THE NORTHERN POWERGRID PENSION SCHEME

Statement of Investment Principles – September 2024

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. There are also a number of additional default arrangements, which have arisen as a result of historic changes to the Scheme's investments, which are described in Section 4.

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.

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 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.
	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 lead 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 Scheme 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. The Trustees and its advisers consider this risk both upon the initial appointment of the fund manager and on an ongoing basis thereafter.

Type of Risk	Risk	Description	How the risk is monitored and managed
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 Trustees make available a number of funds, which allow members to plan for their specific retirement benefit. The default Lifestyle Drawdown strategy invests in a diversified range of assets and is designed for members who plan on accessing their pension through a drawdown arrangement when they retire. The Lifestyle Pension strategy automatically switches member assets into investments whose value is expected to be less volatile relative to annuity prices, while the Lifestyle Cash strategy automatically switches member assets into cash.
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 5.3 of this Statement for the Trustees' responsible investment and corporate governance statement.

The risks identified in the table above are considered by the Trustees to be 'financially material considerations'. The Trustees believe the appropriate time horizon on which to assess these considerations is dependent on each member's age and their selected retirement age. It is for this reason that three 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;
- 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 lower than 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 three 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). The strategies then switch into funds designed for members who plan on accessing their pension through a drawdown arrangement when they retire (with an allowance for tax free cash), funds which aim to broadly match fixed annuity prices (with an allowance for tax free cash), or funds approapiate for members looking to take their savings entirely as cash. The three strategies are summarised in the following tables.

Lifestyle strategy	Funds*
Lifestyle Drawdown strategy (targeting flexible drawdown and 25% tax free cash)	*Growth phase:* 100% NPPS Growth Fund *De-risking phase (final allocation):* 70% NPPS Drawdown Fund 30% NPPS Cash Fund
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):* 100% 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 Drawdown 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 Drawdown 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 achieve long term capital growth while exhibiting less volatility than funds wholly invested in equities 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 multi-asset funds. 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 by switching a member's investments from the growth assets to a drawdown fund (which invests in a diversified portfolio of assets) 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 accesses the remainder of their pot through a drawdown arrangement.

  At the selected retirement date, 30% 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), 40% in multi-asset funds and 30% in an actively managed cash fund. This allocation is expected to provide some capital growth, while reducing volatility and aligning to members who wish to access their pot through a drawdown arrangement and take 25% of their pot as cash.

Based on the Trustees' understanding of the Scheme's membership, a default investment option that targets drawdown 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' policy in relation to illiquid assets, within the default investment option, is detailed below:

- The Trustees consider illiquid assets as assets of a type which cannot easily or quickly be sold or exchanged for cash; including where such assets are invested as a component of a multi-asset fund. The Scheme's default investment option includes a small (<5%) allocation to illiquid investments through underlying multi-asset funds, which are components of the NPPS Growth Fund and NPPS Drawdown Fund, such as Direct Property and Private Credit.

- The Trustees are comfortable indirectly investing in a small proportion of illiquid assets, to experience the potential for higher returns and benefits of diversification relative to more traditional asset classes (such as bonds or equities) that illiquid assets can offer. While these benefits are recognised by the Trustees, they are also aware of the risks of investment in illiquid assets to members, given the potential for valuations of illiquid assets to not reflect their true value at a given time as well as concerns over liquidity management.

- As the management of the underlying multi-asset funds are delegated to the underlying fund managers, the Trustees expect the managers to consider investment in illiquid assets and the suitability of such an investment as part of their overall management of the funds.

- In selecting investments for the default investment option, the Trustees use both qualitative and quantitative analysis to consider the expected impact of different strategic allocation mixes. For any future investment, the Trustees carefully consider whether the investment provides value for members, taking account of the return potential and associated risks. It is the Trustees' policy to review the allocation of the default investment option on at least a triennial basis. Such reviews will include whether the incorporation of illiquid asset investments is appropriate.

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.
	Currency risk	The risk that fluctuations in foreign exchange rates causes the value of overseas investments to fluctuate.	

Type of Risk	Risk	Description	How the risk is monitored and managed
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	Within the multi-asset funds, which are components of the default option, management of many of these market risks is delegated to the investment manager.
	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. 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 Lifestyle Drawdown strategy invests in a diversified range of assets and is designed for members who plan on accessing their pension through a drawdown arrangement when they retire. 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 5.3 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 the appropriate time horizon on which to assess these considerations is dependent on each member's age and their selected retirement age.

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, suspended fund dealing and changes to the Scheme default, this is further explained in the table below. The performance of these arrangements are monitored on a quarterly basis, with a strategic review being carried out at least triennially.

Fund/Investment Strategy	**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
Lifestyle Pension	The Scheme default was changed from Lifestyle Pension to Lifestyle Drawdown in July 2021. Members invested in Lifestyle Pension who were 4 years or more to retirement were automatically switched to Lifestyle Drawdown. Members invested in Lifestyle Pension who were less than 4 years to retirement remained in Lifestyle Pension. The majority of these members would have been "auto-enrolled" into Lifestyle Pension.	July 2021

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	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.
Lifestyle Pension	To achieve long term capital growth while exhibiting less volatility than funds wholly invested in equities during the "growth" phase and to automatically switch member assets into investments which target the purchase of an annuity and a tax-free cash lump sum at retirement.

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 arrangements, 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 arrangements. The Trustees believe the appropriate time horizon on which to assess these considerations is dependent on each member's age and their selected retirement age. 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 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 are 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 investment adviser'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 adviser'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. The Trustees also use Mercer as investment adviser 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.

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For and on behalf of the Trustees of the Northern Powergrid Pension Scheme
September 2024

Appendix A – Underlying funds and fund objectives

Fund	Active/passive	Objective	Total Expense Ratio p.a.
NPPS Growth	Mixed	The Fund aims to achieve long term capital growth while exhibiting less volatility than funds wholly invested in equities. The Fund invests approximately 50% in a global equity fund, which invests in both UK and overseas markets and uses derivatives to reduce the exposure to foreign currencies. The remainder is invested in multi-asset funds, which invest in a diversified portfolio of assets, including equities, fixed income, property and other alternatives. This means that the Fund will generally hold a variety of different assets at any one time. The Fund aims to outperform its benchmark and is designed for members who are saving for retirement over the long term and looking for capital growth.	0.43%
NPPS Global Equity	Passive	The Fund invests mainly in equities (shares), both in the UK and overseas markets. It has approximately 30% invested in the shares of UK companies, 60% invested in developed markets (with 95% of overseas curency exposure hedged back to sterling using derivatives contracts) and the remaining 10% invested in Emerging Market Equities.	0.29%
NPPS Drawdown	Mixed	The Fund aims to achieve capital growth over the medium to long term, while exhibiting less volatility than funds wholly invested in equities. The Fund invests in a diversified portfolio of assets, including global equities, fixed income, property and other alternatives, through allocations to multi-asset and fixed income funds. The Fund aims to outperform its benchmark and is designed for members approaching retirement who plan on accessing their pension through a drawdown arrangement when they retire.	0.46%
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.	0.31%

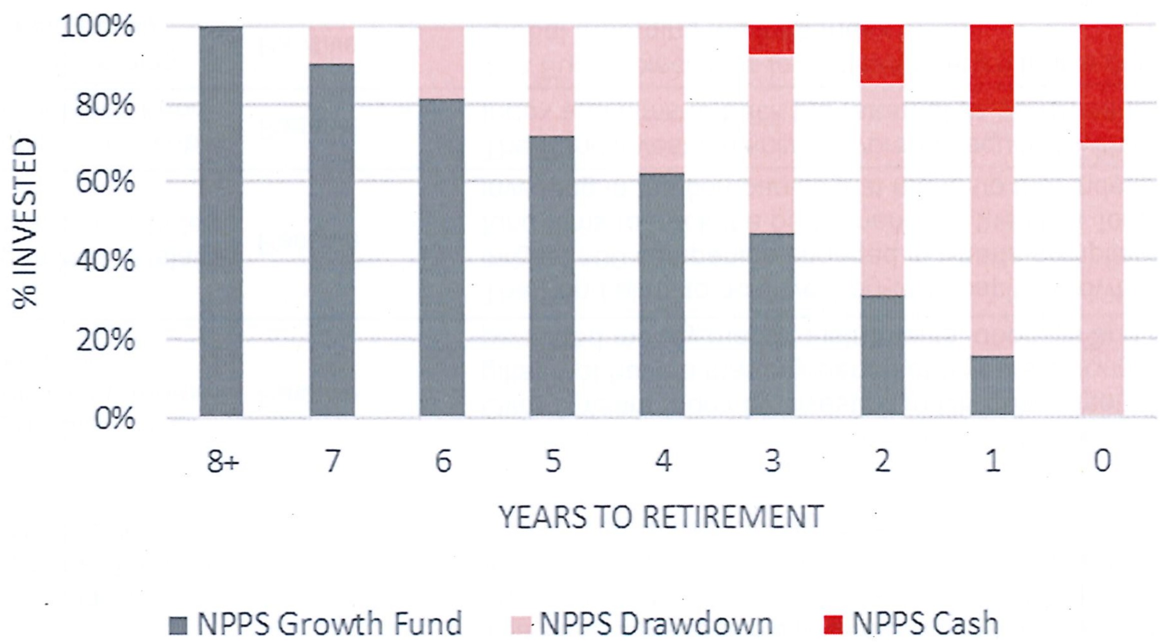
Fund	Active/passive	Objective	Total Expense Ratio p.a.
NPPS Cash	Active	The Fund aims to produce a return in excess of its benchmark principally from a portfolio of Sterling denominated cash deposits and money-market instruments.	0.23%
NPPS Diversified Growth	Active	The Fund aims to provide a return on investment (generated through an increase in the value of the assets held by the fund) over the medium term (3 consecutive years), which exceeds the Bank of England's Base Interest Rate by 3.5% (before charges). The fund invests on a global basis at least 80% of its total assets in fixed income securities (such as bonds), money-market instruments (e.g. debt securities with short-term maturities), equity securities (e.g. shares), funds, deposits and cash.	0.61%
NPPS Absolute Return	Active	The Fund aims to achieve a positive absolute return on investment (an increase in the overall value of the fund) over a period of 12 months regardless of market conditions. As such, the Fund will not be managed against any fixed income benchmark. However, an absolute return is not guaranteed over a 12 month or any period and the fund may experience periods of negative return. The fund aims to gain investment exposure to fixed income securities, fixed income related securities and money-market instruments issued by, or giving exposure to, companies, governments, government agencies and supranationals (i.e. the International Bank for Reconstruction and Development) worldwide.	0.62%
Aegon BlackRock UK Equity Index	Passive	The Fund invests in the shares of UK companies and aims to achieve a return consistent with that of the FTSE All Share Index.	0.25%
Aegon BlackRock World (ex- UK) Equity Index	Passive	The Fund invests in the shares of overseas companies (in Europe, Japan, the Far East, the USA and Canada). It aims to match the performance of the FTSE All World Developed (ex-UK) Index and invests in these regions in the same proportions as the Index.	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.	0.26%

Fund	Active/passive	Objective	Total Expense Ratio p.a.
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.	0.97%
Aegon BlackRock Corporate Bond All Stocks Index	Passive	The Fund aims to achieve a return consistent with the iBoxx £ Non-Gilts Index by investing in sterling denominated investment-grade corporate bonds. This index covers the broad spectrum of investment grade corporate bonds in issue. The fund may also invest in permitted money market instruments, deposits and collective investment schemes.	0.26%
Aegon BlackRock Over 5 Year Index Linked Gilt	Passive	The Fund aims to achieve a return consistent with the FTSE UK Gilts Index-Linked Over 5 Years Index by investing in UK government index-linked securities (index-linked gilts) that have a maturity period of 5 years or longer. The fund may also invest in permitted money market instruments, deposits and collective investment schemes.	0.26%
Aegon HSBC Islamic Global Equity Index	Passive	The Fund aims to achieve long-term capital growth by investing in the shares of the largest 100 companies engaged in Sharia-compliant activities around the world. The fund aims to track the performance of the Dow Jones Islamic Titans 100 Index by investing in the companies that make up that index, in the same proportions.	0.55%
Aegon LGIM Global Ethical Index Fund	Passive	The Fund invests mainly in overseas equities within the FTSE4Good Global Equity Index and aims to track the return of its benchmark.	0.46%
NPPS Emerging Markets Equity	Passive	The Fund objective is to achieve a return that is consistent with the return of the MSCI Global Emerging Markets Index.	0.41%

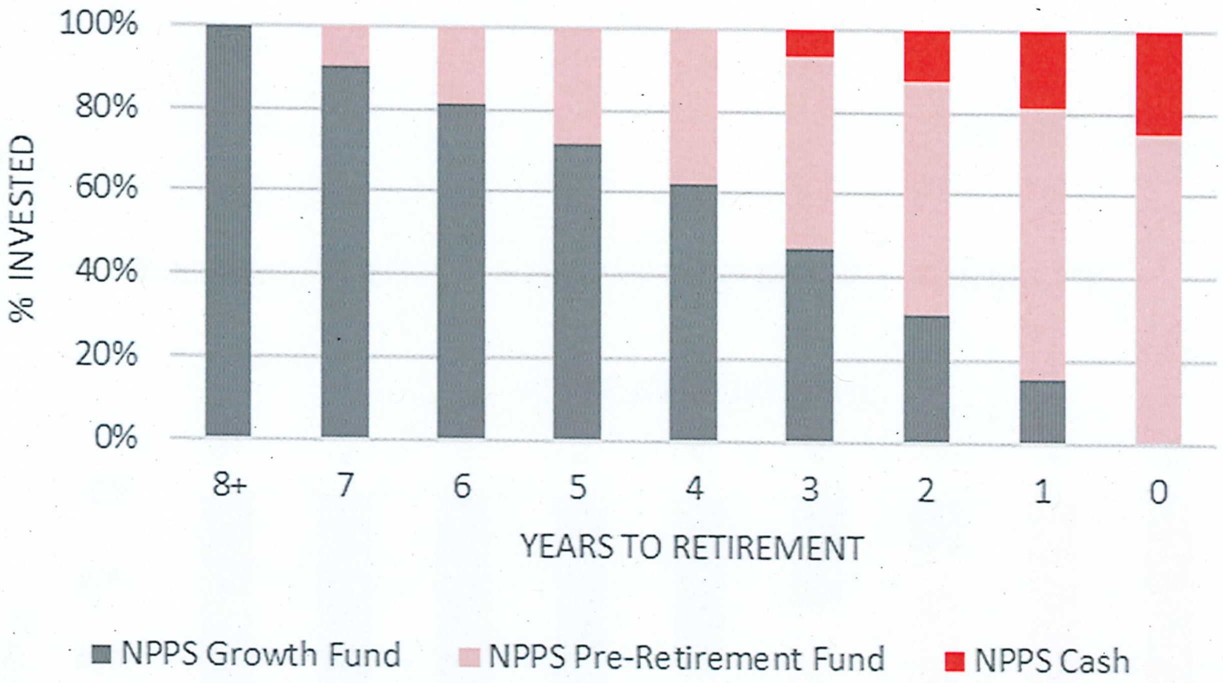
Source: Aegon, fees are as at 31 March 2024

Appendix B - Lifestyle matrices

Default - Lifestyle Drawdown strategy (targeting flexible drawdown)



Lifestyle Pension strategy (targeting annuity purchase)



Lifestyle Cash strategy (targeting cash)