ELECTRICITY SUPPLY PENSION SCHEME

Minutes of the 41st Annual General Meeting of Members of the Scheme held as a virtual meeting by Webinar provided by EPTL's legal adviser, Fieldfisher, on Tuesday 21 November 2023 commencing at 1pm.

Present

Melanie Cusack	Chair, Electricity Pensions Trustee Limited
Council Members of EPTL	
Directors of EPTL	
Kevin Groves	Scheme Secretary
Sue Hands	ESPS Financial Controller
Paul Wallis	Company Secretary
Mark Smith	Capita
One hundred and sixteen members of the Scheme	

Advisers in attendance

David Gallagher	Fieldfisher, EPTL Legal Adviser
Alex Winterbottom	Aon, EPTL Investment Adviser
Shujaat Khan and Philip Peverelle	PwC LLP, Scheme Auditors

Notice convening the Meeting

1. The notice convening the meeting was taken as read. The Scheme Secretary welcomed the members present and then outlined the purpose of the AGM. The Scheme Secretary also took the opportunity to congratulate the Chair for winning Pension Trustee of the year at the Professional Pensions Women in Pensions awards 2023.

Introduction

2. The Chair welcomed the members and others present and introduced the main speakers. The Scheme Secretary went on to outline the purpose of the AGM. He said that the AGM was again being held as a virtual meeting because of greater convenience to members and because of the higher levels of attendance demonstrated at virtual meetings, including the last three AGMs. Documents relevant to the AGM (including the agenda, last year's minutes, accounts and privacy notice) had been previously emailed to members and other attendees who had registered to join in the meeting. These documents had also been placed on the ESPS website. The meeting would be recorded for the purposes of having a reliable record and might also be used for training purposes. The recording would be held by Fieldfisher and would be available to Scheme members on request. A copy of the presentation slides would also be placed on the ESPS website.

3. The Chair and Scheme Secretary reported on the make-up of the EPTL Board (nine Board members and three Reserves) during the last year and on the changes to the Board following the EPTL Council meeting held on 15 November 2023. The Chair thanked all those who had served on the Council and Board of EPTL (including the outgoing Directors and Reserves), together with the professional advisers and the Capita staff, for their

respective contributions to the work of the Scheme during the year. The Chair made special reference to Philip Hudson and Howard Whisker who had sadly passed away during the year.

Minutes of the 40th Annual General Meeting held on 22 November 2022

4. The minutes of the 40th Annual General Meeting held on 22 November 2022 were agreed as a correct record subject to the inclusion of a number of questions and comments raised by XXXX XXXXXXX under item 3 (Matters Arising) these include minute 6, relating to the issue of 'employer of last resort' and minute 20 relating to a discussion on the downside of holding future AGM's virtually. XXXX XXXXXXX proposed approval of the minutes as amended and XXXX XXXXXXX seconded approval. The Chair put approval of the minutes to the vote and 99% of members voting approved the minutes.

Matters arising out of the minutes for the 40th Annual General Meeting

5. The presentation slides showed that the September 2023 RPI figure had been announced at 8.9%. Rule 26 of the Scheme Rules provided that for most Defined Benefit (DB) members, pensions in payment to members and spouses and dependants should be increased in line with the increase in the RPI over the 12 months ending in the previous September – however, where RPI increases were more than 5%, pension increases could be limited by Principal Employers to less than the full increase in RPI, subject to the increase being not less than 5%. It was possible, therefore, depending on the decisions of Principal Employers that provision for pensions increases might differ between and within individual Groups of the Scheme. A members' resolution was discussed later in the meeting on pension increases with effect from 1 April 2024.

6. With reference to minute 29, it was noted on the presentation slides that the date of the next Scheme AGM would be Tuesday 19 November 2024. The starting time would be confirmed in due course.

7. With reference to minute 28, the Scheme Secretary confirmed that in light of the technical difficulties experienced at the 2022 AGM, contingency plans had been put in place to mitigate those technical issues by recommending that all presenters be based in a different location and all presenters had a reserve who was ready to take over if the speaker encountered technical issues.

8. With reference to minute 17 regarding holding the AGM virtually, the Scheme Secretary confirmed that EPTL had discussed the format of the AGM. It was noted that the positive benefits of holding the AGM virtually were: higher attendance; reduced time and expenditure of travel for all; avoiding weather and travel issues; more environmentally friendly; and avoiding costs of hosting meetings where numbers were unknown. EPTL discussed the negative aspects including the technical issues experienced at the 2022 AGM; the recognition that interaction was reduced; and that hybrid meetings were difficult to get an equitable balance between those in the room and those attending virtually. EPTL concluded that on balance the AGM should be held virtually but this decision would be reviewed each year. A debate was held under Any Other Business later in the meeting.

9. The resolution concerning pension increases passed at the 2022 AGM had been discussed with EPL and EPTL. Each Group had been informed of the outcome and was asked to pass this on to the Group Trustees for their consideration.

Report of the Scheme Trustee

10. The number of active Groups within the Scheme had reduced to twenty-three following the exit of Drax. During the year to 31 March 2023 there had been two Scheme-wide Amendments. The first amendment dated 9 June 2022 provided an updated procedure and policy for partial and full solvent buy-outs and bulk transfers without consent. The second amendment dated 22 February 2023 allowed for the appointment of a Sole Professional Trustee where, having taken all reasonable steps, it was not practicable for the Principal Employer to appoint individual trustees; made minor clarification changes to the Scheme Rules; and amended the Scheme's Amendment Power and notice provisions. Some of the main matters addressed by the EPTL Board during the year since the last AGM included arrangements for the Scheme AGM 2023 and Council meeting 2023; publication of the first Scheme TCFD report and liaison with The Pensions Regulator ("TPR"); TPR General Code of Practice; Pensions Dashboards including discussions on this with DWP and TPR; working through the implications of the cyber-attack on Capita Pension Solutions; considering new TPR guidance on equality, diversity and inclusion; monitoring the management and performance of the Unitised Fund UK Forestry Sector; Group matters including the exit of Drax; and reviews of EPTL's advisers. General matters which came into force during the year included The Pension Schemes (Conversion of Guaranteed Minimum Pensions) Act 2022 which received Royal Assent on 28 April 2022, and the abolition of the Lifetime Allowance.

Report by the EPTL Legal Adviser

11. David Gallagher recapped on the history of the ESPS, including an explanation that, since privatisation of the industry, it was only the privatised companies that had supplied covenant support rather than the government. Then David Gallagher provided an update on the legal activities undertaken during the year including: TCFD matters in the ESPS at Scheme and Group level; ongoing liaison with TPR regarding pension dashboards and the exit of Drax. Matters relating to the tax reforms including the abolition of the Lifetime Allowance and the increase in the Annual Allowance were also covered. Looking ahead to 2024, David Gallagher covered the General Code of Practice and the requirements for an Own Risk Assessment and Effective System of Governance; the Energy Act 2023, TNFD, a global taskforce focusing on nature-related investments and the Mansion House reforms which included proposals for consolidation of smaller inefficient schemes and investment in British high-growth companies.

Presentation on the Scheme Accounts for 2022/23

12. Sue Hands, ESPS Financial Controller, gave a presentation on the matters dealt with in the Scheme's Annual Report and Consolidated Financial Statements. It was explained that the Financial Statements showed the position for the Scheme as a whole and confirmed that these met all statutory and reporting requirements. Each of the Groups produced its own Report and Financial Statements and members should also refer to the Report and Financial Statements for their own Group, as Groups were actuarially independent.

13. Key points from the Scheme accounts included that during the year: pension contributions of approximately £0.70 billion had been received and pension benefits of approximately £1.66 billion had been paid; the value of the Scheme's investments had reduced by approximately £14.1 billion; and as at 31 March 2023 the Scheme's assets were valued at £34.1 billion down by £14.2 billion since the previous financial year end.

This in part was due to market volatility as a result of the UK mini budget in 2022 but also reflected the impact of the Liability Driven Investment strategies of various Groups which hedged against changes in interest and inflation expectations. An example of how the liabilities of one of the Groups had fallen over the same period was given in the presentation.

14. Groups continued to be required to make representations to EPTL, generally on an annual basis, to provide assurance that devolved activities and regulatory matters were being undertaken to the required standards.

Report by the EPTL Investment Adviser

15. Alex Winterbottom of Aon reported on various investment matters during the year to 30 September 2023. He firstly focussed on investment conditions which generated positive returns in most asset classes over the period. Inflation was also covered with Alex Winterbottom confirming that inflation has begun to moderate in most major economies as the global situation was proving to be more resilient than previously anticipated. Alex Winterbottom further confirmed that steep moves up in gilt yields had occurred following the UK's mini-budget in September 2022 which had affected many UK pension schemes using leveraged LDI. Bond yields continued to rise in many countries over the period as central banks around the world continued to tighten monetary policy amidst high inflation, raising benchmark interest rates to the highest levels in decades. Alex Winterbottom covered the input to the second year TCFD work in the ESPS with the next full year TCFD Report being due in October 2024.

16. Alex Winterbottom went on to report on the performance of the ESPS Forestry Sector which showed a 12 month absolute return of -1.0% to 30 September 2023 due to the inflation and market volatility impacting timber prices and forestry property values. He then reported on the longer-term performance which showed a cumulative 5 year return of 182.6% to 30 September 2023 due to the strong position of commercial forestry as an asset class over recent years, which until recently has driven up capital values supported by significant increases in timber values.

Matters Arising from the Presentations

17. XXXX XXXXXXX (E.ON UK Group pensioner) commented that virtual meetings were a good idea but felt that the increase in attendee numbers over the last few years was due to some Groups abandoning their AGMs - therefore leaving the Scheme AGM as their only forum. XXXX XXXXXXX further commented that the Scheme AGM was a poor substitute for Group AGMs as the Scheme was unable to discuss Group level matters. The Chair explained that EPTL as the Scheme Trustee could not control whether Groups hold AGMs.

18. XXXX XXXXXXX (E.ON UK Group pensioner) felt that Groups should not have the ability to sell their benefits to an insurance company via buy in/buy out arrangements and believed that it was the duty of EPTL as Scheme Trustee to stop Employers from entering into such arrangements. David Gallagher commented that legislation (and the Scheme Rules) does permit, in very limited circumstances, benefits to be secured with an insurer as long as those benefits were bought out in full including pension increases and that the chosen regulated insurance company becomes legally responsible for payment of those benefits.

19. XXXX XXXXXXX (E.ON UK Group pensioner) asked whether Groups could in effect remove democracy with Groups appointing Independent Trustees. David Gallagher explained

that there were clear rules that the Group Trustees and the Scheme Trustee need to follow under the Scheme Rules and Articles of Association and also under legislation. The Scheme Trustee encouraged Groups to nominate an EPTL Councillor on behalf of the Elected Group Trustees of that Group. XXXX XXXXXXX commented that the E.ON Group no longer had Elected Group Trustees. The Chair agreed that this issue was a significant subject, may also be Group-specific and one that should be more appropriately discussed outside of the AGM.

20. XXXX XXXXXXX (RWE Group pensioner) commented that it would be very useful if, together with all the financial information provided in the Report and Financial Statements, members of the ESPS would have sight of the RPI pension increases paid at Group level. Sue Hands confirmed that there was no restriction from a regulatory position, but approval from each Group would be required for their pension increases to be published in Scheme level documentation. It was agreed that Sue Hands would explore this further for the 2023/24 accounts. XXXX XXXXXXX explained that the Scheme Trustee had provided a list albeit anonymised with four Groups electing not to disclose their RPI increases. XXXX XXXXXXX (EPTL Director and National Grid Trustee) further commented that Groups were 'open and transparent' many years ago with their pension increases as these were contained in the consolidated Scheme accounts. The Chair concluded the discussion by confirming that EPTL would investigate the option of publishing the Group's RPI increases in the consolidated accounts.

21. XXXX XXXXXXX (E.ON UK Group pensioner) asked for clarification on the term 'Sole Professional Trustee'. The Chair explained that the term 'Sole' was perhaps misleading as it doesn't mean one individual person, rather an individual organisation containing several or more people but one named organisation and which was the only trustee in office. The Chair further explained that in terms of representation, each Group determined how they best served their members.

22. XXXX XXXXXXX (UKPN Group pensioner) asked how many Protected Persons were currently in the ESPS as he felt numbers must be dwindling due to Groups closing to new entrants. David Gallagher confirmed that he did not have the data to hand but would check and may be able to send this separately by email.

23. XXXX XXXXXXX (UKPN Group pensioner) asked whether the Scheme Trustee had any power of enforcement if they viewed something as unsatisfactory in the Representations. Sue Hands confirmed that this would, in the first instance, be dealt with at Group level by the Group Auditor and Group Trustees. The Audit findings report would also cover any issues that may be missed by the Representations.

Receipt of Annual Report and Financial Statements

24. The Scheme's Annual Report and Consolidated Financial Statements, and the Auditors' Report thereon for the year ended 31 March 2023 were proposed by XXXX XXXXXXX (UKPN Group pensioner) and XXXX XXXXXXX (RWE Group pensioner) and therefore formally received by noting the number of votes as 98% of those voting for and 2% of those voting against.

Members' Resolution 1

25. XXXX XXXXXXX (UKPN Group pensioner) and XXXX XXXXXXX (E.ON UK Group pensioner) had proposed and seconded the first resolution shown below and XXXX XXXXXXX spoke

in support of it as did other members in attendance.

"ELECTRICITY SUPPLY PENSION SCHEME

RESOLUTION for consideration at the 41st Annual General Meeting of Members of the Scheme on Tuesday 21 November 2023

We, the under-signed, being Members of the Scheme, invite other Members of the Scheme at this Annual General Meeting to duly consider and, if thought fit, adopt the Resolution set out below, for prompt transmission to the Chairman and Trustees of each ESPS Group.

PROPOSED BY: XXXX XXXXXXX (UK Power Networks Group)

SECONDED BY: XXXX XXXXXXX (E.On Group)

RESOLVED THAT THIS MEETING:

Having noted that, pursuant to the provisions of the Scheme:

(a) Annual increases for ESPS pensions in payment each April are calculated by reference to the change in the Retail Price Index over the 12 months ending in the previous September, which in principle would result next April in a payment increase of **8.9 per cent** (last year, 12.6 per cent).

(b) However, if the correctly calculated RPI increase is more than 5 per cent, the Principal Employer may be entitled to apply a different figure for the increase, provided that this figure is not less than 5 per cent.

(c) Pension increases in the ESPS are, therefore, effectively capped at 5 per cent a year **UNLESS** the Principal Employer positively chooses to pay more than 5 per cent if the calculated increase exceeds that amount.

And having further noted that:

(d) From next April, many ESPS pensioners will have suffered a permanent and irrecoverable reduction in the value of their pensions under the Scheme after two successive years of payment increases below the relevant RPI measure.

(e) ESPS sponsors for the most part are highly profitable companies with strong cash flows and a genuine concern for their corporate responsibilities, and are expected to help to protect their pensioners during a cost of living crisis.

Now earnestly requests that:

(f) The Principal Employers of the ESPS Groups should pay the full RPI-related pension increase of **8.9 per cent** next April, as is right and proper, and

(g) Trustees and (if relevant) the Independent Trustees of the Groups should ensure that they receive full reasons for any departure from that position

26. The Scheme Secretary noted that Members' resolutions voted on and carried at the Scheme AGM did not have any power conferred upon them and could not instruct EPTL, Group Trustees, Employers or others involved in the running of the Scheme. If the resolution was carried, EPTL (and EPL if appropriate) would be notified of the result and might or might not decide to take any action in response to the resolution.

27. The resolution was then put to a vote on an electronic voting system and the Chair declared the resolution to have been passed, noting the number of votes as 95% of those voting for and 5% of those voting against.

Members' Resolution 2

28. XXXX XXXXXXX (UKPN Group pensioner) and XXXX XXXXXXX (E.ON UK Group pensioner) had proposed and seconded the first resolution shown below and XXXX XXXXXXX spoke in support of the second resolution as did other members in attendance.

"ELECTRICITY SUPPLY PENSION SCHEME

RESOLUTION for consideration at the 41st Annual General Meeting of Members of the Scheme on Tuesday 21 November 2023

We, the under-signed, being Members of the Scheme, invite other Members of the Scheme at this Annual General Meeting to duly consider and, if thought fit, adopt the Resolution set out below, for prompt transmission to the Chairman and Trustees of each ESPS Group.

PROPOSED BY: XXXX XXXXXXX (UK Power Networks Group)

SECONDED BY: XXXX XXXXXXX (E.On Group)

RESOLVED THAT THIS MEETING:

Supports in principle the terms of the illustrative draft Code of Procedure set out below and requests that EPL and / or the Principal Employer of each Group makes amendments to incorporate this into the relevant Scheme documentation of each ESPS Group where there is currently an Independent Trustee (IT) in office. The Code would apply to the IT when that Trustee is exercising functions under the Scheme in relation to any proposed pension payment increases under the Scheme:

- If the Company decides to ask the IT for consent to cap the increase at 5 per cent, or at some other figure above 5 per cent but less than full RPI, it will advise the Group Trustees and explain its business case for the request.
- The Group Trustees will then consider the Company's proposal and will be given the opportunity of setting out any written representations in a statement addressed to both the Company and the IT.
- The IT may seek such further information from the Company as the IT may consider necessary. All such further information will be shared with the Group Trustees, who will be given a further opportunity to comment on it in writing.
- The IT may seek such actuarial, legal, accounting, and covenant advice as the IT thinks appropriate, and will share any such advice with the Group Trustees.
- The IT will then consider the Company's proposal, any additional information supplied by the Company, the representations made by Group Trustees, and any professional advice received, and will reach a decision.
- The IT would then inform both the Company and the Group Trustees of its decision, which would be binding on all parties.

29. The Scheme Secretary noted that Members' resolutions voted on and carried at the Scheme AGM did not have any power conferred upon them and could not instruct EPTL, Group Trustees, Employers or others involved in the running of the Scheme. If the resolution was carried, EPTL (and EPL if appropriate) would be notified of the result and might or might not decide to take any action in response to the resolution.

30. The resolution was then put to a vote on an electronic voting system and the Chair declared the resolution to have been passed, noting the number of votes as 94% of those voting for and 6% of those voting against.

Members' Resolution 3

31. The Chair confirmed that XXXX XXXXXXX (UKPN Group pensioner) had proposed a resolution. However as XXXX XXXXXXX was unable to attend and present his proposal at the

2023 AGM, the resolution could not be considered. The material content of the proposal was therefore discussed under 'Any Other Business'.

Any Other Business

32. It was noted that XXXX XXXXXXX (National Grid Group pensioner) had submitted a letter to the Scheme Secretary on the 2023 annual pension increases and combined effect of the Contracting Out issue and the letter was noted as requested.

33. XXXX XXXXXXX (UKPN Group pensioner) request to hold future AGM's in person was considered (see minute 8 above). The Chair commented that the Scheme Secretary did refer to this issue earlier in the meeting. The Chair further commented that the Scheme Trustee were keen to engage with as many members as possible to overcome the view that the Scheme Trustee was trying to withhold information. The AGM had attracted a record high attendance today of 116 members throughout the course of the meeting. XXXX XXXXXXX (E.ON Group pensioner) asked why the AGM could not be open-ended and why discussions had to be limited to two hours. The Chair responded by saying that people's commitments needed to be respected and there must be a pre-determined process on how time is applied. It was concluded that the Scheme Trustee would discuss the timescales for the 2024 AGM.

Date of 2024 Scheme AGM

34. As reported earlier in the meeting it was confirmed that the next Scheme AGM would be held on Tuesday 19 November 2024, with the starting time to be confirmed. The Chair advised members and attendees to enter the date in their diaries.

Vote of Thanks

35. The Chair thanked all members present for attending the AGM and offered best wishes to all. Nikki Dark (EPTL Councillor and EPTL Director) proposed a vote of thanks to the Chair Melanie Cusack, EPTL Directors and Reserves and Council Members, Officers of the Scheme, the staff of Capita, and the advisers to the Scheme for all their hard work for the ESPS throughout the year; and to all ESPS members present for their attendance.

Conclusion

36. There was no further business and the meeting concluded at 3.00 pm.

Note to Members:

1. **the anonymised version of these minutes can be shared freely.**
2. **the presentation slides and TCFD report are available on espspensions.co.uk**