

**ELECTRICITY SUPPLY PENSION SCHEME  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**





## **Electricity Supply Pension Scheme**

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## **Electricity Supply Pension Scheme**

### **MESSAGE FROM THE CHAIR OF THE SCHEME TRUSTEE**

#### **Changes during the year**

The notable events in the Scheme year ended 31 March 2021 were as follows:

- The Scheme paid benefits of £2.2 billion in the year and received contributions of £1.1 billion whilst the net returns on investments was £3.9 billion (net of fees);
- The Scheme's net assets have increased by £2.8 billion since the previous financial year-end, with total assets standing at £46.2 billion;
- The appointment of a new independent Chair, PTL Governance Limited (represented by Melanie Cusack), took place replacing Capital Cranfield Trustees Limited (represented by Joanna Matthews);
- The new ESPS website went live on 28 September 2020 ([www.espspensions.co.uk](http://www.espspensions.co.uk));
- Members of the Innogy Section of the Innogy Group transferred to the Innogy Section of the RWE Group and the total assets transferred were £4.452 billion as part of the restructure;
- Eggborough Group transferred all its assets to a scheme outside the ESPS and will soon be winding up; and
- The financial statements are no longer consolidated as the results of the subsidiaries are not included due to their immateriality. This change has no impact on the figures and the only change are amendments to certain disclosures.

#### **Acknowledgements**

I would like to convey many thanks to the Directors who served on the Board of Electricity Pensions Trustee limited ("EPTL") during the year for their service to EPTL and the Electricity Supply Pension Scheme ("ESPS") generally.

I also wish to convey our thanks and appreciation of the work of Capita Pension Solutions, who carry out the administrative and accounting functions on behalf of EPTL, and the work of our professional advisers and the Scheme custodians for the support they have provided over the year.

**Melanie Cusack of PTL Governance Ltd**  
CHAIR OF THE SCHEME TRUSTEE

Electricity Pensions Trustee Limited  
Date: 27 October 2021

## **Electricity Supply Pension Scheme**

### **INTRODUCTION**

The Annual Report and Financial Statements for the Scheme year 2020/21, contained in the following pages, are presented by the Scheme Trustee, EPTL, in accordance with the provisions of the ESPS (registration number: 10200656).

Separate Annual Reports and Financial Statements are also prepared by each of the Groups which together constitute the Scheme.

For individual members, the Annual Report and Financial Statements of their own Group are the primary source of information. These include details of the investment performance of Group assets, information relating to the Group actuarial liabilities, the Actuarial Certificate of the Schedule of Contributions from the Group Actuary, information on employer-related investments and pension increases.

For the Scheme year ended 31 March 2021, the Financial Statements of the Scheme taken together with the Financial Statements of the Groups, have been prepared and audited in accordance with the Regulations made under Sections 41(1) and (6) of the Pensions Act 1995, the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and adopt the Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with guidance set out in the Statement of Recommended Practice (Revised 2018).

A glossary of terms has been included as part of the Annual Report and Financial Statements. This provides brief explanations of pension and investment related terms which members may not be familiar with.

### **STRUCTURE OF THE SCHEME**

#### **Industry-wide pension scheme**

The ESPS is an industry-wide pension scheme in which the Participating Employers are companies formed upon the privatisation of the electricity industry in 1990, associated companies, and companies established within the electricity industry since privatisation.

The Scheme is established under irrevocable trusts and its provisions are set out in the Clauses and Rules contained in the Scheme Document. The Scheme is a registered pension scheme under the Finance Act 2004 and was contracted out of the State Second Pension until the introduction of the single tier flat rate State pension in April 2016. The Scheme is also registered for tax.

The Scheme provides for two types of pensions:

- Defined Benefit ("DB") pensions which provide benefits based on a member's salary and length of service; and
- Defined Contribution ("DC") pensions are based on contributions made by a member and their employer which are invested to buy a pension and/or other benefits at retirement.

The facility for DC benefits was utilised by seven Groups during the financial year.

## Electricity Supply Pension Scheme

### Organisation of the Scheme

The Scheme has separate actuarially independent sections (known as “Groups”) in respect of each of the companies participating in the Scheme as Principal Employers, and each Group has its own share of the assets of the Scheme. Each Group is administered by its Group Trustees or by the Directors of a Group Trust Company. In addition, there is a central Scheme Trustee, Electricity Pensions Trustee Limited (“EPTL”), with defined Scheme-wide responsibilities.

Each Principal Employer has the power to amend certain provisions of the Scheme, insofar as they apply to its Group. As a consequence of the exercise of this power by Principal Employers, the benefit structures of the Groups differ. Scheme-wide amendments may also be made to the provisions of the Scheme on behalf of the Principal Employers collectively by the Co-ordinator, Electricity Pensions Limited (“EPL”), subject to the unanimous approval of all the Principal Employers.

### The Groups within the Scheme

As at 31 March 2021 the number of Groups within the Scheme remained at twenty-six Groups comprising the following:

British Energy Generation	Manweb
Carillion	National Grid Electricity
Central Networks	Northern Powergrid
Drax Power	OVO Energy
EA Technology	Powerhouse Retail
EDF Energy Generation and Supply	RWE
Eggborough Power	Schneider
Electricity North West	SSE Southern (from 20 July 2020 - formerly Southern Electric)
E.ON UK	UK Power Networks
EPSL	Uniper
First Hydro Company	United Utilities plc
Innogy	Western Power Distribution
International Power	
Magnox Electric	

The following Groups have actuarially independent sections:

Innogy Group – Innogy and Retail sections.

Magnox Group – Atkins, Cavendish, National Nuclear Laboratories and Site Licence Company sections.

OVO Group – SEPS and SHEPS sections.

RWE Group – Former E.ON, Innogy and RWE sections.

Eggborough Power Group had assets of nil by the year end and is in the process of being wound up. This has had no significant impact on the Scheme other than the transfer out of £179m of assets.

## **Electricity Supply Pension Scheme**

### **The Trustees of the Scheme**

#### **(a) Group Trustees**

The Group Trustee bodies take the form either of individual trustees, or of a trust company with a Board of Directors, both referred to in this Report as “Group Trustees”.

Half of the Group Trustees, in voting power, are elected by members of each Group, and half are appointed by the Principal Employers. Issues put to the vote at Group Trustee meetings are decided on a majority vote, and in the event of an equality of votes, the Chair, who is appointed by the Principal Employer, has a casting vote. No issues discussed by Group Trustees during the year under review were decided based on the casting vote of the Chair.

Group Trustees appointed by the Principal Employer may be removed by the Principal Employer. Group Trustees elected by members may be removed on a majority resolution by the other Elected Group Trustees.

#### **(b) Independent Trustee**

Some Principal Employers with the consent of their Group Trustees have appointed an Independent Trustee with special powers. The appointment of an Independent Trustee does not affect the powers of the Group Trustees. Certain powers, which were previously the exclusive right of the Principal Employer can, however, only be exercised in the Groups concerned either with the approval of, or after consultation with, the Independent Trustee. The Independent Trustee can also call an extraordinary meeting of Group members in circumstances where it believes that the actions of the Principal Employer are not in accordance with the provisions of the Scheme or with legislation.

#### **(c) Scheme Trustee**

In addition to the Group Trustee bodies, there is a central trustee body, the Scheme Trustee, EPTL. EPTL is a trust corporation with a Board of Directors - who with the exception of the Independent Chair - are appointed by the Council.

Each Group has the option to appoint two individuals to be Councillors of the Council; one chosen by the Principal Employers and the other by the Elected Group Trustees. A Councillor nominated by a Principal Employer can only be replaced by the Principal Employer who nominated him/her and a Councillor nominated by Elected Group Trustees can only be replaced by the Elected Group Trustees who nominated him/her. These individuals may be Group Trustees, or other persons nominated with the consent of the Group Trustees as a body.

The Council is responsible for the appointment of a smaller Board of eight Directors, selected from their number under the following criteria:

- (a) Four Directors must be Councillors chosen by the Elected Group Trustees; and
- (b) Four Directors must be Councillors chosen by Principal Employers.

Directors of EPTL are appointed for two-year terms. Half the Board is elected each year on a biennial basis to ensure continuity in the composition of the Board.

The Board also has an Independent Chair. This was Capital Cranfield Trustees Limited who was normally represented by Joanna Matthews. On 1 January 2021, a new chair, PTL Governance Ltd was appointed who is normally represented by Melanie Cusack.

## **Electricity Supply Pension Scheme**

### **The Trustees of the Scheme (continued)**

The Council also select a panel of four reserves to fill any Director vacancies arising during the year, two chosen by the Elected Group Trustees and two by the Principal Employers. The reserves can also attend Board Meetings as observers but have no voting rights.

The Directors and Councillors who have served during the year are disclosed on page 61. Diversity is encouraged when Groups nominate candidates to serve on the Council.

Any issues put to the vote at meetings of EPTL Directors are decided on a majority vote. Each EPTL Director has one vote, and in the event of an equality of votes the Independent Chair has a casting vote. No issues discussed by the Directors during the year were decided based on the casting vote of the Chair.

The powers and responsibilities of the Group Trustees and EPTL respectively are summarised as follows.

### **Trustee Responsibilities**

Separate responsibilities have been allocated under the Scheme's provisions to the Group Trustees and EPTL.

EPTL, as the Scheme Trustee, is responsible for the registration and safe custody of all the assets of the Scheme, and for the administrative control of and transfers of assets between all portfolios. EPTL is also responsible for the production of the Scheme Annual Report and Financial Statements; and the investment management of the Unitised Fund.

Certain other formal responsibilities of EPTL are set out in more detail on page 17 and the manner in which EPTL carries out its responsibility for the registration and safe custody of the Scheme's assets is set out on page 9. In addition to the responsibilities imposed on Group Trustees and EPTL under the provisions of the Scheme, powers and responsibilities are imposed on them by pensions legislation. These statutory powers and responsibilities have been allocated to Group Trustees or to EPTL under the Scheme document, in the light of their respective responsibilities under the Scheme.

The Group Trustee bodies are responsible for the administration of the Scheme in relation to their Group, including the collection of members' contributions and Employers' contributions; the calculation and payment of member benefits; the preparation of Group Financial Statements; the investment strategy in relation to their Group assets; monitoring the investment performance of Group assets; and the monitoring of Group AVC and DC funds.

Group Trustees are also responsible for managing the specific risks associated with the operational running of their Groups which include, but are not limited to, funding, covenant, administration and investments.

Each Group is treated as a separate pension scheme under the Pensions Act 2004 funding regime. As a consequence, the Group Trustees are responsible for appointing a Group Actuary to carry out the actuarial valuations of their Group.

## **Electricity Supply Pension Scheme**

### **Investment Management Arrangements**

Group Trustees may at their discretion invest Group assets, in accordance with their investment strategy, in external funds or in the Sector of the Unitised Fund and are responsible for monitoring investment performance. Details of Groups' investments and their performance are given in the Annual Report and Financial Statements of the Group concerned. The responsibilities for AVC and DC arrangements lie with the Group Trustees. Information about the performance of the Unitised Fund is included on page 60.

EPTL is responsible for Scheme-wide investment arrangements and monitoring the effectiveness of these. EPTL is also responsible for the investment management of the Unitised Fund, including the selection, appointment and monitoring of fund managers. Details of the Unitised Fund and the investment performance of the Unitised Fund Sectors is given in the Appendix for the Unitised Fund, on pages 58 to 60 of this Annual Report and Financial Statements.

### **Statements of Investment Principles**

Each Group Trustee body has prepared a Statement of Investment Principles ("SIP") in accordance with the provisions of the Pensions Act 1995, setting out the principles on which the decisions on the investment of their Group's assets are made. A copy of that Statement may be obtained from the Group Administrator for the Group using the contact details given on the page 64 of this Scheme Annual Report and Financial Statements. Members may also be able to access this Report electronically through their Group's website or member site.

EPTL has also prepared a SIP in relation to its responsibilities for the Unitised Fund, and relevant extracts from that Statement are included in the SIPs of each Group Trustee body. EPTL's SIP can be accessed on the Scheme's website (details shown on page 64) as well as its Implementation Statement which is also shown on page 57.

### **Administration Arrangements**

Group Trustees delegate day to day administration of their Group to the Principal Employer or outsource the administration to companies offering pension administration services.

Administration of the Scheme, in relation to those areas for which EPTL is responsible, was carried out on its behalf by Capita Pension Solutions.

### **GENERAL DATA PROTECTION REGULATION ("GDPR")**

From 1 January 2021, the UK GDPR came into effect which will run alongside the DPA 2018, and the EU GDPR to which all EU nations remain subject and this includes where the Scheme operates in the EU. This ensures that there is adequate provision for the safe processing of data in the UK and in the EU/EEA.

Obligations under the UK GDPR are fundamentally the same as obligations under the EU GDPR and the Scheme continues to remain subject to UK Data Protection laws.

The European General Data Protection Regulation (GDPR) sets out eight data protection principles which govern the way that personal data is obtained, stored, used and shared including the conditions subject to which personal data may be processed.



## **Electricity Supply Pension Scheme**

### **General Data Protection Regulation (continued)**

Personal data must:

- be processed fairly and lawfully (including meeting appropriate conditions);
- be obtained and processed for specified and lawful purposes and is not processed in any manner incompatible with those purposes;
- be adequate, relevant and not excessive in relation to the processing purpose;
- be accurate and kept up-to-date;
- be kept no longer than is necessary;
- be processed in accordance with the rights of data subjects;
- ensure that appropriate technical and organisational measures must be in place to protect against unauthorised or unlawful processing, and against accidental loss or destruction of personal data; and
- not be transferred to a jurisdiction that does not offer an adequate level of protection.

Under data protection laws, pension scheme trustees are generally the data controller under the GDPR, and as such have legal responsibilities as data controllers. The Scheme Trustee produced a GDPR policy and given the Scheme's two tiered structure, in most instances Group Trustees will bear the responsibility to act as data controllers (as Groups hold personal data on their members), and therefore, Group Trustees will need to ensure that they are compliant with GDPR requirements. The Scheme Trustee in limited circumstances may hold personal data (for governance, member disputes and support purposes) and in such occurrences have taken steps to ensure that they are GDPR compliant.

### **REPORT OF THE SCHEME TRUSTEE**

The Board of EPTL held six meetings during the year. Additionally, some business was covered via an electronic rapid approvals process when required.

### **Pensions Legislative Reforms**

The following were some of the main pension issues during the year under review:

- EPTL's SIP which since 1 October 2020 must be made available on a public website can be found at <https://www.espspensions.co.uk>. In addition, EPTL's standalone Investment Implementation Statement is also available on the aforementioned website.
- The Pensions Act 2021 gained Royal Assent in February 2021 which sets out:
  - Strengthened powers for the Pensions Regulator;
  - Changes to the funding regime for defined benefit pension schemes;
  - New requirements for climate responsible investing;
  - The statutory framework that will underpin the development of collective defined contributions schemes and pension dashboards; and
  - Tightens the rules on DB pension transfers.
- In November 2020 the High Court ruled that in addition to equalising the effect of GMPs (Guaranteed Minimum Pension) providing benefits for men and women, trustees also owed a duty to a transferring member to make a transfer payment which reflected the member's right to equalised benefits and must make a top up payment if required.

The implications to the Scheme of these reforms are addressed at a combination of Scheme and Group level depending on the actual impact.

## **Electricity Supply Pension Scheme**

### **Other Issues**

Other regular matters considered by EPTL during the year included:

- focusing on its business timetable and governance requirements, including various risk issues;
- completing the Scheme Annual Report and Financial Statements;
- making arrangements for the Scheme Annual General Meeting and issuing guidelines for Resolutions to be submitted to the AGM;
- the ongoing review of the Scheme advisers;
- renewal of the Scheme's contract with Capita Pension Solutions
- monitoring of risks through the Scheme Trustee's Risk Register which is considered at each main meeting and includes Covid-19 risks and its effect on the suppliers of services;
- commencing a consolidation exercise of the Scheme Document;
- completing the new ESPS website;
- updating EPTL's SIP which was published on the ESPS website;
- monitoring the management and performance of the Unitised Fund UK Forestry Sector;
- reviewing updates to investment templates for investment management appointments and in line with legislative changes resulting from Brexit;
- monitoring claims in respect of discriminatory withholding tax and VAT;
- monitoring and participating in class action and investor litigation matters;
- continuing work on the tax governance framework; and
- reviewing the appointment of the Custodian, The Bank of New York Mellon, which resulted in a new contract being negotiated and signed.

### **Changes in Scheme Provisions - Scheme wide amendments by the Scheme Co-ordinator, EPL**

EPL may amend the provisions of the Scheme with the unanimous consent of all of the participating Principal Employers. During the year ended 31 March 2021 no Scheme-wide amendments were made.

### **Custody and Accounting Arrangements**

EPTL's primary roles during the year continued to be its responsibilities for the registration, safe custody and administrative control of all the Scheme's assets, and for production of the Scheme Annual Report and Financial Statements, which is undertaken by Capita Pension Solutions.

All the assets managed in the Scheme's investment portfolios are subject to EPTL's overall custody and control. The custody responsibility was discharged through the continued appointments of the Bank of New York Mellon ("BNYM") (in respect of all assets excluding property) and EPTL's solicitors (in respect of property and forestry) as Scheme custodians to safeguard all assets. Fund managers investing in quoted assets are required to use the custodian appointed by EPTL to safeguard these assets.

Maintenance of the majority of the Scheme's prime investment records continues to be undertaken through the outsourced arrangements with BNYM.

Capita Pension Solutions, with assistance from MJ Hudson Amaces Ltd, has responsibility on behalf of EPTL for monitoring the quality of BNYM's services, including custody and investment accounting services.

## Electricity Supply Pension Scheme

### Custody of the Scheme's Assets

BNYM is the custodian in relation to securities. Where certificates are available in relation to such securities, they are held by BNYM and identified as investments of the Scheme. Where certificates are not available, but records are held on computer-based systems, the relevant data records the Scheme's interest.

Documents of title in relation to UK properties are held by EPTL's conveyancing solicitors in the name of EPTL's wholly owned nominee companies, Electricity Supply Nominees (Forestry) Limited, BEGG (Nominees) Limited, Central Networks Nomineeco Limited, Manweb Nomineeco Limited and Western Power Distribution Nomineeco Limited.

All cash is held in bank accounts in the name of the Scheme or in institutional cash funds, commonly referred to as STIFs (short term investment funds). This type of investment allows cash to be invested across a broad range of institutions thereby reducing risk and exposure.

### Investment of Assets

Details of the investment performance of individual Groups' funds and the compliance of each Group with its individual Statement of Investment Principles are given in the respective Groups' Annual Reports and Financial Statements.

A report on the investment performance of the Unitised Fund Sector and other investments for which EPTL has responsibility is provided as an appendix to this Report (see pages 58 to 60).

During the year the value of the Scheme's net assets increased from £43.4 billion to £46.2 billion. The effect varied from Group to Group, and members should refer to their own Group's Annual Report and Financial Statements for details of the investment performance of their Group's assets.

The liquidity of the Scheme's investments varies across asset classes and according to market conditions - for example property by its nature is less liquid than market traded equities. Where investments are held in pooled vehicles, contract terms can also sometimes restrict liquidity/realisation. This is often the case for alternative asset investments, where some managers specify an initial period where new funds invested cannot be disinvested. Thereafter, further investment/disinvestment can often only be made on specific monthly, quarterly or annual dates. Private equity investments tend to have a ten to fifteen-year period of investment duration. A secondary market does exist for some private equity funds, but cannot be relied upon to provide liquidity.

### Disposition of Scheme's Assets

The disposition of the Scheme's assets at the year-end was as follows:

	2021 £ million	2020 £ million
Market value of discretionary mandates and pooled funds	44,778	42,048
Market Value of Defined Contribution unitised insurance policies	249	205
Market value of the ESPS Unitised Fund (see pages 58 - 60)	181	136
AVC Investments	116	81
Insurance Policies	784	822
Current assets	162	176
Current liabilities	(51)	(54)
<b>Total net assets of the Scheme</b>	<b>46,219</b>	<b>43,414</b>

See note 30 on page 52 for an analysis of the assets by Group.

## **Electricity Supply Pension Scheme**

### **Contributions**

Details of contributions received outside the scope of the individual Groups' Schedules of Contributions are given in the statement about contributions in the respective Groups' Annual Reports and Financial Statements.

### **Employer related investments**

Pension legislation requires that Employer contributions are paid on a timely basis and any late contributions are treated as employer-related investments until they are paid. During the year 4 Groups had instances of late payments of contributions, which resulted in modified opinions and details can be found in note 20. All other instances were immaterial for both the Groups and the Scheme, and therefore, not reportable or disclosable.

There are no other Employer related investments.

### **Recent events**

On 26 October 2018, the High Court ruled that schemes must equalise for the effect of GMPs (Guaranteed Minimum Pension) providing different benefits for men and women. In 2020, the High Court determined that trustees owed a duty to a transferring member to make a transfer payment which reflected the member's right to equalised benefits. Where the initial transfer payment was inadequate on this basis the trustee is under an obligation to make a top-up payment to the receiving scheme on behalf of the transferred member. The Group Trustees are in the process of assessing the impact on their Group which will be reflected in future years' accounts.

Following the continuing impact of Covid-19 the Scheme Trustee continues to carry out a review of its service providers in conjunction with guidance provided by pension bodies including the Pensions Regulator with a focus on business continuity. The Scheme has continued to operate in a robust manner with effective Scheme Trustee governance and there has been no disruption or deterioration to the custodian services which have been operating at normal levels nor with any other service provider. Whilst there has been a general change to working practices, any adjusted return to office plans will be monitored in relation to Scheme governance and operational matters.

Recovery from the financial impact of Covid-19 is largely underway and the main pension concerns at the start of the pandemic which centred around Employers' covenants, funding and investment positionings have largely fallen away. However, Groups' individual Annual Report and Financial Statements provide information about these and other Covid-19 related matters specific to each Group. Towards the latter part of 2020 many of the investments funds (particularly property funds) where material valuation uncertainty clauses (MVUC) were included in valuations were lifted and all had been lifted by the year end. See note 18 to the financial statements for further information.



## Electricity Supply Pension Scheme

### Summary of Actuarial Liabilities

A summary of the actuarial valuations and the assumptions used by the Groups is as follows:

Group	Date of the most recent actuarial valuation	Value of the technical provisions at latest valuation date £ million	Value of the assets at latest valuation date £ million	Key Assumptions					
				Discount rate*	Price Inflation (RPI) p.a.	Price Inflation (CPI) p.a.	Pension Increase rates p.a.	Salary increase rates p.a.	Post-retirement mortality based on standard actuarial mortality tables (Sk = smoothing parameters, A = mortality improvements)
BEGG	31-Mar-19	6,266	6,745	Pre-retirement: +2.5 % Post-retirement: +0.75%/+0.5%	RPI yield curve derived from the gilt market at the valuation date.	RPI inflation assumption at the valuation date less 1.1%.	RPI or CPI price inflation assumption allowing for the maximum and minimum annual increases (pensions in payment). RPI price inflation assumption (pensions in deferment).	CPI inflation + 1.6% + an allowance for promotional increases.	Males: Table S3PMA (All amounts with scaling factors 97% to 102%) with future mortality improvements in line with CMI 2018 projection (Sk = 7.0, A = 0.25%) with a long term improvement rate of 1.5% p.a.
									Females: Table S3PFA (All amounts with scaling factors 92% to 97%) with future mortality improvements in line with CMI 2018 projection (Sk = 7.0, A = 0.25%) with a long term improvement rate of 1.5% p.a.
Carillion	31-Mar-16	122	95	Pre-retirement: +2.2 % Post-retirement: +0.25%	BOE RPI yield curve at the valuation date with no allowance for inflation risk premium.	RPI inflation assumption.	-	RPI inflation + 1.5%	Males: Table S2 SAPS (All Amounts (Year of Use) with scaling factors 102% to 100%) with future mortality improvements in line with CMI 2014 projection with a long term improvement rate of 1.5% p.a.
									Females: Table S2 SAPS (All Amounts (Year of Use) with scaling factor 100% to 92%) with future mortality improvements in line with CMI 2014 projection with a long term improvement rate of 1.5% p.a.
Central Networks	31-Mar-19	3,937	3,589	+2.0%	BOE fixed interest and index-linked gilt yield curves at the valuation date.	RPI inflation assumption at the valuation date less 0.75%.	RPI or CPI price inflation assumption allowing for the maximum and minimum according to the provisions in the Group's Rules.	RPI inflation + 0.5%	Males: Table S2PMA (with scaling factors 105% to 90%) with future improvements in line with CMI 2018 projection (Sk = 7.0, A = 0.5%) with a long-term improvement rate of 1.5% p.a.
									Females: Table S2PFA (with scaling factors 105% to 90%) with future improvements in line with CMI 2018 projection (Sk = 7.0, A = 0.5%) with a long-term improvement rate of 1.5% p.a.

## Electricity Supply Pension Scheme

### Summary of Actuarial Liabilities (continued)

Group	Date of the most recent actuarial valuation	Value of the technical provisions at latest valuation date £ million	Value of the assets at latest valuation date £ million	Key Assumptions					
				Discount rate*	Price Inflation (RPI) p.a.	Price Inflation (CPI) p.a.	Pension Increase rates p.a.	Salary increase rates p.a.	Post-retirement mortality based on standard actuarial mortality tables (Sk = smoothing parameters, A = mortality improvements)
Drax Power	31-Mar-19	339	303	Pre-retirement: +2.0% Post-retirement: +0.3%	RPI yield curve derived from the fixed interest and index linked gilt yield curves at the valuation date.	RPI inflation assumption at the valuation date less 0.9%.	RPI or CPI price inflation assumption allowing for the maximum and minimum annual increases.	RPI inflation + 1.0%	Males: Table S3PMA adjusted to allow for individual years of birth (with scaling factors set using the 2019 Aon postcode analysis and, for the ill health scaling factors, experience of similar schemes). Future improvements in line with the CMI 2018 projection (Sk = 7.0, A = 0.50) and long-term improvement rate of 1.5% p.a.  Females: Table S3PFA M adjusted to allow for individual years of birth (with scaling factors set using the 2019 Aon postcode analysis and, for the ill health scaling factors, experience of similar schemes). Future improvements in line with the CMI 2018 projection (Sk = 7.0, A = 0.50) and long-term improvement rate of 1.5% p.a.
EA Technology	31-Mar-19	89	112	Pre-retirement: +2.0% Post-retirement: +0.5%	RPI yield curve derived from the fixed interest and index linked gilt yield curves at the valuation date.	RPI inflation assumption at the valuation date less 1.1%.	RPI price inflation assumption to a maximum of 5% or CPI price inflation assumption to a maximum of 5% (in payment) and price inflation assumption (for deferred).	-	-
EEGS	31-Mar-19	1,241	1,228	Pre-retirement: +2.5% Post-retirement: +0.75%/+0.5%	RPI yield curve derived from the gilt market at the valuation date.	RPI inflation assumption at the valuation date less 1.1%.	RPI or CPI price inflation assumption allowing for the maximum and minimum annual increases (pensions in payment). RPI price inflation assumption (pensions in deferment).	CPI inflation + 1.6%	Males: Table S3PMA (All amounts with scaling factors 88% to 92%) with future mortality improvements in line with CMI 2018 projections (Sk = 7.0, A = 0.25%) with a long term improvement rate of 1.5% p.a.  Females: Table S3PFA (All amounts with scaling factors 87% to 90%) with future mortality improvements in line with CMI 2018 projection (Sk = 7.0, A = 0.25%) with a long term improvement rate of 1.5% p.a.
Eggborough	30-Nov-19	180	180	+1.0%	BOE implied inflation spot curve.	RPI inflation assumption at the valuation date less 1.1%.	RPI price inflation assumption	RPI price inflation assumption.	Table S3PXA, (with a scaling factor of 110%) with future mortality improvements in line with CMI 2018 projections (Sk = 7.25, A = 0%) with a long-term improvement rate of 1.5% p.a.

## Electricity Supply Pension Scheme

### Summary of Actuarial Liabilities (continued)

Group	Date of the most recent actuarial valuation	Value of the technical provisions at latest valuation date £ million	Value of the assets at latest valuation date £ million	Discount rate *	Key Assumptions				
					Price Inflation (RPI) p.a.	Price Inflation (CPI) p.a.	Pension increase rates p.a.	Salary increase rates p.a.	Post-retirement mortality based on standard actuarial mortality tables (Sk = smoothing parameters, A = mortality improvements)
ENW	31-Mar-19	1,478	1,409	Pre-retirement: +2.5% Post-retirement: +0.5%/+0.36%	BOE fixed interest and index-linked gilt yield curves at the valuation date.	RPI inflation assumption at the valuation date less 1.1%.	RPI or CPI price inflation assumption allowing for the maximum and minimum according to the provisions in the Group's Rules.	RPI inflation + an allowance for promotional increases.	Males: Table S2PMA (with scaling factors 110% to 100%) with future improvements in line with CMI 2018 projections (Sk = 7.0, A = 0.5%) with a long-term improvement rate of 1.75% p.a.  Females: Table S2PFA (with scaling factors of 105% to 95%) with future improvements in line with CMI 2018 projections (Sk = 7.0, A = 0.5%) with a long-term improvement rate of 1.75% p.a.
E.ON	31-Mar-18	4,986	4,484	+1.1%	RPI swap yield curve at the valuation date.	RPI swap yield curve at the valuation date less 1.1% p.a.	5% LPI swap yield curve (based on RPI) for pre-1 November 2018 accrued pensions. 3% LPI swap yield curve (based on CPI) for post-31 October 2018.	3% Limited Price Indexation (LPI) swap yield curve based on CPI for salaries under £70k.	Males: Table S2PMA U2018 using the CMI 2017 projections (Sk=8.0) for future improvements in mortality with a long-term improvement rate of 1.50% p.a.  Females: Table S2PFA U2018 using the CMI 2017 projections (Sk=8.0) for future improvements in mortality with a long-term improvement rate of 1.50% p.a.
EPSL*	31-Mar-20	15	12	Pre-retirement: +2.0% Post-retirement: +0.0%	Gilt Break-even RPI curve	RPI inflation assumption at the valuation date less 0.8% p.a. up to 2030 and 0.5% p.a. thereafter.	RPI capped at 5% p.a. and CPI capped at 5% p.a. (deferred). RPI capped at 5% p.a. and RPI capped at 2.5% p.a. (in payment).	-	Table S2PXA 'Light' (allowing for individual years of birth with a scaling factor of 100%) with future improvements in line with the CMI 2019 projections (Sk = 7.0) and a long-term improvement rate of 1.5% p.a.
First Hydro	31-Mar-19	159	163	Pre-retirement: +2.0% Post-retirement: +0.5%	BOE fixed interest and index-linked gilt yield curves at the valuation date.	RPI inflation assumption at the valuation date less 1.1%.	RPI or CPI price inflation assumption allowing for the maximum and minimum according to the provisions in the Group's Rules.	RPI inflation + 0.5%	Males: Table SAPS S3 S3PMA ("All amounts" with scaling factors 102% to 96%) and future improvements in line with the CMI 2018 projection (Sk = 7.0, A = 0.5) and a long-term improvement rate of 1.50% p.a.  Females: Table SAPS S3 S3PFA_M ("All amounts" with scaling factors 117% to 98%) and future improvements in line with the CMI 2018 projection (Sk = 7.0, A = 0.5) and a long-term improvement rate of 1.50% p.a.

# Electricity Supply Pension Scheme

## Summary of Actuarial Liabilities (continued)

Group	Date of the most recent actuarial valuation	Value of the technical provisions at latest valuation date £ million	Value of the assets at latest valuation date £ million	Discount rate *	Key Assumptions				
					Price Inflation (RPI) p.a.	Price Inflation (CPI) p.a.	Pension increase rates p.a.	Salary increase rates p.a.	Post-retirement mortality based on standard actuarial mortality tables (Sk = smoothing parameters, A = mortality improvements)
Innogy	31-Mar-19	4,415	4,308	Pre-retirement: +1.5% Post-retirement: 0.5%	RPI yield curve derived from the gilt market at the valuation date, less inflation risk premium of 0.1% p.a.	RPI inflation assumption at the valuation date less 1.1%.	RPI or CPI price inflation assumption allowing for the maximum and minimum annual increases.	RPI price inflation assumption.	Males: Table SAPS S2PMA (All and Heavy (Year of Use) with scaling factors 100% to 130%) with future improvements in line with CMI 2018 projections (Sk = 7.5, A = 0) with a long-term improvement rate of 1.50% p.a. Females: Table SAPS tables S2PFA (All and Heavy (Year of Use) with scaling factors 105% to 150%) with future improvements in line with CMI 2018 projections (Sk = 7.5, A = 0) with a long-term improvement rate of 1.50% p.a.
International Power	31-Mar-19	393	377	Pre-retirement: +1.3%	Fixed interest and index linked gilt yield curves at the valuation date.	RPI inflation assumption at the valuation date less 0.5%.	RPI price inflation assumption allowing for the maximum and minimum according to the provisions in the Group's Rules.	RPI inflation + 0.5%	Males: Table S3NMA with future improvements in line with CMI 2018 projections (Sk = 7; A = 0.5%) and a long term improvement rate of 1.5% p.a. Females: Table S3NFA with future improvements in line with CMI 2018 projections (Sk = 7; A = 0.5%) and a long term improvement rate of 1.25% p.a.
Magnox	31-Mar-19	3,340	3,382	Pre-retirement: +1.75%/1.2%/0.5%/0% Post-retirement: +0.5%	Difference between the yields on fixed interest and index-linked gilt curves at the valuation date.	RPI inflation assumption at the valuation date less 1.1%.	CPI price inflation assumption allowing for the maximum and minimum according to the provisions in the Group's Rules.	RPI inflation + an allowance for promotional increases / CPI + 0.5% + an allowance for promotional increases / RPI only.	Table SAPS S2P (All lives with scaling factors 95% to 90%); Table SAPS S2P Light (with a scaling factor of 100%); Table SAPS S2P Light tables (with a scaling factor of 95%). Future improvements based on CMI 2018 projections (Sk 7.0, A 0.5%) and a long term improvement rate of 1.5% p.a.
Manweb	31-Mar-18	1,448	1,094	+1.5%	Implied gilts RPI inflation curve.	-	RPI inflation curve adjusted to take account of floor of 0% p.a.	RPI price inflation assumption.	Base table: 2018 VITA Tables with post retirement future improvements in longevity are allowed for based on 2018 CMI projections parameterised with a long-term rate of 1.5% p.a. The core model has been adjusted to reflect the higher improvements experienced by the pension scheme members, which tend to be more dominated by 'affluent' lives than the general England & Wales population to which the CMI model is calibrated. This has been achieved by adjusting the core "smoothing parameter" from 7.0 to 7.5.
National Grid	31-Mar-19	3,381	3,144	Pre-retirement: +1.7% Post-retirement: +0.5%	Fixed interest and index-linked gilt yield curves.	RPI inflation assumption at the valuation date less 1.1%.	RPI price inflation assumption allowing for the maximum and minimum (5% and 0%).	RPI inflation + 0.5% + age-related promotional increases.	Males: Table S3NMA with scaling factors of 90% to 85%. Females: Table S3NMA with scaling factors of 105% to 100%.



# Electricity Supply Pension Scheme

## Summary of Actuarial Liabilities (continued)

Group	Date of the most recent actuarial valuation	Value of the technical provisions at latest valuation date £ million	Value of the assets at latest valuation date £ million	Discount rate *	Key Assumptions				
					Price Inflation (RPI) p.a.	Price Inflation (CPI) p.a.	Pension increase rates p.a.	Salary increase rates p.a.	Post-retirement mortality based on standard actuarial mortality tables (Sk = smoothing parameters, A = mortality improvements)
Northern Powergrid	31-Mar-19	1,622	1,739	Pre-retirement: +1.9% Post-retirement: +0.4%	Fixed interest and index linked gilt yield curves at the valuation date.	RPI inflation assumption at the valuation date less 0.9%.	Price inflation assumption allowing for the maximum and minimum increases.	RPI inflation +0.5% p.a.	Males: Table S3PMA (adjusted to allow for individual years of birth with scaling factors of 104% to 99%) with future improvements in line with CMI 2018 projections with a long-term improvement rate of 1.5% p.a.  Females: Table S3PFA (adjusted to allow for individual years of birth with a scaling factors of 105% to 104%) with future improvements in line with CMI 2014 projections with a long-term improvement rate of 1.5% p.a.
Ovo	31-Mar-20	78.2	78.2	-	n/a	-	-	-	n/a
Powerhouse	31-Mar-19	217	234	Pre-retirement: +0.5% Post-retirement: +0.25%	BOE breakeven RPI yield curve.	RPI inflation assumption at the valuation date less 1.1%.	-	-	Males: Table SAPS S2 (All Pensioners with scaling factors 112% to 95%).  Females: Table SAPS S2 (All Pensioners with scaling factors 98% to 91%).
RWE	31-Mar-19	1,601	1,557	Pre-retirement: +2.0% Post-retirement: +0.5%/0.3%	RPI yield curve derived from the gilt market at the valuation date, less inflation risk premium of 0.1% p.a.	RPI inflation assumption at the valuation date less 1.1%.	RPI or CPI price inflation assumption allowing for the maximum and minimum annual increases.	RPI price inflation assumption.	Males: Table SAPS S2PMA (All, Heavy and Light tables (Year of Use) with scaling factors 100% to 130%) with future improvements in line with CMI 2018 projections (Sk = 7.5, A = 0) with a long-term improvement rate of 1.50% p.a.  Females: Table SAPS S2PFA (All and Heavy tables (Year of Use) with scaling factors 105% to 150%) with future improvements in line with CMI 2018 projections (Sk = 7.5, A = 0) with a long-term improvement rate of 1.50% p.a.
Schneider	31-Mar-19	34	28	Pre-retirement: +3.35% Post-retirement: +1.85%	3.25%	2.25%	3.25% (deferred), 3.15% and 2.00% (in payment)	3.25%	Table SAPS S3PA CMI 2018 with a long term improvement rate of 1.5%.
Southern Electric	31-Mar-19	2,544	2,258	Pre-retirement: +2.4% Post-retirement: +0.5%	BOE RPI inflation curve at the valuation date less 0.1% p.a.	RPI inflation assumption at the valuation date less 1.1%.	RPI price inflation assumption allowing for the maximum and minimum (5.8% and 0%) increase. CPI price inflation assumption allowing for the maximum and minimum (3% and 0%) increase.	RPI inflation +0.5%	Males: Table S3PMA (with scaling factors 104% to 95%) with future mortality improvements in line with CMI 2018 projections (Sk = 7.0, A = 0.5%) with a long term improvement rate of 1.5% p.a.  Females: Table S3PFA (with scaling factors 104% to 97%) with future mortality improvements in line with CMI 2018 projections (Sk = 7.0, A = 0.5%) with a long term improvement rate of 1.5% p.a.

## Electricity Supply Pension Scheme

### Summary of Actuarial Liabilities (continued)

Group	Date of the most recent actuarial valuation	Value of the technical provisions at latest valuation date £ million	Value of the assets at latest valuation date £ million	Discount rate *	Price Inflation (RPI) p.a.	Price Inflation (CPI) p.a.	Key Assumptions		
							Pension increase rates p.a.	Salary increase rates p.a.	Post-retirement mortality based on standard actuarial mortality tables (Sk = smoothing parameters, A = mortality improvements)
UKPN	31-Mar-19	4,077	3,667	plus additional amount	BOE fixed interest and index-linked gilt yield curves at the valuation date.	-	RPI price inflation assumption allowing for the maximum and minimum (5% and 0%) according to the provisions in the Group's Rules.	RPI inflation + 1.0%	Males: Tables S3NMA, S3NMA_H and S3DMA (for males, ill health males and widowers respectively) in line with the CMI 2018 projections (Sk = 7.5) with a long-term improvements rate of 1.5%.
									Females: Tables S3NFA, S3NFA_H and S3DFA (for females, ill health females and widows respectively) in line with the CMI 2018 projections (Sk = 7.5) with a long-term improvements rate of 1.5%.
Uniper	31-Mar-19	500	474	+2.0%	BOE fixed interest and index-linked gilt yield curves at the valuation date.	RPI inflation assumption at the valuation date less 1.1%.	CPI price inflation assumption allowing for the maximum and minimum according to the provisions in the Group's Rules.	CPI + 0.5%	Males: Tables S3PMA with a scaling factor of 97%.
									Females: Tables S3PFA with a scaling factor of 100%.
UU plc*	31-Mar-18	504	474	+0.3%	RPI yield curve derived from the gilt market at the valuation date.	RPI inflation assumption at the valuation date less 1.1%.	RPI or CPI price inflation assumption allowing for the maximum and minimum according to the provisions in the Group's Rules.	RPI price inflation assumption.	Males: Table S2PMA (with a scaling factor of 100%) with future improvements in line with CMI projections (Sk = 7.5) with a long-term improvement rate of 1.75% p.a.
									Females: Table S2PFA (with a scaling factor of 100%) with future improvements in line with CMI projections (Sk = 7.5) with a long-term improvement rate of 1.75% p.a.
WPD	31-Mar-19	2,694	2,423	+3.45%	BOE fixed interest and index-linked gilt yield curves at the valuation date.	RPI inflation assumption at the valuation date less 0.75%	RPI or CPI price inflation assumption allowing for the maximum and minimum according to the provisions in the Group's Rules.	RPI + 0.5%	Males: Table S2PMA (with a scaling factors of 100% to 90%) with future improvements in line with CMI 2018 projections (Sk = 7.0, A = 0.5%) with a long-term improvement rate of 1.5% p.a.
									Females: Table S2PFA (with a scaling factors of 100% to 90%) with future improvements in line with CMI 2018 projections (Sk = 7.0, A = 0.5%) with a long-term improvement rate of 1.5% p.a.
All Groups use the Projected Unit actuarial method									
* Discount rate based on the Bank of England fixed interest rate gilt yield curve at the valuation date per annum									

## **Electricity Supply Pension Scheme**

### **Statement of Scheme Trustee's Responsibilities**

#### **The Scheme Trustee's responsibilities in respect of the Financial Statements**

The Scheme's Financial Statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Scheme Trustee. Pension scheme regulations require, and the Scheme Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Scheme Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

The Scheme Trustee is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

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

The Scheme Trustee is also responsible for the maintenance and integrity of the ESPS pensions website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **The Scheme Trustees' responsibilities in respect of contributions**

The Group Trustees are responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions for their Group showing the rates of contributions payable towards the Group by or on behalf of the Employers and active members of the Group and the dates on or before which such contributions are to be paid.

The Group Trustees are also responsible for keeping records of contributions received in respect of any active member of their Group and for adopting risk-based process to monitor whether contributions that fall due are paid into the scheme in accordance with the Schedule of Contributions.

Where breaches of the Schedule occur, the Group Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Further information about Group Trustees' responsibilities is outlined on pages 4 and 5.

## **Electricity Supply Pension Scheme**

### **Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013**

The Regulations require the inclusion of a copy of the certificate by the Actuary about the adequacy of contributions payable and an investment report setting out certain information with respect to investments held. These matters are the responsibility of the Group Trustees, and are therefore, included in the Group Financial Statements.

### **Enquiries**

Where members - contributing, deferred members or pensioners - have queries about their benefits under the Scheme, they should refer to the contact details given in their Group's Annual Report and Financial Statements. For many Groups, detailed enquiries relating to personal information and benefits are handled by third party pension administrators and they will generally be best placed to answer members' questions. Where an enquiry relates to the Scheme more generally, questions should also be addressed to the relevant Group Administrator. Contact details for Group Administrators are given in page 64 of this Scheme Annual Report and Financial Statements. Members should contact their Group Administrator if they would like to receive a copy of their own Group's Annual Report and Financial Statements.

The 2021 Scheme AGM will be held virtually via teleconferencing on 22 November 2021.

Signed on behalf of the Scheme Trustee:

**Melanie Cusack of PTL Governance Ltd**  
CHAIR OF THE SCHEME TRUSTEE

On behalf of Electricity Pensions Trustee Limited  
Date: 27 October 2021



## **Electricity Supply Pension Scheme**

### **SCHEME TRUSTEE'S STATEMENT ON DC/AVC GOVERNANCE**

Until 31 December 2017, EPTL had discretion to recommend appropriate policies to be made available to Group Trustees in which to invest their members' AVCs. EPTL could also select and put in place investment options, which Group Trustees who operate a Defined Contribution ("DC") Section may offer to their members, though the majority of Group Trustees had established their own DC arrangements. With effect from 1 January 2018, these responsibilities were transferred to Groups and EPTL's responsibilities ceased.

The requirement to publish a Defined Contribution Governance Statement, as stipulated by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, is the responsibility of Group Trustees and each Group's statement can be found in Groups' Annual Reports and Financial Statements.

**Melanie Cusack of PTL Governance Ltd**  
CHAIR OF THE SCHEME TRUSTEE

On behalf of Electricity Pensions Trustee Limited  
Date: 27 October 2021

# Independent auditors' report to the scheme trustee of Electricity Supply Pension Scheme

## Report on the audit of the financial statements

### Opinion

In our opinion, Electricity Supply Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2021, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the annual report and financial statements, which comprise: the Statement of Net Assets available for benefits as at 31 March 2021; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the scheme trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Scheme's ability to continue as a going concern.

Our responsibilities and the responsibilities of the scheme trustee with respect to going concern are described in the relevant sections of this report.

## Electricity Supply Pension Scheme

### Reporting on other information

The other information comprises all the information in the annual report and financial statements other than the financial statements and our auditors' report thereon. The scheme trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

### Responsibilities for the financial statements and the audit

#### Responsibilities of the scheme trustee for the financial statements

As explained more fully in the statement of scheme trustee's responsibilities, the scheme trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The scheme trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the scheme trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the scheme trustee either intends to wind up the Scheme, or has no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Scheme and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the Scheme in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the scheme trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed included:

- Testing of journals where we identified particular risk criteria.
- Reviewing estimates and judgements made in the preparation of the financial statements.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, contracts and agreements, and holding discussions with the scheme trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one

## Electricity Supply Pension Scheme

resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinion, has been prepared for and only for the scheme trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
28-10-2021

# Electricity Supply Pension Scheme

## FUND ACCOUNT

For the Year Ended 31 March 2021

	Note	2021 Total  £ million	2020 Total  £ million
<b>Contributions and benefits</b>			
Employer contributions		1,001	1,317
Employee contributions		49	48
<b>Total contributions</b>	4	<b>1,050</b>	1,365
Transfers in	5	11	36
Other income		1	3
		<b>1,062</b>	1,404
Benefits paid or payable	6	(1,631)	(1,641)
Payments to and on account of leavers	7	(549)	(499)
Other payments		(4)	(7)
Administrative expenses	8	(20)	(19)
		<b>(2,204)</b>	(2,166)
<b>Net withdrawals from dealings with members</b>		<b>(1,142)</b>	(762)
<b>Returns on investments</b>			
Investment income	9	314	275
Change in market value of investments	10	3,666	140
Investment management expenses	17	(33)	(40)
<b>Net returns on investments</b>		<b>3,947</b>	375
<b>Net increase/(decrease) in the Scheme</b>		<b>2,805</b>	(387)
<b>Opening Net assets of the Scheme</b>		<b>43,414</b>	43,801
<b>Closing Net assets of the Scheme</b>		<b>46,219</b>	43,414

The accompanying notes on pages 26 to 52 form an integral part of these financial statements.

## Electricity Supply Pension Scheme

### STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at 31 March 2021

	Note	2021 Total	2020 Total
		£ million	£ million
<b>Investment assets</b>	10		
Equities		1,023	562
Bonds		2,852	2,760
Property		199	164
Forestry		193	143
Property loan assets		190	178
Pooled investment vehicles	11	40,334	38,452
Derivatives	12	50	24
Insurance policies	13	784	822
AVC investments	16	116	81
Cash		554	421
Other investment balances	15	277	32
		<b>46,572</b>	<b>43,639</b>
<b>Investment liabilities</b>	10		
Derivatives	12	(227)	(210)
Repurchase agreements	14	(120)	(115)
Other investment balances		(117)	(22)
		<b>(464)</b>	<b>(347)</b>
<b>Total net investments</b>		<b>46,108</b>	<b>43,292</b>
Current assets	22	162	176
Current liabilities	23	(51)	(54)
<b>Total net assets of the Scheme available for benefits</b>		<b>46,219</b>	<b>43,414</b>



## **Electricity Supply Pension Scheme**

### **STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (continued)**

The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Group Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme financial year. The actuarial position of the Groups, which takes into account such obligations for the defined benefit sections, is dealt with in the Report on Actuarial Liabilities included on pages 11 to 16. These Financial Statements should be read in conjunction with those statements. The notes on pages 26 to 52 form an integral part of these Financial Statements.

These Financial Statements on pages 23 to 52 were approved by the Scheme Trustee on 19 October 2021.

Signed on behalf of the Scheme Trustee:

**Melanie Cusack of PTL Governance Ltd**  
CHAIR OF THE SCHEME TRUSTEE  
Electricity Pensions Trustee Limited

## **Electricity Supply Pension Scheme**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1. Basis of preparation**

The individual financial statements of Electricity Supply Pension Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP").

#### **2. Identification of the financial statements**

The Scheme is established under irrevocable trusts under English law. The contact details for enquiries to the Groups are included on page 64. The address for the Scheme is Secretary of EPTL, C/O Capita Pension Solutions, 65 Gresham Street, London, EC2V 7NQ.

#### **3. Accounting Policies**

The following principal accounting policies, which have been applied consistently, have been adopted in the preparation of the Financial Statements.

##### **Basis of Preparation**

The Scheme's Financial Statements aggregate the net assets and results of the individual Groups which together constitute the Scheme. Transactions between Groups, such as member transfers and inter-Group transactions are eliminated on aggregation. Consistent accounting policies have been applied. The Financial Statements do not consolidate the net assets and results of the Scheme's subsidiaries (disclosed in Note 26 on page 51).

##### **Contributions**

Normal contributions, due from the members, are accounted for on an accruals basis in the month employee contributions are deducted from the payroll. Normal contributions due from Employers, including salary sacrifice, are accounted for on an accruals basis in the month the related employee contributions are deducted from payroll.

Augmentations and other contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, they are recognised when received.

Employers' deficit funding contributions are accounted for in accordance with the agreement under which they are being paid. In the absence of an agreement, they are accounted for on a receipts basis.

Other contributions made by the Employer to reimburse costs and levies payable by the Groups are accounted for on the same basis as the corresponding expense.

Additional voluntary contributions from members are accounted for on an accruals basis, in the month deducted from the payroll.

## **Electricity Supply Pension Scheme**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **3. Accounting Policies (continued)**

##### **Transfers to and from the Scheme**

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the Scheme. They are accounted for on an accruals basis on the date the trustees of the receiving scheme accept the liability. In the case of individual transfers, this is normally when the payment of the transfer value is made.

Bulk transfers of members, where the Group Trustees have agreed to accept liability prior to receipt, are accounted for in accordance with the agreement between the Group Trustees and the trustees of the other pension schemes.

##### **Benefits and payments to and on account of leavers**

Members can take their benefits in accordance with the Rules of their Group. These are generally in the form of a pension and lump sum benefit.

Pensions are accounted for in the period to which they relate.

Lump sums and other benefits are accounted for on an accruals basis on the later of the period in which the member notifies the Group Trustees of their decision on the type or amount of benefit to be taken, and the date of retirement or leaving. If there is no member choice, on the date of retiring, leaving or notification of death as appropriate.

Refunds and opt-outs are accounted for when the Group Trustees are notified by the member.

Where Group Trustees agree or are required to settle tax liabilities on behalf of members (such as where lifetime or annual allowances are exceeded) with a consequent reduction in benefits receivable from the Scheme, any tax liability due is accounted for on the same basis as the event giving rise to the tax liability, and will be shown separately within the benefits note of the Group concerned.

##### **Administrative and other expenses**

Administrative expenses, premiums on term insurance policies and investment management expenses are accounted for on an accruals basis, net of recoverable VAT.

##### **Investment Income and expenditure**

Income from equities, and any pooled investment vehicles that distribute income, is accounted for on an accruals basis on the date stocks are quoted ex-dividend/interest, or in the case of unquoted instruments, when the dividend is declared.

Income from bonds is accounted for on an accruals basis and includes income bought and sold on purchases and sales of bonds. Other interest on cash and short-term deposits and income from other investments are accounted for on an accruals basis.

Rental income is accounted for under the terms of the relevant lease and is accounted for on an accruals basis.

Receipts and payments under swap contracts, representing the difference between the swapped cash flows, are included in investment income and is accrued on a basis consistent with the terms of the swap.

## **Electricity Supply Pension Scheme**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **3. Accounting Policies (continued)**

##### **Investment Income and expenditure (continued)**

Investment income includes withholding taxes. Withholding tax is accrued on the same basis as investment income. Where withholding tax is not recoverable, this is shown as a separate expense within investment income.

Income arising from annuity policies is included in investment income.

The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Groups such as fees, commissions, stamp duty and other fees. Other investment management expenses are accounted for on an accruals basis and shown separately within investment returns.

##### **Valuation and classification of investments**

Investment assets and liabilities are included in the Financial Statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used.

Where quoted and other unit prices are not available, the Group Trustees adopted valuation techniques appropriate to the class of investment.

The methods of determining fair value for the principal classes of investments are;

- Equities, bonds and certain pooled investment vehicles, which are traded on an active market, are included at the quoted price, which is normally the bid price;
- Unitised pooled investment vehicles, which are not traded on an active market, but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before the year end;
- The value of other equities, bonds and pooled investment vehicles which are unquoted or not actively traded on a quoted market has been estimated by the Group Trustees. Where the value of the pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustments are made;
- Properties are valued by an independent valuer who holds a recognised professional qualification and has appropriate recent experience, in accordance with the Royal Institution of Chartered Surveyors Valuation Standards UK PS 1.1 Valuation for Financial Statements taking into consideration the current estimate of the rental values and market yields. No depreciation is provided on freehold properties. Purchases and sales of properties are recognised in the Financial Statements on completion of contracts.

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 3. Accounting Policies (continued)

##### Valuation and classification of investments (continued)

- Forests and land holdings in the UK Forestry Sector of the Unitised Fund and a Group portfolio have been valued in accordance with the Royal Institution of Chartered Surveyors Valuation Standards UK PS 1.1 Valuation for Financial Statements taking into consideration the current estimate of the rental values and market yields. Purchases and sales of forests are recognised in the Financial Statements on completion of contracts;
- Exchange traded futures are valued as the sum of the daily mark-to-market, which is a calculated difference between exchange settlement prices and inception prices;
- Swaps are valued at the net present value of future cash flows arising therefrom;
- Over the counter (“OTC”) options are valued by the investment manager using generally accepted pricing models such as Black Scholes, where inputs are based on market data at the year-end date;
- Forward foreign exchange contracts (“FFX”) are valued at the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date;
- Longevity swaps are valued on a fair value basis on the expected future cash flows arising under the swap, discounted using market interest rates and taking into account the risk;
- Annuity policies are valued by the Group Actuaries at the amount of the related obligation, determined using the most recent Group Funding valuation assumptions updated for market conditions at the reporting date;
- With profits insurance policies (including those held as AVC investments) are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus; and
- Investments in partnership arrangements which are designed to produce cash flows which may vary with future events are included at the present value of expected cash flows determined using a Monte Carlo simulation of a range of possible outcomes.
- Repurchase agreements (repo) are recognised and valued as collateral and are included in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

Accrued interest is excluded from the market value of bonds, and is included in investment income receivable.

##### Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 3. Accounting Policies (continued)

##### Critical accounting estimates and judgements (continued)

The Group Trustees make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, the Trustee believes the only estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the investments and, in particular, those classified in Level 3 of the fair value hierarchy. In determining the fair value of certain illiquid assets, the Scheme relies on valuation methodologies that may include discounted cash flow analysis, publicly quoted comparable, recent arms-length transactions and other valuation techniques commonly used by market participants. The techniques and judgements required to calculate the valuations of these illiquid assets are inherently less certain than those used to value quoted assets. In the current year, this uncertainty is heightened as a result of the impact of the Coronavirus pandemic on markets and the global economy.

Explanation of the key assumptions underpinning the valuation of investments are included within note 18.

##### Presentational currency

The Scheme's functional and presentational currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

##### Investment in subsidiary Companies

The investments in the subsidiary Companies are not consolidated in these financial statements as they are immaterial.

#### 4. Contributions

	2021 Total	2020 Total
	£ million	£ million
<b>Employer contributions</b>		
Normal	403	395
Deficit repair*	490	779
Augmentations - early retirements	48	62
<b>Other</b>		
Supplementary pensions funding**	4	11
Other salary true-up	-	2
Section 75 debt	-	2
Other	56	66
	<b>1,001</b>	<b>1,317</b>
<b>Employee contributions</b>		
Normal	29	30
Other	1	1
Additional voluntary contributions (AVCs)	19	17
	<b>49</b>	<b>48</b>
	<b>1,050</b>	<b>1,365</b>

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 4. Contributions (continued)

\* Deficit repair contributions have been paid as a result of the funding deficits declared in the Groups' Actuarial Valuations, and under the terms of the agreements between the Employers and the Group Trustees, and will continue to be paid in accordance with the Groups' Schedules of Contributions as certified by the Group Actuaries. Details of the amounts due are available in the individual Groups' Annual Report and Financial Statements.

\*\* Supplementary pensions funding represents Employer contributions to grant additional benefits on early retirement.

Employer normal contributions include salary sacrifice contributions.

#### 5. Transfers in

	<b>2021 Total</b>	<b>2020 Total</b>
	<b>£ million</b>	<b>£ million</b>
Bulk transfers	3	30
Individual transfers	8	6
	<b>11</b>	<b>36</b>

Bulk transfers relate to amounts received from employers into the OVO Energy Group in cash.

Transfer values received exclude transfers between Groups and transfers between sections of individual Groups that are eliminated on aggregation.

Transfers between Groups amounted to £4,509 million and consisted mainly of £4,452 million Innogy Group to the new Innogy section of the RWE Group (£4,448 million in-specie and £4 million in cash), £50 million from Innogy DC section to RWE Group DC Section (in-specie) and £7 million from SSE Group to Ovo Group SEPS section (in cash) with the remainder being smaller individual transfers. There was also an in-specie transfer of £15m between sections within RWE Group. Other inter-sectional transfers were immaterial.

In the prior year, transfers between Groups amounted to £109 million and consisted mainly of £58 million from E.ON Group to the new Former E.ON section of the RWE Group, £48 million from Southern Electric Group to the new OVO Energy Group, with the remainder being smaller individual transfers. There were also cash and in specie transfers of £85 million between sections within Innogy Group. Other inter-sectional transfers were immaterial.

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 6. Benefits paid or payable

	<b>2021 Total</b>	2020 Total
	<b>£ million</b>	£ million
Pensions	<b>1,455</b>	1,440
Commutations of pensions and lump sum retirement benefits	<b>166</b>	187
Purchase of annuities (AVCs)	<b>1</b>	4
Lump sum death benefits	<b>6</b>	9
Taxation where lifetime allowance exceeded	<b>3</b>	1
	<b>1,631</b>	1,641

#### 7. Payments to and on account of leavers

	<b>2021 Total</b>	2020 Total
	<b>£ million</b>	£ million
Transfer values paid to other pension plans:		
Individual transfers	<b>355</b>	488
Individual transfers AVCs	<b>2</b>	2
Bulk transfers to other schemes	<b>192</b>	9
	<b>549</b>	499

Bulk transfers out consist of £179 million from Eggborough Group to a non-ESPS Scheme (£178m in-specie and £1m cash and net assets/liabilities) and £13 million from the E.ON DC Section to a Master Trust arrangement.

Prior year bulk transfers out are from Central Networks Group to a non-ESPS Scheme and were made in specie.

#### 8. Administrative expenses

	<b>2021 Total</b>	2020 Total
	<b>£ million</b>	£ million
Administration expenses	<b>11</b>	<b>8</b>
PPF levy	<b>1</b>	<b>2</b>
Actuarial fees	<b>5</b>	<b>6</b>
Legal fees	<b>2</b>	<b>2</b>
Other	<b>1</b>	<b>1</b>
	<b>20</b>	<b>19</b>

Some Groups pay their own administrative expenses in return for enhanced contributions from the Employers as shown above. For other Groups, the Employers pay the administrative expenses relating to the Group.



## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 8. Administrative expenses (continued)

The Pension Protection Fund (“PPF”) was established by the Government with effect from 6 April 2005 to provide compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer, and where there are insufficient assets in the pension scheme to cover the PPF level of compensation. Funding is by means of a levy raised on all defined benefit pension schemes. The Scheme Rules allow for the payment of PPF levies from Group assets (with subsequent payment of an increased Employer contribution or direct reimbursement) or to be paid directly by the Employer. For 2020/21, the £1 million represents the amount paid from Group assets (2019/20: £2 million). All the PPF levy funds shown above were paid under the Secretary’s Protocol arrangements where the Groups concerned have received enhanced contributions.

#### 9. Investment income

	<b>2021 Total</b>	2020 Total
	<b>£ million</b>	£ million
Dividends from equities	<b>23</b>	27
Income from bonds	<b>50</b>	51
Net rents from properties	<b>14</b>	10
Income from property loan assets	<b>5</b>	5
Income from pooled investment vehicles	<b>185</b>	156
Net payments from swaps	<b>(1)</b>	(1)
Annuity income	<b>42</b>	11
Foreign Exchange (loss)/gain	<b>(9)</b>	8
Interest on cash deposits	<b>3</b>	5
Other	<b>2</b>	3
	<b>314</b>	275

Investment income relating to accumulation class pooled investment vehicles is reflected in the net change in market value for those pooled investment vehicles as shown in Note 10.

Investment income shown above reflects income earned by investments within the Defined Benefit sections. All income earned on pooled investment units held by the Defined Contribution sections is accounted for within the value of those funds.

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 10. Reconciliation of net investments

	Value as at 31 March 2020	Purchases at cost and derivative payments	Sale Proceeds and derivative receipts	Change in market value	Value as at 31 March 2021
	£ million	£ million	£ million	£ million	£ million
Equities	562	868	(707)	300	1,023
Bonds	2,760	2,216	(2,069)	(55)	2,852
Property	164	31	(4)	8	199
Forestry	143	5	-	45	193
Property loan assets	178	75	(59)	(4)	190
Pooled investment vehicles	38,452	13,987	(15,364)	3,259	40,334
Derivatives – net	(186)	137	(267)	139	(177)
Insurance policies	822	1	-	(39)	784
AVC investments	81	61	(39)	13	116
	42,976	17,381	(18,509)	3,666	45,514
Cash	421				554
Repurchase agreements	(115)				(120)
Other investment assets	32				277
Other investment liabilities	(22)				(117)
	43,292				46,108

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year

#### Investment transaction costs

Transaction costs are included in the cost of purchases and deducted from sales proceeds in the reconciliation above. Direct transaction costs incurred across the Scheme are analysed as follows:

	Equities	Property	Pooled Investment Vehicles	Total 31 March 2021 £ million
	£ million	£ million	£ million	
Fees	1	-	-	1
	1	-	-	1

  

	Equities	Property	Pooled Investment Vehicles	Total 31 March 2020 £ million
	£ million	£ million	£ million	
Fees	1	-	-	1
<b>Total</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>

In addition to the direct transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Group Trustees to quantify such indirect transaction costs.

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 10. Reconciliation of net investments (continued)

Direct property assets are held by two Groups in two direct property portfolios.

The properties are stated at open market value (which is equivalent to fair value) determined by Cushman & Wakefield, Knight Frank, and BNP Paribas Real Estate all members of the Royal Institution of Chartered Surveyors, which are independent of the Scheme Trustee and Employers. The three companies have recent experience in the locations and class of the investment properties held by the Scheme. Valuations are performed as at 31 March each year in accordance with the Royal Institution of Chartered Surveyors Valuation Standards UK PS 1.1 Valuation for Financial Statements. No depreciation is provided on freehold buildings or long lease properties. Purchases and sales of property are recognised in the Financial Statements on completion of contracts.

Investments in property are held by the Scheme through subsidiary undertakings. These undertakings have no material assets or liabilities other than the properties held in the segregated Group property portfolios. The nominee companies exist solely to hold the legal title, but the assets are held in the name of the Groups and it is therefore appropriate that that are included in the Group and Scheme financial statements and not those of the underlying nominee company financial statements. There are no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal. There are no contractual obligations to purchase or develop investment property or for repairs, maintenance or enhancements.

The valuations of forests and land holdings in the UK Forestry Sector of the Unitised Fund and those held by Central Networks Nomineeco Limited and Western Power Distribution Nomineeco Limited have been carried out at the reporting date by Savills Advisory Services Limited, a member of the Royal Institution of Chartered Surveyors and independent of the Scheme Trustee and Employers. Savills Advisory Services Limited is appointed as the independent property valuers to the Scheme Trustee, and who have recent experience in the locations and class of the investment forests and land holdings held by the Scheme. Purchases and sales of forests are recognised in the Financial Statements on completion of contracts.

#### 11. Pooled investment vehicles

Pooled investment vehicles are further analysed as follows:

<b>Total</b>	<b>2021</b>	<b>Restated*</b>
	<b>£million</b>	<b>2020</b>
		<b>£million</b>
Equities	<b>5,432</b>	3,896
Bonds	<b>6,387</b>	5,526
Diversified growth	<b>2,210</b>	2,556
Fund of hedge funds	<b>3,303</b>	3,707
Private equity	<b>918</b>	590
Infrastructure funds	<b>475</b>	459
Property	<b>2,161</b>	2,081
Liability driven investments and Qualifying		
Investor Funds – bespoke	<b>17,042</b>	17,575
Liability driven investments – not bespoke	<b>258</b>	137
Sole investor funds	<b>677</b>	467
Cash and other liquid assets	<b>1,471</b>	1,458
	<b>40,334</b>	38,452

\* One Group has reclassified £275m in the prior year from Fund of hedge funds to Equities and another reclassified £94.7m from Equities to Bonds to more accurately reflect the nature of the pooled investment vehicles.

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 11. Pooled investment vehicles (continued)

At 31 March 2021, 16 Groups (2020: 17 Groups) held bespoke Liability Driven Investments (“LDI”) with two Groups holding two such portfolios. A further 2 Groups held Qualifying Investor Fund (“QIF”) portfolios (2020: 3 Groups) and 2 Groups (2020: 1) held a bespoke sole investor fund. These portfolios are specifically tailored to the Groups’ individual requirements and in which there were no other investors.

The bespoke LDI, QIF and sole investor portfolios have the following investments:

	2021 £ million	2020 £ million
Bonds (fixed and interest-linked securities)	29,526	28,680
Equities	243	105
Swaps - net	(133)	952
Options - net	(27)	45
Futures - net	-	3
Repurchase agreements	(13,343)	(12,620)
Currency hedge	2	(48)
Infrastructure funds	4	-
Property funds	-	13
Private equity, debt and real estate funds	651	467
Cash and other liquid assets	794	443
Mortgage and asset backed securities	2	2
	17,719	18,042

Transaction costs on the above funds amounted to £34,472 (2020: £nil).

#### 12. Derivatives

##### Objectives and policies

10 (2020: 10) Group Trustees have authorised the use of derivatives by their investment managers as part of their investment strategy for their Group as follows:

Futures – Group Trustees did not wish cash held to be “out of the market” and therefore bought exchange traded index-based futures contracts which had any underlying economic value broadly equivalent to cash held.

Swaps – the Group Trustees’ aim is to match as far as possible the Liability Driven Investment (LDI) portfolio of their Group’s long-term liabilities, in relation to their sensitivities to interest rate movements. Due to the lack of available long dated bonds the Group Trustees have entered into OTC interest rate swaps during the year that extend the duration of the fixed income portfolio to better match the long-term liabilities of the Group.

Forward foreign exchange – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in GBP, a currency hedging programme, using forward FX contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 12. Derivatives (continued)

##### Derivative contracts

At the year end the Scheme had the following derivatives:

	2021 Assets £ million	2021 Liabilities £ million	2020 Assets £ million	2020 Liabilities £ million
Futures	12	(4)	12	(6)
Swaps	14	(218)	12	(185)
Forward foreign currency contracts	24	(5)	-	(19)
	50	(227)	24	(210)
<b>Net derivatives</b>		<b>(177)</b>		<b>(186)</b>

##### Futures contracts

	Expiry Date	Nominal Value* £ million	2021 Assets £ million	2021 Liabilities £ million
Euro Stoxx 50 Future (EUX)	June 2021	21	1	-
Long Gilt Future (ICF)	June 2021	94	-	(1)
US 10 Year Treasury Future	June 2021	70	2	-
Overseas Exchange Traded	June 2021	(66)	3	-
Equity Futures Bought	June 2021	85	1	-
Bond Futures Bought	June 2021	180	-	(3)
Bond Futures Sold	June 2021	(219)	5	-
			12	(4)

\*Values may be rounded to zero if less than £0.5 million.

In addition to the above, there are 9 (2020: 5) index futures of remaining duration of less than 3 months with a nominal value of £72 million (2020: £62,000) and assets of £408,000 (2020: £331,000) and liabilities of £517,000 (2020: £350,000). As these figures are less than £1 million they round to nil, and are therefore, not included in the above table.

Swaps	Duration	Nature (see below)	Notional Principal £ million	2021 Assets £ million	2021 Liabilities £ million
Inflation linked swaps	1 – 5 years	1	71	1	(2)
Inflation linked swaps	6 – 15 years	1	80	-	(1)
Inflation linked swaps	Over 15 years	1	42	-	(2)
Interest rate swaps	1 – 5 years	2	141	1	(2)
Interest rate swaps	6 – 15 years	2	177	5	(4)
Interest rate swaps	Over 15 years	2	97	7	(3)
Longevity swap	Over 15 years	n/a		-	(204)
				14	(218)

##### Nature

- 1 UK RPI Index for fixed pay floating (LIBOR various between 0.00% - 3.88%)
- 2 Receive/Pay Zero Coupon

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 12. Derivatives (continued)

The carrying amount of financial assets pledged as collateral for Interest Rate Swap liabilities is £19.6 million (2020: £NIL) and Longevity Swap liabilities is £59.1 million (2020: £64.8 million), which consists of cash and bonds held by the custodian to the contract. Assets pledged remain assets of the Group and are reflected within the appropriate category within the net asset statement.

The fair value of collateral that has been accepted for assets is £1.1 million (2020: £27.2 million), which consists of cash and bonds held by the custodian to the contract. Collateral accepted is not an asset of the Scheme and is not reflected within net assets.

The notional principal of the swaps is the amount used to determine the value of the swapped (interest, inflation, etc.) receipts and payments.

#### Forward foreign currency contracts

	Ccy	Currency Bought million	Ccy	Currency Sold million	2021 Assets £ million	2021 Liabilities £ million
OTC traded less than one year	GBP	288	EUR	173	9	-
OTC traded less than one year	EUR	147	GBP	142	-	(1)
OTC traded less than one year	GBP	1,314	USD	639	9	(2)
OTC traded less than one year	USD	602	GBP	506	-	(1)
OTC traded less than one year	GBP	72	JPY	27	4	-
OTC traded less than one year	JPY	9	GBP	4	-	(1)
OTC traded less than one year	GBP	30	CHF	28	2	-
					<b>24</b>	<b>(5)</b>

In addition to the above are further 9 (2020: 11) OTC contracts of remaining duration less than one year which have total assets of £217,000 (2020: £180,000) and total liabilities of £101,000 (2020: £490,000).

Over the Counter ("OTC") derivatives are traded directly between two parties without any supervision from an exchange. Such transactions are also sometimes referred to as "off-exchange".

#### Stock lending

No Groups (2019: nil) utilised the Stock Lending arrangement available through the Scheme's Custodian for the year ended 31 March 2021.

#### 13. Insurance policies

Group Trustees no longer purchases annuities to meet their Group's liabilities.

	2021 £ million	2020 £ million
Buy-in policies	783	821
Policies transferred from the Scientists' Superannuation Scheme	1	1
	<b>784</b>	<b>822</b>

Buy in policies are in respect of 3 (2020: 3) Groups. In addition to the above are pre-vesting policies which have been valued at £0.1 million (2020: £0.1 million).

The insurance policies are used to fund members' pensions.

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 14. Repurchase agreements

	2021 £ million	2020 £ million
Amounts payable under repurchase agreements	(120)	(115)
	(120)	(115)

Bonds with a fair value of £114 million have been sold subject to repurchase contracts and therefore continue to be recognised in the financial statements (2020: £115 million). There are 16 (2020: 10) repurchase agreements, with maturity dates between April 2021 to March 2022.

#### 15. Other investment balances

	2021 £ million	2020 £ million
<b>Other investment assets</b>		
Accrued interest and dividends	21	24
Tax recoverable	1	3
Other debtors	5	1
Amounts receivable from sale of investments	250	4
	277	32

	2021 £ million	2020 £ million
<b>Other investment liabilities</b>		
Other creditors	(10)	(20)
Amounts payable for the purchase of investments	(107)	(2)
	(117)	(22)

#### 16. AVC investments

Group Trustees nominate AVC providers. Members can choose to top up their retirement benefits by paying AVCs and contributing members may enquire about their Group's AVC arrangements and the various fund options available by contacting the Group Administrator of the Group of which they are a member.

The accumulated value of the AVCs, as determined by the AVC provider at the time the benefits are taken and subject to any adjustment, is applied upon the member's retirement or at any time up to age 75 (or earlier death), to provide benefits to or in respect of the member. Additional benefits are provided by AVCs on a money purchase basis.

Members participating in AVC arrangements each receive an annual statement confirming the amounts held in their AVC account. Members paying AVCs may also receive an annual Statutory Money Purchase Illustration, which should give each member a projection of what their additional benefits might arise from their AVCs based on actuarial assumptions and investment returns laid down by legislative requirements.

Group Trustees conduct periodic reviews of their AVC providers and fund options in conjunction with their investment adviser.

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 17. Investment management expenses

	<b>2021 Total</b>	2020 Total
	<b>£ million</b>	£ million
<b>Investment management expenses</b>		
Group Discretionary Funds	<b>26</b>	31
Unitised Fund	<b>1</b>	1
<b>Total investment management expenses</b>	<b>27</b>	32
<b>Other advisory expenses</b>	<b>6</b>	8
	<b>33</b>	40

Fund manager expenses for discretionary funds are normally based on a percentage of the value of the assets held within the portfolio concerned. Fund manager expenses for pooled investment vehicles and managed funds are normally reflected in the unit price of the fund and not separately invoiced to investors.

#### 18. Fair value determination

The fair value of financial instruments has been disclosed using the fair value hierarchy:

- Level 1: Unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the assessment dates.
- Level 2: Inputs other than quoted prices included within Level 1 which are observable (i.e. developed using market data) for the asset or liability either directly or indirectly.
- Level 3: Inputs which are unobservable (i.e. for which market data is unavailable) for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.



## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 18. Fair value determination (continued)

The Scheme's investment assets and liabilities have been included at fair value within the categories as follows:

Level	Level 1 £ million	Level 2 £ million	Level 3 £ million	2021 Total £ million
<b>Defined Benefit section</b>				
<b>Investment assets</b>				
Equities	1,023	-	-	1,023
Bonds	1,928	924	-	2,852
Property	-	-	199	199
Forestry	-	-	193	193
Property loan assets	-	-	190	190
Pooled investment vehicles	388	25,049	14,648	40,085
Derivatives	8	42	-	50
Insurance policies and annuity contracts	-	-	783	783
AVCs	-	53	24	77
Cash	293	259	-	552
Other investment assets	269	8	-	277
	3,909	26,335	16,037	46,281
<b>Investment liabilities</b>				
Derivatives	(3)	(20)	(204)	(227)
Repurchase agreements	-	(120)	-	(120)
Other investment balances	(117)	-	-	(117)
	(120)	(140)	(204)	(464)
<b>Defined Contribution Section</b>				
Pooled investment vehicles	-	249	-	249
Insurance policies	-	-	1	1
Cash	2	-	-	2
AVCs	-	9	30	39
	2	258	31	291
<b>Total investments</b>	3,791	26,453	15,864	46,108

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 18. Fair value determination (continued)

Analysis of the Fair Value Levelling for the prior year end is as follows:

Level	Reclassified* Level 1 £ million	Reclassified * Level 2 £ million	Reclassified * Level 3 £ million	Reclassified * 2020 Total £ million
<b>Defined Benefit Section</b>				
<b>Investment assets</b>				
Equities	562	-	-	562
Bonds	2,045	715	-	2,760
Property	-	-	164	164
Forestry	-	-	143	143
Property loan assets	-	-	178	178
Pooled investment vehicles	758	20,290	17,199	38,247
Derivatives	2	22	-	24
Insurance policies and annuity contracts	-	-	821	821
AVCs	-	40	32	72
Cash	348	73	-	421
Other investment assets	32	-	-	32
	3,747	21,140	18,537	43,424
<b>Investment liabilities</b>				
Derivatives	(11)	(190)	(9)	(210)
Repurchase agreements	-	(115)	-	(115)
Other investment balances	(20)	-	(2)	(22)
	(31)	(305)	(11)	(347)
<b>Defined Contribution Section</b>				
Pooled investment vehicles	-	205	-	205
Insurance policies	-	-	1	1
AVCs	-	5	4	9
	-	210	5	215
<b>Total investments</b>	<b>3,716</b>	<b>21,045</b>	<b>18,531</b>	<b>43,292</b>

\* Reclassifications are due to 4 Groups, two moved a total of £73m of cash from level 1 to level 2, one Group moved £8m of AVCs held in unitised funds from level 2 to level 3 and 2 moved a total of £388m of pooled investment vehicles from level 1 to level 2 and a further £1,457m from level 3 to level 2. All these re-classifications are to better reflect the underlying investments.

Certain property funds and direct property holdings had “material uncertainty” clauses (“MUC”) attached to their valuations as at 31 March 2020 as a result of the impact of the Covid-19 pandemic measures. Some managers also suspended redemption of shares in the funds. These were all lifted by 31 March 2021. A summary of the funds and the values held by the Scheme are summarised below:

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 18. Fair value determination (continued)

Fund	2020 Suspended £ million	2020 MUC £ million
CBRE UK Property PAIF	889	-
Standard Life Long Lease Property Managed Pension Fund	262	-
BlackRock UK Property Fund	103	-
Threadneedle Property Unit Trust	94	-
Legal & General UK Build to Rent Fund	17	-
Legal & General Managed Property Fund	16	-
M&G Inflation Opportunities III Fund	-	348
Directly held property	-	165
Knight Frank Long Income Property Unit Trust	-	137
Unitised Fund	-	114
Henley Secure Income Property Unit Trust	-	93
CBRE SLIF	-	49
Invesco UK Residential Fund	-	44
<b>Total</b>	<b>1,381</b>	<b>950</b>
<b>Percentage of net assets as at 31 March 2020</b>	<b>3.2%</b>	<b>2.2%</b>

Level 3 investments typically have Group specific factors that are used as part of the overall valuation. Insurance policies are included at a fair value determined by the Group actuary in accordance with the FRCs Technical Actuarial Standards on reporting actuarial information, data and modelling using the Projected Unit Credit method. The valuations also include Group specific key assumptions of discount rates pre and post retirement, RPI and CPI inflation rates, rates of pension increases for deferred pensions and those in payment and Group specific mortality assumptions.

The properties are stated at open market value (which is equivalent to fair value) determined by Cushman & Wakefield, Knight Frank and BNP Paribas Real Estate, Chartered Surveyors, which are independent of the Scheme Trustee and Employers. Valuations are performed as at 31 March each year in accordance with the Royal Institution of Chartered Surveyors Valuation Standards UK PS 1.1 Valuation for Financial Statements. No depreciation is provided on freehold buildings or long lease properties.

#### 19. Investment risks

Financial Reporting Standards ("FRS") 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

- 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.
- Market risk: this comprises currency risk, interest rate risk and other price risk as follows:
- Currency risk: this is risk that fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates;
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates; and

### NOTES TO THE FINANCIAL STATEMENTS

#### 19. Investment risks (continued)

Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme Trustee is responsible for the safe custody and administrative control of the assets. The Group Trustees are responsible for ensuring that the assets of their Group are managed appropriately and to determine an appropriate investment strategy for the Group's investments, taking into account the funding position of their Group and other factors. They also receive professional advice from investment advisers. Through holding investments, the Groups have exposure to the risks set out above. The Group Trustees manage investment risks, including credit risk and market risk, within agreed risk limits, which are set taking into account their Group's strategic investment objectives. These investment objectives and risk limits are implemented through the investment agreements in place with the Group's investment managers and are monitored by the Group Trustees by regular reviews of the investment portfolios.

##### (i) Investment strategy

The investment objectives set by the Groups are to typically maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits payable under the Trust Deed and Rules as they fall due.

Group Trustees set the investment strategy taking into account considerations such as the strength of their Employer covenant, the long-term liabilities and the funding agreed with the Employers. The investment strategy agreed is set out in each Group's Statement of Investment Principles.

##### (ii) Credit risk

Groups which invest in bonds and pooled investment vehicles are directly exposed to credit risk in relation to those bonds and pooled investment vehicles. Groups can also be indirectly exposed to credit risks arising on the financial instruments held in the pooled investment vehicle.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate, and by diversification of the investments amongst a number of pooled arrangements. The Group Trustees, in association with their advisers, carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager.

Indirect credit risk arises in relation to underlying investments held in pooled investment vehicles. This risk is managed by the investment restrictions in place for each of the pooled investment vehicles.

Residual cash balances are held within financial institutions which are at least investment grade credit rated implying a low risk of default and a stable outlook.

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 19. Investment risks (continued)

A summary of the Scheme's pooled investments by type of arrangement is as follows:

	2021 £ million	2020 £ million
Authorised Unit Trusts	1,792	594
Common Contractual Funds (Ireland), Fonds Commun de Placement (Luxembourg), Tax Transparent Funds (UK)	2,261	957
Close Ended Funds	180	98
Limited Company and Limited Liability Company (inc. Delaware companies, exempted companies)	4,363	2,765
Shares in Partnerships including limited liability and limited partnerships	3,872	2,229
Mutual Funds	255	1,565
Open Ended Investment Companies inc. SICAVs (EU), open ended mutual funds (US), ICAVs (Ireland established as UCITS)	20,610	24,867
Unit Linked Insurance Contracts	6,836	5,376
Others	165	1
	40,334	38,452

#### (iii) Currency risk

The Groups are subject to currency risk where some of the Group's investments are held in overseas markets either directly or through pooled investment vehicles.

The nature of the currency risk relating to investments in pooled vehicles may be direct (where the Group is invested in a non-sterling share class/interest) or indirect (where the underlying investments include assets which are not sterling dominated, but the investment in the pooled vehicle is in a sterling share class/interest).

The level of currency risk exposure varies between Groups and Group Trustees may make decisions to hedge against elements of this risk if thought appropriate to do so.

#### (iv) Interest rate risk

The Groups are subject to interest rate risk and inflation risk because some of the Group's investments are held in bonds, or other interest rate and inflation rate sensitive instruments either through directly held assets or through pooled investment vehicles.

The Group Trustees set benchmarks for the total investments in these types of directly affected instruments or as part of the initial strategy when setting up pooled investments. Under this strategy, if interest rates fall, or inflation rates rise, the value of the investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate used to measure the value of these liabilities.

Similarly, if interest rates rise, or inflation rates fall, the investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 19. Investment risks (continued)

##### (v) Other price risk

Other price risk arises principally in relation to the Groups' return seeking portfolios, which may include a range of different types of investments. The Groups set a target asset allocation of investments being held in return seeking investments.

The Groups manage this exposure to overall price movements by constructing a diverse portfolio of investments across various markets and managers.

The following table summarises the extent to which the various classes of investments may be affected by the financial risks considered above:

	Credit risk	Market risk			2021	2020
		Currency	Interest rate	Other price	£ million	£ million
Equities	○	●	○	●	1,023	562
Bonds	●	●	●	○	2,852	2,760
Property	○	○	○	●	199	164
Agriculture and forestry	○	○	○	●	193	143
Property loan assets	●	○	●	○	190	178
Pooled investment vehicles						
Equities	●	●	○	●	5,432	3,990
Bonds	●	●	●	●	6,387	5,432
Diversified growth funds	●	●	●	●	2,210	2,556
Fund of hedge funds	●	●	●	●	3,303	3,707
Private equity	●	●	●	●	918	590
Infrastructure funds	●	●	●	●	475	459
Property	●	○	●	●	2,161	2,081
Liability driven investments	●	○	●	●	17,042	17,575
- bespoke						
Liability driven investments	●	○	●	●	258	137
- not bespoke						
Sole investor funds	●	○	●	●	677	467
Cash and other liquid assets	●	○	○	○	1,471	1,458
Derivatives	●	●	●	●	(177)	(186)
Insurance policies	●	○	○	○	784	822
AVC investments	●	●	●	●	116	81
Repurchase agreements	●	●	●	●	(120)	(115)
Cash and Other investment balances	●	●	○	○	714	431
<b>Total</b>					<b>46,108</b>	<b>43,292</b>

In the above table, the risk noted effect the asset class ● significantly, ● partially or ○ hardly/not at all.

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 20. Employer-related investments

Investment Regulations restrict direct employer-related investments by occupational pension schemes. Investments include shares, loan stocks, debentures and other securities issued by the employers participating in the scheme and their associated companies, together with loans made to the employers, and any properties or land owned by the scheme and occupied by the employers. Late contributions also qualify as employer-related investments until received.

The Investment Regulations apply separately to each Group within the ESPS by reference to the investments of the Group Trustees in the Employers participating in their Group and their associated companies, and provide that such employer-related investments must not exceed 5% of the market value of the Group's assets.

Details of any employer-related investments are provided in the Annual Report and Financial Statements of each Group. These show that employer-related investments were either minimal or zero. In no Groups, did the proportion of the Group assets invested in employer-related investments exceed 5% of the market value of the relevant Group assets as at 31 March 2021 or at 31 March 2020.

Pension legislation requires that Employer contributions are paid on a timely basis and any late contributions are treated as employer-related investments until they are paid. During the year 2 Groups had instances of late payments of contributions totalling £1.03 million of which £1 million was outstanding at year end (0.002% of Scheme assets at year end).

Details of 4 Groups concerned for the year ended 31 March 2021 in respect of late contributions are given below:

- One Group had a qualified opinion as £1 million of expenses funding was due by 31 March 2021, due to a change of employer the payment was missed and not made until 14 April 2021.
- One Group had a qualified opinion as the January 2021 contributions of £2,466 Employer normal were paid 6 days late and £22,773 of Employer normal contributions (consisting of salary sacrifice contributions) were paid 26 days late. The late contributions were paid during the year and were not outstanding at 31 March 2021.
- One Group had a qualified opinion as new contribution rates for the period May 2020 to March 2021 were not implemented by the Employer. As a result Employer normal contributions of £15,444.92 for the year were late and unpaid at the year end.
- One Group had a qualified opinion as increased Employer normal contributions from July 2020 onwards were not implemented until October 2020 and the underpaid contributions for Jul, August and September 2020 totalling £270,281 were paid late on 13 November 2020.

All other instances were immaterial for both the Groups and the Scheme, and therefore, not reportable or disclosable.

#### 21. Concentration of investments

There is not one single investment which exceeds 5% or more of the overall value of the Scheme Net Assets (2020: nil).

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 22. Current assets

	<b>2021 Total</b>	<b>2020 Total</b>
	<b>£ million</b>	<b>£ million</b>
Contributions due from Employers in respect of:		
Employers	<b>38</b>	40
Employees	<b>-</b>	1
Other debtors	<b>6</b>	12
Cash balances	<b>118</b>	123
	<b>162</b>	176

#### 23. Current liabilities

	<b>2021 Total</b>	<b>2020 Total</b>
	<b>£ million</b>	<b>£ million</b>
Accrued benefits payable	<b>34</b>	35
Accrued transfers out	<b>1</b>	-
Accrued expenses	<b>10</b>	9
Other creditors	<b>6</b>	10
	<b>51</b>	54

#### 24. Defined Contribution section

The following transactions and net assets of the Defined Contribution section ("DC section") are included within the figures of these financial statements as follows:



## Electricity Supply Pension Scheme

Fund Account	Note	2021	2020
		Defined Contribution	Defined Contribution
		£ million	£ million
<b>Contributions and benefits</b>			
Employer contributions		24	22
Employee contributions		14	12
<b>Total contributions</b>	4	<b>38</b>	<b>34</b>
Transfers in	5	2	2
Other income		-	1
		<b>40</b>	<b>37</b>
Benefits paid or payable	6	(5)	(4)
Payments to and on account of leavers	7	(23)	(14)
Other payments		-	(1)
		<b>(28)</b>	<b>(19)</b>
<b>Net additions from dealings with members</b>		<b>12</b>	<b>18</b>
<b>Returns on investments</b>			
Change in market value of investments	10	61	(17)
<b>Net returns/(losses) on investments</b>		<b>61</b>	<b>(17)</b>
<b>Net increase in the DC section</b>		<b>73</b>	<b>1</b>
<b>Transfers from the DB section</b>		<b>2</b>	<b>4</b>
<b>Net assets of the DC section at the start of the year</b>		<b>216</b>	<b>211</b>
<b>Net assets of the DC section at the end of the year</b>		<b>291</b>	<b>216</b>

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 24. Defined Contribution section (continued)

<b>NET ASSETS AVAILABLE FOR BENEFITS</b> <b>As at 31 March</b>	<b>Note</b>	<b>2021</b> <b>Total</b>	<b>2020</b> <b>Total</b>
		<b>£ million</b>	<b>£ million</b>
<b>Investment assets</b>	10		
Pooled investment vehicles	11	<b>249</b>	205
Insurance policies	13	<b>1</b>	1
AVC investments	16	<b>39</b>	9
Cash		<b>2</b>	-
<b>Total net investments</b>		<b>291</b>	215
Current assets	22	<b>1</b>	2
Current liabilities	23	<b>(1)</b>	(1)
<b>Net assets of the DC section at the end of the year</b>		<b>291</b>	216

Defined Contribution section investments purchased by Groups are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Group Trustee. The Group Administrator allocates investment units to members. The Group Trustee may hold investment units representing the value of employer contributions which have been retained by the Group relating to members leaving the Group prior to vesting.

Defined Contribution assets are allocated to members and the Group Trustees as follows:

	<b>2021</b> <b>£ million</b>	<b>2020</b> <b>£ million</b>
Designated to members	<b>291</b>	216
Trustees	-	-
	<b>291</b>	216

The Defined Contribution funds are managed by BlackRock Investment Management UK Limited, Clerical Medical, Prudential Assurance Company Limited, and Zurich Assurance Limited. Members receive an annual statement confirming the contributions paid on their behalf and the value of their money purchase rights.

Defined Contribution assets provide benefits to the individuals on whose behalf the contributions were paid. Accordingly, those assets are identified as designated to members in the Statement of Net Assets available for Benefits and do not form a common pool of assets available for members generally.

All (2020: all) DC cash balances were designated to members.

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 25. Related parties

Related party transactions comprise:

##### Key management personnel

EPTL Directors received fees of £74,000 (2020: £58,000) which have either been borne by the Scheme Co-ordinator, EPL or Participating Employers of the Scheme. This amount includes fees payable to the Independent EPTL Chair, Capital Cranfield Pension Trustee Limited and then PTL Governance Limited. Group Trustees fees in the financial year (including fees for independent trustees where appointed by Groups) were £1,571,000 (2020: £1,399,000 restated), of which £542,000 (2020: £570,000 restated) has been borne by Groups and has been included within administrative expenses charged to the Scheme, the remaining £1,028,000 (2020: £829,000 restated) has been borne by the Participating Employers (and therefore, not included within these Financial Statements). Certain Directors and Councillors of EPTL are also in receipt of pensions from the Scheme in respect of their previous employment with Participating Employers. The names of all the Directors and Councillors are disclosed on page 61. EPTL Directors receiving a pension from the Scheme are noted on page 61.

##### Other related parties

For 13 Groups (2020: 17 Groups), Employers paid Group administrative expenses incurred by the Groups with no recharge to the Groups.

#### 26. Subsidiary undertakings

The Scheme Financial Statements do not consolidate the assets, liabilities and results of the companies listed below as they are immaterial. All the companies are 100% owned by the Scheme (2020: 100% owned).

The Scheme Trustee regularly reviews the requirement for these companies and winds up any company no longer required.

Name of Company	Country of Incorporation	Principal Activity
Electricity Supply Nominees (Forestry) Limited	England	Nominee Company
BEGG (Nominees) Limited	Scotland	Nominee Company
Manweb Nomineeco Limited	England	Nominee Company
Central Networks Nomineeco Limited	England	Nominee Company
Western Power Distribution Nomineeco Limited	England	Nominee Company

#### 27. Commitments

As at 31 March 2021, 7 Groups have future investment commitments totalling £967 million (2020: 9 Groups - £1,363 million).

## Electricity Supply Pension Scheme

### NOTES TO THE FINANCIAL STATEMENTS

#### 28. Contingent liabilities

On 26 October 2018, the High Court ruled that schemes must equalise for the effect of GMPs providing different benefits for men and women. In November 2020, the High Court determined that trustees also owed a duty to a transferring member to make a transfer payment which reflected the member's right to equalised benefits. Where the initial transfer payment was inadequate on this basis the trustee is under an obligation to make a top-up payment to the receiving scheme on behalf of the transferred member.

The Group Trustees are in the process of assessing the impact on their Group which will be reflected in future years' accounts. No provision or accrual can yet be made as no reliable estimate of the impact can be made.

In the opinion of the Scheme Trustee, there are no contingent liabilities other than the above which require disclosure in these Financial Statements other than the obligation to pay pensions and/or benefits falling due after the financial year end.

#### 29. Subsequent events

There are no subsequent events.

#### 30. Analysis of Scheme net assets by Group

Group	2021 £ million	2020 £ million
British Energy Generation	7,373	6,634
Carillion	24	23
Central Networks	3,949	3,588
Drax Power	311	299
EA Technology	100	85
EDF Energy Generation and Supply	1,348	1,237
Eggborough Power	-	170
Electricity North West	1,470	1,452
E.ON UK	4,885	4,779
EPSL	12	12
First Hydro Company	190	159
Innogy	361	4,525
International Power	430	380
Magnox Electric	3,453	3,423
Manweb	1,078	1,020
National Grid Electricity	3,357	3,201
Northern Powergrid	1,638	1,542
OVO Energy	104	78
Powerhouse Retail	228	232
RWE	5,884	1,597
Schneider	30	25
SSE Southern	2,348	2,084
UK Power Networks	3,949	3,477
Uniper	551	488
United Utilities plc	499	480
Western Power Distribution	2,647	2,424

<b>Total Net Assets</b>	<b>46,219</b>	<b>43,414</b>
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## Electricity Supply Pension Scheme

### GLOSSARY OF TERMS

Listed below are brief explanations of terms used within the Report & Financial Statements and other useful terms that may not be familiar to all members.

#### Pension glossary

Bulk transfers	The transfer of a number of members from one occupational pension scheme to another or from one Group of the ESPS to another. Generally, this will occur if there has been a merger, sale or purchase of a business and the new Employer wishes to amalgamate pension arrangements.
Commutation	The exchange of expected pension benefits for a cash lump sum.
Deficit repair payments	A single payment or a series of payments made by the Employer in order to make good the actuarial shortfall caused by projected pension liabilities being in excess of assets as depicted in the actuarial valuation.
Money Purchase basis	The calculation of an individual member's benefits by reference to the value of the contributions paid into a pension scheme in respect of that member.
State Graduated Pension Scheme	The State Graduated Pension Scheme which commenced on 3 April 1961 and terminated on 5 April 1975 being replaced by State Earnings Related Pension Scheme ("SERPS").
Supplementary pensions funding	Contributions made by Employers or members to provide additional or "top-up" pension benefits.
Transfer Values received	Transfers of monies from another pension scheme, so that a member can augment their pension benefits from the ESPS.

#### Investment glossary

Derivative	<p>A derivative is a financial contract between two parties whose value is derived from an underlying asset's price or an index based on asset prices. Underlying assets are typically equities, bonds, interest rates, exchange rates and stock market indices. The main types of derivatives used by pension schemes are:</p> <ul style="list-style-type: none"><li>- futures contracts</li><li>- forward foreign exchange contracts</li><li>- options</li><li>- swaps</li></ul> <p>A derivative can be exchange traded or traded over the counter ("OTC").</p>
Exchange traded	An exchange traded security is purchased or sold through a registered exchange (e.g. a stock exchange) which provides trading facilities.
Forward foreign currency contract (FFX)	A transaction whereby two parties agree to exchange two different currencies at an agreed rate of exchange on a specific date in the future. FFX contracts are OTC.

## Electricity Supply Pension Scheme

### Glossary of Terms (continued)

Futures Contract	A contract which legally binds two parties to complete a sale or purchase of an asset at a specified future date and at a price which is fixed at the time the contract is agreed.
Options	An option is a contract which give the purchaser the right, but not the obligation, to buy (call option) or sell (put option) a standard specified nominal amount of an asset at a specific date or range of dates in the future at a specified price. Options may be exchange traded or OTC.
Over the counter ("OTC")	A security that is not listed on a stock exchange and is therefore traded by buyers and sellers dealing directly with each other.
Pooled investment vehicles	A fund where assets are managed on a collective basis. The assets of a pooled investment vehicle are denominated in units that are revalued regularly to reflect the values of the underlying assets. Investors hold units in the PIV rather than in the underlying assets. Types of PIVs include: open-ended investment companies (OEICs), open-ended investment trusts, real estate investment trusts (REITs), unit linked policies, unit trusts and shares in limited partnerships.
Swaps	A swap is either an exchange traded or OTC transaction whereby the parties to the contract agree to exchange cash flows according to the terms agreed at the outset of the swap. The amount of the cash flows is generally determined by reference to an underlying asset, index, instrument or notional amount.
Unitised Fund	The Unitised Fund is a pooled investment vehicle that is only available to Groups within the ESPS and during the year under review comprised one Sector: UK Forestry Sector.

## Electricity Supply Pension Scheme

### MEMBERSHIP STATISTICS – Defined Benefit Arrangements (unaudited)

Group	Contributors	Pensioners	Dependants	Deferred Pensioners	Total
British Energy Generation	4,977	6,794	1,882	1,943	15,596
Carillion	-	30	2	90	122
Central Networks	1,604	9,236	2,361	2,873	16,074
Drax Power	136	312	34	33	515
EA Technology	-	241	30	65	336
EDF Energy Generation and Supply	505	1,425	42	205	2,177
Eggborough Power	-	-	-	-	-
Electricity North West	564	4,082	1,306	505	6,457
E.ON UK	1,481	11,730	3,861	6,336	23,408
EPSL	-	17	4	26	47
First Hydro Company	97	155	17	38	307
Innogy – Innogy	-	-	-	-	-
Innogy – Retail	562	137	4	313	1,016
International Power	39	267	11	253	570
Magnox Electric – Atkins	2	26	-	14	42
Magnox Electric – Cavendish	49	39	1	40	129
Magnox Electric - National	4	6	1	2	13
Nuclear Laboratories					
Magnox Electric - Site Licence Company	1,044	5,438	1,407	1,061	8,950
Manweb	393	3,059	763	1,194	5,409
National Grid Electricity	738	4,646	1,495	1,424	8,303
Northern Powergrid	523	3,125	876	446	4,970
OVO Energy – SEPS	125	38	-	19	182
OVO Energy – SHEPS	62	10	-	12	84
Powerhouse Retail	-	1,629	180	186	1,995
RWE – RWE	642	4,821	3,864	190	9,517
RWE – Innogy	135	10,440	1,486	5,349	17,410
RWE – Former E.ON	93	4	-	2	99
Schneider	3	48	5	29	85
SSE Southern	629	5,158	1,454	1,227	8,468
UK Power Networks	887	9,390	2,451	1,610	14,338
Uniper	551	130	5	94	780
United Utilities plc	24	1,205	103	299	1,631
Western Power Distribution	1,398	5,525	1,842	1,656	10,421
<b>As at 31 March 2021</b>	<b>17,267</b>	<b>89,163</b>	<b>25,487</b>	<b>27,534</b>	<b>159,451</b>
As at 31 March 2020	19,295	90,282	25,974	26,545	162,096

At 31 March 2020 there were 3,575 former contributors who were entitled to a frozen benefit equivalent to the relevant State Graduated Pension Scheme benefit in respect of service prior to 31 March 1975. These members are in addition to the above membership statistics for 2020. These members are included in the membership statistics as at 31 March 2021.

## Electricity Supply Pension Scheme

### MEMBERSHIP STATISTICS – Defined Contribution Sections (unaudited)

Group	Contributors	Annuitants Pensioners	Dependants	Deferred Pensioners	Total
British Energy Generation	952	-	-	212	<b>1,164</b>
EDF Energy Generation & Supply	72	-	-	15	<b>87</b>
Electricity North West	1,442	-	-	500	<b>1,942</b>
E.ON UK	-	34	1	-	<b>35</b>
Innogy	796	-	-	749	<b>1,545</b>
RWE	1,219	-	-	1,440	<b>2,659</b>
<b>As at 31 March 2021</b>	<b>4,481</b>	<b>34</b>	<b>1</b>	<b>2,916</b>	<b>7,432</b>
As at 31 March 2020	4,961	34	1	2,529	7,525

The E.ON UK Group Annuitants are members who have retired and their DC funds were used to buy an annuity in the name of the ESPS.



## Electricity Supply Pension Scheme

### IMPLEMENTATION STATEMENT

This is the Scheme Trustee's Implementation Statement ("Statement") covering the period 1 April 2020 to 31 March 2021 and also up to and including the date of this Statement ("Year").

The Scheme Trustee is directly responsible for the Forestry Sector of the Unitised Fund and so this Statement is limited only to that investment. Groups are responsible for the strategy and policies for their individual Group investments and have included their Group Implementation Statement in their 31 March 2021 Group Annual Report and Financial Statements.

The Scheme Trustee's direct responsibility in relation to the Forestry Sector extends to operation, investment management and strategy. As the current structure of the Forestry Sector, being a Unitised Fund comprising a single Sector, cannot alone provide for the investment policies of the Group Sections of ESPS, this Statement should be considered alongside the relevant Groups' Annual Report and Financial Statements for details about Group assets.

The Scheme Trustee is required to report in this Statement on:

- (a) how and the extent to which the Scheme Trustee's statement of investment principles ("SIP") policy on the exercise of rights (including voting rights) attaching to the Forestry Investment and the undertaking of engagement activities (including the methods of monitoring and engaging) have been followed during the Year; and
- (b) voting behaviour during the Year and the use of the services of a proxy voting during the Year.

The SIP was updated in September 2020 and includes the Scheme Trustee's approach to environmental, social and governance ("ESG") considerations. The SIP includes the risk and impact of ESG factors including climate change on the value of investments held, asset arrangements, stewardship matters, and risk measurement and management. The Forestry Sector manager has regard, at all times, to the SIP and the Scheme Trustee can confirm that in their opinion, the SIP has been followed effectively and appropriately taking into account the characteristics of the portfolio. The Scheme Trustee monitors how the principles set out in the SIP have been followed by considering the quarterly and annual reports received from the Forestry Sector manager, Bidwells, and from the Scheme Trustee investment adviser, Aon, covering operational activity as well as performance matters.

The Forestry Sector manager is not mandated by the Scheme Trustee to undertake voting activity on behalf of the Scheme Trustee and nor does any other party. All voting activity is undertaken directly by the Scheme Trustee. During the Year, there were no opportunities which arose which required the Scheme Trustee to make a direct investment decision. However, in the event that such opportunities do arise, the Scheme Trustee will seek the appropriate advice from Aon. Additionally, whilst the Scheme Trustee can use proxy voting services no occurrences arose during the Year which required such a service.

## **Electricity Supply Pension Scheme**

### **APPENDIX ON INVESTMENTS FOR WHICH EPTL HAS RESPONSIBILITY - UNAUDITED**

EPTL is responsible for the structure, operation, and investment management of the Unitised Fund and for the appointment of the fund manager of its Sector.

Investment of Group assets through the Unitised Fund is available to all Group Trustee bodies. Group Trustees determine if they wish to invest in the Sector and the proportion of the assets to be invested in the Sector. EPTL has no role in respect of the extent of use of the Unitised Fund or of asset allocation within a Sector - these are entirely matters for Group Trustees.

#### **The Sector of the Unitised Fund**

At the financial year-end the Unitised Fund provided opportunities for Groups to invest in UK Forestry.

#### **UK Forestry Sector**

The Forestry Sector contains a number of individual softwood forests located in Scotland and England, where returns are derived from timber sales, windfarm rights, and country pursuits.

#### **Performance Targets**

The performance benchmark for the Unitised Fund is set out as follows:

<b>Name of Sector</b>	<b>Performance Target</b>
UK Forestry	IPD Forestry Index (for guidance only as the index has been discontinued)

#### **Investment Management of the Sector**

The manager appointed by EPTL to manage the UK Forestry Sector of the Unitised Fund was Bidwells LLP.

#### **Investment Management Fees**

The fees paid to the Unitised Fund Managers during the 2020/21 Scheme year amounted to £1.3 million (2019/20: £1 million).

#### **Monitoring the Unitised Fund**

The UK Forestry Sector does not have a performance benchmark due to the lack of suitable options. The IPD Forestry Index is used for guidance only where possible, but due to its limitations has now been discontinued. The Scheme Trustee uses price inflation and general salary growth as performance comparators allowing consideration of the quantitative performance of the Sector and EPTL's expectations of the Forestry Manager. Together with appropriate details of investment transactions reported on a quarterly basis, the EPTL Board keeps the overall investment strategy for the Unitised Fund under review and approves any changes to the strategic investment plans for the UK Forestry Sector. The EPTL Board does take into account any comments from the Unit Holders Monitoring Group and the Scheme Investment Adviser before making any investment decisions as regards the Unitised Fund.

## Electricity Supply Pension Scheme

### Movements in Unitised Fund Sector

Summarised below are aggregate monetary movements in the Sector during the year to 31 March 2021.

Sectors	Market Value at 1.4.2020	Purchases during year	Sales during year	Changes in value including investment income and expenses	Market Value at 31.3.2021
	£ million	£ million	£ million	£ million	£ million
UK Forestry	136	-	-	45	181
<b>Total</b>	<b>136</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>181</b>

Information includes all assets held within the Sector i.e. forests, cash, other investment asset balances and other investment liabilities.

### Statement of Investment Principles

EPTL reviews and amends a Statement of Investment Principles ("SIP") (last reviewed June 2019 and September 2020) in accordance with the Pensions Act 1995 & 2004, in relation to its responsibilities for investment management including the investment management of the Unitised Fund. Any member who wishes to obtain a copy of EPTL's SIP can access the Scheme's website (details shown on page 64).

### Investment Governance Group Principles (IGG)

The Scheme Trustee has reviewed its procedure against the best practice principles set by the Investment Governance Group ("IGG"). The IGG is a joint governance-industry group sponsored by HM Treasury and DWP and consists of a group of senior figures representing all parts of the private workplace pension environment. The IGG was set up to encourage industry ownership and promotion of the Myners' Principles.

The primary purpose of the IGG Principles is to ensure that trustees have the right skill set and decision-making structures and also that they have clear objectives and an appropriate and well-documented strategy in place for achieving these objectives.

The Scheme Trustees regularly review the Directors' training needs and skills to ensure effective decision-making. Where appropriate, it takes independent expert advice.

### Investment performance

The investment performance of each of the Groups is reflected in the investment Funds, whose managers they have appointed and the Unitised Fund, as the Groups consider appropriate. Reference should be made to the relevant Group's Annual Report and Financial Statements for details of the investment performance of that Group's assets.

Reference should also be made to the Reports and Financial Statements for the Groups concerned in respect of the investment performance of Defined Contribution Sections.

## Electricity Supply Pension Scheme

### Report on the Investment Performance of the Unitised Fund by the Investment Adviser to EPTL

#### Introduction

This report covers the performance of the UK Forestry Sector of the Unitised Fund, comprising £181.3m of assets for the year ended 31 March 2021.

The returns on each Group's assets are set out in their respective Reports and Financial Statements.

#### Sector Funds

The Unitised Fund contains one Sector, which is the UK Forestry Sector managed by Bidwells

	Valuation as at 31 March 2021 (£m)	Allocation as a 31 March 2021 (%)	Fair Value hierarchy category
Forestry Sector	181.3	100.0%	3

#### Performance Measurement

The performance of the Sector during 2020/21 is summarised below.

- Over the 12 months to 31 March 2021, the UK Forestry Sector of the Unitised Fund returned 36.7% in absolute terms. On a rolling three year basis, the Forestry Sector return was 28.6% p.a.

#### Investment Risk

EPTL are aware of the credit risk and market risk exposure within the Unitised Fund. In the case of market risk, EPTL make the distinction between risks that arise from interest rate exposure, currency exposure and other price risk.

##### Credit Risk

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

##### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Unitised Fund's investments are denominated in Sterling, and therefore, there is no direct currency risk.

##### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Forestry assets are not valued by using discounted cash flow models, and nor do they make use of financial instruments, therefore, there is no interest rate risk.

##### Other Price Risk

All investments are subject to idiosyncratic price risks that arise from factors peculiar to that asset class or individual investment in addition to credit risk, currency risk and interest rate risk.

The Forestry Sector is exposed to idiosyncratic forestry risks. It is reasonably well diversified geographically (albeit all within Scotland and the North of England). It is also diversified by timber type and by the inclusion of wind farms within the portfolio.

## Electricity Supply Pension Scheme

### **DIRECTORS OF ELECTRICITY PENSIONS TRUSTEE LIMITED** **During the year and as at 31 March 2021**

Capital Cranfield Trustees Ltd represented by Joanna Matthews (until 31 December 2020)  
(Independent Chair)  
PTL Governance Ltd represented by Melanie Cusack (from 1 January 2021) (Independent Chair)  
Graham Commons \*

Nicola Dark \* #  
Stephen Duffy \*\* (from 16 November 2020)  
Richard Grant\* (until 18 November 2020)  
Paul Gray\*  
Philip Hudson  
Alastair Russell \*\*  
John James Wall\*  
Howard Whisker \* (from 16 November 2020)

There have been no changes in Directors since 31 March 2021.

### **RESERVES** **as at 31 March 2021**

Hana Crossfield  
Mike Brown\*  
Tom Massey  
John Sykes\*

- \* Denotes Director or Reserve who is either in receipt of a pension from the Scheme or is a deferred member of the Scheme.  
\*\* Denotes Director or Reserve who is a contributing member of the Scheme.  
# Denotes Director who is also the ESPS Executive Board Manager.

### **COUNCILLORS OF ELECTRICITY PENSIONS TRUSTEE LIMITED** **as at 31 March 2021**

Christopher Brown*	Kate Fraser	Laura Le May**
James Brown *	Adrian Furnell	Alexander Mackie*
Mike Brown*	Paul Gray *	Tom Massey *
Ian Burkett*	Fergus Hall *	Anthony Miller*
Nigel Burnett *	Allan Heron	Mike O'Connor*
Graham Commons *	Rachel Hewlett **	Matthew Peard**
Hana Crossfield	Michele Hirons-Wood	Alastair Russell **
Nicola Dark * #	John Hodgkinson *	Steve Russell **
Michael Davy*	David Hoskins*	John Sykes *
Stephen Duffy **	Philip Hudson	John James Wall *
Russell Dougherty	Tony Julius	Howard Whisker *
Martyn Edwards**	John Leigh*	

- \* Denotes Councillor who is either in receipt of a pension from the Scheme or is a deferred member of the Scheme.  
\*\* Denotes Councillor who is a contributing member of the Scheme.  
# Denotes Councillor who is also the ESPS Contract Manager.

As at 31 March 2021 there were vacancies for six Council members with the date of the next meeting being 16 November 2021.

## **Electricity Supply Pension Scheme**

### **ADVISERS TO ELECTRICITY PENSIONS TRUSTEE LIMITED**

#### **Independent Auditors**

PricewaterhouseCoopers LLP

#### **Bankers**

Natwest Bank

#### **Custodians**

BNY Mellon

#### **Custodian Benchmarking Service Provider**

MJ Hudson Amaces Ltd

#### **Solicitors** (in respect of forestry)

Shepherd & Wedderburn LLP, Edinburgh

#### **Legal Advisers to EPTL**

Fieldfisher LLP

Mayer Brown LLP

#### **Investment Adviser to EPTL**

Guy Willard, Aon Hewitt Limited

#### **External Forestry Valuers**

Savills (UK) Limited

#### **Trustee, Accounting and Group Services Provider**

Capita Pension Solutions

### **OFFICERS OF THE SCHEME**

#### **Independent Chair**

Capital Cranfield Pension Trustee Ltd represented by Joanna Matthews (until 31 December 2020)

PTL Governance Ltd represented by Melanie Cusack (from 1 January 2021)

#### **Scheme Secretary**

Peter Rolland of Capita Pension Solutions (until 5 October 2020)

Kevin Groves of Capita Pension Solutions (from 5 October 2020)

#### **Address of Scheme Trustee**

C/O Capita Pension Solutions, 65 Gresham Street, London, EV2V 7NQ

## Electricity Supply Pension Scheme

### FUND MANAGERS USED BY THE SCHEME DURING THE YEAR

<p><b>UNITISED FUND MANAGERS</b> Bidwells LLP</p> <p><b>GROUP APPOINTED FUND MANAGERS</b> Aberdeen Property Investors UK Limited (to August 2021) Abbey Life Assurance Aegon (BlackRock) Alcentra, LLC Alpha Real Capital Alvarium AMP Capital Infrastructure Amundi Luxembourg S.A. Angelo Gorden ARES AQR Capital Management LLC Ashmore Investment Management Limited Audaz Arcmont Asset Management Aviva Investors Global Services Limited Audax Management Company (NY) LLC AXA Investment Managers Baillie Gifford &amp; Co Baring Asset Management Limited Beach Point Capital Management LP BlackRock Advisors UK Limited BlackRock Investment Management UK Limited BlackRock Life Limited Blackstone Alternative Asset Management L.P. Bluebay Asset Management LLP Blue Mountain Capital Management LLC BMO Management Limited BMO Global Asset Management BNY Mellon Asset Management Ltd Bridgewater Associates LP Capula Investment Management LLP Cambridge Associates LLC Canada Life Cardano Risk Management Limited Carlyle Group LLP Caxton Associates LP CBRE Global Investors Limited Chorus Capital Management Limited Columbia Threadneedle Pensions Ltd CQS (UK) LLP CQS Cayman LP Credit Suisse AG Deutsche Asset Management Deerpath Capital Management, LP Dorsal Capital Management LLC DRC Capital LLP Egerton Capital (UK) LLP Equitix Investment Management Limited Farallon Capital Management, LLC Fidelity Pensions Management GAM International Management Ltd Goldentree Asset Management LP Goldman Sachs Asset Management International</p>	<p>Greenoak UK Secured Lending GP Limited Hayfin DLF III GP S.A.R.L Henley FM Limited Hewitt Risk Management Limited Highbridge Principal Strategies Partners L.P. ICG Longbow Industry Funds Management (IFM) Infrared Infrastructure Yield General Partners Limited Innisfree Ltd Insight Investment Management (Global) Limited INVESCO Asset Management Limited J P Morgan Asset Management Inc. J P Morgan Asset Management (UK) Limited Just Retirement Limited Knight Frank Investments L &amp; G Investment Management Limited L &amp; G Assurance (Pensions Management) Limited Lighthouse Investment Partners LLC Lindsell Train Limited Longbow Real Estate LLP Lynx Asset Management AB Lyxor International Asset Management SAS Mackay Shields Man Group plc M&amp;G Prudential Investment Management Limited M&amp;G Investment Management Ltd MCP Private Capital Morgan Stanley Investment Management Limited Nordea Investment Management Pacific Investment Management LLC (PIMCO) Partners Group (UK) Limited Permira Debt Managers Limited Prudential Assurance Company Limited Rialto Partners GP RVCF, LLC Robeco Institutional Asset Management B.V Royal London Asset Management Limited Ruffer LLP Sands Capital Management, LLC Schroder Investment Management Limited Scottish Widows Securis Investment Partners LLP Snowlake Capital (HK) Ltd Standard Life Assurance Ltd Standard Life Pension Funds Limited State Street Global Advisors Limited Threadneedle Asset Management Ltd Towers Watson Investment Management The Asset Management Exchange Ireland Ltd Two Sigma Walter Scott and Partners Limited Wellington Luxembourg S.a.r.l. Wellington Management International Limited Westwood International Advisors Winton Capital Management Limited Zurich Assurance Limited</p>
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## **Electricity Supply Pension Scheme**

### **CONTACT EMAIL ADDRESSES FOR ENQUIRIES**

Personal contact details removed for publication on the website.



## Electricity Supply Pension Scheme

### NAMES AND ADDRESSES OF EXTERNAL BODIES

<p><b>MoneyHelper</b> A single body to bring together the services previously delivered by The Pensions Advisory Service (TPAS), the Money Advice Service and Pension Wise, providing information to the public on matters relating to workplace and personal pensions</p>	<p>Website: <a href="https://www.moneyhelper.org.uk">https://www.moneyhelper.org.uk</a> Email: <a href="mailto:pensions.enquiries@moneyhelper.org.uk">pensions.enquiries@moneyhelper.org.uk</a> Tel: 0800 011 3797</p>
<p><b>Pensions Ombudsman</b> Available to help members and beneficiaries of occupational pension schemes resolve any difficulties they may have encountered and which they have failed to resolve with the trustees or administrators of schemes. The Pension Ombudsman may be contacted either while a complaint is being reviewed under the dispute resolution procedure or if the complainant is not satisfied with the response received from the Group Trustees under the second stage of the procedure. The Ombudsman can investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The services of the Ombudsman are available to the members, beneficiaries and prospective members of pension schemes.</p>	<p>Telephone: 0800 917 4487 E-mail: <a href="mailto:enquiries@pensions-ombudsman.org.uk">enquiries@pensions-ombudsman.org.uk</a> E-mail: <a href="mailto:helpline@pensions-ombudsman.org.uk">helpline@pensions-ombudsman.org.uk</a> (early resolution) Website: <a href="http://www.pensions-ombudsman.org.uk">www.pensions-ombudsman.org.uk</a> Address: The Pensions Ombudsman, 1st Floor, 10 South Colonnade, Canary Wharf, London, E14 4PU</p>
<p><b>The Pensions Regulator</b> Has statutory objectives to protect members' benefits, to reduce risk of calls on the Pension Protection Fund (PPF), to promote good administration, to maximise employers' compliance with their new duties in relation to automatic enrolment and to minimise any adverse impact on the sustainable growth of an employer when exercising its functions under the Scheme Funding Legislation.</p>	<p>Telephone: 0345 600 0760 E-mail: <a href="mailto:customersupport@tpr.gov.uk">customersupport@tpr.gov.uk</a> Website: <a href="http://www.thepensionsregulator.gov.uk">www.thepensionsregulator.gov.uk</a> Postal address: The Pensions Regulator, Napier House, Trafalgar Terrace, Brighton, BN1 4DW</p>
<p><b>The Department for Work and Pensions (DWP) Pension Tracing Service</b> Provides a tracing service for ex-members of schemes and their dependants with pension entitlements who have lost touch with earlier employers and their schemes.</p>	<p>Telephone: 0800 731 0193 Website: <a href="http://www.thepensionservice.gov.uk">www.thepensionservice.gov.uk</a> Postal Address: Pension Tracing Service, The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU</p>
<p><b>The Pension Protection Fund</b> Pays compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation.</p>	<p>Telephone: 0330 123 222 Email: <a href="mailto:ppfmembers@ppg.gsi.gov.uk">ppfmembers@ppg.gsi.gov.uk</a> Website: <a href="http://www.pensionprotectionfund.org.uk">www.pensionprotectionfund.org.uk</a> Postal Address: Pension Protection Fund, Renaissance, 12 Dingwall Road, Croydon, CR0 2NA</p>



