

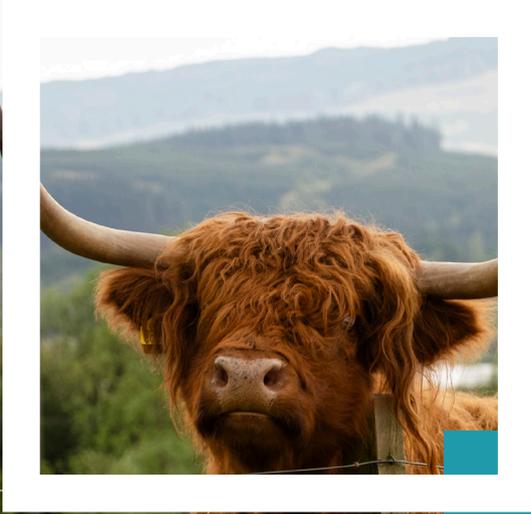


For members of the Scottish Hydro-Electric Pension Scheme

Pension update

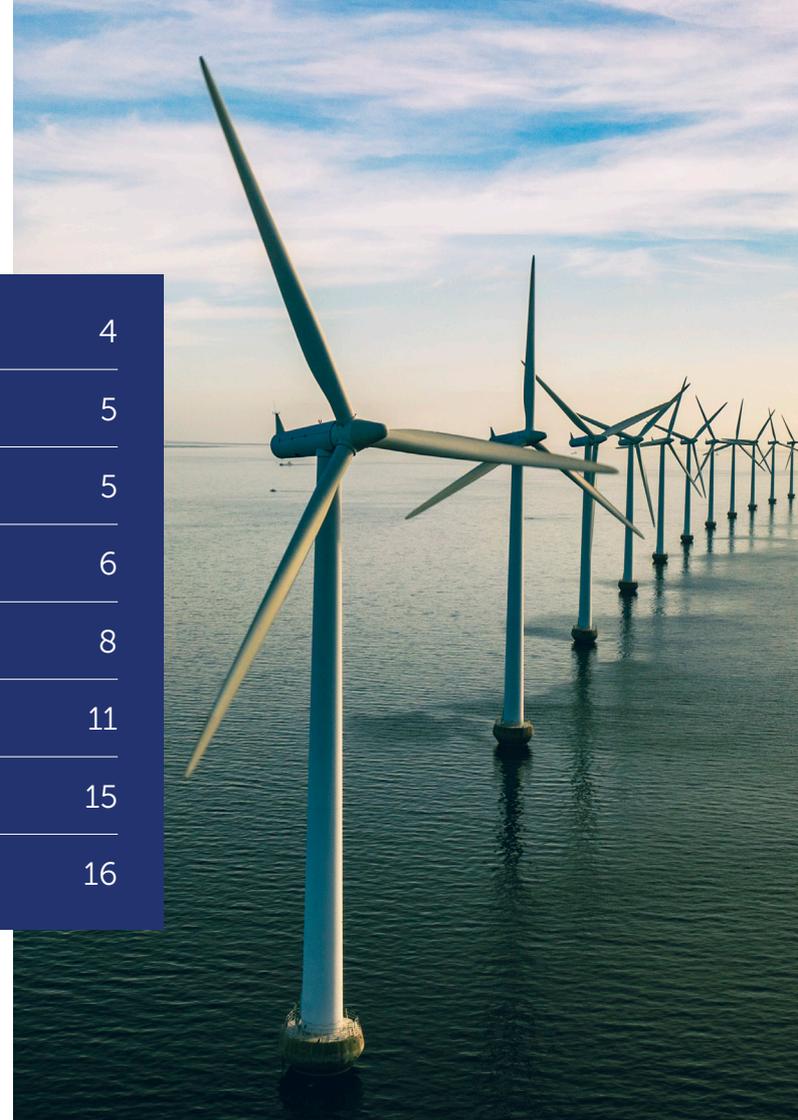
News, summary accounts & funding update

January 2026



Look inside

Scheme noticeboard	4
Accounts summary	5
Membership	5
Investment update	6
Pensions news	8
Summary Funding Statement	11
Looking after the Scheme	15
Contact us	16



Welcome

I'm very pleased to present this year's update from the Trustee of the Scottish Hydro-Electric Pension Scheme.

The results of the latest actuarial update of the Scheme, which looked at the position as at 31 March 2025, are provided in the Summary Funding Statement on page 11. I am pleased to report that the funding level remains very healthy, rising to 123% since the valuation in 2024.

You will also find the usual summary of Scheme accounts on page 5, as well as an overview of the Scheme's investments on pages 6 and 7. If you would like to see the full report & accounts, you can request a copy from the pensions department, whose details are on the back page of this newsletter.

Pension scams can take many forms and usually appear to be a legitimate investment opportunity, but pension scammers are clever and know all the tricks to get you to hand over your savings. On page 9, we've included some red flags to look out for that will help our members stay safe against scams.

Don't forget to also take a look at the latest pensions news on page 8, where you will find details on recent changes to inheritance tax, an update on pensions dashboards and an article highlighting the potential tax implications of the rising State pension.

I very much hope that you find this report useful and engaging. If there is a particular topic you would like to see us cover in a future update, or if you have any questions or queries, please get in touch using the contact details on the back page.

Gavin Brydon

Chair of the Trustee

Scheme noticeboard

Pension increases

Pensions in payment are increased on 1 April each year in line with inflation as measured by the Retail Prices Index (RPI) as at the previous September.

The pension increases that will apply from 1 April 2026 are as follows:

Class 1 (joined the Scheme prior to 1 January 1996): 4.5%

Class 2 (joined the Scheme between 1 January 1996 and 31 March 2006): 4.5%

Class 3 (joined the Scheme after 1 April 2006): 3%*.

*this is the maximum required by the Rules for this group of members.

New website: coming soon

We've been working hard behind the scenes on our new pensions website, which we hope to launch over the coming months.

The new website will feature bespoke member areas so you can find information relevant to you and your pension in three clicks or less. You'll also be able to read about the Scheme in general, log in to the member portal and find answers to some commonly asked questions.



Accounts summary

This table gives a summary of the Trustee's formal accounts for the year to 31 March 2025, showing the Scheme's income and expenditure over the period.

If you would like to see a full copy of the report & accounts, you can request one from the pensions department. Their contact details are on the back page.

Value of the Scheme assets as at 31 March 2024	£1,402m
+ Money coming in	£1m
- Money going out	£60m
- Change in the value of investments	£74m
Value of the Scheme assets on 31 March 2025	£1,269m

Over the course of the year the value of both the Scheme's liabilities and assets have fallen due to changes in market conditions. This is in keeping with the Scheme's investment strategy which is designed so that movements in the value of liabilities (positive or negative) will be broadly offset by movements in the value of the Scheme's assets, in turn ensuring that the overall funding position of the Scheme remains stable.

Membership

As at 31 March 2025, you were one of 4,271 members of the Scheme.

Pensioners (and dependants) **3,238**

Deferred pensioners **771**

Contributing members **262**

Total **4,271**



Investment update

The Trustee is responsible for setting the investment strategy for the Scheme, which they do after taking advice from their investment advisers.

The investment policy is formally set out in a document called the Statement of Investment Principles (SIP). A supplementary Implementation Statement is published annually, which explains how the Trustee has implemented this strategy. Both documents are available at <https://ssepensions.com>

Investment managers

As at 31 March 2025, the Scheme's investments were managed by:

- Adams Street Partners LLC
- HPS Investment Partners
- Insight Investment.



Buy-in insurer

Pension Insurance Corporation, 14 Cornhill, London EC3V 3ND

Investment performance

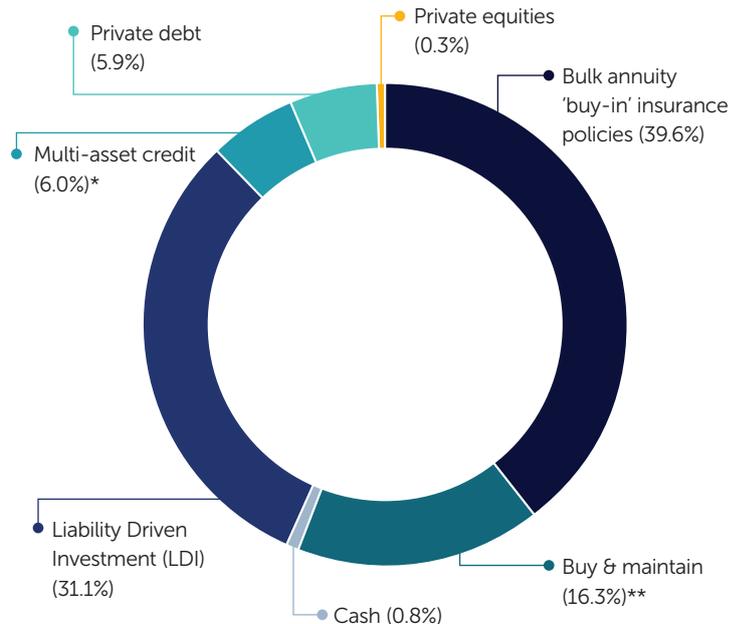
In the 12 months to 31 March 2025, the Scheme's investments (excluding the buy-in policies and private credit portfolio) returned -4.2% compared with a benchmark of -8.4%.

Asset allocation

The current investment strategy is to hold:

- 20% in debt and income-returning investments
- 80% in bond investments, which provide an overall broad match with the Scheme's long-term liabilities. This includes Liability Driven Investment (LDI) and two pensioner buy-ins. These holdings hedged approximately 95% of the impact of interest rate and inflation movements on the gilts-based liabilities as at 31 March 2025.

As at 31 March 2025, the Scheme's asset allocation is as follows:



* A mix of debt investments for income.

** Long-term bonds held for reliable income.

Pensions news

An update on pensions dashboards

Work continues on the government's pensions dashboards programme. When ready, the dashboards will allow you to access information about all your pensions that aren't yet in payment securely online and in one place.

The Scheme will be connecting to the dashboard ecosystems (provided by the Money and Pensions Service) by the end of 2025, but it won't be until autumn 2026 that all the UK's pension schemes are connected. Please be aware that scammers may attempt to take advantage of the project as it gains momentum and greater public awareness. At no point will anyone from a pensions dashboard provider contact you to ask for confirmation of any of your data.

Changes ahead for inherited pensions

The government is proceeding with plans to bring most unused Defined Contribution (DC) pensions and death benefits payable under registered pension schemes and qualifying non-UK pension schemes within the scope of inheritance tax. From 6 April 2027, unused DC pension pots and death benefits can no longer be automatically passed on tax free to your beneficiaries, but will instead be included in the value of your estate when working out if any inheritance tax is due. For many people, the change will have no impact. Inheritance tax isn't due if you leave your entire estate, regardless of its value, to your spouse (or civil partner) in the UK.

The Scottish Hydro-Electric Pension Scheme is a Defined Benefits (DB)

scheme, and any discretionary death benefits payable under the Scheme will not be impacted by these changes in legislation. The changes will apply mainly to any members who have DC pension savings. Death-in-service benefits will remain outside the scope of inheritance tax, and lump-sum payments from registered pension schemes made when an employee dies while still in service will continue to be exempt.

Inheritance tax at 40% is generally due on amounts over a nil-band threshold of £325,000 (or £500,000 if you leave your home to a direct descendant). The government has confirmed these levels remain fixed until 2030. The rules are complex and if you're concerned, you should get advice from an estate planning specialist when making your will.

Stay safe from scams

Pension scammers appear professional, and it's getting harder than ever to spot the difference between something that's genuine and something that's a scam. Here are three red flags that could indicate a scam:

1. Is the offer unexpected?

Cold calling about pensions is illegal. Legitimate pension providers won't ever contact you out of the blue. Be wary of 'free pension reviews' and promises of high or guaranteed returns.

2. Have you checked who you're dealing with?

The Financial Conduct Authority (FCA) has a Financial Services Register that you can check on its website. Use it to make sure anyone offering you advice or services is authorised to do so. Double check the contact details you've been given match those on the register.

3. Stop and think – are you being rushed or pressured?

Pressure to act quickly is a warning sign. Take your time to make all the checks you need – if it sounds too good to be true, it probably is.

If you have any concerns about a request for information, please contact the pensions team directly by phone or email. They can confirm whether the request is genuine, or advise where to find further information.

Getting impartial advice or guidance

MoneyHelper provides free and impartial information and guidance online, over the phone or via webchat. Call 0800 011 3797 or visit www.moneyhelper.org.uk



State pension increases

The government increases the State pension each year by an amount determined by the 'triple lock', ensuring that the rise is the higher of either 2.5%, Consumer Prices Index (CPI) inflation or average earnings growth. The amount of State pension you receive can differ from person to person, as it depends on your employment history.

From April 2025, the State pension increased by 4.1%, in line with the increase in average earnings. For people who reached State pension age after April 2016, this year's increase is a rise of nearly £500 a year, bringing the full State pension close to £12,000 a year for most UK pensioners. However, the amount an individual receives may differ from these headline figures.

Tax implications

It's important to remember that the State pension isn't paid tax free; it counts as part of your total income from all sources. If your total income is greater than your personal allowance (the amount you can earn before paying income tax), you'll need to pay income tax.

With tax thresholds expected to remain frozen until 2031, the State pension alone is edging ever closer to the standard tax-free

personal allowance, which is currently £12,570. So, if you're getting a full State pension and you have a workplace pension or any other form of income, you may find that you're paying tax on your Scheme pension for the first time, or that you're paying more tax than before.

Are you missing out on your pension?

The Department for Work and Pensions (DWP) has estimated that almost 200,000 people could be missing out on their full State pension entitlement as a result of errors in their National Insurance records, as the DWP admits it's struggling to reunite most with their money.

The error relates to Home Responsibilities Protection (HRP), which was available between 1978 and 2010 for people in receipt of Child Benefit or with caring responsibilities.

Anyone affected can retrospectively apply for HRP online or by post. Visit www.gov.uk/home-responsibilities-protection-hrp for more information.

Summary Funding Statement

The Scheme's actuary carries out an annual update in each year that falls between a formal triennial actuarial valuation.

The most recent formal actuarial valuation was completed as at 31 March 2024, with the next one due as at 31 March 2027. The table below shows the results of the most recent update, along with the results of the valuation.

	Update 31 March 2025	Valuation 31 March 2024
Assets	£1,263.8m	£1,376.3m
Liabilities	£1,031.2m	£1,146.1m
Surplus	£232.6m	£230.2m
Funding level	123%	120%

The Trustee is pleased to report that the Scheme's funding position remains healthy. The size of both the assets and liabilities have fallen by around 10% over the year to 31 March 2025. This was driven by changes in financial market conditions, in particular increases to interest rates, which caused the liabilities to fall. The Scheme's assets have been designed so that the investment performance largely mirrors the movement in the Scheme's liabilities, so the assets have also fallen. This approach ensures the funding level remains broadly stable.



What are assets?

Investments held by the Scheme for the payment of benefits.

What are liabilities?

The estimated cost of providing benefits for Scheme members.

What is the funding level?

The proportion of the liabilities that can be covered by the assets. This headline figure is an indicator of the Scheme's financial health at the date of the valuation. If the Scheme had exactly the same amount of assets and liabilities, the funding level would be 100%.

Payments to the Company from the Scheme

There have been no payments to the Company from the Scheme in the last year other than routine payments made in respect of the monthly pensioner payroll, recharge of Scheme invoices paid by the Company and pension administration employment costs.

Climate change

Our Taskforce on Climate-related Financial Disclosures (TCFD) report is available at <https://ssepensions.com>. The report outlines the steps the Scheme has taken to address climate-related risks, including analyses of how different climate scenarios might impact upon investments as well as details about the targets set by the Scheme to manage its climate-related risks and opportunities.

Protecting your benefits

The Company remains committed to supporting the Scheme so that members' pensions are paid in full. This includes paying ongoing contributions if required. However, if the Company was no longer able to support the Scheme, your benefits would be protected in a number of ways.

- **The Scheme could continue without the Company's support**

No more benefits would build up, and no new contributions would be made, but pensions could continue to be paid.

- **The Scheme could be wound up**

When a Scheme is wound up, its assets are sold and the money is used to buy policies from an insurance company which will pay members' pensions in the future. To secure members' benefits this way, insurance companies accept a one-off payment to pay pensions for life. On this basis, if the Scheme had been wound up on 31 March 2024, there would have been a surplus of £242.6m. Please note, this is only a theoretical figure since there are no plans to wind up the Scheme.

- **The Pension Protection Fund (PPF) could take over**

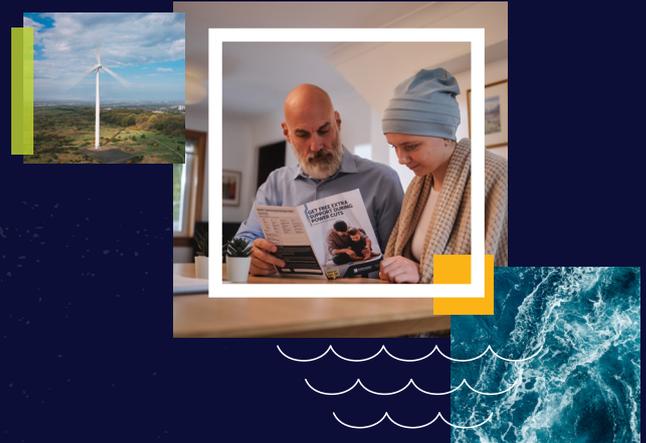
The PPF aims to provide compensation to members of final salary schemes if their employer goes out of business and the pension scheme does not have enough money to pay the benefits promised. You can find out more about the PPF at www.ppf.co.uk

We are required to provide this information in the interests of openness and transparency. The Trustee has no reason to believe that the Company will find itself in a position where it can no longer support the Scheme.

Scheme documents

The following documents are available on request from the SSE pensions department:

- The Statement of Funding Principles – which sets out the Scheme’s funding plan.
- The Statement of Investment Principles (‘SIP’) – which summarises the Trustee’s investment strategy.
- The Implementation Statement – which summarises how the Trustee has complied with and implemented the SIP, as well as highlighting voting behaviours.
- The Schedule of Contributions – which shows how much money is being paid into the Scheme.
- The annual report & accounts – which gives details of the Scheme’s overall financial position, including income and expenditure over the Scheme year.
- Governance statement – which sets out the Scheme’s compliance with the Pensions Regulator’s requirements in relation to money purchase AVC benefits.
- The actuary’s full report on the actuarial valuation of the Scheme – as at 31 March 2024.
- Member booklet – you will have been given a copy on joining the Scheme, but you can request another.



Running the Scheme

Six Trustee Directors take care of the Scheme, ensuring it is run in accordance with all applicable legislation and regulation, as well as the Scheme Rules. Three are appointed by the Company, and three are nominated by Scheme members.

Appointed by the Company – Employer-Nominated Trustee Directors ('ENTDs')

Gavin Brydon

Chair, Former Director of Group Risk and Audit

John Squire

Deputy Chair, Retired Director of Group Compliance

Michael Livingston

Director of Investor Relations

Nominated by members – Member-Nominated Trustee Directors ('MNTDs')

Iwan Morgan

Retired pensioner

Sandra Shipley

Employee Benefits Manager

Iain Millar

Retired pensioner

During the year, the Trustee was advised by:

Actuary

Lisa Deas, Hymans Robertson LLP

Investment adviser

Hymans Robertson LLP

Auditor

RSM UK Audit LLP

Legal adviser

Shepherd & Wedderburn LLP

Contact us

If you have any questions about your benefits in the Scheme, you can get in touch using the details below.

 Email us: pensions-se@sse.com

 Call us: 0345 071 9622

 Write to us: Pensions Department
SSE plc
Inveralmond House
200 Dunkeld Road
Perth PH1 3AQ

 Website: <https://ssepensions.com>

