UNITED UTILITIES PENSION SCHEME

DC GOVERNANCE STATEMENT – YEAR ENDED 31 MARCH 2024

1. Introduction and Governance Arrangements

1.1 This statement describes how the Trustee has governed the Defined Contribution (DC) Section of the Scheme during the year. The Occupational Pension Schemes (Scheme Administration) Regulations 1996 require the Trustee to include an annual statement regarding governance in the annual report. This statement covers the period from 1 April 2023 to 31 March 2024.

1.2 The Trustee Board delegates certain DC matters to its DC Sub-Committee (DCSC). The Trustee Board has agreed appropriate terms of reference for the DCSC, which meets at least four times each year to consider matters relating to the DC Section. The DCSC reports on a quarterly basis to the Trustee Board.

1.3 The DCSC is supported by an independent DC investment adviser, who also covers wider DC matters and governance, and attends DCSC meetings. The Trustee's legal advisers provide additional support and attend meetings as required. Day-to-day support to the DCSC is also provided by the employer's in-house pensions team.

1.4 The statement covers four principal areas:

1. Investment, including the Scheme's default investment arrangements.
2. Internal controls, with particular focus on the processing of core financial transactions.
3. Value for members, including charges and transaction costs borne by members.
4. The knowledge and resources available to the Trustee, including how the Trustee maintained the statutory levels of knowledge and understanding to govern the Scheme and how these help the Trustee to ensure that the Scheme is governed effectively.

2. Investment Arrangements

Introduction

2.1 A copy of the Scheme's Statement of Investment Principles (SIP), prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 is included within the Annual Report and online through UUPS SIP[1]. The SIP covers the Trustee's aims and objectives in relation to the default investment arrangement as well as policies in relation to risk, diversification, and environmental, social, and governance (ESG) matters. It also states why the Trustee believes the default investment arrangement to be designed in members' best interests.

2.2 During the year, while there were no changes to the overall DC investment strategy, the SIP was reviewed and updated, primarily to reflect changes to the investment arrangements of the Defined Benefit (DB) Section of the Scheme. The Trustee also prepared a policy on illiquid assets in respect of the default investment strategy of the DC Section, as required under new regulations.

2.1 The current SIP is dated December 2023. This SIP was agreed at the Trustee meeting held on 5 December 2023.

Current Default Investment Strategy

2.2 For members who don't make an investment choice, contributions are invested in a default investment strategy. The default investment strategy during the year was the Retirement Flexible Income Fund Lifestyle. This strategy is designed to meet the needs of members who intend to remain invested when they start drawing benefits and assumes that members invested in the strategy will take benefits out in stages, via income drawdown. Currently, the Scheme does not provide an income drawdown facility, but members are able to transfer out of the Scheme when they take their benefits in order to access such a policy.

[1] The full address for the website where the SIP can be found is: https://www.unitedutilities.com/corporate/careers/pensions/information-library/

2.3 The default strategy invests in equities and other growth-seeking assets during its growth phase, when members are further from retirement. Starting from 10 years prior to each member's selected retirement date (or the member's default normal retirement date where none is selected), investments are gradually switched into a balanced mix of assets by the year of the member's normal or selected retirement date, including cash, corporate and government bonds, global equities and alternative assets such as property and infrastructure (accessed using diversified growth funds).

Strategic Review of Default Investment Strategy

2.4 No changes have been made to the default strategy during the year. The last triennial review of the default investment strategy commenced during the Scheme year ended 31 March 2022, and further review work was undertaken in the year to 31 March 2023. For completeness and to document the review in its entirety, we outline below the steps of the last triennial review.

2.5 In February 2022 the following aspects of the strategic review were considered:

- **Membership analysis.** In considering the membership profile, the DCSC reviewed the size of members' savings pots, the range of pot sizes, the age profile and the projected size of members' benefits at retirement.
- **Member outcomes analysis.** Using the Pension and Lifetime Savings Association (PLSA) Retirement Living Standards, analysis prepared by the DC adviser considered whether the default investment arrangement was on track to provide good member outcomes in retirement. This was considered for different types of member circumstances / roles within the business.
- **Analysis of retirement experience.** A detailed review of the experience of the Scheme was completed, in terms of the age at which members take benefits, and the way in which they withdraw funds (e.g. cash, annuity, or transfer out to access drawdown). This was particularly useful when deciding on the target benefit type for the default strategy.
- **Consideration of broader UK-wide experience.** Using the Financial Conduct Authority (FCA) Retirement Income Market Data, the review considered industry trends in the withdrawal of funds at retirement from DC pension schemes.

2.6 Following the stage of the review described above, it was agreed that the objective (in particular, the "at retirement target") of the current default investment strategy remained appropriate – i.e. to retain the flexible retirement target of the strategy.

2.7 The review moved on to consider the composition of the funds used within the default investment arrangement. The review included assessment of the following aspects:

Level of equity risk

The default strategy invests in equities and alternative assets (the latter via diversified growth funds). The review tested whether the level of equity risk remained appropriate.

Investment Manager review

A review of the investment managers in place was undertaken, including consideration of performance and forward-looking assessments.

Integration of ESG factors

The review considered whether there were further opportunities to integrate environmental, social, and governance factors within the investment strategy.

2.10 As a consequence of the review, the Trustee decided to replace one of the underlying diversified growth funds used within the default strategy. A manager selection exercise was undertaken and a replacement fund was implemented in January 2023. This new investment fund has lower charges than the prior fund. Taken together with the stronger integration of ESG factors and the higher level of confidence in this fund meeting its objectives, the change was deemed to contribute to enhancing value for members.

2.11 The next triennial strategic review of the default strategy will be carried out in 2025.

Investment Governance

2.12 In addition to the strategic reviews described above, the Trustee has an investment governance framework in place in order to monitor the investments regularly. This includes considering performance and risk metrics on a quarterly basis, using reporting provided by the DC adviser. The quarterly reports incorporate consideration of:

- Fund performance after fees relative to fund benchmarks, peer group levels (where relevant) and also relative to inflation measures (for the default investment strategy).
- Investment manager research ratings published by the Trustee's investment adviser. These ratings include an assessment of each manager's ESG capabilities and the extent to which ESG issues are integrated into investment processes and portfolios.
- Analysis of member experience throughout the de-risking path.
- Risk analysis, including the volatility and experience of capital loss within the default strategy.
- Members' retirement experience, in order to assess whether the default investment strategy aligns with the actual retirement benefits typically accessed by members when they draw their DC benefits from the Scheme.

2.13 The DCSC also met two of the investment managers used within the range of funds available to members. At these meetings, the DCSC received updates on investment performance, discussed how the managers are integrating ESG factors within their investment process and portfolio, and how they use stewardship (voting and engagement) to manage ESG related risks and opportunities.

Net Investment Returns

2.14 Since 1 October 2021, the trustees are required to calculate and state the historical returns of the investment funds available to members, after deduction of transaction costs and charges.

2.15 Investment returns after charges and costs for the funds available to members during the year are provided in the tables on the following pages, using data sourced from Aegon. Note that 15-year and 20-year returns (and in some cases, returns over shorter periods) are not available because a number of the Scheme's funds were only launched by the investment manager or added to the Scheme more recently. Returns since inception have been included in order to provide the longest history possible, and in certain cases the performance history for the underlying pooled fund has been shown, again to provide as long a period as possible.

2.16 Note that in respect of the very small legacy additional voluntary contribution policy held with Clerical Medical, these assets are invested in a with-profits arrangement where annualised returns do not represent the likely experience of individual members, as there are guarantees and specific fund terms linked to terms of investment and expected termination dates. Therefore, they are not shown in the table to avoid providing potentially misleading information.

2.17 To provide some context, on the fund returns, the year to 31 March 2024 was a mixed period for investment markets. Some traditionally defensive assets produced negative returns – for example, long term UK inflation linked government bonds fell by -7.8%, driven by concerns about higher interest rates. Global equity markets were much more positive, after a difficult year in 2022. This sort of volatility does happen periodically, but it is worth bearing in mind that retirement saving is a long-term investment, and in the long run the impact of volatility is expected to smooth out.

Default strategy – Retirement Flexible Income Fund Lifestyle Returns (Net of Fees) % p.a.					
Age of member	**1 year**	**5 years**	**10 years**	**Since inception**	**Inception date**
Up to age 55 (UUPS Medium Growth)	12.4	5.6	5.2	5.1	28/02/2014
60 (part way through de-risking)	10.6	4.5	Not available as the Scheme made changes to the default strategy over the period.		
65 (based on the at-retirement asset allocation)	8.8	3.5			

Other funds - Net of Fees Returns % p.a.					
Fund	**1 year**	**5 years**	**10 years**	**Since inception**	**Inception date**
UUPS Medium Growth	12.4	5.6	5.2	5.1	28/02/2014
BlackRock Corporate Bond All Stocks Index	6.2	-0.5	2.4	3.5	31/03/2010
BlackRock Up to 5 yrs Index Linked Gilt Index	4.4	2.9	N/a	N/a	28/03/2019
DC Cash	5.0	1.5	N/a	N/a	31/03/2017
UUPS Blended Bond	5.3	1.3	3.7	3.7	28/02/2014
UUPS Defensive	5.2	1.4	3.0	3.0	28/02/2014
UUPS Higher Growth	14.4	6.7	6.3	6.2	28/02/2014
UUPS Lower Growth	9.7	4.0	4.7	4.6	28/02/2014
UUPS Diversified Growth	7.4	2.8	2.1	2.0	28/02/2014
UUPS Property Fund	0.3	1.5	5.2	5.3	28/02/2014
UUPS Corporate Bond	7.6	0.8	2.4	2.5	28/02/2014
UUPS Ethical UK Equity	6.7	4.9	5.5	5.1	28/02/2014
UUPS Shariah Global Equity	29.3	16.7	15.3	15.2	28/02/2014
UUPS Global Emerging Market Equity	4.7	3.3	6.6	6.6	28/02/2014
UUPS Sustainable Global Equities	21.0	Fund only added to range in 2023			30/06/2021
BlackRock UK Equity Index	6.8	4.7	5.4	6.9	31/10/2009
BlackRock (30/70) Currency Hedged Global Equity Index	19.0	9.4	8.7	9.2	30/09/2010
BlackRock (50/50) Global Equity Index	13.0	8.0	8.3	8.9	31/10/2009
BlackRock US Equity Index	28.2	15.3	15.7	15.7	31/07/2010
BlackRock European Equity Index	12.8	9.8	8.3	8.8	31/07/2010
BlackRock Japanese Equity Index	22.3	8.4	10.0	8.5	31/07/2010
BlackRock Pacific Rim Equity Index	4.2	4.7	6.6	6.0	30/09/2010
BlackRock Over 15 Year Gilt Index	-4.8	-8.3	0.2	2.0	31/10/2009
BlackRock Over 5 Yr Index-Linked Gilt Index	-7.8	-6.8	1.1	3.0	31/10/2009
BlackRock Over 15 Yrs Corporate Bond Index	5.1	-3.6	2.1	3.7	31/10/2009
BlackRock Emerging Markets Equity Index	5.0	2.6	N/a	N/a	28/09/2017
L&G Pre-Retirement (available within lifestyle only)	3.2	-3.5	1.7	3.3	31/01/2007

Analysis for the default strategy assumes a retirement age of 65, and returns are based on a fixed weight average of underlying funds, using weightings at the ages shown.

Asset Allocation Disclosure as at 31 March 2024

2.18 The Trustee makes available asset allocation information on the Scheme's funds through quarterly factsheets which are available to members online.

2.19 Additionally, as part of changes introduced through the Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023, the Trustee is required to set out in this Statement the asset allocation of investments in the default strategy, at prescribed member ages. This is set out below. Note that as the strategic asset allocation of the Scheme's default investment arrangement does not change until a member is 10 years away from their target retirement date, the asset allocation at ages 25, 45, and 55 is identical.

	Allocation – Age 25 to 55 (%)	**Allocation – age 65 (%)**
Cash	4.5	39.1
Bonds (corporate and government)	18.0	21.7
Listed Equities	73.4	36.2
Private Equity	0.2	0.1
Infrastructure	0.0	0.0
Property/Real Estate	0.7	0.3
Private Debt/Credit	0.3	0.2
Other	3.0	2.4

Totals may not sum due to rounding.
Source: Investment managers. "Other" category includes commodities and derivatives. Note that the Scheme does invest in some private equity and infrastructure assets on an indirect basis, though as these are publicly listed assets (e.g. private equity and infrastructure company shares) they are categorised as listed equities.

3. Internal Controls and Core Financial Transactions

Introduction

3.10 The Trustee has appointed a professional third-party administrator, Aegon. The Trustee has received assurance from the administrator, and has taken steps to seek to ensure, that there were adequate internal controls to ensure that core financial transactions relating to the Scheme were processed promptly and accurately during the year. This includes investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between investments, and payment of benefits. Our processes in this regard are documented below.

Administration

3.11 The Scheme has established service level agreements (SLAs) with the administrator which include target timescales for processing core financial functions relating to contribution handling, quoting, switching and paying benefits. The target timescales are all well within applicable statutory timescales.

3.12 Administration performance against the SLA targets are monitored each quarter by the Trustee, via the DCSC and the in-house team. As at the end of March 2024, the total percentage level achieved against the Scheme-specific SLAs was 99% (up from 97% at the same date in 2023, and 83% in 2022). The average over the year was 98%.

3.13 As reported in last year's Statement, the administration service levels in 2021 and 2022 levels were disappointing, and the Trustee considered these to be unacceptable. Accordingly, the DCSC took a proactive approach to questioning the administrator, Aegon, about their service levels, and requested that an improvement plan be put in place. Aegon then reported on this plan at quarterly intervals, using key performance indicators and milestones on certain actions, to allow the DCSC to carry out enhanced monitoring and hold Aegon accountable for improvements. We are pleased to report that service levels have improved materially. The administrator remains under close scrutiny to seek to ensure that improvements are maintained.

3.14 To support this enhanced monitoring, on 19th March 2024, representatives of the DCSC and the in-house pensions team carried out an on-site visit to Aegon's administration centre. This allowed us to meet the member contact teams, and to hear from senior leaders within Aegon about their plans to invest in the business and ensure that service level expectations can be met. We also spent time questioning the administrator on cyber risk management and discussing how vulnerable customers are supported when they contact Aegon. The visit gave the Trustee confidence in the administration processes and controls in place.

3.15 Where items fall outside of the agreed service levels by more than 5 days, the administrator documents in quarterly reports (which are considered at each DCSC meeting) whether these instances relate to financially critical requests. For example, for the quarter ending 31 March 2024, within the overall SLA achieved (99%), the financially critical items also attained 99%.

3.16 The administrator includes information in quarterly reports that focus specifically on core financial transactions. This highlights, for example, the administrator's processes and controls in relation to checking and reconciling contributions and investment records.

3.17 Through the administrator, the quality of the common and conditional records in respect of member data is reviewed at least annually. The administrator provides an annual report to the Trustee summarising the quality of member records, allowing any actions to be identified and carried out.

3.18 The DCSC also reviews member feedback on their interactions with the administrator, primarily by reviewing the administrator's "net promoter score", which is reported quarterly. We have been pleased to note improving scores during the year, although there has been month-to-month variability. Again, this will be carefully monitored by the DCSC.

Broader Controls

3.19 The Scheme has put arrangements in place to seek to ensure that detailed disaster recovery plans are in place with the administrator, other relevant third parties, and within the employer. Business continuity plans were tested in 2020 when the Covid-19 pandemic triggered a UK-wide lockdown, and we are pleased to confirm that smooth running of the Scheme has continued throughout the last four years, all of which were affected to some degree by the pandemic (either by way of lockdown rules, or by the longer term impact of the pandemic on provider services and resources, and changes in ways of working). The DCSC and Trustee now meet using a combination of virtual and in-person meetings, which has allowed greater flexibility on meeting arrangements, and helps to encourage diversity and inclusion in the way that we operate.

3.20 The Trustee requires all third-party providers to share their data security and cyber risk policies with the Trustee. The policies are reviewed and the parties are questioned on any areas requiring clarity.

3.21 The administrator provides an independently produced Audit and Assurance Faculty (AAF) internal controls audit report each year. For the Scheme year, the report received was for the period 1 October 2022 – 30 September 2023 and noted the Independent Service Auditor's opinion that, in all material aspects, the administrator's controls were suitably designed and those tested operated effectively.

3.22 The Trustee maintains a Risk Register which outlines the risks to members and the Scheme, including those in relation to financial transactions, and considers the impact, likelihood, controls and mitigation steps for each risk. The Risk Register at the total Scheme level is maintained by the Scheme's Governance, Risk and Audit Sub-Committee. The risks relating to the DC Section are then considered at each DCSC meeting, with additional oversight from the Trustee board. The DCSC seeks to integrate the output of the Risk Register with its strategic agenda; that is, we focus our time on significant risks and / or those where practical action can be taken to mitigate the risks.

3.23 The Trustee has appointed a Registered Auditor to undertake an annual audit.

3.24 The Trustee is pleased to confirm that in the last Scheme year there were no material administration service issues which need to be reported here by the Trustee. We are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly.

Legacy Additional Voluntary Contributions (AVCs)

3.25 In addition to governing the DC Section, the Trustee has oversight of the benefits, investments, and core financial transactions relating to legacy AVC policies with Clerical Medical. These transactions are limited given the small number of members who retain such benefits. The Trustee is satisfied that there have been no material service issues in respect of these policies.

4. Value, Charges and Transaction Costs

Introduction

4.10 The range of the levels of charges and transaction costs applicable to the investment arrangements during the period are detailed in this section.

4.11 The total expense ratio (TER) shown in the table reflects the annual total costs associated with managing a fund, including investment management fees, fund legal fees, administration fees, and any other expenses. In relation to transaction costs, these costs can be incurred when buying and selling investments. They are not explicitly deducted from a fund but are captured in its performance (in other words, the higher the transaction costs, the lower the return produced). The Financial Conduct Authority has provided guidance regarding calculation and disclosure of these costs. Due to the way in which the costs must be calculated, they can be negative or positive; a negative figure is effectively a gain from trading activity, whilst a positive figure is a cost from trading activity. The Trustee would not expect any gains from trading activity to be repeated in future years.

Charges and Transaction Costs for the Scheme

4.12 In the following table, we set out the charges and transaction costs applicable as at 31 March 2024. Funds used as part of the default investment option are shaded in blue. We can confirm that none of the fund options offered by the Scheme include any performance-based charges.

Fund	Total Expense Ratio % p.a.	Transaction Costs %
UUPS Medium Growth	0.39	0.09
BlackRock Corporate Bond All Stocks Index	0.19	0.00
BlackRock Up To 5 Year Index-Linked Gilt Index	0.20	0.05
DC Cash	0.21	0.02
UUPS Blended Bond	0.21	0.03
UUPS Defensive	0.21	0.02
UUPS Higher Growth	0.35	0.06
UUPS Lower Growth	0.30	0.06
UUPS Diversified Growth	0.48	0.14
UUPS Property Fund	0.98	0.00
UUPS Corporate Bond	0.59	0.12
UUPS Ethical UK Equity	0.39	0.04
UUPS Shariah Global Equity	0.62	0.02
UUPS Global Emerging Market Equity	1.35	0.25
UUPS Sustainable Global Equities	0.30	0.02
BlackRock UK Equity Index	0.18	0.11
BlackRock (30/70) Currency Hedged Global Equity Index	0.24	0.00
BlackRock (50/50) Global Equity Index	0.19	0.03
BlackRock US Equity Index	0.19	0.01
BlackRock European Equity Index	0.20	0.01
BlackRock Japanese Equity Index	0.19	0.01

Fund	Total Expense Ratio % p.a.	Transaction Costs %
BlackRock Pacific Rim Equity Index	0.21	0.00
BlackRock Over 15 Year Gilt Index	0.19	0.02
BlackRock Over 5 Year Index-Linked Gilt Index	0.19	0.00
BlackRock Over 15 Years Corporate Bond Index	0.20	0.02
BlackRock Emerging Markets Equity Index	0.36	0.00
L&G Pre-Retirement (available within lifestyle only)	0.30	0.00

Source: Aegon. Charges as at 31 March 2024, transaction costs cover 12 months to 31 March 2024.

Impact of Costs and Charges

4.13 Using the charges and transaction cost data provided by Aegon and in accordance with Regulation 23(1)(ca) of the Administration Regulations, the Trustee has prepared illustrations demonstrating the possible impact of costs and charges typically paid by a member on their retirement savings. Statutory guidance has been considered when providing these examples and the Trustee has not deviated from that guidance.

4.14 To represent the range of funds available to members we are required to show the effect on an example member's savings of investing in the following:

- The fund or strategy with the most members invested (i.e., the most popular option).
- The fund(s) available as self-select options with the highest charges.
- The fund(s) available as self-select options with the lowest charges.

4.15 The illustrations take into account contributions and real terms assumed investment returns gross of costs and charges, adjusted for the effect of costs and charges (using assumptions made in the Scheme's Statutory Money Purchase Illustrations).

4.16 The illustrations are estimates and are not guaranteed. Projected values are shown in today's terms and do not need to be reduced for the effect of assumed future inflation. The starting pension pot size is assumed to be £0.

	Default strategy and most popular option: Retirement Flexible Income Fund Lifestyle		Highest cost fund: UUPS Global Emerging Market Equity		Lowest cost fund: BlackRock Over 15 Year Gilt Index	
Year End	Pot size with no charges incurred	Pot size with charges incurred	Pot size with no charges incurred	Pot size with charges incurred	Pot size with no charges incurred	Pot size with charges incurred
1	£6,840	£6,804	£6,849	£6,744	£6,712	£6,699
5	£35,864	£35,305	£36,142	£34,482	£32,405	£32,223
10	£76,201	£74,002	£77,419	£70,932	£62,071	£61,443
15	£121,568	£116,415	£124,563	£109,462	£89,231	£87,942
20	£172,592	£162,902	£178,406	£150,191	£114,097	£111,972
25	£229,980	£213,855	£239,900	£193,245	£136,861	£133,764
30	£294,524	£269,702	£310,134	£238,756	£157,702	£153,526
35	£367,118	£330,912	£390,348	£286,865	£176,783	£171,447
40	£447,963	£397,351	£481,961	£337,719	£194,251	£187,698
45	£521,020	£455,912	£586,594	£391,475	£210,243	£202,436
49	£564,013	£489,410	£680,908	£436,681	£222,058	£213,231

Source for underlying data: Aegon. Notes:

i. Projections have been prepared with a time period based on the term of the expected age of the youngest member (age 16), up until the Scheme's Normal Retirement Age (65).

ii. Contribution rates are assumed to be in line with the Scheme median, which is 7% for the employee, 14% for the employer.

iii. An example salary is used to calculate contributions, based on the median salary baselined in the 2020 statement increased annually using an inflation measure. The example salary used above is £32,222 p.a.

iv. Projected growth rates assumptions are based on those used for Statutory Money Purchase illustrations (SMPI) as at 31 March 2023, the most recently agreed version at the time of preparation of this illustration.

v. Price inflation is assumed at 2.5% p.a. (in line with SMPI requirements).

vi. Salaries are assumed to grow in line with inflation.

vii. If the expected return assumed is lower than the inflation rate, this produces a negative growth rate after allowing for inflation.

viii. Regulations require that where possible the transaction costs assumed are based on an average of the previous five years' transaction costs, where available. Accordingly, the transaction costs used are an average across the 5-year period to 31 March 2024.

Value for Members

4.17 The Trustee assesses annually the extent to which the charges and transaction costs set out above represent good value for members and has concluded, following receipt of reports from its DC adviser, that the Scheme offers good value for money relative to peers including other pension schemes of a similar size and nature (using data from Mercer and other publicly available surveys), and relative to options available to the Trustee with alternative investment managers and providers.

4.18 The Trustee conducts an annual Value for Money assessment in order to arrive at this conclusion, which incorporates consideration of:

- Total expense ratio charges borne by members.
- Transaction costs borne by members.
- Net of cost performance.
- Governance arrangements.
- Fund range available to members.
- Investment manager and platform provider ratings, provided by the DC adviser.
- Administration service levels.
- Additional member services, including communications, services and member tools.

4.19 Alongside the annual review noted above, the Trustee has established an ongoing fee review process with the administrator, whereby a formal review of member-borne charges is undertaken either every three years or at the end of the calendar year that the Scheme's total assets under administration reaches certain agreed levels. The last full review was completed in 2021/22, which resulted in charges being reduced for a number of funds in June 2022. This negotiation and the subsequent reductions supported the Trustee's continued commitment to ensuring that members receive good value for money through the Scheme.

5. Trustee Knowledge and Understanding

Introduction and Policies

5.1 The requirement under the Pensions Act 2004 (requirement for knowledge and understanding) has been met during the Scheme year by the Trustee as a body in dealing with the whole Scheme, not just the DC Section.

5.2 The Trustee Board has in place a Trustee Director Training Policy, which sets out the Trustee's procedures and approach to meeting the Pensions Regulator's Code of Practice (No.7) on Trustee Knowledge and Understanding. The Trustee is currently reviewing its compliance with the Pension Regulators General Code of Practice introduced in March 2024, with a view to updating its policies and processes to ensure compliance with any new requirements.

5.3 The Trustee has also established arrangements for ensuring its Trustee Directors take personal responsibility for keeping up to date with relevant developments and each quarter consider training requirements. Training logs are maintained for each Director and training for the full board and its Sub-Committees is provided regularly during quarterly meetings. Training plans are bespoke, and tailored to issues that arise on the Trustee's business plan. Training plans are also discussed at the annual one-to-one meetings with the Chair of the Trustees.

5.4 Alongside dedicated Scheme-specific training events and meetings, the Trustee Directors also attend external webinars and events.

5.5 The Trustee has adopted a robust training programme in place for newly appointed Trustee Directors. Upon appointment, a Trustee Director is required to undertake an induction process. This includes a training session with the in house pension department and completion of the Pensions Regulator's Trustee Toolkit.

5.6 The Trustee is conversant with, and has demonstrated a working knowledge of, the Trust Deed and Rules. If there are any ambiguities over the interpretation of the Trust Deed and Rules, legal advice is sought from the Scheme's legal advisers. The Trustee is also conversant with, and has a working knowledge of, the SIP, including the requirement that came into force during the last year in relation to preparing a policy on the use of illiquid assets in the DC Section of the Scheme. The SIP is reviewed annually, which allows the Trustee to ensure that it maintains a good working knowledge of this document and the policies it contains.

5.7 In addition, the Trustee receives advice from professional advisers and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers.

Activity During the Scheme Year

5.8 During the course of the year, the training topics considered by the DCSC were delivered, for example, through the DC adviser's "current topics" training material, which is tabled at each DCSC meeting. During the year, training included discussion of the following topics:

16 May 2023 DCSC meeting

- Climate change reporting and climate scenario analysis.
- Details of the UK Government's Spring Budget 2023.
- Discussion of the gender pensions gap.

6 September 2023 DCSC meeting

- New requirements for SIPs in relation to illiquid asset policies.
- A revised timeline for the launch of Pensions Dashboards.
- Biodiversity and natural capital.

14 November 2023 DCSC meeting

- Illiquid assets for DC schemes.
- Diversity, equity, and inclusion, including new guidance from the Pensions Regulator in this area.

- Changes to pensions tax rules and the removal of the Lifetime Allowance.

27 February 2024 DCSC meeting

- The Government's Autumn Statement, which saw the announcement of a number of pensions related developments.
- Upcoming changes to the "value for money" framework for assessing DC pension schemes.

5.9 The Trustee holds an annual dedicated training day. The topics considered at the training day during the Scheme year held on 19 September 2023 that are relevant to the DC Section were:

- Climate change, including reporting under the Taskforce on Climate Related Financial Disclosures (TCFD) framework.
- Diversity, equity, and inclusion.
- Cyber risk and data protection.

5.10 The Trustee periodically conducts assessments of its effectiveness. These assessments include candid feedback on the Trustee's operating framework and performance generally. They also provide insight to areas where we can improve our effectiveness by identifying training needs.

5.11 All of the Trustee Directors in office over the full Scheme year period have completed the Pension Regulator's Trustee Toolkit.

5.12 Taking account of actions taken individually and as a trustee body, and the professional advice available to them, the Trustee Directors consider they are enabled properly to exercise their function as a Trustee.

6. Trustee Statement of DC Governance

6.1 The Trustee considers that its systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator's Codes of Practice.

Signed for and on behalf of United Utilities Pensions Trustee Limited

Date 30 September 2024

G Dixon

Chair of United Utilities Pensions Trustee Limited