As part of this monitoring the LDI manager will also report to the Group Trustee on an ad-hoc basis if collateral falls sharply and additional collateral may be required
- **Roll risk** – the risk that it is no longer possible to enter into short-term derivative positions like repo contracts at acceptable rates (cost) on a timely basis.
  - The LDI manager diversifies roll dates to ensure that not all repo contracts expire on the same day.
  - The LDI manager uses a range of repo counterparties.
  - The LDI can use alternative instruments to gain the required hedging exposure.
- **Funding risk** – the risk that the cost of derivative funding becomes prohibitively expensive.
- These additional risks are all managed by the LDI manager within the liability-hedging mandate and monitored by both the LDI manager and the Investment Consultant.
- The documents governing the Group’s investment manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Group. The managers are prevented from investing in asset classes not included in their mandate without our prior consent.
- Arrangements are in place to monitor the Group’s investments to help us to check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, we receive regular reports from all the managers and our Investment Consultant. These reports include an analysis of the overall level of risk and return, along with their component parts, to ensure that the risks taken and returns achieved are consistent with those expected. We aim to meet with the Group’s investment managers periodically, with priority based on the materiality of the investment and for managers where we have future performance concerns.
- The safe custody of the Group’s assets is delegated to professional custodians (either directly or via the use of pooled funds).

Should there be a material change in the Group’s circumstances, we will review whether and to what extent the investment arrangements should be altered and whether the current risk profile remains appropriate.

There are also two other key risks which are taken into account by the Group Trustee:

- **Longevity risk** - the risk that the Group's funding position deteriorates due to members living longer than expected as this would result in pensions having to be paid for longer than anticipated, resulting in higher liabilities. An estimate of the potential impact of this risk is included in the regular risk reporting received by the Group Trustee. The impact of this risk is mitigated by the Group aiming to achieve self-sufficiency full funding by no later than 2027 and continuing to build a buffer over and above this funding level thereafter. In due course, direct hedges, such as longevity swaps, may be considered if they are considered attractive.
- **Climate change risk** - the risk that the Group's investments fall in value due to the physical impact of climate change or due to the financial and economic impact of policies implemented to combat it. This risk is monitored through analysis provided by the Investment Consultant on a regular basis. It is managed through engagement with the Group's investment managers to ensure climate change risk is being taken into account in their investment decisions as well as moving to investment approaches which explicitly aim to reduce climate change risk where this is appropriate and consistent with the wider investment strategy.

## 5. Portfolio Construction

As noted in Section 2, in order to meet the objectives set out in Section 3, we keep under regular review the investment objectives, strategy and structure of the Group's assets. As part of this work we have considered, and continue to consider, the following matters:

- The role of both active and passive investment management within the portfolio.
- The suitability of using pooled funds or segregated mandates for each manager.
- Diversification across the underlying asset classes held by managers as well as any relevant differences in managers' investment styles and approaches.
- The advantages of diversifying manager-specific risk and the implications of this for portfolio construction.
- The advantages, both at the total Group level and within individual manager appointments, of investments being broadly diversified to ensure that there is no undesirable concentration of exposures.
- The investment strategy is split into Matching Assets, which are used to hedge the Group's liabilities, and Growth Assets, which aim to generate returns in excess of the liabilities.

## 6. Investment Strategy

As noted in Section 2, we continue to review our investment strategy in order to meet the objectives set out in Section 3. We are comfortable that the investment strategy agreed and adopted meets the broad policy objectives. The details of the agreed investment strategy are set out in the Statement of Investment Arrangements and additionally later in this section. The Investment Principles section in the Memorandum of Understanding (MoU) sets how we expect to revise the agreed allocation and target return once the Group reaches full funding on the self-sufficiency basis.

The Matching Assets may include a mix of fixed interest and index-linked investments, including physical instruments (including cash and gilts) and derivative instruments such as swaps and gilt repo.

We have agreed with the Company to hedge the liabilities in line with the funding ratio on the TP (Technical Provisions) basis until the group reaches 110% funding on the TP basis. At that point, we will review whether to switch hedging to be in line with the funding ration the self sufficiency (SS) basis.

The Group's growth portfolio includes a number of diversifying asset classes and approaches to investment management. We recognise the importance of achieving diversification of underlying investments and investment approaches when selecting investment managers. We continue to explore alternative asset classes that may improve the overall efficiency and underlying diversification of the current portfolio. We note, however, that significant comfort needs to be gained regarding the use of these alternative investments.

We believe that the investment risk arising from the portfolio, combined with the risks arising from active management, is consistent with the objectives set out above. We review the risk position of the portfolio on a quarterly basis.

In order to achieve the investment objectives, the Group will invest in the following asset classes:

- LDI,
- Multi-asset strategies,
- Credit strategies,
- Equities, and
- Illiquid growth assets.

The Group intends to ensure adequate diversification between different sub-asset classes/strategies, mandate types and managers within the broader asset class buckets. However, it has been agreed that setting out precise allocation targets and ranges for these sub-categories would be too cumbersome from a day-to-day management perspective. The weights in the table below reflect the initial position agreed as part of the asset allocation review. Exposure to these sub-asset classes will be monitored regularly to ensure that adequate diversification is maintained.

The position vs. the target benchmark allocation for the weights of the asset classes is reviewed on a quarterly basis by the Investment Committee. If the position is found to be outside of the ranges, the Committee will agree a plan to return allocations to within the agreed ranges over an appropriate time period, having consulted with the Company.

Asset Class	Target Benchmark Allocation <sup>(2)</sup> (%)	Ranges (%)
<b>Matching Assets (Liability Driven Investment ("LDI"))</b>	<b>45.0<sup>(1)</sup></b>	<b>+/-5</b>
<b>Growth Assets</b>	<b>55.0<sup>(1)</sup></b>	<b>+/-5</b>
Liquid Growth Assets	38.0	
Multi-asset class strategies (non-credit)	11.0	+/-3
Credit strategies	17.0	+/-3
Equities	10.0	+/-3
Illiquid Growth Assets	17.0	+/-3
<b>Total</b>	<b>100.0</b>	

(1) The overall allocation between Growth and Matching Assets may be varied as set out in the Target Return section of the Statement of Investment Principles, in which case the allocations within the Liquid Growth Asset will be scaled pro rata so as to maintain the same overall Liquid Growth Asset allocation.

(2) We may change the asset allocation from time to time in line with written investment advice that the change is expected to result in the same (or reduced) overall risk and the same (or increased) expected long-term return.

## 7. Day-to-Day Management of the Assets

We delegate the day-to-day management of the Group's assets to a number of investment managers. We are satisfied that these managers have the appropriate knowledge and experience to manage the Group's investments and that they are carrying out their work competently.

We regularly review the continuing suitability of the Group's investments, including the appointed managers and the balance between active and passive management, which may be adjusted from time to time. However, any such adjustments would be made with the aim of ensuring that the overall level of risk is consistent with that being targeted as set out in Section 3.

## 8. Target Return

The key investment objective is to target the required return on the Group's assets, which is a return of 1.8% a year as at 31 December 2021 was 1.8% a year (net of expenses) above that which would have been achieved if no investment risk had been taken with the assets (i.e. if they had been invested solely in a portfolio of gilts matching the profile of the Group's liabilities), assessed on a best-estimate basis. We recognise that, over the short term, performance may deviate significantly from the long-term target.

We may increase our target return above gilts, but not so as to exceed 2.5% a year, to the extent necessary after an actuarial valuation of the Group (based on formal investment advice which allows for the Company's contribution commitments) to eliminate a Technical Provisions deficit within 10 years, in which case the Company has agreed that we may proportionately increase the allocation to growth assets if necessary for our strategy to support the target return.

In line with the de-risking provisions set out in the formal MoU and guarantee, the Trustee may follow the agreed process with the results that (1) either there are no Company contributions due (other than for ongoing accrual) or the Group Trustee gives the "Contributions Confirmation" and such Company contributions are terminated by amending the Schedule of Contributions and (2) the Trustees de-risk the portfolio to target a lower return provided that:

1. The expected return from the assets is higher than the return required to reach Gilts +0.5% full funding by 2027 by a sufficiently large margin (which is set out separately in the de-risking plan and reviewed regularly).

and

2. The lower target return would still be expected to achieve Gilts +0.5% full funding within the next 10 years without any further Company contributions.

## PART B: DEFINED CONTRIBUTION SECTION

### 9. Governance

- 9.1 The Group Trustee has appointed Mercer Limited as professional consultants (“the DC Investment Consultant”) to provide relevant investment advice to the Group Trustee on the DC Section. The Group Trustee also obtains and considers advice as appropriate from other professional advisers. Fees for the DC Investment Consultant are agreed in advance for particular work and projects.
- 9.2 The Group Trustee is responsible for the investment of the Group’s assets and retains control over the decisions on investment strategy. The Group Trustee decides what to delegate after considering whether it has the necessary internal skills, knowledge and professional support to make informed and effective decisions.
- 9.3 The Group Trustee has appointed Mercer Workplace Savings (“MWS) for the provision of services related to the corporate investment platform where the Group’s assets are invested. The Group Trustee has delegated the ongoing governance and monitoring of Scottish Widows Limited (Scottish Widows), as the provider of the corporate investment platform to MWS. MWS aims to ensure that the Scottish Widows corporate investment platform remains market leading and provides access to a range of investment strategies. The investment strategies on the corporate investment platform include funds (Mercer funds) whose management has been delegated by the Group Trustee to Mercer Limited (“the Delegated Investment Manager”) and funds that are highly rated by Mercer Limited (externally managed funds).
- 9.4 In order to more effectively deliver the investment strategy, after taking advice from the DC Investment Consultant, and with support from the Company, the Group Trustee has delegated management of the majority of the Group’s assets to the Delegated Investment Manager who invests them in Mercer funds which have a number of specialist external investment managers underlying them. The Delegated Investment Manager is responsible for the design of the Mercer funds that are used in the default investment arrangement where the majority of assets are invested and the majority of the self-select funds. The Delegated Investment Manager is also responsible for making decisions on asset allocation, selection, appointment, removal and monitoring of underlying external investment managers in Mercer funds. The underlying external investment managers have full discretion to buy and sell investments on behalf of the Group. The Group Trustee is responsible for the selection, appointment, removal and monitoring of the Delegated Investment Manager. The Group Trustee, after taking advice from the DC Investment Consultant, has also selected a small number of externally managed funds managed by specialist investment managers. These investment managers are responsible for buying and selling investments on behalf of the Group.

### 10. Responsible Investment and Corporate Governance (Voting and Engagement)

- 10.1 The Group Trustee incorporates financially material considerations into decisions on the selection, retention and realisation of investments through the appointment of investment managers, including the Delegated Investment Manager, so far as possible, taking into account the advice of the Group Trustee’s DC investment consultant. Monitoring is undertaken on a regular basis and is documented at least annually.
- 10.2 The Group Trustee believes that environmental, social and governance factors (ESG) (including but not limited to climate risk) will be financially material over the time horizon of the Group and should be considered as part of investment strategy and implementation decisions, noting that these decisions have largely been delegated to the Delegated Investment Manager. This will have varying levels of importance for different types of assets invested in by the Group.
- 10.3 Once appointed, the Group Trustee gives appointed investment managers, including the Delegated Investment Manager, full discretion in evaluating ESG factors, including climate change considerations,

and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

In particular, given the majority of the funds are managed by the Delegated Investment Manager, the Group Trustee has delegated the ESG, climate change and stewardship considerations to the Delegated Investment Manager along with other investment responsibilities. The Group Trustee believes that the Delegated Investment Manager has the necessary expertise and framework in place to effectively manage and monitor investments in line with the above areas. The Delegated Investment Manager approaches responsible investment and corporate governance through a four pillar framework: integration, stewardship, thematic investment and screening, and the Mercer funds incorporate these four pillars as far as is practical. The Delegated Investment Manager is expected to provide reporting on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios.

## 11. Investment Objectives

11.1 The Group Trustee's objective is to invest the Group's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. Within this framework the Group Trustee seeks to achieve this, as detailed below:

- To establish a default arrangement broadly appropriate for the needs of the majority of the membership. This is structured as an investment programme which automatically manages a member's investments over their lifetime ("Retirement Strategy"). The Retirement Strategy is structured to invest members in a growth phase aiming to provide long term growth and gradually de-risk members' investments as they reach eight years from when they expect to retire ("the de-risking phase") into funds which more closely match how the member wishes to access their pension savings.
- To make available a range of pooled investment funds and Retirement Strategies which serve to meet the needs and risk tolerances of the members in a DC pension arrangement. The Group Trustee recognises that members of the Group have differing investment needs and that these may change during the course of members' working lives. They also recognise that members have different attitudes to risk. The Group Trustee believes that members should be able to make their own investment decisions based on their individual circumstances.
- To avoid over-complexity in investment in order to manage administration costs and facilitate employee understanding.
- To provide options to assist members to maximise benefits (cash, annuity or drawdown) received at retirement, whilst protecting against risks relative to that benefit near retirement.
- To support members with clear communication. This is to be achieved via regular and effective communication and by signposting points of contact for bespoke advice or guidance.

## 12. Investment Policies

- 12.1 The Group Trustee invests all money purchase assets under a long-term insurance policy with Scottish Widows. The Pensions Act 1995 distinguishes between investments where the management is delegated to an investment manager under a written contract and those where a product is purchased directly, such as this policy. The latter are known as direct investments. The Group Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals.
- 12.2 The Group Trustee has made available a range of individual self-select fund options for investment in addition to the default arrangements. All the funds within the default arrangements are also available as self-select options. More details specifically related to the default arrangements are provided in Part C of this Statement. In addition, there are also a number of legacy AVC fund options invested with Prudential and Aviva. These are not on the Scottish Widows/MWS platform, but the Group Trustee receives information on the legacy AVC assets at least once a year.
- 12.3 The Group Trustee, after taking advice from the DC Investment Consultant, has selected a range of Mercer funds and externally managed funds on the Scottish Widows platform to make available to the Group's members. Day-to-day management of the assets is delegated to the Delegated Investment Manager for Mercer funds, which have a range of specialist external investment managers underlying them, and to external professional investment managers for the externally managed funds. The investment managers have appointed custodians for the safe custody of assets held within their pooled funds in which the Group is invested.
- 12.4 The Group Trustee is responsible for the selection, appointment, removal and monitoring of the Delegated Investment Manager and additional external investment managers. The Group Trustee has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Group's investments and that the managers are carrying out their work competently.
- 12.5 In considering appropriate investments for the Group, the Group Trustee has obtained and considered the written advice from the DC Investment Consultant, whom the Group Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Group Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).
- 12.6 All funds are daily-dealt pooled investment arrangements, with assets mainly invested on regulated markets. It is the Group Trustee's policy to offer both active and passive management options to members, depending on asset class.
- 12.7 A range of asset classes has been made available, including: developed market equities, emerging market equities, small capitalisation equities, low volatility equities, real estate, money market investments, gilts, index-linked gilts, corporate bonds, diversified growth funds and pre-retirement funds.
- 12.8 The Group Trustee has made three Retirement Strategies available, which seek to more closely match how the member wishes to access their pension savings as they approach retirement. These are designed to be suitable for a member who wishes to take either cash, an annuity (secured income) or income drawdown (variable income) for members who ultimately plan to draw down their savings flexibly throughout retirement. The switching period commences eight years before a member's Selected Retirement Age in the Group.
- 12.9 The Group Trustee recognises the risks that may arise from the lack of diversification of investments. The Group Trustee therefore makes available a range of investment options, to enable members to achieve a diversified holding. Members can combine the investment funds in any proportion in order to achieve the desired balance between different kinds of investments. This will also determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerances. Each of the available funds is considered to be diversified across a reasonable number of underlying holdings / issuers.

- 12.10 Four Mercer risk profiled funds have also been made available to members, which are multi-asset funds targeting different risk and return objectives in order to provide members with a choice from lower risk to higher risk funds. The Delegated Investment Manager is responsible for making decisions on asset allocation, selection, appointment, removal and monitoring of underlying external investment managers in the Mercer risk profiled funds.
- 12.11 The Group Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Group Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
<p><b>Inflation Risk</b></p> <p>The real value (i.e. post inflation) value of members' accounts decreases.</p>	<p>The Group Trustee provides members with a range of funds, across various asset classes, with the majority expected to keep pace with inflation (with the exception of the money market and fixed interest bond funds).</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.</p>
<p><b>Pension Conversion Risk</b></p> <p>Member's investments do not match how they would like to use their pots in retirement.</p>	<p>The Group Trustee makes available three Retirement Strategies for members, each targeting either cash, drawdown or annuity.</p> <p>Retirement Strategies automatically switch member assets as they approach retirement into investments that are expected to be less volatile relative to how they wish to access their pension savings. These Retirement Strategies increase the proportion of assets that more closely match the chosen destination as members approach retirement. This aims to reduce the risk of a substantial fall in the purchasing power of their accumulated savings near retirement.</p>	<p>Considering the returns of the funds used within the de-risking phase of the Retirement Strategy both in absolute terms as well as relative to inflation, cash or annuity prices (depending on their selected retirement destination).</p>
<p><b>Market Risk</b></p> <p>The value of securities, including equities and interest bearing assets, can go down as well as up.</p>	<p>The Group Trustee provides members with a range of funds, across various asset classes. Members are able to set their own investment strategy in line with their risk tolerances.</p>	<p>Monitoring the performance of investment funds on a quarterly basis.</p>

Risk	How it is managed	How it is measured
<p><b>Counterparty Risk</b></p> <p>counterparty (i.e. external investment manager), either an underlying holding or pooled arrangement, cannot meet its obligation.</p>	<p>Delegated to investment managers.</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Monitoring the performance of investment funds on a quarterly basis.</p> <p>Monitoring the investment funds from a security of assets point of view.</p>
<p><b>Currency Risk</b></p> <p>The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.</p>	<p>Outsourced to MWS with regards to Scottish Widows as the corporate investment platform.</p> <p>Outsourced to the Delegated Investment Manager with regards to Mercer funds.</p> <p>Outsourced to the DC Investment Consultant with regards to externally managed funds.</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Monitoring the performance of investment funds on a quarterly basis.</p> <p>Considering the movements in foreign currencies relative to pound sterling</p>
<p><b>Operational Risk</b></p> <p>A lack of robust internal processes, people and systems.</p>	<p>Outsourced to MWS with regards to Scottish Widows as the corporate investment platform.</p> <p>Outsourced to the Delegated Investment Manager with regards to Mercer funds.</p> <p>Outsourced to the DC Investment Consultant with regards to externally managed funds.</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Considering the ratings of investment strategies, monitoring these on a quarterly basis.</p> <p>Considering MWS's research view on Scottish Widows on an annual basis.</p>

Risk	How it is managed	How it is measured
<p><b>Liquidity Risk</b></p> <p>Assets may not be readily marketable when required</p>	<p>The Group Trustee accesses daily dealt and daily priced pooled funds through a unit-linked insurance contract from Scottish Widows.</p>	<p>The Group Trustee monitors performance of funds on a quarterly basis, and where relevant delegates the monitoring of valuation risk to the DC Investment Consultant and MWS where applicable.</p>
<p><b>Valuation Risk</b></p> <p>The value of an illiquid asset is based on a valuer's opinion, realised value upon sale may differ from this valuation</p>	<p>The management of valuation risk is delegated to investment managers.</p> <p>The majority of investment managers invest solely in liquid quoted assets</p>	<p>The Group Trustee monitors performance of funds on a quarterly basis, and where relevant delegates the monitoring of valuation risk to the DC Investment Consultant and MWS where applicable.</p>
<p><b>Environmental, Social and Governance Risk</b></p> <p>ESG factors can have a significant effect on the performance of the investments held by the Group e.g. extreme weather events, poor governance. This includes climate specific risks of the value of investments falling due to the impact of climate change.</p>	<p>Delegated to investment managers.</p> <p>The Group Trustee's policy on ESG risks is set out in Section D of this Statement.</p>	<p>The Group Trustee reviews their investment managers' policies and actions in relation to this on an annual basis.</p> <p>Climate risks specifically are measured through modelling provided by the Delegated Investment Manager on a regular basis.</p>

Risk	How it is managed	How it is measured
<p><b>Investment Manager Skill/Alpha Risk</b></p> <p>Returns from active investment management may not meet expectations, leading to lower-than-expected returns to members.</p>	<p>The Group Trustee makes available a number of actively managed funds to DC members where they deem appropriate, for example, equity, multi-asset or property funds.</p> <p>The day-to-day management of the majority of the active funds, including asset allocation and investment manager selection decisions, have been delegated to the Delegated Investment Manager, who in turn places responsibility for the investment of the Group's assets in Mercer funds with a range of underlying specialist external investment managers. The Delegated Investment Manager invests exclusively in Mercer highly rated funds, those that Mercer believes have above average chance, over time, of meeting their objectives and outperforming their benchmarks.</p>	<p>The Group Trustee considers the ratings of investment strategies from their DC Investment Consultant during the selection process.</p> <p>The Group Trustee monitors performance and rating of funds on an ongoing basis relative to the fund's benchmark and stated targets/objective</p>

12.12 The above items listed are in relation to what the Group Trustee considers ‘financially material considerations’. The Group Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member’s age and when they choose to retire. It is partly for this reason that the default investment option is a Retirement Strategy.

12.13 The Group Trustee takes into account member views, when expressed, and may ask for member views from time to time in relation to financial and non-financial matters.

### **13. Investment Restrictions**

13.1 The Group Trustee recognises that it is not possible to specify investment restrictions where assets are managed via pooled funds. For the DC section, it is noted that this is particularly true given that it is Scottish Widows, the Group’s delegated platform provider, who has the direct relationship with the third parties offering the funds (and not the Group Trustee).

### **14. Implementation, Realisation of Investments and Engagement Policy**

14.1 Within the DC section of the Group, the Group Trustee has contracted with Scottish Widows to deliver DC investment management services. Both providers are regulated by the Financial Conduct Authority (“the FCA”).

14.2 The pooled investment vehicles are daily dealt, with assets mainly invested in regulated markets and therefore should be realisable at short notice, based on either Group Trustee or member demand. The selection, retention and realisation of investments within the pooled investment vehicles is the responsibility of the relevant investment manager. For further information regarding the Group Trustee’s approach to implementation and engagement please refer to Part D: General.

## **PART C: DEFAULT ARRANGEMENTS FOR THE DEFINED CONTRIBUTION SECTION**

The Group Trustee recognises that not all members wish to make an active choice that is tailored to their individual circumstances. However, it is expected that a proportion of members will actively choose a default option because they feel it is most appropriate for them. The vast majority of Group members do not make an active investment decision and are, therefore, invested in a default arrangement.

### **15. Investment Objectives**

15.1 In relation to the default investment options, the Group Trustee’s aims and objectives are as follows:

- The growth phase of the default arrangements aim to provide long term growth with some protection against inflation erosion and volatility when compared to global equity markets.
- As a member’s pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Group Trustee believes that a default arrangement that seeks to reduce investment risk as the member approaches retirement is appropriate. This is known as the de-risking phase.
- The balance of investments at retirement should be appropriate for how the Group Trustee believes a typical member will take their benefits in retirement. This does not mean that members have to take their benefits in this format at retirement - it merely determines the default arrangement that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats have the option of switching to an alternative Retirement Strategy prior to retirement or even choosing their own investment strategy.

- Taking into account the demographics of the Group's membership and the Group Trustee's views of how the membership will behave at retirement, different Retirement Strategies have been selected as the default arrangement for different groups of members, as outlined in the following section. These Retirement Strategies invest in the same Mercer fund during the growth phase but they have different de-risking phases in order to provide a better alignment with how the Group Trustee views the membership will behave at retirement.

## 16. Policies in relation to the Default Arrangements

16.1 The Group Trustee's policies in relation to the design of the Default Arrangements are as follows:

- The default Retirement Strategy manages investment and other risks through a strategic asset allocation consisting of equities, other diversifying growth funds, bonds and cash. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- In designing the default Retirement Strategy, the Group Trustee has explicitly considered the trade-off between risk and expected returns.
- Assets in the default Retirement Strategy are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- The investment manager has responsibility for buying and selling the underlying assets. All of the pooled funds used operate daily dealing cycles.

16.2 The Group's investments are provided under a long term insurance contract between the Group Trustee and Scottish Widows. The Group Trustee, after taking advice from the DC Investment Consultant, has selected a range of Mercer funds on the Scottish Widows platform to make available to the Group's members. Day-to-day management of the assets is delegated to the Delegated Investment Manager for Mercer funds, which have a range of specialist external investment managers underlying them. The investment managers have appointed custodians for the safe custody of assets held within their pooled funds in which the Group is invested.

16.3 The Group Trustee has delegated the design of the strategy in the growth phase of the Retirement Strategy, including asset allocation and investment manager selection decisions, to the Delegated Investment Manager. The Group Trustee is responsible for the design of the de-risking phase of the Retirement Strategy, including asset allocation decisions, which is delivered after taking advice from the DC Investment Consultant. After taking advice from the DC Investment Consultant, investment manager selection decisions in the de-risking phase of the Retirement Strategy have been delegated to the Delegated Investment Manager. The Group Trustee is responsible for the selection, appointment, removal and monitoring of the Delegated Investment Manager. The Group Trustee has taken steps to satisfy itself that the Delegated Investment Manager has the appropriate knowledge and experience for managing the Group's investments and that the investment managers are carrying out their work competently.

16.4 All funds within the default arrangements are daily-dealt pooled investment arrangements, with assets mainly invested on regulated markets. Both active and passive management funds are utilised within the default investment option, depending on asset class.

- 16.5 The Group Trustee considers illiquid assets as those which cannot easily or quickly be sold or exchanged for cash; including where such assets are invested as a component of a daily-dealt multi-asset fund. The default arrangements include no direct allocation to illiquid investments as at September 2024.
- 16.6 The Group Trustee understands the potential return and diversification benefits that illiquid assets can offer relative to more traditional asset classes (such as bonds or equities). While these benefits are recognised by the Group Trustee, it is also aware of the risks associated with these investments, for example illiquidity and active investment manager risk. In addition to these risks, the Group Trustee also understands that there are operational barriers in accessing illiquid assets within defined contribution pension schemes which would need to be overcome to access such assets. For these reasons, the default arrangements do not currently include an allocation to illiquid assets. The Group Trustee acknowledges illiquid assets are a developing area for defined contribution pensions and expects the Delegated Investment Manager to monitor the position closely and continue to evaluate the suitability of such an investment. The Group Trustee will continue to entrust responsibility to the Delegated Investment Manager in the short term.
- 16.7 It is the Group Trustee's policy to review the allocation of the default investment strategy on a triennial basis, and it expects the Delegated Investment Manager to review on an annual basis. The Delegated Investment Manager has confirmed that such reviews will include whether the incorporation of illiquid asset investments is appropriate.
- 16.8 In considering appropriate investments for the Group, the Group Trustee has obtained and considered the written advice of their DC Investment Consultant, whom the Group Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Group Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).
- 16.9 A range of asset classes are included within the default arrangements, including: developed market equities, emerging market equities, sustainable equities, small capitalisation equities, low volatility equities, real estate, money market investments, gilts, index-linked gilts, corporate bonds, systematic macro, diversified growth funds and pre-retirement funds.
- 16.10 In designing the default arrangements, the Group Trustee has explicitly considered the trade-off between risk and expected returns. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. The default arrangements allocate to a diversified strategic asset allocation consisting of traditional and alternative assets. The asset allocation is consistent with the expected amount or risk that is appropriate given the age of a member and when they expect to retire.
- 16.11 Taking into account the demographics of the Group's membership and the Group Trustee's views of how the membership will behave at retirement, the Group Trustee believes that the default arrangements outlined in this document are appropriate and will continue to review this over time, at least triennially, or after significant changes to the Group's demographic, if sooner.
- 16.12 Assets in the default arrangements are invested in a manner that aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole. In selecting assets, the Group Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable based on member demand.
- 16.13 Based on the Group Trustee's understanding of the Group's membership for the DC Top-Up, AVC members and legacy lifestyle DC Seeboard PIP members (ex EEGS), the default arrangement for these members is the Cash Lifestyle. This is a lifestyle strategy that targets a balanced risk/return profile in the growth phase and de-risks to cash at retirement. The Group Trustee believes this is likely to be the least risk position from a pension conversion risk perspective for a typical member that does not select any investment preference as they believe that a typical member is likely to take a cash lump sum at retirement.

- 16.14 Based on the Group Trustee’s understanding of the Group’s membership for the DC Only members (post 2015 for ex EEPS members) the default arrangement for these members is the Drawdown Lifestyle. This is a lifestyle strategy that targets a balanced risk/return profile in the growth phase and de-risks to lower risk assets maintaining some growth potential at retirement. The Group Trustee believes this is likely to be the least risk position from a pension conversion risk perspective for a typical member that does not select any investment preference as they believe that a typical member is likely to drawdown on their savings in retirement (through another arrangement).
- 16.15 Based on the Group Trustee’s understanding of the Group’s membership for the legacy Lifestyle DC LERP members (ex EEPS) the default arrangement for these members is the Annuity Lifestyle. This is a lifestyle strategy that targets a balanced risk/return profile in the growth phase and de-risks to an investment strategy that targets annuity purchase and a tax-free cash lump sum, up to 25% of a member’s pot. The Group Trustee believes this is likely to be the least risk position from a pension conversion risk perspective for a typical member that does not select any investment preference as they believe that a typical member is likely to take their benefits as a combination of a level annuity and a tax-free cash lump sum in retirement
- 16.16 This does not mean that members must use this risk/return growth phase profile or must take their benefits in this format at retirement - it merely defines the default arrangement that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats or have a different risk/return profile have the option of switching to an alternative Retirement Strategy prior to retirement or choosing their own investment strategy.
- 16.17 The Group Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Group Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
<p><b>Inflation Risk</b></p> <p>The real value (i.e. post inflation) value of members’ accounts decreases.</p>	<p>During the growth phase of the default investment option the Group Trustee invests in a diversified range of assets which are likely to grow in real terms. The Group Trustee monitors the performance of the growth phase against the change in CPI.</p> <p>The default investment options invest in a diversified range of assets which are considered likely to grow in excess of inflation.</p>	<p>Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.</p>
<p><b>Pension Conversion Risk</b></p> <p>Member’s investments do not match how they would like to use their pots in retirement.</p>	<p>The default arrangement is a Retirement strategy which targets different retirement destinations for different groups of members, as outlined above.</p>	<p>Considering the returns of the funds used within the de-risking phase of the Retirement Strategy both in absolute terms as well as relative to inflation (the retirement destination).</p> <p>As part of the triennial default strategy review, the Group Trustee ensures the default destination remains appropriate.</p>

Risk	How it is managed	How it is measured
<p><b>Market Risk</b></p> <p>The value of securities, including equities and interest-bearing assets, can go down as well as up.</p>	<p>The default arrangement is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Group Trustee.</p>	<p>Monitors the performance of the default arrangement on a quarterly basis.</p> <p>Consider the ongoing suitability of the risk being taken across age cohorts as part of the triennial review of the default strategy.</p>
<p><b>Counterparty Risk</b></p> <p>A counterparty (i.e. external investment manager), either an underlying holding or pooled arrangement, cannot meet its obligation.</p>	<p>Delegated to the investment manager.</p> <p>The default arrangement is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Group Trustee.</p>	<p>Monitors the performance of the default arrangement on a quarterly basis.</p> <p>Monitoring the investment funds from a security of assets point of view.</p>
<p><b>Currency Risk</b></p> <p>The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.</p>	<p>Currency risk management is delegated to the Delegated Investment Manager.</p> <p>The default arrangement is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Group Trustee and currency management within the funds is managed at the overall fund level to achieve a balanced profile.</p>	<p>Monitors the performance of external investment funds on a quarterly basis.</p> <p>Considers the movements in foreign currencies relative to pound sterling.</p>
<p><b>Operational Risk</b></p> <p>A lack of robust internal processes, people and systems.</p>	<p>Outsourced to MWS with regards to Scottish Widows as the corporate investment platform.</p> <p>Outsourced to the Delegated Investment Manager with regards to Mercer funds.</p> <p>Outsourced to the DC Investment Consultant with regards to externally managed funds.</p> <p>The default arrangement is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Group Trustee.</p>	<p>Consider the ratings of investment strategies from their DC Investment Consultant and monitoring these on a quarterly basis.</p>
<p><b>Liquidity Risk</b></p> <p>Assets may not be readily marketable when required.</p>	<p>The Group Trustee accesses daily dealt and daily priced pooled funds through a unit-linked insurance contract from Scottish Widows.</p>	<p>The pricing and dealing terms of the funds underlying the unit-linked insurance contract.</p>
<p><b>Valuation Risk</b></p> <p>The value of an illiquid asset is based on a valuer's opinion, realised value upon sale may differ from this valuation.</p>	<p>The management of valuation risk is delegated to the external investment manager.</p> <p>The majority of underlying holdings within the default arrangement are invested in liquid quoted assets.</p>	<p>The Group Trustee monitors performance of funds on a quarterly basis, and where relevant delegates the monitoring of valuation risk to the DC Investment Consultant.</p>

Risk	How it is managed	How it is measured
<p><b>Environmental, Social and Governance Risk</b></p> <p>ESG factors can have a significant effect on the performance of the investments held by the Scheme e.g. extreme weather events, poor governance. This includes climate specific risks of the value of investments falling due to the impact of climate change.</p>	<p>Delegated to investment managers.</p> <p>The Group Trustee’s policy on ESG risks is set out in Section D of this Statement.</p>	<p>The Group Trustee reviews their investment managers’ policies and actions in relation to this on an annual basis.</p> <p>Climate risks specifically are measured through modelling provided by the delegated investment manager on a regular basis.</p>
<p><b>Investment Manager Skill / Alpha Risk</b></p> <p>Returns from active investment management may not meet expectations, leading to lower-than-expected returns to members.</p>	<p>Delegated to Delegated Investment Manager. The Delegated Investment Manager invests exclusively in Mercer highly rated funds, those that Mercer believes have above average chance, over time, of meeting their objectives and outperforming their benchmarks.</p> <p>The default arrangement is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Group Trustee.</p>	<p>The Group Trustee monitors performance and rating of funds on an ongoing basis relative to the fund’s benchmark and stated targets/objective.</p>

16.18 The above items listed are in relation to what the Group Trustee considers ‘financially material considerations’. The Group Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member’s age and when they expect to retire. It is partly for this reason that the default arrangement is a Retirement Strategy.

16.19 The Group Trustee takes into account member views, when expressed, and may ask for member views from time to time in relation to financial and non-financial matters.

**17. Member’s Interests**

17.1 Taking into account the demographics of the Group’s membership and the Group Trustee’s views of how the membership will behave at retirement, the Group Trustee believes that the aims and objectives, and policies of the default arrangement outlined in sections B and C of this document are appropriate and in the best interests of members.

- 17.2 In order to ensure this remains appropriate the Group Trustee will undertake a review of the default arrangement, at least triennially, or after significant changes to the Group's demographic, if sooner.

#### **PART D: GENERAL**

#### **18. Monitoring the Investment Managers**

The Group Trustee delegates the day-to-day management of the assets of the Group to a number of investment managers for the DB assets and the Delegated Investment Manager for the DC assets.

The Group Trustee appoints investment managers of externally managed funds and the Delegated Investment Manager based on their capabilities and, therefore the perceived likelihood of achieving the expected return and risk characteristics required.

Investment managers are carefully selected to manage each of the underlying mandates following guidance and written advice from the investment adviser. As required under Section 36 of the Act, the Group's Investment Consultants will provide written advice on new investment manager appointments, investments in funds and other products in respect of the "satisfactory" nature of the investments for the Group. Where discretionary investment managers are appointed they are expected to comply with s36 Pensions Act 1995 and Regulation 4 of the Occupational Pension Schemes (Investment) Regulations 2005 so far as they relate to their mandate.

The details of the investment manager structure, investment objectives and mandates for each investment manager are set out in the Investment Management Agreement (or equivalent document)

For segregated mandates, the terms of the long-term relationship between the Group Trustee and its investment managers are set out in separate Investment Management Agreements (IMAs). These document the Group Trustee's expectations of their investment managers; alongside the investment guidelines they are required to operate under.

For pooled arrangements, the Group's investments are managed according to standardised fund terms, ensuring the investment objectives and guidelines of the vehicle are consistent with its own objectives. These terms are reviewed at the point of investment by the Group Trustee for DB assets or the Delegated Investment Manager for DC assets and following any material changes notified by the investment manager. The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Group Trustee or Delegated Investment Manager is dissatisfied, then they will look to replace the investment manager.

The investment guidelines are based on the policies set out in this document (the SIP). The Group Trustee shares its SIP (which includes its responsible investment and stewardships (engagement) policy with the investment managers periodically, with the aim of ensuring investment managers invest in line with the Group Trustee's policies.

Where relevant, the Group Trustee requires its investment managers to invest with a medium-to long-term time horizon, and use any rights associated with the investment to drive better long-term outcomes. For some asset classes, the Group Trustee does not expect the respective investment managers to make decisions based on long-term performance. These may include investments that provide risk reduction through diversification or through hedging, consistent with the Group Trustee's strategic asset allocation.

The Group Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Group's assets. When assessing an investment manager's performance, the focus is on longer-term outcomes and is assessed over a medium-to longer-term timeframe. Shorter term performance is also monitored to ensure any concerns can be identified in a timely manner. The Group Trustee would not expect to terminate an investment manager's appointment based purely on short-term performance. However, an investment manager's appointment could be terminated within a shorter timeframe than three years due to other factors such as a significant change in business structure or the investment team.

The Group Trustee also relies upon the Investment Consultant's manager research capabilities.

All DC funds are open-ended, with no set duration. Within the DC section, the Delegated Investment Manager is responsible for the selection, appointment, monitoring and removal of the underlying investment managers. The Group Trustee is responsible for the selection, appointment and removal of the externally managed funds. The Group Trustee may also choose to remove a fund from the fund range, if no longer considered appropriate, and the fund range reviewed on at least a triennial basis.

Investment Managers are paid an ad valorem fee for a defined set of services. The Group Trustee reviews the fees periodically to confirm they are in line with market practices. The annual Value for Money Assessment reviews the DC section fees to ensure they represent value for members. If performance is not satisfactory, the Group Trustee will ask the Delegated Investment Manager to provide additional rationale, and if not satisfied with this, may request further action be taken, including a review of fees.

The Group Trustee reviews the portfolio transaction costs and portfolio turnover range of investment managers periodically, where the data is disclosed and available. The Group Trustee will then determine whether the costs incurred were within reasonable expectations. Within the DC Section, portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members assessment. The Group Trustee does not currently define target portfolio turnover ranges for funds.

The Group Trustee's policy towards monitoring non-financial performance is set out in the Socially Responsible Investment policy.

## **19. Employer-Related Investments**

The Group Trustee recognises that investment in pooled funds may result in employer-related investments being held within the Group. However, given the nature of the pooled funds selected by the Group Trustee and the diversification of assets held within the pooled funds, it is unlikely that such investment could breach the restriction under Section 40 of the Pensions Act.

## **20. Realisation of Investments**

The investment managers have discretion in the timing of investment realisation and in considerations relating to the liquidity of investments within limits laid down in the relevant appointment documentation and pooled fund prospectuses.

With regards to the DB Section, the Group Trustee monitors the Group's asset classes with respect to the agreed rebalancing ranges at quarterly IC meetings and agrees on any associated actions. With regards to the DC Section, all assets are daily dealing and therefore should be realisable based on member demand.

## **21. Additional Voluntary Contributions ("AVCs")**

Under the terms of the Trust Deed, the Group Trustee is responsible for the investment of AVCs paid by members. The Group Trustee reviews the investment performance of the chosen providers on a regular basis and takes advice as to the providers' continued suitability.

## 22. Socially Responsible Investment

The Group Trustee incorporates financially material considerations into decisions on the selection, retention and realization of investments through strategic asset allocation decisions and the appointment of investment managers, so far as possible, taking into account the advice of the Group Trustee's investment Consultants

The Group Trustee believes that environmental, social and governance factors (including but not limited to climate risk) will be financially material over the time horizon of the Group and should be considered as part of investment strategy and implementation decisions. This will have varying levels of importance for different types of assets invested in by the Group.

The Group may consider non-financial factors (such as ethical or moral beliefs) in their investment decision-making, but only to the extent that these do not prevent the Group from meeting its investment objectives.

### Stewardship and Engagement

The Group Trustee recognises that good stewardship practices, including engagement and voting activities, are an important part of general scheme governance as they help preserve and enhance asset owner value over the long term. The Group Trustee expects all of its investment managers to practise good stewardship and to exercise influence where possible. The Group Trustee has a stand-alone Stewardship Policy which describes the Group Trustee's approach to stewardship and engagement in more detail, including: its priority stewardship themes; its treatment of significant votes; and process for overseeing parties that carry out stewardship and engagement activity, including exercising of voting rights, on its behalf.

The Group Trustee has committed to the Taskforce on Climate-Related Financial Disclosures (TCFD) to support the monitoring and management of climate change risks.

## 23. Compliance with this Statement

We monitor compliance with this Statement regularly and seek confirmation from the investment managers that they have given effect to the investment principles in this Statement so far as is reasonably practicable and that in exercising any discretion they have done so in accordance with paragraph 4 of the Regulations.

## 24. Review of this Statement

We will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after we have obtained and considered the written advice of someone who we reasonably believe is qualified by their ability in and practical experience of financial matters and has appropriate knowledge and experience of the management of pension scheme investments.

**Date: 19 September 2024**

Signed on behalf of the EDFG Trustee Limited as Group Trustee of the EDF Group of the ESPS

**Richard Grant**

**Andy McKinnell**

It is acknowledged that under Section 35(5) of the Pensions Act 1995, the Group Trustee ultimately determines how the assets of the Group are to be invested, subject to their obligations to consult with the Principal Employer (acting on behalf of the Employers participating in the Group) and to maintain a Statement of Investment Principles. Decisions as to the strategic investment allocation will remain with the Group Trustee. The signature of this revised Statement of Investment Principles by and on behalf of the Principal Employer represents the agreement of the Principal Employer for the purposes of clause 4.1 of the Memorandum of Understanding agreed between (amongst others) the Principal Employer, the Group Trustee, and the Principal Employer's ultimate parent company dated 5 November 2021 (as amended from time to time) and any other purpose for which such agreement is relevant.

Signed for and on behalf of the Principal Employer

**David Tomblin**

**Date 19 September 2024**

### Appendix 2 Table of funds and charges

Please note that the charges in the table below do not take into account any charges for administration services.

#### 2a Default arrangement - Cash Retirement

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the default arrangement were:

Fund	Charges *		Underlying Fund **	Transaction costs	
	% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
EDFG Growth	0.286	2.86	Mercer Multi Asset Growth	0.136	1.36
EDFG Diversified Retirement	0.291	2.91	Aquila Connect Corporate Bond All Stocks Index	0.144	1.44
EDFG Cash Retirement	0.170	1.70	BlackRock Sterling Liquidity	0.014	0.14

Source: MWS Reports to 31 March 2025. Charge shows as at 31 March 2025 covering a 12-month period.

## 2b Default arrangement - Drawdown retirement

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the default arrangement were:

Fund	Charges *		Underlying Fund **	Transaction costs	
	% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
EDFG Growth	0.286	2.86	Mercer Multi Asset Growth	0.136	1.36
EDFG Drawdown Retirement	0.334	3.34	Mercer Diversified Retirement BlackRock Sterling Liquidity	0.111	1.11

Source: MWS Reports to 31 March 2025. Charge shows as at 31 March 2025 covering a 12-month period.

## 2c Default arrangement - Annuity retirement

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the strategy were:

Fund	Charges *		Underlying Fund **	Transaction costs	
	% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
EDFG Growth	0.286	2.86	Mercer Multi Asset Growth	0.136	1.36
EDFG Annuity Retirement	0.202	2.02	Legal & General Pre-Retirement BlackRock Sterling Liquidity	0.003	0.03

Source: MWS Reports to 31 March 2025. Charge shows as at 31 March 2025 covering a 12-month period.

## 2d Legacy Default arrangement - 5 Years

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the strategy were:

Fund	Charges *		Underlying Fund **	Transaction costs	
	% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
EDFG BlackRock Global Equity 50/50 Index	0.083	0.83	Aquila Connect 50:50 Global Equity	0.068	0.68
EDFG BlackRock Over 5 Year Index Linked Gilts	0.079	0.79	Aquila Connect Over 5 Years Index Linked Gilt	-0.062	0.62
EDFG BlackRock Sterling Liquidity	0.130	1.30	BlackRock Sterling Liquidity	0.014	0.14

Source: MWS Reports to 31 March 2025. Charge shows as at 31 March 2025 covering a 12-month period.

## 2e Legacy Default arrangement - 11 Years

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the strategy were:

Fund	Charges *		Underlying Fund **	Transaction costs	
	% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
EDFG BlackRock Global Equity 50/50 Index	0.083	0.83	Aquila Connect 50:50 Global Equity	0.068	0.68
EDFG BlackRock Over 5 Year Index Linked Gilts	0.079	0.79	Aquila Connect Over 5 Years Index Linked Gilt	-0.062	-0.62
EDFG BlackRock Sterling Liquidity	0.130	1.30	BlackRock Sterling Liquidity	0.014	0.14

Source: MWS Reports to 31 March 2025. Charge shows as at 31 March 2025 covering a 12 month period.

## 2f Self-select funds outside the default arrangement for EDFG

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year for the self-select funds were:

Fund	Charges *		Underlying Fund **	Transaction costs	
	% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
EDFG Active UK Property	0.765	7.65	50% LGIM Managed Property / 50% Threadneedle Property	-0.046	-0.46

Fund	Charges *		Underlying Fund **	Transaction costs	
	% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
EDFG Passive Sustainable Global Equity	0.118	1.18	Mercer Passive Sustainable Global Equity	0.018	0.18
EDFG Active Sustainable Global Equity	0.639	6.39	Mercer Sustainable Global Equity	0.144	1.44
EDFG Defensive	0.344	3.44	Mercer Multi Asset Defensive	0.128	1.28
EDFG Moderate Growth	0.306	3.06	Mercer Multi Asset Moderate Growth	0.125	1.25
EDFG Growth	0.286	2.86	Mercer Multi Asset Growth	0.136	1.36
EDFG High Growth	0.298	2.98	Mercer Multi Asset High Growth	0.151	1.51
EDFG Passive UK Corporate Bond	0.115	1.15	Aquila Connect Corporate Bond All Stocks Index	-	-
EDFG BlackRock Corporate Bond All Stocks Index	0.085	0.85	Aquila Connect Corporate Bond All Stocks Index	-	-
EDFG Cash Retirement	0.170	1.70	BlackRock Sterling Liquidity	0.014	0.14
EDFG Drawdown Retirement	0.334	3.34	Mercer Diversified Retirement BlackRock Sterling Liquidity	0.111	1.11
EDFG Annuity Retirement	0.202	2.02	LGIM - Pre-Retirement BlackRock Sterling Liquidity	0.003	0.03
EDFG Active UK Equity	0.695	6.95	MGI UK Equity	0.747	7.47
EDFG Active Global Equity	0.716	7.16	MGI Global Equity	0.235	2.35
EDFG Active Low Volatility Equity	0.827	8.27	Mercer Low Volatility Equity	-0.012	-0.12
EDFG Active Global Small Cap Equity	0.886	8.86	Mercer Global Small Cap Equity	0.328	3.28
EDFG Active Emerging Markets Equity	0.919	9.19	MGI Emerging Markets Equity	0.935	9.35
EDFG Active Emerging Markets Debt	0.723	7.23	MGI Emerging Markets Debt	-0.241	-2.41
EDFG Diversified Growth	0.324	3.24	Mercer Diversified Growth	0.116	1.16
EDFG Future World Annuity Aware	0.145	1.45	Legal & General Future World Annuity Aware	-	-

Fund	Charges *		Underlying Fund **	Transaction costs	
	% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
EDFG Future World Inflation Linked Annuity Aware	0.145	1.45	LGIM Future World Inflation Linked Annuity Aware	-0.011	-0.11
EDFG Diversified Retirement	0.291	2.91	Mercer Diversified Retirement	0.144	1.44
EDFG Passive UK Equity	0.108	1.08	Aquila Connect UK Equity	0.065	0.65
EDFG Passive Overseas Equity	0.115	1.15	Aquila Connect World (ex-UK) Equity	0.024	0.24
EDFG Passive Overseas Equity Hedged	0.140	1.40	Aquila Connect Currency Hedged World (ex-UK) Equity	-0.015	-0.15
EDFG LGIM FTSE4Good Developed Index	0.250	2.50	Legal & General FTSE4Good Developed Index	0.003	0.03
EDFG BlackRock Global Equity 50/50 Index	0.083	0.83	Aquila Connect 50:50 Global Equity	0.068	0.68
EDFG Shariah	0.320	3.20	HSBC Islamic Global Equity Index	0.007	0.07
EDFG Passive Emerging Markets Equity	0.186	1.86	Aquila Connect Emerging Markets Equity Index	0.139	1.39
EDFG Passive Over 5 Year Index Linked Gilt	0.109	1.09	Aquila Connect Over 5 Years Index Linked Gilts	-0.062	-0.62
EDFG BlackRock Over 5 Year Index Linked Gilts	0.079	0.79	Aquila Connect Over 5 Years Index Linked Gilts	-0.062	-0.62
EDFG Passive Over 15 Year Gilt	0.109	1.09	Aquila Connect Over 15 Years UK Gilt Index	0.017	0.17
EDFG Active Money Market	0.170	1.70	BlackRock Sterling Liquidity	0.014	0.14
EDFG BlackRock Sterling Liquidity	0.130	1.30	BlackRock Sterling Liquidity	0.014	0.14

Source: MWS Report to 31 March 2025. Charges shown as at 31 March 2025 covering a 12-month period.

\*Transaction costs are not available as no members are currently invested in these funds.

## 2g AVCs

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year for the AVC funds were:

Fund	Charges*		Transaction costs	
	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
Prudential Cash	0.55	5.50	0.00	0.00
Prudential Discretionary	0.76	7.60	0.17	1.70
Prudential Dynamic Global Equity Passive Fund	0.64	6.40	0.06	0.60
Prudential Index-Linked	0.76	7.60	0.06	0.60
Prudential WPIA	***	***	***	***
Prudential With-Profits Cash Accumulation Fund	***	***	0.06	0.60
Av FP With-Profits Sub-Fund	***	***	***	***
Aviva With-Profit (NU) Pension Standard	***	***	***	***
Aviva With-Profit Guaranteed (NU) Pension Standard	***	***	***	***
Aviva With-Profit 1 (CGNU) Pension Standard	***	***	***	***
Aviva Pension BNY Mellon Multi-Asset Balanced	0.81	8.81	0.06 <sup>(a)</sup>	0.60
Aviva Pension Pre-Retirement Fixed Interest	0.54	5.40	0.05 <sup>(a)</sup>	0.50
Aviva Deposit Pension	0.88	8.80	0.01 <sup>(a)</sup>	0.10
Aviva Long Gilt Pension	0.88	8.80	0.20 <sup>(a)</sup>	2.00
Aviva UK Index Tracking Pension	0.44	4.40	***	***
Aviva International Index Tracking Pension	0.88	8.80	***	***
Aviva Mixed Invest (40-85 & Shares) Pension	0.88	8.80	***	***

Source: MWS Report to 31 March 2025. Prudential transaction costs shown as at 31 March 2025 covering a 12-month period.

<sup>(a)</sup>Aviva transaction costs are presented as of 30 September 2024, as they were unable to provide more up-to-date figures at the time of writing this report.

\* Charge = the funds' Total Expense Ratio (TER), which includes the funds' Annual Management Charge (AMC) and Operating Costs and Expenses.

\*\* Underlying Fund = the fund in which the Group's top-level fund invests.

\*\*\* Data was not available at the time of writing - we are working with investment managers to acquire this.

### Appendix 3 Tables illustrating the impact of charges and costs

The following tables show the potential impact of the costs and charges borne by members on projected values at retirement in today's money for typical members joining at a range of ages and opening fund values:

#### 3a Default arrangement - Cash Retirement

For a member joining the Group at age 25 with a starting pot size of £2,900.

Age	Before costs and charges £	After costs and charges are taken £
25	2,900	2,900
26	3,005	2,993
30	3,467	3,395
35	4,144	3,975
40	4,954	4,654
45	5,922	5,449
50	7,079	6,380
55	8,463	7,470
60	9,970	8,619
65	10,512	8,953

Source: Mercer

For a member joining the Group at age 52 with a starting pot size of £14,470.

Age	Before costs and charges £	After costs and charges are taken £
52	£14,470	£14,470
53	£14,996	£14,934
55	£16,105	£15,906
60	£18,971	£18,353
65	20,001	19,065

Source: Mercer

#### 3b Default arrangement - Drawdown Retirement

For a member joining the Group at age 25 with a starting pot size of £2,900

Age	Before costs and charges £	After costs and charges are taken £
25	£2,900	£2,900
26	£3,005	£2,996
30	£3,467	£3,395
35	£4,144	£3,975
40	£4,954	£4,654
45	£5,922	£5,449
50	£7,079	£6,380
55	£8,463	£7,470
60	£9,968	£8,616
65	£11,062	£9,360

Source: Mercer

For a member joining the Group at age 52 with a starting pot size of £14,470

Age	Before costs and charges £	After costs and charges are taken £
52	14,470	14,470
53	14,996	14,934
55	16,105	15,906
60	18,967	18,347
65	21,044	19,332

Source: Mercer

### 3c Default arrangement - Annuity Retirement

For a member joining the Group at age 25 with a starting pot size of £2,900

Age	Before costs and charges £	After costs and charges are taken £
25	2,900	2,900
26	3,005	2,993
30	3,467	3,395
35	4,144	3,975
40	4,954	4,654
45	5,922	5,449
50	7,079	6,380
55	8,463	7,470
60	9,962	8,625
65	11,019	9,417

Source: Mercer

For a member joining the Group at age 52 with a starting pot size of £14,470.

Age	Before costs and charges £	After costs and charges are taken £
52	14,470	14,470
53	14,996	14,934
55	16,105	15,906
60	18,956	18,366
65	20,969	20,052

Source: Mercer

### 3d Legacy Default arrangement - 5 Years

For a member joining the Group at age 24 with a starting pot size of £2,900.

Age	Before costs and charges £	After costs and charges are taken £
25	2,900	2,900
26	3,003	2,999
30	3,452	3,430
35	4,108	4,057
40	4,890	4,798
45	5,820	5,675
50	6,927	6,713
55	£8,244	7,939
60	£9,812	9,391
65	£11,581	11,024

Source: Mercer

For a member joining the Group at age 52 with a starting pot size of £14,470.

Age	Before costs and charges £	After costs and charges are taken £
52	14,470	£14,470
53	14,981	£14,964
55	16,057	£16,003
60	19,097	£18,928
65	22,551	22,220

Source: Mercer

### 3e Default arrangement - Legacy Default 11 Years

For a member joining the Group at age 25 with a starting pot size of £2,900.

Age	Before costs and charges £	After costs and charges are taken £
25	2,900	2,900
26	3,003	2,999
30	3,452	3,430
35	4,108	4,057
40	4,890	4,798
45	5,820	5,675
50	6,927	6,713
55	8,244	7,939
60	9,949	9,528
65	11,851	11,294

Source: Mercer

For a member joining the Group at age 52 with a starting pot size of £14,470.

Age	Before costs and charges £	After costs and charges are taken £
52	14,470	14,470
53	14,981	14,964
55	16,057	16,003
60	19,378	19,205
65	23,105	£22,765

Source: Mercer

### 3f For a selection of the self-select funds:

For a member in the Group at age 25 with a starting pot size of £2,900.

Age	Most expensive fund: EDGF Active Emerging Markets Equity		Least expensive fund: Aquila Global Equity 50/50 Index	
	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges
	£	£	£	£
25	2,900	2,900	2,900	2,900
26	3,026	2,974	3,031	3,028
30	3,588	3,289	3,614	3,600
35	4,440	3,730	4,504	4,468
40	5,494	4,230	5,612	5,546
45	6,798	4,797	6,994	6,884
50	8,412	5,441	8,716	8,545
55	10,409	6,170	10,861	10,607
60	12,880	6,998	13,535	13,166
65	15,937	7,936	16,867	16,343

Source: Mercer

For a member joining the Group at age 52 with a starting pot size of £14,470.

Age	Most expensive fund: EDGF Active Emerging Markets Equity		Least expensive fund: Aquila Global Equity 50/50 Index	
	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges
	£	£	£	£
52	14,470	£14,470	14,470	14,470
53	15,095	£14,839	15,126	15,109
55	16,428	15,605	16,530	16,474
60	20,297	17,698	20,635	20,448
65	25,077	20,071	25,760	25,382

Source: Mercer

The assumptions used in these calculations were as follows:

- For a member joining the Group aged 25
- The opening DC pot size is £2,900;
- Inflation is assumed to be 2.5% per annum.
- The projected values are shown up to age 65, the most common normal retirement age for members of the Group.
- Where quoted transaction costs for a fund are negative, they have been assumed to be zero as a prudent assumption for these illustrations.

The projected gross growth rates for each fund are as follows (these are based on returns assumed for the Group's Statutory Money Purchase Illustrations, are shown rounded to one decimal place and before ongoing management charges and transaction costs are applied):

Fund	Gross Return % p.a.	TER % p.a.	Transaction Cost % p.a.
Cash Retirement	3.63% p.a. above inflation for members further than 8 years from age 65. Reducing gradually to -0.49% p.a. above inflation for members at or beyond age 65	0.29% to 0.17%	0.13% to 0.01%
Drawdown Retirement	3.63% p.a. above inflation for members further than 8 years from age 65. Reducing gradually to 1.59% p.a. above inflation for members at or beyond age 65	0.29% to 0.30%	0.13% to 0.09%
Annuity Retirement	3.63% p.a. above inflation for members further than 8 years from age 65. Reducing gradually to 1.51% p.a. above inflation for members at or beyond age 65	0.29% to 0.20%	0.13% to 0.01%
EDFG Active Emerging Markets Equity	4.32% p.a. above inflation	0.92%	0.79%
Aquila Over 5 Year Index Linked Gilts	4.54% p.a. above inflation	0.08%	0.03%
Legacy Default - 5 Years	3.53% p.a. above inflation for members further than 5 years from age 65. Reducing gradually to 3.28% p.a. above inflation for members at or beyond age 65	0.08% to 0.09%	0.03%
Legacy Default - 11 Years	3.53% p.a. above inflation for members further than 5 years from age 65. Reducing gradually to 3.28% p.a. above inflation for members at or beyond age 65	0.08% to 0.09%	0.03%

*TER's as at 31 March 2025 and average annual transaction costs for the 5 year period to 31 March 2025.*

For a member in the Group aged 52:

- The opening DC pot size is £14,470
- Inflation is assumed to be 2.5% per annum;
- The projected values are shown up to age 65, the most common normal retirement age for members of the Group;
- Where quoted transaction costs for a fund are negative, they have been assumed to be zero as a prudent assumption for these illustrations; and
- The projected gross growth rates for each fund are the same as the above (these are based on returns assumed for the Group's Statutory Money Purchase Illustrations, are shown rounded to one decimal place and before ongoing management charges and transaction costs are applied).
- Please note that these illustrated values:
  - Are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
  - The assumptions used may be different in the future to reflect changes in regulatory requirements or investment conditions;
  - Will be affected by future, and as yet unknown, changes to the Group's investment options;
  - Are not guaranteed;
  - Depend upon how far members in the default lifestyle option are from retirement as the funds used change over time;
  - May not prove to be a good indication of how your own savings might grow; and
  - Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.