

**ELECTRICITY SUPPLY PENSION SCHEME  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**





# Electricity Supply Pension Scheme

## CONTENTS

Page 2	Message from the Chair of the Scheme Trustee
Page 3	Introduction
Page 3	Structure of the Scheme
Page 7	General Data Protection Regulation (“GDPR”)
Page 8	Report of the Scheme Trustee
Page 20	Scheme Trustee’s Statement on DC/AVC Governance
Page 21	Independent Auditors’ Report to the Scheme Trustee of the Electricity Supply Pension Scheme
Page 24	Consolidated Fund Account
Page 25	Consolidated Statement of Net Assets available for Benefits
Page 27	Notes to the Consolidated Financial Statements
Page 58	Glossary of Terms
Page 60	Membership Statistics
Page 62	Implementation Statement
Page 63	Appendix on Investments for which Electricity Pensions Trustee Limited (“EPTL”) has responsibility
Page 66	Directors and Councillors of EPTL
Page 67	Advisers to EPTL
Page 68	Fund managers used by the Scheme
Page 69	Contact Email Addresses for Group Administrators
Page 70	Names and Addresses of External Bodies

## **Electricity Supply Pension Scheme**

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

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

The notable events in the Scheme Year ended 31 March 2020 were as follows:

- The Scheme paid benefits of £2.2 billion in the year and received contributions of £1.4 billion whilst investment income of £0.3 billion (gross of fees) was received into the Scheme;
- The Scheme's assets have decreased by £387 million since the previous financial year-end, with total assets standing at £43.4 billion;
- A new Group, OVO Energy Group of the ESPS, was fully established;
- The Carillion situation continued to be monitored including the formal change in Group Trusteeship;
- The Scheme SIP, which deals with the Unitised Fund UK Forestry Sector only was agreed and revised;
- Work started on selecting a new independent Chair of EPTL;
- Together with EPL, EPTL started to consider a matter relating to a new contract for the provision of support services to the central ESPS function; and
- In March 2020 various risk monitoring measures were put in place, in consultation with EPL and Capita, regarding Covid-19 and this included monitoring all advisers and suppliers of services to EPTL and EPL.

#### **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 Employee Solutions, who carry out the administrative and accounting functions on behalf of EPTL, and the work of our professional advisers and the Scheme custodians for the support they have provided over the year.

**Joanna Matthews of Capital Cranfield Trustee Limited**  
CHAIR OF THE SCHEME TRUSTEE

Electricity Pensions Trustee Limited  
Date: 22 October 2020

## **Electricity Supply Pension Scheme**

### **INTRODUCTION**

The Annual Report and Consolidated Financial Statements for the Scheme year 2019/20, contained in the following pages, are presented by the Scheme Trustee, EPTL, in accordance with the provisions of the ESPS (registration number: 10200656).

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

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

For the Scheme year ended 31 March 2020, the Consolidated Financial Statements of the Scheme taken together with the Financial Statements of the Groups, have been prepared and audited in accordance with the Regulations made under Sections 41(1) and (6) of the Pensions Act 1995, the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and adopt the Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with guidance set out in the Statement of Recommended Practice (Revised 2018).

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

### **STRUCTURE OF THE SCHEME**

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

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

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

The Scheme provides for two types of pensions:

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

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



## Electricity Supply Pension Scheme

### Organisation of the Scheme

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

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

### The Groups within the Scheme

As at 31 March 2020 the number of Groups within the Scheme increased to twenty-six Groups comprising the following:

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

The Magnox Electric Group is divided into four actuarially independent sections: Atkins, Cavendish, National Nuclear Laboratories and Site Licence Company. RWE Group is divided into three actuarially separate sections: RWE, Innogy and Former E.ON. Innogy Group is divided into two actuarially independent sections: Innogy and Retail.

OVO Energy Group was created in the last quarter of the financial year with bulk transfers taking place from SSE Southern Group and another non-ESPS scheme. OVO Energy Group has two actuarially independent sections: SEPS and SHEPS.

## **Electricity Supply Pension Scheme**

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

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

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

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

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

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

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

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

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

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

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

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

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

The Board also has an Independent Chair, Capital Cranfield Trustees Limited who is normally represented by Joanna Matthews, whose appointment was renewed for a further three years on 1 January 2018. During the year work commenced to appoint a new Independent Chair.



## **Electricity Supply Pension Scheme**

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

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

The Directors and Councillors who have served during the year are disclosed on page 66. Diversity is encouraged when Groups nominate candidates to serve on the Council.

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

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

### **Trustee Responsibilities**

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

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

Certain other formal responsibilities of EPTL are set out in more detail on page 6 and the manner in which EPTL carries out its responsibility for the registration and safe custody of the Scheme's assets is set out on page 9. In addition to the responsibilities imposed on Group Trustees and EPTL under the provisions of the Scheme, powers and responsibilities are imposed on them by pensions legislation. These statutory powers and responsibilities have been allocated to Group Trustees or to EPTL under the Scheme document, in the light of their respective responsibilities under the Scheme.

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

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

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

## **Electricity Supply Pension Scheme**

### **Investment Management Arrangements**

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

EPTL is responsible for Scheme-wide investment arrangements and monitoring the effectiveness of these. EPTL is also responsible for the investment management of the Unitised Fund, including the selection, appointment and monitoring of fund managers. Details of the Unitised Fund and the investment performance of the Unitised Fund Sectors is given in the Appendix for the Unitised Fund, on pages 63 to 65 of this Annual Report and Consolidated Financial Statements.

### **Statements of Investment Principles**

Each Group Trustee body has prepared a Statement of Investment Principles ("SIP") in accordance with the provisions of the Pensions Act 1995, setting out the principles on which the decisions on the investment of their Group's assets are made. A copy of that Statement may be obtained from the Group Administrator of the Group at the contact details given on the page 69 of this Scheme Annual Report and Consolidated Financial Statements. Members may also be able to access this Report electronically through their Group's website or member site.

EPTL has also prepared a SIP in relation to its responsibilities for the Unitised Fund, and relevant extracts from that Statement are included in the SIPs of each Group Trustee body. EPTL's SIP can be accessed on the Scheme's website (details shown on page 69).

### **Administration Arrangements**

Group Trustees delegate day to day administration of their Groups 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 Employee Solutions.

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

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.



## **Electricity Supply Pension Scheme**

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

Complying with GDPR is obligatory, regardless of the outcome of the UK's Brexit negotiations.

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

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

The Board of EPTL held 5 meetings during the year. Additionally, some business was covered via an electronic rapid approvals process when required.

### **Pensions Legislative Reforms**

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

- The SIP which must be available on a public website from 1 October 2020 and EPTL's SIP can be found at <https://www.espspensions.co.uk>. In addition, a standalone Investment Implementation Statement are now also required and will need to be published going forward.
- Civil Partnerships are now available as an alternative to marriage for couples of the opposite sex which can have pensions implications.

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 Consolidated 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 the management and performance of the Unitised Fund UK Forestry Sector.
- agreeing updates to investment templates for investment management appointments;
- monitoring claims in respect of discriminatory withholding tax and VAT;
- other investment matters dealt with include consideration of the new investment disclosures and the progression of a new tax governance framework;
- starting work on the development of a new ESPS website;
- reviewing the appointment of the Custodian, The Bank of New York Mellon; and
- formalising the provisions for dealing with the Insolvency of a Principal Employer.

## **Electricity Supply Pension Scheme**

### **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 2020 the following Scheme-wide amendments were made.

- Deed of Amendment dated 21 January 2020 enhanced provisions concerning the insolvency of a Principal Employer.

### **Custody and Accounting Arrangements**

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

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

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

Capita Employee Solutions, with assistance from Amaces Ltd, 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, BEGG (Nominees) Limited, Central Networks Nomineeco Limited and Manweb Nomineeco Limited.

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

### **Investment of Assets**

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

A report on the investment performance of the Unitised Fund Sector and other investments for which EPTL has responsibility is provided as an appendix to this Report (see pages 63 to 65).



## Electricity Supply Pension Scheme

### Investment of Assets (continued)

During the year the value of the Scheme's net assets decreased from £43.8 billion to £43.4 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.

### Disposition of Scheme's Assets

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

	2020 £ million	2019 £ million
Market value of discretionary mandates and pooled funds	42,048	43,263
Market Value of Defined Contribution unitised insurance policies	205	203
Market value of the ESPS Unitised Fund (see pages 63 - 65)	136	124
AVC Investments	81	85
Insurance Policies	822	9
Current assets	176	152
Current liabilities	(54)	(35)
<b>Total Consolidated Fund</b>	<b>43,414</b>	<b>43,801</b>

Insurance policies have increased due to a new buy-in policy for one Group.

See note 30 on page 57 for an analysis of the Fund by Group.

### Contributions

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

### 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 contributions, which resulted in modified opinions and details can be found in note 20. All other instances were immaterial for both the Groups and the Scheme, and therefore, not reportable or disclosable.

### Recent events

On 26 October 2018, the High Court ruled that schemes must equalise for the effect of GMPs (Guaranteed Minimum Pension) providing different benefits for men and women. The Group Trustees are in the process of assessing the impact on their Group which will be reflected in future years' accounts.

Following the outbreak of Covid-19 during the latter part of the financial year, the Scheme Trustee carried out a review of its service providers in conjunction with guidance provided by pension bodies including the Pensions Regulator with a focus on business continuity to minimise disruption to the Scheme. This included assessing the internal control environments for the Scheme Trustee's service providers and service organisations given the move to remote working. The Scheme continued to operate effectively with Scheme Trustee effectiveness, custodian services and liquidity being primary concerns. The Scheme Trustee continues to monitor developments concerning the Covid-19 pandemic to evaluate risks, maintain working practices in relation to Scheme governance and to co-ordinate operational matters.

## **Electricity Supply Pension Scheme**

### **Recent events (continued)**

Given the global impact of Covid-19 on businesses, economic activity and financial markets, it was clear that Employers' covenants, funding and investment positionings could be significantly impacted by the pandemic. Groups' individual Annual Report and Financial Statements provide information about these matters as well as other actions and risk assessments undertaken by each Group in relation to Covid-19. As a number of investments (particularly property funds) were significantly impacted by Covid-19 prior to the Scheme's year end of 31 March 2020, material valuation uncertainty clauses (MVUC) were included in some year end valuations and have remained in place at the time of writing this report as referred to in note 18 to the financial statements.



## Electricity Supply Pension Scheme

### Summary of Consolidated Actuarial Liabilities

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

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

# Electricity Supply Pension Scheme

## Summary of Consolidated Actuarial Liabilities (continued)

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

## Electricity Supply Pension Scheme

### Summary of Consolidated Actuarial Liabilities (continued)

Group	Date of the most recent actuarial valuation	Value of the technical provisions at latest valuation date £ million	Value of the assets at latest valuation date £ million	Discount rate *	Price Inflation (RPI) p.a.	Price Inflation (CPI) p.a.	Key Assumptions		
							Pension increase rates p.a.	Salary increase rates p.a.	Post-retirement mortality based on standard actuarial mortality tables (Sk = smoothing parameters, A = mortality improvements)
ENW	31-Mar-19	1,478	1,409	Pre-retirement: +2.5% Post-retirement: +0.5%/+0.36%	BOE fixed interest and index-linked gilt yield curves at the valuation date.	RPI inflation assumption at the valuation date less 1.1%.	RPI or CPI price inflation assumption allowing for the maximum and minimum according to the provisions in the Group's Rules.	RPI inflation + an allowance for promotional increases.	Males: Table S2PMA (with scaling factors 110% to 100%) with future improvements in line with CMI 2018 projections (Sk = 7.0, A = 0.5%) with a long-term improvement rate of 1.75% p.a.  Females: Table S2PFA (with scaling factors of 105% to 95%) with future improvements in line with CMI 2018 projections (Sk = 7.0, A = 0.5%) with a long-term improvement rate of 1.75% p.a.
E.ON	31-Mar-18	4,986	4,484	+1.1%	RPI swap yield curve at the valuation date.	RPI swap yield curve at the valuation date less 1.1% p.a.	5% LPI swap yield curve (based on RPI) for pre-1 November 2018 accrued pensions. 3% LPI swap yield curve (based on CPI) for post-31 October 2018.	3% Limited Price Indexation (LPI) swap yield curve based on CPI for salaries under £70k.	Males: Table S2PMA U2018 using the CMI 2017 projections (Sk=8.0) for future improvements in mortality with a long-term improvement rate of 1.50% p.a.  Females: Table S2PFA U2018 using the CMI 2017 projections (Sk=8.0) for future improvements in mortality with a long-term improvement rate of 1.50% p.a.
EPSL*	31-Mar-17	14	11	Pre-retirement: +2.0% Post-retirement: +0.0%	Gilt Break-even RPI curve	RPI inflation assumption at the valuation date less 1.1%.	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 95%) with future improvements in line with the CMI 2016 projections (Sk = 8.0) and a long-term improvement rate of 1.5% p.a.
First Hydro	31-Mar-19	159	163	Pre-retirement: +2.0% Post-retirement: +0.5%	BOE fixed interest and index-linked gilt yield curves at the valuation date.	RPI inflation assumption at the valuation date less 1.1%.	RPI or CPI price inflation assumption allowing for the maximum and minimum according to the provisions in the Group's Rules.	RPI inflation + 0.5%	Males: Table SAPS S3 S3PMA ("All amounts" with scaling factors 102% to 96%) and future improvements in line with the CMI 2018 projection (Sk = 7.0, A = 0.5) and a long-term improvement rate of 1.50% p.a.  Females: Table SAPS S3 S3PFA_M ("All amounts" with scaling factors 117% to 98%) and future improvements in line with the CMI 2018 projection (Sk = 7.0, A = 0.5) and a long-term improvement rate of 1.50% p.a.

# Electricity Supply Pension Scheme

## Summary of Consolidated Actuarial Liabilities (continued)

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



# Electricity Supply Pension Scheme

## Summary of Consolidated Actuarial Liabilities (continued)

Group	Date of the most recent actuarial valuation	Value of the technical provisions at latest valuation date £ million	Value of the assets at latest valuation date £ million	Discount rate *	Price Inflation (RPI) p.a.	Price Inflation (CPI) p.a.	Key Assumptions		
							Pension increase rates p.a.	Salary increase rates p.a.	Post-retirement mortality based on standard actuarial mortality tables (Sk = smoothing parameters, A = mortality improvements)
Northern Powergrid	31-Mar-16	1,598	1,792	Pre-retirement: +1.9% Post-retirement: +0.5%	Fixed interest and index linked gilt yield curves at the valuation date.	RPI inflation assumption at the valuation date less 0.9%.	Price inflation assumption allowing for the maximum and minimum increases.	-	Males: Table S2PMA (adjusted to allow for individual years of birth with scaling factors of 100% to 97%) with future improvements in line with CMI 2014 projections with a long-term improvement rate of 1.5% p.a.
									Females: Table S2PFA (adjusted to allow for individual years of birth with a scaling factors of 98% to 94%) with future improvements in line with CMI 2014 projections with a long-term improvement rate of 1.5% p.a.
Ovo	31-Mar-20	78.2	78.2	-	n/a	-	-	-	n/a
Powerhouse	31-Mar-19	217	234	Pre-retirement: +0.5% Post-retirement: +0.25%	BOE breakeven RPI yield curve.	RPI inflation assumption at the valuation date less 1.1%.	-	-	Males: Table SAPS S2 (All Pensioners with scaling factors 112% to 95%).
									Females: Table SAPS S2 (All Pensioners with scaling factors 98% to 91%).
RWE	31-Mar-19	1,601	1,557	Pre-retirement: +2.0% Post-retirement: +0.5%/0.3%	RPI yield curve derived from the gilt market at the valuation date, less inflation risk premium of 0.1% p.a.	RPI inflation assumption at the valuation date less 1.1%.	RPI or CPI price inflation assumption allowing for the maximum and minimum annual increases.	RPI price inflation assumption.	Males: Table SAPS S2PMA (All, Heavy and Light tables (Year of Use) with scaling factors 100% to 130%) with future improvements in line with CMI 2018 projections (Sk = 7.5, A = 0) with a long-term improvement rate of 1.50% p.a.
									Females: Table SAPS S2PFA (All and Heavy tables (Year of Use) with scaling factors 105% to 150%) with future improvements in line with CMI 2018 projections (Sk = 7.5, A = 0) with a long-term improvement rate of 1.50% p.a.
Schneider	31-Mar-19	34	28	Pre-retirement: +3.35% Post-retirement: +1.85%	3.25%	2.25%	3.25% (deferred), 3.15% and 2.00% (in payment)	3.25%	Table SAPS S3PA CMI 2018 with a long term improvement rate of 1.5%.
Southern Electric	31-Mar-19	2,544	2,258	Pre-retirement: +2.4% Post-retirement: +0.5%	BOE RPI inflation curve at the valuation date less 0.1% p.a.	RPI inflation assumption at the valuation date less 1.1%.	RPI price inflation assumption allowing for the maximum and minimum (5.8% and 0%) increase. CPI price inflation assumption allowing for the maximum and minimum (3% and 0%) increase.	RPI inflation + 0.5%	Males: Table S3PMA (with scaling factors 104% to 95%) with future mortality improvements in line with CMI 2018 projections (Sk = 7.0, A = 0.5%) with a long term improvement rate of 1.5% p.a.
									Females: Table S3PFA (with scaling factors 104% to 97%) with future mortality improvements in line with CMI 2018 projections (Sk = 7.0, A = 0.5%) with a long term improvement rate of 1.5% p.a.

# Electricity Supply Pension Scheme

## Summary of Consolidated Actuarial Liabilities (continued)

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

## **Electricity Supply Pension Scheme**

### **Statement of Trustee Responsibilities**

The Scheme Consolidated Financial Statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of EPTL. Pension scheme regulations require, and EPTL 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 the Scheme's 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 relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, EPTL 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.

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

EPTL also has a general responsibility for ensuring that adequate 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.

### **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 6 and 7.

### **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.

## **Electricity Supply Pension Scheme**

### **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 69 of this Scheme Annual Report and Consolidated 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 2020 Scheme AGM will be held virtually via teleconferencing on Monday 23 November.

Signed on behalf of the Scheme Trustee:

**Joanna Matthews of Capital Cranfield Trustee Limited**  
CHAIR OF THE SCHEME TRUSTEE

On behalf of Electricity Pensions Trustee Limited  
Date: 22 October 2020



## **Electricity Supply Pension Scheme**

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

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

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

**Joanna Matthews of Capital Cranfield Trustee Limited**  
CHAIR OF THE SCHEME TRUSTEE

On behalf of Electricity Pensions Trustee Limited  
Date: 22 October 2020

## **Electricity Supply Pension Scheme**

### **INDEPENDENT AUDITORS' REPORT TO THE SCHEME TRUSTEE OF THE ELECTRICITY SUPPLY PENSION SCHEME**

#### **Report on the Consolidated Financial Statements**

##### **Opinion**

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

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2020, 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, which comprise: the consolidated statement of net assets available for benefits as at 31 March 2020; the consolidated fund account for the year then ended; and the notes to the consolidated financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

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

##### *Independence*

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

##### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Electricity Supply Pension Scheme**

### **INDEPENDENT AUDITORS' REPORT TO THE SCHEME TRUSTEE OF THE ELECTRICITY SUPPLY PENSION SCHEME (continued)**

#### **Conclusions relating to going concern (continued)**

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

#### **Reporting on other information**

The other information comprises all the information in the annual report other than the financial statements and our auditors' report thereon. The 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 consolidated financial statements and the audit**

##### *Responsibilities of the Scheme Trustee for the consolidated financial statements*

As explained more fully in the statement of Trustee's responsibilities, the 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 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 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 Trustee either intends to wind up the Scheme, or has no realistic alternative but to do so.

##### *Auditors' responsibilities for the audit of the consolidated 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.

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

## **Electricity Supply Pension Scheme**

### **INDEPENDENT AUDITORS' REPORT TO THE SCHEME TRUSTEE OF THE ELECTRICITY SUPPLY PENSION SCHEME (continued)**

#### *Use of this report*

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

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
Date 23 October 2020



# Electricity Supply Pension Scheme

## CONSOLIDATED FUND ACCOUNT

For the Year Ended 31 March 2020

	Note	2020 Total  £ million	2019 Total  £ million
<b>Contributions and benefits</b>			
Employer contributions		1,317	1,194
Employee contributions		48	53
<b>Total contributions</b>	4	<b>1,365</b>	1,247
Transfers in	5	36	9
Other income		3	1
		<b>1,404</b>	1,257
Benefits paid or payable	6	(1,641)	(1,615)
Payments to and on account of leavers	7	(499)	(812)
Other payments		(7)	(10)
Administrative expenses	8	(19)	(18)
		<b>(2,166)</b>	(2,455)
<b>Net (withdrawals) from dealings with members</b>		<b>(762)</b>	(1,198)
<b>Returns on investments</b>			
Investment income	9	275	261
Change in market value of investments	10	140	2,301
Investment management expenses	17	(40)	(46)
<b>Net returns on investments</b>		<b>375</b>	2,516
<b>Net (decrease)/increase in the Scheme</b>		<b>(387)</b>	1,318
<b>Opening Net assets of the Scheme</b>		<b>43,801</b>	42,483
<b>Closing Net assets of the Scheme</b>		<b>43,414</b>	43,801

The accompanying notes on pages 27 to 57 form an integral part of these consolidated financial statements.

# Electricity Supply Pension Scheme

## CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at 31 March 2020

	Note	2020 Total  £ million	Re-stated* 2019 Total  £ million
<b>Investment assets</b>	10		
Equities		562	854
Bonds		2,760	2,455
Property		164	142
Forestry		143	124
Property loan assets		178	180
Pooled investment vehicles	11	38,452	39,481
Derivatives	12	24	136
Insurance policies	13	822	9
AVC investments	16	81	85
Cash		421	510
Other investment balances	15	32	39
		<b>43,639</b>	<b>44,015</b>
<b>Investment liabilities</b>	10		
Derivatives	12	(210)	(190)
Repurchase agreements	14	(115)	-
Cash	15	-	(2)
Other investment balances		(22)	(139)
		<b>(347)</b>	<b>(331)</b>
<b>Total net investments</b>		<b>43,292</b>	<b>43,674</b>
Current assets	22	176	152
Current liabilities	23	(54)	(35)
<b>Total Net assets of the Scheme available for benefits</b>		<b>43,414</b>	<b>43,801</b>

\*Two Groups have reclassified a total of £274 million of invested cash to pooled investment vehicles. One Group has reclassified £2 million of other investment liabilities to current liabilities.

## **Electricity Supply Pension Scheme**

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

The Consolidated 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 12 to 17. These Consolidated Financial Statements should be read in conjunction with those statements. The notes on pages 27 to 57 form an integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements on pages 24 to 57 were approved by the Scheme Trustee on 20 October 2020.

Signed on behalf of the Scheme Trustee:

**Joanna Matthews of Capital Cranfield Trustee Limited**  
CHAIR OF THE SCHEME TRUSTEE  
Electricity Pensions Trustee Limited

## **Electricity Supply Pension Scheme**

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

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

These Consolidated Financial Statements 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 and with guidance set out in the Statement of Recommended Practice “Financial Reports of Pension Schemes” (Revised 2018).

#### **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 69. The address for the Scheme is Secretary of EPTL, C/O Capita Employee Solutions - ESPS Fund Accounting, 17-19 Rochester Row, London SW1P 1JB.

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

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

##### **Basis of Consolidation**

The Scheme Consolidated Financial Statements aggregate the net assets and results of the individual Groups which together constitute the Scheme. Transactions between Groups, such as member transfers, are eliminated. Consistent accounting policies have been applied. The Consolidated Financial Statements consolidate the net assets and results of the Scheme's subsidiaries (disclosed in Note 26 on page 56). Inter-Group transactions are eliminated on consolidation and consistent accounting policies have been applied.

##### **Contributions**

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

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

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

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

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

## **Electricity Supply Pension Scheme**

### **NOTES TO THE CONSOLIDATED 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 scheme of new employers for members who have left the Scheme. They are accounted for on a cash basis or, where the Group Trustees have agreed to accept liability in advance of receipt of funds on an accruals basis from the date of the agreement where the transfer amount can be determined with reasonable certainty.

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 on an accruals basis from the date of retirement.

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

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

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

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

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

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

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

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

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

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



## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. Accounting Policies (continued)

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

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

Income arising from annuity policies is included in investment income.

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

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

##### Valuation and classification of investments

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3. Accounting Policies (continued)**

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

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

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

**Critical accounting estimates and judgements**

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

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. Accounting Policies (continued)

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

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

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

##### Presentation currency

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

##### Investment in subsidiary Companies

The investments in the subsidiary Companies are held at cost less accumulated impairment losses.

#### 4. Contributions

	2020 Total	2019 Total
	£ million	£ million
<b>Employer contributions</b>		
Normal	395	425
Deficit repair*	779	673
Augmentations - early retirements	62	56
<b>Other</b>		
Supplementary pensions funding**	11	10
Other salary true-up	2	2
Section 75 debt	2	-
Other	66	28
	<b>1,317</b>	<b>1,194</b>
<b>Employee contributions</b>		
Normal	30	32
Other	1	7
Additional voluntary contributions (AVCs)	17	14
	<b>48</b>	<b>53</b>
	<b>1,365</b>	<b>1,247</b>

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 4. Contributions (continued)

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

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

Employer normal contributions include salary sacrifice contributions.

#### 5. Transfers in

	2020 Total	2019 Total
	£ million	£ million
Bulk transfers	30	-
Individual transfers	6	9
	36	9

Bulk transfers relate to amounts received from employers and also from another scheme into the new OVO Energy Group in cash.

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

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

#### 6. Benefits paid or payable

	2020 Total	2019 Total
	£ million	£ million
Pensions	1,440	1,405
Commutations of pensions and lump sum retirement benefits	187	185
Purchase of annuities (AVCs)	4	12
Lump sum death benefits	9	11
Taxation where lifetime allowance exceeded	1	2
	1,641	1,615

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	<b>2020 Total</b>	2019 Total
	<b>£ million</b>	£ million
Transfer values paid to other pension plans:		
Individual transfers	<b>488</b>	805
Individual transfers AVCs	<b>2</b>	7
Bulk transfers to other schemes	<b>9</b>	-
	<b>499</b>	812

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

#### 8. Administrative expenses

	<b>2020 Total</b>	2019 Total
	<b>£ million</b>	£ million
Administration expenses	<b>8</b>	7
PPF levy	<b>2</b>	2
Actuarial fees	<b>6</b>	5
Legal fees	<b>2</b>	2
Other	<b>1</b>	2
	<b>19</b>	18

Other than the items shown above, all administrative expenses i.e. all expenses other than those relating to investments, were paid directly by the Employers within the Scheme.

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 2019/20, the £2 million represents the amount paid from Group assets (2018/19: £2 million). All the PPF levy funds shown above were paid under the Secretary's Protocol arrangements where the Groups concerned have received enhanced contributions.

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 9. Investment income

	2020 Total	2019 Total
	£ million	£ million
Dividends from equities	27	34
Income from bonds	51	49
Net rents from properties	10	5
Income from property loan assets	5	6
Income from pooled investment vehicles	156	158
Net payments from swaps	(1)	(1)
Annuity income	11	-
Foreign Exchange gain	8	-
Interest on cash deposits	5	9
Other	3	1
	<b>275</b>	<b>261</b>

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.

#### 10. Reconciliation of net investments

	Restated* Value as at 31 March 2019	Purchases at cost and derivative payments	Sale Proceeds and derivative receipts	Change in market value	Value as at 31 March 2020
	£ million	£ million	£ million	£ million	£ million
Equities	854	415	(685)	(22)	562
Bonds	2,455	1,674	(1,485)	116	2,760
Property	142	34	(8)	(4)	164
Forestry	124	8	-	11	143
Property loan assets	180	57	(58)	(1)	178
Pooled investment vehicles	39,480	10,762	(12,048)	258	38,452
Derivatives – net	(54)	117	(65)	(184)	(186)
Insurance policies	9	847	-	(34)	822
AVC investments	85	20	(24)	-	81
	43,275	13,934	(14,373)	140	42,976
Cash	508				421
Repurchase agreements	-				(115)
Other investment assets	39				32
Other investment liabilities	(139)				(22)
	<b>43,683</b>				<b>43,292</b>

\*Two Groups have reclassified a total of £274 million of invested cash to pooled investment vehicles. One Group has reclassified £2 million of other investment liabilities to current liabilities.

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

#### Investment transaction costs

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

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

Defined benefit section	Equities	Property	Pooled Investment Vehicles	Total 31 March 2019
	£ million	£ million	£ million	£ million
Fees	-	2	-	2
Taxes	-	-	1	1
<b>Total 2019</b>	<b>-</b>	<b>2</b>	<b>1</b>	<b>3</b>

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

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

The properties are stated at open market value determined by Cushman & Wakefield trading as DTZ Debenham Tie Leung, a member of the Royal Institution of Chartered Surveyors, and by BNP Paribas Real Estate, Chartered Surveyors, which are independent of the Scheme Trustee and Employers. Both 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 Consolidated Financial Statements on completion of contracts.

Investments in property are held by the Scheme through subsidiary undertakings. These undertakings have no other material assets or liabilities other than the properties held in the segregated Group property portfolios. 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.

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The valuations of forests and land holdings in the UK Forestry Sector of the Unitised Fund and those held by Central Networks Nomineeco Limited have been carried out at the reporting date by Savills (UK) Ltd, chartered surveyors appointed as independent property valuers to the Scheme Trustee, who have recent experience in the locations and class of the investment forests and land holdings held by the Scheme. Purchases and sales of forests are recognised in the Financial Statements on completion of contracts.

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.

#### 11. Pooled investment vehicles

Pooled investment vehicles are further analysed as follows:

<b>Total</b>	<b>2020</b>	<b>Restated*</b>
	<b>£million</b>	<b>2019</b>
		<b>£million</b>
Equities	<b>3,715</b>	4,433
Bonds	<b>5,432</b>	6,636
Diversified growth	<b>2,556</b>	2,198
Fund of hedge funds	<b>3,982</b>	4,916
Private equity	<b>590</b>	334
Infrastructure funds	<b>459</b>	313
Property	<b>2,081</b>	1,974
Liability driven investments- bespoke	<b>17,575</b>	17,135
Liability driven investments – not bespoke	<b>137</b>	-
Sole investor funds	<b>467</b>	-
Cash and other liquid assets	<b>1,458</b>	1,542
	<b>38,452</b>	39,481

At 31 March 2020, 17 Groups (2019: 17 Groups) held bespoke Liability Driven Investments ("LDI") with two Groups holding two such portfolios. A further 3 Groups held Qualifying Investor Fund ("QIF") portfolios (2019: 3 Groups) and one Group (2019: nil) held a bespoke sole investor fund. These portfolios are specifically tailored to the Groups' individual requirements and in which there were no other investors.



## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	2020 £ million	2019 £ million
Bonds (fixed and interest-linked securities)	28,680	26,699
Equities	105	178
Swaps - net	952	(183)
Options - net	45	6
Futures - net	3	5
Repurchase agreements	(12,620)	(9,894)
Currency hedge	(48)	7
Property	13	14
Private equity, debt and real estate	467	-
Cash and other liquid assets	443	303
Mortgage and asset backed securities	2	-
	18,042	17,135

Transaction costs on the above funds amounted to £nil (2019: £nil).

#### 12. Derivatives

##### Objectives and policies

Ten (2019: Ten) Group Trustees have authorised the use of derivatives by their investment managers as part of their investment strategy for their Group as follows:

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

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

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

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 12. Derivatives (continued)

##### Derivative contracts

At the year end the Scheme had the following derivatives:

	2020 Assets £ million	2020 Liabilities £ million	2019 Assets £ million	2019 Liabilities £ million
Futures	12	(6)	2	-
Swaps	12	(185)	133	(189)
Forward foreign currency contracts	-	(19)	1	(1)
	24	(210)	136	(190)
<b>Net derivatives</b>		<b>(186)</b>		<b>(54)</b>

##### Futures contracts

	Expiry Date	Nominal Value* £ million	2020 Assets £ million	2020 Liabilities £ million
FTSE 100 Index Future (ICF)	June 2020	48	5	-
Euro Stoxx 50 Future (EUX)	June 2020	32	3	-
Topix Index Future (OSE)	June 2020	17	1	-
S&P 500 Emini Future (CME)	June 2020	31	-	(2)
Long Gilt Future (ICF)	June 2020	84	2	-
US 10 ye Treasury NTS Future (CBT)	June 2020	66	-	(4)
Overseas Exchange Traded	June 2020	23	1	-
			12	(6)

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

In addition to the above, there are 5 index futures of remaining duration of less than 3 months with a nominal value of £62,000 and assets of £331,000 and liabilities of £350,000. As these figures are less than £0.5 million they round to nil, and are therefore, not included in the above table.

Swaps	Duration	Nature (see below)	Notional Principal £ million	2020 Assets £ million	2020 Liabilities £ million
Inflation linked swaps	1 – 5 years	1	71	1	(2)
Inflation linked swaps	6 – 15 years	1	78	-	(3)
Inflation linked swaps	Over 15 years	1	40	-	(8)
Interest rate swaps	1 – 5 years	2	64	1	(2)
Interest rate swaps	6 – 15 years	2	70	3	(5)
Interest rate swaps	Over 15 years	2	94	7	(14)
Longevity swap	Over 15 years	n/a		-	(151)
				12	(185)

##### Nature

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

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 12. Derivatives (continued)

The carrying amount of financial assets pledged as collateral for Interest Rate Swap liabilities is £nil million (2019: £13 million) and Longevity Swap liabilities is £64.8 million (2019: £63 million), which consists of cash and bonds held by the custodian to the contract. Assets pledged remain assets of the Group and are reflected within the appropriate category within the net asset statement.

The fair value of collateral that has been accepted for assets is £27.2 million (2019: £4 million), which consists of cash and bonds held by the custodian to the contract. Collateral accepted is not an asset of the Scheme and is not reflected within net assets.

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

#### Forward foreign currency contracts

	Ccy	Currency Bought million	Ccy	Currency Sold million	2020 Assets £ million	2020 Liabilities £ million
OTC traded less than one year	EUR	117	GBP	105	-	(1)
OTC traded less than one year	GBP	710	USD	414	-	(11)
OTC traded less than one year	USD	312	GBP	14	-	(7)
					-	(19)

In addition to the above are further OTC contracts of remaining duration less than one year which have total assets of £180,000 and total liabilities of £490,000.

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

#### Stock lending

No Groups (2019: nil) utilised the Stock Lending arrangement available through the Scheme's Custodian for the year ended 31 March 2020.

#### 13. Insurance policies

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

	2020 £ million	2019 £ million
Buy-in policies	821	8
Policies transferred from the Scientists' Superannuation Scheme	1	1
	822	9

Buy in policies are in respect of three (2019: 2) Groups. In addition to the above are pre-vesting policies which have been values at £0.1 million (2019: 0.1 million).

The insurance policies are used to fund member's pensions.

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 14. Repurchase agreements

	2020 £ million	2019 £ million
Amounts payable under repurchase agreements	(115)	-
	(115)	-

Bonds with a fair value of £115 million have been sold subject to repurchase contracts and therefore continue to be recognised in the consolidated financial statements (2019: £113 million). There are 10 (2019: 8) repurchase agreements, with maturity dates between April 2020 to March 2021.

#### 15. Other investment balances

	2020 £ million	2019 £ million
<b>Other investment assets</b>		
Accrued interest and dividends	24	25
Tax recoverable	3	4
Other debtors	1	1
Amounts receivable from sale of investments	4	9
	32	39

	2020 £ million	Restated* 2019 £ million
<b>Other investment liabilities</b>		
Other creditors	(20)	(122)
Amounts payable for the purchase of investments	(2)	(4)
	(22)	(139)

\*One Group has reclassified £2 million in the prior year from other investment liabilities to current liabilities.

#### 16. AVC investments

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Investment management expenses

	2020 Total	2019 Total
	£ million	£ million
<b>Investment management expenses</b>		
Group Discretionary Funds	31	35
Unitised Fund	1	1
<b>Total investment management expenses</b>	<b>32</b>	<b>36</b>
<b>Other advisory expenses</b>	<b>8</b>	<b>10</b>
	<b>40</b>	<b>46</b>

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

18. Fair value determination

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

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

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

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Level	Level 1 £ million	Level 2 £ million	Level 3 £ million	2020 Total £ million
<b>Defined Benefit section</b>				
<b>Investment assets</b>				
Equities	562	-	-	562
Bonds	2,045	715	-	2,760
Property	-	-	164	164
Forestry	-	-	143	143
Property loan assets	-	-	178	178
Pooled investment vehicles	1,146	18,445	18,656	38,247
Derivatives	2	22	-	24
Insurance policies and annuity contracts	-	-	821	821
AVCs	-	35	37	72
Cash	421	-	-	421
Other investment assets	32	-	-	32
	4,208	19,217	19,999	43,424
<b>Investment liabilities</b>				
Derivatives	(11)	(190)	(9)	(210)
Repurchase agreements	-	(115)	-	(115)
Other investment balances	(20)	-	(2)	(22)
	(31)	(305)	(11)	(347)
<b>Defined Contribution Section</b>				
Pooled investment vehicles	-	205	-	205
Insurance policies	-	-	1	1
AVCs	-	5	4	9
	-	210	5	215
<b>Total investments</b>	4,177	19,122	19,993	43,292

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### **CBRE UK Property PAIF (CBRE UK PP)**

On 20 March 2020, the Board of CBRE Global Investors (UK Funds) Limited, the authorised corporate director of CBRE UKPP, suspended dealings in UK PP Shares and reviewed the suspension every 28 days. The valuation as at 31 March 2020 is 'materially uncertain'. Ordinarily, Properties must be appraised by external valuers at least quarterly. Due to the monthly pricing of the Fund, however, the Investment Manager may elect, and has elected, to have such valuations performed on a monthly basis. Property valuations are to be performed in accordance with Practice Statement 4.2 of the RICS Appraisal and Valuation Manual (1995), as the same may be revised, supplemented or replaced from time to time. Knight Frank LLP act as external valuers and surveyors ("Valuers") as specified in the Prospectus and are members of RICS. Investors do not have the right to nominate and appoint external valuers.

Except where clearly identified as at the valuation date, CBRE's valuers consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that the managers are faced with an unprecedented set of circumstances on which to base a judgement. Their valuation(s) is / are therefore reported on the basis of 'material valuation uncertainty' per VPQA 10 of the RICS Valuation - Global Standards. Consequently, less certainty, and a higher degree of caution, should be attached to the valuation than would normally be the case.

For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that - in the current extraordinary circumstances - less certainty can be attached to the valuation than would otherwise be the case. The material valuation uncertainty clause is to serve as a precaution and does not invalidate the valuation.

The suspension was lifted on 1 October 2020.

##### **The Standard Life Long Lease Property Managed Pension Fund**

The Fund's external valuers, JLL, informed Aberdeen Standard of material uncertainty around the valuation of UK physical property following the Covid-19 pandemic. Therefore, to protect the interests of all investors in the fund, Aberdeen Standard placed the funds into deferral on 18 March 2020. This prevents subscription and redemption of funds units, and therefore, reduces the liquidity of the investment. This process is in line with how Aberdeen Standard have always managed cash flows for the fund. They work closely with redeeming investors to ensure that their liquidity requirements are met as quickly as possible, whilst also protecting the investments of the remaining unitholders.

It should be noted that the majority of redemptions since the fund launched in 2003 have been dealt with through matched/secondary trades, and that the fund has never had to sell an asset to fund a redemption request.

The deferral will be lifted as soon as is practicable, taking into account the best interest of investors. The manager is unable to say how long the deferral will last; however, they are continuously reviewing the deferral and will update investors in advance of it being lifted. Aberdeen Standard will also continue to monitor the markets and engage with their External Valuer on a regular basis while this period of market uncertainty persists.

This action reflects the exceptional circumstances in the UK property market and the need to treat all their clients fairly by deferring when there is material uncertainty regarding how the assets should be valued. This is not a decision based on fund liquidity. The decision to defer trade requests will

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

be reviewed on an ongoing basis and the maximum period that a request can be deferred is 12 months. Aberdeen Standard believe that this decision will benefit all investors over the long term.

During the deferral period, it is expected that any income received will continue to accumulate on a quarterly basis, and for Investors who have opted into the income facility, Aberdeen Standard will seek to distribute this when the deferral is lifted. However, this is uncharted territory, and it is likely some of the tenants may seek to defer rental payments due to their own cash flows being significantly disrupted. At present, the manager cannot say with any certainty what level of income will be distributed when the fund reopens.

The Fund continued to be priced on a daily basis during the deferral and therefore the value as at 31 March 2020 contained no capital reductions or adjustments. However, due to the market conditions Aberdeen Standard are unable to produce a price for the fund which they can say with any confidence reflects the true value of the assets. This is because property valuations rely upon recent market data, which was significantly impacted in the two weeks preceding 31 March 2020. As such, the valuation as at 31 March 2020 was reported on the basis of 'material valuation uncertainty' as set out in VPGA 10 of the RICS Valuation - Global Standards. As at 13 October 2020, the Fund is still suspended.

#### **BlackRock UK Property Fund**

The external valuers of the BlackRock property fund, CBRE and Frank Knight, informed the property fund manager of material uncertainty around the valuation of UK property following the Covid-19 pandemic which caused volatility and uncertainty across markets. The valuers, following the Royal Institute of Chartered Surveyors (RICS) guidance, concluded unanimously that due to an unprecedented set of circumstances on which to base a valuation judgement, the manager was required to include a 'material valuation uncertainty' clause to its valuation from 20 March 2020. While this change has impacted the NAV valuation process as at 31 March 2020, the changes have not impacted upon the pricing frequency of the fund.

Additionally, the funds' sector has largely suspended unit dealing at the recommendation of the Association of Real Estate Funds (AREF) as prices for subscription to and redemption of fund units would not be reliable. Due to the inability of CBRE and BlackRock to accurately ascertain the value of investments in the funds, as well as the suspension of the NAV, the manager has suspended the issue and redemption of units to protect existing investors. It is important to note, this is not a reflection of the liquidity of the property funds in which the Group invests, but rather a market-wide valuation issue. Blackrock and CBRE continue to distribute income monthly and it is important to highlight that no further restrictions have been applied to the fund.

Blackrock has advised that they are confident that there has not been a weakening of its control environments due to Covid-19. Where necessary, policies and procedures have been implemented in a remote working environment with some adjustments to implementation. There have been no material weaknesses or significant deficiencies identified or corrective actions taken that have not already been disclosed to the Trustee.

The material valuation uncertainty clause is to serve as a precaution and does not invalidate the valuations. The Trustee is satisfied that the year-end valuations, which have been provided by the investment managers, are appropriate for inclusion in the financial statements. The Trustee is aware of the uncertainty within the market at present but given the long-term nature of pension scheme investments, see this as a temporary period of uncertainty that is being reviewed regularly by the manager.

The suspension of trading has not caused any cashflow issues for the fund and the suspension will be lifted on 30 October 2020.



### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### **Threadneedle Property Unit Trust**

In the light of the extreme market volatility caused by the Covid-19 outbreak, the independent valuers of the Threadneedle Property Unit Trust, CBRE, inserted a material valuation uncertainty clause in its valuation. Due to the outbreak, the transaction activity within the property market significantly reduced which caused problems for the surveyors assigned to value the assets held by property funds as valuations are determined by examining actual transaction data for similar properties amongst other factors. In the absence of transactions, an inability to physically inspect properties, and the expected economic impact of the downturn, surveyors had to place material uncertainty clauses in their valuations. Accordingly, Threadneedle took a decision to temporarily suspend dealing in their funds on 24 March 2020.

Post Group year-end, material uncertainty clauses have been lifted in several more resilient sectors such as build-to-rent residential, logistics and industrials, but they remain in place for other sectors such as retail and leisure. The suspension was lifted on 17 September 2020.

##### **L&G UK Build to Rent Fund**

The Fund's external property valuer, CBRE, initially issued a material valuation uncertainty clause for all underlying properties with a 31 March 2020 valuation. The material valuation uncertainty clause was lifted for the 30 June 2020 valuation for all assets except for three plots of land where the land is due for development, but does not yet have a fixed price build contract, and the residual land value methodology used to value these plots of land is very sensitive to slight changes in expectations. Given the sensitivity, the valuer has retained the material valuation uncertainty clause on development land. These three assets represent circa 11% of the portfolio NAV. The Fund continues to provide valuations on a quarterly basis and placed no further restrictions on redemptions (initial investors in the Fund are already in lock-up until 31 December 2022).

Of the three sites that still have a material valuation uncertainty clause, two will enter into a fixed priced construction contract during the third quarter of 2020 and so the material valuation uncertainty clause will be removed. L&G expect the build contract to be finalised on the last site in the last quarter of 2020 and the material valuation uncertainty clause may be removed by CBRE at an earlier date. There has been no impact on the pricing frequency and the Fund continues to publish valuations on a quarterly basis.

##### **Legal & General Managed Property Fund**

In the light of the extreme market volatility caused by the Covid-19 outbreak, the independent valuers of the LGIM Managed Property Fund inserted a material valuation uncertainty clause in its valuation. Due to the outbreak, the transaction activity within the property market significantly reduced, which caused problems for the surveyors assigned to value the assets held by property funds as valuations are determined by examining actual transaction data for similar properties amongst other factors. In the absence of transactions, an inability to physically inspect properties, and the expected economic impact of the downturn, surveyors had to place material valuation uncertainty clauses in their valuations. Accordingly, LGIM, took a decision to temporarily suspend dealing in their funds on 20 March 2020.

Post Group year end, material valuation uncertainty clauses have been lifted in several more resilient sectors such as build-to-rent residential, logistics and industrials, but they remain in place for other sectors such as retail and leisure. The suspension was lifted on 1 October 2020.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### **M&G Inflation Opportunities III Fund**

The Fund has exposure to property assets via the underlying Secured Property Income Fund (SPIF) of which circa 37% was allocated to the SPIF as at 31 March 2020.

In March, CBRE, the SPIF's valuer, inserted a material valuation uncertainty clause into all valuations in relation to the SPIF, in line with all independent valuers across UK and Europe in response to Covid-19. Since then, CBRE has removed the MVUC from 35% of the SPIF's assets as at 30 June 2020. This is expected to rise as material valuation uncertainty clauses are removed from various other assets. The SPIF continues to trade as normal, with the calculation of a monthly NAV. This position is reviewed on a monthly basis and valuations are closely monitored to ensure the SPIF is priced appropriately.

The SLIF continues to have a strong liquidity position with a stable capital base, comprised of long-term institutional investors, a substantial capital queue and an unused revolving credit facility. Most of the SPIF's valuations have remained stable over the year to date, however, there has been a decline in the valuation of assets in the most impacted sectors (in particular the hotel and leisure sectors), resulting in a fund level capital value decline of 3.3% over the year to 15 July 2020. Additionally, M&G expects to see a temporary reduction in the net distribution yield for 2020 (to circa 3.0% from 3.8% p.a. in quarter 1 2020). M&G anticipates this will normalise in 2021 with the repayment of deferred rents.

With regards to liquidity, M&G expects to be able to meet the SPIF's requirements via the current capital queue (circa £402 million). Furthermore, M&G has access to a £100 million undrawn debt facility to ensure that the SPIF has sufficient capital to satisfy expected/unexpected liquidity requirements.

##### **Knight Frank Long Income Property Unit Trust**

The fund is invested in UK commercial property. The fund has contract terms which restrict realisations for a minimum 2 year period. As such while a material valuation uncertainty clause was in place at 31 March 2020, this is not considered to have a material impact on the fund. The material valuation uncertainty clause was lifted during the second quarter of 2020.

##### **Henley Secure Income Property Unit Trust**

The fund is invested in local authority housing. The fund has contract terms which restrict realisations until July 2022. As such while a material valuation uncertainty was in place at 31 March 2020, this is not considered to have a material impact on the fund. The material valuation uncertainty clause was lifted in the second quarter of 2020.

##### **CBRE SLIF**

The external valuers, Knight Frank and Cushman & Wakefield, informed CBRE of material uncertainty around the valuation of the SLIF following the Covid-19 pandemic which caused uncertainty across markets. Both valuers concluded that they were unable to make reliable judgements on value and therefore were required under guidance issued by the Royal Institute of Chartered Surveyors (RICS) to include a MVUC with their valuation for 31 March 2020.

CBRE has confirmed that the material valuation uncertainty clause is at the full discretion of the Funds' independent valuers. CBRE engages with the valuers on a monthly basis as to when the clause will be removed from each asset. As at 30 June 2020, the SLIF remains unsuspended with 71% of the portfolio subject to the material valuation uncertainty clause. While these changes have impacted the NAV valuation process, the changes have not impacted the pricing frequency or income distribution of the fund.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### **Invesco UK Residential Fund**

The Fund's external property valuer, Jones Lange LaSalle (JLL), initially issued a material valuation uncertainty clause for all underlying properties for the 31 March 2020 valuation. For the 30 June 2020 valuation, the material valuation uncertainty clause was removed by JLL for the newly developed assets in the Fund following guidance from the RICS that there was sufficient market evidence in the residential sector. Some of the Fund's assets are office to residential conversions and, as there had been limited transactional activity in the market, the material valuation uncertainty clause had been retained in respect of these assets. The assets subject to the material valuation uncertainty clause account for 27.2% of the Fund's valuation as at 30 June 2020. The Fund will continue to publish valuations on a quarterly basis and placed no further restrictions in relation to redemptions (existing fund documentation already allows redemptions to be deferred for up to 2 years).

The Fund recorded 94% rent collections in the second quarter of 2020 and the overall Fund valuation for 30 June 2020 saw a positive adjustment of circa 0.4% relative to the 31 March 2020 valuation.

##### **Directly held property**

The scheme holds direct property investments that are managed by CBRE and valued by the Groups' respective valuers Cushman & Wakefield or BNP Paribas.

The investment properties are ordinarily valued under a 'market value' basis: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

As a result of the Covid-19 pandemic, as discussed above, market activity has been impacted in the two weeks preceding 31st March 2020. This means that market data that would be relied upon to form the basis of the property valuation is less robust. Based on this, CBRE have advised that they can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Their valuation as at 31 March 2020 has been reported on the basis of 'material valuation uncertainty' and so a higher degree of caution should be attached to their valuation than would normally be the case.

The material uncertainties clause has been lifted on some assets in the June 2020 valuation as a greater number of transactions took place after the Covid-19 outbreak. The scheme noted that 50.8% of its portfolio has had the material valuation uncertainty clause lifted after the year end for specific property types and geographical locations. While this has no bearing on the value at year end, it alleviates the risk to the scheme going forward. This is being reviewed on a daily basis and the material valuation uncertainty clause has been lifted in the following situations:

- Long Income annuity Leases - subject to fulfilling the following criteria the material valuation uncertainty clause can be removed for all Long Income leases let to Government, Local Authority and very strong Investment grade credit (typically AAA+ S&P ratings). Typical lease length in excess of 20 years.
- Supermarkets - All stand-alone units let to the major operators. Supermarkets that form part of Retail Parks or Shopping Centres or split with other occupiers should continue to have the material valuation uncertainty clause in place.
- Non-Reversionary Residential Ground Leases in excess of 80 years.
- All types of Rented of Social Housing or Leased Shared Ownership owned by Housing Associations - valued on the basis of EUV for Social Housing only, (excluding social housing owned by Local Authorities where valued for housing revenue accounts purposes under Government guidance).

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

- Standalone food stores, including smaller format food stores, let to major operators (as above, but include smaller format stores).
- Commercial forestry (excluding amenity woodland).
- Specialist supported housing of all types, designated either C2 or C3 use class, let to Registered Providers on FRI leases, and usually with a third-party care provider involved in providing care and support to residents, valued on the basis of Market Value.
- Industrial and logistics sectors.
- Build to rent residential property of Institutional grade, which is professionally managed.

The relevant Group Trustees are satisfied that the year end valuations, which have been provided by the investment managers, are appropriate for inclusion in the financial statements. One of the Groups has appointed a suitable adviser to oversee the manager and are satisfied that they are acting within the mandate, valuing the assets as accurately as possible given the current situation.

Overall, the Scheme Trustee and the Group Trustees are aware of the uncertainty within the market at present but given that pension scheme investments are a long-term view, they see this as a temporary period of uncertainty.

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

Level	Restated* Level 1 £ million	Restated* Level 2 £ million	Re-stated* Level 3 £ million	Restated* 2019 Total £ million
<b>Defined Benefit section</b>				
<b>Investment assets</b>				
Equities	854	-	-	<b>854</b>
Bonds	1,502	953	-	<b>2,455</b>
Property	-	-	142	<b>142</b>
Forestry	-	-	124	<b>124</b>
Property loan assets	-	-	180	<b>180</b>
Pooled investment vehicles	1,152	21,953	16,172	<b>39,277</b>
Derivatives	-	136	-	<b>136</b>
Insurance policies and annuity contracts	-	-	8	<b>8</b>
AVCs	-	42	39	<b>81</b>
Cash	510	-	-	<b>510</b>
Other investment assets	34	5	-	<b>39</b>
	<b>4,052</b>	<b>23,089</b>	<b>16,665</b>	<b>43,806</b>
<b>Investment liabilities</b>				
Derivatives	(1)	(141)	(48)	<b>(190)</b>
Cash	(2)	-	-	<b>(2)</b>
Other investment balances	(18)	(118)	(3)	<b>(139)</b>
	<b>(21)</b>	<b>(259)</b>	<b>(51)</b>	<b>(331)</b>
<b>Defined Contribution Section</b>				
Pooled investment vehicles	-	203	-	<b>203</b>
Insurance policies	-	-	1	<b>1</b>
AVCs	-	-	4	<b>4</b>
	<b>-</b>	<b>203</b>	<b>5</b>	<b>208</b>
<b>Total investments</b>	<b>4,031</b>	<b>23,033</b>	<b>16,619</b>	<b>43,683</b>

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

\* Restatements are due to the reclassifications of cash to PIVs as explained in Note 10, and additionally, one Group reclassified £362 million of bonds from level 1 to level 2 to better reflect the nature of the underlying asset.

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

The properties are stated at open market value determined by Cushman & Wakefield trading as DTZ Debenham Tie Leung, a member of the Royal Institution of Chartered Surveyors, and by BNP Paribas Real Estate, Chartered Surveyors, which are independent of the Scheme Trustee and Employers. Both 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.

#### 19. Investment risks

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

- |                     |  |
|---------------------|--|
| Credit risk:        | this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.   |
| Market risk:        | this comprises currency risk, interest rate risk and other price risk as follows:  |
| Currency risk:      | this is risk that fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates;  |
| Interest rate risk: | this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates; and   |
| 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.

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 19. Investment risks (continued)

##### (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.

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:

	2020 £ million	2019 £ million
Authorised Unit Trusts	594	734
Common Contractual Funds (Ireland), Fonds Commun de Placement (Luxembourg), Tax Transparent Funds (UK)	957	1,049
Close Ended Funds	98	187
Limited Company and Limited Liability Company (inc. Delaware companies, exempted companies)	2,765	2,845
Shares in Partnerships including limited liability and limited partnerships	2,229	1,800
Mutual Funds	1,565	2,054
Open Ended Investment Companies inc. SICAVs (EU), open ended mutual funds (US), ICAVs (Ireland established as UCITS)	24,867	25,119
Unit Linked Insurance Contracts	5,376	5,692
Others	1	1
	38,452	39,481

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**19. 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.

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

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 19. Investment risks (continued)

Defined Benefit section	Credit risk	Market risk			2020	2019
		Currency	Interest rate	Other price	£ million	£ million
Equities	○	●	○	●	562	854
Bonds	●	●	●	○	2,760	2,455
Property	○	○	○	●	164	142
Agriculture and forestry	○	○	○	●	143	124
Property loan assets	●	○	●	○	178	180
Pooled investment vehicles						
Equities	●	●	○	●	3,715	4,433
Bonds	●	●	●	●	5,432	6,636
Diversified growth funds	●	●	●	●	2,556	2,198
Fund of hedge funds	●	●	●	●	3,982	4,916
Private equity	●	●	●	●	590	334
Infrastructure funds	●	●	●	●	459	313
Property	●	○	●	●	2,081	1,974
Liability driven investments	●	○	●	●	17,575	17,135
- bespoke						
Liability driven investments	●	○	●	●	137	-
- not bespoke						
Sole investor funds	●	○	●	●	467	-
Cash and other liquid assets	●	○	○	○	1,458	1,542
Derivatives	●	●	●	●	(186)	(54)
Insurance policies	●	○	○	○	822	8
AVC investments	●	●	●	●	81	85
Repurchase agreements	●	●	●	●	(115)	-
Cash and Other investment balances	●	●	○	○	431	408
<b>Total</b>					<b>43,292</b>	<b>43,683</b>

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

#### 20. Employer-related investments

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

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

Details of any employer-related investments are provided in the Annual Report and Financial Statements of each Group. These show that employer-related investments were either minimal or zero. In no Groups, did the proportion of the Group assets invested in employer-related investments exceed 5% of the market value of the relevant Group assets as at 31 March 2020 or at 31 March 2019.



## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 20. Employer-related investments (continued)

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 contributions totalling £3 million.

Details of two Groups concerned for the year ended 31 March 2020 in respect of late contributions are given below:

- One Group had a qualified opinion as £1.6 million of Employer contributions were not received from the company during the financial year, although a partial payment was made after the year end and the amounts will be recognised in next year's financial statements.
- One Group paid had a qualified opinion as £1.4 million of Employer contributions were paid 17 days later than the due date set out in the schedule of contributions due to an administrative error.

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

#### 21. Concentration of investments

There is not one single investment which exceeds 5% or more of the overall value of the Scheme Net Assets (2019: nil).

#### 22. Current assets

	<b>2020 Total</b>	2019 Total
	<b>£ million</b>	£ million
Contributions due from Employers in respect of:		
Employers	<b>40</b>	43
Employees	<b>1</b>	1
Other debtors	<b>12</b>	6
Cash balances	<b>123</b>	102
	<b>176</b>	152

All contributions due to the Scheme at 31 March 2020 and 31 March 2019 respectively were subsequently paid in full by the Groups in accordance with each individual Group's Schedule of Contributions.

#### 23. Current liabilities

	<b>2020 Total</b>	*Restated 2019 Total
	<b>£ million</b>	£ million
Accrued benefits payable	<b>35</b>	20
Accrued transfers out	<b>-</b>	6
Accrued expenses	<b>9</b>	1
Other creditors	<b>10</b>	8
	<b>54</b>	35

\*One Group has reclassified £2 million in the prior year from investment liabilities to current liabilities.

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 24. Defined Contribution section

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

<b>Fund Account</b> For the year ended 31 March 2020	<b>Note</b>	<b>2020 Defined Contribution</b>  £ million	<b>2019 Defined Contribution</b>  £ million
<b>Contributions and benefits</b>			
Employer contributions		22	21
Employee contributions		12	12
<b>Total contributions</b>	4	<b>34</b>	<b>33</b>
Transfers in	5	2	1
Other income		1	-
		<b>37</b>	<b>34</b>
Benefits paid or payable	6	(4)	(3)
Payments to and on account of leavers	7	(14)	(10)
Other payments		(1)	(1)
		<b>(19)</b>	<b>(14)</b>
<b>Net additions from dealings with members</b>		<b>18</b>	<b>20</b>
<b>Returns on investments</b>			
Change in market value of investments	10	(17)	12
<b>Net returns on investments</b>		<b>(17)</b>	<b>12</b>
<b>Net increase in the DC section</b>		<b>1</b>	<b>32</b>
<b>Transfers between sections</b>		<b>4</b>	<b>5</b>
<b>Net assets of the DC section at the start of the year</b>		<b>211</b>	<b>174</b>
<b>Net assets of the DC section at the end of the year</b>		<b>216</b>	<b>211</b>

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Note	2020 Total	2019 Total
NET ASSETS AVAILABLE FOR BENEFITS As at 31 March 2020		£ million	£ million
<b>Investment assets</b>	10		
Pooled investment vehicles	11	205	203
Insurance policies	13	1	1
AVC investments	16	9	4
<b>Total net investments</b>		<b>215</b>	<b>208</b>
Current assets	22	2	4
Current liabilities	23	(1)	(1)
<b>Net assets of the DC section at the end of the year</b>		<b>216</b>	<b>211</b>

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

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

	2020 £ million	2019 £ million
Designated to members	216	200
Trustees	-	11
	<b>216</b>	<b>211</b>

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

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

All DC cash balances were designated to members.

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 25. Related parties

Related party transactions comprise:

##### Key management personnel

EPTL Directors received fees of £58,000 (2019: £87,000) which have either been borne by the Scheme Co-ordinator, EPL or Participating Employers of the Scheme. This amount includes fees payable to the Independent EPTL Chair, Joanna Matthews of Capital Cranfield Pension Trustee Limited. Group Trustees fees in the financial year (including fees for independent trustees where appointed by Groups) were £1,297,000 (2019: £1,204,000), of which £413,000 (2019: £421,000) has been borne by Groups and has been included within administrative expenses charged to the Scheme, the remaining £884,000 (2019: £783,000) has been borne by the Participating Employers (and therefore, not included within these Consolidated 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.

##### Other related parties

For 17 Groups (2019: 17 Groups), Employers paid Group administrative expenses incurred by the Groups with no recharge to the Groups.

#### 26. Subsidiary undertakings

The Scheme Financial Statements consolidate the assets, liabilities and results of the companies listed below. All the companies are 100% owned by the Scheme (2019: 100% owned).

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

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

#### 27. Commitments

As at 31 March 2020, nine Groups have future investment commitments totalling £1,363 million (2019: 9 Groups - £921 million).

#### 28. Contingent liabilities

On 26 October 2018, the High Court ruled that schemes must equalise for the effect of GMPs providing different benefits for men and women. The Group Trustees are in the process of assessing the impact on their Group which will be reflected in future years' accounts. No provision or accrual can yet be made as no reliable estimate of the impact can be made.

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

## Electricity Supply Pension Scheme

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 29. Subsequent events

##### Covid-19 pandemic

The Scheme continued to operate effectively with Scheme Trustee effectiveness and custodian services given the initial concern with liquidity being one of the primary concerns. The Scheme Trustee continues to monitor developments concerning the Covid-19 pandemic to evaluate risks, maintain working practices in relation to Scheme governance and to co-ordinate operational matters.

Given the global impact of Covid-19 on businesses, economic activity and financial markets, it was clear that Employers' Covenants, funding and investment positionings could be significantly impacted by the pandemic. Groups' individual Annual Report and Financial Statements provide information about these matters as well as other actions and risk assessments undertaken by each Group in relation to Covid-19. As a number of investments (particularly property funds) were significantly impacted by Covid-19 prior to the Scheme's year end of 31 March 2020, material uncertainty clauses were included in some year-end valuations and have remained in place at the time of writing this report as referred to in Note 18.

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

##### Group

	2020 £ million	2019 £ million
British Energy Generation	6,634	6,773
Carillion	23	24
Central Networks	3,588	3,596
Drax Power	299	306
EA Technology	85	88
EDF Energy Generation and Supply	1,237	1,235
Eggborough Power	170	178
Electricity North West	1,452	1,462
E.ON UK	4,779	4,628
EPSL	12	12
First Hydro Company	159	165
Innogy	4,525	4,395
International Power	380	377
Magnox Electric	3,423	3,399
Manweb	1,020	1,136
National Grid Electricity	3,201	3,220
Northern Powergrid	1,542	1,626
OVO Energy	78	-
Powerhouse Retail	232	234
RWE	1,597	1,587
Schneider	25	28
SSE Southern	2,084	2,259
UK Power Networks	3,477	3,667
Uniper	488	476
United Utilities plc	480	497
Western Power Distribution	2,424	2,433

<b>Total Consolidated Net Assets</b>	<b>43,414</b>	<b>43,801</b>
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## Electricity Supply Pension Scheme

### GLOSSARY OF TERMS

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

#### Pension glossary

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

#### Investment glossary

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

## Electricity Supply Pension Scheme

### Glossary of Terms (continued)

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

## Electricity Supply Pension Scheme

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

Group	Contributors	Pensioners	Dependants	Deferred Pensioners	Total
British Energy Generation	5,193	6,785	1,890	1,962	15,830
Carillion	-	30	2	90	122
Central Networks	1,674	9,400	2,437	2,577	16,088
Drax Power	147	310	30	41	528
EA Technology	-	243	28	68	339
EDF Energy Generation and Supply	587	1,354	32	186	2,159
Eggborough Power	2	219	23	226	470
Electricity North West	610	4,196	1,343	544	6,693
E.ON UK	1,817	11,845	3,950	6,197	23,809
EPSL	-	15	4	28	47
First Hydro Company	101	155	14	38	308
Innogy – Innogy	182	10,289	1,450	5,678	17,599
Innogy - Retail	930	19	1	57	1,007
International Power	45	260	10	258	573
Magnox Electric – Atkins	2	25	-	16	43
Magnox Electric – Cavendish	54	35	1	39	129
Magnox Electric - National	4	6	1	2	13
Nuclear Laboratories					
Magnox Electric - Site Licence Company	1,124	5,514	1,384	1,104	9,126
Manweb	452	3,090	767	704	5,013
National Grid Electricity	792	4,708	1,520	1,447	8,467
Northern Powergrid	582	3,198	870	495	5,145
OVO Energy	268	-	-	-	268
Powerhouse Retail	-	1,649	170	207	2,026
RWE – RWE	767	5,283	4,059	136	10,245
RWE – Former E.ON	98	1	-	-	99
Schneider	3	46	4	33	86
SSE Southern	745	5,184	1,518	1,307	8,754
UK Power Networks	990	9,500	2,495	1,781	14,766
Uniper	587	107	4	89	787
United Utilities plc	29	1,206	89	325	1,649
Western Power Distribution	1,510	5,610	1,878	910	9,908
<b>As at 31 March 2020</b>	<b>19,295</b>	<b>90,282</b>	<b>25,974</b>	<b>26,545</b>	<b>162,096</b>
As at 31 March 2019	21,073	90,735	26,450	27,696	165,954

At 31 March 2020 there were 3,575 (2019: 3,971) former contributors who were entitled to a frozen benefit equivalent to the relevant State Graduated Pension Scheme benefit in respect of service prior to 31 March 1975. These members are in addition to the above membership statistics and the number of such former contributors in relation to each Group is shown in that Group's Annual Report and Financial Statements.



## Electricity Supply Pension Scheme

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

Group	Contributors	Annuitants Pensioners	Dependants	Deferred Pensioners	Total
British Energy Generation	951	-	-	160	1,111
Central Networks	-	-	-	1	1
EDF Energy Generation & Supply	71	-	-	9	80
Electricity North West	1,407	-	-	417	1,824
E.ON UK	13	34	1	417	465
Innogy	1,790	-	-	1,399	3,189
RWE	729	-	-	126	855
<b>As at 31 March 2020</b>	<b>4,961</b>	<b>34</b>	<b>1</b>	<b>2,529</b>	<b>7,525</b>
As at 31 March 2019	5,036	34	1	2,281	7,352

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

## Electricity Supply Pension Scheme

### IMPLEMENTATION STATEMENT

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

The Scheme Trustee is directly responsible for the Forestry Sector of the Unitised Fund and so this Statement is limited only to that investment. Groups are responsible for the strategy and policies for their individual Group investments, and as Groups signed their Group Reports and Financial Statements prior to 1 October 2020, they were not required to include an Implementation Statement in their 31 March 2020 Group Reports.

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 June 2019 to incorporate the Scheme Trustee's approach to environmental, social and governance ("ESG") considerations. This included the risk and impact of ESG factors including climate change on the value of investments held. From 1 October 2020 the SIP will include details on the Scheme Trustee's arrangements with the Forestry Sector manager relating to further ESG, asset arrangement and stewardship matters. 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 following by considering the quarterly and annual reports received from the Forestry Sector manager, Bidwells, and from the Scheme Trustee investment adviser, Aon, covering operational activity as well as performance matters.

The Forestry Sector manager is not mandated by the Scheme Trustee to undertake voting activity on behalf of the Scheme Trustee and nor does any other party. All voting activity is undertaken directly by the Scheme Trustee. During the Year, one opportunity arose which required the Scheme Trustee to make a direct investment decision after having received appropriate advice from Aon. Additionally, whilst the Scheme Trustee can use proxy voting services no occurrences arose during the Year which required such a service.

## **Electricity Supply Pension Scheme**

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

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

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

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

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

#### **UK Forestry Sector**

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

#### **Performance Targets**

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

<b>Name of Sector</b>	<b>Performance Target</b>
UK Forestry	IPD Forestry Index (for guidance only)

#### **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 2019/20 Scheme year amounted to £1 million (2018/19: £1 million).

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

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

## Electricity Supply Pension Scheme

### Movements in Unitised Fund Sector

Summarised below are aggregate monetary movements in the Sector during the year to 31 March 2020.

Sectors	Market Value at 1.4.2019	Purchases during year	Sales during year	Changes in value including investment income and expenses	Market Value at 31.3.2020
	£ million	£ million	£ million	£ million	£ million
UK Forestry	126	-	(2)	12	136
<b>Total</b>	<b>126</b>	<b>-</b>	<b>(2)</b>	<b>12</b>	<b>136</b>

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

### Statement of Investment Principles

EPTL reviews and amends a Statement of Investment Principles ("SIP") (last reviewed June 2019 and September 2020) in accordance with the Pensions Act 1995 & 2004, in relation to its responsibilities for investment management including the investment management of the Unitised Fund. Any member who wishes to obtain a copy of EPTL's SIP can access the Scheme's website (details shown on page 69).

### Investment Governance Group Principles (IGG)

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

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

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

### Investment performance

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

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

## Electricity Supply Pension Scheme

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

#### Introduction

This report covers the performance of the UK Forestry Sector of the Unitised Fund, comprising £135.9m of assets for the year ended 31 March 2020 (2019: £125.6m).

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

#### Sector Funds

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

	Valuation as at 31 March 2020 (£m)	Allocation as at 31 March 2020 (%)	Fair Value Hierarchy category
Forestry Sector	135.9	100.0%	3

#### Performance Measurement

The performance of the Sector during 2019/20 is summarised below:

- Over the 12 months to 31 March 2020, the UK Forestry Sector of the Unitised Fund returned 9.4% in absolute terms (2018/19: 42.2%). On a rolling three-year basis, the UK Forestry Sector return was 21.8% p.a.

#### Investment Risk

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

##### Credit Risk

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

##### Currency Risk

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

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

##### Interest Rate Risk

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

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

##### Other Price Risk

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

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

## Electricity Supply Pension Scheme

### DIRECTORS OF ELECTRICITY PENSIONS TRUSTEE LIMITED During the year and as at 31 March 2020

Capital Cranfield Trustees Ltd represented by Joanna Matthews (Independent Chair)

Nigel Burnett \*

Graham Commons \*

Nicola Dark \* #

Richard Grant\*

Paul Gray\*

Philip Hudson

Alastair Russell \*\*

John James Wall\* (from 25 November 2019)

Howard Whisker \* (until 25 November 2019)

There have been no changes in Directors since 31 March 2020.

### RESERVES as at 31 March 2020

Mike Brown\*

Stephen Duffy\*\*

John Sykes\*

Howard Whisker\*

\* 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 Contract Manager.

### COUNCILLORS OF ELECTRICITY PENSIONS TRUSTEE LIMITED as at 31 March 2020

Christopher Brown\*

James Brown \*

Mike Brown\*

Ian Burkett\*

Nigel Burnett \*

Graham Commons \*

Hana Crossfield

Nicola Dark \* #

Michael Davy\*

Stephen Duffy \*\*

Russell Dougherty

Adrian Furnell

Graham Grant \*

Richard Grant\*

Paul Gray \*

Fergus Hall \*

Allan Heron

Rachel Hewlett \*\*

Michele Hiron-Wood

John Hodgkinson \*

David Hoskins\*

Philip Hudson

Carol Hughes-Morris\*\*

Laura Le May\*\*

John Leigh\*

Xian Li

Tom Massey \*

Anthony Miller+

Matthew Peard\*\*

Pauline Richardson\*

Alastair Russell \*\*

Steve Russell \*\*

John Sykes \*

Clare Tunbridge

John James Wall \*

Howard Whisker \*

\* Denotes Councillor who is either in receipt of a pension from the Scheme or is a deferred member of the Scheme.

\*\* Denotes Councillor who is a contributing member of the Scheme.

# Denotes Councillor who is also the ESPS Contract Manager.

As at 31 March 2020 there were vacancies for six Council members with the date of the next meeting being 23 November 2020.

## **Electricity Supply Pension Scheme**

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

#### **Independent Auditors**

PricewaterhouseCoopers LLP

#### **Bankers**

BNY Mellon

HSBC Bank plc (to September 2019)

Natwest Bank

#### **Custodians**

BNY Mellon

Solicitors listed below (in respect of forestry)

#### **Solicitors**

Shepherd & Wedderburn LLP, Edinburgh

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

Fieldfisher LLP

Mayer Brown LLP

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

Guy Willard, Aon Hewitt Limited

#### **External Forestry Valuers**

Savills (UK) Limited

#### **Futures Clearing Broker**

Goldman Sachs International (terminated 24 May 2019)

### **OFFICERS OF THE SCHEME**

#### **Independent Chair**

Capital Cranfield Pension Trustee Ltd represented by Joanna Matthews

#### **Scheme Secretary**

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

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

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

C/O Capita Employee Solutions, 17-19 Rochester Row, London, SW1P 1JB

## Electricity Supply Pension Scheme

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

<p><b>UNITISED FUND MANAGERS</b>  Bidwells LLP</p> <p><b>GROUP APPOINTED FUND MANAGERS</b>  Aberdeen Property Investors UK Limited  Abbey Life Assurance  Aegon (BlackRock)  Alcentra, LLC  Alpha Real Capital  Alvarium  AMP Capital Infrastructure  Amundi Luxembourg S.A.  Angelo Gorden  ARES  AQR Capital Management LLC  Ashmore Investment Management Limited  Audaz Direct Lending Solutions Business L.P.  (from April 2018)  Aviva Investors Global Services Limited  AXA Investment Managers  Baillie Gifford &amp; Co  Baring Asset Management Limited  Beach Point Capital Management LP  BlackRock Advisors UK Limited  BlackRock Investment Management UK Limited  BlackRock Life Limited  Blackstone Alternative Asset Management L.P.  Bluebay Asset Management LLP  Blue Mountain Capital Management LLC  BMO Management Limited  BMO Global Asset Management (from November 2018)  BNY Mellon Asset Management Ltd  Bridgewater Associates LP  Capula Investment Management LLP  Canada Life  Cardano Risk Management Limited  Carlyle Group LLP  Caxton Associates LP  CBRE Global Investors Limited  Columbia Threadneedle Pensions Ltd  CQS (UK) LLP  CQS Cayman LP  Credit Suisse AG  Deutsche Asset Management  Deerpath Capital Management, LP  DRC Capital LLP  Egerton Capital (UK) LLP  Equitix Investment Management Limited  Fidelity Pensions Management  GAM International Management Ltd  Genesis Asset Managers, LLP</p>	<p>Hewitt Risk Management Limited  Highbridge Principal Strategies Partners L.P.  ICG Longbow  ISF2  Industry Funds Management  Infrared Infrastructure Yield General Partners Limited  Innisfree Ltd  Insight Investment Management (Global) Limited  INVESCO Asset Management Limited  J P Morgan Asset Management Inc.  J P Morgan Asset Management (UK) Limited  Just Retirement Limited  Knight Frank Investments  L &amp; G Investment Management Limited  L &amp; G Assurance (Pensions Management) Limited  Lighthouse Investment Partners LLC  Lindsell Train Limited  Longbow Real Estate LLP  Lynx Asset Management AB  Lyxor International Asset Management SAS  Mackay Shields  Man Group plc  M&amp;G Prudential Investment Management Limited  M&amp;G Investment Management Ltd  MCP Private Capital  Morgan Stanley Investment Management Limited  Newton Investment Management Limited  Niche Assets LLP (Cambridge Associates)  Nordea Investment Management  Pacific Investment Management LLC (PIMCO)  Partners Group (UK) Limited  Permira Debt Managers Limited  Prudential Assurance Company Limited  Royal London Asset Management Limited  Ruffer LLP  Schroder Investment Management Limited  Scottish Widows  Securis Investment Partners LLP  Standard Life Assurance Ltd  Standard Life Pension Funds Limited  State Street Global Advisors Limited  Towers Watson Investment Management  The Asset Management Exchange Ireland Ltd  Two Sigma  Walter Scott and Partners Limited  Wellington Luxembourg S.a.r.l.  Wellington Management International Limited  Westwood International Advisors  Winton Capital Management Limited  Zurich Assurance Limited</p>
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## Electricity Supply Pension Scheme

### CONTACT EMAIL ADDRESSES FOR ENQUIRIES

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**Western Power Distribution Group**  
[wpdpenssecretariat@westernpower.co.uk](mailto:wpdpenssecretariat@westernpower.co.uk)

### SCHEME WEBSITE ADDRESS

[esppensions.co.uk](http://esppensions.co.uk)

## **Electricity Supply Pension Scheme**

### **NAMES AND ADDRESSES OF EXTERNAL BODIES**

#### **The Money and Pensions Service**

The Money and Pensions Service (MaPS) combines three financial guidance bodies – the Pensions Advisory Service, Pension Wise and the Money Advice Service to offer support and guidance about money and pensions.

General enquiries to the Money and Pensions Service can be made via:

Telephone: 01159 659 570  
Email: [contact@maps.org.uk](mailto:contact@maps.org.uk)

Additional guidance can be obtained from:

The Pensions Advisory Service for free guidance about specific pension matters

Telephone: 0800 011 3797  
Website: [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)  
Postal Address: Money and Pensions Service, 120 Holborn, London, EC1N 2TD

Pension Wise for free and impartial government advice about general pension matters

Telephone: 0800 138 3944  
Email: [contact@pensionwise.gov.uk](mailto:contact@pensionwise.gov.uk)  
Website: [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)  
Postal Address: Pension Wise, PO Box 10404, Ashby de la Zouch, Leicestershire, LE65 9EH

The Money Advice Service for free and impartial money advice

Telephone: 0800 138 7777  
Email: [enquiries@maps.org.uk](mailto:enquiries@maps.org.uk)  
Website: [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)

#### **Pensions Ombudsman**

The Pension Ombudsman is 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.

The Pensions Ombudsman can be contacted in the following ways:

Telephone: 0800 917 4487  
E-mail: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)  
E-mail: [helpline@pensions-ombudsman.org.uk](mailto:helpline@pensions-ombudsman.org.uk) (early resolution)  
Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)  
Address: The Pensions Ombudsman, 1st Floor, 10 South Colonnade, Canary Wharf, London, E14 4PU

## **Electricity Supply Pension Scheme**

### **NAMES AND ADDRESSES OF EXTERNAL BODIES (continued)**

#### **The Pensions Regulator**

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.

The Pensions Regulator can be contacted in the following ways:

Telephone: 0345 600 0760

E-mail: [customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)

Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

Postal address: The Pensions Regulator, Napier House, Trafalgar Terrace, Brighton, BN1 4DW

#### **The Department for Work and Pensions (DWP) Pension Tracing Service**

The purpose of the DWP's Pension Tracing Service is to provide a tracing service for ex-members of schemes and their dependants with pension entitlements who have lost touch with earlier employers and their schemes. The ESPS is registered with the DWP under Scheme reference number 10200656.

The Pension Tracing Service can be contacted in the following ways:

Telephone: 0800 731 0193

Website: [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)

Postal Address: Pension Tracing Service, The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU

#### **The Pension Protection Fund**

The Pension Protection Fund was established to pay compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation.

The Pension Protection Fund (PPF) can be contacted in the following ways:

Telephone: 0330 123 222

Email: [ppfmembers@ppg.gsi.gov.uk](mailto:ppfmembers@ppg.gsi.gov.uk)

Website: [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

Postal Address: Pension Protection Fund, Renaissance, 12 Dingwall Road, Croydon, CR0 2NA



