

Chair's DC Governance Statement, covering 1 April 2024 to 31 March 2025

1. Introduction and members' summary

The **NRG Group Pension Scheme** (the "Scheme") is an occupational pension scheme primarily providing defined benefits ("DB") but with a small number of members who have defined contribution ("DC") benefits. A number of members also have Additional Voluntary Contributions ("AVCs") in the Scheme.

The DC benefits of some members in the Scheme are subject to a guaranteed minimum pension underpin. Certain other members' DC assets and/or AVC assets are invested in the Scheme's "in-house" arrangements, whereby we, the Trustee of the Scheme, invest these assets alongside the Scheme's DB Section assets. We manage and bear the costs of the "in house" arrangement.

Governance requirements apply to DC pension arrangements, such as those in the DC Section and some of the AVCs in the Scheme, to help members achieve a good outcome from their pension savings.

We have prepared this statement in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations (the "Administration Regulations") 1996 (as amended), and applicable statutory and regulatory guidance. It is signed by the Chair of the Trustee and describes how we have met the statutory governance standards in relation to:

- the investment options in which members can invest;
- the processing of core financial transactions (eg transfer payments and member benefit payments);
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- how the value members obtain from DC benefits in the Scheme is assessed; and
- Trustee knowledge and understanding.

This Statement covers the period from 1 April 2024 to 31 March 2025 (the "Scheme Year").

The key points that we would like members reading this Statement to take away are as follows:

- We regularly monitor the investment arrangements, and we are satisfied that the investment options remain suitable for the membership.
- The administrator of the Scheme, Capita, has processed core financial transactions promptly and accurately to an acceptable level during the Scheme Year, and we remain comfortable with the administrator's performance.
- Fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money that can grow with future investment returns.
- Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Scheme and represent value for the benefits members obtain.
- We undertake training and receive advice as appropriate to make sure that we have sufficient knowledge and understanding to look after your interests effectively.

2. Default arrangements

The Scheme is not used as a Qualifying Scheme for automatic enrolment purposes.

Some pension schemes have a "default arrangement" that members' funds are invested in if they do not tell the trustees how they would like their pension savings to be invested or if certain other conditions are present (as set out in the Administration Regulations).

The Scheme does not have a "default arrangement" for the purposes of the Administration Regulations. We can confirm that Scheme was closed to future contributions with effect from 31 March 2003 and has never been used for auto-enrolment purposes. As such, the special governance standards required under regulation 23(1)(a) of the Administration Regulations relating to the preparation and regular review of default arrangements do not apply to the Scheme.

All members' DC assets in the Scheme that are not invested in the "in-house" arrangements are invested in the Legal & General ("L&G") Multi-Asset Fund ("MAF") as at 31 March 2025.

We are responsible for investment governance. Based on investment advice received, we are comfortable that over the Scheme Year the L&G MAF has remained appropriate for the Scheme's membership and note that other investment options are available for those members wishing to make an alternative investment choice.

As the Scheme does not have a "default arrangement" for the purposes of the Administration Regulations, there is no statutory requirement to review the investment strategy and its performance at a particular frequency. However, we regularly monitor the performance of the strategy. The last full review was carried out on 9 December 2020. The Scheme's investment strategy was not reviewed during the period covered by this Statement.

3. Processing of core financial transactions

The processing of core financial transactions is carried out by the administrator of the Scheme, Capita. Core financial transactions include (but are not limited to): processing transfers out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members/beneficiaries.

As the Scheme is no longer open to new contributions, the number of core financial transactions is low compared to a scheme that is still receiving contributions.

We have received assurance from Capita, through the measures set out below, that there are adequate internal controls to support prompt and accurate processing of core financial transactions.

The Trustee has a Service Level Agreement ("SLA") in place with Capita which covers the accuracy and timeliness of all core financial transactions – this includes a 5-day working day turnaround time for processing transactions. The key processes adopted by Capita to help it meet the SLA are as follows:

- There are agreed checking and review procedures in place for payments from the Scheme to, or in respect of, members and transactions to ensure the accuracy of processing.
- The agreed checking and review procedures include two individuals checking the accuracy of all core financial transactions.

Furthermore, Capita uses an internal workflow system to help meet SLAs. The SLA for each task is built into the administration/workflow system, Hartlink, so SLA deadlines are generated automatically case by case when a new task is created on the system. Daily "State of Play" SLA meetings take place within the administration unit to analyse SLA performance, both quantitative and qualitative aspects, over the previous day. Cases that need to be processed that week are identified, with the focus being the cases due to reach SLA limits in the next few days. If there are concerns that SLAs cannot be achieved by the team cases are reallocated where resource is available.

To help us monitor whether service levels are being met, we receive quarterly reports about the administrator's performance and compliance with the SLA which we review and discuss at Trustee meetings. Any issues identified as part of our review processes would be raised with the administrators immediately, and steps would be taken to resolve the issues. No issues were raised in relation to the DC Section during our review processes over the Scheme Year. In addition, any material or systematic inaccuracies discovered by Capita in its checking and review procedures or in its AAF 01/20 assurance report on internal controls are reported to us as they occur and reported in the quarterly administration reports on an exceptions basis.

Capita's overall SLA performance, across both the DB and DC Sections of the Scheme, was above its 95% target during Scheme Year. It was 97.0% in Q2 2024, 98.0% in Q3 2024, 99.0% in Q4 2024 and 99.6% in Q1 2025.

Capita has reported that there were no member complaints in respect of the DC benefits in the Scheme over the Scheme Year.

Based on our review processes, we are satisfied that over the period covered by this Statement:

- Capita was operating appropriate procedures, checks and controls, and operating within the agreed SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions have been processed to an acceptable level of promptness and accuracy during the Scheme Year.

Additional Voluntary Contributions

Utmost Life (“Utmost”)

Utmost has a set of service level standards applying across its whole book of business, rather than targets at product or scheme level. Generally, it aims to reply to most requests within 10 days, with payments completed within 5 where possible. All service level agreements were met during 2024.

The Clerical Medical With-Profits Fund is offered through Utmost and therefore falls within the SLAs applicable to the main Utmost AVC benefits.

Prudential

Prudential has transitioned to ‘End to End’ reporting, which means that performance is measured against the total time taken to deal with a particular work item, from the day of receiving it through to the closure date of the work item. Based on information provided by Prudential, all administration tasks related to the Scheme were completed within Prudential’s service level target times during the Scheme Year.

The Trustee notes that the AVC providers are generally unable to provide Scheme-specific performance ratings against their SLAs (where applicable) and that only a limited amount of information has been made available about the processing of financial transactions. The Trustee notes that this is not uncommon in relation to legacy AVC providers. However, we note that no member complaints have been received in relation to the AVC providers’ processing of core financial transactions during the Scheme Year.

4. Member-borne charges and transaction costs

We have set out in this section the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio (“TER”). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges are shown as a per annum (“pa”) figure and exclude administration charges, which members do not pay for.

The Scheme’s investment options do not have any performance-based fees associated with them.

We are also required to disclose transaction cost figures. In the context of this Statement the transaction costs shown are those incurred when the Scheme’s fund managers buy and sell assets within investment funds, but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs that applied during the Scheme Year, which are set out in sections 4.1 to 4.3 below, have been supplied by each relevant investment provider. Where we have been unable to obtain up to date charges or transaction costs, this is noted in sections 4.1 to 4.3.

When preparing this section of the Statement we have taken account of the relevant statutory guidance.

Certain members’ DC assets and/or AVC assets are invested in the Scheme’s “in-house” arrangements. The Trustee meets the costs of these “in-house” DC benefits which are invested in funds held within the DB Section of the Scheme.

4.1. L&G Multi-Asset Fund

All members’ DC assets in the Scheme that are not invested in the “in-house” arrangements were invested in the L&G MAF as at 31 March 2025. During the Scheme Year, the level of member-borne charge was **0.25% pa**. The transaction cost for the period covered by this Statement was **0.02%**.

4.2. Self-select options

In addition to the L&G MAF, members also have the option to invest in two lifestyle strategies. Both lifestyles target cash withdrawal at retirement.

The annual charges for these lifestyles during the period covered by this Statement are set out in the tables below.

Lifestyle 1 charges and transaction costs (% per annum) (L&G MAF to cash at retirement over 3-year period to retirement)

Years to target retirement date	TER	Transaction costs
15 or more years to retirement	0.25	0.02
10 years to retirement	0.25	0.02
5 years to retirement	0.25	0.02
At retirement	0.12	0.13

**Lifestyle 2 charges and transaction costs (% per annum)
(50% L&G MAF, 50% L&G Future World Fund to L&G MAF 10-years to retirement, then to cash over 3-year period to retirement)**

Years to target retirement date	TER	Transaction costs
15 or more years to retirement	0.24	0.01
10 years to retirement	0.24	0.01
5 years to retirement	0.25	0.02
At retirement	0.12	0.13

The level of charges for each self-select fund (including the L&G MAF) and the transaction costs over the period covered by this Statement are set out in the following table.

Self-select fund charges and transaction costs (% per annum)

Fund name	TER	Transaction costs
L&G Multi-Asset Fund	0.25	0.02
L&G Future World Global Equity Index Fund	0.23	0.00
L&G Investment Grade Corporate Bond All Stocks Index Fund	0.15	0.02
L&G All Stocks Gilts Index Fund	0.10	0.02
L&G Over 5 Year Index-linked Gilts Index Fund	0.10	0.07
L&G Cash Fund	0.12	0.13

4.3.AVC funds

Members' AVCs in the Scheme that were not invested in the "in-house" arrangements were invested in the following funds. During the Scheme Year, the charges and transaction costs for each of the funds were as follows:

Manager – Fund name	Notes	TER % pa	Transaction costs %
Clerical Medical With-Profits Fund	1	0.50	0.19
Utmost Life Money Market Fund	2	0.50	0.01
Utmost Life Managed Pension Fund	2	0.75	0.08
Utmost Life Multi-Asset Cautious Fund	2	0.75	0.40
Utmost Life Multi-Asset Moderate Fund	2	0.75	0.32
Prudential Deposit Fund	3	N/A	0.00
Prudential With-Profits Fund	4	0.76	0.10

Notes

- 1 The TER shown is the Fund's Annual Management Charge.
- 2 Figures for the Utmost Life funds are provided for the year to 31 December 2024.
- 3 This fund is a deposit / cash account which utilises the Bank of England base rate and incurs no explicit charges. The transaction cost provided is for the year to 31 December 2024.
- 4 The TER shown assumes that future investment returns will be 5% per year. We are responsible for investment governance. The transaction cost provided is for the year to 31 December 2024.

4.4 Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance.

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past five years for the L&G MAF and past four years for two self-select funds (L&G Cash Fund and L&G All Stocks Gilts Index Fund), subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over these periods as these are the longest period over which figures were available, and should be more indicative of longer-term costs compared to only using figures over the latest Scheme year.
- The illustration is shown for the L&G MAF, this being the investment arrangement with the most DC members invested in it (ignoring those invested in the "in house" arrangements), as well as two funds from the Scheme's self-select fund range. The two self-select funds shown in the illustration are:
 - the fund with highest annual member borne costs (TER plus Scheme Year transaction costs) after the L&G MAF – this is the L&G Cash Fund;
 - the fund with lowest annual member borne costs – this is the L&G All Stocks Gilts Index Fund.

Projected pension pot in today's money

Years invested	L&G Multi-Asset Fund		L&G Cash Fund		L&G All Stocks Gilts Index Fund	
	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£29,600	£29,600	£29,100	£29,000	£29,600	£29,600
3	£30,500	£30,300	£28,800	£28,600	£30,500	£30,400
5	£31,500	£31,000	£28,500	£28,200	£31,500	£31,200
10	£33,900	£33,000	£27,800	£27,300	£33,900	£33,400
15	£36,500	£35,100	£27,100	£26,300	£36,500	£35,700

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- As the Scheme is closed to future contributions the illustration assumes that no further contributions are being paid.
- Future annual inflation is assumed to be 2.5%.
- The starting pot size used is £29,200. This is the approximate average (median) pot size for the Scheme's DC members whose DC assets are invested in the L&G MAF, based on information provided by Capita.
- The projection is for 15 years, being the approximate duration that the youngest Scheme member invested in the L&G MAF has until they reach the scheme's Normal Pension Age, as advised by Capita.
- The projected before costs annual returns used are as follows:
 - L&G Multi-Asset Fund: 1.5% above inflation
 - L&G Cash Fund: 0.5% below inflation
 - L&G All Stocks Gilts Index Fund: 1.5% above inflation
- No allowance for active management outperformance has been made.

Please note that the expected returns used in the projections are the same assumptions used in the Scheme's latest Statutory Money Purchase Illustrations (“SMPs”). Rules around SMPs mean that return assumptions are set in a prescribed way based on the volatility of investment returns, with higher volatility meaning higher assumed returns. Because gilts have been very volatile in recent years the SMP approach results in assumptions that may be considered unrealistic. Therefore, you should interpret the projections with caution and not make any significant change to your investments as a result of them. You should consider obtaining professional financial advice before making any significant change to your investments.

5. Investment returns

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the Scheme Year. When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

All members' DC assets in the Scheme not invested in the "in-house" arrangements were invested in the L&G Multi-Asset Fund during the Scheme Year. Therefore, we have shown net returns for the L&G MAF only below. We have also shown the net returns for the AVC funds in which members' funds were invested during the Scheme Year.

With-Profits fund returns stated are that of the underlying investments, which are the only figures that can be quoted. With-Profits funds are designed to smooth the returns members receive over their investment term and underlying investment returns are not the only factor determining the return members receive.

L&G MAF net returns over periods to Scheme Year end

Fund name	1 year (%)	3 years (% pa)	5 years (% pa)	10 years (% pa)
L&G Multi-Asset Fund	3.5	2.2	6.0	4.9

AVC funds net returns over the Scheme Year

Fund name	1 year (%)
Utmost Life Money Market Fund	4.7
Utmost Life Managed Pension Fund	6.4
Utmost Life Multi-Asset Cautious Fund	3.7
Utmost Life Multi-Asset Moderate Fund	4.9
Prudential Deposit Fund	5.0
Clerical Medical With-Profits Fund	8.7

The return shown for the Clerical Medical With-Profits Fund is the unsmoothed gross return of the Fund's underlying assets over the year to 31 December 2024. Members' actual return from the Fund will depend on bonus rates declared by Clerical Medical and the terms of members' policies with the provider.

6. Value for members assessment

We are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. The approach we use to assess value for members is set out below.

The date of the last review was July 2025 and it assessed value for members during the Scheme Year.

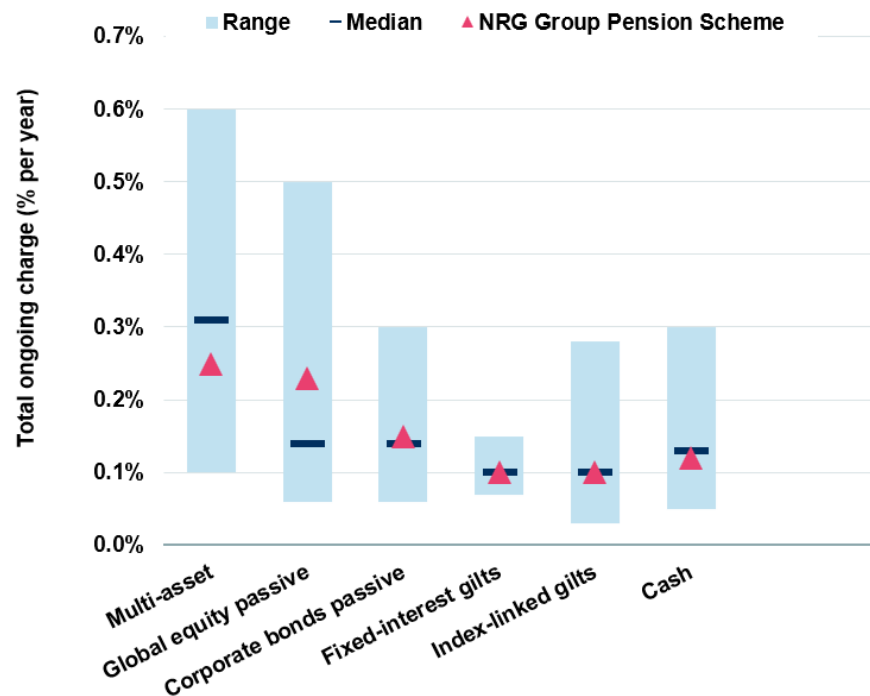
6.1 Member-borne costs value assessment

Most of the services provided to members, including Scheme administration, communications and our governance activities, are paid for by the Scheme. This means that members bear the cost of investment management services only.

We review all member-borne charges that are available by the relevant investment managers (including transaction costs) annually, with the aim of ensuring that members are obtaining good value given the circumstances of the Scheme. We note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. We believe that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches and expect this to lead to greater investment returns net of costs over time.

Our assessment included a review of the performance of the Scheme's investment funds (after all charges and transaction costs) in the context of their investment objectives. Based on the data we have received for the Scheme Year, the returns on the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives.

Our investment advisers have confirmed that the fund charges are reasonable for the types of funds available to members. We have benchmarked the Scheme's investment fees against similar sized schemes and the conclusion from this exercise was that the fees met by members are generally in line with the median fees of funds available in smaller DC schemes within the benchmarking pool, and we note fees for the L&G MAF where most members are invested are significantly below median. This is summarised in the following chart.



The Scheme's charge for its passive global equity fund - the L&G Future World Global Equity Index Fund - is slightly above the median charge of other passive global equity funds. However, the comparator group includes global equity funds that do not incorporate any ESG consideration and are therefore cheaper. On balance, we are comfortable that the Scheme's charge is in line with the type of global equity fund being accessed.

Assessment of the performance of the Scheme's AVC funds was last covered as part of the wider review of the Scheme's DC and investment arrangements on 9 December 2020.

Members only bear the cost of investment management service in relation to their DC assets and AVCs that are not invested in the "in-house" arrangements. In addition, these costs are reasonable by comparison to the market benchmarks assessed by the Trustee's investment advisers. The Trustee is therefore satisfied that the member-borne charges and transaction costs in the Scheme represent **good** value for members.

6.2 Wider value assessment

In carrying out the assessment, we also considered and ranked as **very good**, **good**, **fair**, or **poor** other benefits members receive from the Scheme but do not pay for:

- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards. This was ranked as **good** and considered Capita's service levels and performance over the Scheme Year, as detailed in section 3 of this Statement;
- our oversight and governance. This was ranked as **good** and included factors such as ensuring the Scheme is compliant with relevant legislation, regularly monitoring the Scheme and addressing any material issues that may impact members, Trustee experience and the extent to which we use our external advisers and service providers to ensure good governance practice is adopted;
- the range of investment options and strategies. This was ranked as **good**, given that members have access to a range of self-select investment options that cover the major asset classes;
- the quality of communications delivered to members. This was ranked as **good**, taking account of the standard communications relating to the annual DC Statutory Money Purchase Illustration (SMPI) statements, retirement letters and pre-retirement 'wake up' packs; and
- the level of at-retirement support provided in-scheme. This was ranked **fair** on the basis that there are limited in-Scheme options available to members at retirement. However, our advisers confirmed that the provisions of the Scheme are not out of line with other DC schemes of similar size in this respect.

As detailed in the earlier section covering the processing of core financial transactions, we are comfortable with the quality and efficiency of the administration processes.

Overall, we believe that members of the Scheme are receiving **good** value for money for the charges and cost that they incur, for the reasons set out in this section.

We aim to improve value for members in future by taking the following steps:

- Continuing to monitor the costs borne by members;
- Continuing to monitor the member experience with the Scheme administrators to ensure an adequate level of service to support members effectively; and
- Continuing to ensure that we keep up to date with training needs, including developments in both DB and DC matters.

7. Trustee knowledge and understanding

We are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively.

Vidett Trust Corporation Limited (“Vidett”) was appointed as the sole Trustee of the Scheme on 21 August 2024. Vidett is a professional trustee firm and we, the Client Directors, are accredited trustees with the Pensions Management Institute. As such, we have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including conversance with the Scheme’s governing documentation, investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

- We have completed the Pension Regulator’s (“TPR”) trustee training toolkit (an online learning programme, designed to help trustees of occupational pension schemes meet the minimum level of knowledge and understanding required by law).
- As professional trustees, we undertake Continuous Professional Development (“CPD”) and complete training across a range of both DB and DC pension topics.
- As part of our appointment as Trustee, the Scheme Secretary, the Scheme’s advisers and the previous Trustee took us through recent meeting papers and the relevant background on ongoing work so were fully up to speed on all relevant Scheme matters.
- A training log setting out the training undertaken by the Trustee is maintained and updated regularly as part of our evidencing we fulfil the requirements of our CPD.
- With the help of our advisers, we regularly consider training requirements to identify any knowledge gaps. Our investment adviser (LCP LLP) and legal

adviser (Sacker & Partners LLP) proactively raise any changes in governance requirements and other relevant matters as they become aware of them.

- We also receive regular briefings from our actuarial and legal advisers on developments in the pensions industry and legal and regulatory frameworks for pension schemes.

We are familiar with and have access to copies of the Scheme’s governing documentation and documentation setting out our policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, we refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme, and the SIP is formally reviewed annually and as part of making any change to the Scheme’s investments.

We are supported by a team of professional advisers and service providers, as well as having access to other trustees with Vidett, when required. These include Capita as administrator, LCP as actuarial, DC and investment consultants, RSM as auditor and Sacker & Partners LLP as legal advisers.

Considering our knowledge and experience and the specialist advice received from the appointed professional advisers (eg investment consultants, legal advisors), we believe that we have sufficient levels of knowledge and understanding to exercise our functions as Trustee of the Scheme properly and effectively.

_____ Date: _____

Signed by the Chair of Trustees of the NRG Group Pension Scheme