
COMBINED NUCLEAR PENSION PLAN

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

COMBINED NUCLEAR PENSION PLAN

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COMBINED NUCLEAR PENSION PLAN

TRUSTEE AND ITS ADVISERS YEAR ENDED 31 MARCH 2018

Trustee

Combined Nuclear Pension Plan Trustees Limited
Herdus House
Westlakes Science & Technology Park
Moor Row
CA24 3HU

Mrs J Corbett - Member nominated (resigned 29 January 2018)
Mr P Greene - Member nominated (appointed 1 February 2018)
Mr D Gregory - Member nominated (resigned 31 March 2018)
Mr D Illingworth - Chairman, Independent (resigned 31 December 2017)
Mr N Lowe - Employer nominated
Mr F Rainford - Employer nominated (appointed 1 April 2018)
Mrs C Toole - Member nominated (appointed 1 April 2018)
Mrs A Uppington - Member nominated (appointed 1 April 2017)
Mr A van der Lem - Employer nominated (appointed 1 April 2017)
Mr D Vineall - Employer nominated (resigned 31 March 2018)
PAN Governance LLP - Independent (represented by Mr M Roberts)
Capital Cranfield Pension Trustee Limited - Independent (represented by Ms I Kirby)
Strettea Independent Trustee Limited - Independent (represented by Mr A Whalley, Chairman appointed 1 January 2018)

Secretary to the Trustee Terry Paul, APMI (appointed 1 April 2018 replaced Steve Hayton)
Combined Nuclear Pension Plan
c/o NDA
B587 Curie Avenue
Harwell Oxford
Didcot
Oxfordshire
OX11 0RH

Plan Actuary Mark McClintock
Deloitte Total Reward and Benefits Limited

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TRUSTEE AND ITS ADVISERS YEAR ENDED 31 MARCH 2018

Plan Administrators	<p>Aon Hewitt Limited (for sections other than Nirex) Brims House Forss Business & Technology Park by Thurso Caithness KW14 7UZ</p> <p>Barnett Waddingham LLP (Plan administrators for the Nirex Section) St James's House St James's Square Cheltenham Gloucestershire GL50 3PR</p>
Auditor	KPMG LLP
Investment Managers	<p><i>Defined Benefit</i></p> <p>Barings Asset Management ("Barings") (formerly Babson Capital) Columbia Threadneedle Investments (Channel Islands) Limited ("Threadneedle") HPS Investment Partners LLC ("Highbridge") Insight Investment Management (Global) Limited ("Insight") Legal & General Assurance (Pensions Management) Limited ("Legal & General") MFS International (UK) Limited ("MFS") Partners Group (Guernsey) Limited ("Partners Group") Aberdeen Standard Assurance Limited ("Aberdeen Standard") Partners Group Private Markets Credit Strategies S.A. ("Partners Group SA") Pictet Asset Management Ltd ("Pictet")</p>
Common Investment Platform Administrators	State Street Bank & Trust Co ("State Street")
Investment Platform	<p><i>Defined Contribution</i></p> <p>BlackRock Life Limited ("Blackrock") Prudential Assurance Company Limited ("Prudential")</p>
Banker	Royal Bank of Scotland PLC

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Legal Adviser	Squire Patton Boggs (UK) LLP
Investment Consultant	Hymans Robertson LLP
Independent Medical Adviser	Medigold Health Consultancy Limited
Covenant Adviser	Lincoln Pensions Limited
Life Insurer	Rutherford Indemnity Limited
Sponsoring Employers	Direct Rail Services Limited Dounreay Site Restoration Limited ATK Energy EU Limited (formerly EnergySolutions EU Limited) International Nuclear Services Limited LLW Repository Limited Magnox Limited National Nuclear Laboratory Limited Nuclear Decommissioning Authority (NDA) Sellafield Limited Springfields Fuels Limited Westinghouse Electric UK Holdings Limited
Contact address	Aon Hewitt Limited Brims House Forss Business & Technology Park by Thurso Caithness KW14 7UZ

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

Introduction

The Trustee of Combined Nuclear Pension Plan (the 'Plan') is pleased to present the annual report together with the audited financial statements for the year ended 31 March 2018. The Plan incorporates a defined benefit (DB) structure and a defined contribution (DC) structure with the Nirex Section administered by Barnett Waddingham and all other Sections administered by Aon Hewitt Limited in accordance with the establishing documents and rules, solely for the benefit of its members and other beneficiaries.

The Plan was established with effect from 1 October 2006.

Individual employers participate in one or more sections under the Plan and there are two categories of membership within each section:

- The DB Structure which provides benefits based on a member's salary and length of service. In addition, some members of the DB Structure pay contributions based upon shift pay to a defined contribution arrangement: the Shift Pay Pension Plan (SPPP). The DB Structure is closed to new employees of the participating employers. Members of the DB Structure are able to make additional voluntary contributions (AVCs) to secure additional benefits.
- The DC Structure which provides benefits based on what a member's accumulated fund value will purchase.

Further information about the Plan, including the Trust Deed and Rules, can be found on the Plan website (cnpp.org.uk).

Plan Developments

Following an enhanced transfer value exercise three members of the GPS EnergySolutions Section were transferred out in August 2018. A proposed buy-out of the remaining members of the Section is currently being discussed between EnergySolutions Inc and the Trustee.

An anomaly in the Closed Section was identified in that the statutory employer remained Springfield Fuels Limited. In order to fully exit Springfield Fuels Limited from the Closed Section the Section was re-opened for a period of one month and a Flexible Apportionment Agreement was entered into between NDA, the Trustee and Springfield Fuels Limited. The Springfield Fuels contingent liability was then assigned to NDA with effect from 21 March 2018.

With effect from 1 April 2019 Equiniti have been appointed as Administrator to the Plan to replace Aon Hewitt Limited.

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Management of the Plan

The Trustee is appointed and may be removed from office and replaced by another corporate trustee by the Lead Company, the Nuclear Decommissioning Authority (NDA), in accordance with the provisions of the Trust Deed.

There are nine Trustee Directors, three of whom are selected by the Lead Company (employer directors), three by the members (member directors) and three professional independent trustees including the Chair selected by the Lead Company with the involvement of the Trustee. Directors are appointed for a fixed period of three years and will only be eligible to stand again or be re-appointed for a further three year period, with a maximum term of office of six years. Directors will be eligible to stand again, or to be re-appointed, three years from the date which they last held office with the original six years limit being disregarded.

Trustee Director resignations:

Mr D Illingworth on 31 December 2017
Mrs J Corbett on 29 January 2018
Mr D Vineall on 31 March 2018
Mr D Gregory on 31 March 2018.

Trustee Director appointments:

Mr A Whalley as an Independent Director and Chairman on 1 January 2018
Mr P Greene as a Member nominated Director on 1 February 2018
Mrs C Toole as a Member nominated Director on 1 April 2018
Mr F Rainford as a Trustee Director with effect from 1 April 2018.

The Trustee Directors are listed on page 1.

Trustee meetings

During the year the Trustee Board met six times. All decisions are taken by majority with the Chairman having the casting vote.

The Trustee has established the following committees which meet as required:

- Communications sub-committee (met once during the year)
- Investment sub-committee (met four times during the year)

In addition, a Discretionary sub-committee and an Audit and Administration sub-committee will meet as required.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

The Lead Company and Sponsoring Employers

The Lead Company of the Plan is the NDA. There were 12 Sponsoring Employers during the year and the sections in which they have participated are listed below:

Section	Sponsoring Employer
Closed	NDA
DSRL	Dounreay Site Restoration Limited
GPS DRS	Direct Rail Services Limited
GPS EnergySolutions	ATK Energy EU Limited (formerly EnergySolutions EU Limited)
GPS Nexia	National Nuclear Laboratory Limited
GPS SLC	International Nuclear Services Limited
	LLW Repository Limited
	Magnox Limited
	Sellafield Limited
GPS WEC	Springfields Fuels Limited
	Westinghouse Electric UK Holdings Limited
LLWR	LLW Repository Limited
Magnox	Magnox Limited
Nirex	NDA
Sellafield	Sellafield Limited
Springfields Fuels 2 (SFL2)	Springfields Fuels Limited

The Plan is provided for all eligible employees of the Sponsoring Employers.

Pension Protection Fund

The payment of the Pension Protection Fund levies are met by the Sponsoring Employers when due.

Plan changes

The Plan was established under a Trust Deed and Rules on 1 October 2006. A second definitive Trust Deed and Rules was effected from 1 September 2009 and the six further deeds of amendment since that time have been incorporated into the third definitive Trust Deed and Rules dated 28 March 2012. There have been seven further Deeds of Amendment since the third definitive Trust Deed and Rules were effected. The Plan's governing documents are available on the Plan website.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

Membership

Details of the membership of the Plan as at 31 March 2018 are given below:

	Active members 2018	Deferred pensioners 2018	Pensioners 2018	Total 2018
DB Structure				
Members at the start of the year	9,362	2,662	3,329	15,353
Adjustments to members	1	(1)	1	1
New entrants in the year	3	1	40	44
Retirements	(321)	(159)	480	-
Deaths	(9)	(6)	(33)	(48)
Members leaving with preserved benefits	(113)	113	-	-
Transfer out	(4)	(23)	-	(27)
	<u>8,919</u>	<u>2,587</u>	<u>3,817</u>	<u>15,323</u>
DC Structure				
Members at the start of the year	5,420	396	-	5,816
Members leaving with no further liability	-	(1)	-	(1)
New entrants in the year	451	-	-	451
Deaths	(7)	(1)	-	(8)
Members leaving with preserved benefits	(168)	168	-	-
Transfer out	(47)	(19)	-	(66)
	<u>5,649</u>	<u>543</u>	<u>-</u>	<u>6,192</u>
TOTAL MEMBERSHIP AT THE END OF THE YEAR	<u><u>14,568</u></u>	<u><u>3,130</u></u>	<u><u>3,817</u></u>	<u><u>21,515</u></u>

Included within the closing pensioners figure are dependant pensioners of 276 (2017: 257).

New entrants in the year are gross of opt-outs on auto-enrolment.

Adjustments to members include movements notified to the Administrator after the completion of the annual renewal at 31 March 2017. They do not include any movements notified to the administrator after the completion of the annual renewal at 31 March 2018. They also include members whose retirement date was prior to the year end but records updated following the year end.

Three people were granted exceptional final salary membership to satisfy legal, statutory and administrative obligations.

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TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

The membership figures are broken down by section as follows:

DB Structure

	Active members	Deferred members	Pensioners	Total
Closed	-	927	436	1,363
DSRL	586	188	183	957
GPS DRS	168	70	47	285
GPS EnergySolutions	-	3	9	12
GPS Nexia	3	1	1	5
GPS SLC	418	408	537	1,363
GPS WEC	42	15	20	77
LLWR	81	11	19	111
Magnox	406	142	304	852
Nirex	-	75	87	162
Sellafield	6,410	654	1,930	8,994
SFL2	805	93	244	1,142
	<u>8,919</u>	<u>2,587</u>	<u>3,817</u>	<u>15,323</u>

DC Structure

	Active members	Deferred members	Pensioners	Total
Closed	-	1	-	1
DSRL	604	29	-	633
GPS DRS	253	33	-	286
GPS SLC	53	-	-	53
GPS WEC	39	12	-	51
LLWR	152	11	-	163
Magnox	565	191	-	756
Sellafield	3,810	233	-	4,043
SFL2	173	33	-	206
	<u>5,649</u>	<u>543</u>	<u>-</u>	<u>6,192</u>

The pensioners figure includes dependant pensioners.

There were no members included in the Plan for life assurance only benefits.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

Benefits changes

There were no changes to the Plan benefits during the year.

Pensions Increases

Pensions in payment and deferred pensions received a 2.0% increase from 1 April 2017 for all Benefit Structures with the exception of the Nirex Benefit Structure which received a 2.5% increase. The Trust Deed and Rules of the Plan specify the increases which are based on the percentage increase of the RPI in September each year for CPS and GPS Structures, and LPI in December each year for the Nirex Structure. There were no discretionary increases awarded in the year.

Actuarial Review

The accounts set out on pages 55 to 79 do not take into account the liabilities to provide pension benefits which fall due after the year end. In respect of the Defined Benefit Structure these liabilities are considered by the Scheme Actuary who carries out an actuarial valuation of these liabilities every three years. This valuation considers the funding position of the Defined Benefit Structure and the level of contributions payable.

Actuarial valuations for all 12 sections as at 31 March 2016 have been completed. Following the valuations, revised Schedules of Contributions for all sections were put in place.

Review of the financial developments during the year as shown by the audited financial statements

The financial statements on pages 55 to 79 show that the value of the Plan's assets increased by £230,856,000 to £2,849,142,000 as at 31 March 2018. The increase was comprised of net additions from dealings with members of £132,319,000, together with a net increase in the returns from investments of £98,537,000.

The financial statements have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

Further details of the financial developments of the Plan may be found in the audited financial statements on pages 55 to 79.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

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. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Plan members on request.

The most recent triennial actuarial valuation of the Plan was carried out as at 31 March 2016. As required by Section 224(1)(a) of the Pensions Act 2004 and the Plan's Statement of Funding Principles, an updated valuation is completed on an annual basis to report on the developments affecting the funding position since the 31 March 2016 triennial valuation. The most recent annual update was completed as at 31 March 2018.

Technical Provisions Valuation	31 March 2016			31 March 2018		
	Liabilities (£000)	Assets (£000)	Surplus/(Deficit) (£000)	Liabilities (£000)	Assets (£000)	Surplus/(Deficit) (£000)
Closed Section *	81,748	83,064	1,316	97,772	99,199	1,427
Magnox *	82,719	81,730	(989)	116,520	109,111	(7,409)
LLWR *	13,598	13,447	(151)	23,030	19,698	(3,332)
DSRL *	69,639	64,827	(4,812)	111,275	93,055	(18,220)
Sellafield *	881,430	855,586	(25,844)	1,441,317	1,216,774	(224,543)
Nirex *	32,776	29,466	(3,310)	37,995	35,071	(2,924)
GPS SLC *	489,709	533,864	44,155	606,099	648,873	42,774
GPS DRS	56,012	59,131	3,119	81,348	77,198	(4,150)
SFL 2	102,780	92,820	(9,960)	161,107	143,973	(17,134)
GPS Nexia	3,845	3,905	60	4,932	4,843	(89)
GPS	35,909	26,457	(9,452)	40,347	31,404	(8,943)
EnergySolutions						
GPS WEC	43,983	41,242	(2,741)	55,876	49,839	(6,037)
Total	1,894,148	1,885,539	(8,609)	2,777,618	2,529,038	(248,580)

* NDA backed Sections

Although there are no current plans to discontinue the Plan and buy-out liabilities with an insurance company (with the exception of the GPS EnergySolutions Section), the Trustee also considers the level of funding relative to the estimated costs of such a buy-out (known as "solvency liabilities") and equivalent information on this basis is provided below:

Solvency Valuation	31 March 2016		
	Liabilities (£000)	Assets (£000)	Surplus/(Deficit) (£000)
Closed Section *	176,059	83,064	(92,995)
Magnox *	198,053	81,730	(116,323)
LLWR *	39,980	13,447	(26,533)
DSRL *	189,243	64,827	(124,416)
Sellafield *	2,483,374	855,586	(1,627,788)
Nirex *	60,731	29,466	(31,265)
GPS SLC *	1,008,199	533,864	(474,335)
GPS DRS	144,714	59,131	(85,583)
SFL 2	218,993	92,820	(126,173)
GPS Nexia	7,471	3,905	(3,566)
GPS EnergySolutions	35,909	26,457	(9,452)
GPS WEC	82,005	41,242	(40,763)
Total	4,644,731	1,885,539	(2,759,192)

COMBINED NUCLEAR PENSION PLAN

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The value of technical provisions is based on pensionable service to the valuation date and assumptions about various factors that will influence the Plan in the future, such as the 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 the calculations are as follows:

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Post retirement discount rate

- NDA-backed and GPS DRS Sections: selected by inspection of the yields available on fixed interest gilts with a similar duration to the Section's liabilities, plus an allowance for corporate bond outperformance above the yield on gilts and the expected return on the proportion of growth assets being held to back the pensioner
- GPS EnergySolutions Section: selected by inspection of the yields available on fixed interest gilts with a similar duration to the Section's pensioner liabilities, less a deduction of 0.5% p.a. for pensioner members, or a deduction of 1.0% p.a. for non-pensioner members.
- Other sections: selected by inspection of the yields available on fixed interest gilts with a similar duration to the Sections' liabilities, plus an allowance for corporate bond outperformance above the yield on gilts.

Pre-retirement discount rate

- All sections except GPS EnergySolutions: based on the yield available on fixed interest gilts with a similar duration to the Sections' liabilities, plus an allowance for the higher return that would be expected from growth assets after an allowance for prudence. Consideration has been given to the level of growth assets as a percentage of the nonpensioner liabilities up to a threshold of 70%, with any excess above this ignored on the grounds of prudence. Allowance has been made to reflect the strength of the sponsor covenant.
- For the NDA-backed Sections, there is a further allowance for additional outperformance on the growth assets for future service.
- GPS EnergySolutions Section: based on the yield available on fixed interest gilts with a similar duration to the Section's nonpensioner liabilities, less a deduction of 1.0% p.a.

Inflation

The assumed rate of RPI price inflation is set by reference to the Bank of England's UK implied inflation spot curve data (using a duration appropriate to the liabilities). An adjustment of 0.20% p.a. is made to allow for a possible inflation risk premium, reflecting the high demand for index linked gilts distorting the Bank of England's market based calculation. The assumed rate of CPI price inflation is derived from the assumption for RPI price inflation less an adjustment equal to 1.00% p.a.

Pension increases

Set in line with RPI assumptions. An adjustment could be considered to the assumption for price inflation when looking at RPI inflation-linked pension increases to allow for any caps and collars that apply to the pension increases.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

Revaluation of deferred pensions

Set in line with RPI (CPI for Nirex).

Pensionable Earnings increases

Pensionable Earnings have been assumed to increase relative to either the assumed rate of price inflation following discussions with the Lead Employer or Section Employer by an amount based on an experience analysis conducted for the 31 March 2016 valuation. Short term "salary patches" have been applied for some sections in light of restrictions on public sector pay increases.

Mortality

The standard tables SAPS S2 have been used with the CMI 2015 projections and a long-term improvement rate of 1.25% p.a.

Recovery Plan

The arrangements for the Sections backed by the NDA were formalised in a Schedule of Contributions which the Scheme Actuary certified on 30 May 2017.

Section	Recovery Plan
Closed	This Section is closed to future contributions and given the surplus at 31 March 2016, no contributions are required.
Magnox	The employer contribution rate increased to 25.8% p.a. of Pensionable Earnings from 1 April 2018. Contributions and existing assets are assumed to return an additional yield of 0.5% p.a. (on the relevant proportion of growth assets). The level of investment performance is sufficient that the funding shortfall is expected to be met by 31 March 2028, therefore no additional employer contributions are required.
LLWR	The employer contribution rate increased to 23.6% p.a. of Pensionable Earnings from 1 April 2018. Contributions and existing assets are assumed to return an additional yield of 0.5% p.a. (on the relevant proportion of growth assets). The level of investment performance is sufficient that the funding shortfall is expected to be met by 31 March 2028, therefore no additional employer contributions are required.
DSRL	The employer contribution rate increased to 25.3% p.a. of Pensionable Earnings from 1 April 2018. Contributions and existing assets are assumed to return an additional yield of 0.5% p.a. (on the relevant proportion of growth assets). Employer contributions of £400k p.a., payable monthly, for 10 years from 1 April 2018 are also required. The level of contributions and investment performance is sufficient so that the funding shortfall is expected to be met by 31 March 2028.
Sellafield	The employer contribution rate increased to 25.2% p.a. of Pensionable Earnings from 1 April 2018. Contributions and existing assets are assumed to return an additional yield of 0.5% p.a. (on the relevant proportion of growth assets). The level of investment performance is sufficient that the funding shortfall is expected to be met by 31 March 2028, therefore no additional employer contributions are required.

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Recovery Plan (continued)

Section	Recovery Plan
Nirex	Existing assets are assumed to return an additional yield of 0.5% p.a. (on the relevant proportion of growth assets). Employer contributions of £556k p.a., payable monthly, for 6 years from 1 April 2016 are also required. The level of contributions and investment performance is sufficient so that the funding shortfall is expected to be met by 31 March 2022.
GPS SLC	Given the surplus at 31 March 2016 it agreed that the employer contribution rate would decrease to 25.0% of Pensionable Earnings from 1 April 2018.

For the other Sections, the following recovery plans were negotiated with the respective Section employer:

Section	Recovery Plan
SFL 2	<p>Springfield Fuels Limited increased the employer contribution rate to 35.9% of Pensionable Earnings from 1 July 2017.</p> <p>The employer agreed a contribution of £2.8m to allow for the employer contribution rate increasing from 1 July 2017 rather than 31 March 2016 and £2.675m in respect of the increase in the salary linkage liability from 31 March 2013 up to 30 September 2017. These contributions were paid in September 2017.</p> <p>In respect of the deficit at 31 March 2016, the employer agreed to pay contributions of £1.4m per annum, payable monthly, from 1 April 2018 for a period of 5 years. It is expected that the funding shortfall will be met by 31 March 2023.</p> <p>To cover the future cost of salary linkage, contributions of £62.5k per month were paid until 30 September 2017 and from 1 October 2017, the contributions are £20.8k per month. The arrangements were formalised in a Schedule of Contributions which the Scheme Actuary certified on 31 July 2017.</p>
GPS WEC	<p>Westinghouse Electric UK Holdings Limited and Springfields Fuels Limited increased the employer contribution rate to 39.2% of Pensionable Earnings from 1 July 2017.</p> <p>The employers contributed £350k in September 2017 to allow for the employer contribution rate increasing from 1 July 2017 rather than 31 March 2016.</p> <p>The employers agreed to pay contributions of £550k per annum, payable monthly, from 1 July 2017 for a period of 6 years. It is expected that the funding shortfall will be met by 30 June 2023.</p> <p>The arrangements were formalised in a Schedule of Contributions which the Scheme Actuary certified on 17 July 2017.</p>

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Recovery Plan (continued)

Section	Recovery Plan
GPS EnergySolutions	<p>ATK Energy EU Limited and the Trustee agreed a revised Recovery Plan (which replaces the existing Recovery Plan dated 8 June 2017) on 30 July 2018. In respect of the deficit at 31 March 2016 the Recovery Plan is as follows:</p> <ul style="list-style-type: none">- £2m paid before 31 July 2017;- £4m payable by 31 July 2019;- £2m payable by 31 July 2020;- £2m payable by 31 July 2021; and- £2m payable by 30 June 2022. <p>Unless arrangements are made to meet the shortfall at an earlier date or a full buyout is completed.</p> <p>The recovery plan has the additional conditions in respect of a new escrow account set up in July 2018;</p> <ul style="list-style-type: none">- The escrow account shall remain available over the length of the recovery plan or until the buyout is completed (if earlier);- The payment of £2.5m into the escrow account by 31 July 2018;- The first payment of £2m was made during July 2017. This payment and future recovery plan payments will not be paid from the escrow account; and- Additional payments are made available if the actual buyout cost is higher than the amount held in escrow.
GPS DRS	<p>The employer contribution rate increased to 28.8% p.a. of Pensionable Earnings from 1 July 2017. As the section was in surplus at 31 March 2016, no additional contributions are required.</p> <p>The arrangements were formalised in a Schedule of Contributions which the Scheme Actuary certified on 30 May 2017.</p>
GPS Nexia	<p>To increase the employer contribution rate to 37.0% p.a. of Pensionable Earnings from 1 July 2017. As the Section was in surplus at 31 March 2016, no additional contributions are required.</p> <p>The arrangements were formalised in a Schedule of Contributions which the Scheme Actuary certified on 30 May 2017.</p>

The next triennial valuation will be performed as at 31 March 2019.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

General investment matters

All investments, except AVCs, SPPP and the DC Structure funds, have been managed during the year under review by the Plan's DB investment managers.

The Plan's investment strategy is agreed by the Trustee after taking appropriate professional advice. The investment strategy specifies the target proportions of the fund which should be invested in the principal market sectors. It is the responsibility of the investment managers to manage the Plan's assets day-to-day and to invest within the confines of the agreed investment strategy.

Statements of Investment Principles

The Trustee has produced Statements of Investment Principles in accordance with Section 35 of the Pensions Act 1995. The statements dated December 2017 are available on the CNPP website. The main priority of the Trustee, when considering the investment policy, is to ensure that there are sufficient assets available to pay out members' and dependants' benefits when they fall due.

Payments to the Employer

No payments have been made out of the Plan to the Sponsoring Employers since its inception and none are envisaged.

COMBINED NUCLEAR PENSION PLAN

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Custodial arrangements

The Trustee is responsible for ensuring that the Plan's assets continue to be securely held.

The investment managers appoint custodians for the safe custody of assets. The custodians who have been appointed by the investment managers are:

Investment Manager	Custodian
Barings	State Street Custodial Services (Ireland) Limited
Insight	The Northern Trust Company
MFS	State Street Bank Luxembourg S.A.
Highbridge	No custodian is appointed due to the nature of the underlying investments - Harmonic Fund Services are used to record unit holdings
Legal & General	HSBC Bank Plc and Citibank International Plc
Standard Life	Citigroup Inc
Columbia Threadneedle	No custodian is appointed due to the nature of the underlying investments - BNP Paribas are used to record unit holdings
Partners Group	Partners Group Global Strategies 2014 Fund Deutsche Bank AG No custodian is appointed for the Partners Group Global Value 2014 Fund due to the nature of the investment. The General Partner, Partners Group Management Limited, a Guernsey limited liability company, manages the funds's investments and day-to-day operations.
Pictet	Pictet & Cie (Europe) S.A.
Partners Group PMCS	Deutsche Bank
Common Investment Platform	State Street Global Services

The Royal Bank of Scotland PLC has been appointed by the Trustee as custodian of the cash held in connection with the administration of the Plan carried out by Aon Hewitt Limited and Barnett Waddingham.

With effect from 1 July 2016, all Sections of the Plan (excluding GPS EnergySolutions) participated in the Common Investment Platform (CIP). Custodial services in relation to investments in the CIP continued to be provided by State Street Bank & Trust Co.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

Custodial arrangements (continued)

AVCs, SPPP and the DC Structure funds are invested with BlackRock Advisors (UK) Limited and the Prudential Assurance Company Limited. Members are free to choose how their contributions are invested from a portfolio of investment funds made available by the Trustee.

The Trustee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the managers have produced written guidelines of their process and practice in this regard. The investment managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies.

The extent to which social, environmental and ethical considerations are taken into account in investment decisions is left to the discretion of the investment managers subject to such social, environmental and ethical issues not having a prejudicial financial impact on the securities held.

Self-investment

The investments of the Plan are invested in accordance with Section 40 of the Pensions Act 1995.

Transfers

Members leaving service can normally transfer the value of their benefits under the Plan to another pension scheme that they join or to an insurance contract or personal/stakeholder pension.

The transfer value of a Plan member's benefits includes no allowance for any discretionary benefits which might be awarded in the future.

The transfer values paid during the year were calculated and verified by the Plan Actuary in accordance with statutory regulations.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

Further information

Further information about the Plan is available, on request, to members and prospective members, their spouses and other beneficiaries together with all recognised trade unions. In particular, the documents constituting the Plan, the Rules and a copy of the latest actuarial report and the Trustees' Statement of Investment Principles can be inspected.

Individual benefit statements are provided to active members annually. In addition to the information shown on these statements members can request details of the amount of their current transfer value and, if applicable, the current amount of any refund of contributions to which they would be entitled on leaving service. Such requests are available free of charge once a year.

If members have any queries concerning the Plan or their own pension position, or wish to obtain further information, they should contact the Trustee at the address shown below who will also be able to provide them with a further copy of the Plan Rules, should they require one, and answer any queries that they may have about entitlement to benefits.

The Trustee of Combined Nuclear Pension Plan
c/o Aon Hewitt Limited
Brims House
Forss Business & Technology Park
by Thurso
Caithness
KW14 7UZ

Email: cnpp.mailbox@aon.com

Aon Hewitt Limited processes the personal data as contained in this Report and Financial Statements for the purpose of providing the Trustee with a report and financial statement on the operation of the Plan. Aon Hewitt Limited processes personal data in the context of the operation of the Plan on behalf of the Trustee, the data controller. Aon Hewitt Limited, in its capacity as data processor who provides the members of the Plan with pension services on behalf of the Trustee, will comply with the applicable legislation including any data protection legislation and the instructions of the Trustee.

The Trustee or the Employer will ensure the data subjects for whom personal data is processed for the purposes of this Report and Financial Statement are informed of the processing activities in accordance with the requirements of the applicable data protection legislation.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

Investment commentary

Despite a wobble at the start of 2018, equity markets performed strongly over the period, driven for the most part by growing economic optimism. While there was some concern about equity valuations, it was held at bay by the building momentum of corporate earnings. The FTSE All-World Index returned 12% over the period in local currency terms. In Sterling terms, the return was significantly lower at 3%.

This difference reflected Sterling's strength against a generally weak US dollar. In broad terms, the Yen and Asian and Emerging Mmarket currencies tracked the US Dollar more closely than did Sterling, which rode on the coat-tails of the Euro, the strongest of the major currencies over the period.

The strength of the Eurozone economy was one factor behind the Euro's strength. Similar momentum elsewhere helped to underpin investors' economic optimism – reported year-on-year growth in the US, Japan and China was generally rising over the period. The UK was an exception: the post-referendum resilience in output faded in the early part of the period.

The UK was also an exception in terms of CPI inflation. The continued climb in UK inflation to 3% p.a. around the turn of the year, followed by a rapid decline to 2.5% p.a. in March 2018 was at odds with a more stable global position.

Despite a lack of inflation pressure, the Federal Reserve raised US interest rates 3 times, to a range of 1.50%-1.75% p.a., and started to unwind its quantitative easing (QE) programme in October 2018. There were signs elsewhere that the 'lower for longer' interest rate regime was reaching its end. The European Central Bank announced that the pace of its QE would be reduced in 2018 and the Bank of England raised UK interest rates from 0.25% p.a. to 0.5% p.a. in November 2018, the first increase for a decade.

This gradual shift in monetary policy did make things tougher for bond markets. 10-year gilt yields rose from 1.1% p.a. to 1.4% p.a. over the period; equivalent US and German government bond yields also drifted higher. But it was the stability of bond markets that was most notable until unexpectedly strong US wage growth in January unsettled investors. Even then, the subsequent rise in yields had been partly reversed by the end of March 2018.

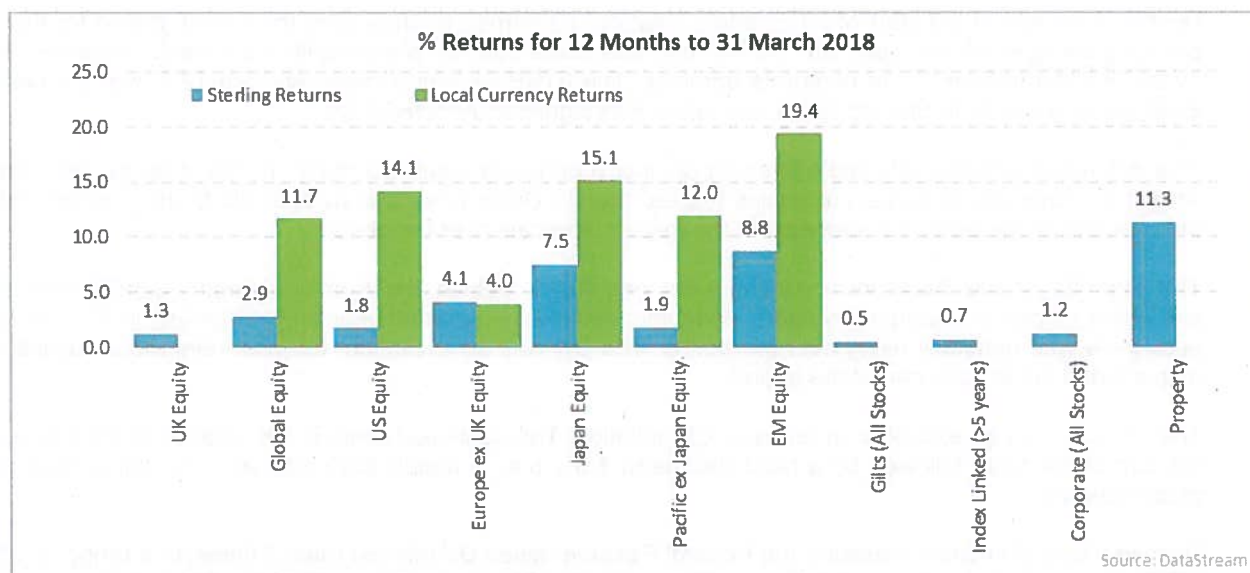
An improving economic backdrop helped to keep corporate defaults at low levels, providing a positive background for credit markets. In general, non-government bonds outperformed government bonds. Yield spreads did widen a little in Q1 2018 as economic optimism waned, but still finished the period close to the lows of the last two decades.

UK commercial property continued to recover and capital values surpassed pre-referendum highs by the final quarter of 2017. Annual rental growth started to turn up slightly in the second half of 2017. The IPD Monthly Index returned 11% over the period as a whole; the best performance among the traditional sectors came from Industrials, which returned over 20%.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

Market returns



DB Structure investment strategy

The Trustee currently sets the investment strategy for each Section of the Plan. It takes into account considerations such as the strength of the employer covenant and the maturity of the Sections after receiving professional advice from Hymans Robertson LLP, in order to try and achieve the following objectives:

The primary objective of the DB structure of the Plan is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a DB basis.

The Trustee's over-riding funding principles for the DB structure are:

- to build up assets to provide for new benefits of active members as they are earned;
- to recover any funding shortfall over an agreed time frame; and
- to ensure that there are always sufficient assets of the Plan (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

The Trustee intends to ensure that the investment objectives are consistent with the Plan's Statement of Funding Principles. Within the context of achieving these over-riding funding principles, the Trustee also aims to:

- achieve a return required to enable contributions to be consistent with an acceptable level for the sponsor (NDA backed sections);
- achieve self-sufficiency by the time all members have reached retirement or such earlier date as may be appropriate (non-NDA backed sections);
- control the exposure to investment risk associated with the investment strategy and its implementation, whilst meeting the above objectives; and
- invest the Plan assets to meet net cashflows, and thus avoid the risk of forced disinvestment at unattractive prices.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

In order to achieve these objectives, it is necessary to take investment risk.

The following table summarises the broad asset classes in which each Section of the Plan was invested as at 31 March 2018. The proportions of assets held in the various asset classes shown in the table may differ from the proportions reported for the purpose of the 31 March 2017 accounts due to changes in the value of the underlying funds during the year and the impact of cashflows. In addition, the proportions shown in the table are exclusive of cash balances held in Trustee bank account. Investment in each of these classes is achieved via a number of pooled investment vehicles managed by various investment managers, as discussed in the following section.

From 1 July 2016, all remaining sections of the Plan (excluding the GPS EnergySolutions Section) have gained their exposure to their assets through the CIP Growth and Bond funds.

Asset class	% of Defined Benefit Assets	CIP Growth Fund	CIP Bond Fund	GPS EnergySolutions
Equities	44.7	✓		
Private Equity	2.7	✓		
Property	9.9	✓		
Active Strategies	6.1	✓		
Liquid Credit	5.9	✓		
Illiquid Credit	3.0	✓		
Secured Loans	1.5	✓		
Corporate Bonds	11.3		✓	✓
Index-Linked Gilts	12.5		✓	✓
Ground Rents	1.8		✓	
Cash	0.6	✓	✓	✓
Total	100.0			

Note: Figures may not tally due to rounding.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

Investment managers

Since 1 July 2016, all participating Sections of the Plan (with the exception of GPS EnergySolutions) transferred their assets into the CIP and therefore have exposure to the same range of investment managers and funds.

State Street are the custodians to the CIP and manage its day to day operation. State Street are responsible for the following:

- managing cashflow to and from the CIP for each participating section (i.e. investment of contributions and disinvestment of assets required to meet benefits);
- investment and disinvestment of assets within the Growth and Bond Funds (specifically for liquid funds);
- unitisation of the assets;
- accounting and record keeping of section holdings.

In addition, State Street manage a series of cash accounts for the participating sections of the CIP and the CIP Growth and CIP Bond funds.

The following paragraphs describe the asset classes and investment funds which the Plan invests in.

Equities

The Plan's exposure to equities is expected to deliver investment growth in excess of Government bonds over the longer term. Investment in global markets aids diversification.

Whilst the CIP's allocation to equities was overweight relative to target over the majority of the year, due to strong investment performance, this was within agreed tolerances. Where disinvestments were required from invested assets to meet cashflows or capital commitments to other funds, these were principally utilised from the CIP's equity funds as a result of this overweight position.

The Trustee invests assets with Legal & General for the CIP Growth Fund through a range of passively managed equity index funds. The value of the underlying units fluctuates directly in relation to the value of the underlying assets. All units are redeemable at bid prices that are calculated from independent, external pricing sources. The assets underlying the units are held by independent corporate custodians who are regularly reviewed by external auditors.

The Trustee also invests assets with MFS for the CIP Growth Fund. The Trustee invests in the MFS Global Equity Fund. This is a fund that invests across global equities, including emerging markets. MFS maintains a disciplined investment approach, based on the belief that stocks which provide sustainable, above-average earnings growth and trade at a discount to their expected growth rates should outperform the market. The objective is to seek capital appreciation and is benchmarked against the MSCI World Index.

Private equity

The CIP Growth Fund also includes a private equity mandate managed by Partners Group. Partners Group is a global private markets investment manager with investment programmes in private equity, private debt, private real estate and private infrastructure.

The Trustee has previously committed €102m to the Partners Group Global Value 2014 Fund for the CIP Growth Fund. During the year the Trustee made a commitment of €23m to the Partners Group Direct Equity 2016 Fund with the aim of delivering the CIP's longer term target allocation to private equity.

The private equity allocation is expected to outperform world equities, but with greater volatility and so is regarded as a longer term investment.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

Private equity (continued)

Private equity investment differs from other 'traditional' asset classes. It will require an initial commitment of capital by the Plan, which then gets drawn down, usually over a period of years, as the private equity manager identifies attractive investments in underlying companies. Capital remains invested with the Plan's current investment managers until drawn down for investment. As the private equity investments begin to yield returns, and are realised, cash is returned to the Plan.

Property

The Plan's exposure to property is expected to deliver investment growth in excess of Government bonds over the longer term, through a combination of income returns and capital growth. Investment in balanced funds helps to reduce concentration risk.

Over the Plan year the Trustee invested in property funds with Legal & General, Standard Life and Columbia Threadneedle for the CIP Growth and CIP Bond funds.

The Trustee invests assets with Legal & General for the CIP Growth Fund. The Trustee invests in the Managed Property Fund which in turn invests in UK freehold and leasehold property. The value of underlying units fluctuates directly in relation to the value of the underlying assets. All units are redeemable at bid prices that are calculated from independent, external pricing sources. The assets underlying the units are held by independent corporate custodians who are regularly reviewed by external auditors.

The Trustee also invests assets in the Standard Life Long Lease Property Fund for the CIP Growth Fund. The objective of the Long Lease Property Fund is to provide long-term growth from a combination of income and capital appreciation by investing typically in properties with long leases from across the UK retail, office, industrial and other sectors. The Long Lease Property Fund is actively managed and the investment manager looks to hold properties that have a high lease to value ratio, with inflation-linked rental uplifts where possible. Further investments were made by the Trustee in this fund during the year, making use of the secondary market to minimise transaction costs, as a means of raising the CIP's allocation relative to the longer term target allocation for long lease property.

The Trustee invests assets in the Standard Life Ground Rent Fund for the CIP Bond Fund which is intended to provide a combination of capital growth and income (ground rents) through investment in UK Commercial Ground Rents from across a number of property sectors. The fund is expected to support the ongoing cashflow requirements of the Plan. A further £20m was invested by the Trustee in this fund during the year.

The Trustee also invests in the Threadneedle Property Unit Trust for the CIP Growth Fund. The mandate aims to provide investors with an indirect investment exposure to a diversified, multi-sector portfolio of commercial assets throughout the UK. The objective is to outperform the benchmark on an annual basis and be within the top quartile on a rolling three-year basis.

Diversified Growth

The Plan's exposure to diversified growth funds is expected to deliver growth in excess of cash over the longer term. Diversified funds can invest in a range of asset classes and so are expected to exhibit lower volatility than equity investment.

Over the Plan year the Trustee invested assets in diversified growth funds with Pictet. Further investments were made by the Trustee in this fund during the year as a means of rebalancing relative to the longer term target allocation.

The objective of the fund is to provide a positive absolute return against a cash based benchmark. The Diversified Asset Allocation Fund ("DAAF") is actively managed and the investment manager employs a more flexible approach to asset allocation, with the option to employ derivatives at the manager's discretion. The DAAF seeks to generate positive, consistent returns in a range of market environments with significantly lower

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

volatility than an equity portfolio.

Secured loans

The Plan's exposure to secured loans funds is expected to deliver growth in excess of cash over the longer term, predominantly through interest returns. The secured loan funds provide an alternative form of credit exposure to traditional corporate bond funds.

Over the Plan year the Trustee invested in secured loan funds with Baring Asset Management (formerly Babson Capital) and Highbridge for the CIP Growth Fund.

The Trustee invested in the Barings Capital Global Loans Fund. The objective of the fund is to provide a positive absolute return against a cash based benchmark. The fund will invest principally in floating rate instruments and the investment manager expects returns to be generated from ongoing interest income as well as original issue discount, closing payments, commitment fees, prepayments and related penalties. While the fund is actively managed, the manager is expected to pursue a buy and hold strategy.

The Trustee also invests in the Highbridge Specialty Loan Fund III LP and the Highbridge Private Loan Opportunities Fund for the CIP Growth Fund. The objective of the funds is to provide a positive absolute return against a cash based benchmark. The funds will invest principally in floating rate fixed-income instruments and the investment manager expects returns to be generated from ongoing interest income as well as original issue discount, closing payments, commitment fees, prepayments and related penalties. While the fund is actively managed, the manager is expected to pursue a buy and hold strategy.

Multi credit

The multi-credit funds provide an alternative form of credit exposure to traditional corporate bond funds.

Over the Plan year the Trustee invested in multi credit funds with Partners Group and Baring Asset Management (formerly Babson Capital).

The Trustee invests in the Partners Group Multi Asset Credit 2014 Fund (I), Multi Asset Credit 2016 Fund (III) and Multi Asset Credit 2017 Fund (IV) for the CIP Growth Fund. The fund is a pooled investment programme offering investors access to private real assets and corporate debt. The fund's objective is to obtain superior returns and achieve capital growth over the medium and long-term. The fund will ordinarily target senior secured and subordinated debt, with select investments in high yield bonds and distressed situations. The Trustee committed £20m to the Multi Asset Credit 2016 Fund (III) and £14m in the Multi Asset Credit 2017 Fund (IV) during the Plan year.

The Trustee invests in the Barings Capital Global High Yield Fund for the CIP Growth Fund. The objective of the fund is to provide a positive absolute return against a cash based benchmark. The fund will invest predominantly in floating rate and fixed-income instruments and the investment manager expects returns to be generated from ongoing interest income as well as original issue discount, closing payments, commitment fees, prepayments and related penalties. While the fund is actively managed, the manager is expected to pursue a buy and hold strategy. Further investments were made by the Trustee in this fund during the year as a means of rebalancing.

Corporate bonds and index-linked gilts

The Plan's exposure to corporate bonds and index-linked gilts is expected to provide matching protection for the Plan's liabilities. Specifically, the corporate bonds provide a degree of interest rate protection coupled with an enhanced yield versus Government bonds over the longer term. Index-linked gilts are expected to react to changes in interest and inflation rates in a similar way as the Plan's liabilities.

Over the Plan year the Trustee made further investments to the existing bond funds with Legal & General and Insight.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

Corporate bonds and index-linked gilts (continued)

The Trustee invests assets with Legal & General for the CIP Bond Fund and the GPS EnergySolutions Section. The Trustee invests in the Investment Grade Corporate Bond All Stocks Index Fund, Over 15 year Index-Linked Gilts Fund and a range of levered index-linked bond funds through a pooled Liability Driven Investment platform.

The Trustee invests assets in the levered index-linked bond funds for the CIP Bond Fund and the GPS EnergySolutions Section. The underlying funds are invested wholly or predominantly in gilt repos, reverse gilt repos, gilts, gilt total return swaps, interest rate swaps and shares in the Legal & General Sterling Liquidity Fund. The principal instrument used to gain leveraged exposure will generally be gilt repos. All derivative exposure will be collateralised daily to help reduce counterparty risk.

The Trustee invests assets in inflation swap funds for the GPS EnergySolutions Section. The purpose of the inflation swaps is to hedge a proportion of the GPS EnergySolutions Section's inflation-linked liabilities.

The overall hedging investment strategy for the GPS EnergySolutions Section targets a 95% hedge of interest and inflation rates.

The value of underlying units fluctuates directly in relation to the value of the underlying assets. All units are redeemable at bid prices that are calculated from independent, external pricing sources. The assets underlying the units are held by independent corporate custodians who are regularly reviewed by external auditors.

The Trustee also invests assets with Insight for the CIP Bond Fund and GPS EnergySolutions Section. Bond assets are invested in Insight's UK Corporate All Maturities Bond Fund and the Insight UK Index-Linked Bond Fund.

Cash

Over the Plan year the Trustee held cash with Legal & General in relation to the CIP Growth Fund, CIP Bond Fund and GPS EnergySolutions Section. In addition, cash is held by State Street (within the CIP Growth and CIP Bond funds). The cash holdings are intended to provide short term liquidity in order to meet benefit payments and the expenses of running the Plan, as well as meeting capital commitments to closed-ended funds as required.

Hedging

The Plan's investments in levered and non-levered index-linked gilts with Legal & General and Insight index-linked gilts are intended to provide protection from changes in interest and inflation rates. In particular, these assets are intended to move in line with changes in the liabilities, which are affected by changes in interest and inflation rates. The degree to which the assets 'match' changes in the liabilities is represented by the hedging ratio and this varies by section. As at 31 March 2018, the approximate overall hedging ratio for the Plan was 20% of the Plan's Technical Provisions.

Review of investment performance

The following table summarises the estimated investment performance for the Plan (including the GPS EnergySolutions section) over the one and three year periods to 31 March 2018:

	12 months	3 years
	%	% per annum (p.a.)
Fund Return	3.8	7.4
Benchmark Return	2.7	6.5

Note: Fund and benchmark returns are based on information provided by the underlying investment managers.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

Review of investment performance (continued)

The Plan has delivered a total return of 3.8% over the 12 month period to 31 March 2018, outperforming the benchmark return by 1.1%. Strong performance in the first 9 months was dampened by falls in equity markets in Q1 2018. In addition, the Plan's bond yields led to a rise in the value of the Plan's bond investments.

Over three years, the fund has delivered a total return of 7.4% p.a. ahead of the benchmark return of 6.5% p.a. Three year performance was supported by strong returns from equity markets (particularly unhedged investments following the depreciation of Sterling) during 2016 and 2017, reflecting the continued global market recovery. In the same period, bond yields continued to fall reaching historic low levels, driving up the value of bond investments, along with the Plan's liabilities.

Over the 12 month period to 31 March 2018, the CIP Growth Fund delivered a return of 4.5% outperforming the benchmark return by 1.2%. Over the same period the CIP Bond Fund delivered a return of 1.8%, ahead of its benchmark by 0.7%.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2018

DC assets

The Plan's DC assets consists of assets held in respect of AVCs, SPPP and the DC Structure funds which are managed by BlackRock Advisors (UK) Limited and the Prudential Assurance Company Limited.

The investment objective of the AVC, SPPP and DC arrangements is to offer investment choice to members whilst maximising investment returns and providing an acceptable level of security. To this end, members may make a choice from a number of pooled funds which span a range of broad asset classes.

The pooled funds are in the form of unitised insurance policies with BlackRock and Prudential. The Trustees regularly review the investment performance of the funds against appropriate benchmarks.

A summary of the AVC, SPPP and DC funds split between key asset classes, along with 12 month and 3 year performance to 31 March 2018, is provided in the table overleaf:

Asset class	% of total assets held in respect of the AVC, SPPP and DC arrangements	12 months performance (%) [1]	3 years performance (%p.a.) [1]
Global Equity	10.4	2.4	8.3
UK Equity	4.1	1.4	5.9
Global Equity (ex UK)	4.1	2.3	11.2
Emerging Markets Equity	0.1	8.7	10.7
Sharia Law (Equity)	0.0	2.6	11.3
Property	0.1	8.4	6.9
Multi-Asset	0.1	3.8	n/a
Corporate Bonds	0.1	1.5	3.7
Index-Linked Gilts	3.4	0.7	7.8
Pre-Retirements (bonds)	1.7	1.5	4.6
With Profits [2]	0.4	n/a	n/a
Cash	2.6	0.3	0.5
Target Date Funds	72.9	n/a	n/a
Total	100.0		

Note: Numbers may not tally due to rounding.

[1] Based on performance from relevant BlackRock and Prudential funds which the Plan invests in.

[2] Performance information for the Prudential With Profits fund is reported annually as part of the fund's bonus declaration and relates to calendar year periods only. The 12 month return from the With Profits fund for the year ended 31 December 2017 was 9.1% (after tax).

COMBINED NUCLEAR PENSION PLAN

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The audited financial statements which are to be prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Plan members, beneficiaries and certain other parties, audited financial statements for each Plan year which:

- show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year; and
- contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice, Financial Reports of Pension Schemes.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intends to wind up the Plan, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Plan prescribed by pensions legislation, which it should ensure is consistent with the financial statements it accompanies.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities.

Signed for and on behalf of the Trustee:

Trustee Director
A. Whalley

Date: 17 October 2018



COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Introduction

This Statement sets out how the Plan has met the governance standards required by legislation during the Plan year. It has been prepared in accordance with:

- Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI1996/1715) as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (SI 2015 / 879); and
- The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 (SI 2018 / 233)

Summary

This Statement covers the Trustee's stewardship of the Plan during the year and the steps the Trustee is taking to improve value for members that will apply next year:

Part 1

Until these changes are made, and for the year covered by this statement, the Trustee confirms:

- The Plan's default arrangements remained suitable for most members;
- The charges and costs borne by members;
- The CNPP CPS and, from 1 February 2017, the GPS New Joiners Structures gave good value for members.
- The CNPP GPS New Joiners DC Structure (pre 1 February 2017) and GPS Additional Voluntary Contribution (AVC) section gave average value for members.
- Overall the Plan gave good value for members.

Part 2

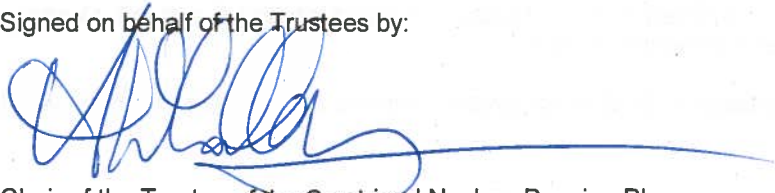
The Trustee confirms:

- Financial transactions were carried out accurately, promptly and efficiently; and
- The Trustee has kept its knowledge of pension matters up-to-date.

The latest Statement of Investment Principles for the Plan, dated December 2017, which governs decisions about investments in the default strategy is included in Appendix 1 on pages 41 to 52.

Please note that, on 1 July 2018, BlackRock's defined contribution pensions business was transferred to Aegon.

Signed on behalf of the Trustees by:



Chair of the Trustee of the Combined Nuclear Pension Plan

Date: 17 October 2018

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Part 1

This part of the Statement describes the Plan's charges, costs and value for members as well as considering the suitability of the default arrangement during the year to 31 March 2018. It is also to be published on-line. The web address will be given in members' annual benefit statements and in the members' newsletter.

(a) Default arrangements

The default arrangement is the investment option that the Trustee has chosen for Defined Contribution (DC) members who do not make an active fund choice. Members who do not choose an investment option will automatically be put into the default for their Section of the Plan.

The Plan has three default arrangements for DC arrangements which applied to members in the following Sections at 31 March 2018:

Section	Default
1. CNPP CPS and, from 1 February 2017, GPS New Joiners DC Structure	Blackrock LifePath Flexi Fund
2. CNPP CPS Shift Pay Pension Plan (SPPP)	Blackrock LifePath Capital Funds
3. CNPP GPS New Joiners DC Structure (pre 1 February 2017)	Lifestyle strategy administered by Prudential

There is no default arrangement for AVC members.

The Statement of Investment Principles for the default arrangement is attached at Appendix 1.

The Trustee believes that the default arrangements are appropriate for the majority of the Plan's members because the default arrangements provide good member outcomes at retirement while subject to a level of investment risk appropriate to the majority of members who do not make active investment choices. The default arrangements manage the principal investment risks members face, gradually changing where they are invested as they approach retirement.

No review of the default arrangement was due to be undertaken during the year. The last review was undertaken in September 2015 when it was concluded that the default arrangements for the DC Sections should adopt Target Date Funds (TDFs). The revised default arrangement was implemented in December 2016 for the CNPP CPS Section such that the default for members in the New Joiners DC Structure targets a final investment mix suitable for members who wish to utilise income drawdown in retirement, while the default for SPPP members now targets a final investment mix suitable for cash withdrawal. Implementation of a new default arrangement for the CNPP GPS Section has been delayed following a decision by the Plan's main administration provider to withdraw from providing these services for all its clients where administration is the only service provided, which resulted in a review of administration services for both DB and DC. A new default for the GPS Section is expected to be implemented in 2019.

The next triennial review will be undertaken in 2019 in conjunction with the appointment of a new provider for all defined contribution benefits.

(b) Charges and transaction costs

Members bear the full costs of the administration, investment and transaction charges.

The presentation of the charges and transaction costs have taken into account the statutory guidance issued by the Department for Work and Pensions.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Part 1 (continued)

Charges

The charges quoted are the funds' Total Expense Ratios ("TERs"). The TER consists of a fund's Annual Management Charge ("AMC") (included in which are administration charges) and Operating Costs and Expenses ("OCE"). OCEs include, for example, the fund's custodian costs. While the AMC is usually fixed, the OCE and hence the TER, can vary slightly from day to day.

The Plan is a qualifying scheme for auto-enrolment purposes and the member borne charges for the default arrangements complied with the charge cap during the year covered by this statement.

CPS and, from 1 February 2017, GPS New Joiners DC Structure - The BlackRock LifePath Funds are a series of "LifePath" target date funds which invest contributions in a varying mix of assets according to how far each member is from retirement.

GPS New Joiners DC Structure (pre 1 February 2017) - The Prudential Lifestyle strategy invests contributions in different funds according to how far each member is from retirement. Charges borne by each member can vary from one year to the next.

Plan Section	Default arrangement	Range of member-borne charges
CPS New Joiners DC Structure GPS New Joiners DC Structure (from 01/02/17)	BlackRock LifePath Flexi Fund	0.46% p.a.*
CPS SPPP	BlackRock LifePath Capital Fund	0.46% p.a.*
GPS New Joiners DC Structure (pre 01/02/17)	Prudential Lifestyle strategy	From 0.675% to 0.75% p.a.

* Includes 0.25% p.a. administration charge collected by Aon Hewitt (Aon)/Equiniti. This charge will reduce to 0.215% from 1 April 2018.

Source: Aegon Investment Solutions Limited and Prudential Assurance Company Limited

The table in Appendix 2 gives the charges for each fund used by the default arrangement.

Charges for the investment options outside the default arrangements

The Plan offers members a choice of self-select/AVC funds.

Plan Section	Self-select/AVC fund choices	Range of member-borne charges	Comment
CPS New Joiners DC Structure CPS SPPP CPS Defined Benefit AVCs GPS New Joiners DC Structure (from 01/02/17)	14 fund choices (including the two LifePath default options)	From 0.39% to 1.23% p.a.	Range of charges includes 0.25% p.a. charge for administration services collected by Aon
GPS New Joiners DC Structure (pre 01/02/17)	6 Prudential fund choices	From 0.55% to 0.75% p.a.	Includes the costs of investment and administration services provided by Prudential.
GPS Defined Benefit Section AVCs	16 Prudential fund choices	From 0.55% to 1.69% p.a.	

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Part 1 (continued)

The table in Appendix 2 gives the range of the levels of charges and transaction costs applicable to all funds which are not part of the default arrangements for each self-select fund.

With Profits

Some Defined Benefit Structure members' AVCs are invested in the With Profits Fund. The charges and transaction costs for With Profits Funds are deducted from the overall fund before bonus rates are set for all policyholders. As a result, it is not possible to determine the exact charges and costs borne by members and this information is not available from the provider.

The Principles and Practices of Financial Management for the With Profits Fund state that the administration and investment charges should average 1.0%

It should be noted that the implicit costs and charges for the With Profits Fund cover the cost of guarantees and reserving as well as investment management and administration.

Transaction costs

Transaction costs can arise when:

- The fund manager buys or sells part of a fund's portfolio of assets; or
- The platform provider or fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on how each fund is invested and market conditions. Transaction costs can include: custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes). Transaction costs are taken into account when the funds' unit prices are calculated. This means that transaction costs are not readily visible, but will be reflected in a fund's investment performance.

The FCA requires fund managers and providers to calculate transaction costs using the "slippage method", which compares the values of assets immediately before and after a transaction has taken place.

Unfortunately, neither Aegon/BlackRock nor Prudential have been able to provide transaction costs for the year to 31 March 2018. From the Trustee's discussions with its advisers, it is apparent that this unsatisfactory situation is being experienced by many pension schemes with a number of providers.

Missing information

The Trustee has been unable to obtain full information on:

- The transaction costs for the following investment options during the period covered by this Statement:
- Default funds
- Self-select funds
- AVC funds.

The following steps are being taken to obtain the missing information for the future:

- The Trustee is monitoring the providers' and fund managers' progress on implementing the FCA rules on transaction cost disclosure which came into force on 3 January 2018;
- With the help of its advisers, the Trustee is pressing for transaction costs for the unit linked funds from Aegon/BlackRock and Prudential;
- With the help of its advisers, the Trustee is pressing for greater disclosure of costs and charges for the Prudential With Profits Fund.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Part 1 (continued)

Prudential have provided the following statement with regards to the costs for the unit linked funds: "We are working closely with our fund management partners and have contracted with a third party firm to calculate transaction costs for Prudential's workplace pension funds in line with the requirements specified in COBS 19.8. We expect to be able to start reporting this information from Q4 2018 onwards."

Prudential's Trustee website also states: "From November 2018, we will have costs and charges information available on this website."

Aegon/BlackRock have confirmed to our advisers that they will not be producing transaction cost information for the year to 31 March 2018, but will commence produce quarterly reports from September 2018, so that figures should be available for next year's Statement.

The Trustees have requested further regular reporting on service levels and processing of financial transactions from the new DC provider to be appointed in 2019 as part of the tender process.

(c) Value for Members

Taking into account the Scheme's membership profile as well as the quality of the investment and administration services for which members bear or share the costs, the Trustees are satisfied that, last year:

- The member borne charges for both the default and other investment options for the CNPP CPS and the GPS New Joiners Structures (from 1 February 2017) were good value for members.
- The member borne charges for the default arrangement and other investment options for the CNPP GPS New Joiners DC Structure (pre 1 February 2017) and GPS AVCs were average value for members.

It has not been possible to assess the value for members of the transaction costs for both the default arrangement and other investment options during the last year due to transaction cost information not being available from Aegon/BlackRock or Prudential.

Assessment

Each year the Trustee carries out an assessment of whether the charges and transaction costs for the default arrangement and other investment options, which are borne in full or in part by members, represent good value for members.

Value is not simply about cost – the Trustee also considers the quality of the services which members pay for. The Trustee uses the following approach to assessing Value for Members:

Definition	Summary
The Plan offers excellent Value for Members providing services within the top 20% quality/cost range compared with typical services or similar schemes.	Excellent
The Plan offers good Value for Members providing services at better quality/cost compared with typical services or similar schemes.	Good
The Plan offers average Value for Members providing similar services at similar quality/cost compared with typical services or similar schemes.	Average
The Plan offers below average Value for Members providing similar services at higher cost for similar quality compared with typical services or similar schemes.	Below Average
The Plan offers poor Value for Members compared with services or similar schemes.	Poor

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Part 1 (continued)

Approach

In keeping with the guidance from the Pensions Regulator, the Trustee's approach to this year's value for members' assessment was:

- The Trustee considered the features of the Plan where costs are fully or partially borne by members: Members in the DC Sections of the Plan bear the costs of the investment and administration services. The Value for Members' assessment only considers these two areas. As the Employers bear the costs of communication and governance, these aspects are excluded from the Value for Members' assessment.
- The Trustee considered that the investment services have the greatest impact on DC members' retirement benefits and so have weighted their assessment 75% to investment services (split equally between charges and the quality of the investment options) and 25% to administration services.
- With the help of its advisers, the Trustee has gathered information and evaluated how the services perform against the agreed metrics including other comparable pension schemes, taking into account cost, quality and scope of the investment and administration services.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Part 1 (continued)

Member borne charges and transaction costs assessment

The Trustee rated each aspect of the Plan as shown in the table below:

Category and weighting	Rating	Comments
Investment options 37.5%	Good	<p>The CPS Sections' and, from 1 February 2017, GPS New Joiners DC Structure default options moved to new funds incorporating some of the latest thinking during the previous Plan year, and there have been no material changes to the membership subsequent to this. As such, it is anticipated that the default options remain suitable for a majority of the CPS membership.</p> <p>Corresponding changes will be made to the GPS Section as soon as practicable.</p> <p>The investment options continue to perform in line with their investment objectives.</p>
Member borne charges 37.5%	Below average	<p>The charges for the CPS Sections' and, from 1 February 2017, GPS New Joiners DC Structure investment options cover both investment and administration costs.</p> <p>When considered in isolation, investment related charges for these Sections are rated Good, whereas the level of administration costs have in recent years become less competitive and so are rated Below average.</p> <p>The administration costs are such that the overall charge is higher than those for similar schemes in surveys conducted by the Trustee's adviser and the DWP.</p> <p>The GPS Section is provided through a contract with Prudential, where the charges for the GPS Section's investment options include both investment and administration costs.</p> <p>Member borne charges for the unit-linked funds used by the GPS Section are rated Poor. The overall charges are higher than similar schemes in surveys conducted by the Trustee's adviser and the DWP.</p> <p>The charges for With Profits, while lacking transparency which make assessment difficult, are believed to be Average to Good.</p>
Administration 25%	Average	<p>Financial transactions have been carried out efficiently and accurately.</p> <p>Enquiries by members and quotations of members' benefits have been handled promptly.</p> <p>Aegon/BlackRock and Aon for the CPS Sections and Prudential for the GPS and Nirex Section are well-resourced.</p>

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Part 1 (continued)

Please note that the Government Regulations and the Pensions Regulator's guidance on assessing Value for Members do not take into account the level of pension contributions, which is a key driver of the level of benefits emerging at retirement.

The Plan offers members a Good level of contributions, which is not reflected in this assessment.

Key actions to enhance value for members for the future

Over the last 12 months the Trustee has undertaken the following to improve Value for Members:

- Following advice from Aon Hewitt that it would withdraw from the administration market, undertook a wider review of the Plan's DB and DC administration arrangements.
- Reviewed options for transferring the GPS Sections to another provider's platform.
From 1 April 2018 reduced the administration charge for the CPS and GPS New Joiners (from 1 February 2017) Structures from 0.25% to 0.215%.

With Profits

Value for members in respect of With Profits Funds cannot be easily measured due to the lack of transparency in how With Profits Funds in general are run.

Considering the operation of the Prudential With Profits Fund at a general level, the Trustee believes that:

- The average charges borne by members compare reasonably with other With Profits Funds;
- The financial strength and investment strategy of the Fund together with the process for turning investment returns into bonuses may be expected to deliver reasonable future investment returns to members over time; and
- The guarantees and smoothing of investment returns are likely to be of reasonable value to some members.

Overall, the Trustee believes that the Prudential With Profits Fund gives fair value for members.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Part 2

This part describes the steps taken by the Trustee to ensure smooth operation and effective governance of the Plan during the period covered by this Statement.

(d) Processing financial transactions

Aon is appointed to administer the Plan relating to the CPS Sections and the GPS New Joiners DC Structure from February 2017. Prudential is appointed to administer the GPS Sections and the GPS New Joiners DC Structure prior to February 2017.

The Trustee monitored core financial transactions during the year including:

- The receipt and investment of contributions (including inward transfers of funds);
- The level of funds within each investment option in which switches between investment options occurred; and
- Payments of benefits (including retirements and outward transfers of funds).

The Trustee monitored core financial transactions and administration service levels during the year by:

- Checking that contributions deducted from members' earnings have been paid promptly to the Plan by the employers;
- Receiving quarterly reports from the Plan administrator on the processing of financial transactions against agreed service levels;
- Considering the reasons for and resolution of any breaches of service standards;
- Arranging reviews of data accuracy;
- Receiving reports from the Plan Auditor, who independently tested sample transactions for accuracy and timeliness; and
- Considering member feedback including any complaints.

The Trustee has a service level agreement in place with the Plan administrator in respect of financial transaction processing covering:

- Investment transactions for the Prudential With Profits Fund.
- Payment of benefits to or in respect of members including transfers out, retirements, death, pension sharing and earmarking
- Transfers-in

The Trustee understands the Plan administrator monitors these service levels by:

- Daily monitoring of bank accounts for receipt of investment transactions when expected. Payment within 1 day of receiving required paperwork.
- Bank account monitoring for receipt of contributions.
- Recording when all necessary employer information is received.
- Monitoring that received monies are invested within 3 days of receipt of all required information.
- Monitoring benefit payments are paid within 1 day of receiving the paperwork from the benefits team or on the due date, if later.
- Monitoring that received cheques are banked within two days of receipt.

The Trustee is satisfied that these service standards are competitive because it conducted a review of the Plan administrator in 2017 when the service standards were found to be competitive with other administrators.

The Trustee is satisfied that during the year:

- Core financial transactions were processed accurately, promptly and efficiently; and
- The wider administration of the Plan has generally achieved the agreed service standards.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Part 2 (continued)

The Trustee identified the following issue with the administration service levels during the year: Statutory money purchase benefit statements were not provided to c. 10,000 members of the CPS Sections within 12 month of the end of the scheme year of 31 March 2017. The delay was due to a recalibration of the revised projections which was more complicated than originally estimated. The Trustee advised members of the delay in February 2018.

The Trustee had tested whether an earlier date could be targeted to meet the SMPI deadline but accepted the explanation from the Plan administrator that the timetable needed to allow for sufficient checking given the complexity of the SMPI calculations and the number of members. All money purchase statements for the year ended 31 March 2017 were issued in batches between 16 and 18 May 2018. The recalibration of projections is now in place and the Trustee does not expect the issue to reoccur.

(e) Trustee knowledge and understanding

The Trustee directors' current practices to maintain and develop their level of knowledge and understanding of matters relating to the Plan are:

- There is an induction process for newly appointed Trustee Directors, who are asked to complete the Pensions Regulator's "Trustee Toolkit" within 6 months of becoming a Trustee Director;
- Trustee directors are expected to have a working knowledge of the Plan's Trust Deed and Rules;
- Trustee directors are expected to have a working knowledge of the Plan's Defined Contribution Statement of Investment Principles as well as the investment concepts relevant to the Plan;
- Trustee directors are expected to have a working knowledge of the law and legislation relating to pension schemes;
- Trustee directors are encouraged to undertake further study and qualifications which support their work as Trustee;
- The Trustee directors have a plan in place for ongoing training appropriate to their duties;
- The effectiveness of these practices and the training received are reviewed annually;
- The Trustee directors carry out assessments (using questionnaires) to identify any gaps in their knowledge and skills.

The Trustee directors received the following training during the last year:

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Part 2 (continued)

Date	Topic	Aim	Trainer
09/05/17	Chair's statement and value for members	Regulatory requirements and next steps required	Investment consultant
09/05/17	BlackRock/Aegon developments and LifePath training	Report on merger of BlackRock/Aegon and LifePath training for new directors	BlackRock
08/06/17	Chair's statement and assessing Value for Members.	To agree an approach to the Chair's statement and value for members assessment	Investment consultant
06/07/17	General Data Protection Regulations	Introductory training re GDPR coming into force 25/05/18	Trustee's legal adviser
15/02/18	Master Trust	Initial training on new regulatory regime expected to catch the Plan and requiring authorisation by TPR	Trustee's legal adviser
07/03/18	TPRs DC code of practice/ DC investment options	Training for new Trustee director on the Investment Sub-Committee	Investment consultant

The Trustee has appointed suitably qualified and experienced actuary, legal advisers investment consultant and benefit consultant to provide advice on the operation of the Plan in accordance with its Trust Deed and Rules, legislation and regulatory guidance.

The Trustee reviews the effectiveness of its advisers annually and also periodically reviews the appointment of its advisers.

The Trustee undertook the following reviews during the last year:

Date	Review of
10/05/17	Actuary appointment
08/06/17	Investment adviser, effectiveness of investment advice and decision making by Investment Sub-Committee
06/07/17	Plan lawyer appointment
July-October 2017	Full market review and appointment of covenant adviser

As a result of these reviews, the Trustee is satisfied that during the last year it has:

- Taken effective steps to maintain and develop its knowledge and understanding; and
- Ensured all Trustee directors received suitable advice.

The Trustee is satisfied that the combination of its knowledge and understanding together with access to suitable advice enabled the Trustee to properly exercise its duties during period covered by this Statement.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Part 2 (continued)

(f) Action plan

In the coming year (which will be covered by the next Statement), the Trustee is intending to undertake the following to improve Value for Members:

- For the CPS and GPS New Joiners (from 1 February 2017) Structures – the annual charge for administration is to be reduced by 0.35% from 1 April 2018;

Transfer the Plan's DC and AVC investment and administration arrangements to a single provider from 1 April 2019 with the aim of reducing the charges borne by members. This follows the wider review of the Plan's administration arrangements and Trustee's agreement that the CPS and all GPS DC Structures and all AVCs be invested and administered by one platform provider.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Appendix 1

Statement of Investment Principles

This Statement sets out the principles for investing the assets of the Defined Contribution (DC) Structure, Shift Pay Pension Plan (SPPP) and Additional Voluntary Contributions (AVCs) sections of the Combined Nuclear Pension Plan ('the Plan') as adopted by the Combined Nuclear Pension Plan Trustees Limited ('the Trustee').

This Statement has been written in accordance with Section 35 of the Pensions Act 1995 (as amended by Section 244 of the Pension Act 2004) and is consistent with the Trustee's investment powers as set out in the Trust Deed (clauses 11 and 12).

This Statement also takes into account the Pensions Regulator (tPR) Defined Contribution (DC) Code of Practice.

In preparing this statement the Trustee has consulted with the Lead Company, the Nuclear Decommissioning Authority ('NDA'), as sponsor to the Plan, and has taken and considered written advice from the Plan's Investment Advisers, Hymans Robertson LLP. Participating employers within the Plan have signed a 'Deed of Participation' allowing the NDA to act on their behalf in consultation with the Trustee.

The Trustee will review this Statement every three years or more frequently as considered appropriate by the Trustee, and specifically in response to legislative and regulatory changes, changes to the investment strategy or a marked change in the membership profile, if appropriate.

The Trustee is part way through a reorganisation of the DC offering for the GPS sections which is expected to be completed in 2018. This document sets out position of the arrangements as at November 2017. The next review of this Statement is due to be undertaken following the changes noted above.

To ensure effective management of investment issues, the Trustee has established an Investment Sub Committee ("ISC") to deal with the investment issues facing the Trustee. The Terms of Reference for this committee have been set by the Trustee and are shown in Appendix 1. They may be changed by the Trustee from time to time.

The power and obligation for deciding on the strategic investment policy rests with the Trustee. However, the Trustee has delegated specific powers to the ISC around the implementation of the investment strategy within certain parameters. The aim is to lead to a more efficient and effective implementation of any recommended changes to the Plan's investment arrangements.

The appendices do not formally form part of the Statement of Investment Principles.

Signatures: A. WHALLEY

I. KIRBY

Signed For and on Behalf of the Trustee of the Combined Nuclear Pension Plan
December 2017

This Statement of Investment Principles supersedes the previous version dated October 2017.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Appendix 1 (continued)

Aims and objectives for the DC Investment Options

Primary Objective

The primary objective of the DC structure and SPPP is to provide, on a defined contribution basis, benefits for members on their retirement or benefits for their dependents on death before retirement. In light of the regulatory changes following the Budget announcement in March 2014, the Trustee reviewed the investment strategy of the default option for the CNPP DC Section and a revised strategy was implemented in 2016. The Trustee is considering the options available for the GPS Sections and AVC contributors.

The Trustee recognises that members have differing investment needs and that these may change during the course of their working lives. It also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances. The Trustee's objective is therefore to make available a range of investment options that, whilst avoiding excessive complexity, should assist members in achieving the following objectives:

- Optimising the value of retirement benefits from the given contributions.
- Protecting the value of those benefits in the years approaching retirement against market falls.
- Protecting the value of those benefits in the years approaching retirement against fluctuations in turning fund values into retirement benefits.
- Tailoring their investments to meet their own needs.

Default arrangements

The Plan offers default arrangements, because the Trustee recognises that some members will not want to choose an investment option and the Plan is a qualifying scheme for auto-enrolment purposes.

The main objective of the default arrangements is to provide good member outcomes at retirement while subject to a level of investment risk appropriate to the majority of members who do not make active investment choices.

The default arrangements manage the principal investment risks members face, gradually changing where they are invested as they approach retirement.

Other investment options

The Plan offers members a number of choices of investment options as alternatives to the default arrangements. The main objectives of the alternative options are to:

- Provide a choice of investment approaches for members who want to be more closely involved in choosing where their pension pot is invested;
- Complement the objectives of the default arrangements;
- Provide a broader choice of levels of investment risk and return;
- Provide a broader choice of investment approaches including ethical and faith based funds; and
- Help members more closely tailor how their pension pot is invested to their personal needs and attitude to risk.

Nevertheless, the self-select fund range cannot be expected to cover all the investment needs of all members.

The Trustee has appointed providers and fund managers authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Trustee has agreed the appropriateness of the asset allocation benchmarks, performance benchmarks and the various controls adopted by the managers for each fund in which members can invest. For each fund, the benchmark and guideline controls reflect the Trustee's views on the appropriate balance between maximising the long-term return on investments and minimising short-term volatility and risk for that fund's strategic aim.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Appendix 1 (continued)

The Trustee reviews the range of funds available on a regular basis. Advice is received as required from professional advisers. In addition, the Trustee reviews the performance of the Plan investments on a regular basis.

CPS Section

Default arrangement – the default arrangements are series of target date funds, where members' contributions are invested in a mix of assets which are expected to deliver growth relative to inflation when members are younger and gradually switches into a mix of assets whose values are expected to be less volatile as members approach retirement.

New Joiners DC Structure – a series of target date funds which are suitable for members who are expected to use income drawdown in retirement.

Shift Pay Pension Plan – a series of target date funds which are suitable for members who are expected to take all their benefits in cash at retirement.

Self-Select Option: a range of equity, property, bond, cash and multi-asset funds which provide appropriate choices for members' different savings objectives, risk profiles and time horizons. Members themselves determine the fund(s) in which they choose to invest.

GPS Section

Default arrangement - Lifestyle Option: The default arrangement is a lifestyle strategy, where members' contributions are invested according to a life-styling matrix, whereby investment is made in equity based funds when members are younger and is gradually switched to a mix of lower volatility funds as members approach retirement which are suitable for members who are expected to take 25% of their fund value as cash and use the balance to buy an annuity.

Self-Select Option: a range of equity and bond funds which provide appropriate choices for members' different savings objectives, risk profiles and time horizons. Members themselves determine the fund(s) in which they choose to invest.

Details of the default options and self-select fund options for both sections are set out in the Investment Implementation Document in Appendix 2.

Additional Voluntary Contributions (AVCs)

The Plan also provides a facility for members who are not new joiners to make Additional Voluntary Contributions to buy additional benefits on a money purchase basis.

Further details of the AVC fund options for both sections are set out in the Investment Implementation Document in Appendix 2.

Choosing Investments

The funds in which members invest are pooled funds, which the Trustee believes is appropriate given the size and nature of the Plan. The majority of the Plan's assets are invested using a passive (index tracking) approach, the objective of which is for an investment manager to seek to match, rather than exceed, the performance of the chosen benchmark index in relation to the particular fund, or underlying investments. Within each fund the investment manager invests in individual stocks in such a way as to replicate, as closely as possible, the composition of the benchmark index. In adopting this approach, the manager ensures a suitably diversified portfolio. There are also a number of investments where the investment manager is expected to outperform an underlying benchmark index through active management. Such funds include those invested in property, multi-asset funds and cash. The Trustee is satisfied that the range of funds and the assets held in each fund are suitable in relation to the needs of members.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Appendix 1 (continued)

Kinds of investment to be held

The investment managers may invest in UK and overseas investments including equities, property, fixed and index linked bonds, and cash. However, the investments in each fund will depend on the nature of each fund, its objective and benchmark and the risk controls which operate.

Balance between different kinds of investments: Each fund has a defined benchmark and the Trustee is satisfied that the benchmark, in combination with other funds, is appropriate for different categories of members.

Investment risks

The Trustee believes that the three main investment risks most members will face are:

1) Inflation risk – investment returns over members' working lives may not keep pace with inflation and, as a result, do not produce adequate retirement benefits.

Further from retirement, this risk should be countered by investing in funds which are expected to produce returns well in excess of inflation over the longer term. Approaching retirement, the impact of this risk needs to be balanced against the other main risks members face.

2) Benefit conversion risk – investment conditions just prior to retirement may increase the cost of turning members' fund values into retirement benefits.

For members taking cash at retirement, funds investing in cash deposits and other short-term interest bearing investments provide a high degree of (but not complete) capital security. Funds investing in a mix of different assets are expected to be broadly suitable for members planning income drawdown during retirement. For members buying an annuity at retirement, the value of funds investing in longer-dated bonds may be expected to broadly follow changes in annuity rates caused by long-term interest rates.

3) Volatility/Market risk – falls in fund values prior to retirement lead to a reduction in retirement benefits. Funds investing in bonds or a mix of assets or investment techniques may be expected to be subject to lower levels of short-term fluctuations in values - although there may be occasions when this does not hold good.

Other investment risks

The Trustee has considered the other investment risks members may face. These include:

- The risk that the investment returns over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate pension.
- The risk that movements in investment market values in the period prior to retirement lead to a reduction in the anticipated level of benefits.
The risk that market movements in the period just prior to retirement lead to an increase in the cost of turning members' fund values into retirement benefits.
- The risk that an investment manager will not deliver investment returns in line with investment markets generally or other investment managers.
- The risk that funds which invest in more illiquid assets will not be able to accept investments or disinvestments requested by the Trustee and/or members.
- The risk that counterparties holding derivative based assets may default leading to a reduction in a fund's value.

Managing investment risks

The CPS arrangements' target date funds and GPS lifestyle strategy manage the three main investment risks as members grow older by automatically switching from funds which are expected to give long-term growth relative to inflation into funds whose values should fluctuate less in the short-term relative to the benefits members are expected to take at retirement. The self-select fund range provides members with a choice of funds with differing risk and return characteristics.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Appendix 1 (continued)

The Trustee manages the other investment risks as part of the process for selecting and ongoing monitoring of the funds used by the Plan. The funds used give a good spread of investments which will help manage risks associated with market conditions. The Trustee believes that the Plan's investment options are appropriate for managing the risks typically faced by members.

In selecting the funds made available to members, the Trustee has tried to ensure that there is a sufficient range of funds across asset classes and risk profiles, which can be tailored to members' individual requirements at different ages and terms to retirement.

The decision to appoint only one investment manager for each asset class does involve some degree of manager risk relative to benchmark (which would arise from the potential underperformance of that manager). However, as the majority of the funds the Trustee has made available are managed on a passive (index tracking) basis, the risk of underperformance from the manager is materially reduced. Actively managed funds are used where passive management would not be appropriate or viable.

Expected return on investments

The objective of the equity, property and multi-asset funds is to achieve an attractive real return over the long term. The objective of the cash and bond funds is to provide for the payment of the tax-free lump sum on retirement and to reduce the volatility of the cost of the annuity that may be purchased, rather than to achieve a specified 'real' or 'nominal' return.

The Trustee is also satisfied that these return objectives are consistent with the aims of members at different stages within the lifestyle process.

Realisation of investments

The Plan's investments may be realised quickly if required.

Stewardship

Social, Environmental and Ethical Considerations: The managers have produced statements setting out their policy with regard to social, environmental and ethical considerations. However, as the assets are mostly invested on an index-tracking basis (which requires close replication of the appropriate index), it is understood by the Trustee that these factors will not be given priority by the managers when selecting investments for purchase, retention or sale.

Exercise of Voting Rights: The Trustee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the managers have produced written guidelines of their process and practice in this regard. The managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies.

Appendix 1: Terms of Reference for the Investment Sub-Committee (effective September 2014)

- 1 **Composition**
 - 1.1 The investment sub-committee shall comprise of up to 6 Trustee Directors and the NDA's Head of Group Pensions will also be in attendance. The Scheme Secretary, the Trustee's appointed investment adviser and the NDA's appointed investment adviser will also attend sub-committee meetings. Membership and chairmanship of the sub-committee shall be agreed by the Trustee Board.
 - 1.2 Sub-committee meetings shall be held at least quarterly and more frequently if appropriate. Such meetings may be face-to-face or via telephone or video conferencing facilities.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Appendix 1 (continued)

- 1.3 Any member of the sub-committee may, on his/her own or with the help of relevant advisers to the Plan, take forward actions on behalf of the sub-committee.
- 1.4 The Trustee Board shall nominate one of the members of the sub-committee to act as chairman of the sub-committee.
- 1.5 The agenda and supporting papers for each sub-committee meeting shall be circulated to all of the Trustee Directors and any other required attendees in good time and if possible at least 3 working days before the meeting.
- 1.6 Any of the Trustee Directors who are not specified as members of the sub-committee may if they wish, attend the sub-committee meetings by notifying the Chairman in advance of the meeting taking place.
- 1.7 The CNPP Secretariat shall take minutes of the sub-committee meetings.
- 1.8 The sub-committee members shall nominate one of their number or the CNPP Secretariat to present a report to the Trustee Directors at each Trustee Board meeting to provide an update of the work of the sub-committee since the last Trustee Board meeting and to make recommendations to them as appropriate. The report may include any other information considered to be of interest to the Trustee Board.
- 2 **Remit**
 - 2.1 Appointment of investment adviser, investment managers and custodian
 - (a) Appoint, remove and replace investment managers and custodian, as appropriate
 - (b) Make recommendations to Trustee Board for the appointment, removal and replacement of the investment adviser(s),
 - (c) Monitor and review appointment and performance
 - (d) Review terms of appointment
 - (e) Negotiate and agree terms of appointment
 - (f) Obtain written advice as required
 - (g) For movement of investments between investment managers, on replacement, addition of an investment manager, or for other reasons, agree transition arrangements
 - 2.2 Investment Strategy (i.e. strategic asset allocation and overall degree of risk vs target return)
 - (a) Review investment objectives and strategy on regular basis for appropriateness
 - (b) Make recommendations to Trustee Board relating to long term asset allocation (including long-term strategic' allocation to asset classes including equity, bonds, property etc)
 - (c) After obtaining and considering written advice from their appointed investment adviser(s) implement medium-term 'tactical' allocations to asset classes where these do not significantly depart from the existing strategic asset allocation (return seeking vs defensive investments) as agreed by the Trustee, or significantly alter the investment objectives, the overall risk or the target return.
 - 2.3 Monitoring investment performance
 - (a) Monitor and review performance against agreed objectives
 - (b) Amend mandates and benchmarks as appropriate
 - (c) Consider reports from investment managers and performance monitoring services
 - (d) Meet each manager at least annually
 - 2.4 Statement of Investment Principles
 - (a) Draft and agree SIP for approval by Trustee Board
 - (b) Undertake consultation with NDA
 - (c) Review on regular basis, at least annually
 - (d) Review investment managers' compliance with SIP

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Appendix 1 (continued)

- 2.5 Money Purchase Arrangements (including AVCs and Shift Pay Pension Plan)
 - (a) Determine, after obtaining written advice from appointed investment advisers, appropriate arrangements for money purchase providers and fund choices available to Plan members.
 - (b) From time to time review the suitability of money purchase providers and the fund choices available to Plan members
- 2.6 Cashflow
 - (a) As appropriate, determine how cash flows into and out of the invested assets are allocated between investment managers
- 2.7 Reporting
 - (a) Provide a report to each Trustee's meeting

Appendix 2: Investment Implementation Document

CPS Sections

The funds available to members within the CPS Structure DC section, CPS Structure AVCs and Shift Pay Pension Plan are as follows:

Manager	Gross annual fee with effect from 1 April 2017 (TER + admin fee) %pa
CNPP UK Equity Fund	0.39
CNPP Global Equity Fund	0.39
CNPP Global Equity (ex-UK) Fund	0.39
CNPP Emerging Markets Equity Fund	0.57
CNPP Sharia Law Fund	0.75
CNPP Property Fund	1.23
CNPP Multi-Asset Fund	0.70
CNPP Pre Retirement Fund	0.40
CNPP Index-Linked Gilt Fund	0.39
CNPP Corporate Bonds Fund	0.40
BlackRock DC Cash Fund	0.43
BlackRock LifePath Flexi*	0.46
BlackRock LifePath Capital*	0.46
BlackRock LifePath Retirement	0.46
Prudential With-Profits Fund**	0.80

* Default options.

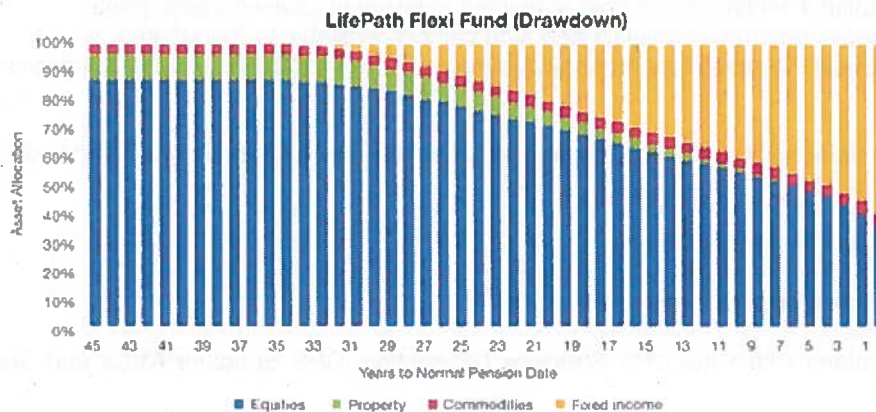
** Only available for AVC investments.

For members who are invested in the BlackRock LifePath Flexi option the following chart illustrates the changes to fund allocations that will be implemented on members behalf up to their retirement date:

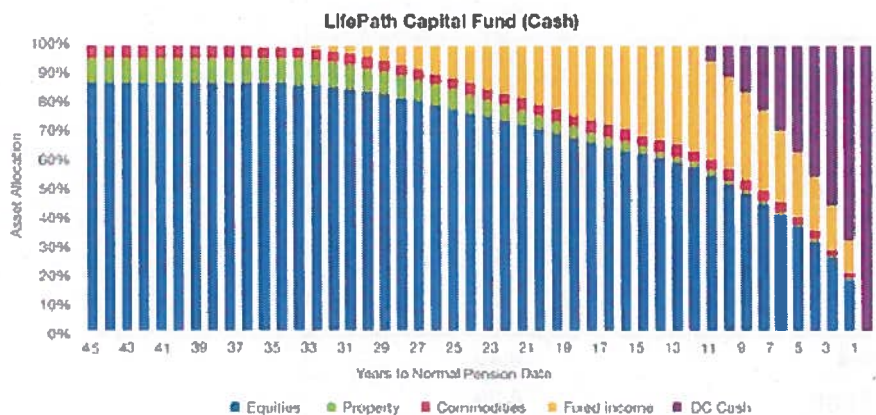
COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Default Options



For members who are invested in the BlackRock LifePath Capital option the following chart illustrates the changes to fund allocations that will be implemented on members behalf up to their retirement date:



COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

GPS Section Default Option



Self-select funds

The funds available to members within the GPS Sections are as follows (a selection of the funds below are also available to Nirex Section members):

Manager	Gross annual fee %pa
BlackRock UK Equity Index Fund	0.75
BlackRock 50:50 Global Equity Index Fund	0.75
BlackRock World (ex UK) Equity Index Fund	0.75
Prudential Index-Linked Passive Bond Fund	0.65
Prudential Retirement Protection Fund	0.65
Prudential Cash Fund	0.55

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

GPS Structure AVCs

The funds available to GPS Structure AVC contributors are as follows (a selection of the funds below are also available to Nirex Section members):

Manager	Gross annual fee %pa
Prudential UK Equity Fund	0.75
Prudential UK Equity (Passive) Fund	0.65
Prudential UK Specialist Equity Fund	0.75
Prudential Global Equity Fund	0.75
Prudential International Equity Fund	0.75
Prudential Overseas Equity Passive Fund	0.65
Prudential With-Profits Fund*	0.80
Prudential Corporate Bond Fund	0.75
Prudential Discretionary Fund*	0.75
Prudential Fixed Interest Fund	0.75
Prudential Index-Linked Fund	0.75
Prudential Long Term Growth Fund	0.65
Prudential Pre-Retirement Fund	0.65
Prudential Property Fund	0.75
Prudential Retirement Protection Fund	0.65
Prudential Socially Responsible Fund	0.75
Prudential Deposit Fund	n/a
Prudential Cash Fund	0.55

* Funds invested in by Nirex Section members.

Appendix 2

Table of funds and charges

Default arrangements

The funds' individual charges (as "Total Expense Ratios") in the last year were:

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Section of the Plan	Fund	Charge* %
CNPP CPS DC New Joiners Section and CNPP GPS DC New Joiners Section (from 1 February 2017)	BlackRock LifePath Flexi Fund	0.46
CNPP Shift Pay Pension Plan (SPPP)	BlackRock LifePath Capital Fund	0.46
CNPP GPS DC New Joiners Section (pre 1 February 2017)	Prudential Lifestyle strategy	0.675 to 0.75

*Charge = the funds' Total Expense Ratio ("TER"), which includes the funds' Annual Management Charge ("AMC") and Operating Expenses.

Source: Aegon Investment Solutions Limited and Prudential Assurance Company Limited

Transaction costs are not available from Aegon/BlackRock or Prudential.

Self-select funds outside the default arrangements

CPS New Joiners DC Section; CNPP GPS New Joiners DC Section (from 1 February 2017); and CNPP CPS Section Additional Voluntary Contributions in the Defined Benefit Structure. The funds' individual charges (as "Total Expense Ratios") in the last year were:

Fund	Charge* %
CNPP Global Equity (ex-UK) Fund	0.39
CNPP Emerging Markets Equity Fund	0.56
CNPP Global Equity Fund	0.39
CNPP UK Equity Fund	0.39
CNPP Sharia Law Fund	0.75
CNPP Property Fund	1.23
CNPP Multi-Asset Fund	0.70
CNPP Corporate Bonds Fund	0.40
CNPP Pre-Retirement Fund	0.41
CNPP Index-Linked Gilt Fund	0.39
BlackRock DC Cash Fund	0.43
BlackRock LifePath Flexi Fund	0.46
BlackRock LifePath Capital Fund	0.46
BlackRock LifePath Retirement Fund	0.46

*Charge = the funds' Total Expense Ratio ("TER"), which includes the funds' Annual Management Charge ("AMC") and Operating Expenses.

Source: Aegon Investment Solutions Limited

Transaction costs are not available from Aegon/BlackRock.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Self-select funds outside the default arrangements

CNPP GPS Section New Joiners DC Section (pre 1 February 2017)

The funds' individual charges (as "Total Expense Ratios") in the last year were:

Fund	Charge* %
BlackRock Aquila UK Equity Index Fund	0.75
BlackRock Aquila (50:50) Global Equity Index Fund	0.75
BlackRock Aquila World ex-UK Equity Index Fund	0.75
Prudential Index Linked Passive Fund	0.65
Prudential Long-Term Gilt Passive Fund	0.65
Prudential Cash Fund	0.75

*Charge = the funds' Total Expense Ratio ("TER"), which includes the funds' Annual Management Charge ("AMC") and Operating Expenses.

Source: Prudential Assurance Company Limited

Transaction costs are not available from Prudential.

Additional Voluntary Contribution

CNPP GPS Section Additional Voluntary Contributions in the Defined Benefit Structure

The funds' individual charges (as "Total Expense Ratios") in the last year were:

Fund	Charge* %
Prudential M&G Recovery Fund	0.75
Prudential Ethical Fund	0.75
Prudential UK Equity Fund	0.75
Prudential UK Equity Passive Fund	0.65
Prudential Global Equity Fund	0.75
Prudential International Equity Fund	0.75
Prudential Long Term Growth Passive Fund	0.65
Prudential Overseas Equity Passive Fund	0.65
Prudential Discretionary Fund ^	0.77
Prudential Fixed Interest Fund	0.75
Prudential Index-Linked Fund	0.75
Prudential Long Term Bond Fund	0.65
Prudential Long Term Gilt Passive Fund	0.65
Prudential UK Property Fund ^	1.69
Prudential With Profits Fund (closed to new investors)	1.00 **
Prudential Cash Fund	0.55
Prudential Deposit Fund (closed to new investors)	0 ***

*Charge = the funds' Total Expense Ratio ("TER"), which includes the funds' Annual Management Charge ("AMC") and Operating Expenses.

**Average across all With Profits policyholders.

*** Charges are implicit in the declared rate of interest.

^ This fund invests directly in property. As a result, in addition to the fund's Total Expense Ratio, members also bear the cost of items such as property management and maintenance. The charge shown is the fund's "Property Expense Ratio" including the Total Expense Ratio and property management costs.

Source: Prudential Assurance Company Limited

Transaction costs are not available from Aegon/BlackRock.

COMBINED NUCLEAR PENSION PLAN

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

Opinion

We have audited the financial statements of the Combined Nuclear Pension Plan for the year ended 31 March 2018 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the scheme during the Plan year ended 31 March 2018 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 scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Plan in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Trustee is responsible for the other information, which comprises the trustee's report (including the report on actuarial liabilities and the summary of contributions), the Chair's Statement, and the actuarial certification of the schedule of contributions. 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 conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in their statement set out on page 28, the Plan Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; 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; assessing the Plan'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 they either intend to wind up the Plan, or have no realistic alternative but to do so.

COMBINED NUCLEAR PENSION PLAN

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the scheme trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the scheme trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan Trustee, for our audit work, for this report, or for the opinions we have formed.



Julie Radcliffe
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

Date: 24/10/18

COMBINED NUCLEAR PENSION PLAN

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2018

	Note	DB Structure 2018 £000	DC Structure 2018 £000	For the year ended 31 March 2018 £000	For the year ended 31 March 2017 £000
Contributions and Benefits					
Members' Contributions	3	30,742	11,725	42,467	39,304
Employers' Contributions	4	115,151	25,455	140,606	131,661
Contributions		145,893	37,180	183,073	170,965
Transfers in	5	50	-	50	206
Other income	6	1	1,021	1,022	151
		145,944	38,201	184,145	171,322
Benefits	7	(35,797)	(3,105)	(38,902)	(36,262)
Leavers	8	(10,891)	(2,026)	(12,917)	(5,882)
Administrative expenses	9	(6)	(1)	(7)	(6)
		(46,694)	(5,132)	(51,826)	(42,150)
Net additions from dealings with members		99,250	33,069	132,319	129,172
Returns on investments					
Investment income	10	14,132	-	14,132	14,381
Change in market value of investments	11	80,600	6,503	87,103	405,642
Investment management expenses	16	(2,243)	(455)	(2,698)	(2,732)
Net returns on investments		92,489	6,048	98,537	417,291
Net increase in the fund during the year		191,739	39,117	230,856	546,463
Transfers between sections		(2,663)	2,663	-	-
Net assets of the Plan At 1 April		2,450,011	168,275	2,618,286	2,071,823
Net assets of the Plan At 31 March		2,639,087	210,055	2,849,142	2,618,286

The notes on pages 58 to 79 form an integral part of these financial statements.

COMBINED NUCLEAR PENSION PLAN

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 MARCH 2018

	Note	31 March 2018 £000	31 March 2017 £000
DB Structure			
Investment assets			
Pooled investment vehicles	12	2,524,322	2,326,450
AVC and SPPP investments	14	108,702	98,893
Cash deposits	11	3,495	23,826
Accrued investment income	11	1,980	1,924
Cash in transit	11	-	69
		<hr/>	<hr/>
Total investments		2,638,499	2,451,162
		<hr/>	<hr/>
Investment liabilities			
Other Investment Balances	11	(1,980)	(1,924)
		<hr/>	<hr/>
Total net investments		2,636,519	2,449,238
		<hr/>	<hr/>
Current assets	19	3,853	3,517
Current liabilities	19	(1,285)	(2,744)
		<hr/>	<hr/>
Total net assets of DB Structure		<u>2,639,087</u>	<u>2,450,011</u>

COMBINED NUCLEAR PENSION PLAN

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 MARCH 2018

	Note	31 March 2018 £000	31 March 2017 £000
DC Structure			
Investment assets			
Pooled investment vehicles	12	209,530	167,978
Cash in transit	11	-	3
Total investments		<u>209,530</u>	<u>167,981</u>
Current assets	19	586	298
Current liabilities	19	(61)	(4)
Total net assets of DC Structure		<u>210,055</u>	<u>168,275</u>
 TOTAL NET ASSETS OF THE PLAN AT 31 MARCH		 <u>2,849,142</u>	 <u>2,618,286</u>

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Plan year.

The actuarial position of the Plan, which does take account of such obligations for the DB Structure, is dealt with in the Report on Actuarial Liabilities on pages 10 to 14 of the annual report and these financial statements should be read in conjunction with this report.

The notes on pages 58 to 79 form an integral part of these financial statements.

Signed for and on behalf of Combined Nuclear Pension Plan Trustees Limited

Trustee Director:
A. Whalley

Trustee Director:
P. Greene

Date: 17 October 2018

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Financial Reporting Standard 102 - the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (revised November 2014).

2. ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements.

2.1 The financial statements have been prepared on an accruals basis with the exception of individual transfers which are recognised when received or paid.

2.2 Employee contributions, including those where members are auto-enrolled are accounted for when they are deducted from pay by the employer. Normal contributions are accounted for at rates agreed between the Trustee and the employer based on the Schedule of Contributions.

Employer augmentation payments are accounted for in the period they fall due as payable to the Plan.

Employer deficit funding contributions are accounted for on the due date on which they are payable or received in accordance with the Schedule of Contributions and the recovery plan under which they are being paid.

Employer additional contributions are accounted for on the due date on which they are payable or received in accordance with the Schedule of Contributions.

2.3 Benefits are accounted for in the year in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken or, if there is no member choice, on the date of retirement or leaving.

Lump sum payments on death are accounted for on an accruals basis.

2.4 Individual transfers in or out are accounted for when paid or received which is normally when liability is accepted/discharged.

Group transfers are accounted for in accordance with the terms of the transfer agreement.

2.5 Assets and liabilities in foreign currencies are expressed in sterling at the relevant rates of exchange ruling at the year end.

The functional and presentational currency of the Plan is sterling.

Transactions denominated in foreign currencies are translated into sterling at the spot exchange rate prevailing at the date of the transaction.

Gains and losses arising on conversion or translation are shown within the change in market value of investments.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. ACCOUNTING POLICIES (continued)

2.6 Administration and investment manager expenses have been met separately by the employers, with the exception of the direct administration cost for DC administration, which are charged to the structure to which they relate and met by the members from disinvested units.

2.7 The investments are included at fair value. The value of pooled investment vehicles is taken as the bid price as quoted by the investment managers at the period end, or single price where there is no bid price as provided by the investment manager.

The AVCs, SPPP and DC Structure funds are shown as the total of the individual member funds valued by the insurance company at the period end.

The changes in investment market values are accounted for in the period in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the period end.

Income arising from the underlying investments of the pooled investment vehicles that is reinvested within the pooled investment vehicles is reflected in the unit price. Such income is reported within the change in market value.

2.8 Investment income on cash deposits is accounted for on an accruals basis.

In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income which is reinvested in the funds.

Income arising from individual annuity policies held by the Trustee and received by the Fund is included within investment income on an accruals basis.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

3. MEMBERS' CONTRIBUTIONS

	DB Structure 2018 £000	DC Structure 2018 £000	For the year ended 31 March 2018 £000
Normal	20,775	11,725	32,500
AVCs	6,813	-	6,813
SPPP contributions	3,154	-	3,154
	<u>30,742</u>	<u>11,725</u>	<u>42,467</u>

	DB Structure 2017 £000	DC Structure 2017 £000	For the year ended 31 March 2017 £000
Normal	21,329	10,452	31,781
AVCs	4,778	-	4,778
SPPP contributions	2,745	-	2,745
	<u>28,852</u>	<u>10,452</u>	<u>39,304</u>

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

4. EMPLOYERS' CONTRIBUTIONS

	DB Structure 2018 £000	DC Structure 2018 £000	For the year ended 31 March 2018 £000
Normal	101,772	25,441	127,213
Additional	500	-	500
Augmentations	119	14	133
SPPP contributions	3,967	-	3,967
Deficit funding	8,793	-	8,793
	<u>115,151</u>	<u>25,455</u>	<u>140,606</u>

The deficit contributions for the year ended 31 March 2018 include the following:

- £556,000 for the Nirex Section.
- £2,000,000 for the GPS EnergySolutions Section.
- £762,500 paid for the GPS WEC Section of which £350,000 was in respect of a shortfall on the difference in the future service contribution rate compared to the cost of accrual.
- £5,475,000 paid for the SFL2 Section of which £2,675,000 was in respect of a shortfall in salary linkage liability and £2,800,000 was in respect of shortfall on the difference in the future service contribution rate compared to the cost of accrual.

Additional contributions represent the additional salary linkage liabilities paid to the SFL2 Section which had arisen due to increases in Pensionable Earnings being above RPI inflation during the 12-month period to the prior 31 March.

See pages 12-14 for the recovery plan details for each Section

Augmentation payments are principally made when employees retire under the employers' severance arrangements. The augmentation payments relate to the capitalised cost of providing some elements of the severance benefits through the Plan. This includes lump sum payment, annual pension payments made whilst under normal pension age and pension payments relating to enhanced service. The total cost is calculated and paid by the employer to the Plan at the time of premature retirement.

	DB Structure 2017 £000	DC Structure 2017 £000	For the year ended 31 March 2017 £000
Normal	102,080	23,332	125,412
Additional	-	-	-
Augmentations	941	-	941
SPPP contributions	4,002	-	4,002
Deficit funding	1,306	-	1,306
	<u>108,329</u>	<u>23,332</u>	<u>131,661</u>

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

5. TRANSFERS IN

	DB Structure 2018 £000	DC Structure 2018 £000	For the year ended 31 March 2018 £000
Transfers in - Individual	50	-	50
	<u>50</u>	<u>-</u>	<u>50</u>
	DB Structure 2017 £000	DC Structure 2017 £000	For the year ended 31 March 2017 £000
Transfers in - Individual	206	-	206
	<u>206</u>	<u>-</u>	<u>206</u>

6. OTHER INCOME

	DB Structure 2018 £000	DC Structure 2018 £000	For the year ended 31 March 2018 £000
Claims on term insurance policies	-	1,021	1,021
Other income	1	-	1
	<u>1</u>	<u>-</u>	<u>1</u>
	<u>1</u>	<u>1,021</u>	<u>1,022</u>
	DB Structure 2017 £000	DC Structure 2017 £000	For the year ended 31 March 2017 £000
Claims on term insurance policies	-	150	150
Other income	-	1	1
	<u>-</u>	<u>1</u>	<u>1</u>
	<u>-</u>	<u>151</u>	<u>151</u>

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

7. BENEFITS

	DB Structure 2018 £000	DC Structure 2018 £000	For the year ended 31 March 2018 £000
Pensions	19,149	-	19,149
Commutations	13,292	427	13,719
Purchase of annuities	2,478	1,336	3,814
Death benefits	878	1,342	2,220
	<u>35,797</u>	<u>3,105</u>	<u>38,902</u>

	DB Structure 2017 £000	DC Structure 2017 £000	For the year ended 31 March 2017 £000
Pensions	16,427	-	16,427
Commutations	12,833	372	13,205
Purchase of annuities	3,262	1,191	4,453
Death benefits	1,522	619	2,141
Taxation	36	-	36
	<u>34,080</u>	<u>2,182</u>	<u>36,262</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 Plan in exchange for the Plan settling their tax liability.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

8. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	DB Structure 2018 £000	DC Structure 2018 £000	For the year ended 31 March 2018 £000
Transfers out - individual Refunds	10,891	2,000	12,891
	-	26	26
	<u>10,891</u>	<u>2,026</u>	<u>12,917</u>

	DB Structure 2017 £000	DC Structure 2017 £000	For the year ended 31 March 2017 £000
Transfers out - individual Refunds	3,261	2,453	5,714
	17	151	168
	<u>3,278</u>	<u>2,604</u>	<u>5,882</u>

9. ADMINISTRATIVE EXPENSES

	DB Structure 2018 £000	DC Structure 2018 £000	For the year ended 31 March 2018 £000
Bank charges	6	1	7
	<u>6</u>	<u>1</u>	<u>7</u>

Except as noted above, administrative expenses of the Plan are borne by the sponsoring employers.

	DB Structure 2017 £000	DC Structure 2017 £000	For the year ended 31 March 2017 £000
Bank charges	5	1	6
	<u>5</u>	<u>1</u>	<u>6</u>

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

10. INVESTMENT INCOME

	DB Structure 2018 £000	DC Structure 2018 £000	For the year ended 31 March 2018 £000
Income from pooled investment vehicles	14,130	-	14,130
Interest on cash deposits	2	-	2
	<u>14,132</u>	<u>-</u>	<u>14,132</u>

The income on pooled investment vehicles is not always distributed. Where this is the case, it is included in the change in market value of investments.

	DB Structure 2017 £000	DC Structure 2017 £000	For the year ended 31 March 2017 £000
Income from pooled investment vehicles	14,374	-	14,374
Interest on cash deposits	7	-	7
	<u>14,381</u>	<u>-</u>	<u>14,381</u>

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

11. INVESTMENTS MOVEMENTS IN INVESTMENTS

DB Structure

	Value at 1 April 2017	Purchases at cost	Sales proceeds	Change in market value	Value at 31 March 2018
	£000	£000	£000	£000	£000
Pooled investment vehicles	2,326,450	528,113	(407,768)	77,527	2,524,322
AVC and SPPP investments	98,893	14,782	(8,046)	3,073	108,702
	<u>2,425,343</u>	<u>542,895</u>	<u>(415,814)</u>	<u>80,600</u>	<u>2,633,024</u>
Cash deposits	23,826				3,495
Accrued investment income	1,924				1,980
Cash in transit	69				-
Unsettled transactions	(1,924)				(1,980)
	<u>2,449,238</u>				<u>2,636,519</u>

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

Purchases and sales above reflect the transfer of assets of £7.5m recorded within the GPS WEC Section.

There were no direct transaction costs incurred during the year. Indirect transaction costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identified.

The "With-Profits" policies remain with the Prudential Assurance Company Limited.

DC Structure

	Value at 1 April 2017	Purchases at cost	Sales proceeds	Change in market value	Value at 31 March 2018
	£000	£000	£000	£000	£000
Pooled investment vehicles	167,978	38,519	(3,470)	6,503	209,530
	<u>167,978</u>	<u>38,519</u>	<u>(3,470)</u>	<u>6,503</u>	<u>209,530</u>
Cash in transit	3				-
	<u>167,981</u>				<u>209,530</u>

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

12. POOLED INVESTMENT VEHICLES

	DB Structure 2018 £000	DC Structure 2018 £000	31 March 2018 £000
Client specific funds (note 13)	1,207,280	-	1,207,280
Bond funds	461,961	11,016	472,977
Equity funds	207,579	49,628	257,207
Property funds	295,365	145	295,510
Private Equity funds	185,428	-	185,428
Diversified growth funds	154,139	-	154,139
Liquidity funds	12,570	3,161	15,731
Multi Asset	-	145,580	145,580
	<u>2,524,322</u>	<u>209,530</u>	<u>2,733,852</u>

	DB Structure 2017 £000	DC Structure 2017 £000	31 March 2017 £000
Client specific funds (note 13)	1,175,679	-	1,175,679
Bond funds	423,303	8,940	432,243
Equity funds	205,420	40,314	245,734
Property funds	233,448	83	233,531
Private Equity funds	146,482	-	146,482
Diversified growth funds	137,424	-	137,424
Liquidity funds	4,694	2,655	7,349
Multi Asset	-	115,986	115,986
	<u>2,326,450</u>	<u>167,978</u>	<u>2,494,428</u>

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

13. CLIENT SPECIFIC FUNDS

The table below shows the breakdown of the underlying assets held in the client specific funds.

	DB Structure 2018 £000	DC Structure 2018 £000	31 March 2018 £000
Equities	894,731	-	894,731
Bonds	273,915	-	273,915
Liquidity funds	15,835	-	15,835
Cash	18,462	-	18,462
Accruals	4,337	-	4,337
	<u>1,207,280</u>	<u>-</u>	<u>1,207,280</u>

	DB Structure 2017 £000	DC Structure 2017 £000	31 March 2017 £000
Equities	886,940	-	886,940
Bonds	280,616	-	280,616
Liquidity funds	1,608	-	1,608
Cash	2,514	-	2,514
Accruals	4,001	-	4,001
	<u>1,175,679</u>	<u>-</u>	<u>1,175,679</u>

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

14. AVC AND SPPP INVESTMENTS

The Trustee holds assets which are separately invested from the main fund in the form of individually earmarked funds. These secure additional benefits, on a defined contribution basis, for those members who have elected to pay AVCs or who are in the SPPP.

The total amount of AVC and SPPP investments at the year end is shown below.

	DB Structure 2018 £000	DC Structure 2018 £000	For the year ended 31 March 2018 £000
Prudential AVC	11,030	-	11,030
Prudential SPPP	67	-	67
BlackRock AVC	17,631	-	17,631
BlackRock SPPP	79,974	-	79,974
	<u>108,702</u>	<u>-</u>	<u>108,702</u>

	DB Structure 2017 £000	DC Structure 2017 £000	For the year ended 31 March 2017 £000
Prudential AVC	10,623	-	10,623
Prudential SPPP	65	-	65
BlackRock AVC	14,108	-	14,108
BlackRock SPPP	74,097	-	74,097
	<u>98,893</u>	<u>-</u>	<u>98,893</u>

15. CONCENTRATION OF INVESTMENTS

The following investments, excluding UK Government securities, account for more than 5% of the Plan's net assets as at 31 March 2018.

	Market Value 2018 £000	2018 %	Market Value 2017 £000	31 March 2017 %
MFS Global Equity Fund	207,579	7.3	205,420	7.8
Insight UK Corporate All Maturities Bond Fund	152,712	5.4	-	-
Legal & General Client Specific Unitised Equity Fund	922,346	32.3	893,644	34.1
Legal & General Client Specific Unitised Leveraged Gilt Fund	284,934	10.0	282,035	10.7

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

16. INVESTMENT MANAGEMENT EXPENSES

	DB Structure 2018 £000	DC Structure 2018 £000	For the year ended 31 March 2018 £000
Administration, management & custody	2,674	-	2,674
Annual management charge	281	455	736
Investment fee rebate	(712)	-	(712)
	<u>2,243</u>	<u>455</u>	<u>2,698</u>

	DB Structure 2017 £000	DC Structure 2017 £000	For the year ended 31 March 2017 £000
Administration, management & custody	2,283	-	2,283
Annual management charge	377	546	923
Investment fee rebate	(474)	-	(474)
	<u>2,186</u>	<u>546</u>	<u>2,732</u>

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

17. FAIR VALUE

The fair value of finance instruments has been calculated using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for an identical asset or liability that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability either directly or indirectly;

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

	At 31 March 2018			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
DB Structure				
Pooled investment vehicles	12,482	2,031,048	480,792	2,524,322
AVC and SPPP investments	-	97,606	11,096	108,702
Cash deposits	3,495	-	-	3,495
Accrued investment income	1,980	-	-	1,980
Other investments	(1,980)	-	-	(1,980)
	<u>15,977</u>	<u>2,128,654</u>	<u>491,888</u>	<u>2,636,519</u>
DC Structure				
Pooled investment vehicles	-	209,530	-	209,530
	<u>-</u>	<u>209,530</u>	<u>-</u>	<u>209,530</u>

	At 31 March 2017			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
DB Structure				
Pooled investment vehicles	1,869	1,944,651	379,930	2,326,450
AVC and SPPP investments	-	88,205	10,688	98,893
Cash deposits	23,826	-	-	23,826
Accrued investment income	1,924	-	-	1,924
Cash in transit	-	-	69	69
Other investments	(1,924)	-	-	(1,924)
	<u>25,695</u>	<u>2,032,856</u>	<u>390,687</u>	<u>2,449,238</u>
DC Structure				
Pooled investment vehicles	-	167,978	-	167,978
Cash in transit	3	-	-	3
	<u>3</u>	<u>167,978</u>	<u>-</u>	<u>167,981</u>

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

18. INVESTMENT RISK

FRS 102 requires certain disclosures in relation to investment risks arising from financial instruments.

Retirement benefit plans need to disclose information that enables users of its financial statements to evaluate the nature and extent of the market risk and credit risk arising from the investments at the end of the reporting period.

It defines market risk as:

"the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk.

- Interest rate risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates
- Currency risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates
- Other price risk – the risk that the fair value or future cash flows of a financial instrument 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 financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market"

It defines credit risk as:

"the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation."

Overall investment strategy

The Trustee currently sets the investment strategy for each Section of the Plan, taking into account considerations such as the strength of the employer covenant, the maturity of the Sections and after receiving professional advice from Hymans Robertson LLP, in order to try and achieve the following objectives:

The primary objective of the DB Structure of the Plan is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustee's over-riding funding principles for the DB structure are:

- to build up assets to provide for new benefits of active members as they are earned;
- to recover any funding shortfall over an agreed time frame; and
- to ensure that there are always sufficient assets of the Plan (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

The Trustee intends to ensure that the investment objectives are consistent with the Plan's Statement of Funding Principles.

In order to achieve these objectives, it is necessary to take investment risk.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

18. INVESTMENT RISK (continued)

Current investment strategy – DB Structure

The table below sets out the Plan's actual and target allocations for the DB Structure of the Plan as at 31 March 2018. The figures below reflect the Plan's underlying investments in Pooled Investment Vehicles.

Asset class	Asset allocation 31 March 2018 (%)	Asset allocation 31 March 2017 (%)	Target Weight (%) ¹
Equities (Legal & General, MFS)	44.8	47.3	43.7
Private Equity (Partners Group SA)	2.7	2.5	2.2
Property (Legal & General, Columbia Threadneedle, Aberdeen Standard)	9.9	9.1	9.6
Diversified growth funds (Pictet)	6.1	5.9	6.3
Liquid Credit (Barings)	4.0	4.0	4.4
Illiquid Credit (Partners Group)	3.1	2.3	3.7
Secured Loans (Babson, Highbridge)	3.4	3.4	4.1
Corporate Bonds (Legal & General, Insight)	11.4	11.1	12.3
Index-Linked Gilts (Legal & General)	12.3	13.3	12.5
Ground rents (Standard Life)	1.8	0.9	1.2
Cash/liquidity funds (Legal & General)	0.5	0.2	0.0
TOTAL	100.0	100.0	100.0

¹ The target weights are based on the weighted average of the target weights for the underlying Sections of the Plan as at 31 March 2017 which vary with changes in relative asset valuations for the Sections.

The key risks associated with the current investment strategy are, in order of significance:

Interest rate risk (indirect)

The Plan is subject to indirect interest rate risk in relation to the invested assets. The value of the Plan's bonds, secured loans and gilts, held through pooled investment vehicles, representing approximately 30% of the Plan's assets, are subject to indirect interest rate risk. However, this risk offsets a proportion of the interest rate risk associated with the liabilities. The degree of protection depends on the underlying strategies for each Section of the Plan, with the proportion of assets invested in bonds which ranges from approximately 15% to 70% depending on the investment strategy adopted for each Section. If interest rates fall, the value of these investments is expected to rise to help match the increase in the actuarial value of the liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these assets are expected to fall in value as will the actuarial value of the liabilities because of an increase in the discount rate.

The majority of the Plan's interest rate risk hedging is delivered through investment in an Index-linked Gilt Client Specific Unitised Fund managed by Legal & General. The composition of the fund consists of individual leveraged inflation-linked gilt funds, and cash. These funds are held in a combined portfolio that is expected to hedge interest rate and inflation risks in relation to a portion of the Plan's liabilities. The Investment Sub-Committee has put in place interest rate triggers to increase the level of hedging over time and regularly monitors the Sections' hedging levels against the targets.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

18. INVESTMENT RISK (continued)

Credit risk (direct & indirect)

The Plan is subject to direct credit risk through investment in pooled investment vehicles, and indirect credit risk in relation to the pooled investment vehicles' holdings in bonds, secured loans, gilts and cash balances.

The Trustee manages indirect credit risk by constructing a diverse portfolio of investments across various markets and with various investment managers. Where managers use derivatives arrangements, these are generally collateralised to reduce risk.

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 investments amongst a number of pooled arrangements, although the pooled investment vehicles themselves are not credit rated. The Trustee carries out due diligence checks prior to the appointment of new managers and, on an ongoing basis, monitors any changes to the operating environment of the pooled manager.

Pooled fund investment arrangements used by the Plan can include unit-linked insurance contracts, authorised unit trusts, unauthorised exempt unit trusts, OEICs and SICAVs. As at 31 March 2018, all of the Plan's investments were in pooled investment vehicles.

Currency risk (direct & indirect)

The Plan is exposed to indirect currency risk due to a proportion of its investments in equities and other financial instruments being denominated in overseas currencies, and direct currency risk through investment in pooled funds denominated in overseas currencies. The Plan mitigates this risk by investing a proportion of the fund in domestic equities, and in sterling hedged overseas pooled funds.

The table below summarises the Plan's direct currency risk as at 31 March 2018:

Currency	31 March 2018 (£000)	31 March 2017 (£000)
US Dollar	39,312	34,258
Euro	69,133	59,251

Other price risk

Other price risk arises principally from the Plan's return seeking portfolio, which includes indirectly held equities, diversified growth funds, secured loans and property. A number of the Plan's investment managers may use derivatives as a way of obtaining efficient exposure to investment markets.

The Trustee manages other price risk by constructing a diverse portfolio of investments across various markets and with various investment managers.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

18. INVESTMENT RISK (continued)

The following table illustrates the extent to which the Plan's investments are subject to the above indirect risks:

Asset class	31 March 2018 (£000)	31 March 2017 (£000)	Credit risk	Interest rate risk	Currency risk	Other price risk
Equities (Legal & General, MFS)	1,129,925	1,099,063	No	No	Yes	Yes
Private Equity (Partners Group SA)	69,135	59,177	No	No	Yes	Yes
Property (Legal & General, Columbia Threadneedle, Aberdeen Standard)	249,300	211,897	Yes	Yes	No	Yes
Diversified funds (Pictet)	154,139	137,425	Yes	Yes	Yes	Yes
Liquid Credit (Babson)	100,649	92,521	Yes	Yes	Yes	Yes
Illiquid Credit (Partners Group)	76,981	53,004	No	Yes	Yes	Yes
Secured Loans (Babson, Highbridge)	86,537	80,147	No	Yes	Yes	Yes
Corporate Bonds (Legal & General, Insight)	284,171	257,012	Yes	Yes	No	Yes
Index-Linked Gilts (Legal & General)	314,850	309,958	Yes	Yes	No	Yes
Ground rents (Standard Life)	46,065	21,552	Yes	Yes	No	Yes
Cash/liquidity funds (Legal & General, State Street)	<u>12,570</u>	<u>4,694</u>	No	Yes	No	No
TOTAL (excluding DC, AVC and SPPP funds)	2,524,322	2,326,450				

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

18. INVESTMENT RISK (continued)

AVC and SPPP arrangements

Direct credit risk

The AVC and SPPP assets are all subject to direct credit risk in relation to holdings in unit linked insurance funds held with Prudential and Blackrock.

Prudential and Blackrock are regulated by the Financial Conduct Authority and maintain separate funds for their policy holders.

Indirect credit risk and other market risks

The following table illustrates the extent to which the AVC and SPPP investments are subject to indirect credit risk and other market risks:

Asset class	31 March 2018 (£000)	31 March 2017 (£000)	Credit risk	Interest rate risk	Currency risk	Other price risk
Equities	22,080	20,950	No	No	Yes	Yes
Property	383	324	Yes	Yes	No	Yes
Multi-asset	98	63	Yes	Yes	Yes	Yes
With-profits	3,595	3,610	Yes	Yes	Yes	Yes
Bonds	7,269	7,111	Yes	Yes	No	Yes
Cash	5,878	4,937	No	Yes	No	No
Target date funds	69,399	61,898	Yes	Yes	Yes	Yes
TOTAL (AVC AND SPPP funds)	<u>108,702</u>	<u>98,893</u>				

The analysis of the risks set out above is at Plan level. Member level risk exposures will depend on the funds invested in by members.

The Trustee has selected the above funds and has considered the indirect risk in the context of the investment strategy described in the Trustee's Report.

DC Structure Current Investment Strategy

Direct credit risk

The DC assets are subject to direct credit risk in relation to holdings in unit linked insurance funds held with Prudential and BlackRock.

Prudential and BlackRock are regulated by the Financial Conduct Authority and maintain separate funds for their policy holders.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

18. INVESTMENT RISK (continued)

Indirect credit risk and other market risks

The following table illustrates the extent to which the DC Structure investments are subject to indirect credit risk and other market risks:

Asset class	31 March 2018 (£000)	31 March 2017 (£000)	Credit risk	Interest rate risk	Currency risk	Other price risk
Equities	49,628	40,314	No	No	Yes	Yes
Property	145	83	Yes	Yes	No	Yes
Multi-asset	221	60	Yes	Yes	Yes	Yes
With-profits	-	-	Yes	Yes	Yes	Yes
Bonds	11,016	8,941	Yes	Yes	No	Yes
Target date fund	145,359	115,925	Yes	Yes	Yes	Yes
Cash	<u>3,161</u>	<u>2,655</u>	No	Yes	No	No
TOTAL (DC funds)	<u>209,530</u>	<u>167,978</u>				

The analysis of the risks set out above is at Plan level. Member level risk exposures will depend on the funds invested in by members.

The Trustee has selected the above funds and has considered the indirect risk in the context of the investment strategy described in the Trustee's Report.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

19. CURRENT ASSETS AND LIABILITIES

	DB Structure 2018 £000	DC Structure 2018 £000	For the year ended 31 March 2018 £000
Current assets			
Cash balances	3,853	586	4,439
Current liabilities			
Unpaid benefits	293	-	293
Accrued expenses	686	-	686
Sundry creditors	-	61	61
HM Revenue & Customs	306	-	306
	<u>1,285</u>	<u>61</u>	<u>1,346</u>
Total current assets and liabilities	<u>2,568</u>	<u>525</u>	<u>3,093</u>

	DB Structure 2017 £000	DC Structure 2017 £000	For the year ended 31 March 2017 £000
Current assets			
Cash balances	3,517	298	3,815
Current liabilities			
Unpaid benefits	294	-	294
Accrued expenses	1,946	-	1,946
Sundry creditors	-	-	-
HM Revenue & Customs	504	4	508
	<u>2,744</u>	<u>4</u>	<u>2,748</u>
Total current assets and liabilities	<u>773</u>	<u>294</u>	<u>1,067</u>

Included in the DC structure above is £585 (2017: £295) which is designated to members.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

20. RELATED PARTY TRANSACTIONS

The Plan has received contributions in respect of four Trustee Directors (Mr I Driver, Mr J Ford, Mr D Gregory and Mrs JM Corbett) who were contributing members of the Plan during the year.

The Trustee fees paid in respect of the year to 31 March 2018 totalled £199,714 (2017:£160,585). There were no other related party transactions during the year.

21. EMPLOYER RELATED INVESTMENTS

There were no employer related investments at any time during the year.

22. CAPITAL COMMITMENTS

The Plan has a capital commitment with Highbridge to the value of \$90m. The commitment remaining at 31 March 2018 is \$20.4m. The Plan also has a capital commitment with Partners Group. As at 31 March 2018 a total of £84m in relation to the Partners MAC 2014 (Partners Group Private Markets Credit Strategies S.A.) had been committed out of a total commitment of £110m. In relation to the Partners Global Value Fund (Partners Group Global Value 2014, L.P. Incne), the commitment remaining at 31 March 2018 is €34.9m. In relation to the Partners Group Direct Equity Fund (Partners Global Direct Equity 2016 G, L.P. Inc.), the commitment remaining at 31 March 2018 is €14.1m.

COMBINED NUCLEAR PENSION PLAN

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS FOR THE YEAR ENDED 31 MARCH 2018

Independent Auditor's statement about contributions to the Trustee of the Combined Nuclear Pension Plan

Statement about contributions

We have examined the summary of contributions payable under the Schedule of Contributions to the Combined Nuclear Pension Plan in respect of the Plan year ended 31 March 2018 which is set out on page 81.

In our opinion contributions for the Plan year ended 31 March 2018 as reported in the Summary of Contributions and payable under the Schedules of Contributions have in all material aspects been paid at least in accordance with the Schedules of Contributions certified by the actuary.

Scope of work on Statement about Contributions

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 at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 81, the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with the Schedules of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedules of Contributions to the Plan and to report our opinion to you.

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Plan's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan's Trustee, for our work, for this statement, or for the opinions we have formed.



Julie Radcliffe
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester M2 3AE

Date: 24/01/18

COMBINED NUCLEAR PENSION PLAN

SUMMARY OF CONTRIBUTIONS FOR THE YEAR ENDED 31 MARCH 2018

Statement of Trustees' Responsibilities in respect of Contributions

The Plan's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Plan by or on behalf of the employers and the active members of the Plan and the dates on or before which such contributions are to be paid. In view of the complexity of the arrangements and the number of employers participating in the Plan, the Trustee has decided to maintain Schedules relevant to each of the participating employers and sections of the Plan as if the Pensions Act 2004 applied to those individual Schedules and employer. The Plan's Trustee is also responsible for keeping records of contributions received and for procuring that contributions are made to the Plan in accordance with the Schedules.

Trustees' Summary of Contributions payable under the schedules in respect of the Plan year ended 31 March 2018

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee.

The Summary of Contributions sets out the employer and member contributions payable to the Plan in respect of the Plan year ended 31 March 2018. The Plan auditor reports on these in the Auditor's Statement about Contributions.

Contributions payable under the Schedules in respect of the Plan year

	DB Structure £000	DC Structure £000
Employers' Contributions		
Normal	101,772	25,441
Deficit	8,793	-
SPPP contributions	3,967	-
Augmentations	119	14
Additional	500	-
Members' Contributions		
Normal	20,775	11,725
SPPP contributions	3,154	-
Additional voluntary contributions	6,813	-
Total contributions payable under the Schedules as reported in the financial statements (as reported on by the Plan Auditor)	145,393	37,180


Signed on behalf of the Trustee:

Trustee Director:

A. Whalley

Date: 17 October 2018

COMBINED NUCLEAR PENSION PLAN

ACTUARIAL STATEMENTS

The Actuary's following certification of Schedule of Contributions has been provided for the Sections of the Combined Nuclear Pension Plan listed below:

Closed
DSRL
GPS DRS
GPS EnergySolutions
GPS Nexia
GPS SLC
GPS WEC/UAM
LLWR
Magnox
Nirex
Sellafield
SFL2

ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Adequacy of rates of contributions for sections; Closed, GPS DRS, GPS SLC, GPS Nexia

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective can be expected to be met on 31 March 2016 and continue to be met for the period for which the schedule is to be in force.

Adequacy of rates of contributions for sections; DSRL, LLWR, Magnox, Nirex, Sellafield, GPS WEC, SFL2, GPS Energy Solutions

I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the Recovery Plan dated between 30 May 2017 and 20 July 2017.

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 between 30 May 2017 and 20 July 2017.

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 above Sections' liabilities by the purchase of annuities, if the above Sections were to be wound up.

Signature: MARK McCLINTOCK

Date: 30 May 2017, 21 June 2017,
17 July 2017 and 31 July 2017

Name: M. McClintock

Qualification: Fellow of the Institute and
Faculty of Actuaries

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Name of Employer Deloitte Total Reward and
Benefits Limited