

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023

This statement has been prepared by the Trustees of the Energia Group NI Pension Scheme in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations (Northern Ireland) 1997 (as subsequently amended) (the "**Administration Regulations**") and supporting guidance issued by the Pensions Regulator ("**TPR**"). It covers the Scheme year from 1 April 2022 to 31 March 2023 and relates to the Scheme's defined contribution (DC) arrangements.

The statement covers the following:

- Update on the Trustee's activity to meet its regulatory requirements;
- The investment strategy (including the default arrangements) for Options' members,
- The requirements for the processing of core financial transactions,
- Charges and transaction costs,
- Assessment of the Plan's value for members; and
- Maintaining the Trustee Board's knowledge and understanding.

This statement will be published on a publicly available website, at the following link, <https://www.energiagroup.com/globalassets/egnips-options-governance-statement.pdf> and the information concerning cost disclosures will be signposted in the annual benefit statement for Options members.

Meeting our regulatory duties: assessment against TPR's expectations for a well-governed DC scheme

As Trustees of the Scheme we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in The Pensions Regulator's Code of Practice 13 (Governance and administration of occupational defined contribution trust-based Schemes) and Regulatory guidance for defined contribution schemes.

We are aware that TPR intends to consolidate ten of its existing codes (including Code of Practice 13) into a new combined Code, which is currently expected to be published in the Autumn of 2023. The Trustees are working with their advisers to ensure that our governance standards are maintained and, where appropriate, changed to reflect the requirements of the new combined Code. The Trustees are strongly of the view that good governance leads to better member outcomes.

Investment Strategy for Options

The Trustees' primary objectives for the Options (DC) Section are:

- to provide members with a diversified range of investment options from which to choose which will generate capital growth and improve the likelihood of members meeting their own retirement objectives;
- to offer members a number of lifestyle strategies, to enable members to target their preferred retirement income strategy from (1) income drawdown, (2) a single lump sum at retirement or (3) annuity purchase;
- to have a simple, transparent and appropriate charging structure where the annual management charges reflect the individual asset class; and
- for the chosen provider to provide suitable administration and communication services for Members.

Energia Group NI Pension Scheme

Chairman’s Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Investment Strategy for Options (continued)

The Trustees’ Statement of Investment Principles (“SIP”), attached to this Chair Statement at Appendix 2 has been prepared in accordance with regulation 2A (default investment strategy) of the Occupational Pension Schemes (Investment) Regulations (Northern Ireland) 2005 and includes policies on financially material considerations, non-financial factors and engagement activities as required by the Pensions Regulator. It was last updated in September 2023. Specific reference to the investment principles overarching the Options (DC) Section of the Scheme and further details of the Scheme’s default investment arrangement can be found in Sections 3 – 9 of the SIP.

Triennial Review

The default strategy was not reviewed during the period covered by this statement. The Trustees last made changes to the default arrangements, following a review of the investment strategy, in Q4 2020. The Trustees regularly monitor the performance of the default arrangement and will formally review both this and the strategy at least every three years. With this in mind, the Trustees are currently reviewing the strategy.

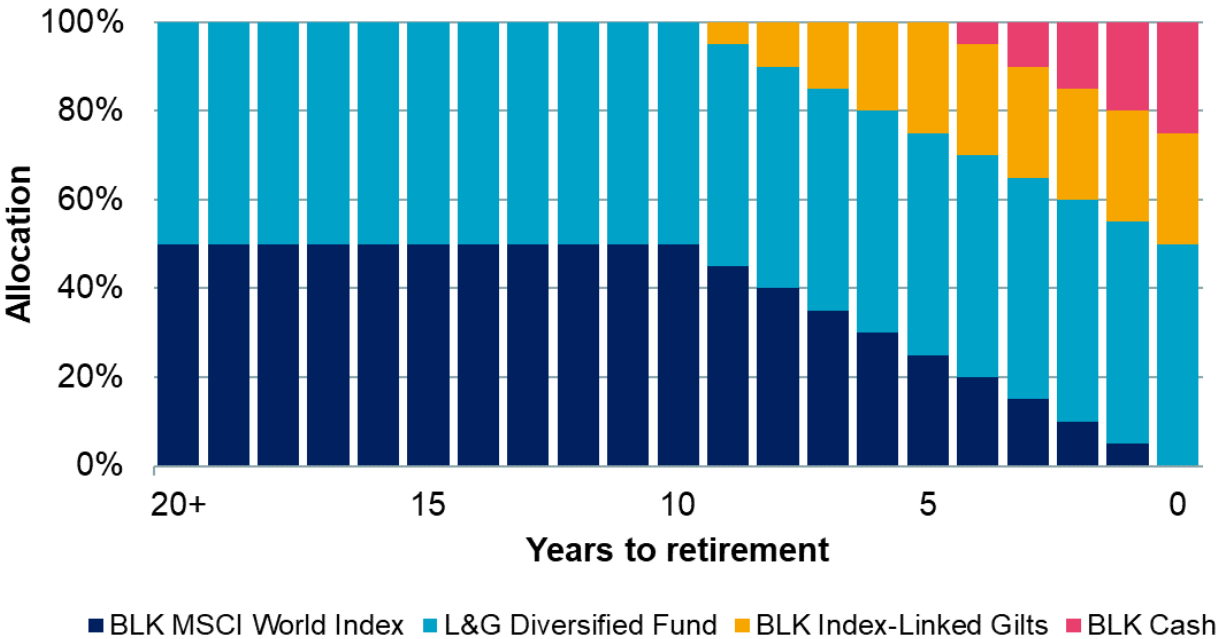
Options (DC) Section Investment Arrangements

Principal Default Arrangement

The Trustees’ principal default investment arrangement for the Options (DC) Section is the “Flexible Income Lifestyle Option strategy”, which targets flexible income drawdown at retirement. Its aims and objectives are set out in the DC part of the SIP and is summarised in the chart below.

If an Options member does not make an explicit choice regarding the investment of their funds, then their funds are invested in the Flexible Income Lifestyle Option strategy.

FLEXIBLE INCOME LIFESTYLE OPTION



Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Principal Default Arrangement (continued)

This default is managed as a "lifestyle" strategy, in that it automatically combines investments in proportions that vary according to the time to the member's target Fund Access Date. The objective of this strategy is to provide investment growth by investing in return seeking assets in a combination of Equity and Diversified Growth Funds ('DGF') with a medium/high growth/risk profile, with a gradual switching of assets over the ten years before the member's expected retirement date, towards a final position of 50% in the DGF, 25% in a DC cash fund and 25% in a DC Index linked gilt fund. The Lifestyle option, which is managed by Aegon, is designed for taking a flexible drawdown from a member's pension account in retirement, and meets the requirements for social, environmental and ethical considerations as set out in Section 8 of the Trustees' Statement of Investment Principles.

Both the Equity and DGF funds are managed passively. By investing in this manner, the Trustees expect to deliver growth over the member's lifetime within the Scheme without excessive risk taking, with a focus in the final ten years on de-risking to dampen volatility as members approach retirement and seek a combination of Cash and ongoing flexible drawdown. The Trustees, having taken advice from their appointed investment advisers, considered this approach to be in the best interests of relevant members and relevant beneficiaries.

Additional default arrangement

As a consequence of the Aegon BlackRock Property Fund being suspended in March 2020 due to issues with accurately valuing underlying funds resulting from the Covid 19 pandemic, Aegon automatically re-directed all new pension contributions otherwise due to be invested in that fund into the Aegon BlackRock Cash Fund (the "**Cash Fund**") as an immediate but interim measure. As a result of Aegon's actions, the Aegon BlackRock Cash Fund became an additional default arrangement for the Scheme.

The objective of the Aegon BlackRock Cash Fund is to protect a return in excess of the 7-Day LIBID rate by principally holding a portfolio of sterling denominated cash, deposits and money-market instruments. The Cash Fund charges do not exceed the charging cap for default arrangements being 0.28% p.a.

Self-select choices for members

1. Lifestyling strategies:

Members can select one of the other two Lifestyling strategies:

- the "Income for Life Lifestyle Option" which targets an annuity purchase at retirement, and
- the "Lump Sum Lifestyle Option" which may be appropriate for members who wish to take cash at retirement.

These are available to self-select if they plan to access their pension savings by purchasing an income for life or if they wish to take cash and in each case the asset switching over the ten-year de-risking period is different reflecting that different objective. Communication will be made with Members in advance of the commencement of such de-risking (i.e. more than ten years from the member's target retirement date) to ensure they have an opportunity to select the most appropriate lifestyling option that best reflects their intentions, prior to the commencement of de-risking.

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Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Self-select choices for members (continued)

2. Self-select fund range:

In addition to the life-styling strategies detailed above, the Trustees offer a range of self-select funds for members who wish to take a more active role in the investment of their Options DC pension savings. These funds comprise traditional and alternative asset classes. The Trustees will continue to keep the self-select fund range under regular review and will amend it as appropriate based on analysis of the likely requirements of Scheme members.

Appended to this statement at Appendix 1 is a technical appendix which provides more details of all the Funds currently available to Options section members along with illustrations of the impact of fund charges on member outcomes.

Processing Scheme core financial transactions

The Trustees have a specific duty to secure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to the Options Section are processed promptly and accurately. These transactions are undertaken on the Trustees' behalf by Energia Group NI Holdings Limited and its DC administrator Aegon and investment manager BlackRock.

The Trustees have reviewed, at quarterly trustee meetings, the processes and controls implemented by those organisations and consider them to be suitably designed to achieve these objectives. The Trustees consider that the requirements for processing core financial transactions specified in the Administration Regulations have been met.

Member-borne charges and transaction costs

The Administration Regulations require the Trustees to make an assessment of administration charges and transactions costs borne by Options Section members and the extent to which those charges and costs represent value for members.

The annual management and transaction costs for the default Flexible Income Lifestyle Option is summarised below and are applied depending on the stage at which each member's pension saving is invested within the strategy.

Default Flexible Income Lifestyle Option	Annual Management Charge	Additional Charge	Total Charges and Costs
Aegon BlackRock MSCI World Index	0.35%	0.01%	0.36%
Aegon LGIM Diversified Fund	0.60%	0.06%	0.66%
Aegon BlackRock Index-linked Gilt Fund	0.30%	0.00%	0.30%
Aegon BlackRock Cash Fund	0.25%	0.03%	0.28%

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Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Member-borne charges and transaction costs (continued)

The following table sets out the total annual management charges for the current default arrangement.

Years to target retirement date	Total Annual Management Charge
20 or more years to retirement	0.51%
15 years to retirement	0.51%
10 years to retirement	0.51%
5 years to retirement	0.50%
At retirement	0.48%

The above charges are all lower than the maximum allowed. The current charge cap is 0.75% p.a. for default arrangements.

The Trustees also make available a range of alternative funds which may be chosen by members as an alternative to the default arrangement. These funds attract annual charges of between 0.28% p.a. and 0.98% p.a., and the level of charges for each fund is set out in the Investment Leaflet which can be accessed from a member's online account or is available on request from the Scheme administrator. These funds allow members to take a more tailored approach to managing their own pension investments.

The Trustees' investment advisers, on behalf of the Trustees, have sought to obtain a breakdown of the underlying transaction costs over the period covered by this Chair's Statement from all of the investment managers (both in the default and self-select funds). The information received from the investment managers has enabled the Trustees to model the effect of transaction costs on the build-up of accumulated pension funds over time.

Self Selection Funds	Annual Management Charge	Additional Charge	Total Charges and Costs
Aegon BlackRock 50/50 Global Equity Index	0.35%	0.01%	0.36%
Aegon BlackRock Over 15 Yr Corporate Bond	0.35%	0.01%	0.36%
Aegon LGIM Diversified	0.60%	0.06%	0.66%
Aegon BlackRock Emerging Market Equity Index	0.50%	0.08%	0.58%
Aegon BlackRock MSCI World Index	0.35%	0.01%	0.36%
Aegon BlackRock Cash	0.25%	0.03%	0.28%
Aegon BlackRock Index-linked Gilt	0.30%	0.00%	0.30%
Aegon BlackRock Pre-Retirement	0.30%	0.00%	0.30%
Aegon BlackRock Diversified Growth	0.55%	0.04%	0.59%
Aegon Property	1.01%	0.00%	1.01%
Aegon BlackRock UK Equity Optimum	0.60%	0.00%	0.60%

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Member-borne charges and transaction costs (continued)

For this statement, the Trustees are required to provide an illustration of the compounding effect of costs and charges applied on members' DC pension savings. The effect of costs and charges on member's savings in their Options Member Account will be influenced by a member's investment election, the contributions made, the effects of inflation and the duration a member's savings remain invested in the Scheme. In line with statutory guidance as outlined in v 4.2 of AS TM1: Statutory Money Purchase Illustrations, dated October 2016 the Trustees have provided members with some illustrations. The illustrations are included in this Chairman's Defined Contribution Governance Statement on pages 20 to 24 (Appendix 1).

Value assessment

In accordance with regulation 25(1)(b) of the Administration Regulations, the Trustees assessed the extent to which the member-borne charges and transactions costs set out above represent good value for members. The Trustees' assessment included a review of the performance of the funds and the non-financial benefits to members, i.e. the quality of customer services (including access to the helpline and on-line tools) and communications offered by Aegon. On the basis of their assessment, the Trustees concluded that, overall, the charges and costs borne by Options Section members nevertheless offered good value for members.

Excerpts of this Statement, including the detailed Value for Members assessment is available to view here <https://www.energiagroup.com/globalassets/egnips-options-governance-statement.pdf>

Maintaining the Trustees' knowledge and understanding

The Trustees are required to maintain an appropriate level of knowledge and understanding, including as to the law relating to pensions and trusts and funding and investment and to be conversant with Scheme documents, which, together with the professional advice available to them, enables them to properly exercise their functions and duties in relation to the Scheme. Collectively the Trustees have a wealth of expertise and experience which enables them to effectively manage the Scheme with their advisers. This requirement is underpinned by guidance in TPR's draft General Code of Practice.

Roy Foreman is the Employer appointed Chair of the Trustees and has been a Trustee since 2011. Roy has held various roles within Energia Group during his 37 years employment with the Group and is Managing Director of a Wholesale Energy Trading business within the Energia Group. Roy has a BSc in Computer Science, an MBA, an MSc in Corporate Leadership and completed the General Management Programme at Harvard Business School.

David Macartney is a Member Appointed Trustee and has been a pension scheme Trustee since 2010. David has held various roles during his 25 years employment with the Group including the Risk Manager in a Wholesale Energy Trading business and he is currently the Group's Corporate Development Manager. David has a BEng in Electrical and Electronic Engineering and an MBA. David is a Chartered Engineer and is a Member of the Institution of Engineering and Technology.

Brendan McKenna is a Member Appointed Trustee and has been a Trustee since 2011. Brendan was previously employed by the Group for 38 years until his retirement in 2015 and he is now a pensioner member of the Scheme. Brendan is a qualified Accountant and is a member of CIMA.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Maintaining the Trustees' knowledge and understanding (continued)

The Trustees discuss with their advisers and the Scheme Actuary their training needs and knowledge gaps when updating the Trustees' business plan. During the Scheme year, the Trustees met the requirements of Articles 224 and 226 of the Pensions (Northern Ireland) Order 2005 (requirements for knowledge and understanding) and addressed identified knowledge gaps, by attending compulsory Trustee training built into their quarterly trustee meetings, reading the various bulletins, briefing notes and updates circulated via e-mail to them periodically by the Trustees' advisers.

The training topics covered during the Scheme year included:

- Presentation and discussion led by Aegon on how Aegon communicate with and support DC Options members, the available tools and how they can be rolled out to support members' achieve better outcomes;
- New Transfer Conditions applying to DC transfers out and the new regulatory framework;
- Pension Scheme Dashboard requirements;
- TPR's new single (now known as "General") Code of Practice, which will require the Trustees to put in place an effective system of governance proportional to the scheme structure and complexity; and
- An insight into forthcoming legislation in relation to DC investment and stewardship.

A summary of current issues is presented by the Trustees' advisers at the quarterly Trustee meetings to ensure the Trustees are up to date with pensions and trust law and the principles of funding and investment as far as it relates to DC pensions. Updates over the Scheme Year included:

- The DWP's consultation on how to help savers understand their retirement choices;
- Pensions Dashboard developments;
- Deferred small pots and the DWP call for evidence on two possible solutions;
- Simpler annual benefit statements for DC schemes used for auto-enrolment;
- DWP consultation on broadening investment opportunities for DC schemes and removing performance-based fees from the DC charge cap;
- Joint FCA/DWP consultation on new VFM framework;
- PASA guidance on DC transfers; and
- Automatic enrolment and possible future developments.

The Trustees have responsibility for keeping themselves up-to-date with relevant developments on a rolling basis and carry out a self-assessment of their training needs. A Training Log is maintained by the Scheme Secretary.

In addition, the Trustees receive advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors.

The Trustees have access to an online document system, hosted by Isio, which holds details of all the meeting papers for Trustee board, together with the Trust Deed and Rules and various other formal scheme documents, such as the Statement of Investment Principles. This ensures that the Trustees remain conversant with the Scheme's documentation.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Signed on behalf of the Energia Group NI Pension Scheme Trustees

Date: 31 October 2023

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Technical Appendix 1

Cost and charge illustration as at 31 March 2023

Illustration assumptions

1. The tables illustrate the potential impact fund costs may have on the projected value of monies invested in an average member's pension plan over various time periods.
2. These are not projections of your own pension plan. Please refer to your annual account statement for an estimate of your pension.
3. All the figures illustrated here are only examples and are not guaranteed – they are not minimum or maximum amounts.
4. All figures are calculated as at the end of March 2023.
5. You could get back more or less than this and you may also get back less than the amount that you have invested.
6. Investment return in real terms: is the effective annual growth rate of the fund after adjusting for the inflation rate.
7. The starting pot size is assumed to be £50,000
8. Contributions are £0.
9. Inflation is assumed to be 2.5% each year.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Technical Appendix 1 (continued)

Cost and charge illustration as at 31 March 2023

Fund	Assumed Investment Returns	Assumed Inflation	Real Return Before Charges	Fund Management Charge	Additional Expenses	Effective Total Annual Charge	Net (Real) return
AGN BLK MSCI World Idx (BLK)	5.25%	2.50%	2.68%	0.35%	0.01%	0.36%	2.33%
AGN BLK Over 15 Yr Corp Bnd (BLK)	4.00%	2.50%	1.46%	0.35%	0.01%	0.36%	1.11%
AGN LGIM Diversified (BLK)	4.00%	2.50%	1.46%	0.60%	0.06%	0.66%	0.82%
AGN BLK Emerging Mkts Eq Idx (BLK)	6.50%	2.50%	3.90%	0.50%	0.08%	0.58%	3.34%
AGN BLK Cash (BLK)	1.00%	2.50%	-1.46%	0.25%	0.03%	0.28%	-1.74%
AGN BLK Index Linked Gilt (BLK)	2.75%	2.50%	0.24%	0.30%	0.00%	0.30%	-0.05%
AGN BLK Pre-Retirement (BLK)	2.75%	2.50%	0.24%	0.30%	0.00%	0.30%	-0.05%
AGN BLK Diversified Growth (BLK)	4.00%	2.50%	1.46%	0.55%	0.04%	0.59%	0.89%
AGN BLK Property (BLK)	4.00%	2.50%	1.46%	1.01%	0.00%	1.01%	0.48%
AGN BLK UK Equity Optimum (BLK)	5.25%	2.50%	2.68%	0.60%	0.00%	0.60%	2.10%
AGN BLK 50/50 Glob Eq Idx (BLK)	5.25%	2.50%	2.68%	0.35%	0.01%	0.36%	2.33%

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Technical Appendix 1 (continued)

Cost and charge illustration as at 31 March 2023

Fund value at end of year £ (in real terms / after inflation)	AGN BLK MSCI World Idx (BLK)		AGN BLK Over 15 Yr Corp Bnd (BLK)		AGN LGIM Diversified (BLK)		AGN BLK Emerging Mkts Eq Idx (BLK)		AGN BLK Cash (BLK)	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	51,341	51,166	50,732	50,556	50,732	50,410	51,951	51,668	49,268	49,132
3	54,133	53,580	52,227	51,687	52,227	51,239	56,085	55,174	47,837	47,440
5	57,077	56,108	53,767	52,843	53,767	52,083	60,548	58,917	46,447	45,807
10	65,156	62,961	57,818	55,848	57,818	54,252	73,321	69,424	43,146	41,965
15	74,378	70,652	62,174	59,023	62,174	56,512	88,788	81,805	40,080	38,446
20	84,905	79,282	66,859	62,379	66,859	58,866	107,519	96,394	37,232	35,221
25	96,923	88,966	71,896	65,926	71,896	61,318	130,201	113,585	34,587	32,268
30	110,641	99,834	77,313	69,675	77,313	63,872	157,668	133,842	32,129	29,561
35	126,301	112,028	83,138	73,637	83,138	66,532	190,929	157,712	29,846	27,082

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Technical Appendix 1 (continued)

Cost and charge illustration as at 31 March 2023

Fund value at end of year £ (in real terms / after inflation)	AGN BLK Index Linked Gilt (BLK)		AGN BLK Pre-Retirement (BLK)		AGN BLK Diversified Growth (BLK)	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	50,122	49,976	50,122	49,976	50,732	50,444
3	50,367	49,927	50,367	49,927	52,227	51,344
5	50,613	49,878	50,613	49,878	53,767	52,259
10	51,233	49,757	51,233	49,757	57,818	54,621
15	51,861	49,635	51,861	49,635	62,174	57,089
20	52,496	49,514	52,496	49,514	66,859	59,668
25	53,140	49,394	53,140	49,394	71,896	62,364
30	53,791	49,273	53,791	49,273	77,313	65,182
35	54,450	49,153	54,450	49,153	83,138	68,128

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Technical Appendix 1 (continued)

Cost and charge illustration as at 31 March 2023

Fund value at end of year £ (in real terms / after inflation)	AGN BLK Property (BLK)		GN BLK UK Equity Optimum (BLK)		AGN BLK 50/50 Glob Eq Idx (BLK)	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	50,732	50,239	51,341	51,049	51,341	51,166
3	52,227	50,721	54,133	53,213	54,133	53,580
5	53,767	51,207	57,077	55,469	57,077	56,108
10	57,818	52,442	65,156	61,535	65,156	62,961
15	62,174	53,708	74,378	68,265	74,378	70,652
20	66,859	55,004	84,905	75,732	84,905	79,282
25	71,896	56,331	96,923	84,014	96,923	88,966
30	77,313	57,691	110,641	93,203	110,641	99,834
35	83,138	59,083	126,301	103,397	126,301	112,028

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 2 - Statement of investment principles - September 2023

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustees of the Energia Group NI Pension Scheme on various matters governing decisions about the investments of the Energia Group NI Pension Scheme (the "Scheme"). It replaces the Trustees' previous Statement of Investment Principles dated September 2020.

This SIP constitutes the Statement of Investment Principles required under Article 35 of the Pensions (Northern Ireland) Order 1995 (the "Order"), the Occupational Pension Schemes (Investment) Regulations (Northern Ireland) 2005 (as amended), the Pension Regulator's guidance for defined benefit pension schemes (March 2017) and the Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015.

This SIP has been prepared after obtaining and considering written professional advice from Lane Clark & Peacock LLP, the Trustees' appointed investment advisers. The Trustees reasonably believe that their investment advisers are suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification, given the circumstances of the Scheme, and the principles contained in this SIP.

Before finalising this SIP, the Trustees consulted with Energia Group NI Holdings Limited (the "Company"), as the Principal Employer of the Scheme acting on behalf of all the participating employers in the Scheme.

The Trustees will keep this Statement under regular review, and will formally review it at least once every three years. It will be amended or replaced, as appropriate, to reflect any future changes in the Trustees' investment policy. In particular, the Trustees regularly review both the default strategy for the investment of Options Member Accounts and the performance of the default arrangement. The Trustees will also review, without delay, those parts of this SIP which relate to the default strategy and default arrangement if there is a significant change in the demographic profile of Options members invested in the default arrangement.

Appendix 1 contains a description of the basis of remuneration of the investment adviser and the investment managers.

2. Scheme structure

The Scheme has two different benefit structures, known as "sections":

- The Focus Section that provides final salary benefits; and
- The Options Section that provides money purchase benefits.

The Focus Section provides benefits on a final salary (or defined benefit) basis. Members pay contributions towards their pension benefits, with the employer paying contributions to meet the balance of cost. The Trustees invest Focus Section assets in order to provide final salary benefits for members on their retirement (or earlier date of taking benefits). Each member's benefits at retirement (or earlier date of taking benefits) are calculated based on final salary and length of service whilst a member of the Focus Section.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 2 - Statement of investment principles - September 2023 (continued)

The Options Section provides benefits on a money purchase (or defined contribution) basis. In respect of each member the employer and members pay contributions at an agreed rate into an Options Member account. This account is invested to provide benefits for the member at retirement (or earlier date of taking benefits). The member's benefits depend on the amount of contributions, investment strategy and returns achieved on contributions over the period to the date the Options Member account is accessed (the "Fund Access Date"). To the extent that benefits are taken by a member as an income for life (an annuity) rather than as a single cash lump sum or series of cash lump sums, the amount of the pension will depend on the annuity rates at the Fund Access Date.

3. Investment objectives

The Trustees' primary objectives for the Focus (DB) Section are that:

- The Focus Section should be invested in appropriate assets in a prudent manner in order to be able to meet benefit payments as they fall due; and
- The funding position of the Focus Section should remain at an appropriate level consistent with the long-term funding assumptions.

The Trustees' primary objectives for the Options (DC) Section are:

- to provide members with a diversified range of investment options from which to choose which will generate capital growth and improve the likelihood of members meeting their own retirement objectives;
- to offer members a number of lifestyle strategies, to enable members to target their preferred retirement income strategy from (1) income drawdown, (2) a single lump sum at retirement or (3) annuity purchase;
- to have a simple, transparent and appropriate charging structure where the annual management charges reflect the individual asset class; and
- for the chosen provider to provide suitable administration and communication services for members.

4. Investment strategy

The Trustees, having considered advice from their investment advisers and in consultation with the Company, carried out a review of the investment strategy for the:

- Focus Section in March and April 2022 – this has subsequently been kept under review, with the most recent strategic change in July 2022 being the partial implementation of the de-risking trigger 1 strategy discussed in Section 4.1 below; and for the
- Options Section between November 2019 and November 2020 taking into account the objectives described in Section 3 above.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 2 - Statement of investment principles - September 2023 (continued)

4.1. Focus Section (DB) investment strategy

The result of the investment review was that the Trustees agreed that the investment strategy for the Focus Section should be based on the allocation below.

Asset class	Strategic allocation	Tolerance range for considering rebalancing
UK equities	5.0%	4.5% - 5.5%
Global developed market equities – 95% currency hedged	3.9%	3.5% - 4.3%
Global developed market equities – Nil currency hedged	3.6%	3.2% - 4.0%
Emerging markets equities	2.5%	2.3% - 2.7%
Diversified growth fund	18.0%	16.2% - 19.8%
On-risk assets	33.0%	
Absolute return bonds / short duration credit	32.0%	28.8% - 35.2%
Liability driven investments and gilts portfolio	35.0%	28.0% - 42.0%
Off-risk assets	67.0%	
Total	100.0%	

The Trustees are aware that the actual strategic allocation of assets in the Focus Section may differ from the strategic benchmark allocation range due to market movements and valuations at any given time.

There is no automatic rebalancing policy currently in place with BlackRock. However, the Trustees monitor the asset allocation on a quarterly basis, with the help of their investment advisers. If material deviations from the strategic allocation occur taking the allocation outside the tolerance ranges detailed above, the Trustees will consider, on advice from their investment advisers, rebalancing the assets, taking into account factors such as market conditions and anticipated future cash flows.

The Trustees have considered the membership and liability profile of the Focus Section and are aware that, as it is closed to new members, the Focus Section is becoming increasingly mature. As the Scheme matures over time, the Trustees will seek to de-risk the investment strategy in line with the change in the liability profile of the Scheme. This means that the investment strategy will gradually target a higher allocation to lower risk assets as the Scheme matures.

The Trustees have also put in place a mechanism to de-risk the Scheme's investment strategy following improvements in the funding level. The objective of this mechanism is to lock in gains following better than expected investment experience, by disinvesting from the Scheme's **On-risk assets** (ie equities) and investing the proceeds in the Scheme's **Off-risk assets** (ie LDI and credit). The Trustees, in consultation with the Company, review the de-risking mechanism on a regular basis.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 2 - Statement of investment principles - September 2023 (continued)

The trigger points are shown in the table below, together with the associated strategic allocation and target hedge ratios at each point. For this purpose, the relevant liability measure is the Scheme's gilts-flat basis.

Description	Funding level trigger (gilts-flat)	Strategic allocation				Target interest rate and inflation hedge (gilts-flat)
		Equities	Diversified growth fund	Credit assets	Liability-driven investment	
Trigger 1	92%	12%	18%	35%	35%	85%
Trigger 2	96%	6%	18%	39%	37%	95%
Trigger 3	100%	-	18%	42%	40%	100%

The funding level triggers are monitored from time to time by the Trustees through access to daily funding level updates on LCP Visualise online. On a quarterly basis LCP provides an update on the Scheme's position relative to the triggers. When it is identified that a funding level trigger is breached, the new strategic allocation will be implemented as soon as reasonably practical by the Trustees, following consultation with the Company and confirmation that the strategy change remains appropriate.

4.2. Options Section (DC) investment strategy

For the Options Section, the Trustees have made available a range of passively and actively managed self-select funds and three lifestyle strategies. Each member is responsible for specifying one of the lifestyle strategies or self-selecting from the range of funds for the investment of their Options Member Account, having regard to their attitude to the risks involved.

If a member does not choose where to invest his or her monies, their Options Member Account is invested in the default lifestyle option, the "Flexible Income Lifestyle Option lifestyle strategy". This default is managed as a "lifestyle" strategy (i.e. it automatically combines investments in proportions that vary according to the time to the member's target Fund Access Date).

The default option is designed to target income drawdown at retirement, since the Trustees consider that a reasonable proportion of members will wish to take their benefits in this form. Under the lifestyle strategy, in the initial growth phase the default option is invested to target a return significantly above inflation, and then in the 10 years before the member's targeted Fund Access Date, it switches gradually into less risky assets, with the asset allocation at the Fund Access Date being designed to be appropriate for members taking drawdown.

Equities and diversified growth funds are both used in the growth phase of the default strategy (with a 50% allocation to each). To help manage the volatility that members' assets experience in the growth phase, the Trustees have selected a "diversified growth" fund to invest a part of the members' assets in, which over the long term is expected to generate equity-like returns but with lower volatility than equities.

The Trustees will monitor the relevant members' behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 2 - Statement of investment principles - September 2023 (continued)

5. Considerations made in determining the investment arrangements

When deciding how to invest the Scheme's assets, the Trustees consider a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustees have sought to allow for the relative importance and magnitude of each risk.

The Trustees considered a wide range of asset classes for investment, and the expected returns and risks associated with those asset classes. The key financial assumption made by the Trustees in determining the investment arrangements is that equity-type investments will, over the long term, outperform gilts by 4.8% pa.

In setting the strategy for the Focus Section the Trustees also considered:

- the circumstances of the Scheme, including the profile of the benefit cash flows, the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies; and the need for appropriate diversification between different asset classes;
- the other key assumptions for expected returns above gilts are as follows:
 - Diversified growth funds: 2.9% pa
 - Absolute return bonds: 1.0% pa
 - Short duration credit: 1.0% pa
- financially material environmental, social and governance considerations given the time horizon that the Trustees consider is needed for the funding of future benefits by the investments of the Scheme; and
- the Trustees' investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes.

In determining the investment arrangements for the Options Section the Trustees also took into account:

- the overall best interests of members and beneficiaries;
- the profile of the membership and what this was likely to mean for the choices members might make upon reaching retirement;
- the risks and rewards of a number of different lifestyle strategies;
- the need for appropriate diversification within the default strategy and between the other investment options offered to members;
- financially material environmental, social and governance considerations given the periods until members' retirement, or any other timeframe which the Trustees believe to be appropriate; and
- the Trustees' investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

The Trustees' key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 2 - Statement of investment principles - September 2023 (continued)

- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;
- climate change is a financially material systemic issue that presents risks and opportunities for the Scheme over the short, medium and long term;
- voting and engagement are important and can create long term value which is in the best interest of Scheme members and therefore we encourage managers to improve their voting and engagement practices;
- long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

6. Implementation of the investment arrangements

Before investing in any manner, the Trustees obtain and consider proper written advice from their investment advisers on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments. The Trustees' investment advisers, Lane Clark & Peacock LLP, are authorised to give such investment advice in accordance with the Financial Services & Markets Act 2000 ("FSMA").

Details of the investment manager, BlackRock Advisors (UK) Limited ("BlackRock") are set out in Appendix 3.

In respect of the Options Section, the Trustees have entered into a contract with a platform provider that makes available the range of investment options to members. There is no direct relationship between the Scheme and the underlying investment managers of the Options Section investment funds.

The Trustees have signed agreements with the investment manager for the Focus Section, and with the platform provider in respect of the Options Section setting out in detail the terms on which the portfolios are managed. The investment manager's primary role is the day-to-day investment management of the Scheme's investments. The investment manager is authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The Trustees and investment managers to whom discretion has been delegated exercise their powers to giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

The Trustees have limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

The Trustees' view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustees' responsibility to ensure that the managers' investment approaches are consistent with their policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustees expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. They assess this when selecting and monitoring managers.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 2 - Statement of investment principles - September 2023 (continued)

The Trustees evaluate investment manager performance by considering performance over both shorter and longer-term periods as available. The duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustees would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustees' policy is to evaluate each of their investment managers by reference to the manager's individual performance as well the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustees expect their investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

7. Realisation of investments

The investment manager has discretion over the timing of realisation of investments of the Scheme within the portfolios, and in considerations relating to the liquidity of investments.

For the Focus Section, when appropriate, the Trustees, on the administrators' recommendation, decide on the amount of cash required for benefit payments and other outgoings and inform the investment manager of any liquidity requirements. In general, the Trustees' policy is to use cash flows to rebalance the Scheme's assets towards the strategic asset allocation, having regard to the tolerance ranges detailed in Section 4.1 above.

For the Options Section, the Trustees' policy is to make available funds that offer daily dealing to enable members to readily realise and change their investments.

8. Consideration of financially material matters

The Trustees have considered how environmental, social, governance ("ESG") factors (including but not limited to climate change) should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

8.1 Focus (DB) Section

The Trustees have currently delegated responsibility for the selection, retention and realisation of investments within all investment funds to BlackRock (within certain guidelines and restrictions).

The Trustees believe that ESG factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors and long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions.

The Trustees are primarily invested in pooled funds in which they have limited influence over the managers' investment practices, particularly in relation to those pooled funds which are designed to track an index (passive funds) where the choice of index dictates the assets held by the manager. The Trustees accept that the role of the passive manager is to deliver returns in line with the index and this approach is in line with the basis on which their current strategy has been set. However, the Trustees will periodically review the indices employed for this purpose to ensure that the investment strategy, including ESG considerations, is being met.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 2 - Statement of investment principles - September 2023 (continued)

In relation to funds where the manager is permitted to make active decisions about the selection, retention and realisation of investments, the Trustees anticipate that the managers will consider all financially material factors, including ESG-related issues where permissible within applicable guidelines and restrictions. This will continue to be monitored through reports from BlackRock and the Trustees' other investment advisers.

8.2 Options (DC) Section

The Trustees have currently delegated responsibility for the selection, retention and realisation of investments within all investment funds to the underlying investment managers (within certain guidelines and restrictions).

The Trustees believe that ESG factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors and long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions.

The Trustees have primarily invested the default option in pooled funds in which they have limited influence over the managers' investment practices, particularly in relation to those pooled funds which are designed to track an index (passive funds) where the choice of index dictates the assets held by the manager. The Trustees accept that the role of the passive manager is to deliver returns in line with the index and this approach is in line with the basis on which their current strategy has been set. However, the Trustees will periodically review the indices employed for this purpose to ensure that the investment strategy, including ESG considerations, is being met.

In relation to funds where the manager is permitted to make active decisions about the selection, retention and realisation of investments, the Trustees anticipate that the managers will consider all financially material factors, including ESG-related issues where permissible within applicable guidelines and restrictions. This will continue to be monitored through reports from Aegon, the investment managers and the Trustees' other investment advisers.

9. Consideration of non-financial matters

Across both the Focus Section and the Options Section, the Trustees do not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

10. Stewardship

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments and is in the best interests of their members.

The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations. The Trustees expect the managers to undertake voting and engagement in line with their stewardship policies, considering the long-term financial interests of investors.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 2 - Statement of investment principles - September 2023 (continued)

As all of the Scheme's investments are held through managers or pooled funds, the Trustees do not monitor or engage directly with issuers or other holders of debt or equity.

The Trustees monitor managers' activities in relation to ESG factors, voting and engagement on a regular basis. The Trustees seek to understand how they are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with our expectations.

The Trustees have selected priority ESG themes to provide a focus for our monitoring of investment managers' voting and engagement activities. They review the themes periodically and update them if appropriate. The Trustees communicate these stewardship priorities to their managers and also confirm their more general expectations in relation to ESG factors, voting and engagement.

The current priority is climate change. The Trustees chose this priority because it is a market-wide area of risk that is financially material for the investments and can be addressed by good stewardship. Therefore they believe it is in members' best interests that managers adopt strong practices in this area.

If the Trustees' monitoring identifies areas of concern, they will engage with the relevant manager to encourage improvements.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. They monitor the investment managers' exercise of ownership rights and engagement through the reports provided to them, but the Trustees have limited influence over the investment managers' stewardship practices, particularly where assets are held in pooled funds.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 2 - Statement of investment principles - September 2023 (continued)

Appendix 1 – Fees

1. Fee structures

The Trustees recognise that the provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

The Trustees have agreed Terms of Business with the Scheme's investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers and platform provider receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the manager's general terms for institutional clients and are considered by the Trustees (in consultation with their investment advisers) to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustees' view as to the most appropriate arrangements for the Scheme. However, the Trustees will consider revising any given structure if and when it is considered appropriate to do so.

2. Performance assessment

The Trustees are satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustees believe that they have sufficient expertise and appropriate training to carry out their role effectively.

It is the Trustees' policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. The Trustees will also carry out periodically an assessment of their own effectiveness as a decision-making body and will decide how this may then be reported to members.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 2 - Statement of investment principles - September 2023 (continued)

Appendix 2 – Policy towards risk, risk measurement and risk management

The Trustees consider that there are a number of different types of investment risk that are important for the Scheme. These include, but are not limited to:

1. Risk of inadequate returns

For the Focus Section, there is a risk of failing to meet the objective set out in Section 2. There is also a risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustees on a regular basis.

In the Options Section, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equities and diversified growth funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members' benefits close to their target Fund Access Date, the Trustees have made the default option a "lifestyle" strategy.

2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's assets. The Trustees believe that the Focus Section's assets and the Options Section's default strategy are adequately diversified between different asset classes and within each asset class. Further, the Trustees believe that they have made available a suitably diversified range of self-select investment funds for Options Section members to choose from. This was a key consideration when determining the Scheme's investment arrangements and is monitored by the Trustees on a regular basis.

3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustees receive written advice from a suitably qualified individual, and will typically undertake an investment manager selection exercise. The Trustees monitor the investment manager on a regular basis to ensure it remains appropriate for their selected mandates.

4. Liquidity/marketability risk

For the Focus Section, this is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due. The Trustees are aware of the Scheme's cash flow requirements and believes that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments.

For the Options Section, this is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustees manage this risk by only using pooled funds with daily dealing within the default strategy and adopting a default investment strategy which is invested across different types of investment.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 2 - Statement of investment principles - September 2023 (continued)

5. Risk from excessive charges

Within the Options Section, if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustees are comfortable that the charges applicable to the Scheme are in line with market practice and assess regularly whether these represent value for members.

6. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Scheme is subject to credit risk because it invests in bonds via pooled funds. The Trustees manage exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers, and invest mostly in bonds that are classified as "investment grade".

Indirect exposure to credit risk also arises from the Scheme's investments in diversified growth funds, LDI funds and absolute return bond funds.

7. Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. The Trustees consider the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustees manage the amount of currency risk by investing in some pooled funds that hedge currency exposure.

8. Interest rate and inflation risk

The Focus Section's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in bonds and swaps, via pooled funds. However, the interest rate and inflation exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and so the Trustees believe that it is appropriate to have exposures to these risks in this manner.

9. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments, some of which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustees consider and engage with ESG risks as set out above.

10. Other non-investment risks

The Trustees recognise that there are other, non-investment, risks faced by the Scheme, and takes these into consideration as far as practical in setting the Scheme's investment arrangements as part of their assessment of the other aspects of the Scheme's Integrated Risk Management framework.

Examples for the Focus Section include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. The Trustees regularly review progress towards the Scheme's funding target, both in the longer-term as well as against short-term milestones, comparing the actual versus the expected funding level.

By understanding and considering the key risks that contribute to funding risk, the Trustees believe that they have appropriately addressed and are positioned to manage this general risk.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 2 - Statement of investment principles - September 2023 (continued)

Appendix 3 – Investment Manager arrangements

Details of the investment manager, its objectives, and custody arrangements are set out below.

The Focus Section

1. BlackRock

The Scheme invests with BlackRock through a range of pooled funds. These are outlined in the table below:

Asset class	Fund	Objective	Investment Style
On-risk assets			
UK equities	Aquila Life UK Equity Index Fund	Track the FTSE All Share Index with tracking error 0.2%	Passive
Global developed market equities	Aquila Life Currency Hedged Overseas Equity Index Fund	Track composite ¹ global index with tracking error of 0.6% with 95% of the currency risk hedged	Passive
	Aquila Life World ex UK Equity Index Fund	Track the FTSE All World Developed ex UK Index with tracking error 0.4%	Passive
Emerging markets equities	BlackRock Emerging Markets Index Sub Fund	MSCI Emerging Markets Index	Passive
Diversified growth fund	BlackRock Market Advantage Strategy Fund (Sterling)	Deliver returns in line with long-run equity returns and approximately two-thirds of equity risk	Active
Off-risk assets			
Absolute return bonds	BlackRock Absolute Return Bond Fund	3 month Sterling LIBOR +3 - 5% before fees, on a rolling 12 month basis	Active
Short Duration Credit	BlackRock Sustainable Sterling Short Duration Credit Fund	Outperform 3-month SONIA by 1.5% pa, before fees, over 1-3 years	Active
Long dated index-linked gilts	Aquila Life Over 5 Years UK Index-Linked Gilt index fund	Track the FTSE UK Gilts Index-Linked Over 5 Years Index with tracking error of 0.2%	Passive
	Aquila Life Over 25 Years UK Index-Linked Gilt index fund	Track the FTSE UK Gilts Index-Linked Over 25 Years Index with tracking error of 0.2%	Passive
Liability driven investments	BlackRock Liability Matching Fund range	Funds seek to provide protection against adverse movements in long-term interest rates or inflation expectations	Passive

¹ 33.3% FTSE USA Index, 33.3% FTSE All-World Developed Europe ex UK Index, 16.7% FTSE All-World Developed Asia Pacific ex Japan Index and 16.7% FTSE Japan Index

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 2 - Statement of investment principles - September 2023 (continued)

Bank of New York Mellon is responsible for custody of the Scheme assets under a custody agreement with the Trustees.

2. Additional Voluntary Contributions

The Trustees provide a facility for members of the Focus Section to pay AVCs into the Scheme to enhance their benefits at retirement. In addition, the Trustees make arrangements for the investment of any credits held for members of the Focus Section in their Bonus Accounts. The Trustees have full discretion as to the appropriate vehicles made available for members' AVCs and Bonus Accounts.

The Trustees have decided to offer Focus Section members the same investment options for their AVCs and Bonus Accounts, as they make available to members of the Option Section for their DC contributions.

The Options Section

The Trustees make available a range of passively and actively managed self-select funds and three lifestyle strategies. The default option is the Flexible Income Lifestyle Option lifestyle strategy. Details of the options are set out below. Members are provided with clear information on the investment options and their characteristics to make an informed choice.

The fund options are provided to members via bundled platform arrangement with Aegon. The funds are priced daily. The funds are open-ended and are unlisted.

1. Lifestyle strategies

The Trustees have made available three lifestyle options for members. All maintain the same "growth phase" and have a 10-year de-risking period before the member's target Fund Access Date. The default option may be appropriate for members targeting drawdown, the 'Income for Life Lifestyle Option' may be appropriate for members looking to target annuity purchase and the 'Lump Sum Lifestyle Option' may be appropriate for members looking to take their Options Account as a single cash lump sum on their Fund Access Date.

2. The default strategy

For members that do not make an active choice regarding their investments, the Trustees have set the default option to be the Flexible Income Lifestyle Option strategy. The default follows a pre-agreed investment strategy and provides an automated investment switching facility which will move members' funds from higher risk/return investments into lower risk/return investments as their target Fund Access Date approaches.

The chart below illustrates the default investment strategy, which may be appropriate for members looking to target drawdown at retirement:

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 3 - Value for Members assessment for the year ended 31 March 2023

The Trustees' Value for Members ('VfM') assessment considers both the costs of and benefits of membership of the Options (DC) section of the Energia Group NI Pensions Scheme (described in this assessment as simply 'EGNIPS'). It involves self-assessing the quality of the administration and governance with reference to seven key metrics and comparing the Scheme's costs and charges, and net returns against at least three other Comparator Schemes ('Comparators'). Schemes used for the comparison conducted as part of the VfM exercise should be (as stated in the Guidance):

- An occupational pension scheme which on the relevant date (the date on which the Trustees obtained audited accounts for the scheme year that ended most recently) held total assets equal to or greater than £100 million; or
- A personal pensions scheme, which is not an investment-regulated pension scheme;
- A scheme that is different in structure to the scheme being assessed; and
- Where a hybrid scheme is being assessed, Comparators should include either a scheme which provides only DC benefits, or a larger hybrid scheme where the total assets held to provide DC benefits are £100m or more.

This assessment has been undertaken by Isio Group Limited.

Comparator Schemes ("the Comparator")

The Trustee has chosen three Master Trusts to act as Comparators as part of the Trustees' VfM assessment; the Aviva Master Trust, the Legal & General WorkSave Mastertrust, and the Standard Life Master Trust. These Master Trusts have been selected as Comparators because:

- These three plans have each confirmed that, should it be concluded that the EGNIPS does not provide Value for Members, they would be willing to accept the EGNIPS members, and in particular, on the terms provided in this paper; and
- The three plans each have a similar fund range to that which is currently available to members of the EGNIPS.

Sources of comparison data

The following data has been used to perform the assessment of investment returns:

- EGNIPS data has been provided by Aegon on behalf of the EGNIPS;
- Aviva Master Trust data has been provided by Aviva;
- L&G Master Trust data has been provided by L&G; and
- Standard Life Master Trust data has been provided by Standard Life.

As part of the VfM assessment, trustees should compare the investment returns of funds offered through their scheme with funds offered through the Comparators. Trustees should place more weight on investment returns than on costs and charges.

It is accepted that past investment performance is not a guaranteed indicator of future performance, however Guidance notes that '... sustained long-term underperformance of investment returns should signal poor value for members.' Guidance recommends that trustees should therefore consider net investment returns both in the short-term (1 year period) and a longer, more-sustained period for which broadly comparable Comparator performance data can be found (5, 10 and 15 year periods are suggested).

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 3 - Value for Members assessment for the year ended 31 March 2023 (continued)

Investment returns achieved by default funds should be given more weight when comparing than those achieved by self-select funds, and trustees should place no weight upon fund returns in which only a small proportion of members are invested.

As specified in the VfM Guidance, trustees should compare the returns of their default arrangements against Comparator default arrangements. For these comparisons it is not necessary for each default to have similar asset allocations.

Trustees should also compare the returns of their most popular self-select funds with the nearest comparable funds from the Comparators.

What constitutes good VFM performance?

The Guidance defines performance in the context of investment returns in the following ways:

- Good Value for Members in respect of a single fund is achieved if the majority of net return figures for the fund in which the scheme members are frequently invested are closely comparable with / better than the average for Comparator funds.
- Good Value for Members in respect of the scheme as a whole is achieved if this is repeated across a majority of other funds offered by the scheme in which members are frequently invested (whilst giving greater weight to default funds).
- Poor Value for Members in respect of a single fund is achieved if a clear majority of net performance figures for a given fund are worse than the average for Comparator funds.
- Poor Value for Members in respect of the scheme as a whole is achieved if this is repeated across a majority of other funds offered by the scheme in which members are frequently invested (whilst giving greater weight to default funds).

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 3 - Value for Members assessment for the year ended 31 March 2023 (continued)

Investment results

The results of the investment performance comparisons are as follows. Investment returns are over the period to 31 March 2023 and are net of fees. We note that 1- and 5-year investment performance has been considered; this is as a result of returns information dating further back not being available and the fact that some funds have not been in existence long enough to allow for longer term performance to be shown.

Default funds annualised performance

	1 year	5 year p.a.
Member aged 25 in 2023		
EGNIPS	-3.1%	11.5%
Aviva My Future Focus	-3.9%	4.8%
L&G	-3.5%	4.8%
Standard Life	-4.3%	n/a ¹
Member aged 35 in 2023		
EGNIPS	-3.1%	11.5%
Aviva My Future Focus	-3.9%	4.8%
L&G	-3.5%	5.0%
Standard Life	-4.3%	n/a ¹
Member aged 45 in 2023		
EGNIPS	-3.1%	11.5%
Aviva My Future Focus	-3.9%	4.8%
L&G	-5.1%	3.8%
Standard Life	-4.3%	n/a ¹
Member aged 55 in 2023		
EGNIPS	-3.1%	11.5%
Aviva My Future Focus	-3.9%	3.9%
L&G	-5.4%	3.8%
Standard Life	-4.7%	n/a ¹

¹ This fund has been incepted for less than 5 years, and therefore has no 5-year net return data.

Self-select Fund 1 annualised performance: BlackRock 50/50 Global Equity Index

	1 year	5 year p.a.
EGNIPS		
Blackrock 50/50 Global Equity Index	2.1%	6.7%
Aviva		
Aviva Pension BlackRock (30:70) Currency Hedged G Equity Tracker	-5.2%	6.7%
L&G		
L&G PMC Future World Fund	-2.4%	9.7%
Standard Life		
Standard Life Passive Global Equity 50:50 Pension Fund	0.0%	8.1%

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 3 - Value for Members assessment for the year ended 31 March 2023 (continued)

Self-select Fund 2 annualised performance: BlackRock Index-Linked Gilt

	1 year	5 year p.a.
EGNIPS Blackrock Index-Linked Gilt	-30.6%	-4.4%
Aviva Aviva Pension BlackRock Over 5 year Index-Linked Gilt Tracker	-29.7%	-4.1%
L&G L&G PMC Retirement Income Multi-Asset Fund	-3.3%	3.5%
Standard Life Standard Life Passive Gilt Pension Fund	-18.9%	-3.8%

Self-select Fund 3 annualised performance: BlackRock Diversified Growth

	1 year	5 year p.a.
EGNIPS Blackrock Diversified Growth	-2.9%	2.7%
Aviva Aviva Pension BlackRock Market Advantage	-9.2%	0.2%
L&G L&G PMC Multi Asset Fund	-5.5%	3.9%
Standard Life Standard Life Global Absolute Return Strategies Pension F	-8.4%	-1.1%

Conclusion

When assessing the EGNIPS in terms of Investment Returns, the EGNIPS is deemed to provide good Value for Members.

EGNIPS's default fund has comfortably outperformed the comparators over the past year and over 5 years. Performance of the self-select funds is more mixed, but overall, the performance broadly in line with the comparators over both a 1 year and 5 year period. The BlackRock Index-Linked Gilt underperforms all of the Comparators, whereas the BlackRock 50/50 Global Equity Index outperforms over 1-year but underperforms over 5 years.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 3 - Value for Members assessment for the year ended 31 March 2023 (continued)

Costs and charges

The next area of focus in completing the VfM assessment is Costs and Charges. Trust based schemes are already required to provide charges and transaction costs in their Chairs' Statements.

Comparisons to be made

When assessing Costs and Charges as part of the VfM assessment, trustees should consider the most up to date charges / transaction costs incurred through their own funds with those of Comparators.

Default arrangements should be compared (despite potentially different investment strategies across Comparators), and the scheme's most popular self-select funds should be compared against the nearest comparable funds from Comparators.

What constitutes good VfM Costs and Charges

The Guidance defines performance in the context of costs and charges in the following ways:

- Good Value for Members in relation to the costs and charges is achieved, if when comparing the costs and charges, those levied by the scheme are closely comparable with, or lower than the average for comparator pension schemes.
- Where higher costs and charges can be justified by substantially higher investment returns, then the scheme again would achieve good Value for Members.
- Poor Value for Members in relation to the costs and charges is achieved when for the majority of funds being compared, costs and charges are higher than those levied by the Comparators, and no justifications are given.

When performing the VfM assessment, total charges / transaction costs for the default arrangement should be given greater weight than those for self-select funds in which fewer members are invested.

Cost and charges results

The results of the costs and charges (shown as Total Expense Ratio 'TER') comparisons are as follows.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 3 - Value for Members assessment for the year ended 31 March 2023 (continued)

EGNIPS Default Charges ('TER') and Transaction Costs

	TER	Transaction costs	Total
Member aged 25 in 2023			
EGNIPS	0.51%	0.01%	0.52%
Aviva My Future Focus	0.31%	0.04% ²	0.35%
L&G	0.15% ¹	0.09%	0.24%
Standard Life	0.24%	0.04%	0.28%
Member aged 35 in 2023			
EGNIPS	0.51%	0.01%	0.52%
Aviva My Future Focus	0.31%	0.04% ²	0.35%
L&G	0.15% ¹	0.09%	0.24%
Standard Life	0.24%	0.04%	0.28%
Member aged 45 in 2023			
EGNIPS	0.51%	0.01%	0.52%
Aviva My Future Focus	0.31%	0.04% ²	0.35%
L&G	0.15% ¹	0.08%	0.23%
Standard Life	0.24%	0.04%	0.28%
Member aged 55 in 2023			
EGNIPS	0.51%	0.01%	0.52%
Aviva My Future Focus	0.31%	0.03% ²	0.34%
L&G	0.15% ¹	0.07%	0.22%
Standard Life	0.24%	0.10%	0.34%

1. L&G fund charges include a Fund Management Charge only. We would expect to see an additional platform admin charge of 10-20bps that has not been included in the comparison above.
2. Aviva transaction costs annual costs to 31 December 2022, the other Comparators are annually to 31 March 2023.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 3 - Value for Members assessment for the year ended 31 March 2023 (continued)

Self-select Fund 1 Charges and Transaction costs: BlackRock 50/50 Global Equity Index

	TER	Transaction c	Total
EGNIPS Blackrock 50/50 Global Equity Index	0.36%	0.03%	0.39%
Aviva Aviva Pension BlackRock (30:70) Currency Hedged C Equity Tracker	0.27%	0.10%	0.37%
L&G L&G PMC Future World Fund	0.24% ¹	0.10%	0.34%
Standard Life Standard Life Passive Global Equity 50:50 Pension Fund	0.26%	0.08%	0.34%

Self-select Fund 2 Charges and Transaction costs: BlackRock Index-Linked Gilt

	TER	Transaction c	Total
EGNIPS Blackrock Index-Linked Gilt	0.30%	0.04%	0.34%
Aviva Aviva Pension BlackRock Over 5 year Index-Linked Gilt Tracker	0.21%	0.03%	0.24%
L&G L&G PMC Retirement Income Multi-Asset Fund	0.31% ¹	0.12%	0.43%
Standard Life Standard Life Passive Gilt Pension Fund	0.27%	0.06%	0.33%

Self-select Fund 3 Charges and Transaction costs: BlackRock Diversified Growth

	TER	Transaction c	Total
EGNIPS Blackrock Diversified Growth	0.59%	0.44%	1.03%
Aviva Aviva Pension BlackRock Market Advantage	0.49%	0.24%	0.73%
L&G L&G PMC Multi Asset Fund	0.13% ¹	0.05%	0.18%
Standard Life Standard Life Global Absolute Return Strategies Pension F	0.78%	0.77%	1.55%

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 3 - Value for Members assessment for the year ended 31 March 2023 (continued)

1. L&G fund charges include a Fund Management Charge only. We would expect to see an additional platform admin charge of 10-20bps that has not been included in the comparison above.

Conclusion

When assessing the EGNIPS in terms of Costs and Charges, the EGNIPS is deemed to provide good Value for Members. Whilst the Costs and Charges, when assessed alone, may not immediately suggest good Value for Members, on taking the investment returns and justification of fees (below) into account, good value is demonstrated.

EGNIPS's default fund attracts charges that are higher than those offered by the Comparators. This is a result of having a 50% allocation to the LGIM Diversified Growth fund during the growth phase of the lifestyle, which is actively managed (where most master trusts use a greater proportion of passively managed funds in the default option).

In relation to the self-select funds, the EGNIPS is in the middle of the range. Following last year's VfM assessment, the Trustees have negotiated reduced fees for some of the self-select funds. This will take effect from Autumn 2023.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 3 - Value for Members assessment for the year ended 31 March 2023 (continued)

Administration and Governance

As part of the VfM assessment, the Administration and Governance of the scheme must be considered. It is expected that where functions / tasks / responsibilities have been outsourced, ultimate responsibility still remains with the trustees of the scheme; performance of any involved third parties should be closely and regularly monitored.

Seven key metrics of Administration and Governance

For the VfM assessment, there are seven key metrics of Administration and Governance that must be considered and assessed:

1. Promptness and accuracy of core financial transactions;
2. Quality of Record Keeping;
3. Appropriateness of the default investment strategy;
4. Quality of Investment Governance;
5. Level of trustee knowledge, understanding and skills to operate the pension scheme effectively;
6. Quality of communication with scheme members; and
7. Effectiveness of management of conflicts of interest.

For a scheme to demonstrate satisfactory Value for Members, all seven of the assessment criteria should be satisfied; a final conclusion should be drawn by considering all seven sub conclusions in aggregate.

Assessment against metrics of Administration and Governance

Promptness and accuracy of core financial transactions

There are effective processes in place that allow risks of delays / inaccuracies in processing financial transactions to be mitigated. These processes are reviewed regularly.

Core financial transactions are conducted both promptly and accurately, and all tasks with associated maximum timescales (as prescribed by legislation) are completed in accordance with requirements. There is good historical SLA performance against the four core financial transactions as specified in the Guidance (payment in and investment of member and employer contributions, transfers between schemes, transfers, and switches between investments within a scheme, and payments out of the scheme to beneficiaries). Over the year, performance against SLAs was low at 87%, however there has been improvement and in the period 1st January 2023 to 31st March 2023, tasks were completed with an average performance of 97% against SLA criteria.

Contributions have all been invested in a timely manner following receipt by Aegon, and as part of the regular review of Aegon's Service Level Agreement statistics, these processes are regularly reviewed. The latest (available) review of Common and Conditional data (as at June 2023) showed 98% accuracy of Common data and the review of conditional data showed that there were no issues identified.

The Trustees also review member / beneficiary complaints and have found no suggestion of anything but good value for members from an administration and governance perspective.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 3 - Value for Members assessment for the year ended 31 March 2023 (continued)

When assessing *Promptness and accuracy of core financial transactions* the EGNIPS is deemed to provide Value for Members.

Quality of Record Keeping

- **Security of Data:** There are controls in place that ensure scheme members' data is kept, stored, and processed in accordance with requirements as set out in the Data Protection Act 2018. Data security is considered to be a key focus of the Trustees' governance responsibilities and as such features prominently in both the EGNIPS's risk register and risk planning.
- **Accuracy and scope of records / data kept:** Accurate scheme data and member records are kept, and all data required to be held (by law) is held. In terms of the quality of data – data is up to date, complete, there are systems in place to monitor and update data, and, where any errors are identified, they are corrected as quickly as reasonably possible, and processes are subsequently amended to prevent further errors occurring.
- **Review of Data:** As mentioned above, The latest (available) review of Common and Conditional data (as at June 2023) showed 98% accuracy of Common data and the review of conditional data showed that there were no issues identified.

When assessing *Quality of Record Keeping* the EGNIPS is deemed to provide Value for Members.

Appropriateness of the default investment strategy

As required by legislation, a copy of the most recent Statement of Investment Principles for the default arrangement is included in the Annual Chair's Statement, and details of default performance over the period is provided.

The EGNIPS satisfies the 4 criteria as set out in the Guidance:

- **The investment strategy is clear, is appropriate for each state of the member journey, and is consistently followed in accordance with strategy objectives.** This is evidenced by the switching matrix for the default strategy in the SIP dated September 2020 that outlines the lifestyling used to provide appropriate investments for members depending on their time to retirement.
- **The value added from portfolio construction, asset allocation and manager selection is assessed when the investment strategy is reviewed.** The Trustees monitor the investment manager on a regular basis to ensure it remains appropriate for its selected mandates. This is evidenced by the reduction in the charges for some of the self-select funds that have been negotiated by the Trustees with effect from Autumn 2023.
- **The risk and return in the investment strategy is properly considered and is suitable for the objectives of the scheme and the demographic profile of the members.** This is achieved through regular assessment of the performance of the EGNIPS's investments (over both shorter and longer term periods), investment providers and professional advisors. It is the Trustees' responsibility to ensure that managers' investment approaches are consistent with their policies.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 3 - Value for Members assessment for the year ended 31 March 2023 (continued)

- **The policies on ESG and climate change risks and opportunities in the Statement of Investment Principles are not generic but are tailored to the investment strategy of the scheme.** In determining the investment arrangements, the Trustees took into account financially material ESG considerations given the periods until members' retirement, or any other timeframe which they believe to be appropriate. The Trustees will conduct periodic reviews to ensure that the investment strategy, including ESG considerations, is being met.

When assessing *Appropriateness of the default investment strategy* the scheme is deemed to provide good Value for Members.

Quality of Investment Governance

The Trustees satisfy the following eight measures for good investment governance, as set out in the Guidance:

- Documented and robust investment governance procedures are in place and adhered to, including details of the EGNIPS's approach to Integrated Risk Management.
- The individuals responsible for tasks and decisions in relation to investment have the required knowledge and expertise to perform their role competently in accordance with Sections 34 and 36 of the Pensions Act 1995 and are being held to account.
- The Trustees actively engage with any fiduciary and investment managers when investment decisions are made, as well as the EGNIPS's investment adviser.
- The Trustees have the knowledge and competence to oversee investment effectively, ensuring investment objectives and strategies are understood and followed, and challenging investment advice where necessary.
- The Trustees ensure regular reviews of portfolios and of how funds are performing against objectives through quarterly performance reports.
- The Trustees are aware of their role in asset allocation, setting of investment strategy and the selection, monitoring and retention of managers.
- The Trustees have risk management and continuity plans in place to deal with economic crises and market volatility, and clear governance structures in place in relation to long term financial sustainability of investments which include climate change and ESG factors.
- The Trustees have good oversight of the communication strategies used to keep members informed about their investment options.

When assessing *Quality of Investment Governance*, the scheme is deemed to provide good Value for Members.

Level of trustee knowledge, understanding and skills to operate the pension scheme effectively

The Trustees' own knowledge and understanding, together with the professional advice, which is available to them, enables them to properly exercise their functions as Trustees of the Scheme. Collectively the Trustees have a wealth of expertise and experience which enables them to effectively manage the Scheme with their advisers.

The Trustees who served during the year were Robert Foreman (ENT), David Macartney (MNT), Brendan McKenna (MNT).

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 3 - Value for Members assessment for the year ended 31 March 2023 (continued)

Roy Foreman is the Employer appointed Chair of the Trustees and has been a Trustee since 2011. Roy has held various roles within Energia Group during his 37 years employment with the Group and is Managing Director of a Wholesale Energy Trading business within the Energia Group. Roy has a BSc in Computer Science, an MBA, an MSc in Corporate Leadership and completed the General Management Programme at Harvard Business School.

David Macartney is a Member Appointed Trustee and has been a pension scheme Trustee since 2010. David has held various roles during his 25 years employment with the Group including the Risk Manager in a Wholesale Energy Trading business and he is currently the Group's Corporate Development Manager. David has a BEng in Electrical and Electronic Engineering and an MBA. David is a Chartered Engineer and is a Member of the Institution of Engineering and Technology.

Brendan McKenna is a Member Appointed Trustee and has been a Trustee since 2011. Brendan was previously employed by the Group for 38 years until his retirement in 2015 and he is now a pensioner member of the Scheme. Brendan is a qualified Accountant and is a member of CIMA.

The Trustees discuss with their advisers and the Scheme Actuary their training needs and knowledge gaps when updating the Trustees' business plan. During the Scheme year, the Trustees met the requirements of Articles 224 and 226 of the Pensions (Northern Ireland) Order 2005 (requirements for knowledge and understanding) and addressed identified knowledge gaps, by attending compulsory Trustee training built into their quarterly trustee meetings, reading the various bulletins, briefing notes and updates circulated via e-mail to them periodically by the Trustees' advisers.

The training topics covered during the Scheme year included:

- Presentation and discussion led by Aegon on how Aegon communicate with and support DC Options members, the available tools and how they can be rolled out to support members' achieve better outcomes;
- New Transfer Conditions applying to DC transfers out and the new regulatory framework;
- Pension Scheme Dashboard requirements;
- TPR's new single (now known as "General") Code of Practice, which will require the Trustees to put in place an effective system of governance proportional to the scheme structure and complexity; and
- An insight into forthcoming legislation in relation to DC investment and stewardship.

A summary of current issues is presented by the Trustees' advisers at the quarterly Trustee meetings to ensure the Trustees are up to date with pensions and trust law and the principles of funding and investment as far as it relates to DC pensions. Updates over the Scheme Year included:

- The DWP's consultation on how to help savers understand their retirement choices;
- Pensions Dashboard developments;
- Deferred small pots and the DWP call for evidence on two possible solutions;
- Simpler annual benefit statements for DC schemes used for auto-enrolment;
- DWP consultation on broadening investment opportunities for DC schemes and removing performance-based fees from the DC charge cap;
- Joint FCA/DWP consultation on new VFM framework;
- PASA guidance on DC transfers; and
- Automatic enrolment and possible future developments.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 3 - Value for Members assessment for the year ended 31 March 2023 (continued)

The Trustees have responsibility for keeping themselves up-to-date with relevant developments on a rolling basis and carry out a self-assessment of their training needs. A Training Log is maintained by the Scheme Secretary.

In addition, the Trustees receive advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors.

The Trustees have access to an online document system, hosted by Isio, which holds details of all the meeting papers for Trustee board, together with the Trust Deed and Rules and various other formal scheme documents, such as the Statement of Investment Principles. This ensures that the Trustees remain conversant with the Scheme's documentation.

The Trustees' level of knowledge and understanding meets the legislative requirements set out in Sections 247 and 249 of the Pensions Act 2004 (and regulations made under those sections). The Trustees also follows the guidance provided by TPR on trustee knowledge and understanding and scheme management skills. The Trustees describe annually in the Chair's Statement how well they have performed against these requirements.

Examples of how the Trustees meet the legislative requirements and follows the guidance include:

- The Trustees hold board meetings at least quarterly, which ensures that sufficient time is spent running the scheme.
- The Trustees represent a variety of different skills, experiences and backgrounds relevant to meet the needs of the EGNIPS, meeting the need for diversity of background, experience and skills. To ensure Trustees have the necessary knowledge and understanding to carry out their role and act in the best interest of members, a record of training undertaken and plans for future training is kept in their Trustee Training Log.
- The Trustees are able to demonstrate effective leadership skills through their experience, qualifications achieved, and appointments held. The Trustees will carry out periodically an assessment of their own effectiveness as a decision-making body.
- The EGNIPS reviews the performance of investment managers quarterly, and the investment adviser (compared to objectives) annually. The Trustees are in regular contact with the employer and has a constructive relationship.

When assessing Level of trustee knowledge, understanding and skills to operate the pension scheme effectively the scheme is deemed to provide good Value for Members.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 3 - Value for Members assessment for the year ended 31 March 2023 (continued)

Quality of communication with scheme members

Not only are the statutory obligations (the information that must be communicated to EGNIPS's members by the Trustees as a minimum) as set out in the Disclosure Regulations satisfied but, the Trustees' communications also:

- Give information to EGNIPS's members in an accurate, clear and concise way which is easy for them to understand, as demonstrated by the Trustees' Member Booklet (most recently updated as at April 2021).
- Acknowledge members' preferences for mode of communication, and technology and digital platforms are used as appropriate; the Member Booklet and Chair's Statement are available online, as are Annual Statements.
- Ensure both quality and timeliness in the following:
 - Information and guidance in relation to the rights to transfer to another scheme.
 - The quality of guidance on spotting potential scams.
 - Information to help with decision making on investment options.
 - Information in the retirement wake up pack.
 - General signposting of members to various guidance bodies.
 - Information to help with decision making on pension saving, including, for example, an indication of the value at retirement and the impact of contribution levels on that value.

Communications are regularly reviewed and updated as and when required.

When assessing *Quality of communication* with scheme members the scheme is deemed to provide good Value for Members.

Effectiveness of management of conflicts of interest

The Trustees acknowledge that conflicts of interest may arise either among Trustees, between Trustees and the employer or scheme provider, or with service providers and advisers. In light of this, the Trustees have in place:

- A conflicts of interest policy and a set of written procedures that set out the identification, management, and monitoring approach for conflicts of interest, and which is reviewed on an annual basis.
- Controls to ensure all Trustees are aware of the requirement to declare and discuss any (potential) conflicts.
- Controls to ensure conflicts are declared at the start of every quarterly EGNIPS Trustee meeting.
- Controls to ensure all conflicts of interest are declared upon appointment of Trustees and other service providers.

When assessing *Effectiveness of management of conflicts of interest*, the scheme is deemed to provide good Value for Members.

Conclusion

When assessing the Administration and Governance of the EGNIPS, the scheme is deemed to provide good Value for Members.

Energia Group NI Pension Scheme

Chairman's Defined Contribution Governance Statement for the year ended 31 March 2023 (continued)

Appendix 3 - Value for Members assessment for the year ended 31 March 2023 (continued)

Overall assessment of Value for Members

As evidenced over the 3 sections above, the EGNIPS is deemed to provide Good Value for Members, in line with the assessment criteria as set out in the Guidance.