

Registered numbers:
National Nuclear Laboratories Section: 19002035
Cavendish Nuclear Section: 19002036
Atkins Section: 19002037
Site Licence Company Section: 19002038

MAGNOX ELECTRIC GROUP OF THE ELECTRICITY SUPPLY PENSION SCHEME

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

Magnox Electric Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
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Magnox Electric Group of the Electricity Supply Pension Scheme
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Message from the Chair of Group Trustees

Message from the Chair of Group Trustees

I am pleased to present the Magnox Electric Group's Annual Report and Financial Statements for the year ended 31 March 2024.

The last 12 months has been a busy period for the Group Trustee. In addition to our normal business, we implemented a new Career Average Revalued Earnings (CARE) benefit structure for active employees of the Site Licence Company (SLC) section.

The introduction of CARE was a direct result of the the Energy Act 2023 and saw active SLC members beginning to build up future pension benefits on a CARE basis from 1 April 2024. This was a major project for the Group Trustees and their advisers but, together we rose to the challenge and delivered the new benefit structure on time and with minimum disruption to Railpen's business as usual administration work. The Group Trustees are deeply appreciative of the work Kelly Capdeville and her team did both in travelling round Nuclear Restoration Services sites to brief members affected by the changes and in managing the complex work needed to implement it. Now that the bulk of the work has been done, focus has turned to updating the Group's website to improve its accessibility and content. We anticipate the new website to be delivered in the next coming year.

In addition last year, we saw the removal of the Lifetime Allowance (LTA) from April 2023. This change also introduced two new allowances, the Lump Sum Allowance (LSA) and Lump Sum Death Benefit Allowance (LSDBA). This resulted in the review of all our communications and processes to ensure compliance with the new regime. A more detailed explanation of the changes can be found on our website:

<https://my-magnox-pension.com/news/2024/04/09/changes-to-tax-limits-and-how-they-affect-you>

During the year the Retail Price Index (RPI) again exceeded 5% and the Group Trustees made a strong case to each section's employer for pension increases to fully reflect RPI. However, all employers have the right within the Scheme Rules to limit the increase, to no lower than 5%, and some of our employers chose to do this. Fortunately inflation has continued to fall which partly helped mitigate the impact on our pensioner members and beneficiaries. Information regarding this can be found on page 8 of this report.

Following the publication of the Pensions Regulator (TPR) final new General Code of Practice, the Group Trustees have been working on updating their standards and policies to meet the new expectations for pension schemes. This is an ongoing project, but to date the Group Trustees have made significant progress and are confident in meeting the new requirements.

Looking ahead to the next 12 months, the Group Trustees will start working on the 2025 Triennial Valuation and reviewing the Long-Term Financial Objective of each section.

Magnox Ltd changed its name to Nuclear Restoration Services Ltd (NRS) on the 2nd April 2024, however the name of the Group remains unchanged.

Susan Jee
Chair

Date: 11 October 2024

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Report of the Group Trustees

Report of the Group Trustees

Introduction

This Annual Report and Financial Statements is produced by the Group Trustees for the members of the Magnox Electric Group of the Electricity Supply Pension Scheme (the 'Group'). The Group is part of an industry-wide pension scheme in which the Participating Employers are companies formed upon the privatisation of the electricity industry in 1990 or their successors. The Electricity Supply Pension Scheme (the 'Scheme') has 23 separate actuarially independent sections (known as Groups) in respect of the companies participating in the Scheme as Principal Employers, and each Group has its own assets to fund the benefits of its members. Information relating to the Scheme as a whole can be found in the Scheme Annual Report and Financial Statements.

The Scheme is established under irrevocable trusts and its provisions are set out in the Clauses and Rules contained in the Scheme document. Membership of the Group has been closed to new employees since 31 August 2007 when alternative arrangements were put in place.

The Scheme is a registered pension scheme under the Finance Act 2004 and was primarily contracted out of the State Second Pension.

The Principal Employer is Nuclear Restoration Services Ltd (NRS). Atkins Ltd, National Nuclear Laboratory Ltd, Cavendish Nuclear Ltd, Sellafield Limited and INS Ltd are also participating employers. The Group Annual Report and Financial Statements include information on the defined benefit arrangements of the Group as well as aggregate information on additional voluntary contributions (AVC Investments) made by individual members of the Group.

The Group's Financial Statements starting on page 26 have been prepared and audited so as to comply with Regulations made under Sections 41(1) and (6) of the Pensions Act 1995.

Group Management

The Group is administered by a body of Trustees known as Group Trustees. The Group Trustee structure of the Magnox Electric Group provides for a total of eleven Group Trustees, five appointed by Nuclear Restoration Services Ltd and six who represent members.

In the event of an issue being put to a vote at a meeting, each Appointed Group Trustee, with the exception of the Chair, has one and a half votes and each member representative Group Trustee has one vote. In the event of an equality of votes the Chair has the discretion to exercise their only vote, which is a casting vote, to resolve the issue concerned. In the year under review there were no occasions on which the Chair used this casting vote.

Member representative appointments are made through a selection process, as described under the appointment and removal section.

The Group Trustees' duties and responsibilities are carried out by a trust company, limited by guarantee, called Magnox Electric Group Pension Trustee Co Ltd (the "Group Trustee").

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The Directors of Magnox Electric Group Pension Trustee Co Ltd have the same functions as individual Group Trustees. The rules for their appointment, selection and tenure of office are documented in the Articles of Association and are exactly the same as individual Group Trustees, as are their responsibilities under the provisions of the Group and pensions legislation. For simplicity the term 'Group Trustees' has been used in this Report as shorthand for the more accurate term 'Directors of Magnox Electric Group Pension Trustee Co Ltd'.

There is also a central Scheme Trustee, Electricity Pensions Trustee Limited (EPTL). EPTL is a trust corporation with a Board of Directors.

Group Trustees

APPOINTED TRUSTEE DIRECTORS

Susan Jee Chair of the Group Trustees ⁵

Martin Veasey Chair of the Investment Sub-committee (Independent Trustee) ¹

Alison Hammond (Head of Finance NRS Ltd) ²

John Vickerman (HR Director NRS Ltd) resigned 31 May 2023

John Nestor from Capital Cranfield Pension Trustee Ltd, (Independent Trustee) appointed 22 May 2023¹

Ann Lee (HR Future Missions Lead NRS Ltd) appointed 1 June 2023³

MEMBER REPRESENTATIVE TRUSTEE DIRECTORS

Paul Bridgeman (Retired employee) ^{1,4}

Ceri Davies Chair of the Governance & Audit Sub-committee (Principal Waste Consultant NRS, Bristol Hub) ^{2,3}

Nick Gore (Retired employee) ^{1,4}

Fergus Hall (Retired employee) ^{2,4}

Lisa Thomas (HR Business Partner NRS, Wylfa) ^{2,3}

Martin Turner (Retired employee) ⁴

Note:

1. Member of the Investment Committee at 31 March 2024

2. Member of the Governance & Audit Sub-committee at 31 March 2024

3. Active member of the Group

4. In receipt of pension from the Group

5. Non-Executive Director NRS Limited

Appointment and Removal of Group Trustees

The five Appointed Group Trustees are appointed by, and can be removed by, NRS Ltd. The six member representative Group Trustees have been appointed by a selection panel. In addition to changes that take place at a selection process, a member representative Group Trustee ceases to be a Group Trustee if they resign, cease to be a contributing member or pensioner of the Group, or are removed from office by a majority of the other Elected Group Trustees. A casual vacancy for a member representative Group Trustee can be filled by a person nominated by the remaining member representative Group Trustees. Member representative Group Trustees normally serve for a term of six years.

Once having taken up office all Group Trustees - both member representative and Appointed - act on behalf of and are accountable to all members of the Group.

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Meetings of the Group Trustees during the Year

During the year the Group Trustees met seven times. At their regular meetings the Group Trustees dealt with all matters relating to the management of the Group members' benefits, funding, governance matters and the investment of the Group's assets. They also received periodic reports and presentations from their committees, working groups and advisers. In addition Group Trustees maintained and monitored their Risks and Business Plan and received training.

Trustee Sub-committees

In addition to the meetings of the Group Trustees, certain matters were subject to detailed consideration in Trustee Committees. During the year there were two Trustee Committees in operation.

The Investment Sub-committee is the main interface with investment managers allowing its members to maintain an in-depth knowledge and understanding of them and the Group's investments. Its main aim is to ensure sufficient time is available for investment matters to be properly addressed. The Sub-committee reports comprehensively to the Group Trustees on the performance of the Group's investments and any other matters it has reviewed or considered. The Sub-committee members are set out on page 3. In addition the Principal Employer (Nuclear Restoration Services Limited) may nominate not more than two individuals to be non-voting members of the Sub-committee. Group Trustees who are not members of the Sub-committee routinely attend meetings of the Sub-committee as and when they are able to do so. The Investment Sub-committee met five times during the year.

There is a Governance and Audit Sub-committee which advises the Group Trustees on agreed aspects of the Group's governance and controls to provide assurance of effective stewardship. Its main aim is to ensure sufficient time is available for governance, risk and audit matters to be properly addressed as well as the distribution of death benefits. The Sub-committee provides comprehensive reports of their meetings which are open for any Group Trustee who is not a member of the Sub-committee to attend. This Sub-committee met five times during the year.

Communication with members was maintained by means of Pensions Update newsletters and articles on the website.

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Statement of Group Trustees' Responsibilities

The Group Trustees' responsibilities in respect of the financial statements

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

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

In discharging these responsibilities, the Group Trustees are 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 Group will continue as a going concern.

The Group Trustees are also responsible for making available certain other information about the Group in the form of an annual report.

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

The Group Trustees are also responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Group Trustees' responsibilities in respect of contributions

The Group Trustees are responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Group by or on behalf of employers and the 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 in respect of contributions received in respect of any active member of the Group and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Group 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.

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Additional Group Trustees' Responsibilities

The structure of the Scheme means that certain matters are dealt with by Group Trustees and certain matters are dealt with by the Scheme Trustee. The main additional responsibilities of the Group Trustees are:

- to determine an investment strategy for Group assets;
- to ensure appropriate management of the Group assets;
- to arrange for regular actuarial valuations of the Group to be carried out in accordance with the funding principles agreed with the Employers;
- to prepare and agree with the Employers a Statement of Funding Principles which includes the actuarial assumptions used to assess the Group's liabilities;
- to agree a recovery plan with the Employers for making good any shortfall in assets against liabilities identified in periodic actuarial valuations; and
- to make available to members annual funding updates on the financial position of the Group.

In carrying out their work the Group Trustees must always act impartially and in the best interests of all the members of the Group.

To assist them in their work the Group Trustees have appointed a team of professional advisers whose advice is taken into account when necessary. The advisers include lawyers, actuaries, administrators, investment consultants and investment managers. Their names are set out on pages 64 and 65. The Trustee Directors are assisted in the management of the Group by the pensions team from Nuclear Restoration Services Limited including the Group Administrator and Group Secretary, Kelly Capdeville.

Under a revised constitution introduced in January 2012, each Group within ESPS currently appoints two individuals to be Councillors on the Council which, amongst other matters, is responsible for the appointment of the Board of EPTL the Scheme Trustee. As at 31 March 2023 Ceri Davies was the councillor chosen by the member representative Trustee Directors and Kelly Capdeville was the councillor chosen by our Principal Employer. There were no Magnox Electric Group councillors represented on the Board of EPTL.

The main responsibilities of EPTL are:

- to ensure the safe custody and administrative control of assets;
- to produce the Scheme Report & Financial Statements on an annual basis; and
- to ensure proper investment management of Group assets invested in the Unitised Fund.

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Review of the Operation of the Electricity Supply Pension Scheme ("ESPS")

The notable events for the Scheme for the year ended 31 March 2023 were as follows:

- The numbers of Groups in the Scheme last year were reported as being 23 reflecting that Drax Group had left the Scheme. However, whilst all of the members and assets had been transferred from the Scheme on 31 January 2023, the wind up of the Drax Group was completed on 17 April 2023.
- The Scheme's 2023 AGM took place on 21 November and was held virtually by video conferencing. The 2024 Scheme AGM will take place on 19 November 2024.
- The Board continued to monitor risks through its Risk Register which is considered at each main meeting.
- The Scheme advisor reviews are ongoing, with good progress having been made.
- Task force on Climate-related Financial Disclosure (TCFD) and the impact TPR Single Code of Practice were considered.
- The Forestry Project is in progress and Unitholders are being regularly updated.
- Work on the Equality, Diversity & Inclusivity Policy is ongoing.
- Work on the development of the ESPS website (espspensions.co.uk) continued.
- Various governance matters were progressed.

Administration report

Membership statistics for the year ended 31 March 2024

	Contributors	Pensioners	Dependants	Deferred pensioners	Total
At 1 April 2023	959	5,371	1,436	1,017	8,783
Adjustments to opening membership	1	-	-	-	1
Adjusted membership as at 1 April 2023	960	5,371	1,436	1,017	8,784
Increases					
Contributors/pensioners/dependants/deferred pensioners	-	116	96	18	230
Pension sharing orders and new equivalent pension benefit ("EPB") pensioners in payment	-	1	-	1	2
Sub Total	-	117	96	19	232
Reductions					
Contributors / deferred pensioners retiring	(60)	-	-	(56)	(116)
Deaths	(2)	(164)	(79)	-	(245)
Leavers with deferred pensions	(18)	-	-	-	(18)
Leavers with refunds of contributions/transfers to other schemes/cessation of child allowances	-	-	-	(3)	(3)
Sub Total	(80)	(164)	(79)	(59)	(382)
At 31 March 2024	880	5,324	1,453	977	8,634

The membership statistics for each section are included in appendix 1.

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Pensions increases

The Rules of the Scheme applicable to the Group provide for all pensions in payment, children's allowances and deferred pensions to be increased on an annual basis on 1 April each year in accordance with the rise in the Retail Prices Index (RPI) in the 12 months ended on the preceding 30 September. If the RPI increase is greater than 5% each section lead employer has the discretion to limit the pension increase (for their own section) to a lower figure subject to a minimum of 5%.

The RPI figure for the 12 months to 30 September 2023 was 8.9%. The SLC and CN section lead employers used their discretion to limit the pensions increase applied to their respective section from 1 April 2024 to 5%. A proportionate increase was applied to pensions which came into payment between 2 April 2023 and 1 March 2024.

Pension increases over the previous five years were:

	Atkins section	CN section	NNL section	SLC section
1 April 2023	12.6%	5%*	12.6%	5%*
1 April 2022	4.9%	4.9%	4.9%	4.9%
1 April 2021	1.1%	1.1%	1.1%	1.1%
1 April 2020	2.4%	2.4%	2.4%	2.4%
1 April 2019	3.3%	3.3%	3.3%	3.3%

*The section lead employer used their discretion to limit the pensions increase applied to their respective section.

Transfers from the Group

Deferred pensioners can transfer the cash equivalent of their deferred benefits to a new employer's registered pension arrangement.

In all cases the cash equivalents paid during the year were calculated and verified in the manner prescribed by the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and full allowance is included for and in respect of increases to pensions and dependant's benefits. No allowance is made in respect of other discretionary benefits.

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Investment Report

Investment Arrangements

The investment strategies set by the Group Trustees for each Section are based on advice received from Aon Investments Limited and each Section takes into account the current and anticipated future pension liability profile and the strength of the employer's covenant.

The Group Trustees are responsible for making suitable arrangements for the investment of the assets of each Section and for monitoring the investment performance of those assets and do so with the support of their advisers.

Investment reports are received at quarterly intervals and fund manager representatives attend meetings of the Group Trustees as required to discuss the results of their management of assets against the agreed targets.

The names of those who manage each Section's investments can be found on page 65.

See Note 10 to the financial statements for details of the allocation of each Section's assets as at 31 March 2024.

Statement of Investment Principles

The Group Trustees have produced a Statement of Investment Principles ("SIP") for each Section in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended in 2004) and the Occupational Pension Schemes (Investment) Regulations 2005 (as amended in 2018 & 2019). In preparing the SIPs the Group Trustees took professional advice from Aon Investments Limited and consulted with the relevant sponsoring company of each Section.

The SIP for each Section covers the Group Trustees' policy on the following matters:

- (a) ensuring compliance with the current investment requirements;
- (b) investment objectives;
- (c) investment strategy;
- (d) risk;
- (e) implementation;
- (f) governance and
- (g) additional voluntary contributions.

Within the implementation section of the SIPs, the Group Trustees include their policies in relation to:

- Members' views and non-financial factors;
- Stewardship (including voting and engagement);
- Arrangements with investment managers;
- Costs and performance;
- Evaluation of performance and remuneration; and
- Investment in illiquid assets.

The Group Trustees' Engagement Policy Implementation Statement (EPIS) on page 69 provides further information on engagement and voting activities over the financial year.

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The Group Trustees are not aware of and have not been informed by the fund managers of any departures from the SIPs during the year. The SIPs are publicly available, and the latest versions can be found within the library section on the Group's website: www.my-magnox-pension.com.

Socially Responsible Investment and Corporate Governance

The Group Trustees have delegated Socially Responsible Investment ("SRI") and corporate governance to their appointed fund managers. Where appropriate, the appointed fund managers have regard to each company's approach to social, environmental and ethical issues in assessing the long term financial merits of investing in that company. Furthermore, they may use their influence on behalf of shareholders to seek improvements in such areas if they consider the company does not comply with good practice. The Group Trustees are satisfied with the fund managers' approach to SRI and corporate governance.

Strategic changes over the year to 31 March 2024

Following the finalisation of the 2022 actuarial valuations, the investment strategy for each Section was reviewed during the year to 31 March 2024, and a number of strategic changes were implemented.

SLC Section

The Group Trustees agreed to reduce the Section's hedge levels from 85% to 80% of the long-term funding target (LTFT) liabilities, and agreed to make no further commitments to illiquid assets in the short term.

In December 2023, the Section's LDI manager, Columbia Threadneedle Investments (CTI), undertook trades to implement a new liability cashflow benchmark, which reflected updated data and assumptions based on the 2022 actuarial valuation, and reduced the hedge ratio to 80% of LTFT liabilities.

Cavendish Nuclear Section

The Group Trustees agreed to adjust the investment strategy to improve the efficiency of the portfolio, which reduced the target hedge ratio to 90% of funded LTFT liabilities, and replaced the Lindsell Train equity allocation with a 10% allocation to investment grade credit.

In December 2023, CTI undertook trades to implement a new liability cashflow benchmark, which reflected updated data and assumptions based on the 2022 actuarial valuation, and reduced the hedge ratio to c.90% of funded LTFT liabilities.

Implementation of the new investment grade credit mandate with Robeco has been implemented over Q2 2024.

Atkins Section

The Group Trustees made no material changes to the investment strategy of the Atkins Section over the year to 31 March 2024. However, in December 2023, CTI undertook trades to implement a new liability cashflow benchmark, which reflected updated data and assumptions based on the 2022 actuarial valuation.

NNL Section

The Group Trustees agreed to re-risk the Section's portfolio back toward the target return of Gilts +1.2% p.a. by replacing the Ruffer portfolio (diversified growth) with an allocation to credit-linked and equity-linked LDI funds managed by CTI, and reducing the hedge to 90% of funded Technical Provisions (TP) liabilities.

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In December 2023, redemption proceeds from the Ruffer portfolio were used to top-up the Schroders Diversified Growth Fund and fund the new credit-linked and equity-linked LDI funds. Additionally, CTI undertook trades to implement a new LDI solution, which was updated for data and assumptions based on the 2022 actuarial valuations and reduced the hedge to 90% of funded TP liabilities.

Investment Performance

A summary of the performance of each Section against its benchmark over the last one year and three years is given in the table below.

Section	1 year to 31 March 2024		3 years (annualised) to 31 March 2024	
	Return (%)	Benchmark (%)	Return (%)	Benchmark (%)
SLC	(4.1)	(2.2)	(7.3)	(5.5)
Cavendish Nuclear	(5.1)	(8.5)	(13.7)	(13.3)
Atkins	(4.1)	(4.3)	(9.5)	(9.7)
NNL	(5.0)	5.0	(11.1)	(2.5)

Source: Aon Investments Limited. Based on manager valuation statements available within 20 business days of quarter end.

Note: Aggregated benchmarks include absolute return / fixed return / inflation-linked targets for those managers without a market benchmark and therefore while the Group Trustees would expect to meet or exceed the aggregated benchmark over the long-term, there will be periods when the returns of each Section will not keep pace.

For each Section, performance figures to 31 March 2024 have been largely driven by gilt yields, which have risen substantially since late 2021. The rise in gilt yields has led to a fall in value for each of the Sections' LDI assets and is the primary driver for the negative absolute return values in the above table.

It is however important to note that the rise in gilt yields has also led to a fall in the value placed on each of Sections' liabilities, the LDI assets are therefore performing in line with expectations to stabilise the Sections' funding levels.

Commentary on the relative performance of Sections is provided below.

SLC Section

The SLC section underperformed its benchmark over the one-year and three year-periods to 31 March 2024. The Section's investment managers posted a range of results in terms of performance relative to their respective benchmarks over the year, but underperformance was largely attributable to the Section's inflation linked managers, that failed to keep pace with their inflation-based targets. One of the Section's credit managers, Longbow also significantly underperformed its fixed-return target.

Cavendish Nuclear Section

The Cavendish Nuclear Section outperformed its benchmark over the one-year period to 31 March 2024 mostly due to outperformance of the PIMCO Tactical Opportunities Fund against its fixed-return target, and the PIMCO Low Duration Opportunities Fund against its respective market-benchmark. The Section underperformed its benchmark over the three-year period however, with Lindsell Train underperforming its market-benchmark and Schroders underperforming its inflation-based return target.

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Atkins Section

The Atkins Section performed broadly in line with its benchmark over the long term. The Section has run a passive strategy for a number of years, and therefore the assets are expected to perform in line with the benchmark over the long-term.

NNL Section

The NNL Section underperformed its benchmark over the long term due to underperformance from Schroders relative to its respective inflation-based target over the one-year period, and underperformance from Ruffer against its fixed-return target over the one-year and three-year periods. The Ruffer mandate was fully redeemed in December 2023 as part of the transition towards the newly agreed strategic allocation.

Employer Related Investments

The Investment Regulations limits employer related investments by occupational pension schemes. These 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.

The Group's assets had no direct exposure to the employers participating in the Group and their associated companies as at 31 March 2024. The Group Trustees recognise that indirect investment in such companies is possible through holdings in pooled investment vehicles. However, the Group Trustees believe that the diversification across the Group's assets by asset class, manager and fund means that any indirect exposure through pooled funds is likely to be negligible at any time during the year and at year end.

AVC Investments

During the year a number of members made additional voluntary contributions (AVC investments) via insurance companies to obtain further benefits, on a money purchase basis, within the overall limits set by HM Revenue & Customs. The Group Trustees hold these assets invested separately from the main fund in the form of insurance policies. Each member receives an annual statement at the year-end confirming the amount held in his/her account and the movements in the year.

Custody

The assets of the Group are subject to the overall custody and administrative control of EPTL and are held by the Scheme-wide custodian appointed by EPTL to safeguard the assets.

BNY Mellon is the custodian in relation to securities. Where certificates are available in relation to such securities, they are held by BNY Mellon and identified as investments of the Scheme. Where certificates are not available, but records are held in computer-based systems, the relevant accounts record the Scheme's ownership.

The Group Trustees are responsible for instructing BNY Mellon on the day to day management of the assets of their Group.

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For Group-specific funds, money at call and on short notice is placed in accordance with the provisions of Investment Management Agreements negotiated between Group Trustees and Group-specific fund managers. Additionally, limits are in place to minimise exposure to any one bank. In each case the Scheme is identified as the lender.

All cash is held in a bank account in the name of the Scheme, or in a fund manager's institutional cash fund, commonly called a cash pool. This type of investment allows cash to be invested across a broad range of institutions, thereby reducing risk and exposure.

Changes in Scheme Provisions

Scheme wide amendments by the Scheme Co-ordinator, Electricity Pensions Limited (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 2024 the following Scheme-wide amendments were made:

- Deed of Amendment dated 19 June 2023 which covered Clause 16 and the Expenses of Administration.
- Deed of Amendment dated 30 July 2023 which covered Deferred Members participation in General meetings.

Changes to the Group

From 1 April 2024, the SLC section of the Magnox Group was reformed by the Energy Act 2023. From that date all relevant active employees of the SLC Section started to build up pension on a Career Average Related Earnings (CARE) basis, whilst leaving accrued benefits up to 31st March 2024 unchanged.

Task Force on Climate-Related Financial Disclosures ("TCFD")

In line with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021, and the Occupational Pension Schemes (Climate Change Governance and Reporting) Amendment, Modification and Transitional Provision) Regulations 2022, the TCFD report for the year to 31 March 2024 for the Group can be found within the library section on the Group's website: www.my-magnox-pension.com.

For more information on the Scheme's TCFD report — the Scheme trustee's identification, assessment and management of climate change risk - please visit <https://www.espspensions.co.uk/#useful-documentation>.

Guaranteed Minimum Pension ("GMP") Equalisation

The Group has undertaken a process of assessing the overall impact of the October 2018 and November 2020 rulings regarding GMP Equalisation and based on an initial assessment by the actuary the Group Trustees have not included a liability in respect of these matters in these Financial Statements as the amount is not considered to be material. They will be accounted for in the year they are determined.

Magnox Electric Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Report of the Group Trustees

Dispute Resolution Procedure

Pension legislation requires pension schemes to have procedures for the trustees to resolve disputes arising from the running of the scheme.

The Dispute Resolution Procedure for the Group is a one-stage process. A complaint from a member (including a pensioner, dependant, and deferred member) or prospective member must be addressed to the Group Trustees at the Pensions Department, Oldbury Technical Centre, Oldbury Naite, South Gloucestershire, BS35 1RQ, stating your full name and the details of your complaint. In normal circumstances your complaint will be acknowledged within one week and you will receive a written reply within four months. In practice the Group Trustees will review your complaint at its next meeting.

You will be notified of the Group Trustees' decision usually within fifteen days of the meeting.

This procedure has been introduced to comply with legislative requirements and does not preclude any member from raising any queries regarding the Group informally at any time.

The Report of the Group Trustees, as well as the Report on Actuarial Liabilities on pages 23 to 25, were approved by the Group Trustees and signed on their behalf on ^{Oct 11, 2024}.....:

Independent auditors' statement about contributions to the Group Trustee of Magnox Electric Group of the Electricity Supply Pension Scheme

Statement about contributions

Opinion

In our opinion, the contributions required by the schedules of contributions for the Group year ended 31 March 2024 as reported in Magnox Electric Group of the Electricity Supply Pension Scheme's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the Group actuary on the dates detailed on page 18.

We have examined Magnox Electric Group of the Electricity Supply Pension Scheme's summary of contributions for the Group year ended 31 March 2024 which is set out on pages 17 and 18.

Basis for opinion

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Group under the schedules of contributions, and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the Group Trustee in respect of contributions

As explained more fully in the statement of Group Trustee's responsibilities, the Group's Group Trustee are responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Group by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

**Magnox Electric Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Contributions**

Use of this report

This report, including the opinion, has been prepared for and only for the Group 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
Leeds
11 October 2024

Magnox Electric Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Contributions

Summary of contributions payable to the Magnox Electric Group of the Electricity Supply Pension Scheme

During the year ended 31 March 2024, the contributions required by the schedules of contributions were as follows:

Site Licence Company Section

	Employer £ million	Employee £ million	Total £ million
Required by the schedule of contributions			
Normal*	19.9	0.1	20.0
Total (as reported on by the Group auditors)	19.9	0.1	20.0
Other contributions payable			
Other	1.1	-	1.1
AVCs	1.2	0.1	1.3
Total (as per Fund Account)	22.2	0.2	22.4

*Under salary sacrifice arrangements, £3.0m of contributions were met by the Employer rather than the Employees and are included in the £19.9m above.

Cavendish Nuclear Section

	Employer £ million	Employee £ million	Total £ million
Required by the schedule of contributions			
Normal*	1.4	-	1.4
Total (as reported on by the Group auditors)	1.4	-	1.4
Other contributions payable			
Other	0.1	-	0.1
Total (as per Fund Account)	1.5	-	1.5

*Under salary sacrifice arrangements, £0.1m of contributions were met by the Employer rather than the Employees and are included in the £1.4m above.

Magnox Electric Group of the Electricity Supply Pension Scheme
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Contributions

Atkins Section

	Employer £ million	Employee £ million	Total £ million
Required by the schedule of contributions			
Normal	0.1	-	0.1
Total (as per Fund Account)	0.1	-	0.1

National Nuclear Laboratory Section

	Employer £ million	Employee £ million	Total £ million
Required by the schedules of contributions			
Normal	0.2	-	0.2
Total (as per Fund Account)	0.2	-	0.2

Summary of Schedules of Contributions in force during the year ended 31 March 2024:

Section	Date of certification of Schedule(s)
Site Licence Company	10 June 2020 and 27 June 2023
Cavendish Nuclear	31 March 2020 and 28 April 2023
Atkins	13 March 2020 and 28 April 2023
National Nuclear Laboratory	15 February 2023

Approved by the Group Trustees and signed on their behalf on Oct 11, 2024

**Magnox Electric Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Contributions**

Certification of schedule of contributions

Name of scheme: Magnox Electric Group of the Electricity Supply Pension Scheme
Cavendish Nuclear Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that—

The statutory funding objective could have been expected on 31 March 2022 to be met by the end of the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 28 April 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature	<i>Chris Vaughan-Williams</i>	Date	28 April 2023
Name	Chris Vaughan-Williams	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	1 Redcliff Street Bristol BS1 6NP	Name of employer	Aon Solutions UK Limited

**Magnox Electric Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Contributions**

Certification of schedule of contributions

Name of scheme: Magnox Electric Group of the Electricity Supply Pension Scheme
Atkins Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that—

The statutory funding objective could have been expected on 31 March 2022 to be met by the end of the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 28 April 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature	<i>Chris Vaughan-Williams</i>	Date	28 April 2023
Name	Chris Vaughan-Williams	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	1 Redcliff Street Bristol BS1 6NP	Name of employer	Aon Solutions UK Limited

**Magnox Electric Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Contributions**

Certification of schedule of contributions

Name of scheme: Magnox Electric Group of the Electricity Supply Pension Scheme
National Nuclear Laboratories Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that—

The statutory funding objective could have been expected on 31 March 2022 to be met by the end of the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 15 February 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature	<i>Chris Vaughan-Williams</i>	Date	15 February 2023
Name	Chris Vaughan-Williams	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	1 Redcliff Street Bristol BS1 6NP	Name of employer	Aon Solutions UK Limited

Magnox Electric Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Contributions

Report on Actuarial Liabilities

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

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed every three years using assumptions agreed between the Group Trustees and the Employer and set out in each Section's Statement of Funding Principles, a copy of which is available to Group members on request.

The most recent triennial actuarial valuations of the SLC, Cavendish Nuclear, Atkins and NNL Sections of the Group were carried out as at 31 March 2022, and the results are set out in the table below:

31 March 2022	SLC	Cavendish Nuclear	Atkins	NNL
Value of technical provisions	£3,303.6m	£85.1m	£64.3m	£12.5m
Value of assets available to meet technical provisions	£3,415.8m	£85.9m	£70.1m	£13.2m
Funding level as a percentage of technical provisions	103%	101%	109%	106%

An approximate update was performed as at 31 March 2024 for each Section and the resulting estimated funding level on each Section's technical provisions measure is set out in the table below:

31 March 2024	SLC	Cavendish Nuclear	Atkins	NNL
Approximate funding level (technical provisions)	105%	102%	115%	105%

The value of the technical provisions is based on Pensionable Service to the valuation date and assumptions about various factors that will influence each Section in the future, such as levels of investment returns and pay increases, when members will retire and how long members will live. The method and significant actuarial assumptions used in these calculations are as follows:

Method

The actuarial method used in the calculation of the technical provisions for each Section is the Projected Unit Method.

Magnox Electric Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Contributions

Significant actuarial assumptions

Discount rate	<p><u>SLC</u> The gilt yield curve at the valuation date plus a risk premium of 1.0% per annum.</p> <p><u>Cavendish Nuclear</u> The gilt yield curve at the valuation date plus a risk premium of 0.5% per annum.</p> <p><u>Atkins</u> The gilt yield curve at the valuation date.</p> <p><u>NNL</u> The gilt yield curve at the valuation date plus a risk premium of 0.7% per annum.</p>
RPI inflation	Break-even inflation derived from the difference between the yields on fixed interest and index-linked gilt curves at the valuation date.
CPI inflation	<p>Equal to the RPI inflation curve less a best estimate of the gap between RPI inflation and CPI inflation.</p> <p>At 31 March 2022, the best estimate of the gap between RPI inflation and CPI inflation was 1.0% p.a. for the period to February 2030 and 0.1% p.a. thereafter.</p> <p>The difference between the long-term assumption for RPI and CPI inflation may vary over time.</p>
Pension increases	<p>The valuation results at 31 March 2022 reflect actual increases that were granted to members' pensions in April 2022 and April 2023 and the annual update at 31 March 2024 further reflects actual increases that were granted to members' pensions in April 2024.</p> <p>Future pension increase assumptions for pension in excess of GMP are derived from the RPI inflation assumption, allowing for the minimum annual increase and for RPI inflation to vary from year to year.</p> <p>Pension increase assumptions for post 88 GMPs are derived from the CPI inflation assumption allowing for the maximum and minimum annual increase, and for CPI inflation to vary from year to year.</p>

Magnox Electric Group of the Electricity Supply Pension Scheme
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Pay increases	<p><u>SLC</u> Equal to RPI inflation plus an allowance for promotional increases.</p> <p><u>Cavendish Nuclear</u> Equal to CPI inflation plus 0.5% per annum together with the allowance for promotional increases.</p> <p><u>Atkins</u> Equal to RPI inflation.</p> <p><u>NNL</u> Equal to RPI inflation plus an allowance for promotional increases.</p>
Post-retirement mortality assumption – base table	<p><u>SLC</u> SAPS S3P All tables for males and SAPS S3P Middle tables for females with 100% scaling factor for non-pensioner members and 95% for pensioner members.</p> <p><u>Cavendish Nuclear</u> SAPS S3P All tables for males and SAPS S3P Middle tables for females with 95% scaling factor for all members.</p> <p><u>Atkins</u> SAPS S3P Light tables with 100% scaling factor for all members.</p> <p><u>NNL</u> SAPS S3P Light tables with 105% scaling factor for all members.</p>
Post-retirement mortality assumption – future improvements	CMI 2021 projections with initial addition to mortality improvements (A) of 0.5%, smoothing parameter (S_k) of 7.0 and a long-term improvement rate of 1.5% p.a.

Recovery plans

Recovery plan arrangements are not required for any of the Sections as none of them declared a funding deficit at the last actuarial valuation as at 31 March 2022. Contribution requirements were formalised in Schedules of Contributions, which the Group Actuary certified. Copies of the certificates can be found on pages 19 to 22 of this annual report.

Next actuarial valuation

The next triennial valuation for each Section will be performed as at 31 March 2025.

Independent auditors' report to the Group Trustee of Magnox Electric Group of the Electricity Supply Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion, Magnox Electric Group of the Electricity Supply Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the Group during the year ended 31 March 2024, 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 within the Annual Report and Financial Statements, which comprise: the Statement of Net Assets Available for Benefits as at 31 March 2024; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

Magnox Electric Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Financial Statements

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report and Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Group Trustee are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Group Trustee for the financial statements

As explained more fully in the statement of Group Trustee's responsibilities, the Group Trustee are 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 Group Trustee are also responsible for such internal control as they determine 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 Group Trustee are responsible for assessing the Group'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 Group Trustee either intend to wind up the Group, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the Group and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the Group in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We

Magnox Electric Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
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also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Group Trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets. Audit procedures performed by the engagement team included:

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

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinion, has been prepared for and only for the Group 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
Leeds
11 October 2024

Magnox Electric Group of the Electricity Supply Pension Scheme
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Financial Statements

Fund Account for the year to 31 March 2024

	Note	SLC Section 2024 £ million	CN Section 2024 £ million	Atkins Section 2024 £ million	NNL Section 2024 £ million	Total 2024 £ million	<i>Total 2023 £ million</i>
Additions from dealings with members							
Employer contributions	5	22.2	1.5	0.1	0.2	24.0	24.2
Employee contributions	5	0.2	-	-	-	0.2	0.1
Total contributions		<u>22.4</u>	<u>1.5</u>	<u>0.1</u>	<u>0.2</u>	24.2	24.3
Withdrawals from dealings with members							
Benefits paid or payable	6	(129.6)	(1.2)	(1.6)	(0.3)	(132.7)	(126.5)
Payments to and on account of leavers	7	(2.3)	-	-	-	(2.3)	(15.0)
Administrative expenses	8	(0.4)	-	-	-	(0.4)	-
		<u>(132.3)</u>	<u>(1.2)</u>	<u>(1.6)</u>	<u>(0.3)</u>	(135.4)	(141.5)
Net (withdrawals) / additions from dealings with members		<u>(109.9)</u>	<u>0.3</u>	<u>(1.5)</u>	<u>(0.1)</u>	(111.2)	(117.2)
Returns on investments							
Investment income	9	102.5	-	1.7	-	104.2	63.1
Change in market value of investments	10	(198.2)	(2.9)	(3.5)	(0.5)	(205.1)	(892.1)
Investment management expenses	11	(1.7)	-	-	-	(1.7)	(2.9)
Net returns on investments		<u>(97.4)</u>	<u>(2.9)</u>	<u>(1.8)</u>	<u>(0.5)</u>	(102.6)	(831.9)
Net decrease in the fund		<u>(207.3)</u>	<u>(2.6)</u>	<u>(3.3)</u>	<u>(0.6)</u>	(213.8)	(949.1)
Opening net assets		2,532.6	56.4	52.1	9.3	2,650.4	3,599.5
Closing net assets		<u>2,325.3</u>	<u>53.8</u>	<u>48.8</u>	<u>8.7</u>	<u>2,436.6</u>	<u>2,650.4</u>

The accompanying notes on pages 31 to 58 form an integral part of these financial statements.

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Statement of Net Assets Available for Benefits as at 31 March 2024

	Note	SLC Section 2024 £ million	CN Section 2024 £ million	Atkins Section 2024 £ million	NNL Section 2024 £ million	Total 2024 £ million	<i>Total 2023 £ million</i>
Investment assets							
Equities	10	-	-	-	-	-	0.3
Bonds	10	152.7	-	-	-	152.7	155.8
Property loan assets	10	114.1	-	-	-	114.1	112.3
Pooled investment vehicles	13	2,030.9	52.7	19.6	8.6	2,111.8	2,321.3
Derivatives	14	7.5	-	-	-	7.5	28.5
Insurance policies	15	-	-	29.1	-	29.1	31.3
AVC investments	16	14.6	0.6	0.1	-	15.3	13.2
Cash	17	21.7	-	-	-	21.7	3.9
Other investment balances	17	2.3	-	-	-	2.3	1.8
		<u>2,343.8</u>	<u>53.3</u>	<u>48.8</u>	<u>8.6</u>	<u>2,454.5</u>	<u>2,668.4</u>
Investment liabilities							
Derivatives	14	<u>(20.6)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20.6)</u>	<u>(22.3)</u>
Total net investments		<u>2,323.2</u>	<u>53.3</u>	<u>48.8</u>	<u>8.6</u>	<u>2,433.9</u>	<u>2,646.1</u>
Current assets	22	4.2	0.5	-	0.1	4.8	5.0
Current liabilities	23	(2.1)	-	-	-	(2.1)	(0.7)
Total net assets available for benefits		<u>2,325.3</u>	<u>53.8</u>	<u>48.8</u>	<u>8.7</u>	<u>2,436.6</u>	<u>2,650.4</u>

The financial statements summarise the transactions of the Group 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 Group year. The actuarial position of the Group, which takes into account such obligations, is dealt with in the Report on Actuarial Liabilities included within this Annual Report on pages 23 to 25, and these financial statements should be read in conjunction with this report.

The financial statements on pages 29 to 58 were approved by the Group Trustees on Oct 11, 2024.

Signed on behalf of the Group Trustees:

Magnox Electric Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Financial Statements

Notes to the financial statements

1. Basis of preparation

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

2. Identification of the financial statements

The Magnox Electric Group of the Electricity Supply Pension Scheme is established as a trust under English law. The Electricity Supply Pension Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by the Employers are normally eligible for tax relief and income and capital gains earned by the Group are generally tax exempt. The address for enquiries to the Group relating to specific benefit entitlements is Railpen Limited, 2 Rye Hill Office Park, Birmingham Road, Coventry, CV5 9AB. The address of the Scheme's principal office is C/O Capita – ESPS Team, Highdown House, Yeoman Way, Worthing, West Sussex BN99 3HH.

Magnox Electric Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
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3. Comparative disclosures for the Fund Account and Statement of Net Assets Available for Benefits

Fund Account for the year to 31 March 2023

	Note	<i>SLC Section 2023 £ million</i>	<i>CN Section 2023 £ million</i>	<i>Atkins Section 2023 £ million</i>	<i>NNL Section 2023 £ million</i>	Total 2023 £ million
Additions from dealings with members						
Employer contributions	5	22.5	1.3	0.1	0.3	24.2
Employee contributions	5	0.1	-	-	-	0.1
Total contributions		22.6	1.3	0.1	0.3	24.3
Withdrawals from dealings with members						
Benefits paid or payable	6	(123.8)	(1.1)	(1.2)	(0.4)	(126.5)
Payments to and on account of leavers	7	(15.0)	-	-	-	(15.0)
		(138.8)	(1.1)	(1.2)	(0.4)	(141.5)
Net (withdrawals) / additions from dealings with members		(116.2)	0.2	(1.1)	(0.1)	(117.2)
Returns on investments						
Investment income	9	61.3	0.3	1.5	-	63.1
Change in market value of investments	10	(839.1)	(30.7)	(18.4)	(3.9)	(892.1)
Investment management expenses	11	(2.9)	-	-	-	(2.9)
Net returns on investments		(780.7)	(30.4)	(16.9)	(3.9)	(831.9)
Net decrease in the fund		(896.9)	(30.2)	(18.0)	(4.0)	(949.1)
Opening net assets		3,429.5	86.6	70.1	13.3	3,599.5
Closing net assets		2,532.6	56.4	52.1	9.3	2,650.4

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Statement of Net Assets Available for Benefits as at 31 March 2023

	Note	SLC Section 2023 £ million	CN Section 2023 £ million	Atkins Section 2023 £ million	NNL Section 2023 £ million	Total 2023 £ million
Investment assets						
Equities	10	-	-	-	0.3	0.3
Bonds	10	155.3	-	-	0.5	155.8
Property loan assets	10	112.3	-	-	-	112.3
Pooled investment vehicles	13	2,237.2	55.5	20.6	8.0	2,321.3
Derivatives	14	28.5	-	-	-	28.5
Insurance policies	15	-	-	31.3	-	31.3
AVC investments	16	12.5	0.7	-	-	13.2
Cash	17	3.5	-	0.2	0.2	3.9
Other investment balances	17	1.8	-	-	-	1.8
		<u>2,551.1</u>	<u>56.2</u>	<u>52.1</u>	<u>9.0</u>	<u>2,668.4</u>
Investment liabilities						
Derivatives	14	<u>(22.3)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22.3)</u>
Total net investments		<u>2,528.8</u>	<u>56.2</u>	<u>52.1</u>	<u>9.0</u>	<u>2,646.1</u>
Current assets	22	4.5	0.2	-	0.3	5.0
Current liabilities	23	(0.7)	-	-	-	(0.7)
Total net assets available for benefits		<u>2,532.6</u>	<u>56.4</u>	<u>52.1</u>	<u>9.3</u>	<u>2,650.4</u>

4. Summary of material accounting policies

The material accounting policies applied in the preparation of these Annual Report and Financial Statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Currency

The Group's functional currency and presentational currency is pounds sterling (GBP).

Assets and liabilities in foreign currency are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

Contributions

Normal and additional voluntary contributions, both from employees and employers, are generally accounted for on an accruals basis in the payroll period to which they relate. In the case of employee contributions this is when they are deducted from pay.

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Employers' Rule 29 contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.

Employers' deficit funding contributions are accounted for on the due dates set out in the Schedules of Contributions, or on receipt if earlier, with the agreement of the Employer and Group Trustees.

Transfers to and from the Group

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

Benefits and payments to and on account of leavers

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

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement or death as appropriate.

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

Administrative and other expenses

Administrative expenses are accounted for on an accruals basis.

Investment income and expenditure

Income from any pooled investment vehicles which distribute income, is accounted for on an accruals basis on the date stocks are quoted ex-dividend, 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.

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

Income arising from annuity policies is included in investment income on an accruals basis.

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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. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

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

Valuation and classification of investments

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

Where quoted and other unit prices are not available, the Group Trustees adopt valuation techniques appropriate to the class of investment. Details of the valuation techniques and principal assumptions are given in the Notes to the Financial Statements where used.

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 is estimated by the Group Trustees. Where the value of the pooled investment vehicle is primarily driven by 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;
- 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.
- Annuity (insurance) policies are valued by the Group Actuary at the amount of the related obligation, determined using the most recent Group funding valuation assumptions updated for market conditions at the reporting date.

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

Critical accounting judgements and estimation uncertainty

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.

Critical accounting judgements

The Group Trustees have not had to make any critical judgements in applying the accounting policies.

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Key accounting estimates and assumptions

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 Group, the Group Trustees believe the only estimates 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 Group's investments and, in particular, those classified in Level 3 of the fair-value hierarchy on pages 48 to 50.

5. Contributions

	SLC Section 2024 £ million	CN Section 2024 £ million	Atkins Section 2024 £ million	NNL Section 2024 £ million	Total 2024 £ million
Employers:					
- Normal ¹	19.9	1.4	0.1	0.2	21.6
- Deficit funding ²	-	-	-	-	-
- Other					
- Rule 29	0.7	0.1	-	-	0.8
- Salary sacrifice AVC	1.2	-	-	-	1.2
- Nuclear Decommissioning Authority	0.4	-	-	-	0.4
Employees:					
- Normal	0.1	-	-	-	0.1
- AVCs	0.1	-	-	-	0.1
	<u>22.4</u>	<u>1.5</u>	<u>0.1</u>	<u>0.2</u>	<u>24.2</u>

	SLC Section 2023 £ million	CN Section 2023 £ million	Atkins Section 2023 £ million	NNL Section 2023 £ million	Total 2023 £ million
Employers:					
- Normal ¹	20.3	1.3	0.1	0.1	21.8
- Deficit funding ²	-	-	-	0.2	0.2
- Other					
- Rule 29	0.8	-	-	-	0.8
- Salary sacrifice AVC	1.4	-	-	-	1.4
- Nuclear Decommissioning Authority	-	-	-	-	-
Employees:					
- Normal	-	-	-	-	-
- AVCs	0.1	-	-	-	0.1
	<u>22.6</u>	<u>1.3</u>	<u>0.1</u>	<u>0.3</u>	<u>24.3</u>

¹Included within Normal Employers are contributions that were met by the employer rather than the employees under the salary sacrifice arrangement. The salary sacrifice contributions for the SLC Section were £3.0 million (2023: £3.1 million), and for the Cavendish Nuclear Section £0.1 million (2023: £0.1 million).

² Deficit funding contributions were paid for the NNL Section as a result of the funding deficit declared in the Actuarial Valuation under the terms of the agreement between the Employer and the Group Actuary. £150,000 was received in the year to 31 March 2023. No further deficit contributions are due to any of the Sections.

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6. Benefits paid or payable

	SLC Section 2024 £ million	CN Section 2024 £ million	Atkins Section 2024 £ million	NNL Section 2024 £ million	Total 2024 £ million
Pensions	117.4	1.1	1.3	0.3	120.1
Lump sum retirement benefits and commutations	9.2	-	0.3	-	9.5
Purchase of annuities on retirement (AVCs)	1.5	-	-	-	1.5
Lump sum death benefits (in service)	0.5	-	-	-	0.5
Lump sum death benefits (in retirement)	-	-	-	-	-
Taxation where lifetime or annual allowance exceeded	1.0	0.1	-	-	1.1
	<u>129.6</u>	<u>1.2</u>	<u>1.6</u>	<u>0.3</u>	<u>132.7</u>

	SLC Section 2023 £ million	CN Section 2023 £ million	Atkins Section 2023 £ million	NNL Section 2023 £ million	Total 2023 £ million
Pensions	113.8	1.1	1.2	0.2	116.3
Lump sum retirement benefits and commutations	8.2	-	-	-	8.2
Purchase of annuities on retirement (AVCs)	1.5	-	-	0.1	1.6
Lump sum death benefits (in service)	-	-	-	0.1	0.1
Lump sum death benefits (in retirement)	0.2	-	-	-	0.2
Taxation where lifetime or annual allowance exceeded	0.1	-	-	-	0.1
	<u>123.8</u>	<u>1.1</u>	<u>1.2</u>	<u>0.4</u>	<u>126.5</u>

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Group in exchange for the Group settling their tax liability.

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7. Payments to and on account of leavers

	SLC Section 2024 £ million	CN Section 2024 £ million	Atkins Section 2024 £ million	NNL Section 2024 £ million	Total 2024 £ million
Purchase of annuities to match preserved benefits	-	-	-	-	-
Transfer values paid to other pension schemes:					
- Individual transfers	1.6	-	-	-	1.6
- Individual transfers - AVCs	0.7	-	-	-	0.7
	<u>2.3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.3</u>

	SLC Section 2023 £ million	CN Section 2023 £ million	Atkins Section 2023 £ million	NNL Section 2023 £ million	Total 2023 £ million
Purchase of annuities to match preserved benefits	0.1	-	-	-	0.1
Transfer values paid to other pension schemes:					
- Individual transfers	13.9	-	-	-	13.9
- Individual transfers - AVCs	1.0	-	-	-	1.0
	<u>14.9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14.9</u>

8. Administration expenses

	SLC Section 2024 £ million	CN Section 2024 £ million	Atkins Section 2024 £ million	NNL Section 2024 £ million	Total 2024 £ million
Other professional fees	<u>0.4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.4</u>

	SLC Section 2023 £ million	CN Section 2023 £ million	Atkins Section 2023 £ million	NNL Section 2023 £ million	Total 2023 £ million
Other professional fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

All other administration expenses are borne by the employers.

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9. Investment income

	SLC Section 2024 £ million	CN Section 2024 £ million	Atkins Section 2024 £ million	NNL Section 2024 £ million	Total 2024 £ million
Income from bonds	6.3	-	-	-	6.3
Income from property loan assets	5.5	-	-	-	5.5
Income from pooled investment vehicles	71.0	-	0.5	-	71.5
Income from insurance policies	-	-	1.2	-	1.2
Interest on cash deposits	0.9	-	-	-	0.9
Other investment income	0.4	-	-	-	0.4
Net interest on swaps	18.4	-	-	-	18.4
	<u>102.5</u>	<u>-</u>	<u>1.7</u>	<u>-</u>	<u>104.2</u>

	SLC Section 2023 £ million	CN Section 2023 £ million	Atkins Section 2023 £ million	NNL Section 2023 £ million	Total 2023 £ million
Income from bonds	6.5	-	-	-	6.5
Income from property loan assets	6.5	-	-	-	6.5
Income from pooled investment vehicles	50.8	0.3	0.4	-	51.5
Income from insurance policies	-	-	1.1	-	1.1
Interest on cash deposits	0.2	-	-	-	0.2
Other investment income	-	-	-	-	-
Net interest on swaps	(2.7)	-	-	-	(2.7)
	<u>61.3</u>	<u>0.3</u>	<u>1.5</u>	<u>-</u>	<u>63.1</u>

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10. Reconciliation of net investments

Investment movements – SLC Section

	Value at 01.04.2023 £ million	Purchases at cost and derivative payments £ million	Sales proceeds and derivative receipts £ million	Change in market Value £ million	Value at 31.03.2024 £ million
Bonds	155.3	5.6	(9.3)	1.1	152.7
Property loan assets	112.3	25.9	(19.7)	(4.4)	114.1
Pooled investment vehicles	2,237.2	214.8	(238.3)	(182.8)	2,030.9
Derivatives – net	6.2	6.8	(9.2)	(16.9)	(13.1)
AVC investments	12.5	1.4	(2.8)	3.5	14.6
	<u>2,523.5</u>	<u>254.5</u>	<u>(279.3)</u>	<u>(199.5)</u>	<u>2,299.2</u>
Cash deposits	3.5				21.7
Other investment balances	1.8				2.3
Net investment assets	<u>2,528.8</u>				<u>2,323.2</u>

Change in market value – SLC Section

	2024 £ million	2023 £ million
Change in market value shown above	(199.5)	(843.6)
Exchange gains	1.3	4.5
Change in market value per fund account	<u>(198.2)</u>	<u>(839.1)</u>

Derivative investments include instruments often with a short duration that are traded regularly, principally forward currency exchange contracts. As a result the purchases and sales figures are large because they reflect the turnover of such transactions during the course of the year.

Investment transaction costs

Transaction costs incurred during the year amounted to £nil (2023: £nil). 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.

The funds in which the Group invests have different trading dates and some have notice periods which would have prevented the Group from realising these assets at the year-end date. Where the Group invests in limited partnerships it is not possible to 'trade' the holdings during the lifetime of the fund. However, the Group Trustees may transfer the interest to another party with the approval of the general partner. The transfer would typically be arranged via a competitive auction process with the interest being transferred to the investor(s) with the highest bid. Although there have been precedent competitive auctions for infrastructure assets where a sale price close to or even above the current valuation has been achieved, there is no guarantee that the Group will be able transfer its limited partner interests or achieve an attractive sale price at auction.

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Investment movements – Cavendish Nuclear Section

	Value at 01.04.2023 £ million	Purchases at cost £ million	Sales proceeds £ million	Change in market value £ million	Value at 31.03.2024 £ million
Pooled investment vehicles	55.5	5.3	(5.3)	(2.8)	52.7
AVC investments	0.7	0.6	(0.6)	(0.1)	0.6
Net investment assets	56.2	5.9	(5.9)	(2.9)	53.3

Investment transaction costs

Transaction costs incurred during the year amounted to £nil (2023: £nil). 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.

Investment movements – Atkins Section

	Value at 01.04.2023 £ million	Purchases at cost £ million	Sales proceeds £ million	Change in market value £ million	Value at 31.03.2024 £ million
Pooled investment vehicles	20.6	4.9	(4.5)	(1.4)	19.6
Insurance policies	31.3	-	-	(2.2)	29.1
AVC investments	-	-	-	0.1	0.1
Net investment assets	51.9	4.9	(4.5)	(3.5)	48.8
Cash deposits	0.2				-
Net investment assets	52.1				48.8

Investment transaction costs

Transaction costs incurred during the year amounted to £nil (2023: £nil). 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.

Investment movements – NNL Section

	Value at 01.04.2023 £ million	Purchases at cost £ million	Sales proceeds £ million	Change in market value £ million	Value at 31.03.2024 £ million
Equities	0.3	0.1	(0.4)	-	-
Bonds	0.5	0.9	(1.4)	-	-
Pooled investment vehicles	8.0	5.4	(4.3)	(0.5)	8.6
	8.8	6.4	(6.1)	(0.5)	8.6
Cash deposits	0.2				-
Net investment assets	9.0				8.6

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Investment transaction costs

Transaction costs incurred during the year amounted to £nil (2023: £nil). 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.

11. Investment management expenses

Investment management expenses for Group-specific funds, performance measurement services and investment-related fees of Group advisers, are the responsibility of the Group Trustees. The Scheme Trustee negotiates the custody fees which apply to all portfolios. Investment management and custody fees for Group-specific funds are shown below.

	SLC Section 2024 £ million	CN Section 2024 £ million	Atkins Section 2024 £ million	NNL Section 2024 £ million	Total 2024 £ million
Administration and management fees	0.3	-	-	-	0.3
Other advisory fees	1.4	-	-	-	1.4
	<u>1.7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.7</u>

	SLC Section 2023 £ million	CN Section 2023 £ million	Atkins Section 2023 £ million	NNL Section 2023 £ million	Total 2023 £ million
Administration and management fees	1.4	-	-	-	1.4
Other advisory fees	1.5	-	-	-	1.5
	<u>2.9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.9</u>

12. Taxation

The ESPS is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

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13. Pooled investment vehicles

The **SLC Section's** investment in pooled investment vehicles at the year-end comprised:

	2024	<i>2023</i>
	£ million	<i>£ million</i>
Bonds	273.8	<i>299.5</i>
Property	344.3	<i>359.3</i>
Hedge funds	1.5	<i>1.3</i>
Private equity	124.3	<i>141.5</i>
Infrastructure funds	343.6	<i>366.2</i>
Liability Driven Investments	927.8	<i>1,018.9</i>
Cash and other liquid assets	15.6	<i>50.5</i>
	<u>2,030.9</u>	<i><u>2,237.2</u></i>

At 31 March 2024 and 31 March 2023 the Section held a bespoke Liability Driven Investment (LDI) portfolio. The portfolio has been included above in pooled investment vehicles and is specifically tailored for the Section's individual requirements and there are no other investors.

The LDI portfolio has the following investments:

	2024	<i>2023</i>
	£ million	<i>£ million</i>
Bonds	1,251.6	<i>1,160.2</i>
Swaps – net	(215.7)	<i>(168.6)</i>
Repurchase agreements - net	(364.7)	<i>(300.0)</i>
Cash and other liquid assets	256.6	<i>327.3</i>
	<u>927.8</u>	<i><u>1,018.9</u></i>

No direct transaction costs (2023: *£nil*) were incurred during the year on the sole investor arrangement.

The **Cavendish Nuclear Section's** investment in pooled investment vehicles at the year-end comprised:

	2024	<i>2023</i>
	£ million	<i>£ million</i>
Equities	4.6	<i>4.6</i>
Bonds	5.5	<i>5.1</i>
Hedge funds	9.5	<i>8.2</i>
Diversified growth funds	5.1	<i>4.7</i>
Liability Driven Investments	28.0	<i>32.9</i>
	<u>52.7</u>	<i><u>55.5</u></i>

The **Atkins Section's** investment in pooled investment vehicles at the year-end comprised:

	2024	<i>2023</i>
	£ million	<i>£ million</i>
Liability Driven Investments	17.3	<i>20.6</i>
Cash and other liquid assets	2.3	<i>-</i>
	<u>19.6</u>	<i><u>20.6</u></i>

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The **NNL Section's** investment in pooled investment vehicles at the year-end comprised:

	2024	<i>2023</i>
	£ million	<i>£ million</i>
Equities	-	0.2
Diversified growth funds	2.5	1.7
Liability Driven Investments	5.6	5.7
Cash and other liquid assets	0.5	0.4
	<u>8.6</u>	<u><i>8.0</i></u>

14. Derivatives

Objectives and Policies

The Group Trustees have authorised the use of derivative financial instruments by their investment managers as part of their investment strategy as follows:

For the **SLC Section**, outstanding derivative financial instruments at 31 March 2024 and 31 March 2023 are summarised as follows:

	2024	2024	2024	<i>2023</i>	<i>2023</i>	<i>2023</i>
	Assets	Liabilities	Total	<i>Assets</i>	<i>Liabilities</i>	<i>Total</i>
	£ million	£ million	£ million	<i>£ million</i>	<i>£ million</i>	<i>£ million</i>
Over-the-counter contracts						
Futures	0.1	(0.1)	-	0.1	(0.1)	-
Forward foreign currency	-	(0.6)	(0.6)	0.8	(0.1)	0.7
Swaps	7.4	(19.9)	(12.5)	27.6	(22.1)	5.5
	<u>7.5</u>	<u>(20.6)</u>	<u>(13.1)</u>	<u><i>28.5</i></u>	<u><i>(22.3)</i></u>	<u><i>6.2</i></u>

Further analysis of the holdings at 31 March 2024 and 31 March 2023 is as follows:

Futures

Type of future	Expiration	Economic exposure at year end £million	2024 Assets £million	2024 Liabilities £million
Assets				
UK Exchange Traded	1-3 months	5.0	0.1	-
Overseas Exchange Traded	1-3 months	3.2	-	(0.1)
			<u>0.1</u>	<u>(0.1)</u>

Type of future	Expiration	Economic exposure at year end £million	2023 Assets £million	2023 Liabilities £million
Assets				
UK Exchange Traded	1-3 months	3.4	0.1	-
Overseas Exchange Traded	1-3 months	(3.4)	-	(0.1)
			<u>0.1</u>	<u>(0.1)</u>

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Forward foreign currency contracts – SLC Section

Type of contract	Currency	Currency Bought £ million	Currency	Currency Sold £ million	2024 Assets £ million	2024 Liabilities £ million
OTC traded – less than 1 month	GBP	28.6	EUR	(28.6)	-	-
OTC traded – less than 1 month	USD	2.5	GBP	(2.5)	-	-
OTC traded – less than 1 month	GBP	71.0	USD	(71.6)	-	(0.6)
		<u>102.1</u>		<u>(102.7)</u>	<u>-</u>	<u>(0.6)</u>

Type of contract	Currency	Currency Bought £ million	Currency	Currency Sold £ million	2023 Assets £ million	2023 Liabilities £ million
OTC traded – less than 1 month	GBP	28.8	EUR	(28.9)	-	(0.1)
OTC traded – less than 1 month	USD	1.2	GBP	(1.2)	-	-
OTC traded – less than 1 month	GBP	89.8	USD	(89.0)	0.8	-
		<u>119.8</u>		<u>(119.1)</u>	<u>0.8</u>	<u>(0.1)</u>

Swaps – SLC Section

Type of contract	Duration Years	Nominal amount £million	2024 Assets £ million	2024 Liabilities £ million
Interest Rate Swap	<1 year	16.0	0.5	-
Interest Rate Swap	1-5 years	59.1	1.3	(2.2)
Interest Rate Swap	6-15 years	139.9	4.8	(10.4)
Interest Rate Swap	>15 years	32.0	0.8	(7.3)
			<u>7.4</u>	<u>(19.9)</u>

Type of contract	Duration Years	Nominal amount £million	2023 Assets £ million	2023 Liabilities £ million
Interest Rate Swap	<1 year	38.1	0.1	(0.7)
Interest Rate Swap	1-5 years	105.3	3.3	(8.3)
Interest Rate Swap	6-15 years	153.7	14.7	(6.7)
Interest Rate Swap	>15 years	51.7	9.5	(6.4)
			<u>27.6</u>	<u>(22.1)</u>

Collateral of £13.5million is held (2023: £5.8 million pledged) for the unrealised gain on swaps and is included in the Section's assets.

For the **NNL Section**, outstanding derivative financial instruments at 31 March 2024 and 31 March 2023 are summarised as follows:

	2024 Assets £ million	2024 Liabilities £ million	2024 Total £ million	2023 Assets £ million	2023 Liabilities £ million	2023 Total £ million
Over-the-counter contracts						
Forward foreign currency	-	-	-	-	-	-

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There were no outstanding derivative financial instruments at 31 March 2024. Further analysis of the holdings at 31 March 2023 is as follows:

Forward foreign currency contracts – NNL Section

Type of contract	Currency	Currency Bought £ million	Currency	Currency Sold £ million	2023 Assets £ million	2023 Liabilities £ million
OTC traded – 1 to 3 months	GBP	0.4	USD	0.4	-	-

15. Insurance policies

The Group Trustees hold an insurance policy with Canada Life in relation to specified beneficiaries of the Atkins Section. This policy is an asset of the Group Trustees and not a policy assigned for the benefit of the individuals it relates to, and is included within the Statement of Net Assets Available for Benefits at £29.1 million (2023: £31.3 million).

The significant actuarial assumptions underlying the current valuation calculation are in line with those set out in the Report on Actuarial Liabilities on pages 23 to 25 based on market conditions as at 31 March 2024.

16. AVC investments

The number of AVC accounts (including "frozen" accounts) for the **SLC Section** as at 31 March 2024 was 383 (2023: 301). In some cases members may have two or more accounts.

The aggregate values of AVC investments held in pooled investment vehicles are as follows:

	2024 £ million	2023 £ million
Aegon	14.0	1.0
Prudential Assurance Society	0.6	11.5
	<u>14.6</u>	<u>12.5</u>

The number of AVC accounts (including "frozen" accounts) for the **Cavendish Nuclear Section** as at 31 March 2024 was 8 (2023: 11). In some cases members may have two or more accounts.

The aggregate values of AVC investments held in pooled investment vehicles are as follows:

	2024 £ million	2023 £ million
Prudential Assurance Society	0.6	0.7

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The number of AVC accounts (including "frozen" accounts) for the **Atkins Section** as at 31 March 2024 was 2 (2023: 1). In some cases members may have two or more accounts.

The aggregate values of AVC investments held in pooled investment vehicles are as follows:

	2024 £ million	2023 £ million
Prudential Assurance Society	0.1	-

17. Cash and other investment balances

	<i>SLC</i> <i>Section</i> 2024 £ million	<i>CN</i> <i>Section</i> 2024 £ million	<i>Atkins</i> <i>Section</i> 2024 £ million	<i>NNL</i> <i>Section</i> 2024 £ million	Total 2024 £ million
Cash – sterling	21.4	-	-	-	21.4
Cash – foreign currency	0.3	-	-	-	0.3
Accrued interest and dividends	2.2	-	-	-	2.2
Amounts receivable from sale of investments	0.1	-	-	-	0.1
	24.0	-	-	-	24.0

	<i>SLC</i> <i>Section</i> 2023 £ million	<i>CN</i> <i>Section</i> 2023 £ million	<i>Atkins</i> <i>Section</i> 2023 £ million	<i>NNL</i> <i>Section</i> 2023 £ million	Total 2023 £ million
Cash – sterling	2.8	-	0.2	0.1	3.1
Cash – foreign currency	0.7	-	-	0.1	0.8
Accrued interest and dividends	1.8	-	-	-	1.8
Amounts receivable from sale of investments	-	-	-	-	-
	5.3	-	0.2	0.2	5.7

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18. Fair value of investments

The fair value of investments has been determined using the following hierarchy:

- Level 1: Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.
- Level 2: Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.
- Level 3: Inputs are unobservable.

Where multiple inputs are involved in determining the fair value of an instrument, the categorisation is based on the lowest level input (i.e. highest number) that is significant.

Pooled investment vehicles which are traded regularly are generally included in level 2. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair values applies, valuation techniques are adopted and the vehicles are included in level 3 as appropriate.

The value of other pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Group Trustees after taking advice from their advisers. Where the value of the pooled investment vehicle is primarily driven by 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. No such adjustments have been made to the valuations at 31 March 2024 or 31 March 2023.

Due to the nature of the SLC Section's investments with GAM International Management Limited (Renshaw Bay LLP), Longbow Real Estate Capital LLP, DRC Capital LLP and Invesco Real Estate Finance Fund (GBP) SLP, these assets have been classified as property loan assets in these financial statements, rather than pooled investment vehicles.

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

	Level 1 £ million	Level 2 £ million	Level 3 £ million	2024 Total £ million
Investment assets				
Bonds	-	152.7	-	152.7
Property loan assets	-	-	114.1	114.1
Pooled investment vehicles	-	943.5	1,087.4	2,030.9
Derivatives	-	7.5	-	7.5
AVC investments	-	14.6	-	14.6
Cash	21.7	-	-	21.7
Other investment balances	2.3	-	-	2.3
Investment liabilities				
Derivatives	-	(20.6)	-	(20.6)
	24.0	1,097.7	1,201.5	2,323.2

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Analysis for the prior year end is as follows:

	<i>Level 1</i> <i>£ million</i>	<i>Level 2</i> <i>£ million</i>	<i>Level 3</i> <i>£ million</i>	<i>Restated</i> 2023 Total £ million
Investment assets				
Bonds	-	155.3	-	155.3
Property loan assets	-	-	112.3	112.3
Pooled investment vehicles	-	1,069.3	1,167.9	2,237.2
Derivatives	-	28.5	-	28.5
AVC investments	-	12.5	-	12.5
Cash	3.4	0.1	-	3.5
Other investment balances	1.8	-	-	1.8
Investment liabilities				
Derivatives	-	(22.3)	-	(22.3)
	<u>5.2</u>	<u>1,243.4</u>	<u>1,280.2</u>	<u>2,528.8</u>

The 2023 figures above have been restated due to the reclassification of the M&G Inflation Opportunities Fund from level 2 to level 3.

The **Cavendish Nuclear Section's** investment assets and liabilities have been included at fair value within the categories as follows:

	<i>Level 1</i> <i>£ million</i>	<i>Level 2</i> <i>£ million</i>	<i>Level 3</i> <i>£ million</i>	2024 Total £ million
Investment assets				
Pooled investment vehicles	-	43.2	9.5	52.7
AVC investments	-	0.6	-	0.6
	<u>-</u>	<u>43.8</u>	<u>9.5</u>	<u>53.3</u>

Analysis for the prior year end is as follows:

	<i>Level 1</i> <i>£ million</i>	<i>Level 2</i> <i>£ million</i>	<i>Level 3</i> <i>£ million</i>	2023 Total £ million
Investment assets				
Pooled investment vehicles	-	47.3	8.2	55.5
AVC investments	-	0.7	-	0.7
	<u>-</u>	<u>48.0</u>	<u>8.2</u>	<u>56.2</u>

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

	<i>Level 1</i> <i>£ million</i>	<i>Level 2</i> <i>£ million</i>	<i>Level 3</i> <i>£ million</i>	2024 Total £ million
Investment assets				
Pooled investment vehicles	-	19.6	-	19.6
Insurance policies	-	-	29.1	29.1
AVC investments	-	0.1	-	0.1
Cash	-	-	-	-
	<u>-</u>	<u>19.7</u>	<u>29.1</u>	<u>48.8</u>

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Analysis for the prior year end is as follows:

	<i>Level 1</i> <i>£ million</i>	<i>Level 2</i> <i>£ million</i>	<i>Level 3</i> <i>£ million</i>	2023 Total £ million
Investment assets				
Pooled investment vehicles	-	20.6	-	20.6
Insurance policies	-	-	31.3	31.3
AVC investments	-	-	-	-
Cash	0.2	-	-	0.2
	<u>0.2</u>	<u>20.6</u>	<u>31.3</u>	<u>52.1</u>

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

	<i>Level 1</i> <i>£ million</i>	<i>Level 2</i> <i>£ million</i>	<i>Level 3</i> <i>£ million</i>	2024 Total £ million
Investment assets				
Equities	-	-	-	-
Bonds	-	-	-	-
Pooled investment vehicles	-	8.6	-	8.6
Cash	-	-	-	-
	<u>-</u>	<u>8.6</u>	<u>-</u>	<u>8.6</u>

Analysis for the prior year end is as follows:

	<i>Level 1</i> <i>£ million</i>	<i>Level 2</i> <i>£ million</i>	<i>Level 3</i> <i>£ million</i>	2023 Total £ million
Investment assets				
Equities	0.3	-	-	0.3
Bonds	0.5	-	-	0.5
Pooled investment vehicles	-	8.0	-	8.0
Cash	0.1	0.1	-	0.2
	<u>0.9</u>	<u>8.1</u>	<u>-</u>	<u>9.0</u>

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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 is the risk that the fair value of future cashflows of a financial investment will fluctuate because of changes in market prices. Market risk comprises three types of risk: 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 Group Trustees determine the investment strategy of each Section after taking advice from a professional investment adviser. The Group has exposure to these risks because of the investments it makes in following the investment strategies set out in this note. The Group Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which take into account each of the Sections' strategic investment objectives. The investment objectives and risk limits of each Section are implemented through the investment agreements in place with the investment managers and monitored by the Group Trustees by regular reviews of the investment portfolio.

Further information on the Group Trustees' approach to risk management, credit and market risk is later in this section of the Financial Statements. This section of the Financial Statements does not include the AVC investments as these are not considered significant to the overall investments of the Group, or the insurance policies.

The following table summarises the extent to which the Group's various classes of investments are affected by financial risk (based on 31 March 2024 asset position):

	Credit risk	Currency	Market risk Interest rate	Other price	2024 £million	2023 £million
Equities	○	●	○	●	-	0.3
Bonds	●	●	●	●	152.7	155.8
Pooled investment vehicles	●	●	●	●	2,111.8	2,321.3
Property loan assets	●	○	●	●	114.1	112.3
Other investment types	●	○	●	○	10.9	11.9
Total					2,389.5	2,601.6

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

Investment Strategies

The Group Trustees aim to 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.

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The Group Trustees set Section specific investment strategies taking into account considerations such as the strength of the Employer covenant, the long-term liabilities and the funding agreed with the Employer. The investment strategy of each Section is set out in a Statement of Investment Principles (SIP).

A broad summary of the investment strategy of each Section as at 31 March 2024 is below:

SLC Section

The strategy aims to protect against certain levels of risk and still provide additional returns to reduce the overall cost of pension provision. The target hedge ratios are 80% of liability interest rate risk and 80% of liability inflation risk (on a gilts +0.5% basis). The Section holds sufficient investments that move in line with the long-term liabilities to maintain the target hedge ratios. These investments include buy & maintain corporate bonds as well as LDI comprising: UK government bonds, interest rate swaps, inflation swaps, repurchase agreements and cash, the purpose of which is to hedge against the impact interest rates and inflation have on the movement of the liabilities.

The remainder of the assets are invested to provide an expected return above the liabilities over the long term. As at 31 March 2024 the return seeking assets accounted for 52% (2023: 51%) of the overall portfolio.

Cavendish Nuclear Section

The strategy aims to protect against certain levels of risk and still provide additional returns to reduce the overall cost of pension provision. The target hedge ratios are 90% of funded liability interest rate risk and 90% of funded liability inflation risk (on a gilts +0% basis). The Section holds sufficient investments that move in line with the long-term liabilities to maintain these target hedge ratios. The investments are referred to as LDI and comprise UK government, repurchase agreements and cash, the purpose of which is to hedge against the impact interest rates and inflation have on the movement of the liabilities.

The remainder of the assets are invested to provide an expected return above the liabilities over the long term. As at 31 March 2024 the return seeking assets accounted for 47% (2023: 41%) of the overall portfolio.

Atkins Section

The assets are entirely held in investments that move in line with the long-term liabilities of the Section. The annuity with Canada Life provides a perfect match to the liabilities of the members it insures, and the liabilities of the non-insured members are matched using LDI via UK government bonds and cash. The purpose of the LDI investments is to hedge against the impact interest rates and inflation have on the movement of the non-insured liabilities. The target hedge ratios are 100% of non-insured liability interest rate risk and 100% of non-insured liability inflation risk (on a gilts +0% basis).

National Nuclear Laboratory Section

The strategy aims to protect against certain levels of risk and still provide additional returns to reduce the overall cost of pension provision. The target hedge ratios are 90% of funded liability interest rate risk and 90% of funded liability inflation risk (on a Technical Provisions basis). The Section holds sufficient investments that move in line with the long-term liabilities to maintain these target hedge ratios. The investments are referred to as LDI and comprise UK government, repurchase agreements and cash, the purpose of which is to hedge against the impact interest rates and inflation have on the movement of the liabilities.

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The remainder of the assets are invested to provide an expected return above the liabilities over the long term. As at 31 March 2024 the return seeking assets accounted for 30% (2023: 37%) of the overall portfolio.

Credit Risk

The Group is subject to credit risk because the Group directly invests in bonds and has cash balances. The Group also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the pooled investment vehicles. The Group is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

Credit risk arising on bonds held directly is mitigated in liability matching portfolios by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. The Group Trustees consider financial instruments or counterparties to be of investment grade if they are rated BBB- or higher by Standard & Poor's or Fitch, or rated at Baa3 or higher by Moody's.

Credit risk arising from derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Group is subject to risk of failure of the counterparty. This risk is mitigated by the arrangements both the Group and its counterparties have in place where collateral is posted to reduce the impact of any counterparty defaulting on their obligations under the derivative contracts held. The Group's LDI manager, CTI, has an explicit mandate outlining the permitted instruments and maximum exposure to any single counterparty. Furthermore, CTI only trade with counterparties that have been approved by its Counterparty Credit Committee.

Cash is held within financial institutions which are at least investment grade credit rated.

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 diversification of the investments amongst a number of pooled arrangements. The Group Trustees 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. A summary of pooled investment vehicles and property loan assets by type of arrangement is as follows:

Type of arrangement	2024 £ million	<i>Restated 2023 £ million</i>
Authorised unit trusts	7.6	<i>6.4</i>
Open-ended investment companies	304.7	<i>346.6</i>
Shares of limited liability partnerships	750.0	<i>810.5</i>
Other*	1,163.6	<i>1,270.1</i>
Total	2,225.9	<i>2,433.6</i>

*The managers holding funds classed as others are listed below along with the type of arrangement:

- M&G – Irish Common Contractual Fund
- BMO - Luxembourg domiciled mutual investment umbrella fund
- Insight – Umbrella Irish collective asset-management vehicle
- Ruffer - Protection Strategies: Luxembourg domiciled specialised investment fund in corporate form (SICAV-FIS); Illiquid Multi Strategies: closed-ended investment company

The 2023 column above has been restated to include the property loan assets.

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Indirect credit risk arises in relation to underlying investments held in pooled investment vehicles such as credit, derivatives and repos. The Group Trustees mainly invest in government and investment grade credit but the Group's mandates with PIMCO, Barings, DRC, GAM/Invesco, BentallGreenOak, Longbow, Arcmont, Hayfin, Schroders and Chorus enable sub-investment grade or unrated exposure. These risks are mitigated by the Group through having explicit mandates with investment managers and investing across a diverse range of managers, asset classes, regions and sectors.

Currency Risk

The Group is subject to currency risk because some of the Group's investments are held in overseas markets, either as segregated investments (direct exposure) or via pooled investment vehicles (indirect exposure).

The Group Trustees consider currency risk as part of the overall determination of the investment strategy, therefore no further mitigation is deemed necessary.

Interest Rate Risk

The Group is subject to interest rate risk because some of the Group's investments are held in bonds (some of which are funded through repurchase agreements) and interest rate swaps (either as segregated investments or through pooled investment vehicles), and cash. The Group Trustees have set specific target benchmarks for each Section in relation to the total investment in bonds and interest rate swaps in order to mitigate the interest rate risk relative to the liabilities. For each Section the target benchmark is defined as part of its LDI investment strategy in terms of the amount of liability interest rate and inflation risk being hedged.

Under an LDI strategy, if gilt yields fall, the value of the LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if gilt yields rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

The LDI assets as at 31 March 2024 targeted the same exposure to interest rates as:

- SLC Section: 80% of the liabilities (measured on a gilts +0.5% p.a. basis)
- Cavendish Nuclear Section: 90% of the funded liabilities (measured on a gilts +0% p.a. basis)
- Atkins Section: 100% of the liabilities (measured on a gilts +0% p.a. basis)
- NNL Section: 90% of the funded liabilities (measured on a Technical Provisions basis)

Other Price Risk

Other price risk arises principally in relation to supply and demand in the market place and risks specific to each particular asset class (such as changes in level of inflation for LDI). The Group Trustees manage this exposure to overall price risk for each Section by constructing a diverse portfolio of investments across various markets. The Group has target asset allocations for each Section in accordance with the investment strategies outlined earlier in the report.

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20. Concentration of investments

Investments exceeding 5% of the value of the **SLC Section's** net assets as at 31 March 2024 or 31 March 2023 are detailed below:

Investment	2024		2023	
	£ million	%	£ million	%
Columbia Threadneedle LDI Private Sub Fund	927.8	39.9	1,018.9	40.2
M&G Inflation Opportunities III Fund	184.8	7.9	191.4	7.6
Innisfree PFI Secondary Fund 2 LP	138.8	6.0	154.7	6.1

Note: Percentages calculated using full values rather than rounded amounts

Investments exceeding 5% of the value of the **Cavendish Nuclear Section's** net assets as at 31 March 2024 or 31 March 2023 are detailed below:

Investment	2024		2023	
	£ million	%	£ million	%
Columbia Threadneedle Regular Profile Leveraged Real Gilt Fund	17.9	33.2	23.2	41.2
PIMCO Tactical Opportunities Offshore Fund	9.5	17.7	8.2	14.6
Columbia Threadneedle Sterling Liquidity Fund	6.2	11.6	6.9	12.3
PIMCO Global Libor Plus Fund	5.5	10.3	5.1	9.1
Schroder Life Diversified Growth Fund	5.0	9.4	4.7	8.3
CF Lindsell Train UK Equity	4.6	8.5	4.6	8.1

Note: Percentages calculated using full values rather than rounded amounts

Investments exceeding 5% of the value of the **Atkins Section's** net assets as at 31 March 2024 or 31 March 2023 are detailed below:

Investment	2024		2023	
	£ million	%	£ million	%
Canada Life Insurance policy	29.1	59.6	31.3	60.0
Columbia Threadneedle Regular Profile Unleveraged Real Gilt Fund	13.0	26.7	16.1	30.9
Columbia Threadneedle Sterling Liquidity Fund	2.2	4.5	3.4	6.5

Note: Percentages calculated using full values rather than rounded amounts

Investments exceeding 5% of the value of the **NNL Section's** net assets as at 31 March 2024 or 31 March 2023 are detailed below:

Investment	2024		2023	
	£ million	%	£ million	%
Schroder Life Diversified Growth Fund	2.5	29.1	1.7	18.4
Columbia Threadneedle Sterling Liquidity Fund	1.8	21.0	2.0	21.3
Columbia Threadneedle Credit-linked Real DLDI Fund	1.7	19.1	-	-
Columbia Threadneedle Equity-linked Real DLDI Fund	1.0	11.2	-	-
Columbia Threadneedle Short Profile Leveraged Real Gilt Fund	0.7	8.2	0.7	7.7
BlackRock ICS Sterling Liquidity Fund	0.5	5.5	-	-
Columbia Threadneedle Regular Profile Leveraged Real Gilt Fund	-	-	2.7	29.5

Note: Percentages calculated using full values rather than rounded amounts

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21. Employer related investments

The Investment Regulations limits employer related investments by occupational pension schemes. These 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.

The Group's assets had no direct exposure to the employers participating in the Group and their associated companies as at 31 March 2024 (*31 March 2023: nil*). The Group Trustees recognise that indirect investment in such companies is possible through holdings in pooled investment vehicles. However, the Group Trustees believe that the diversification across the Group's assets by asset class, manager and fund means that any indirect exposure through pooled funds is likely to be negligible at year end, and these investments therefore comply with legislative requirements.

22. Current assets

	SLC Section 2024 £ million	CN Section 2024 £ million	Atkins Section 2024 £ million	NNL Section 2024 £ million	Total 2024 £ million
Contributions due in respect of:					
Employers	1.7	0.1	-	-	1.8
Cash balances	2.5	0.4	-	0.1	3.0
	<u>4.2</u>	<u>0.5</u>	<u>-</u>	<u>0.1</u>	<u>4.8</u>

	SLC Section 2023 £ million	CN Section 2023 £ million	Atkins Section 2023 £ million	NNL Section 2023 £ million	Total 2023 £ million
Contributions due in respect of:					
Employers	1.7	-	-	-	1.7
Cash balances	2.8	0.2	-	0.3	3.3
	<u>4.5</u>	<u>0.2</u>	<u>-</u>	<u>0.3</u>	<u>5.0</u>

All contributions due to the Group at 31 March 2024 and 31 March 2023 relate to March 2024 and March 2023 respectively and were subsequently paid in full to the Group in accordance with the Schedule of Contributions.

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23. Current liabilities

	SLC Section 2024 £ million	CN Section 2024 £ million	Atkins Section 2024 £ million	NNL Section 2024 £ million	Total 2024 £ million
Benefits payable	(1.9)	-	-	-	(1.9)
Administration & investment expenses payable	(0.2)	-	-	-	(0.2)
	<u>(2.1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2.1)</u>

	SLC Section 2023 £ million	CN Section 2023 £ million	Atkins Section 2023 £ million	NNL Section 2023 £ million	Total 2023 £ million
Benefits payable	(0.7)	-	-	-	(0.7)
Administration & investment expenses payable	-	-	-	-	-
	<u>(0.7)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.7)</u>

24. Related party transactions

Related party transactions and balances comprise:

Key management personnel

Contributions and contributions receivable in respect of three (2023: *three*) of the Group Trustees and pensions paid in respect of four (2023: *four*) of the Group Trustees.

Fees of £125,788 (2023: £114,598) were paid to certain Group Trustees in the year by the Employers.

Employer and other related parties

Investment management expenses for Group-specific funds, performance measurement services and investment-related fees of Group advisers, are the responsibility of the Group Trustees. With the exception of those shown in note 8, all administrative expenses of the Group incurred during the years to 31 March 2024 and 31 March 2023 were paid by the Employers.

25. Contingencies and commitments

The Group has £435.0 million (2023: £435.0 million) of funds committed to six (2023: six) investment managers - GAM International Management Limited, BentallGreenOak Real Estate Advisors LLP, DRC Capital LLP, Invesco Asset Management, BlueBay Asset Management LLP and Hayfin Capital Management LLP. As at 31 March 2023, approximately £117.5 million (2023: £113.8 million) is yet to be drawn down and represents a capital commitment at that date.

The Virgin Media Limited / NTL Pension Trustees II decision, handed down by the High Court in June 2023, considered the implications of section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out scheme cannot be altered unless the actuary confirmed that the scheme would continue to satisfy the statutory standards. The High Court found that, where the required actuarial confirmation was not supplied, the effect of section 37 was to render the relevant amendment to any contracted-out right automatically void. It also held that references in the legislation included both past and future service rights and that the requirement for actuarial confirmation applied to all amendments to the rules of a contracted-out scheme. The case has been appealed and the judgement was handed down on 25 July 2024. The Court of Appeal agreed with the first instance High Court decision. There is still the possibility of further developments changing the position following the Court of Appeal's judgment (such as a further appeal to the Supreme Court or intervention by the Secretary of State for Work & Pensions). The Group Trustees are continuing to assess any potential impact (if any) on the Group taking into account any further clarity on possible further developments.

In the opinion of the Group Trustees, other than the matters detailed above, the Group had no contingent liabilities or contractual commitments entered into which are not provided for in these Financial Statements.

26. Subsequent events

There were no subsequent events requiring disclosure in the financial statements.

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Appendix 1 – Analysis of Membership Statistics by Section

Site Licence Company Section

	Contributors	Pensioners	Dependants	Deferred pensioners	Total
At 1 April 2023	907	5,299	1,430	964	8,600
Adjustments to opening membership	1	-	-	-	1
Adjusted membership as at 1 April 2023	908	5,299	1,430	964	8,601
Increases					
Contributors/pensioners/dependants/deferred pensioners	-	115	96	12	223
Pensions sharing orders and new EPB pensioners in payment	-	-	-	1	1
Sub Total	-	115	96	13	224
Reductions					
Contributors / deferred pensioners retiring	(60)	-	-	(55)	(115)
Deaths	(2)	(164)	(79)	-	(245)
Leavers with deferred pensions	(12)	-	-	-	(12)
Leavers with refunds of contributions/transfers to other schemes/cessation of child allowances	-	-	-	(3)	(3)
Sub Total	(74)	(164)	(79)	(58)	(375)
At 31 March 2024	834	5,250	1,447	919	8,450

Cavendish Nuclear Section

	Contributors	Pensioners	Dependants	Deferred pensioners	Total
At 1 April 2023	46	39	3	40	128
Increases					
Contributors/pensioners/dependants/deferred pensioners	-	-	-	5	5
Pensions sharing orders and new EPB pensioners in payment	-	1	-	-	1
Sub Total	-	1	-	5	6
Reductions					
Leavers with deferred pensions	(5)	-	-	-	(5)
Sub Total	(5)	-	-	-	(5)
At 31 March 2024	41	40	3	45	129

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Atkins Section

	Contributors	Pensioners	Dependants	Deferred pensioners	Total
At 1 April 2023	2	26	1	13	42
Increases					
Contributors/pensioners/dependants/deferred pensioners	-	1	-	1	2
Sub Total	-	1	-	1	2
Reductions					
Contributors / deferred pensioners retiring	(1)	-	-	(1)	(2)
Sub Total	(1)	-	-	(1)	(2)
At 31 March 2024	1	27	1	13	42

National Nuclear Laboratories Section

	Contributors	Pensioners	Dependants	Deferred pensioners	Total
At 1 April 2023	4	7	2	-	13
At 31 March 2024	4	7	2	-	13

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Appendix 2 – Glossary of Terms

Listed below are brief explanations of terms used within the Report & Financial Statements 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.
Discontinuance funding ratio	This shows the Actuary's estimate of the proportion which the value of the Group's assets represent of the costs of buying out the accrued benefits with an insurance company.
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.
Rule 32 Payment	The payment of special contributions (whether in relation to benefits, contributions or otherwise) by the [Principal] Employer, without limitation, in respect of Back Service Credits and/or Added Years to or in respect of one or more individuals (excluding Enhanced Protection Members).
State Second Pension	Additional pension benefits purchased through National Insurance Contributions to enhance the Basic State Pension by those people not "Contracted Out" through membership of a private or company pension scheme. This was formerly known as the State Earnings Related Pension Scheme (SERPS) and was re-named from 6 April 2002.
State Graduated Pension Scheme	The State Graduated Pension Scheme which commenced on 3 April 1961 and terminated on 5 April 1975 being replaced by 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.

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Investment glossary	
Derivative	<p>A derivative is a financial contract between two parties whose value is derived from an underlying asset's price or an index based on asset prices. Underlying assets are typically equities, bonds, interest rates, exchange rates and stock market indices. The main types of derivatives used by pension schemes are:</p> <ul style="list-style-type: none"> - futures contracts - forward foreign exchange contracts - options - swaps <p>A derivative can be exchange traded or traded over the counter ("OTC").</p>
Exchange traded	<p>An exchange traded security is purchased or sold through a registered exchange (e.g. a stock exchange) which provides trading facilities.</p>
Forward foreign currency contract (FFX)	<p>A forward foreign exchange contract is an over the counter transaction whereby two parties agree to exchange two different currencies at an agreed rate of exchange on a specific date in the future.</p>
Futures Contract	<p>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.</p>
Initial Margin	<p>Before entering into a futures contract, a deposit is required which is referred to as the initial margin. This deposit may be in the form of cash or other assets, such as securities. The margin is required to protect parties against possible losses arising from the futures contract.</p>
IPD	<p>Investment Property Databank is an independent organisation that collates and publishes information about performance of the commercial property sector. The IPD provides a benchmark against which the performance of property assets can be monitored.</p>
Liability Driven Investment (LDI)	<p>An investment strategy focused on gaining enough assets to cover all current and future liabilities</p>
LIBID	<p>London Inter-Bank Bid Rate. This is the rate of interest at which banks are willing to pay to borrow from each other for a specified period – normally one day. The rate fluctuates dependent on the supply and demand of funds.</p>
Managed Funds	<p>A managed fund is an investment contract which offers participation in one or more funds operated on similar lines to unit trusts. The range of managed funds available includes gilts, index-linked securities, equities, cash deposits, property and mixed funds. Typically managed funds relate only to a unitised fund under a policy of assurance from a life assurance company.</p>

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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)	An over the counter (OTC) security is traded between two individual counterparties rather than on an exchange. There is no standardisation of contract specifications so the size of the contact, the settlement date and price are all negotiable.
Pooled investment vehicles	A fund in which several investors participate. The assets are not held directly in the name of individual clients but form part of a “pool”. Unit trusts are a common example of a pooled investment vehicle. Investors hold units in the pooled fund. The value of individual units is determined by the value of the underlying assets of the fund.
Segregated Funds	In the ESPS, investment portfolios which are specific to a particular Group and may be comprised of individual securities or take the form of a pooled investment vehicle.
Stock lending	The temporary transfer of securities by a lender to a borrower, with an agreement that the borrower will return equivalent securities to the lender either on a pre-agreed future date or on demand. In return the lender receives a fee for making the securities available to the borrower.
Swaps	A swap is an 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 comprises three Sectors: UK Property, UK Forestry and Cash.
Variation Margin	Amounts payable under futures contracts - to ensure that deposits/(margins) are maintained at contractually agreed levels as the value of the underlying asset changes.

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Appendix 3 – Advisers and Service Providers

Group Actuary

Chris Vaughan-Williams FIA
of Aon Solutions UK Limited, resigned 30
June 2023

Carries out valuations and other funding updates of the Group as required by the Scheme Rules and Statute, provides all tables and factors for the application of Scheme Rules and options, and advises on all matters relating to pension funding.

Damien Kelson FIA
of Aon Solutions UK Limited, appointed 1
July 2023

Independent Group Auditors

PricewaterhouseCoopers LLP

Reports on the audit of the Group Financial Statements.

Scheme Custodian

The Bank of New York Mellon

Maintains safe custody of the Scheme's assets.

Investment Adviser

Ruth Williams
of Aon Solutions UK Limited

Advises the Group Trustees on all investment matters including the Statement of Investment Principles.

Legal Adviser

Eleanor Daplyn
of Sacker and Partners LLP

Advises on legislative requirements and application of the provisions of the Group in particular circumstances.

Performance Measurer

Ruth Williams
of Aon Solutions UK Limited

Provides the Group Trustees with a measurement service for their investments relative to the strategic benchmark and on the performance of the investment managers.

Benefits Administration and Accounting

Railpen
2 Rye Hill Office Park
Birmingham Road
Allesley
Coventry
CV5 9AB

Tel: 02476 472582

Group Administrator

Kelly Capdeville
Head of Pensions
Nuclear Restoration Services Ltd
Oldbury Naite
South Gloucestershire
BS35 1RQ

Group Appointed Fund Managers

Arcmont Asset Management Ltd ("Arcmont")
Barings Global Investment Funds plc ("Barings")
BlackRock Investment Management (UK) Limited ("BlackRock")
CBRE Global Investors (UK) Limited ("CBRE")
Chorus Capital Management Ltd ("Chorus")
Columbia Threadneedle Investments ("CTI")
DRC Capital LLP ("DRC")
BentallGreenOak Real Estate Advisors LLP ("BentallGreenOak")
Hayfin Capital Management LLP ("Hayfin")
Industry Funds Management ("IFM")
Infrared Capital Partners
Innisfree Ltd
Insight Investment Management Limited ("Insight")
Invesco Asset Management ("Invesco")
JP Morgan Asset Management Ltd
Legal & General Investment Management Limited ("L&G")
Lindsell Train Ltd
Longbow Real Estate Capital LLP ("Longbow")
M&G Asset Management ("M&G")
PIMCO Europe Ltd ("PIMCO")
Robeco Institutional Asset Management B.V. ("Robeco")
Ruffer LLP ("Ruffer") (to 22 December 2023)
Schroder Investment Management Limited ("Schroders")

Additional Voluntary Contributions (AVCs) Providers

Phoenix Life Assurance Limited (to 16 June 2023)
The Prudential Assurance Company Limited
Scottish Equitable Public Limited Company ("Aegon")

Appendix 4 – Names and Addresses of External Bodies

The Money and Pensions Service

The Money and Pensions Service is available at any time to help members and beneficiaries with pensions questions and any difficulties they may have encountered and which they have failed to resolve with the trustees or administrators of schemes.

The Money and Pensions Service can be contacted at Borough Hall, Cauldwell Street, Bedford, MK42 9AB.

Telephone: 01159 659570

E-mail: contact@maps.org.uk

Website for online contact: www.maps.org.uk

Pensions Ombudsman

The Pensions Ombudsman can investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The Pensions 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 Pensions Ombudsman can be contacted at 10 South Colonnade, Canary Wharf, E14 4PU.

Telephone: 0800 917 4487

E-mail: helpline@pensions-ombudsman.org.uk (early resolution)

E-mail: enquiries@pensions-ombudsman.org.uk

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 sustainable growth of an employer when exercising its functions under the Scheme Funding Legislation.

The Pensions Regulator can be contacted at Telecom House, 125-135 Preston Road, Brighton BN1 6AF.

Telephone: 0345 600 0707

E-mail: customersupport@tpr.gov.uk

Website: www.thepensionsregulator.gov.uk

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 at The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU

Telephone: 0800 731 0193

From outside the UK: +44 (0)191 215 4491

Website: www.gov.uk/find-pension-contact-details

Appendix 5 – Address for Enquiries

Further information about the Group and enquiries relating to specific benefit entitlements should be addressed to:

Railpen Limited
2 Rye Hill Office Park
Birmingham Road
Allesley
Coventry
CV5 9AB

Telephone: 02476 472 582
E-mail: enquiries@railpen.com

Appendix 6 – Engagement Policy Implementation Statement

Engagement Policy Implementation Statement (“EPIS”)

Magnox Electric Group of the Electric Supply Pension Scheme (“the Group”)

Group Year End – 31 March 2024

The purpose of the EPIS is for the Group Trustee (“Magnox Electric Group Trustee Company Limited”) of the Magnox Electric Group of the Electric Supply Pension Scheme, to explain what it has done during the year ending 31 March 2024 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”) of each Section. It includes:

1. How policies in the SIPs about asset stewardship (including both voting and engagement activity) in relation to the Group’s investments have been followed during the year; and
2. How voting rights have been exercised or how these rights have been exercised on behalf of the Group Trustee, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

Our conclusion

Based on the activity carried out over the year by the Group Trustee, its investment advisers, and its investment managers, the Group Trustee is of the opinion that its stewardship policy has been implemented effectively in practice.

The Group Trustee notes that the Group’s most material investment managers (defined in the “Data Limitations” section later in report) were able to disclose adequate evidence of voting and/or engagement activity, that the activities completed by managers align with its stewardship expectations, and that its voting policy has been implemented effectively in practice.

The Group Trustee will continue to use its influence to drive positive behaviour and change among the investment managers that it has invested with and other third parties that the Group Trustee relies on such as its investment adviser. The Group Trustee will monitor, assess and ultimately hold them to account to ensure that its policies are appropriately carried out.

How voting and engagement policies have been followed

The Group Trustee last reviewed the policies set out in the Statement of Investment Principles (SIP) for each Section in 2023. No changes were made to the SIPs over the reporting year and the latest policies can be found on the Group's website.

<https://my-magnox-pension.com/library/scheme-documents>

The Group is invested mostly in pooled funds, and so the responsibility for voting and engagement is delegated to the Group's investment managers. The Group also held segregated mandates with Robeco and Ruffer over the reporting year, with the Ruffer mandate being terminated in December 2023. Voting rights are attached to some of the underlying shares and funds held with Ruffer. However, the mandate held with Robeco comprises predominantly corporate bonds, which have no voting rights attached.

The following activities were undertaken over the reporting year:

Ongoing monitoring

Investment monitoring takes place on a quarterly basis with monitoring reports being provided to the Group Trustee by its investment adviser. The Group Trustee expects its investment adviser to proactively highlight any areas of concern and provide clear advice where action is required – this includes, but is not limited to, matters in relation to responsible investment.

The Group Trustee regularly invites its managers to provide updates at its meetings. These updates will include, among other things, information on performance, stewardship and Environmental, Social and Governance ("ESG") factors.

There were no material ESG issues to disclose during the reporting year as part of this ongoing monitoring.

Climate risk management

The Group Trustee continues to meet the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

The Group's second report covered the period 1 April 2023 to 31 March 2024 and is now available on its website (see link above). The Group Trustee will continue to publish a report annually within seven months of the Group year end.

Engagement Action Plan

The Group Trustee reviewed the stewardship activity of the Group's most material investment managers (defined in the "Data Limitations" section later in report) over the reporting year and is of the view that the investment managers were able to disclose adequate evidence of voting and/or engagement activity. More information on the stewardship activity carried out by the Group's investment managers can be found in the following sections of this report.

The Group Trustee will continue to monitor its investment managers and investment adviser to ensure its policies are appropriately carried out.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. The Group Trustee believes that good stewardship is in the members' best interests. This means promoting best practice and encouraging investee companies to access opportunities, managing risk appropriately, and protecting shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Group's investments is an important factor in deciding whether a manager remains the right choice for the Group.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Group's equity-owning investment managers to responsibly exercise their voting rights.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues

Source: UN PRI

Voting statistics

The table below shows the voting statistics for each of the Group's funds with voting rights for the year to 31 March 2024.

Manager	Fund	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
Ruffer*	Segregated Mandate	455	82.6%	5.32%	3.99%
Schroders	Diversified Growth Fund	14,566	93.9%	10.7%	0.40%
Lindsell Train	UK Equity Fund	330	98.5%	0.0%	0.60%

Source: Managers

*the Ruffer segregated mandate was terminated in December 2023 and therefore only represents part of the reporting period.

The Group Trustee discussed with investment managers where managers voted against or abstained from voting on resolutions. The investment manager's responses are summarised below.

Ruffer:

Ruffer predominantly abstained from votes where it had exited the position after the record date but before the vote date, hence was not a holder at the time the votes were cast. The remaining abstained votes concerned the election of directors. While Ruffer was content with the make-up of the Board, the directors' tenure exceeded the Ruffer policy and therefore Ruffer chose to Abstain on their re-election.

Schroders:

Schroders votes against management proposals were typically due to reasons such as excessive auditor tenure and concerns in relation to board diversity as well as to encourage better performance-based targets. While Schroders attempted to vote on all resolutions, it was not always able to due to share blocking (trading of shares around meeting dates) and issues with power of attorney / other paperwork.

Lindsell Train

Lindsell Train's concentrated portfolio of 'best in class' companies and long-term investment approach generally leads to Lindsell Train being supportive of company management. Lindsell Train did not vote against management over the year but did abstain on one vote. Lindsell Train noted that the abstention was for Mondelez in relation to an 'Advisory vote on Executive compensation' – further information is included in the appendix.

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay, and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table on the following page describes how the Group's managers, in their own words, use proxy voting advisers.

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

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Description of use of proxy voting advisers	
Ruffer LLP	<p>Ruffer's proxy voting advisor is Institutional Shareholder Services (ISS). We have developed our own internal voting guidelines, however we take into account issues raised by ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although we are cognisant of proxy advisers' voting recommendations, we do not delegate or outsource our stewardship activities when deciding how to vote on our clients' shares.</p> <p>Each research analyst, supported by our responsible investment team, reviews the relevant issues on a case-by-case basis and exercises their judgement, based on their in-depth knowledge of the company. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to the Head of Research or the Chief Investment Officer.</p>
Schroders	<p>In Q4 2023 we switched vendor from ISS to Glass Lewis (GL) who act as our one service provider for the processing of all proxy votes in all markets. GL delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from GL in line with our own bespoke guidelines, in addition, we receive GL's Benchmark research. This is complemented with analysis by our in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers.</p>
Lindsell Train	<p>We appointed Glass Lewis (GL) during Q1 2020 to aid the administration of proxy voting and provide additional support in this area. It is important to stress however that the portfolio managers maintain final decision-making responsibility, which is based on their detailed knowledge of the companies in which we invest, as this forms an important part of our investment process and proactive company engagement strategy. For clarity, we do not default to GL's advice/suggested vote, but rather we vote in line with LT's proxy voting policy and may consider GL's recommendation and/or research to improve the inputs to our decision making.</p>

Source: Managers

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Group's equity-owning investment managers to provide a selection of what they consider to be the most significant votes in relation to the Group's funds. A sample of these significant votes can be found in the appendix.

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Managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Group's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e., is not necessarily specific to the fund invested in by the Group.

Funds	Group exposure (% of assets at 31 March 2024)	Number of engagements		Themes engaged on at a fund level
		Fund level	Firm level	
Arcmont - Direct Lending Fund III	2.5	5	21	Environment – Climate Change Social – Human Capital Management Strategy, Financial and Reporting – Reporting; Risk Management
Chorus - Capital Credit Fund IV	3.7	<i>Not provided</i>	12	Environment - Climate Change; Natural Resource Use/Impact; Pollution, Waste Social - Conduct, Culture and Ethics; Human and Labour Rights Governance – Board effectiveness, leadership – Chair/CEO and independence and oversight
CBRE - UK Property Fund	4.4	<i>Unable to provide summary information but provided some specific examples of engagement, some of which are included in the appendix</i>		
CBRE - Long Income Fund	3.3			
Hayfin - DLF Fund III	2.6	26	~20	Environment - Climate Change; Pollution, Waste Social - Human Capital Management; Inequality; Conduct, Culture and Ethics Governance – Board effectiveness relating to independence/oversight.
IFM - Global Infrastructure Fund	4.6	<i>Unable to provide summary information but provided some specific examples of engagement, some of which are included in the appendix</i>		
Innisfree - PFI Continuation Fund	1.9	11	45	Environment – Climate Change, Natural Resource Use/Impact, Pollution, Waste Social – Conduct, Culture and Ethics, Human Capital Management
Innisfree - PFI Secondary 2 Fund	5.7	23		Governance – Board Effectiveness / Diversity Strategy, Financial & Reporting – Reporting, Financial Performance, Risk Management.
Ruffer LLP - Segregated Mandate	0.0	<i>Not provided</i>	134	Environment – Climate Change Governance – Board diversity, Data disclosure
Invesco - Real Estate UK Residential Fund	3.2	<i>Not provided</i>	206	Environment - Climate Change Social - Human and Labour Rights Governance - Remuneration; Leadership - Chair/CEO Strategy, Financial & Reporting - Risk Management
LGIM - UK Build to Rent Fund	3.3	20	2,500	Environment - Climate Change; Natural Resource Use/Impact; Pollution, Waste Social - Human and Labour Rights Governance - Leadership - Chair/CEO

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Funds	Group exposure (% of assets at 31 March 2024)	Number of engagements		Themes engaged on at a fund level
		Fund level	Firm level	
M&G - Inflation Opportunities Fund	7.6	33	297	Environment - Climate Change Social - Human Capital Management Governance - Remuneration; Board Effectiveness / Diversity Other - Multiple Topics
Robeco - Global Credits	6.7	<i>Not provided</i>	319	Environment - Climate Change; Natural Resource Use/Impact Social - Human and Labour Rights Governance - Shareholder Rights Other - SDG Engagement
Schroders - Diversified Growth Fund	0.3	1,402	6,724	Environment - Minimising Emissions; Climate Risk, Oversight, Carbon capture and removal, Climate adaptation, Climate risk and oversight Deforestation Social – Communities, Customers and consumers, Health, safety and wellbeing and Value chain diversity and inclusion Governance - Executive Remuneration, Board diversity and inclusion, Relationship with shareholders; Boards and Management
Lindsell Train - UK Equity Fund	0.2	14	40	Social - Human and Labour Rights Governance - Remuneration; Leadership - Chair/CEO Strategy, Financial & Reporting - Capital Allocation; Strategy/Purpose

Source: Managers.

Data limitations

The Group Trustee has concentrated on summarising the stewardship activities of material holdings where there is meaningful scope for engagement. With this in mind, the EPIS does not disclose stewardship information in relation to:

- Funds representing less than 2% of the Group's total assets and any AVC investments held at 31 March 2024 on the grounds of materiality, except for the investments held with Lindsell Train, Ruffer & Schroders given the managers have allocations to listed equities; and
- The Group's LDI holdings with CTI (c.41% of total Group assets), annuity held with Canada Life (c.1% of total Group assets) and cash held with BlackRock (<1% of total Group assets) as the Group Trustee deems the scope for engagement to be very limited.

At the time of writing, the following managers did not provide all the information we requested:

- Chorus, Invesco, Robeco and Ruffer only provided engagement at a firm level, rather than at a fund and firm level.
- CBRE and IFM only provided some specific examples of engagement and were not able to provide summary information.

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Appendix – Engagement Examples

The table below summarises some significant engagement examples provided by IFM and CBRE – the two investment managers who were unable to provide summary engagement information for the table on page 6 of the EPIS (or page 74 of the Annual Report).

IFM - Global Infrastructure Fund	Name of entity	
	Naturgy	
	Average portfolio weight	5.30%
	Topic	Environment - Climate change
	Rational	<p>"Naturgy represents c.30% of IFM's 2030 decarbonisation target of 2.02m tCO₂e across infrastructure equity, including the IFM Global Infrastructure Fund.</p> <p>As a reminder, IFM is targeting Net Zero across all asset classes, including GIF, by 2050."</p>
	Action taken	<p>"A 11% stake in Naturgy was acquired in October 2021, growing to c.14% today.</p> <p>IFM engages with Naturgy through its active management approach, either at the Board level where it has one seat, or through frequent direct interactions with Naturgy management.</p> <p>Naturgy has set targets so that by 2025, Naturgy is targeting to reduce its Scope 1 and 2 emissions by 48% compared to a 2017 baseline and transition to a 60% renewable energy generation mix.</p> <p>As of 2022, Naturgy has reduced emissions by 29% compared to 2017. This reduction has been primarily achieved through the closure of coal-fired energy generation facilities which has been widely recognised externally.</p> <p>As part of its long-term climate strategy, the company is seeking to increase the installed capacity of renewable generation, supporting the development of biomethane and green hydrogen as new products, developing storage systems and improving value chain energy efficiency."</p>
	Outcome and next steps	<p>"Following on from the above, IFM continues to work closely with Naturgy on the following initiatives:</p> <ol style="list-style-type: none"> 1. IFM believes the development of new renewable capacity will allow the gradual decarbonisation of Naturgy's energy generation mix. In 2022, Naturgy owned a renewable portfolio of 5.5GW (c. 34% of total installed power generation capacity) across wind, solar and hydroelectric plants and has announced a pipeline of 24.5GW of additional capacity, targeting 14GW of installed renewable capacity by 2025. 2. IFM believes the development of biomethane and green hydrogen as a product will provide a new energy product, which in its view can replace natural gas, but with lower or no additional CO₂ emissions than would otherwise be generated. In 2021, Naturgy became the first company in Spain to inject biogas into the gas distribution network. To date, 95% of Naturgy's gas distribution networks are already prepared for use of this future fuel. It is Naturgy's strategy to inject more than 1TWh into Spain's gas grid by 2025. 3. Linked to the dismantlement process at the closed coal sites, Naturgy has devised an alternative plan for the sites giving priority

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IFM - Global Infrastructure Fund		to technologies which make power generation more efficient, with lower emissions. Reconversion plans for the development of green hydrogen at the closed coal sites are on-going at three locations for a total estimated production of c. 30,000 tH2/year in a first phase.
		4. Naturgy is working on a transition that minimises depopulation and decapitalisation in territories affected by the closure of installations. The reconversion plans are developed under the "Agreement on a Just Energy Transition for closing thermal plants", which has been signed with the Spanish Government and trade unions. The impact on local employment and the local value chain during this transition stage is estimated to create about 8,000 jobs."
	Name of entity	Anglian Water Group
	Average portfolio weight	2.14%
	Topic	Social - Human capital management (e.g. inclusion and diversity, employee terms, safety)
	Rational	"IFM's Infrastructure team has a strong track record of working closely with investee companies to drive and continuously improve safety performance. To date, IFM's approach has had a meaningful impact, with incident data largely demonstrating a trend of overall improvement after we acquired each asset."
		"A 19.8% stake in Anglian Water Group was acquired in October 2006.
		IFM engages with Anglian Water Group through its active management approach, either at the Board level, or through frequent direct interactions with Anglian Water Group management.
		Since 2019, IMF has hosted safety forums with investee companies in conjunction with its global safety partner Environmental Resources Management (ERM) to share and leverage knowledge across the portfolio. Discussion topics focus on best practices and solutions to mitigate OH&S hazards.
	Action taken	For example, during 2022, IFM hosted roundtables focused on:
		1. Electricity and energised components, with particular emphasis on administrative and preventive control measures when working with electrical hazards.
		2. Hazardous material risk management, with emphasis on storage and handling.
		IFM continues to work closely with each portfolio company to drive improvements in their approach to health and safety.
		In IFM's most recent safety risk management performance benchmarking study, a study which commenced in 2019/20 and is facilitated by ERM, which measures IFM's combined Australian and Global Infrastructure portfolios against a composite benchmark on overall employee and contractor safety performance, the results were:
		1. Lost Time Accidents 50% lower than peer benchmark 2. Fatality rate 30% lower than peer benchmark"
	Outcome and next steps	"In 2023, Anglian Water became the first water company to achieve certification for the ISO (45003) standard, which recognises the important work the water company does to support its people's health and wellbeing.

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		<p>The new ISO (45003) standard – awarded by the British Standards Institution (BSi) – shows Anglian Water creates an environment where its people feel safe and supported to be themselves and perform at their best.</p> <p>The certification builds on the water company's existing ISO (45001) for occupational health and safety.</p> <p>IFM continues to work closely with Anglian Water through its active management approach, both at Board level and directly with management, to maintain and improve the business' approach to health and safety."</p>
CBRE - UK Property Fund	Name of entity	All tenants at Overland Park, Leeds
	Average portfolio weight	<i>Not provided</i>
	Topic	Green building certifications
	Rational	Aligns with SDG 11: Sustainable Cities and Communities
	Action taken	With the tenants' collaboration, the Fund submitted for BREEAM New Construction certification for Overland Park in Leeds.
	Outcome and next steps	The asset was awarded an Excellent rating by BREEAM (73.7%)
CBRE - Long Income Investment Fund	Name of entity	All tenants in the UKLIF portfolio
	Average portfolio weight	100%
	Topic	Social: Tenant satisfaction and occupier wellbeing
	Rational	Tenant satisfaction forms a key part of CBRE's social duties as a landlord and investor. Understanding the needs and concerns of tenants enable to improve the overall service CBRE can provide to tenants and building occupier wellbeing.
	Action taken	<p>In 2023, UKLIF undertook Tenant Satisfaction Surveys. These were conducted by the Fund's third-party Property Managers, working in collaboration with the Fund's ESG Consultant. The survey sought feedback from tenants on a variety of different topics and issues, including, but not limited to:</p> <ul style="list-style-type: none"> - Landlord / tenant communication - Satisfaction with property management - Satisfaction with responsiveness when issue raised with property managers - Understanding tenant needs - Value for money. <p>The surveys were distributed to tenants via email.</p>
	Outcome and next steps	All feedback is reviewed by the Property Management team, reported back to CBRE, and any necessary changes are planned and implemented where feasible.

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Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by each of the Group's managers with equity exposure. For the purpose of this report, we have assumed a significant vote to be one which the voting manager deems to be significant.

Ruffer LLP – Segregated Mandate	Company name	BP Plc
	Date of vote	27 April 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.5%
	Summary of the resolution	Environmental - Approve Shareholder Resolution on Climate Change Targets
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote? (Please add additional comments in the space below)	We voted with management
	Rationale for the voting decision	BP has, in our opinion, outlined a credible transition strategy with appropriate decarbonisation targets, that reflects demand for oil & gas energy whilst allocating capital to the 'transition growth engines'. Whilst BP has tightened & reduced its 2025 and 2030 aims, it has retained its 2050 net zero target. Further, it has committed additional capital to the transition which BP argues is uncertain and therefore, locking into one, fixed strategy (through investing or divesting the wrong asset) is not in the best interests of generating shareholder value. This resolution asked for "BP to align its 2030 Scope 3 aims with Paris". Firstly, this would require a wholesale shift in strategy, which we believe is unnecessary given the Board has opined on net zero and published a strategy. Secondly, BP in isolation has no control over what global scope 3 emissions should be under Paris, given the world continues to emit carbon and one would expect the Scope 3 reduction will have to be steeper the nearer society gets to 2030. This burden is unfair, particularly in the context of BP making long-cycle investment decisions.
	Outcome of the vote	The resolution failed with 83.3% votes against.
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We will monitor how the company progresses and improves over time and continue to support credible energy transition strategies and initiatives which are currently in place, and will vote against shareholder resolutions which deem as unnecessary.
	On which criteria have you assessed this vote to be "most significant"?	We believe this vote will be of particular interest to our clients. We support management in their effort to provide clean, reliable and affordable energy.
Schroders - Diversified Growth Fund	Company name	Microsoft Corporation
	Date of vote	07 Dec 2023

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Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.8%
Summary of the resolution	Report on Risks of Operating in Countries with Significant Human Rights Concerns
How you voted	For
Where you voted against management, did you communicate your intent to the company ahead of the vote? (Please add additional comments in the space below)	We may tell the company of our intention to vote against the recommendations of the board before voting if we are large shareholders or if we have an active engagement on the issue. We always inform companies after voting against any of the board's recommendations.
Rationale for the voting decision	Shareholders would benefit from further disclosure on how the company mitigates risks in markets in which it operates where there are significant human rights concerns. We believe how we have voted is in the best financial interests of our clients' investments.
Outcome of the vote	Fail
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	We monitor voting outcomes - particularly if we are large shareholders or if we have an active engagement on the issue. If we think that the company is not sufficiently responsive to a vote or our other engagement work, we may escalate our concerns by starting, continuing, or intensifying an engagement. As part of this activity, we may also vote against other resolutions at future shareholder meetings, such as voting against the election of targeted directors.
On which criteria have you assessed this vote to be "most significant"?	Social

Lindsell Train - UK Equity fund	Company name	Mondelez
	Date of vote	17 May 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	7.44%
	Summary of the resolution	Advisory vote on Executive compensation
	How you voted	Abstained
	Where you voted against management, did you communicate your intent to the company ahead of the vote? (Please add additional comments in the space below)	Yes
	Rationale for the voting decision	Lindsell Train pays careful consideration to the compensation policies of the companies in which we invest. In assessing their compensation policies, we focus more on how incentives are structured rather than the actual quantum of compensation. In other words, we can be comfortable with large rewards provided that the incentives are aligned with shareholders' interests and our principles. In the case for Mondelez we do not believe that the company's compensation policy is aligned with the long term best interests of the shareholders and have been engaging with the company on this matter over a number of years.

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	<p>Prior to 2020 we had voted against Mondelez compensation resolutions, however over the past three years Mondelez management have made a significant effort to explain to our investment team the rationale for their policies during our various engagements with them. Whilst their policy has not responded to our feedback, our vote indicates our intent to support Mondelez management in the event that they do amend their policy to align more closely with our views on compensation, and also rewards management's active engagement with Lindsell Train.</p>
Outcome of the vote	Approved
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	N/A
On which criteria have you assessed this vote to be "most significant"?	We engaged with Mondelez's compensation committee before the vote to signal our intention to Abstain.

Source: Managers