Scheme Registry No. 10198901

NORTHERN POWERGRID PENSION SCHEME

Annual Report

For the year ended 5 April 2020

Scheme number : A/0011668

ANNUAL REPORT 2020

CONTENTS

TRUSTEES AND PROFESSIONAL ADVISERS

INVESTMENT MANAGER

BlackRock Investment Management (UK) Limited
12 Throgmorton Avenue
London
EC2N 2DL

AUDITOR

Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

ADMINISTRATOR

Aegon Workplace Investing
PO Box 17486
Edinburgh
EH12 1NU

SCHEME ADVISER

Mercer Limited
Quartermile One
15 Lauriston Place
Edinburgh
EH3 9EP

REPORT OF THE TRUSTEES TO THE PENSION SCHEME MEMBERS

ANNUAL REPORT

The Northern Powergrid Pension Scheme ("the Scheme") is an ear-marked scheme and is therefore exempted from the requirement to obtain audited financial statements. The Scheme is, however, required to obtain an auditor's statement about contributions.

In accordance with provisions of Schedule 36 of the Finance Act 2004, the Scheme became a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 with effect from 6 April 2006.

SCHEME MANAGEMENT

There have been no changes of professional advisors during the year and a list of advisers is set out on page 1.

TRUSTEES

In accordance with the Occupational Pension Schemes (Member Nominated Trustees and Directors) Regulations 2006, Mr Jeremy Meara and Mr Paul Russell are Member Nominated Trustees.

Any Member Nominated Trustee may at any time retire from office by giving one month's notice in writing to the principal employer.

The principal employer, Northern Electric plc, may appoint or remove Employer Nominated Trustees by means of a Deed of Appointment.

INVESTMENT MANAGEMENT AND PERFORMANCE

All contributions from members are paid to Blackrock Investment Management (UK) Limited ("Blackrock") which has sole responsibility for the safekeeping and investment of the individual member's funds.

Individual statements are provided to each member by Aegon showing their investment and return at 5 April each year.

SCHEME MEMBERSHIP

Active membership of the Scheme can be summarised as follows:

Members in Service	**No.**	**No.**
At 6 April 2019	1,777	
New members	220	
Leavers	(141)	
Death in Service	(1)	
Ported Records	2	
At 5 April 2020		1,857
Deferred members		
As at 6 April 2019	636	
Leavers from members in service	141	
Death in Deferment	(3)	
Benefits paid	(41)	
Transfers out	(37)	
Ported Members	(4)	
At 5 April 2020		692
Total Scheme members as at 5 April 2020		2,549

Members have access to a full range of products under Pension Flexibilities when taking their retirement benefits. At the time a member takes his/her retirement benefits, the Scheme's liability to the member ceases and, for this reason, such members are excluded from the table above.

REPORT OF THE TRUSTEES TO THE PENSION SCHEME MEMBERS (continued)

EMPLOYER-RELATED INVESTMENTS

It is the policy of the Trustees not to invest any Scheme monies in Northern Electric plc and not to allow any Scheme assets to be used as collateral or security on behalf of the principal employer or any connected business or individual.

CONTRIBUTIONS

All contributions have been made in accordance with the Payment Schedules dated 17 May 2017 and 23 May 2019.

Due to the change in investment manager to BlackRock from September 2015 contributions are now being paid to Aegon two weeks earlier than previously which resulted in 12 payments being paid in the Scheme year ended 5 April 2020.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised, a payment schedule showing the rates of contributions payable towards the Scheme by or on behalf of the principal and participating employers and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme in accordance with the payment schedule. Where breaches of the schedule occur, the Trustees are required by the Pensions Act 1995 to consider making reports to the Pension Regulator and the members.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Signed on behalf of the Trustees

John Elliott
Chair of the Trustees of the Northern Powergrid Pension Scheme

25 September 2020

THE NORTHERN POWERGRID PENSION SCHEME

CHAIR'S ANNUAL GOVERNANCE STATEMENT FOR THE PERIOD 6 APRIL 2019 TO 5 APRIL 2020

Regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by The Occupational Pension Schemes (Charges and Governance) Regulations 2015 (together with the "Administration Regulations"), requires the Trustees of the Northern Powergrid Pension Scheme (the "Scheme") to prepare this Statement on governance for inclusion in the Scheme's accounts for the period from 6 April 2019 to 5 April 2020 (the "Scheme Year").

A copy of this statement is available on Northern Powergrid's website by using the search facility at www.northernpowergrid.com/document-library.

Administration

The Trustees continued to monitor the level of service provided by Aegon via the administration report received from Aegon for consideration by the Trustees at their regular meetings.

In response to its service levels dropping below the usual standard for a period in 2019, due to higher than expected volumes and additional resourcing requirements, Aegon put in place an improvement plan and reported regularly to the Trustees on progress. That plan delivered the intended benefits and average service levels had returned to over 95% by the end of the Scheme Year. Consequently, the Trustees believe that, when taken with the very low level of complaints received and Aegon's continued high Net Promoter Score, Aegon provides a high standard of service both to members and to the Trustees.

The Trustees are pleased to report that the above conclusion was borne out by Aegon's overall service level being above target for Quarter 1 of 2020, despite the challenges posed by the COVID-19 situation and the closure of Aegon's offices as a result. Aegon has focussed on continuing to provide a high level of service during these difficult times through initiatives including the introduction of a specific e-mail address for queries until the technology was in place for staff to take calls from home and the use of web chat.

Investment

Investment options:

The Scheme continued to make available the following investment options to members throughout the Scheme Year:

a) A default lifestyle strategy (the Lifestyle Pension Strategy), which targets the purchase of a pension via an annuity and provision of a 25% tax-free lump sum with the pension savings available to a member on retirement;

b) An alternative lifestyle strategy (the Lifestyle Cash Strategy) for members wishing to take their pension savings as a cash lump sum or by transferring their pension savings into an income drawdown arrangement; and

c) A range of self-select funds for those members wishing to select and manage their investments themselves, rather than investing in either of the lifestyle strategies.

Having completed a review in November 2018 of each of the funds focussing on environmental, social and governance ("ESG") factors that are available on Aegon's platform, the Trustees concluded that the LGIM Ethical Global Equity Fund was a suitable ESG fund to offer as part of the Scheme's self-select range. This fund became available for members to invest in from August 2019, if they so wish. As at 31 March 2020, some 35 members had decided to self-select and invest in the LGIM Ethical Global Equity Fund.

The default investment arrangement:

The Trustees are responsible for the Scheme's investment governance, which includes setting and monitoring the default investment strategy. The current default investment strategy is the Lifestyle Pension Strategy which invests in the NPPS Growth Fund, the NPPS Pre-Retirement Fund and the NPPS Cash Fund.

Details of the investment strategy can be found in the Scheme's Statement of Investment Principles (the "SIP") and, in accordance with the Administration Regulations, the Trustees have appended to this Statement as Appendix 1 the latest copy of the SIP, which has been prepared under Section 35 of the Pensions Act 1995 and Regulations 2 and 2A of the Occupational Pension Schemes (Investment) Regulations 2005.

A copy of the SIP is available on Northern Powergrid's website by using the search facility at www.northernpowergrid.com/document-library.

The Trustees regularly monitor and review the performance of the default investment arrangement against benchmark returns, which were agreed to be appropriate when first setting the current strategy. Aegon, the Scheme's investment platform provider, provides a quarterly report on the performance of the Scheme's funds against the benchmarks and Mercer also provides a quarterly report highlighting any investment issues that require consideration or action by the Trustees.

Performance of the growth phase of the default investment arrangement was negatively impacted by the high level of market volatility due to the COVID-19 pandemic. The NPPS Global Equity Fund was the main contributor to the overall negative performance. However, the BlackRock DC Diversified Growth Fund recorded lower negative performance and so provided some protection against the decline in equity markets, in line with its aim.

The Trustees have continued and will continue to monitor investment performance and take appropriate advice from Mercer, their investment adviser, regarding the impact of the pandemic and do not believe any immediate action should be taken in the short term as a result of the recent poor performance. The Trustees do, however, intend to review, in due course, whether property in general remains an appropriate investment for the Scheme and, if so, whether any changes are to be made to the investment options made available.

Additonal Default Arrangement:

In February 2020, Aegon was notified of the closure of the BlackRock Fixed Income Global Opportunities Fund (a self-select fund) with effect from June 2020. As Aegon did not give the Trustees notice of the closure until June 2020, members' funds were moved and ongoing contributions directed temporarily into the NPPS Cash Fund which is classed as a new default arrangement for the Scheme. The Trustees expressed their concerns to Aegon regarding the lack of notice provided and Aegon reviewed its process to avoid the occurrence of such an issue in future.

The Trustees completed a review of potential alternative funds on 16 July 2020 and concluded that the BlackRock Corporate Bond All-Stocks Fund was the closest available match such that the members' funds were to be transferred from the NPPS Cash Fund to the BlackRock Corporate Bond All-Stocks Fund and members' ongoing contributions were to be directed to the BlackRock Corporate Bond All-Stocks Fund. The transfer was completed on 21 August 2020 and the BlackRock Corporate Bond All-Stocks Fund was classed as a default arrangement for the Scheme with effect from that date.

In March 2020, the Trustees were notified by Aegon that the Property Fund had been suspended and member contributions have been directed to the NPPS Cash Fund since that suspension. The Property Fund remains suspended and the Trustees continue to monitor the position and take advice from Mercer, their investment advisers, in that respect. The NPPS Cash Fund has also been identified as a default arrangement in relation to the Property Fund suspension.

Investment arrangements review:

The Trustees are expected to review the investment strategy of the default arrangement at regular intervals, which should be at least every three years, and take into account the needs of the Scheme's membership when designing the default arrangement. The last review of the investment arrangements was carried out in 2018 and, on 20 November 2018, the Trustees concluded that:

- The 50:50 split between a passive equity fund and an active Diversified Growth Fund ("DGF") continued to deliver an efficient and cost effective way for members to grow their pension savings during the growth phase of the default arrangement;

- Commencing switching into the protection phase eight years prior to a member's normal retirement date remained appropriate;

- The Scheme continued to offer a reasonable range of self-select funds, around which members could develop their own investment arrangements if they so wish; and

- The arrangements remained appropriate for members, when considered against the Trustees' performance objectives (as detailed in the SIP).

The Trustees kept all of the investment arrangements under regular review during the Scheme Year, including the performance of the various funds offered by the Scheme and, having taken account of market indications that relatively few people now appear to be using their benefits to purchase an annuity on retirement, began a review of the investment arrangements. The Trustees completed that review on 16 July 2020 and concluded that:

a) A lifestyle strategy that targets drawdown was to be introduced, which will increase member choice from two lifestyle strategies to three i.e. strategies targeting drawdown, annuity purchase and cash;

b) The default lifestyle strategy was to be changed to incorporate the new strategy that targets drawdown; and

c) It was not appropriate to move to a delegated solution via the use of target date funds.

The Trustees have agreed, in principle, the composition of the new investment arrangements but concluded that current market conditions and the associated, estimated transaction costs are such that the changes will be taken forward when it is apparent that an appropriate degree of stability has returned to the markets. Consequently, the Trustees are currently developing an indicative implementation plan that can be put into effect at short notice, if necessary. Further details of the changes will be communicated to members in due course.

Value for Members Assessment

The Trustees undertook an assessment of how the Scheme provides value for members in terms of its investment and administrative arrangements in July 2020, based on information from the year ended 5 April 2020, which concluded that the Scheme continued to provide good value for members in relation to member-borne costs, with additional member resources paid for by Northern Powergrid (the "Company") boosting that value further.

In carrying out the assessment, the Trustees took into account ongoing costs and transaction charges, the performance of the funds against their objectives, the level of service provided to members, including online services, and the flexibility afforded to members in respect of their pension savings. There were no material changes to the way in which the Scheme operated during the Scheme Year and the Trustees, therefore, reached the same conclusion as they had done in the previous year. The basis for arriving at that conclusion was as follows:

a) The majority of the Scheme's funds (with the exception of the NPPS Absolute Return and Aegon BlackRock Property funds) are rated as providing good or reasonable value in relation to charges. The funds rated as good value collectively make up approximately 90.2% of the Scheme's assets;

b) The charges associated with the NPPS Absolute Return and Aegon BlackRock Property funds are considered to be at the top end of expectations;

c) Although absolute performance in the Scheme Year was poor due to the impact of the COVID-19 pandemic, the majority of the passive funds performed in line with their respective benchmarks;

d) The majority of the funds in the Scheme's fund range are highly rated as either A or B+ by Mercer's research team, which is an indication of a strong conviction in the relevant manager's ability to track the index, for passive funds, or to meet and exceed the target return for active funds. The exception is the Aegon BlackRock Property Fund which is a Fund of Funds and is not rated at fund level. However, the constituent funds that make up the Aegon BlackRock Property Fund are rated B or above by Mercer's research team;

e) The Scheme is well governed by the Trustees, which should improve the prospects of members achieving good outcomes in retirement. The Trustees usually meet four times during the year and maintain a Business Plan and a Risk Register, which are reviewed regularly by the Company's Pensions Team and at each meeting of the Trustees;

f) The Trustees work with their advisers and the Company's Pensions Team to put in place a highly rated fund range and to provide assistance to members in the form of communications, guidance and educational material; and

g) Aegon's Target Plan online portal offers members a variety of tools and information in an engaging way to help them plan for retirement appropriately and make informed decisions.

The Trustees will continue to actively monitor the fund managers' investment performance and Aegon's administrative performance on a regular basis to ensure that value continues to be provided to the Scheme's members.

Requirements for processing financial transactions

The Trustees believe that the requirements of regulation 24 of the Administration Regulations have been met and core financial transactions have been processed promptly and accurately. A system of internal controls is in place, as outlined in the Internal Controls section below, which is aimed at monitoring the Scheme's administration and management.

The following robust controls continue to be in place in that respect:

a) Mechanisms for ensuring the prompt and accurate processing of financial transactions, including the core transactions such as the payment and investment of contributions, the transfer of members' assets into and out of the Scheme and the payment of benefits to members on retirement;

b) Maintenance of a Risk Register, which outlines the risks in relation to financial transactions, enabling the Trustees to monitor and review those risks on a regular basis;

c) Specified timescales in the Scheme's Payment Schedule, by which the Company must make the monthly contributions to the Scheme. However, in practice, payment of contributions is made on much shorter timescales, usually within 11 working days;

d) Checks by Deloitte LLP, the Scheme Auditor, that contributions are paid in accordance with the Scheme Rules, as part of the audit of the Scheme's annual accounts;

e) Delegation of the administration of the Scheme's member records to Aegon; and

f) Provision by Aegon of reports on the administrative functions it undertakes and its performance against the agreed service levels, which were reviewed by the Trustees at the quarterly meetings held during the Scheme Year.

Internal Controls

The Trustees have agreed timescales with Aegon to provide a valued service to members in respect of the administration of the Scheme.

Timescales for benefit processing

Task	Service Level Agreement ("SLA")
Transfer out quote	5 working days
Transfer in quote	5 working days
Retirement quotation	5 working days
Death quotation	5 working days
Investment change	1 working day

Transfer in, transfer out and retirement quotes all have a 5 day SLA. Actions relating to death cases also have a 5 day SLA. Changing where future contributions are invested has a 3 day SLA and switching of existing monies has as a 1 day SLA, if the instruction is received by 1:00 pm, or the following day if it is received after 1:00 pm, with the price date being T+1.

Timescales for financial processing

Core financial transaction	Key internal control
Investment of monthly contributions following receipt by Trustees	**Promptness** • Administrator operates a 5 day cycle for investing contributions following receipt of clean data from the Company (as opposed to 19th / 22nd permitted by legislation, if paid electronically). SLA is to invest within 2 days of receipt of monies assuming previous receipt of clean data file.
	Accuracy • Monthly contribution cycle includes a reconciliation including the administrator sending the Company a monthly reconciliation email to either confirm that the data and monies received match or not and any required action.
Investment switches requested by members	**Promptness** • Administrator's SLA for member initiated switching investments is 5 working days from date of request. (see above)

	Accuracy • All switches are reconciled by administrator. • All members are notified when a member-initiated investment switch is completed.
Payment of benefits to members, including retirements, transfers and death benefits	**Promptness** • SLAs for core benefit transactions (retirements, deaths and transfers) help ensure that member wishes are known well in advance of benefit payment date. • Annual appraisal of common data helps ensure that member data is accurate, reducing the likelihood of delay from data gaps.
	Accuracy • Administrator operates peer review system for all benefit calculations. • Data accuracy is subject to regular evaluation and updating.

Charges and transaction costs

The Trustees are required to report on the charges and transactions costs for the investments used in the default lifestyle strategy and provide their assessment of the extent to which the charges and costs represent good value for members.

Transaction costs arise from the buying and selling of units in a fund or when managers trade within a pooled fund. Turnover from trading within a fund will impact the level of costs borne by members. For example, passive funds will generally have lower levels of trading and, therefore, lower associated costs when compared to active managers. However, transaction costs can vary widely depending on a manager’s approach.

There are two types of charges for the funds made available by the Scheme, the Annual Management Charge (the “AMC”) and Total Expense Ratio (the “TER”). The AMC is the fee charged by the investment manager for managing the individual funds whereas the TER comprises the AMC and additional fund expenses (“AFEs”), for example custody costs where applicable.

The AMC and TER payable under the default lifestyle strategy will vary depending on the stage that each member has reached in the default strategy’s de-risking process. All of the funds used in the default strategy have TERs well below the charge cap of 0.75% p.a.

The charges under the default lifestyle strategy are:

Investment phase	Underlying investment fund	AMC	TER
Growth phase	NPPS Growth	0.40%	0.43%
Default de-risking phase	NPPS Pre-Retirement	0.30%	0.30%
Default de-risking phase	NPPS Cash	0.20%	0.23%

The table below provides information on the charges applicable to the Scheme’s self-select investment options, including those funds used in the default lifestyle strategy:

Fund Name	AMC	TER
NPPS Growth	0.40%	0.43%
NPPS Global Equity	0.27%	0.28%
NPPS Pre-Retirement	0.30%	0.30%
NPPS Cash	0.20%	0.23%
NPPS Diversified Growth	0.55%	0.60%
NPPS Absolute Return	0.60%	0.62%
Aegon BlackRock UK Equity Index	0.25%	0.26%
Aegon BlackRock World (Ex- UK) Equity Index	0.25%	0.26%
Aegon BlackRock Consensus Index	0.25%	0.27%

Fund Name	AMC	TER
Aegon Property	0.93%	0.95%
Aegon BlackRock Fixed Income Global Opportunities	0.50%	0.53%
Aegon BlackRock Aquila Corporate Bond All Stocks Index	0.25%	0.27%
Aegon BlackRock Over 5 Year Index Linked Gilt	0.25%	0.26%
Aegon HSBC Islamic Global Equity Index	0.65%	0.65%
Aegon LGIM Ethical Global Equity Fund	0.55%	0.55%

The charges noted above do not include transaction costs i.e. the expenses associated with a member trading in and out of a fund as well as the investment manager trading a fund's underlying securities, including commissions and stamp duty. The net of fees performance, against which the Trustees monitor each fund's performance objective, does include these additional costs.

The Trustees are also required to disclose the level of any transaction costs.

These are incurred when the Scheme's investment managers buy and sell assets within funds, but are exclusive of any costs incurred when members invest in and switch between funds. The charges and transaction costs have been supplied by Aegon.

When preparing this section of the statement the Trustees have taken account of statutory guidance.

The default lifestyle is the Lifestyle Pension. The default arrangement has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their normal retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to retirement and in which fund they are invested.

The level of charges for each investment option (including those used in the default arrangement) and the transaction costs over the period covered by this Statement are set out in the following table. The transaction costs are rounded to two decimal places and the underlying funds used within the default arrangement are shown in bold.

Fund Name	**Transaction Costs as at 31 March 2020**
NPPS Growth	**0.20%**
NPPS Global Equity	0.05%
NPPS Pre-Retirement	**0.03%**
NPPS Cash	0.01%
NPPS Diversified Growth	**0.34%**
NPPS Absolute Return	0.82%
Aegon BlackRock UK Equity Index	0..05%
Aegon BlackRock World (Ex- UK) Equity Index	0.03%
Aegon BlackRock Consensus Index	0.03%
Aegon Property	-0.06%
Aegon BlackRock Fixed Income Global Opportunities	0.60%
Aegon BlackRock Corporate Bond All Stocks Index	0.04%
Aegon BlackRock Over 5 Year Index Linked Gilt	0.02%
Aegon HSBC Islamic Global Equity Index	0.04%
Aegon LGIM Ethical Global Equity Fund	0.00%

The method used to calculate transaction costs over the period is known as the slippage method and may result in negative values in future years. In the event of a negative value, the Trustees would use a nil cost for the illustration of charges and costs set out above.

Illustration of charges and costs

Using the charges and transaction cost data provided by Aegon and in accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018, the Trustees have prepared two illustrations detailing the impact of the costs and charges typically paid by members of the Scheme on their pension savings at retirement. The statutory guidance provided has been considered when providing these examples.

The two illustrations provided below are based on an average member and the youngest member, as follows:

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member-borne fees or transaction costs;

- The "after costs" figures represent the savings projection assuming the same investment return but after deducting member-borne fees and an allowance for transaction costs;

- The transaction cost figures used in the illustrations are an estimate of explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund, based on the average of the actual annual transaction costs for the period 1 April 2018 to 31 March 2020; and

- The illustrations are in respect of the default lifestyle option, as this is the arrangement in which most members are invested. Illustrations are also shown for three of the self-select funds, namely the NPPS Cash Fund, the Aegon BlackRock Aquila World (Ex-UK) Equity Index Fund and the Aegon BlackRock Property Fund.

Please note that these projections make no allowances for the investment risks and, therefore, do not provide an indication of the range of potential outcomes associated with a particular investment.

Charges and Costs Illustrations: Average Member

Average Member (Example Illustration)

Purpose of this example illustration

This isn't a personal illustration. It is based on the assumptions detailed in "About this illustration" below. The purpose of the illustration is to show how fund-related costs and charges can affect the overall value of the funds you invest in over time.

Fund transactional charges and costs total (£)

	Lifestyle Pension* (Default Investment Option)	NPPS Cash	Aegon BlackRock World (Ex UK) Equity Index (BLK)	Aegon BlackRock Property
Growth	-0.76% to 1.78%	-0.76%	3.00%	2.15%
AMC	0.20% to 0.40%	0.20%	0.25%	0.93%
AAE	0.00% to 0.03%	0.03%	0.01%	0.02%
TC	0.01% to 0.17%	0.01%	0.01%	0.03%

* As the Lifestyle investment option consists of multiple investment funds we have shown the range of growth and fund costs & charges.

Growth is the assumed growth rate for the fund after taking into account assumed price inflation of 2% per annum.
AMC is the Annual Management Charge, which is a yearly management charge expressed as an annual percentage but calculated and deducted on a daily basis from the fund.
AAE are the Additional Annual Expenses, which are an estimate of any additional fees and expenses that may apply, such as fees for custody, administration and trustee services that may be incurred in addition.
TC are the Transaction Costs, which are an estimate of explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund, based on actual transaction costs provided for the period 01/04/18 to 31/03/20.

The impact of transactional costs and charges on fund values (£)

The 'Before Charges' column shows each fund's value without any transaction costs, charges or expenses being applied to the fund holdings.
The 'After all charges' column shows the fund's holdings after transaction costs, charges and expenses have been deducted.

	Lifestyle Pension* (Default Investment Option)		NPPS Cash		Aegon BlackRock World (Ex UK) Equity Index (BLK)		Aegon BlackRock Property	
Years	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	13866.41	13793.51	13566.73	13538.20	14010.12	13976.90	13914.32	13795.03
3	21962.33	21669.15	20776.05	20665.73	22549.13	22412.45	22156.66	21675.24
5	30561.63	29942.05	28090.49	27865.55	31819.16	31524.17	30975.54	29954.83
10	54421.85	52464.41	46868.54	46214.44	58526.89	57547.96	55753.39	52504.36
15	81816.61	77698.30	66413.09	65127.46	90990.63	88808.67	84863.95	77906.24
20	110130.55	103645.06	86807.95	84689.28	130219.96	126154.22	118904.27	106441.11
21	115340.69	108485.97	90996.71	88687.24	138977.85	134436.84	126361.61	112550.45

About this illustration

Your current age is 42 and retirement age is 63. This is based on the age of the youngest person in the scheme.

Your salary is £33,000 and will increase each year by 3.5%.

Future contributions paid will be 11.2% of your salary (£308 each month increasing by 3.5% each year in line with assumed salary increases).

The existing fund value is £10,000 which is based on the median value of the total holdings within the scheme. We calculate this by listing the total holdings of each member in the scheme, from the lowest to the highest value and selecting the value in the middle.

We've shown the default Lifestyle Pension investment option that the majority of members invest in.

We've also shown the NPPS Cash (BLK) and Aegon BlackRock World (Ex UK) Equity Index (BLK) funds to show the asset classes with the lowest and highest assumed growth. The NPPS Cash (BLK) fund is also the fund with the lowest charges and we have shown the Aegon BlackRock Property Fund as the fund with the highest charges.

Investment Growth

The value of your investments will grow at a rate appropriate to the funds you're invested in and inflation will be 2% every year. This is an illustrative growth rate only. The investment growth achieved may be more or less than this and may vary depending on the fund(s) you're invested in.

The assumed growth rate used for each fund is shown above. This rate is based on our view of potential long-term returns of the main assets classes (equities, property, corporate bonds, government bonds and cash) and will vary depending on the fund(s). The growth rates for mixed asset funds are derived from the asset class growth rates on the investment objectives and long-term asset allocation of the funds.

If the growth rate we've used is:

- the same as the rate of inflation this reduces the growth rate, after making an allowance for inflation, to 0%;
- less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.

Charges and Costs Illustrations: Youngest Member

Youngest Member (Example Illustration)

Purpose of this example illustration

This isn't a personal illustration. It is based on the assumptions detailed in "About this illustration" below. The purpose of the illustration is to show how fund-related costs and charges can affect the overall value of the funds you invest in over time.

Fund transactional charges and costs total (£)

	Lifestyle Pension* (Default Investment Option)	NPPS Cash	Aegon BlackRock World (Ex UK) Equity Index (BLK)	Aegon BlackRock Property
Growth	-0.76% to 1.78%	-0.76%	3.00%	2.15%
AMC	0.20% to 0.40%	0.20%	0.25%	0.93%
AAE	0.00% to 0.03%	0.03%	0.01%	0.02%
TC	0.01% to 0.17%	0.01%	0.01%	0.03%

∗ As the Lifestyle investment option consists of multiple investment funds we have shown the range of growth and fund costs & charges.

Growth is the assumed growth rate for the fund after taking into account assumed price inflation of 2% per annum.
AMC is the Annual Management Charge, which is a yearly management charge expressed as an annual percentage but calculated and deducted on a daily basis from the fund.
AAE are the Additional Annual Expenses, which are an estimate of any additional fees and expenses that may apply, such as fees for custody, administration and trustee services that may be incurred in addition.
TC are the Transaction Costs, which are an estimate of explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund, based on actual transaction costs provided for the period 01/04/18 to 31/03/20.

The impact of transactional costs and charges on fund values (£)

The 'Before Charges' column shows each fund's value without any transaction costs, charges or expenses being applied to the fund holdings.
The 'After all charges' column shows the fund's holdings after transaction costs, charges and expenses have been deducted.

	Lifestyle Pension* (Default Investment Option)		NPPS Cash		Aegon BlackRock World (Ex UK) Equity Index (BLK)		Aegon BlackRock Property	
Years	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	2128.23	2121.29	2099.63	2096.90	2141.89	2138.74	2132.79	2121.44
3	6588.74	6527.99	6341.47	6318.28	6709.68	6681.59	6628.89	6529.25
5	11332.19	11160.60	10642.38	10578.85	11677.85	11597.07	11446.35	11164.15
10	24519.06	23788.92	21671.72	21421.11	26034.39	25674.90	25012.87	23803.87
15	39788.67	38030.83	33133.79	32574.06	43548.18	42642.78	40997.38	38066.47
20	57394.08	54045.19	45077.21	44087.16	64776.37	62971.62	59735.25	54112.43
25	77615.90	72004.94	57553.65	56012.30	90367.22	87202.82	81603.95	72116.49
30	100765.10	92098.25	70618.09	68404.05	121074.42	115958.41	107028.00	92268.87
35	127186.13	114529.86	84329.10	81319.92	157773.82	149952.66	136484.62	114776.55
40	156933.92	139296.09	98749.13	94820.66	201482.61	190005.27	170509.95	139864.70
45	185126.28	162954.90	113944.83	108970.53	253381.60	237056.47	209705.96	167778.18
46	189702.34	166924.31	117083.24	111884.33	264861.14	247398.77	218223.72	173722.94

About this illustration

Your current age is 17 and retirement age is 63. This is based on the age of the youngest person in the scheme.

Your salary is £19,000 and will increase each year by 3.5%.

Future contributions paid will be 11.2% of your salary (£177.33 each month increasing by 3.5% each year in line with assumed salary increases).

We’ve shown the default Lifestyle Pension investment option that the majority of members invest in.

We’ve also shown the NPPS Cash (BLK) and Aegon BlackRock World (Ex UK) Equity Index (BLK) funds to show the asset classes with the lowest and highest assumed growth. The NPPS Cash (BLK) fund is also the fund with the lowest charges and we have shown the Aegon BlackRock Property Fund as the fund with the highest charges.

Investment Growth

The value of your investments will grow at a rate appropriate to the funds you’re invested in and inflation will be 2% every year. This is an illustrative growth rate only. The investment growth achieved may be more or less than this and may vary depending on the fund(s) you’re invested in.

The assumed growth rate used for each fund is shown above. This rate is based on our view of potential long-term returns of the main assets classes (equities, property, corporate bonds, government bonds and cash) and will vary depending on the fund(s). The growth rates for mixed asset funds are derived from the asset class growth rates on the investment objectives and long-term asset allocation of the funds.

If the growth rate we’ve used is:

- the same as the rate of inflation this reduces the growth rate, after making an allowance for inflation, to 0%;
- less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.

Trustee knowledge and understanding

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustees are required to describe how their combined knowledge and understanding, together with the advice which is available to them, enables them to properly exercise their functions as Trustees of the Scheme. The Trustees have done so by:

- Undertaking ongoing training, including within their regular meetings and by use of additional resources, as appropriate, to keep abreast of relevant developments;

- Regularly reviewing their training needs, having regard to guidance issued by the Pensions Regulator from time to time;

- Receiving advice from professional advisers and considering the relevant skills and experience of those advisers as a key criterion when evaluating adviser performance or selecting new advisers;

- Having meeting agendas and materials prepared by professional advisers who do so with a view to ensuring compliance and best practice and reviewing those agendas in advance of meetings to ensure they meet the Trustees' requirements;

- Receiving detailed quarterly investment reports from Aegon and Mercer;

- Ensuring the Trustee board contains trustees with wide-ranging skill and experience; and

- Receiving a briefing from their advisers at each meeting on legislative and regulatory developments that may impact the Scheme. Some of the items covered in those briefings included:

    - Additional SIP requirements from 1 October 2020;

    - The outcome of the Competition and Markets Authority's review of the Investment Consultancy and Fiduciary Management markets;

    - The DWP's consultation on Investment Innovation and Future Consolidation;

    - Introduction of the Money and Pensions Service; and

    - Preparation of the Trustees' beliefs statement.

During the Scheme Year, the Trustees undertook a number of training-related activities including:

- A comparison, as part of the consideration of target date funds, between full delegation using an investment platform and a fiduciary manager and the current arrangement of partial delegation using Aegon's investment platform;

- Deaths in deferrment;

- A briefing on the distinction between guidance and advice;

- Conclusion of review of the Trustees' beliefs with emphasis on mission and strategy, member engagement, investments and member services;

- Continued discussions on the suitability of the default investment arrangement and potential alternatives, including target date funds; and

- Regular reviews of the risk register, taking input from their professional advisers, which involved discussions on internal controls and the associated regulatory requirements.

The Trustees also review and assess on an ongoing basis whether the systems, processes and controls across the key governance functions of the Scheme are consistent with those set out in the Pensions Regulator's Code of Practice.

Chair's declaration

I confirm that the above statement was approved by the Trustees on 25 September 2020 for inclusion in the Scheme's annual accounts for the year ended 5 April 2020.

Signature:

Name: John Elliott
Chair of the Trustees of the Northern Powergrid Pension Scheme

Date: 25 September 2020

Appendix 1 - Statement of Investment Principles

THE NORTHERN POWERGRID PENSION SCHEME (“NPPS”)

STATEMENT OF INVESTMENT PRINCIPLES – SEPTEMBER 2020

1. Introduction

The Trustees of the Northern Powergrid Pension Scheme ("the Scheme") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the following legislation:

- The Pensions Act 1995, as amended by the Pensions Act 2004;
- The Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and
- Subsequent legislation.

The Statement sets out the principles governing decisions about investments for the Scheme. In preparing the Statement, the Trustees have consulted with Northern Electric plc, the Principal Employer and have considered written professional advice from a suitably qualified person from Mercer. The advice received and arrangements implemented are, in the Trustees opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees acting on expert advice and is driven by their investment objectives as set out in Section 2 below.

The remaining elements of policy are part of the day to day management of the assets which is delegated to professional investment managers and described in Section 5.

2. Investment Objectives, Risk and Investment Strategy

2.1. Investment Objectives

The Trustees recognise that members have differing investment needs and that these may change during the course of members’ working lives. The Trustees also recognise that members have different attitudes to risk. The Trustees regard their duty as making available a range of investment options and lifestyle strategies sufficient to enable members to tailor their own investment strategies to their own needs.

The Trustees also recognise that members may not believe themselves qualified to take investment decisions. As such, the Trustees make available a default investment option to members, which is described in section 3.

The Trustees undertake to review the Scheme’s fund choices and the investment manager arrangements on a regular basis, at least every three years and without delay following any significant changes in membership.

2.2. Risk

The Trustees have considered risk from a number of perspectives. Due to the complex and interrelated nature of these risks, the Trustees consider these risks in a qualitative rather than quantitative manner as part of each formal strategy review.

The list below is not exhaustive but covers the main risks that the Trustees consider and how they are managed.

<table>
<tr><th>Type of Risk</th><th>Risk</th><th>Description</th><th>How the risk is monitored and managed</th></tr>
<tr><td rowspan="4">Market risk</td><td>Inflation risk</td><td>The risk that returns over the members' working lives does not keep pace with inflation and will not, therefore, secure an adequate income in retirement.</td><td rowspan="4">The Trustees make available a range of funds, across various asset classes, with the majority expected to keep pace with inflation.
The Trustees monitor performance on a quarterly basis.
Members are able to set their own investment allocations, in line with their risk tolerances.
Within active funds, management of many of these market risks is delegated to the investment manager.</td></tr>
<tr><td>Currency risk</td><td>The risk that fluctuations in foreign exchange rates causes the value of overseas investments to fluctuate.</td></tr>
<tr><td>Credit risk</td><td>The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.</td></tr>
<tr><td>Equity, property and other price risk</td><td>The risk that market movements leads to a substantial reduction in the value of a member's savings.</td></tr>
<tr><td colspan="2">Liquidity risk</td><td>The risk that the Scheme's assets cannot be realised at short notice in line with member demand.</td><td>The Scheme invests in daily dealt and daily priced pooled funds.</td></tr>
<tr><td colspan="2">Investment manager risk</td><td>The risk of the appointed investment managers not meeting their objectives, fail to carry out operational tasks, do not ensure safe-keeping of assets or breach agreed guidelines.</td><td>The Trustees measure risk in terms of the performance of the funds compared to relevant benchmarks on a quarterly basis, along with monitoring any significant issues with the investment managers that may impact their ability to meet their performance targets.

The Trustees and its advisers consider this risk both upon the initial appointment of the fund manager and on an ongoing basis thereafter.</td></tr>
<tr><td colspan="2">Benefit conversion risk</td><td>The risk that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.</td><td>The Trustees make available a number of funds, which allow members to plan for their specific retirement benefit.
The default strategy is a lifestyle strategy which automatically switches member assets into investments whose value is expected to be less volatile relative to annuity prices.</td></tr>
<tr><td colspan="2">Environmental, Social and Corporate Governance ("ESG") risk</td><td>The risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets.</td><td>The management of ESG related risks is the responsibility of the investment managers.
See section 4.3 of this Statement for the Trustees' responsible investment and corporate governance statement.</td></tr>
</table>

The risks identified in the table above are considered by the Trustees to be 'financially material considerations'. The Trustees believe that the appropriate time horizon within which to assess these considerations should be viewed at a member level. This will be dependent on the member's age and their selected retirement age. It is for this reason that two lifestyle strategies are available to members.

2.3. Investment Strategy

In choosing the Scheme's investment options, it is the policy of the Trustees to consider:

- The potential risk and rewards of a range of asset classes including alternative asset classes;
- How members might take their benefits in retirement and make available options to prepare for this;
- The suitability of each asset class in the lifestyle strategies;
- The suitability of different styles of investment management and the need for investment manager diversification; and
- The need for appropriate diversification both across and within asset classes.

The Trustees make available a range of options including equity, property, bonds, diversified growth and money market funds with both active and passive management options offered depending on asset class. The Trustees believe this range provides appropriate choices for members' different saving objectives, risk profiles and time horizons.

If members self-select they can combine the investment funds in any proportion to determine the 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 an appropriate number of underlying holdings / issuers.

The Trustees expect the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth.

The long-term returns on diversified growth funds are expected to be reasonably close to those on equities. However, diversified growth funds are expected to experience lower volatility due to their exposure to a diversified range of investments.

The long-term returns on the bond and cash options are expected to be lower than those options that are either predominantly or entirely exposed to growth investments (equity or diversified growth options for example). However, bond funds, which are expected to experience lower volatility relative to annuity prices than growth investments, should help reduce the potential mismatch in relation to the price of annuities (assuming a member opts to access their DC savings via annuity purchase). The Trustees appreciate that bonds cannot provide a complete hedge against factors that contribute to the movement in annuity prices.

The Cash Fund is expected to provide protection against changes in short-term capital values, and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash.

2.3.1. Lifestyle strategies

The Scheme offers members the option of two lifestyle strategies, which are pre-determined investment arrangements. The lifestyle strategies invest members' savings in higher risk assets such as equities and multi-asset funds when members are further away from retirement (more than 8 years), before switching into funds designed to broadly match fixed annuity (with an allowance for tax free cash) or cash and/or income drawdown benefits. The two strategies are summarised in the following tables.

Lifestyle strategy	Funds*
Lifestyle Pension strategy (targeting annuity purchase and 25% tax free cash)	*Growth phase:* 100% NPPS Growth Fund *De-risking phase (final allocation):* 75% NPPS Pre-Retirement Fund 25% NPPS Cash Fund
Lifestyle Cash strategy (targeting cash benefits and/or income drawdown)	*Growth phase:* 100% NPPS Growth Fund *De-risking phase (final allocation):* 75 % NPPS Absolute Return Fund 25% NPPS Cash Fund

Note that the switching period begins eight years from the member's selected retirement date.

**see appendix A for underlying fund details and appendix B for lifestyle matrices.*

2.3.2. Self-select fund range

The self-select fund range allows members who do not wish to invest in one of the lifestyle strategies some flexibility in their selection of funds. The range of self-select funds is set out in Appendix A.

3. Default Investment Option

Having taken written professional advice from a suitably qualified person from Mercer, the Trustees selected the Lifestyle Pension strategy as the 'default investment option' as it reflects the option that is considered likely to be the most appropriate for members who are unable to decide how they wish to take their retirement benefits. Therefore, if a member does not make a decision as to which lifestyle strategy they wish to choose, the member's funds will be invested in the Lifestyle Pension strategy by default.

The Trustees' objectives in relation to the default option, and the ways in which the Trustees seek to achieve these, are detailed below:

- To generate returns in excess of inflation during the "growth" phase of the option.
  The default investment option's growth phase structure invests 50% of members' savings in passively managed UK and overseas equities and 50% in a multi-asset flexible investment fund. These investments are expected to provide long-term growth with some protection against market volatility and inflation erosion, albeit with a degree volatility.

- To provide an option that reduces investment risk for members as they approach retirement.
  As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that a default option that seeks to reduce investment risk as the member approaches retirement is appropriate. This is achieved switching a member's investments from the growth assets to a pre-retirement fund and a cash fund over an 8 year switching period prior to a member's target retirement date.

- To offer to members a mix of assets at retirement that are broadly appropriate for an individual who takes 25% of their pot as cash and uses the balance to purchase an annuity.
  At the selected retirement date, 75% of the member's assets will be invested in an actively managed Pre-Retirement Fund that invests mainly in UK Government and corporate bonds and other fixed income securities and 25% in an actively managed cash fund. Whilst returns from these asset classes are expected to be modest over the long-term, they are employed in order to broadly match annuity and cash retirement benefits.

Based on the Trustees' understanding of the Scheme's membership, a default investment option that targets the purchase of an annuity and a tax-free cash lump sum (up to 25% of a members' pot) at retirement is expected to be broadly appropriate to meet a typical member's requirements for income in retirement. This does not mean that members have to take their benefits in this format at retirement. It merely determines the default investment option that will be in place pre-retirement. Members who intend to take their retirement savings by other means are able to choose their own investment options.

Taking into account the demographics of the Scheme's membership and the Trustees' views of how the membership might behave at retirement, the Trustees believe that the current default option is appropriate and they will continue to review this regularly, and more strategically at least triennially, or after significant changes to the Scheme's demographic, if sooner.

Policies in relation to the default option

- The default investment option manages investment and other risks through a strategic asset allocation consisting of equities, multi-asset 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 investment option, the Trustees have explicitly considered the trade-off between risk and expected returns. The default option balances between different kinds of investments to ensure that the expected amount of risk (and commensurately the expected return) is appropriate given the age of the member and their expected retirement date.

- Assets in the default investment option are invested in the best interests of members and beneficiaries, taking into account the investment objectives set out in section 2.3 of this Statement.

- The investment manager has responsibility for buying and selling the underlying assets. All of the pooled funds used operate daily dealing cycles.

- Assets are invested mainly on regulated markets.

- The Trustees policy on "ESG, Stewardship and Climate Change" and "Realisation of investments" – both in relation to the default investment option and the DC section as a whole, can be found in sections 5.3 and 5.2 of this Statement respectively.

The Trustees regard "risk" as the likelihood of failing to achieve the objectives set out above and seeks to minimise these risks, so far as is possible. In arriving at their investment strategy for the default investment option and the production of this Statement, the Trustees have considered the following risks:

Type of Risk	Risk	Description	How the risk is monitored and managed
Market risk	Inflation risk	The risk that returns over the members' working lives does not keep pace with inflation and will not, therefore, secure an adequate income in retirement.	The Trustees monitor performance on a quarterly basis. The default investment option is set with the intention of diversifying these risks to reach a level of risk deemed appropriate. This is set with advice from the investment adviser. Within the diversified growth fund, which is a component of the default option, management of many of these market risks is delegated to the investment manager.
	Currency risk	The risk that fluctuations in foreign exchange rates causes the value of overseas investments to fluctuate.	
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	
	Equity, property and other price risk	The risk that market movements leads to a substantial reduction in the value of a member's savings.	
Liquidity risk		The risk that the Scheme's assets cannot be realised at short notice in line with member demand.	The default investment option invests in daily dealt and daily priced pooled funds.
Investment manager risk		The risk of the appointed investment managers not meeting their objectives, fail to carry out operational tasks, do not ensure safe-keeping of assets or breach agreed guidelines.	The Trustees measure risk in terms of the performance of the funds compared to relevant benchmarks on a quarterly basis, along with monitoring any significant issues with the investment managers that may impact their ability to meet their performance targets.

Type of Risk	Risk	Description	How the risk is monitored and managed
			This risk is considered by the Trustees and its advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
Benefit conversion risk		The risk that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	The default investment option is a lifestyle strategy which automatically switches member assets into investments whose value is expected to be less volatile relative annuity prices as they approach retirement age. As part of the triennial default strategy review, the Trustees ensure the default destination remains appropriate.
Environmental, Social and Corporate Governance ("ESG") risk		The risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets.	The management of ESG related risks is the responsibility of the investment managers. See Section 4.3 of this Statement for the Trustee's responsible investment and corporate governance statement.

The items listed above in Section 3 of this Statement are in relation to what the Trustees consider 'financially material considerations' with regards to the default investment option. The Trustees believe that the appropriate time horizon within which to assess these considerations should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

4. Additional Default Arrangements

In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustees have identified the investment options listed in the table below as 'default arrangements' (as defined by these regulations). These have been identified as 'default arrangements' as members' contributions have been automatically directed to these funds without members having instructed the Trustees where their contributions are to be invested; this is due to historic fund removals and suspended fund dealing, this is further explained in the table below. The performance of these funds is monitored on a quarterly basis, with a strategic review being carried out at least triennially.

Fund	**Reason for identification as a 'default arrangement'**	**Date**
NPPS Cash	The Aegon Property Fund suspended dealing due to valuation uncertainty caused by the COVID-19 crisis. As a result, ongoing member contributions to the Aegon Property Fund were redirected to the NPPS Cash Fund.	March 2020
Aegon BlackRock Corporate Bond All Stocks Index	The Aegon BlackRock Fixed Income Global Opportunities Fund closed in June 2020. Aegon switched members' investments in this fund to the NPPS Cash Fund, without providing notice to the Trustees. The Trustees subsequently switched members' investments to the Aegon BlackRock Corporate Bond All Stocks Index Fund in August 2020.	August 2020

4.1. Fund Objectives

The objectives in respect of these 'default arrangements' is summarised in the table below. These objectives are in addition to the overall aims and objectives and investment objectives stated for the Scheme.

Fund/Investment Strategy	Fund Objective
NPPS Cash	The Fund aims to produce a return in excess of its benchmark principally from a portfolio of Sterling denominated cash deposits and money-market instruments.
Aegon BlackRock Corporate Bond All Stocks Index	The Fund invests in investment grade corporate bonds denominated in sterling and aims to achieve a return consistent with the iBoxx £ Non-Gilts Index. This index covers the broad spectrum of investment grade corporate bonds in issue.

4.2. Investment Policies

The Trustees, with professional advice from a suitably qualified person from Mercer, considers the trade-off between risk and expected returns. The Trustees consider the appropriateness of the investment arrangements to ensure that the expected amount of risk (and commensurately the expected return) is appropriate.

The Trustees have considered the investment risk associated with DC pension investment. This risk can be defined as the uncertainty over the ultimate amount of savings available on retirement. A number of factors contribute to this uncertainty, some of which (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment strategies made available to members. Other risks, which the Trustees have considered in relation to the additional default arrangement, are identified in Section 2.2.

The Trustees invest assets in the additional default arrangements in the best interests of members and beneficiaries, taking into account the objectives of the arrangements. Assets are invested in pooled funds which are daily dealing and readily realisable and aim to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole. If members wish to, they can opt to move assets away from the additional default arrangements and choose their own investment strategy at any time.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustees consider to be financially material considerations in relation to the additional default arrangement. The Trustees believe that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire. The Trustees' implementation and engagement policy as outlined in this Statement are also applicable to the additional default arrangements.

5. Day to Day Management of the Assets

5.1. Main Assets

The fund range offered to members is accessed through the platform provided by Aegon Limited ("Aegon"). The Trustees access the platform via a long-term insurance contract with Aegon.

Day-to-day management of the assets is delegated to professional investment managers who are all authorised or regulated. The Trustees expect the investment managers to manage the assets delegated to them under the terms of their contracts. The range of funds underlying the options offered to members incorporates funds from a number of investment managers.

The investment managers have full discretion to buy and sell investments on behalf of the Scheme, subject to agreed constraints and applicable legislation. They have been selected for their expertise in different specialisations.

The Trustees recognise that it is not possible to specify investment restrictions where assets are managed via pooled funds and given that it is Aegon that has the direct relationship with the third parties offering the funds (and not the Trustees).

The Trustees assess the continuing suitability of the Scheme's investment managers on a periodic basis. The Trustees' investment adviser is available to provide help in monitoring the investment managers, both in the form of written reports or attendance at meetings as required by the Trustees.

The Trustees will review the appointment of any investment manager for any reason they consider appropriate.

5.2. Realisation of investments

All funds, including those in the default investment strategy, are daily-dealt pooled investment arrangements. These pooled investment arrangements are themselves regulated and underlying investments are mainly invested in regulated markets. Where pooled investment arrangements do not invest assets in regulated markets these are not expected to account for a material proportion of assets. Therefore, assets should be realisable at short notice, based on member or Trustees' demand.

5.3. Environmental, Social, Governance ("ESG") considerations

The Trustees apply the following beliefs to the whole Scheme including the Default strategy.

The Trustees believe that environmental, social, and corporate governance (ESG) factors do have a material impact on investment risk and return outcomes, and that good stewardship helps create and preserve value for companies and markets as a whole.

The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

Due to the arrangement with Aegon to access pooled funds, the Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the Scheme's investments.

Where investments are made on a passive basis, whilst the manager has no discretion over the selection of individual shares or bond issues (as the manager seeks to match the composition of the benchmark index as closely as possible) the Trustees expect managers to vote in line with their own corporate governance policy.

However, the Trustees consider how ESG, climate change and stewardship is integrated within investment processes when appointing new investment managers and monitoring existing investment managers. Monitoring ESG integration is included as part of the quarterly reporting.

In particular, where appropriate the Trustees will review:

- The ESG ratings assigned by Mercer to each of the strategies used within the Scheme. Mercer's ratings represent their view on the extent to which ESG and active ownership practices (voting and engagement) are integrated into the manager's investment process and decision-making across asset classes.

- Mercer's assessment of the underlying equity managers against the seven underlying principles of the UK Stewardship Code, including the extent to which they are engaging with the underlying companies in which they invest.

- Carbon footprinting and/or climate scenario analysis on a more ad-hoc basis, if and when the Trustees consider this may be beneficial in appointing or reviewing any of the Scheme's investments.

5.4. Member views

Occasionally, the Trustees consider views of the members when deciding the range and suitability of the investment options. It is for this reason that the Trustees introduced an Ethical Fund as a suitable ESG fund for self-select members to invest in from August 2019 if they wish.

5.5. Implementation and Engagement Policy

The below table sets out the Trustees' approach to implementation and engagement. The list below is not exhaustive, but covers the main areas considered by the Trustees.

Policy statement	How the policy is addressed
How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees' policies	The underlying investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. 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 Trustees are dissatisfied, then they will look to replace the manager. If the investment objective for a particular manager's fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives. The consultant's manager research ratings assist with due diligence and are used in decisions around selection, retention and realisation of manager appointments.
How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term	The Trustees consider the investment consultant's assessment of how each underlying investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustees' responsible investment policy. This includes the underlying investment managers' policy on voting and engagement. The Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.
How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies	The Trustees receive investment manager performance reports on a quarterly basis, which present performance information over three months, one year, three years and five years. The Trustees review the absolute performance and relative performance against a suitable index used as the benchmark, and against the underlying manager's stated target performance (over the relevant time period) on a net of fees basis. Whilst the Trustees' focus is on long-term performance, they also take shorter-term performance into account. If an underlying manager is not meeting performance objectives, or their investment objectives for the fund have changed, the Trustees may review the suitability of the manager, and change managers where required. As part of the annual Value for Money ("VfM") assessment, the Trustees review the investment manager fees. Action is taken where the Trustees feel an improvement in value might be possible.
How the trustees monitor portfolio turnover costs incurred by the asset manager.	The Trustees consider portfolio turnover costs as part of the annual VfM assessment.

How the trustees define and monitor targeted portfolio turnover or turnover range.	The Trustees do not currently define target portfolio turnover ranges for funds, but they will engage with a manager if portfolio turnover is higher than expected.
How the trustees define and monitor the duration of the arrangement with the asset manager.	All the funds are open-ended with no set end date for the arrangement. The Fund Range and Default Strategy are reviewed on at least a triennial basis. An underlying manager's appointment may be terminated if it is no longer considered optimal nor have a place in the default strategy or the self-select fund range. This is independent of time.

5.6. Monitoring the Investment Managers

The Trustees review the performance of the investment managers regularly. In consultation with their investment advisor Mercer, the Trustees have been conducting a review of the Scheme's investment managers and investment strategy over 2019/20 and plan to make changes to the Scheme's investment strategy in 2020/21. The Trustees also use Mercer as investment consultants to advise on investment strategy and provider appointments and to provide assistance in monitoring the funds available, both in the form of written reports and attendance at meetings.

6. Compliance with this Statement

The Trustees will review this Statement regularly on the advice of Mercer. The Trustees monitor compliance with this Statement annually and obtain written confirmation from the investment managers that it has given effect to the investment principles in this Statement so far as reasonably practicable and that in exercising any discretion the investment manager has done so in accordance with regulation 4 of the Occupational Pension Schemes (Investment) Regulations 2005.

7. Review of this Statement

The Trustees will review this Statement at least once every three years and in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustees and the Principal Employer, which they judge to have a bearing on the Statement. Any such review will again be based on written, expert investment advice and will be in consultation with the Principal Employer.

J Elliott

……………………………………
John Elliott
For and on behalf of the Trustees of the Northern Powergrid Pension Scheme
25 September 2020

APPENDIX A – UNDERLYING FUNDS AND FUND OBJECTIVES

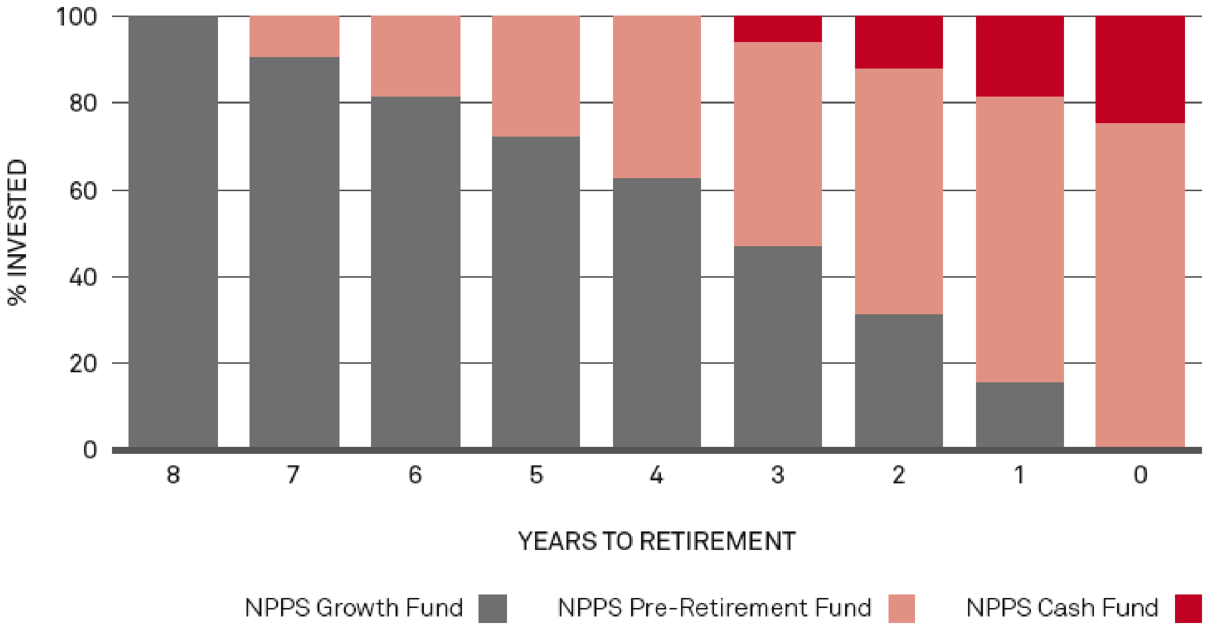
Fund	Active/passive	Objective	Total Expense Ratio p.a.
NPPS Growth	Active/passive	The Fund aims to achieve long term capital growth while exhibiting less volatility than funds wholly invested in equities. Approximately 50% of the Fund invests in equities, both in the UK and overseas and uses derivatives to reduce the exposure to foreign currencies. The remainder is invested through a multi-asset flexible investment approach which adjusts the asset mix in order to achieve its target. This means that the Fund will generally hold a variety of different asstes at any one time.	0.43%
NPPS Global Equity	Passive	The Fund invests primarily in equities, both in the UK and overseas markets. Approximately 30% is invested in the shares of UK companies, 60% of the assets are invested at market capitalisation weights into developed equities with the currency exposure hedged back to Sterling and the remaining 10% is invested into Emerging Market Equities.	0.28%
NPPS Pre-Retirement	Active	The Fund Invests mainly in UK Gilts, UK Bonds and other fixed income securities and aims to produce a return in excess of a benchmark designed to reflect long-term changes in immediate annuity prices.	0.30%
NPPS Cash	Active	The Fund aims to produce a return in excess of its benchmark principally from a portfolio of Sterling denominated cash deposits and money-market instruments.	0.23%
NPPS Diversified Growth	Active	This Fund targets a consistent investment return of 3.5% above the Bank of England base rate over rolling 3 year periods by utilising a multi-asset flexible investment approach. The focus on getting the asset mix “right” in order to achieve the target means this Fund will generally hold a variety of different assets at any one time.	0.60%
NPPS Absolute Return	Active	The Fund invests wholly in the BlackRock Absolute Return Bond Fund, a UCITS fund. The underlying fund seeks to achieve a positive absolute return for investors regardless of market movements and as such the Fund will not be managed against any fixed income benchmark.	0.62%
Aegon BlackRock UK Equity Index	Passive	The Fund invests in shares of UK companies and aims to produce a return in line with its benchmark.	0.26%
Aegon BlackRock World (ex- UK) Equity Index	Passive	The Fund invests in shares of overseas companies (Europe ex-UK, Japan, Pacific Rim, US and Canadian markets) alligned to market World (Ex-UK) capitalisation weightings and aims to produce a return in line with its benchmark.	0.26%
Aegon BlackRock Consensus Index	Passive	The Fund invests primarily in shares of both UK and overseas companies and to a lesser extent in gilts, index-linked gilts, corporate bonds, overseas bonds and cash. The Fund aims to produce a return in line with its benchmark.	0.27%
Aegon Property	Active	The Fund has a diversified exposure to a range of commercial property assets such as offices, shopping centres, retail warehouse parks and industrial estates. The Fund gains its exposure to these assets by investing in a number of underlying pooled property funds.	0.95%

Fund	Active/passive	Objective	Total Expense Ratio p.a.
Aegon BlackRock Corporate Bond All Stocks Index	Passive	This fund invests in investment grade corporate bonds denominated in sterling and aims to achieve a return consistent with the iBoxx £ Non-Gilts Index. This index covers the broad spectrum of investment grade corporate bonds in issue.	0.27%
Aegon BlackRock Over 5 Year Index Linked Gilt	Passive	Invests in index-linked UK government bonds with a maturity period of 5 years or longer and aims to produce a return in line with its benchmark.	0.26%
Aegon HSBC Islamic Global Equity Index	Passive	Invests in company shares from around the world and is compliant with Islamic Shariah principles.	0.65%
Aegon LGIM Global Ethical Index Fund	Passive	Invests mainly in overseas equities within the FTSE4Good Global Equity Index and aims to track the return of its benchmark.	0.55%

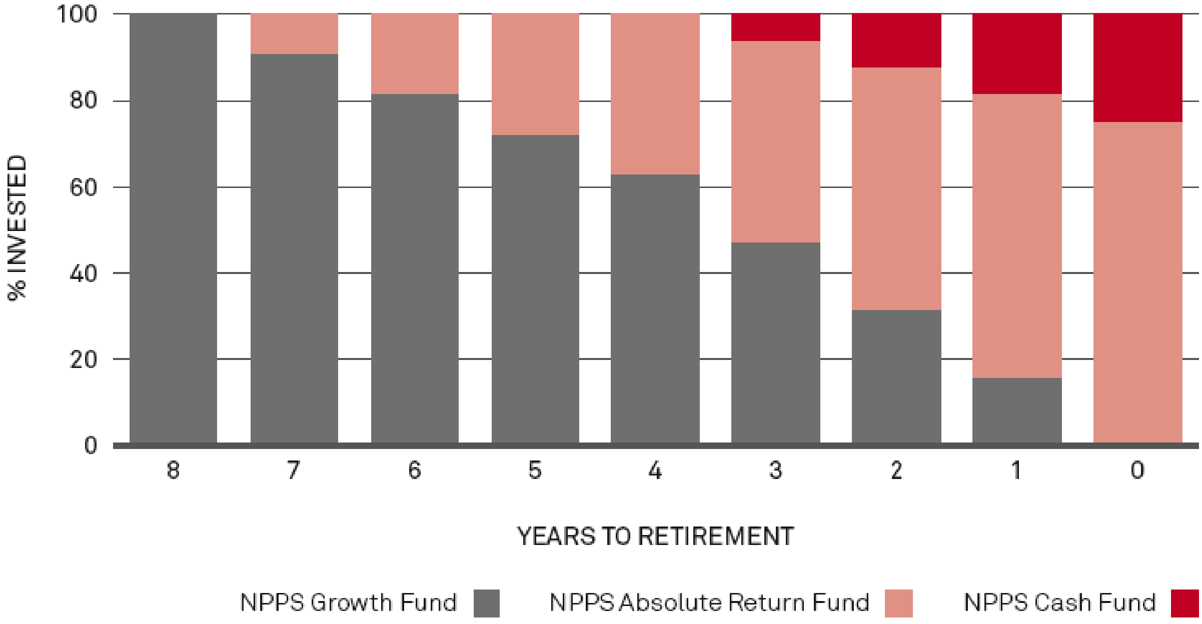
Source: Aegon, fees are as at 31 March 2020

APPENDIX B - LIFESTYLE MATRICES

Lifestyle Pension strategy (targeting annuity purchase)



Lifestyle Cash strategy (targeting cash benefits and/or income drawdown)



INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEES OF THE NORTHERN POWERGRID PENSION SCHEME

We have examined the Summary of Contributions to the Northern Powergrid Pension Scheme for the Scheme year ended 5 April 2020 to which this statement is attached.

In our opinion contributions for the Scheme year ended 5 April 2020 as reported on the Summary of Contributions and payable under the Payment Schedule have in all material respects been paid at least in accordance with the Payment Schedule dated 17 May 2017 from 6 April 2019 to 22 May 2019 and in accordance with the Payment Schedule dated 23 May 2019 from 23 May 2019 to 5 April 2020.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached Summary of Contributions have in all material respects been paid at least in accordance with the Payment Schedule. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Payment Schedule.

Respective responsibilities of Trustees and the Auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for preparing and from time to time reviewing and, if necessary, revising the Payment Schedule and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Payment Schedule.

It is our responsibility to provide a statement about contributions paid under the Payment Schedule and to report our opinion to you.

Use of our report

This statement is made solely to the Trustees, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulation 1996 made under the Pension Act 1995. Our work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibilities to anyone other than the Trustees as a body for our work, for this statement, or for the opinion we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

Date: 25 September 2020

SUMMARY OF CONTRIBUTIONS PAYABLE DURING THE SCHEME YEAR ENDED 5 APRIL 2020

The aggregate amount paid over to the Scheme during the Scheme year ended 5 April 2020 in respect of employer and member contributions (other than voluntary contributions) was £8,102,479 (2019: £6,729,923). All contributions paid over to Blackrock Investment Management (UK) Limited ("Blackrock") were paid in accordasnce with the Payment Schedule signed by the Trustees on 23 May 2019.

Approved by all Trustees and signed on behalf of the Trustees by:

John Elliott
Chair of the Trustees of the Northern Powergrid Pension Scheme

25 September 2020

OTHER COMPLIANCE MATTERS

The Trustees aim to ensure that the Scheme is administered and managed to high standards, but it is possible that there may be times when you are unhappy about some matter relating to the Scheme and your benefits. Any query should be initially referred to the Pensions Manager at the address below. Most queries can normally be quickly resolved without the need for the formal procedures laid down in the Pensions Act 1995 to be invoked.

Pensions Manager
Northern Powergrid
98 Aketon Road
Castleford
West Yorkshire
WF10 5DS

The Pensions Advisory Service

The Pensions Advisory Service (TPAS) is an independent and voluntary organisation established for the purpose of giving free help and advice to members of the public on all matters concerning pension schemes (other than State schemes) including personal pensions. The service is available to all those who think they have pension rights including Scheme members, pensioners, those with deferred pensions and dependants. TPAS can be contacted at:

11 Belgrave Road
London SW1V 1RB

Tel: 0845 601 2923

Website: www.pensionsadvisoryservice.org.uk

Pensions Ombudsman

The Pensions Ombudsman was established to investigate complaints of injustice due to maladministration and disputes of fact or law between complainants and trustees, managers or employers. The Ombudsman can be contacted at:

11 Belgrave Road
London SW1V 1RB

Tel: 020 7630 2200

Website: www.pensions-ombudsman.org.uk

The Pensions Regulator

The Scheme has been registered with the Pensions Regulator, which can be contacted at:

Napier House
Trafalgar Place
Brighton BN1 4DW

Tel: 0870 606 3636

Website: www.thepensionsregulator.gov.uk

Disputes Resolution Procedure

Under the Pensions Act 1995 there is a requirement for the Scheme to set up its own formal procedures for resolving any dispute with the Trustees or administrators. It is to be used when a member or potential beneficiary has a dispute, which has not been satisfactorily resolved informally. In conjunction with this or when this process is complete, if the individual still feels dissatisfied, he/she can refer the dispute to The Pensions Advisory Service (‘TPAS’) for informal help or pursue the matter through the office of the Pensions Ombudsman or ultimately through the Courts.

Specific queries relating to members’ individual benefits should be addressed to the Administrators of the Scheme, who may be contacted as follows:

Aegon Workplace Investing
PO Box 17486
Edinburgh EH12 1NU