

ELECTRICITY SUPPLY PENSION SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023



CONTENTS

Page 1	<u>Message from the Chair of the Scheme Trustee</u>
Page 2	<u>Introduction</u>
Page 2	<u>Structure of the Scheme</u>
Page 6	<u>General Data Protection Regulation (“GDPR”)</u>
Page 7	<u>Report of the Scheme Trustee</u>
Page 23	<u>Scheme Trustee’s Statement on DC/AVC Governance</u>
Page 24	<u>Independent Auditors’ Report to the Scheme Trustee of the Electricity Supply Pension Scheme</u>
Page 27	<u>Fund Account</u>
Page 28	<u>Statement of Net Assets available for Benefits</u>
Page 29	<u>Notes to the Financial Statements</u>
Page 57	<u>Glossary of Terms</u>
Page 59	<u>Membership Statistics</u>
Page 61	<u>Implementation Statement</u>
Page 62	<u>Appendix on Investments for which EPTL has responsibility</u>
Page 66	<u>Directors of Electricity Pensions Trustee Limited</u>
Page 66	<u>Councillors of Electricity Pensions Trustee Limited</u>
Page 68	<u>Advisers to Electricity Pensions Trustee Limited</u>
Page 69	<u>Fund managers used by the Scheme During the Year</u>
Page 70	<u>Contact Email Addresses for Enquiries</u>
Page 71	<u>Names and Addresses of External Bodies</u>

MESSAGE FROM THE CHAIR OF THE SCHEME TRUSTEE

Changes during the year

The notable events for the Electricity Supply Pension Scheme (“the Scheme”) for the year ended 31 March 2023 were as follows:

- The Scheme paid benefits of £2.2 billion in the year and received contributions of £0.7 billion with a net decrease on investments (net of fees) of £12.8 billion.
- The Scheme’s net assets have decreased £14.2 billion since the previous financial year-end, with total assets standing at £34.1 billion. This was due in part to market volatility as a result of the UK mini budget in 2023 but reflects the impact of the Scheme’s Liability Driven Investment strategy which hedges against changes in interest and inflation expectations.
- The Task Force on Climate-Related Financial Disclosures (“TCFD”) and the impact of the forthcoming Pensions Regulator (“TPR”) General Code of Practice were considered and the necessary actions taken.
- Work on development of the ESPS website (www.espspensions.co.uk) continued.
- The Drax Power Group exited the Scheme.
- Carillion Group purchased an insurance policy for JUST Retirement Limited to secure the future benefits of the Group’s members. The Buyout is expected to be completed in late 2023 or early 2024, with the Group wind-up expected to be completed before the end of 2024.
- Capita Pension Solutions – one of the key professional advisers to the Scheme – was the victim of a cyber-attack during the year. The Scheme’s protocol for dealing with data breaches was followed. Those Groups for whom Capita are the administrator have been working closely with Capita to ensure members are protected.

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 Scheme custodian for the support they have provided over the year.

Melanie Cusack of Zedra Governance Limited
CHAIR OF THE SCHEME TRUSTEE

Electricity Pensions Trustee Limited
Date: 31 October 2023

INTRODUCTION

The Annual Report and Financial Statements for the Scheme year ended 31 March 2023 are presented by the Scheme Trustee, Electricity Pensions Trustee Limited (“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 2023, 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 Financial Reports of Pension Schemes (Revised June 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 which 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 Scheme Trustee has received legal advice that all relevant duties, on which a Chair's Statement reports, are performed only at Group level in ESPS, therefore a Scheme-wide Chair's Statement is not required.

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

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, 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 however the position set out in these accounts is based on the standard central Scheme document. 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 2023 the number of Groups within the Scheme was 23 Groups (2022: 24) following the exit of one Group from the Scheme, and now comprising the following:

Carillion	National Grid Electricity
Central Networks	Northern Powergrid
Drax Power (until 31 January 2023)	Npower
EA Technology	OVO Energy
EDF	Powerhouse Retail
Electricity North West	RWE
E.ON UK	Schneider
EPSL	SSE Southern
First Hydro Company	UK Power Networks
International Power	Uniper
Magnox Electric	United Utilities plc
Manweb	Western Power Distribution

The following Groups have actuarially independent sections within their Group :

- Magnox Electric Group – Atkins, Cavendish, National Nuclear Laboratories and Site Licence Company sections.
- OVO Energy Group – SEPS and SHEPS sections.
- RWE Group – Innogy and RWE sections.

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 chosen 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.

The Trustees of the Scheme (continued)

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 specific adjusted 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 EPTL Council.

Each Group has the option to appoint two individuals to be Councillors in EPTL's 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 has an Independent Chair; Zedra Governance Limited (previously PTL Governance Ltd until 18 July 2022) who is normally represented by Melanie Cusack.

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 66. The importance of diversity in effective decision making is acknowledged and 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 Board of EPTL held six meetings during the year. Additionally, some business was covered via an electronic rapid approvals process as required.

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

Trustee's 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 pages 21 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 8. 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 Employees' contributions and Employers' contributions; the calculation and payment of member benefits; the preparation of Group Annual Report and 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.

Investment Management Arrangements

Group Trustees may at their discretion invest Group assets, in accordance with their investment strategy, in external funds or in the UK Forestry 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 64.

EPTL is responsible for Scheme-wide investment arrangements. 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 62 to 65 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

Statements of Investment Principles (continued)

the Group Administrator for the relevant Group using the contact details given on the page 70 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 which invests in the Unitised Fund. EPTL's SIP can be accessed on the Scheme's website (details shown on page 70) as well as its Implementation Statement which is shown in page 61.

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 Data Protection Act 2018 ("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.

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

One of the Scheme Professional Advisors, Capita Pensions Solutions Limited (Capita) is also the administrator of one Group and a former One of the Scheme Professional Advisors, Capita Pensions Solutions Limited (Capita) is also the administrator of one Group and a former administrator of one Group. The Group Trustees have been told by Capita that Capita experienced a cyber incident following an unauthorised access to Capita's systems on or around 22 March 2023, before being interrupted by Capita on 31 March 2023. Capita is working closely with the Group Trustees to ensure the data of the Groups' members has not been compromised.

Pensions Legislative Reforms

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

- The Pension Schemes (Conversion of Guaranteed Minimum Pensions) Act 2022 received Royal Assent on 28 April 2022. The Act amends provisions in the Pension Schemes Act 1993 and the Pensions Act 2007 which allow occupational pension schemes to convert Guaranteed Minimum Pension (GMP) benefits into other scheme benefits. The new Act clarifies that the legislation applies to survivors as well as earners, provides for a power to set out in regulations detail about who must consent to the conversion where the original employer is no longer available and removes the requirement to notify HMRC.
- In the March 2023 budget the government announced the abolition of the Lifetime Allowance, which is used in the taxation of individual members in the Scheme and, after the accounting period, the legislation to implement that abolition was passed as the Finance (No.2) Act 2023.
- As responsibility for GMP equalisation and the tax treatment of individual rights sit at a Group level in ESPS, the implications to the Scheme of these reforms are primarily addressed at a Group level.

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

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;
- monitoring 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;
- a process for undertaking a consolidation exercise of the Scheme Document;
- further development of the ESPS website;
- monitoring the management and performance of the Unitised Fund UK Forestry Sector;
- 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;
- monitoring the custodian, The Bank of New York Mellon;
- managing Group structure changes (including the winding up of the Drax Group and its exit from the Scheme);

- the Pensions Regulator’s guidance on equality, diversity and inclusion (“EDI”);
- implications of the cyber attack on Capita Pension Solutions (this work was post year end);
- actively engaging with both the Department for Work and Pensions (“DWP”) and The Pension Regulator (“TPR”) regarding the requirements in respect of TCFD and the Pensions Dashboard for the Scheme and in particular whether this applies at Scheme or
- Group level. (The first Scheme TCFD report was produced during the year and is available on the Scheme website) ; and
- considering the implications of TPR’s proposed General Code of Practice.

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 2023 two Scheme-wide amendments were made:

- Deed of Amendment dated 9 June 2022 enabling partial and full solvent buy-outs and bulk transfer without consent.
- Deed of Amendment dated 22 February 2023 to allow for the appointment of a Sole Professional Trustee; make minor clarification changes to the Scheme Rules; and amend the Scheme’s Amendment Power and notice provisions.

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, for production of the Scheme Annual Report and Financial Statements, which is undertaken by Capita Pension Solutions on behalf of the Scheme, and for the production of the Scheme TCFD Report.

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 Amaces Limited, a company that provides custodian benchmarking services, has responsibility on behalf of EPTL for monitoring the quality of BNYM’s services, including custody and investment accounting services.

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, EDFG (Nominees) Limited, Central Networks Nomineco Limited, Manweb Nomineco Limited and Western Power Distribution Nomineco 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 and Implementation 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 62 to 65).

During the year the value of the Scheme's net assets decreased from £48.3 billion to £34.1 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.

Despite the recent increase in nominal and real gilt yields, liability hedges have been retained in line with the LDI strategies requirements for the relevant Groups (further information can be found on page 11).

Disposition of Scheme's Assets

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

	2023 £ million	2022 £ million
Market value of discretionary mandates and pooled funds	32,858	46,850
Market Value of Defined Contribution unitised insurance policies (see note 25 on pages 53 - 54)	239	257
Market value of the ESPS Unitised Fund (see pages 63 - 64)	268	254
AVC Investments	102	118
Insurance Policies	594	735
Current assets	98	139
Current liabilities	(42)	(57)
Total net assets of the Scheme	34,117	48,296

See note 31 on page 56 for an analysis of the assets by Group.

Contributions

Details of contributions received are given in the statement about contributions in the respective Groups' Annual Report and Financial Statements. As there are more than 20 Participating Employers, a statement about contributions is not required at a Scheme level.

Late contributions

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 two Groups had instances of late payments of Employer contributions, which resulted in one qualified opinion. None of the late payments were outstanding as at 31 March 2023.

Employer Related Investments

As at 31 March 2023 there were no other employer related investments (2022: Nil).

GMP Equalisation

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. As this is a Group matter, members should refer to their own Group's Annual Report and Financial Statements for further details as some Groups are still in the process of assessing the impact on their Group which will be reflected in future years' accounts whilst other Groups have disclosed that the impact was immaterial.

Recent Events

From 1 October 2021, the Scheme is in scope of the climate change governance and reporting requirements. An updated TCFD report was published during the year and can be viewed by visiting <https://www.espspensions.co.uk/#useful-documentation> where details can be obtained on the Scheme Trustee's identification, assessment and management of climate risk.

The Virgin Media Limited / NTL Pension Trustees II decision, handed down by the High Court in June 2023, considered the implications of section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out scheme cannot be altered unless the actuary confirmed that the scheme would continue to satisfy the statutory standards. The High Court found that, where the required actuarial confirmation was not supplied, the effect of section 37 was to render the relevant amendment to any contracted-out right automatically void. It also held that references in the legislation included both past and future service rights and that the requirement for actuarial confirmation applied to all amendments to the rules of a contracted-out scheme. The case will be appealed but, as matters currently stand, the case has the potential to cause significant issues in the pensions industry. The Scheme Trustees will, if necessary, investigate the possible implications of the above with its advisers but, it is not possible, at present, to estimate the potential impact, if any, on the Scheme.

Summary of Actuarial Liabilities

As required by Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (FRS 102), the Financial Statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date.

This is assessed at least every three years using assumptions agreed between the Group Trustees and the Employers and is set out in the Statement of Funding Principles for each Group, a copy of which is available to members on request from their Group.

Extracted from the respective Group Financial Statements, a summary of the actuarial valuations and the assumptions used by the Groups is as follows (unaudited):

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.	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)	Future Deficit Contributions
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.	N/A

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.	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)	Future Deficit Contributions
Central Networks*	31-Mar-19	3,973	3,941	+2.85% p.a. tapering down to 2.0% p.a. over 17 years.	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.	£36.0m p.a. until 31 July 2024
EA Technology	31-Mar-22	111	103	Pre-retirement: +0.25% Post-retirement: +0.25%	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 1.0% until 2030 and less 0.1% p.a. from 2030 inwards.	RPI price inflation assumption to a maximum of 5% for, year to year on pensions in excess of GMP or CPI price inflation assumption to a maximum of 3% (in payment) and price inflation assumption subject to a maximum of 5% from year to year on pensions in excess of GMP (for deferred).	-	S3PA tables with the following scaling factors: Males deferreds-93% Females deferreds- 107% Male Pensioners -94% Female Pensioners - 100%	

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.	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)	Future Deficit Contributions
EDF	31-Mar-22	8,918	10,166	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 1.0% p.a. up to 2030 and 0.1% p.a. thereafter.	RPI or CPI price inflation assumption allowing for the maximum and minimum annual increases (pensions in payment). RPI price inflation assumption (pensions in deferment ESPS Final Salary members). CPI price inflation assumption and tested against the relevant cumulative cap at retirement (EDF Final Salary and CARE members)	CPI inflation + 0.5% + an allowance for promotional increases.	Males: Table S3PMA (All amounts with scaling factors 97% to 102%) with future mortality improvements in line with CMI 2021 projection (Sk = 7.0, A = 0.25%) with a long term improvement rate of 1.5% p.a.	N/A
									Females: Table S3PFA (All amounts with scaling factors 91% to 98%) with future mortality improvements in line with CMI 2021 projection (Sk = 7.0, A = 0.25%) with a long term improvement rate of 1.5% p.a.	
Electricity North West	31-Mar-22	1,398	1,379	Pre-retirement: +2.4% 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 1.0% p.a. up to 2030 and 0.1% p.a. thereafter.	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 S3PMA (with scaling factors 109% to 99%) with future improvements in line with CMI 2021 projections (Sk = 7.0, A = 0.5%) with a long-term improvement rate of 1.75% p.a.	£1,666,700 each month from April 2022 to March 2023 inclusive.
									Females: Table S3PFA (with scaling factors of 107% to 97%) 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.	

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.	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)	Future Deficit Contributions
E.ON UK	31-Mar-21	4,857	4,878	0.82%	RPI swap yield curve at the valuation date.	RPI swap yield curve at the valuation date less 0.9% p.a. until 2030 and less 0.1% thereafter	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 and for post-88 GMPs.	3% Limited Price Indexation (LPI) swap yield curve based on CPI for salaries under £70k.	Base table - S3PA tables with combined best-estimate scaling factors derived from an experience analysis combined with postcode analysis.	N/A
									Future improvements - CMI 2020 projections with Sk=7, A=0.50% and long-term improvement rate of 1.50% p.a. for men and women.	
EPSL	31-Mar-20	15	13	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.	£335,450 p.a. until 31 March 2029
First Hydro Company	31-Mar-22	187	195	Pre-retirement: +0.5% 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 1.0% p.a. up to 2030 and 0.1% p.a. thereafter.	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 104% to 98%) and future improvements in line with the CMI 2021 projection (Sk = 7.0, A = 0.5) and a long-term improvement rate of 1.50% p.a.	N/A
									Females: Table SAPS S3 S3PFA_M ("All amounts" with scaling factors 119% to 100%) and future improvements in line with the CMI 2021 projection (Sk = 7.0, A = 0.5) and a long-term improvement rate of 1.50% p.a.	

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.	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)	Future Deficit Contributions
International Power	31-Mar-22	391	426	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 2021 projections (Sk = 7; A = 0.5%) and a long term improvement rate of 1.5% p.a.	N/A
									Females: Table S3NFA with future improvements in line with CMI 2021 projections (Sk = 7; A = 0.5%) and a long term improvement rate of 1.5% p.a.	
Magnox Electric	31-Mar-22	3,466	3,585	Gilt Yield curve + 1.0%/0.5%/0%/0.7 %	Difference between the yields on fixed interest and index-linked gilt curves at the valuation date.	RPI inflation assumption at the valuation date less 1.0% p.a. up to 2030 and 0.1% p.a. thereafter.	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/RPI + an allowance for promotional increase.	Table SAPS S3P (All lives with scaling factors 100% to 95%); Table SAPS S3P (with a scaling factor of 95%); Table SAPS S3P Light tables (with a scaling factor of 100%); Table SAPS S3P Light tables (with a scaling factor of 105%). Future improvements based on CMI 2021 projections (Sk 7.0, A 0.5%) and a long term improvement rate of 1.5% p.a.	N/A
Manweb	31-Mar-21	1,360	1,069	1.25%	Implied gilts RPI inflation curve.	-	Assumed to be 0% p.a. in excess of GMP.	RPI price inflation assumption.	Base table - 2021 VITA Tables	£43.8m p.a. until 31 March 2028 increasing annually by RPI
									Future improvements - CMI 2020 model with an initial addition to improvements of 0.5%, a long-term rate of improvement of 1.5% p.a. and no weight placed on 2020 data.	

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* Pre-retirement: +1.7% Post-retirement: +0.25%	Price Inflation (RPI) p.a. Fixed interest and index-linked gilt yield curves.	Price Inflation (CPI) p.a. RPI inflation assumption at the valuation date less 1.0% p.a. up to 2030 and 0.1% p.a. thereafter.	Pension Increase rates p.a. RPI price inflation assumption allowing for the maximum and minimum (5% and 0%).	Salary increase rates p.a. RPI inflation + 0.5% + age-related promotional increases.	Post-retirement mortality based on standard actuarial mortality tables (Sk = smoothing parameters, A = mortality improvements)	Future Deficit Contributions
National Grid Electricity	31-Mar-22	2,458	2,580	Pre-retirement: +1.7% Post-retirement: +0.25%	Fixed interest and index-linked gilt yield curves.	RPI inflation assumption at the valuation date less 1.0% p.a. up to 2030 and 0.1% p.a. thereafter.	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 100% to 90%. Females: Table S3NMA with scaling factors of 105% to 100%.	£53.631 m in September 2022
Northern Powergrid	31-Mar-22	1,646	1,649	Fixed interest and index-linked gilt yield curves at the valuation date plus 0.3% p.a., rounded to the nearest 0.01%	Fixed interest and index linked gilt yield curves at the valuation date.	RPI inflation assumption at the valuation date less 1.0% p.a. up to 2030 and 0.1% p.a. thereafter.	Price inflation assumption allowing for the maximum and minimum increases. For the Groups main RPI linked pension increase, this adjustment will reflect the cost of hedging such increases in the market.	RPI inflation +0.25% p.a.	Males and Females : Table S3PMA (adjusted to allow for individual years of birth with scaling factors of 100%) with future improvements in line with CMI 2021 projections with a long-term improvement rate of 1.5% p.a.	n/a
Npower	31-Mar-22	295	322	Pre-retirement: +2.0% Post-retirement: 0.5%	RPI yield curve derived from the gilt market at the valuation date, less inflation risk premium of 0.2% p.a.	RPI inflation assumption at the valuation date less 1.0% p.a. up to 2030 and 0.1% p.a. thereafter.	RPI or CPI price inflation assumption allowing for the maximum and minimum annual increases.	CPI price inflation assumption.	Males: Table SAPS S3PMA (All and Heavy (Year of Use) with scaling factors 100% to 117%) with future improvements in line with CMI 2018 projections (Sk = 7., A = 0.5) with a long-term improvement rate of 1.50% p. Females: Table SAPS tables S3PFA (All and Heavy (Year of Use) with scaling factors 103% to 107%) with future improvements in line with CMI 2018 projections (Sk = 7.0, A = 0.5) with a long-term improvement rate of 1.50% p.a.	n/a

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.	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)	Future Deficit Contributions
OVO Energy	31-Mar-22	94	115	+ 2.0% p.a for 10 years	Term dependent rates derived from BoE gilt curves	RPI inflation assumption less 0.5% p.a.	RPI or CPI price inflation assumption allowing for the maximum and minimum annual increases.	RPI inflation +0.1% p.a.	Males: S3PMA for active members with a scaling of between 104% and 109% Females: S3PFA_M for active members with a scaling of between 104% and 112%	N/A
Powerhouse Retail*	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%).	N/A
RWE	31-Mar-22	1,428	1,455	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 1.0%. p.a. up to 2030 and 0.1% p.a. thereafter.	RPI or CPI price inflation assumption allowing for the maximum and minimum annual increases.	RPI price inflation assumption.	Males: Table SAPS S3PMA (All, Heavy and Light tables (Year of Use) with scaling factors based on membership analysis ,increased by 1% to allow for impact of Covid 19) with future improvements in line with CMI 2021 projections (Sk = 7.0, A = 0.25) with a long-term improvement rate of 1.50% p.a. Females: Table SAPS S3PFA (All and Heavy tables (Year of Use) with scaling factors based on membership analysis but increased by 1% to allow for impact of Covid 19) with future improvements in line with CMI 2021 projections (Sk = 7.0, A = 0.25) with a long-term improvement rate of 1.50% p.a.	N/A

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.	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)	Future Deficit Contributions
Schneider	31-Mar-21	34	30	Pre-retirement: +1.75% Post-retirement: +0.25%	BOE RPI inflation curve less 0.4% p.a.	1.65%	2.65% (deferred), 2.65% and 1.60% (in payment)	RPI	Table SAPS S3PA CMI 2018 with a long term improvement rate of 1.5%.	£520,000 p.a. until 30 June 2025
SSE Southern	31-Mar-22	2,475	2,396	Pre-retirement: +2.0% Post-retirement: +0.375%	Breakeven RPI inflation curve at the valuation date less 0.1% p.a.	RPI inflation assumption at the valuation date less 1.0% until 2030 and less 0.1% p.a. from 2030 onwards.	RPI inflation as above, subject to a minimum increase each year of 0% and a maximum increase each year of 6.0% * (in excess of GMPs)	RPI inflation + 0.25%	Males: Table S3PMA (with scaling factors 104% to 101%) with future mortality improvements in line with CMI 2021 projections (Sk = 7.0, A = 0.5%) with a long term improvement rate of 1.5% p.a.	£37.69m p.a. from 1 April 2022 to 31 March 2023, then £12.73m p.a. from 1 April 2023 to 31 March 2027
							CPI inflation as above, subject to a minimum increase each year of 0% and a maximum increase each year of 3% (Post 88 GMPs)		Females: Table S3PFA (with scaling factors 113% to 102%) with future mortality improvements in line with CMI 2021 projections (Sk = 7.0, A = 0.5%) with a long term improvement rate of 1.5% p.a.	
UK Power Networks	31-Mar-22	4,131	4,109	Term dependent rates set by reference to the fixed interest gilt curves (as derived from Bank of England data) at the valuation date plus an additional amount per year.	BOE fixed interest and index-linked gilt yield curves at the valuation date.	RPI inflation less 1% to 2030 and RPI inflation thereafter.	RPI inflation subject to a minimum increase 0% in any year and maximum increase of 5% in any year	CPIH inflation + 1.0%	Males: Tables S3NMA, S3NMA_H and S3DMA (for males, ill health males and widowers respectively) in line with the CMI 2021 projections (Sk = 7.5) with a long-term improvements rate of 1.5%.	£77.36 m p.a. until 28 February 2023
									Females: Tables S3NFA, S3NFA_H and S3DFA (for females, ill health females and widows respectively) in line with the CMI 2018 projections (Sk = 7.0) with a long-term improvements rate of 1.5%.	

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.	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)	Future Deficit Contributions
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%.	£7.0 m to be paid by 1 January 2022 subject to certain conditions
United Utilities plc*	31-Mar-21	490	498	+0.3%	RPI yield curve derived from the gilt market at the valuation date.	RPI inflation assumption at the valuation date less 0.9% p.a. up to 2030 and 0.1% p.a. thereafter.	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 S3PMA (with a scaling factor of 105%) with future improvements in line with CMI projections with a smoothing parameter of 7.07.5, an A parameter of 0.25% and a long term improvement rate of 1.75% pa. Females: Table S3PFA_M (with a scaling factor of 105%) with future improvements in line with CMI projections with a smoothing parameter of 7.07.5, an A parameter of 0.25% and a long term improvement rate of 1.75% pa.	N/A

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.	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)	Future Deficit Contributions
Western Power Distribution*	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.	£18.0m p.a. until 30 November 2024
									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.

* No Valuation is required for Carillion Group due to the Group being in the PPF assessment period.

** The Group's triennial valuation was not signed within the statutory deadline or at the time of publishing of the Scheme Annual Report and Financial Statements.

Statement of Scheme Trustee's Responsibilities

The Scheme Trustee's responsibilities in respect of the financial statements

The 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 website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Scheme Trustee's 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 3 and 5.

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 70 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 2023 Scheme AGM will be held virtually via teleconferencing on 21 November 2023.

Signed on behalf of the Scheme Trustee:

Melanie Cusack of Zedra Governance Limited
CHAIR OF THE SCHEME TRUSTEE

On behalf of Electricity Pensions Trustee Limited
Date: 31 October 2023

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 could 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, has been deemed the responsibility of Group Trustees in accordance with the structure as set out in the Organisation of the Scheme on page 3 and each Group's statement can be found in Groups' Annual Reports and Financial Statements.

Melanie Cusack of Zedra Governance Limited
CHAIR OF THE SCHEME TRUSTEE

On behalf of Electricity Pensions Trustee Limited
Date: 31 October 2023

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 2023, 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 2023; 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to, or in respect of, the Scheme.

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the Scheme in the period under audit.

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.

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 by the engagement team included:

- Testing journal entries where we identified particular fraud risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Testing estimates and judgements made in the preparation of the financial statements for indicators of bias.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the Scheme Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.
- Assessing financial statement disclosures, and agreeing these to supporting evidence, for compliance with the Pensions Acts 1995 and 2004 and regulations made under them.

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 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. 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
Edinburgh
31 October 2023

FUND ACCOUNT

For the Year Ended 31 March 2023

	Note	2023 Total £ million	2022 Total £ million
Employer contributions		669	735
Employee contributions		28	42
Total contributions	4	697	777
Transfers in	5	111	1,261
Other income		1	5
		809	2,043
Benefits paid or payable	6	(1,662)	(1,652)
Payments to and on account of leavers	7	(542)	(518)
Other payments		(3)	(1)
Administrative expenses	8	(25)	(23)
		(2,232)	(2,194)
Net withdrawals from dealings with members		(1,423)	(151)
Returns on investments			
Investment income	9	397	475
Change in market value of investments	10	(13,124)	1,787
Investment management expenses	18	(29)	(34)
Net returns on investments		(12,756)	2,228
Net (decrease) / increase in the Scheme Assets		(14,179)	2,077
Opening Net assets of the Scheme		48,296	46,219
Closing Net assets of the Scheme		34,117	48,296

The accompanying notes on pages 29 to 56 form an integral part of these financial statements.

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at 31 March 2023

	Note	2023 Total £ million	2022 Total £ million
Investment assets	10		
Equities		115	524
Bonds		6,688	9,967
Property		220	268
Forestry		315	299
Property loan assets		125	158
Pooled investment vehicles	11	28,079	38,636
Derivatives	12	482	736
Insurance policies	14	594	735
AVC investments	17	102	118
Cash		214	279
Other Investments		4	45
Other investment balances	16	42	104
		36,980	51,869
Investment liabilities	10		
Cash		-	(18)
Derivatives	12	(512)	(592)
Repurchase agreements	15	(2,051)	(2,402)
Other investment balances	16	(356)	(643)
		(2,919)	(3,655)
Total net investments		34,061	48,214
Current assets	23	98	139
Current liabilities	24	(42)	(57)
Total net assets of the Scheme available for benefits		34,117	48,296

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 20. These Financial Statements should be read in conjunction with those statements. The notes on pages 29 to 56 form an integral part of these Financial Statements.

These Financial Statements on pages 27 to 56 were approved by the Scheme Trustee on 31 October 2023.

Signed on behalf of the Scheme Trustee:

Melanie Cusack of Zedra Governance Limited
CHAIR OF THE SCHEME TRUSTEE
Electricity Pensions Trustee Limited

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation of the Financial Statements

The consolidated financial statements of Electricity Supply Pension Scheme and its subsidiary undertakings 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 70. The address for the Scheme is Secretary of EPTL, C/O Capita Pension Solutions, Hartshead House, 2 Cutlers Gate, Sheffield, S4 7TL.

3. Accounting Policies

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

Nature of the Consolidated Financial Statements

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 27 on page 55).

Defined Contribution Section

As the net assets of the Defined Contribution Section of the Scheme are immaterial to the Scheme as a whole they have not been split out in the Fund Account and Net Assets Statement. Note 25 provides further details on the net assets and financial movements during the year ended 31 March 2023.

Contributions

Employee and Employer (including salary sacrifice) normal contributions are accounted for on an accruals basis in the month Employee contributions are deducted from payroll.

Augmentations and other supplementary pensions funding 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.

Employer deficit funding contributions are accounted for in accordance with the agreement under which they are being paid.

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.

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 paid.

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 year 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 and income from property loan assets are accounted for under the terms of the relevant lease and on an accruals basis.

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

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 on an accruals basis.

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 adopt 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 at the Year end 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 properties. Purchases and sales of properties are recognised in the Financial Statements on completion of contracts.

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 in two Groups' portfolios 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. The detailed assumptions can be found in the Summary of Actuarial Liabilities on pages 11 to 20;
- 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;
- 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 (where the Group has sold assets with the agreement to repurchase at a fixed date and price) are included at the fair value of the repurchase price (as a liability). The assets sold are reported in the appropriate asset class in the investments not at their fair value reflecting that the Group retains the risk and rewards of ownership of those assets;
- Reverse Repurchase agreements (where the Group has bought assets with the agreement to sell at a fixed date and price) are included at the fair value of the repurchase price (as an asset). Cash delivered under reverse repurchase contracts is recognised as an investment receivable in the financial statements. Securities received in exchange are disclosed as collateral supporting this receivable but not included as Scheme Assets;
- Interest paid on repurchase agreements and interest received from reverse repurchase agreements is accounted for on an accruals basis; and

NOTES TO THE FINANCIAL STATEMENTS

3. Accounting Policies (continued)

Valuation and classification of investments (continued)

- Accrued interest is excluded from the market value of bonds and is included in other investment assets.

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.

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.

Explanation of the key assumptions underpinning the valuation of investments are included within note 19.

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 subsidiary Companies are not consolidated in these financial statements as they are immaterial both individually and in aggregation and further information is provided in note 27 on page 55.

NOTES TO THE FINANCIAL STATEMENTS

4. Contributions

	2023 Total	2022 Total
	£ million	£ million
Employer contributions		
Normal*	246	306
Deficit repair**	285	293
Augmentations - early retirements	57	52
Supplementary pensions funding***	2	3
Other****	79	81
	669	735
Employee contributions		
Normal	15	20
Additional voluntary contributions (AVCs)	11	21
Other	2	1
	28	42
	697	777

* Employer normal contributions include salary sacrifice contributions for certain members.

** 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. The amounts due in respect of each individual Group where required under their schedule of contributions are detailed below :

CNG	£36.0m per annum from 1 April 2021 payable in equal monthly instalments until revised schedule of contributions was signed on 24 August 2023
EAT	£2.6m per annum to be paid on or before 31 March from 2020 to 2028 inclusive
EPSL	£0.335m per annum from 1 April 2021 until 31 March 2029
Magnox	£0.150m payable from 1 April 2022 to 31 March 2023
Manweb	£43.8M from 1 April 2022 to 31 March 2028 increasing annually by the increase in RPI of the September prior to the 1 April increase date
NGEG	£56.875 paid in September 2022 with no further deficit contributions payable
Schneider	£.043m per month until 30 June 2025
Southern	£37.686m per annum from 1 April 2022 to 31 March 2023
	£12.728m per annum from 1 April 2023 to 31 March 2027
UKPN	£5.93m per month from 1 April 2019 to 28 February 2025 increasing annually from 1 April 2020 by the increase in RPI of the September prior to the 1 April increase date
WPD	£18.0m per annum from 1 April 2021 to 30 November 2024

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

**** Other contributions include:

- £59m contributions payable in accordance with a Memorandum of Understanding and additional contributions payable until the completion of the latest actuarial valuation
- £20m contributions towards administration expenses

NOTES TO THE FINANCIAL STATEMENTS

5. Transfers in

	2023	2022
	Total	Total
	£ million	£ million
Bulk transfers	108	1,255
Individual transfers	3	6
	111	1,261

A bulk transfer of £108m was made from National Grid UK Pension Scheme (a non-ESPS scheme) to the National Grid Electricity Group as part of the sale process of National Grid Gas.

The prior year bulk transfer relates to amounts received for the transfer from EDF Energy Pension Scheme (a non-ESPS scheme) to the EDF Group, and thus into the Scheme.

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

Transfers between Groups amounted to £467 million (2022: £1,592 million) and is in respect of a Bulk transfer between the E.ON UK Group and Uniper Group.

6. Benefits paid or payable

	2023	2022
	Total	Total
	£ million	£ million
Pensions	1,505	1,460
Commutations of pensions and lump sum retirement benefits	142	181
Purchase of annuities (AVCs)	2	-
Lump sum death benefits	8	7
Taxation where lifetime allowance exceeded	5	4
	1,662	1,652

7. Payments to and on account of leavers

	2023	2022
	Total	Total
	£ million	£ million
Transfer values paid to other pension plans:		
Individual transfers	333	384
Individual transfers AVCs	2	1
Bulk transfers to other schemes	207	133
	542	518

Bulk transfers to other schemes comprises a balance of £16.7m for members of the EDF Group that had 'DC only' or 'DC Top-up' benefits to a non-ESPS Master Trust arrangement and a transfer of £190.5m representing the exit of the Drax Power Group.

Bulk transfers out in the prior year included £125 million in specie asset transfer from the DC section of the RWE Group to a non-ESPS Master Trust arrangement.

NOTES TO THE FINANCIAL STATEMENTS

8. Administrative expenses

	2023	2022
	Total	Total
	£ million	£ million
Administration expenses	13	12
PPF levy	1	1
Actuarial fees	7	5
Legal fees	2	2
Other	2	3
	25	23

For some Groups, the Employers pay the administrative expenses relating to the Group.

Auditors' remuneration

Included within administrative expenses are fees paid to the Scheme's auditors. These can be categorised as follows and are shown in to three decimal places to add clarity.

	2023	2022
	Total	Total
	£ million	£ million
Fees payable for audit services		
Scheme	0.232	0.147
Groups	0.599	0.835
Total fees for audit services	0.831	0.982
Fees for non-audit services	0.340	0.195
	1.171	1.177

All fees are presented net of VAT.

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 the Scheme year 2023, the £1 million represents the amount paid from Group assets (2022: £1 million). All the PPF levy funds shown above were paid under the Secretary’s Protocol arrangements where the Groups concerned have received enhanced contributions. The Secretary’s Protocol allows eligible administration expenses to be paid from Group assets providing a surplus is available or matching funding is received either by increased Employer contributions or subsequent reimbursement by the Group’s Employer.

9. Investment income

	2023	2022
	Total	Total
	£ million	£ million
Dividends from equities	17	23
Interest from bonds	113	164
Net rents from properties	10	15
Income from property loan assets	7	9
Income from pooled investment vehicles	232	180
Net receipts from swaps	15	-
Annuity income	42	70
Foreign Exchange (loss) / gain	(1)	12
Interest on cash deposits	10	3
Interest on Repurchase and reverse repurchase agreements	(49)	(2)
Other	1	1
	397	475

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.

NOTES TO THE FINANCIAL STATEMENTS

10. Reconciliation of net investments

	Value as at 1 April 2022	Purchases at cost and derivative payments	Sale Proceeds and derivative receipts	Change in market value	Value as at 31 March 2023
	£ million	£ million	£ million	£ million	£ million
Equities	524	142	(520)	(31)	115
Bonds	9,967	2,158	(2,015)	(3,422)	6,688
Property	268	-	(11)	(37)	220
Forestry	299	3	(5)	18	315
Property loan assets	158	42	(69)	(6)	125
Pooled investment vehicles	38,636	19,324	(20,789)	(9,092)	28,079
Derivatives – net	144	517	(290)	(401)	(30)
Insurance policies	735	14	-	(155)	594
Other investments	45	--	(45)	4	4
AVC investments	118	13	(27)	(2)	102
	50,894	22,213	(23,771)	(13,124)	36,212
Cash	261				214
Repurchase agreements	(2,402)				(2,051)
Other investment assets	104				42
Other investment liabilities	(643)				(356)
	48,214				34,061

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. In September 2022, the UK's mini budget resulted in many Groups experiencing a significant fall in value of their investments as part of their LDI strategy and resulted in increased investment activity to rebalance as a result of the fall in LDI values.

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 2023
	£ million	£ million	£ million	£ million
Fees	-	-	-	-
	-	-	-	-

	Equities	Property	Pooled Investment Vehicles	Total 31 March 2022
	£ million	£ million	£ million	£ million
Fees	1	-	-	1
Total	1	-	-	1

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.

NOTES TO THE FINANCIAL STATEMENTS

10. Reconciliation of net investments (continued)

Direct property assets are held by 2 Groups (2022: 2 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, and which are independent of the Scheme Trustee, Group Trustees 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 Nominees Limited and Western Power Distribution Nominees Limited have been carried 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 yield 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 external forestry valuers to the Scheme Trustee and has 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:

Total	2023 £ million	2022 £ million
Equities	2,020	4,799
Bonds	3,437	6,257
Diversified growth	1,117	1,538
Fund of hedge funds	1,802	2,754
Private equity	1,447	1,250
Infrastructure funds	817	547
Property	1,953	2,546
Liability driven investments and Qualifying Investor Funds – bespoke	12,971	15,609
Liability driven investments – not bespoke	334	1,087
Sole investor funds	720	704
Cash and other liquid assets	1,461	1,545
	28,079	38,636

NOTES TO THE FINANCIAL STATEMENTS

11. Pooled investment vehicles (continued)

At 31 March 2023, 10 Groups (2022: 11 Groups) held bespoke Liability Driven Investments (“LDI”). A further 2 Groups held Qualifying Investor Fund (“QIF”) portfolios (2022: 2 Groups). These portfolios are specifically tailored to the Groups’ individual requirements and in which there were no other investors.

The bespoke LDI and QIF as well as sole investor funds have the following investments:

	2023 £ million	2022 £ million
Bonds (fixed and interest-linked securities)	19,555	24,162
Equities	-	1,674
Swaps - net	(783)	(365)
Options - net	(3)	(360)
Futures - net	-	21
Repurchase agreements	(6,690)	(9,243)
Currency hedge	12	(13)
Infrastructure funds	13	12
Property funds	-	32
Private equity, debt and real estate funds	715	-
Cash and other liquid assets	819	391
Other	52	-
Mortgage and asset backed securities	1	2
	13,691	16,313

Transaction costs on the above funds amounted to £Nil (2022: £nil).

12. Derivatives

Objectives and policies

There are 8 (2022: 10) Group Trustees who 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 (Over the counter) 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 currency contracts – 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.

NOTES TO THE FINANCIAL STATEMENTS

12. Derivatives (continued)

Derivative contracts

At the year end the Scheme had the following derivatives:

	2023 Assets £ million	2023 Liabilities £ million	2022 Assets £ million	2022 Liabilities £ million
Futures	1	(4)	22	(3)
Swaps	475	(507)	706	(565)
Forward foreign currency contracts	6	(1)	8	(24)
	482	(512)	736	(592)
Net derivatives		(30)	144	

Futures contracts

	Expiry Date	Nominal Value* £ million	2023 Assets £ million	2023 Liabilities £ million
UK Exchange Traded	Less than 3 months	6.9	-	-
Overseas Exchange Traded	Less than 3 months	(59.8)	-	(3)
Equity Futures Bought	Less than 3 months	16.3	-	-
Equity Futures Sold	Less than 3 months	(3.3)	-	-
Bond Futures Bought	Less than 3 months	47.5	1	-
Bond Futures Sold	Less than 3 months	(79.1)	-	(1)
			1	(4)

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

In addition to the above, there are no (2022: 2) index futures of remaining duration of less than 3 months with a nominal value of £Nil (2021: £72 million) and assets of £Nil (2021: £408,000) and liabilities of £Nil (2021: £517,000). As these figures are less than £0.5 million, they round to nil, and are therefore, not included in the above table.

NOTES TO THE FINANCIAL STATEMENTS

12. Derivatives (continued)

Swaps	Duration	Notional Principal £ million	2023 Assets £ million	2023 Liabilities £ million
Inflation linked swaps	Less than 1 year	95	12	(2)
Inflation linked swaps	1 – 5 years	400	67	-
Inflation linked swaps	6 – 15 years	558	84	-
Inflation linked swaps	Over 15 years	124	8	(9)
Interest rate swaps	Less than 1 year	981	1	(13)
Interest rate swaps	1 – 5 years	1,449	17	(117)
Interest rate swaps	6 – 15 years	1,272	206	(124)
Interest rate swaps	Over 15 years	390	79	(20)
Total return swaps	Less than 1 year	3	-	-
Currency swaps	Over 15 years	66	1	-
Longevity swap	Over 15 years		-	(222)
			475	(507)

The carrying amount of financial assets pledged as collateral for Interest Rate Swap liabilities is £12.5 million (2022: £9.2 million) and Longevity Swap liabilities is £48.1 million (2022: £62.9 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 received for assets is £10.2 million (2022: £16.0 million), which consists of cash and bonds held by the custodian to the contract. Collateral received 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	2023 Assets £ million	2023 Liabilities £ million
OTC traded less than one year	GBP	412	USD	(18)	3	(1)
OTC traded less than one year	USD	164	GBP	(93)	2	-
OTC traded less than one year	GBP	98	EUR	(26)	1	-
					6	(1)

In addition to the above are further 1 (2022: 2) OTC contracts of remaining duration less than one year which have total assets of £7,000 (2022: £94,000) and total liabilities of £23,000 (2022: £91,000).

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”.

NOTES TO THE FINANCIAL STATEMENTS

13. Stock lending

No Groups (2022: nil) utilised the Stock Lending arrangement available through the Scheme's Custodian for the year ended 31 March 2023.

14. Insurance policies

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

	2023 £ million	2022 £ million
Buy-in policies	593	734
Policies transferred from the Scientists' Superannuation Scheme	1	1
	594	735

Buy-in policies are in respect 4 Groups (2022: 3). In addition to the above are pre-vesting policies which have been valued at £0.1 million (2022: £0.1 million).

The insurance policies held at a Group level by ENW Group, EPSL Group, Carillion Group, and Magnox Group are used to fund members' pensions. The assumptions used in the valuation of the insurance policies are detailed in summary of actuarial liabilities on pages 11 to 20.

15. Repurchase agreements

	2023 £ million	2022 £ million
Amounts payable under repurchase agreements	(2,229)	(2,776)
Amounts receivable under reverse repurchase agreements	178	374
	(2,051)	(2,402)

Bonds with a fair value of £1,730 million have been sold subject to repurchase contracts and therefore continue to be recognised in the financial statements (2022: £2,593 million). There are 30 (2022: 72) repurchase agreements, with maturity dates between April 2023 and April 2025.

Bonds with a fair value of £171 million received as collateral in respect of reverse repurchase agreements are not recognised in the financial statements (2022: £357 million). There are 9 (2022: 13) reverse repurchase agreements with maturity dates between April 2023 and April 2025.

NOTES TO THE FINANCIAL STATEMENTS

16. Other investment balances

	2023 £ million	2022 £ million
Other investment assets		
Accrued interest and dividends	25	21
Tax recoverable	1	1
Other debtors	-	6
Amounts receivable from sale of investments	16	76
	42	104

	2023 £ million	2022 £ million
Other investment liabilities		
Other creditors	(25)	(25)
Amounts payable for the purchase of investments	(331)	(618)
	(356)	(643)

17. 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.

18. Investment management expenses

	2023 Total £ million	2022 Total £ million
Investment management expenses		
Group Discretionary Funds	20	26
Unitised Fund	-	1
Total investment management expenses	20	27
Other advisory expenses	9	7
	29	34

NOTES TO THE FINANCIAL STATEMENTS

18. Investment management expenses (continued)

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.

19. 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.

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	2023 Total £ million
Defined Benefit section				
Equities	115	-	-	115
Bonds	5,976	712	-	6,688
Property	-	-	220	220
Forestry	-	-	315	315
Property loan assets	-	-	125	125
Pooled investment vehicles	286	14,867	12,718	27,871
Derivatives	2	190	(222)	(30)
Insurance policies and annuity contracts	-	-	593	593
AVCs	-	62	10	72
Cash	106	108	-	214
Repurchase agreements	-	(2,051)	-	(2,051)
Other investments	-	-	4	4
Other investment balances	(327)	13	-	(314)
	6,158	13,901	13,763	33,822
Defined Contribution Section				
Pooled investment vehicles	-	208	-	208
Insurance policies	-	-	1	1
AVCs	-	-	30	30
	-	208	31	239
Total investments	6,158	14,109	13,794	34,061

NOTES TO THE FINANCIAL STATEMENTS

19. Fair value determination (continued)

Included with Level 3 are property portfolios where market value is assessed as referred to in VPS 4 item 4 of the RICS Red Book and applying the conceptual framework which is set in IVS 104.

The value of pooled investments vehicles which are unquoted or not actively traded on a quoted market is estimated by the Groups Trustees with advice from their investment advisors.

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

Level	Level 1 £ million	Level 2 £ million	Level 3 £ million	2022 Total £ million
Defined Benefit Section				
Equities	524	-	-	524
Bonds	8,989	978	-	9,967
Property	-	-	268	268
Forestry	-	-	299	299
Property loan assets	-	-	158	158
Pooled investment vehicles	273	25,825	12,321	38,419
Derivatives	9	360	(225)	144
Insurance policies and annuity contracts	-	-	734	734
AVCs	-	48	31	79
Cash	202	59	-	261
Repurchase agreements	-	(2,402)	-	(2,402)
Other investments	45	-	-	45
Other investment balances	(536)	(3)	-	(539)
	9,506	24,865	13,586	47,957
Defined Contribution Section				
Pooled investment vehicles	-	217	-	217
Insurance policies	-	-	1	1
AVCs	-	-	39	39
	-	217	40	257
Total investments	9,506	25,082	13,626	48,214

NOTES TO THE FINANCIAL STATEMENTS

20. 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

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 is 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.

NOTES TO THE FINANCIAL STATEMENTS

20. Investment risks (continued)

Group Trustees are required to consider the creditworthiness of investment managers and what they consider to be investment grade, non-investment grade and unrated credit. These disclosures vary in the individual Groups' Financial Statements therefore the Scheme Trustee does not believe it is possible to disclose at a Scheme level.

Certain Groups within the Scheme hold insurance policies with Insurance providers to insure the Group's liabilities as and when they fall due. Insurers are required to meet stringent solvency requirements, however there is a risk that insurer may default. The Groups Trustee are required to consider the solvency of the insurer when purchasing an insurance policy. Such disclosures vary in the individual Group's financial statements therefore the Trustee does not believe it is possible to disclose at a Scheme level.

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.

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

	2023	2022
	£ million	£ million
Authorised Unit Trusts	1,039	1,413
Common Contractual Funds (Ireland), Fonds Common de Placement (Luxembourg), Tax Transparent Funds (UK)	1,002	2,876
Close Ended Funds	125	183
Limited Company and Limited Liability Company (inc. Delaware companies, exempted companies)	2,458	1,530
Shares in Partnerships including limited liability and limited partnerships	2,157	3,649
Mutual Funds	1,078	261
Open Ended Investment Companies inc. SICAVs (EU), open ended mutual funds (US), ICAVs (Ireland established as UCITS)	17,087	23,596
Unit Linked Insurance Contracts	3,084	5,059
Others	49	69
	28,079	38,636

NOTES TO THE FINANCIAL STATEMENTS

20. Investment risks (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

20. Investment risks (continued)

(v) Other price risk (continued)

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			2023	2022
		Currency	Interest rate	Other price	£ million	£ million
Equities	○	●	○	●	115	524
Bonds	●	●	●	○	6,688	9,967
Property	○	○	●	●	220	268
Forestry	○	○	○	●	315	299
Property loan assets	●	○	●	○	125	158
Pooled investment vehicles						
Equities	●	●	○	●	2,281	4,799
Bonds	●	●	●	●	3,245	6,257
Diversified growth funds	●	●	●	●	1,029	1,538
Fund of hedge funds	●	●	●	●	1,802	2,754
Private equity	●	●	●	●	1,447	1,250
Infrastructure funds	●	●	●	●	817	547
Property	●	○	●	●	1,953	2,546
Liability driven investments - bespoke	●	●	●	●	12,971	15,609
Liability driven investments - not bespoke	●	○	●	●	265	1,087
Sole investor funds	●	●	●	●	720	704
Cash and other liquid assets	●	○	○	○	1,549	1,545
Derivatives	●	●	●	●	(30)	144
Insurance policies	●	○	○	○	594	735
AVC investments	●	●	●	●	102	118
Repurchase agreements	●	●	●	●	(2,051)	(2,402)
Cash and Other investment balances	●	●	○	○	(96)	(233)
Total					34,061	48,214

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

NOTES TO THE FINANCIAL STATEMENTS

21. 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 2023 or at 31 March 2022. Therefore, in turn this means that the proportion of the Scheme assets invested in employer-related investments did not exceed 5% of the market value of the Scheme's assets over these periods.

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 (2022: 6) had instances of late payments of contributions totalling £1.679 million (2022: £0.660 million) of which £nil (2022: £nil) was outstanding at year end.

22. Concentration of investments

Investments accounting for more than 5% of the net assets of the Group at 31 March 2023 were:

	2023	%	2022	
	£		£ million	%
	million			
LDI Active 4 Fund	2,099	6.2	2,552	5.3
LDI Active 28 Fund	1,723	5.1	1,788	3.7

NOTES TO THE FINANCIAL STATEMENTS

23. Current assets

	2023	2022
	Total	Total
	£ million	£ million
Contributions due from Employers in respect of:		
Employers	20	28
Employees	-	-
Other debtors	10	36
Cash balances	68	75
	98	139

Figures below £500,000 round down to nil, and are therefore, not included in the above table.

All contributions due to the Scheme as 31 March 2023 were paid in full in accordance with the relevant Schedules of Contributions, and therefore, do not count as Employer-related investments.

24. Current liabilities

	2023	2022
	Total	Total
	£ million	£ million
Accrued benefits payable	24	44
Accrued transfers out	-	1
Accrued expenses	7	7
Other creditors	11	5
	42	57

NOTES TO THE FINANCIAL STATEMENTS

25. 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:

Fund Account	Note	2023 Defined Contribution £ million	2022 Defined Contribution £ million
Contributions and benefits			
Employer contributions		14	18
Employee contributions		3	11
Total contributions	4	17	29
Transfers in	5	-	62
Other income		-	1
		17	63
Benefits paid or payable	6	(3)	(10)
Payments to and on account of leavers	7	(24)	(136)
		(27)	(146)
Net withdrawals from dealings with members		(10)	(54)
Returns on investments			
Change in market value of investments	10	(6)	25
Net (losses) / returns on investments		(6)	25
Net decrease in the DC section		(16)	(29)
Transfers to the DB section		(1)	(3)
Net assets of the DC section at the start of the year		259	291
Net assets of the DC section at the end of the year		242	259
NET ASSETS AVAILABLE FOR BENEFITS			
As at 31 March	Note	2023 Total £ million	2022 Total £ million
Investment assets			
Pooled investment vehicles	10	11	208
Insurance policies	14	1	1
AVC investments	17	30	39
Total net investments		239	257
Current assets	23	3	2
Current liabilities	24	-	-
Net assets of the DC section at the end of the year		242	259

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

NOTES TO THE FINANCIAL STATEMENTS

25. Defined Contribution section (continued)

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:

	2023 £ million	2022 £ million
Designated to members	242	259
Undesignated	-	-
	242	259

The Defined Contribution funds are managed by BlackRock Life Limited and Scottish Widows 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 (2022: all) DC cash balances were designated to members.

26. Related parties

Related party transactions comprise:

Key management personnel

EPTL Directors received fees of £78,821 (2022: £68,935) 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, Zeldra Governance Limited. Group Trustees fees in the financial year (including fees for independent trustees, where appointed by Groups) were £1,413,360 (2022: £1,291,437), of which £620,349 (2022: £425,037) has been borne by Groups and has been included within administrative expenses charged to the Scheme, the remaining £793,011 (2022: £866,400) 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 66. EPTL Directors receiving a pension from the Scheme are noted on page 66. All benefits relating to EPTL Directors are paid in line with the Scheme rules.

Other related parties

For 9 Groups (2022: 9 Groups), Employers paid Group administrative expenses incurred by the Groups with no recharge to the Groups.

NOTES TO THE FINANCIAL STATEMENTS

27. Subsidiary undertakings

The Scheme Financial Statements do not consolidate the assets, liabilities and results of the companies listed below as they are each individually and in aggregate immaterial. All the companies are 100% owned by the Scheme (2022: 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
EDFG (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

28. Commitments

As at 31 March 2023, seven Groups have future investment commitments totalling £717 million (2022: 7 Groups: £828 million).

29. 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 for the majority of Groups. Where an estimate has been made, the Groups Trustees considering the cost to be immaterial.

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.

30. Subsequent and significant events

The Virgin Media Limited / NTL Pension Trustees II decision, handed down by the High Court in June 2023, considered the implications of section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out scheme cannot be altered unless the actuary confirmed that the scheme would continue to satisfy the statutory standards.

NOTES TO THE FINANCIAL STATEMENTS

30. Subsequent and significant events (continued)

The High Court found that, where the required actuarial confirmation was not supplied, the effect of section 37 was to render the relevant amendment to any contracted-out right automatically void. It also held that references in the legislation included both past and future service rights and that the requirement for actuarial confirmation applied to all amendments to the rules of a contracted-out scheme. The case will be appealed but, as matters currently stand, the case has the potential to cause significant issues in the pensions industry. The Trustee and Group Trustees will investigate the possible implications of the above with its advisers but, it is not possible, at present, to estimate the potential impact, if any, on the Groups.

There were no other subsequent events requiring disclosure in the opinion of the Scheme Trustee.

31. Analysis of Scheme net assets by Group

Group	2023 £ million	2022 £ million
Carillion	12	23
Central Networks	2,998	4,225
Drax Power	-	284
EA Technology	85	103
EDF	6,477	10,228
Electricity North West	1,132	1,493
E.ON UK	3,299	4,675
EPSL	9	13
First Hydro Company	143	195
International Power	287	427
Magnox Electric	2,651	3,600
Man web	768	1,133
National Grid Electricity	2,589	3,430
Northern Powergrid	1,152	1,653
Npower	280	380
OVO Energy	89	115
Powerhouse Retail	177	226
RWE	4,296	5,635
Schneider	18	31
SSE Southern	1,808	2,396
UK Power Networks	3,159	4,109
Uniper	363	576
United Utilities plc	382	506
Western Power Distribution	1,943	2,840
Total Net Assets	34,117	48,296

GLOSSARY OF TERMS

Listed below are brief explanations of terms used within the Annual Report and 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">- futures contracts- forward foreign exchange contracts- options- swaps <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.

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.
Liability Driven Investments (LDI)	A type of investment strategy minimises the risk against unfavourable movements in interest rates to ensure the Scheme's future liabilities can be funded
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.

MEMBERSHIP STATISTICS – Defined Benefit Arrangements (unaudited)

Group	Contributors	Pensioners	Dependants	Deferred Pensioners	Total
Carillion	-	32	2	88	122
Central Networks	1,409	8,947	2,265	2,610	15,231
Drax Power	-	-	-	-	-
EA Technology	-	230	40	57	327
EDF	635	9,876	2,104	16,186	28,801
Electricity North West	430	3,933	1,280	561	6,204
E.ON UK	941	11,515	3,709	6,103	22,268
EPSL	-	16	3	26	45
First Hydro Company	80	165	20	38	303
Npower	210	225	5	561	1,001
International Power	14	276	12	260	562
Magnox Electric – Atkins	2	26	1	13	42
Magnox Electric – Cavendish	46	39	3	40	128
Magnox Electric - National	4	7	2	-	13
Nuclear Laboratories Magnox Electric - Site Licence Company	907	5,299	1,430	964	8,600
Manweb	310	2,931	753	1,078	5,072
National Grid Electricity	753	4,510	1,447	1,297	8,007
Northern Powergrid	416	2,968	870	707	4,961
OVO Energy – SEPS	49	100	-	31	180
OVO Energy – SHEPS	25	26	-	31	82
Powerhouse Retail	-	1,583	188	162	1,933
RWE – RWE	571	3,958	3,430	202	8,161
RWE – Innogy	195	10,624	1,620	4,803	17,242
Schneider	-	50	5	25	80
SSE Southern	461	5,003	1,433	1,056	7,953
UK Power Networks	642	9,316	2,357	1,273	13,588
Uniper	461	170	8	121	760
United Utilities plc	21	1,211	122	257	1,611
Western Power Distribution	1,225	5,329	1,732	1,521	9,807
As at 31 March 2023	9,807	88,365	24,841	40,071	163,084
As at 31 March 2022	10,996	89,876	25,274	41,620	167,766

MEMBERSHIP STATISTICS – Defined Contribution Sections (unaudited)

Group	Contributors	Annuitants Pensioners	Dependants	Deferred Pensioners	Total
EDF	160	-	-	1,087	1,247
Electricity North West	1,755	-	-	704	2,459
E.ON UK	-	34	1	-	35
Npower	-	-	-	1,356	1,356
As at 31 March 2023	1,915	34	1	3,147	5,097
As at 31 March 2022	2,058	34	1	3,218	5,311

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.

RWE group has a defined contribution section, which continues to hold a small number of legacy AVCs. All DC members and their existing assets, as well as the majority of AVCs, were transferred to the Mercer Master Trust in the year ended 31 March 2022.

IMPLEMENTATION STATEMENT (Forms part of the Report of the Scheme Trustee)

This is the Scheme Trustee's Implementation Statement ("Statement") covering the period 1 April 2022 to 31 March 2023 and also up to and including the date of this Statement ("the Period").

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 where required in their 31 March 2023 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 October 2023 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 Hewitt Limited, 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 Hewitt Limited. Additionally, whilst the Scheme Trustee can use proxy voting services no occurrences arose during the Year which required such a service.

Implementation Statement (continued)

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:

Name of Sector	Performance Target
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 Scheme year amounted to £2.8 million (2022: £1.9 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.

Implementation Statement (continued)

Movements in Unitised Fund Sector

Summarised below are aggregate monetary movements in the Sector during the year to 31 March 2023.

Sectors	Market Value at 1 April 2022	Purchases during year	Sales during year	Changes in value including investment income and expenses	Market Value at 31 March 2023
	£ million	£ million	£ million	£ million	£ million
UK Forestry	254	-	(3)	17	268
Total	254	-	(3)	17	268

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 October 2023) 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 70).

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 Annual Reports and Financial Statements for the Groups concerned in respect of the investment performance of Defined Contribution Sections.

Implementation Statement (continued)

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 £268.1m of assets for the year ended 31 March 2023.

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 2023 (£m)	Allocation as at 31 March 2023 (%)	Fair Value hierarchy category
Forestry Sector	268.1	100.0%	3

Performance Measurement

The performance of the Sector during 2022/2023 is summarised below.

Over the 12 months to 31 March 2023, the UK Forestry Sector of the Unitised Fund returned 6.9% in absolute terms. On a rolling three-year basis, the Forestry Sector return was 28.1% 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.

Implementation Statement (continued)

Report on the Investment Performance of the Unitised Fund by the Investment Adviser to EPTL (continued)

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.

DIRECTORS OF ELECTRICITY PENSIONS TRUSTEE LIMITED (Forms part of the Report of the Scheme Trustee)

During the year and as at 31 March 2023

Zedra Governance Limited represented by Melanie Cusack (Independent Chair)

Graham Commons*

Hana Crossfield (resigned 7 October 2022)

John Michael Brown* (appointed 8 October 2022)

Nicola Dark* #

Stephen Duffy**

Philip Hudson (resigned 31 March 2023)

Alastair Russell*

John James Wall*

Howard Whisker* (resigned 15 November 2022)

Thomas Massey (appointed 15 November 2022)

The changes in Directors since 31 March 2023 were:

	Appointed	Resigned
Nigel Burnett	1 April 2023	

RESERVES as at 31 March 2023

Jeff Rowlinson*

Howard Whisker (until 27 July 2023)

Nigel Burnett (until 1 April 2023)

Matthew Peard (until 10 October 2023)

* 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 2023

Ruth Blackburn
Christopher Brown*
Mike Brown*
Ian Burkett*
Nigel Burnett*
Kelly Capdeville
Graham Commons*
Richard Grant
Nicola Dark* #
Naomi Helms
Stephen Duffy**
Russell Dougherty

Ceri Davies
Adrian Furnell
Kate Fraser
Brian Carman
John Harding*
Michele Hirons-Wood
David Hoskins*
Philip Hudson
Mike Kay*
John Leigh*
Stephen Millward
Tom Massey*

Matthew Peard**
Martyn Daley
Jeff Rowlinson*
Alastair Russell*
Steve Russell **
Elaine Spriggs
John Sykes*
John James Wall*
Howard Whisker*
Jeff Rowlinson*

Changes in Councillors since 31 March 2023

	Appointed	Resigned
Kate Fraser		1 April 2023
Matthew Hudson		1 April 2023
John Sykes		31 July 2023
Matthew Peard		10 October 2023

- * 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 Executive Board Manager.

ADVISERS TO ELECTRICITY PENSIONS TRUSTEE LIMITED (Forms part of the Report of the Scheme Trustee)

Independent Auditors

PricewaterhouseCoopers LLP

Bankers

Natwest Bank

Custodians

Bank of New York 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

Jennifer O'Neill, Aon Hewitt Limited

External Forestry Valuers

Savills (UK) Limited

Trustee, Accounting and Group Services Provider

Capita Pension Solutions

OFFICERS OF THE SCHEME

Independent Chair

Zedra Governance Limited (previously PTL Governance Ltd until 18 July 2022) represented by
Melanie Cusack

Scheme Secretary

Kevin Groves of Capita Pension Solutions

Address of Scheme Trustee

C/O Capita Pension Solutions, Hartshead House, 2 Cutlers Gate, Sheffield, S4 7TL

Company Secretary

Paul Wallis of Capita Pension Solutions

FUND MANAGERS USED BY THE SCHEME DURING THE YEAR (Forms part of the Report of the Scheme Trustee)

<p>UNITISED FUND MANAGERS Bidwells LLP</p> <p>GROUP APPOINTED FUND MANAGERS Abbey Life Assurance Co Limited Abrdn Investment Management Limited AG Twin Brook Manager, LLC (Angelo Gordon) Alcentra NY, LLC Alpha Real Capital LLP Alvarium Investments Limited (LJ Administration (UK) Limited - Home Long Income Fund) AMP Capital Investors Limited Amundi Luxembourg S.A. Aon Investment Limited Apollo Total Return Management LLC Arcmont Asset Management Limited Ardevora Asset Management LLP Ashmore Investment Management Limited Audax Management Company (NY) LLC Aviva Investors UK Fund Services Limited AXA Investment Managers (UK) Limited Baillie Gifford & Co Barings Asset Management Limited Barings Global Investment Funds plc (formerly Babson Capital) Barings GPC GP Barings LLC Beach Point Capital Management LP Bentall GreenOak Real Estate (formerly GreenOak UK Secured Lending II GP Limited) BlackRock Advisors (UK) Limited BlackRock Financial Management, Inc (appointed November 2022) BlackRock Investment Management (UK) Limited BlackRock Luxembourg Multi-Alternative Income GP Blackstone Alternative Asset Management LP Blackstone Real Estate Debt Strategies Associates IV Blue Mountain Capital Management LLC BMO Global Asset Management (now Columbia Threadneedle Investments) BNY Mellon Asset Management Ltd Bridgewater Associates LP Cambridge Associates LP Canada Life Cardano Risk Management Limited Carlyle Group LLP Caxton Associates LP CBRE Global Investors (UK Funds) Limited Chorus Capital Management Limited Columbia Threadneedle Pensions Ltd CQS (UK) LLP CQS Cayman LP CVC Credit Partners EU DL 2021 GP SARL Deerpath Capital Management, LP Dorsal Capital Management LLC DRC Capital LLP DRC UK Whole Loan (Feeder) (GP) Limited DWS Alternatives Global Limited Egerton Capital (UK) LLP Equitix Investment Management Limited Farallon Capital Management, LLC First Sentier Investors (UK) Funds Limited (Stewart) (appointed February 2023) GAM (Luxembourg) SA GoldenTree Asset Management LP Goldman Sachs & Co LLC GQG Partners LLC Greencoat GRI GP LLP GreenOak Real Estate Advisors LLP HarbourVest GP Hayfin DLF III GP S.A.R.L</p>	<p>Henley Investment Management Limited Henley Secure Income Property Managing Trustee Ltd HPS GP Ltd HPS Mezzanine Partners 2019 Offshore GP, LP HPS Mezzanine Partners III Offshore GP, L.P. ICG Alternative Investment Limited (Longbow) IFM Infrastructure PTY Ltd (Industry Funds Management) Immediate Capital Managers Limited (Longbow) Infrared Capital Partners Innisfree Limited Insight Investment Management (Global) Limited Invesco Asset Management Limited Invesco Perpetual Life Limited Invesco Real Estate Management SARL J P Morgan Asset Management (Europe) SARL J P Morgan Asset Management (UK) Limited J P Morgan Infrastructure Investments Fund 1 GP Limited - IIF UK 1 GP Limited JP Morgan Alternative Asset Management, Inc Just Retirement Limited Kadensa Capital Limited KKR Associates Diversified Core Infrastructure SCSP Knight Frank Investment Management LLP Legal & General Assurance (Pensions Management) Limited LGIM Real Assets (Operator) Limited Lighthouse Investment Partners, LLC Lindsell Train Limited Lynx Asset Management AB Lyxor International Asset Management SAS (terminated October 23) M&G Investment Management Limited Mackay Shields UK LLP Man Asset Management (Ireland) Limited MCP Private Capital Fund III GPLP SCS MCP Private Capital Fund IVGPLP SCS Mirabella Malta Limited (MCP IV) Morgan Stanley Investment Management Limited Nordea Investment Funds SA (terminated September 2023) Pacific Investment Management Company LLC (PIMCO) Partners Group (UK) Limited Partners Group (Guernsey) Limited Partners Group Management IV Limited Permira Credit Solutions II GP SARL Permira Credit Solutions III Senior GP LP Permira Credit Solutions IV GP SARL Permira Credit Solutions VI Senior GP LP PIMCO Europe Limited Rialto Partners GP RVCF, LLC Robeco Institutional Asset Management B.V. Royal Asset Management Limited Ruffer LLP SEI (appointed February 23) Sands Capital Management, LLC Schroder Investment Management Limited Schroder Investment Management Europe S.A.(appointed August 2022) Scottish Widows Securis Investment Partners LLP State Street Global Advisors Limited The Asset Management Exchange Ireland Ltd Threadneedle Asset Management Ltd Towers Watson Investment Management (Ireland) Limited Towers Watson Limited Two Sigma Advisers, LP Van Lanschot Kempen Walter Scott and Partners Limited Wellington Luxembourg SARL. (terminated October 2022) Wellington Management Company LLP Zurich Assurance Limited</p>
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CONTACT EMAIL ADDRESSES FOR ENQUIRIES (Forms part of the Report of the Scheme Trustee)

Carillion Group
enquiries@railpen.co.uk

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enquiries@railpen.com

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pensions@enwl.co.uk

EPSL Group
paula@pensecretarial.co.uk

International Power Group
IPGandFHCG-TrusteeServices@lcp.uk.com

Manweb Group
pensions@scottishpower.com

Northern Powergrid Group
northernpowergrid@railpen.com

OVO Energy Group
OvoEnergyGroup@aon.com

RWE Group
GARwe@trusteesolutions.co.uk

SSE Southern Group
pensions-se@sse.com

Uniper Group
enquiries@railpen.com

Western Power Distribution Group
nged.penssecretariat@nationalgrid.co.uk

Central Networks Group
nged.penssecretariat@nationalgrid.co.uk

EDF Group
EDFG.Fundsecretary@edfenergy.com

E.ON UK Group
enquiries@railpen.com

First Hydro Company Group
IPGandFHCG-TrusteeServices@lcp.uk.com

Magnox Electric Group
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NGEGESPS@barnett-waddingham.co.uk

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Powerhouse Retail Group
hanson@capita.co.uk

Schneider Group
sophia.rayworth@xpsgroup.com

UK Power Networks Group
pensionservices@ukpowernetworks.co.uk

United Utilities plc Group
Elaine.spriggs@uuplc.co.uk

SCHEME WEBSITE ADDRESS

<https://www.espspensions.co.uk>

NAMES AND ADDRESSES OF EXTERNAL BODIES (Forms part of the Report of the Scheme Trustee)

<p>MoneyHelper 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>Telephone: 0800 011 3797 Email: pensions.enquiries@moneyhelper.org.uk Website: https://www.moneyhelper.org.uk</p>
<p>Pensions Ombudsman 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: enquiries@pensions-ombudsman.org.uk Website: www.pensions-ombudsman.org.uk Address: The Pensions Ombudsman, 1st Floor, 10 South Colonnade, Canary Wharf, London, E14 4PU</p>
<p>The Pensions Regulator 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 7060 E-mail: customersupport@tpr.gov.uk Website: www.thepensionsregulator.gov.uk Postal address: The Pensions Regulator, Napier House, Trafalgar Place, Brighton, BN1 4DW</p>
<p>The Department for Work and Pensions (DWP) Pension Tracing Service 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: https://www.gov.uk/find-pension-contact-details Postal Address: Pension Tracing Service, The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU</p>
<p>The Pension Protection Fund Pays compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the</p>	<p>Telephone: 0330 123 222 Email: ppfmembers@ppg.co.uk Website: www.pensionprotectionfund.org.uk Postal Address: PO Box 254, Wymondham.</p>

