
COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Summary

This Statement covers the Trustee's stewardship of the Plan's Defined Contribution ("DC"), Shift Pay Pension Plan (SPPP) and Additional Voluntary Contribution (AVC) sections during the year and the steps the Trustee has taken to improve value for members that will apply with effect from 1 April 2019:

For the year covered by this statement, the Trustee confirms:

- The Plan's default arrangements remained suitable for most members, while action is being taken from 1 April 2019 to change the default arrangement for the pre-1 February 2017 GPS New Joiners DC Structure from lifestyle option to LifePath target date funds used by other members.
- The amounts of charges and costs borne by members.
- Overall the Plan gave Good Value for Members and this will improve further by 1 June 2019 when the transfer of the GPS New Joiners (pre-1 February 2017), AVC and SPPP sections from Prudential to Aegon is completed.
- Financial transactions were carried out accurately, promptly and efficiently, except for an error in the pricing of some funds' units by Aegon between July and September 2018. The main impact of this was to delay the availability of fund factsheets while the error was being rectified.
- The Trustee has kept its knowledge of pension matters up-to-date.
- The approach to meet a new Master Trust Authorisation regulatory requirement for DC has been developed through the year and Master Trust Authorisation has been applied for and subsequently approved.

During the last year the Trustee arranged changes which will significantly improve Value for Members for all the Plan's DC, AVC and SPPP sections (excluding Prudential's With Profits Fund). The timetable for the implementation of a new contract with Aegon covering both the Plan's DC administration and investment (excluding the With Profits Fund) is:

Date	Activity
From 1 March 2019	All future contributions for members in the CPS and GPS New Joiners (post 1 February 2017) were paid to the new contract with Aegon.
On 11 March 2019	All accumulated assets for the CPS and GPS New Joiners DC Structure (post 1 February 2017) were transferred from the existing administration and investment contracts to the new contract with Aegon.
From 1 April 2019	All future contributions for the GPS New Joiners DC Structure (pre-1 February 2017) and GPS AVC and SPPP sections will be paid to the new contract with Aegon.
On 23 May 2019	All accumulated assets for the GPS New Joiners DC Structure (pre-1 February 2017) and GPS AVC and SPPP sections will be transferred from Prudential to the new contract with Aegon.

Following these changes, the charges (except for the Prudential With Profits Fund) paid by members will be reduced while members can access a wider range of supporting on-line services such as switching of funds. The transfer of funds between the old and new Aegon contracts for all of the above Sections did not incur any member costs.

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

We hope this Statement helps you understand how your pension scheme is run. Please also see the Plan's website for more background on the Plan including the investment options and a glossary of terms.

If you have any questions on its contents, please contact the Scheme Secretary, Building 329 Thomson Avenue, Harwell Campus, Didcot, Oxfordshire OX11 0GD.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

The rest of this Statement describes in more detail the Trustee's management of the Plan's DC, SPPP and AVC sections during the last year in accordance with:

- Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) 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).

Signed on behalf of the Trustees by:



Chair of the Trustee of the Combined Nuclear Pension Plan

Date: 24 October 2019

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

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 2019. It is also to be published on-line. The web address is provided in members' annual benefit statements and in the members' newsletter.

(a) Default arrangements

The default arrangements are the investment options 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.

Up to 31 March 2019, the Plan had three default arrangements which reduces to two from 1 April 2019 (see 3 in the table below). These are summarised in the following table:

Section	Default
1. CNPP CPS and, from 1 February 2017, GPS New Joiners DC Structure	Aegon BlackRock LifePath Flexi Funds
2. CNPP CPS SPPP	Aegon BlackRock LifePath Capital Funds
3. CNPP GPS New Joiners DC Structure (pre-1 February 2017)	Lifestyle strategy administered by Prudential (From 1 April 2019 contributions will be paid to the Aegon BlackRock LifePath Flexi Funds with accumulated investment accounts transferred from Prudential in May 2019)

There is no default arrangement for AVC members. However, GPS Section AVCs being transferred from Prudential to Aegon will use the Aegon BlackRock LifePath Capital Funds as a default for the transfer.

The main investment objectives governing the default arrangements are outlined below:

- 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
- To manage over time the principal investment risks faced by members: inflation, volatility in fund values (when this is material) and converting the fund value into benefits at retirement
- To target the retirement benefits the majority of members in each section are expected to choose.

The most recent Statement of Investment Principles for the default arrangement is attached at Annex 1. Please note that it does not show the investment options prior to 1 April 2019. These can be found in the December 2017 Statement of Investment Principles provided in the 2018 Chair's statement.

The Trustee believes that the default arrangements are appropriate for the majority of the Plan's members because they continue to meet the main objectives above.

No review of the default arrangement was due to be undertaken during the year. The last review was completed on 3 September 2015 when it was concluded that the default arrangements for the DC section should adopt BlackRock's LifePath target date funds. 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.

Following Aon Hewitt's decision to withdraw its administration services and the completion of a compulsory competitive tendering exercise for the administration and investment in respect of all defined contribution benefits in 2018, a new default arrangement for the CNPP GPS Section will be implemented effective from 1

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

April 2019. Due to the appointment of Aegon as administrator for DC benefits, the next triennial review of default funds will be undertaken by the Trustee in 2020.

(b) Charges and transaction costs

As shown below, members bear the full costs of the administration, investment and investment transactions, Members and the employers share the costs of communication services and the employers bear the costs of the Plan's management and governance by the Trustee:

Service	Paid for by members	Shared by members and the employers	Paid for by the Employers
Investment management	Y	-	-
Investment transactions	Y	-	-
Administration	Y	-	-
Communication	-	Y	-
Governance	-	-	Y

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

Charges

The charges quoted are the funds' Total Expense Ratios ("TERs"). The TER consists of a fund's Annual Management Charge ("AMC") 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.

Transaction costs

Transaction costs are in addition to the funds' TERs and 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 at the time. 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. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission).

Charges for the default arrangements

The charges and transaction costs for the default arrangements for each Section during the year to 31 March 2019 are given in Annex 2. The ranges of charges during the year were:

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Section	Default arrangement	Charges range *	Comments
1. CNPP CPS and, from 1 February 2017, GPS New Joiners DC Structure	Aegon BlackRock LifePath Flexi Funds	0.43% p.a. or £4.30 per £1,000 fund value up to February and 0.26% p.a. or £2.60 per £1,000 fund value in March	Includes 0.215% charge for Aon* up to February
2. CNPP CPS SPPP	Aegon BlackRock LifePath Capital Funds	0.43% p.a. or £4.30 per £1,000 fund value up to February and 0.26% p.a. or £2.60 per £1,000 fund value in March	Includes 0.215% charge for Aon* up to February
3. CNPP GPS New Joiners DC Structure (pre-1 February 2017)	Lifestyle strategy administered by Prudential	0.75% to 0.63% or £7.50 to £6.30 per £1,000 fund value	From 1 April 2019 this Section was transferred to the Aegon BlackRock LifePath Flexi Funds

Source: Aegon

*These charges reduced to 0.26% p.a. between 1 April 2019 and 1 June 2019 when Aegon took over the administration and investment of all contributions for DC benefits.

Up to 31 March 2019, for the GPS New Joiners DC Structure (pre-1 February 2017), the Prudential Lifestyle strategy invested contributions in different funds according to how far each member was from retirement. Charges borne by each member could vary from one year to the next and the following table shows how charges vary over time:

Prudential Lifestyle strategy period to retirement	Charge	
	% p.a.	£ per £1,000
Up to 10 years	0.75	7.50
5 years	0.70	7.00
At retirement	0.63	6.30

Source: Prudential

Transaction costs for the default arrangements

The transaction costs borne by members in the default arrangements during the year were:

Section	Default arrangement	Transaction costs range
1. CNPP CPS and, from 1 February 2017, GPS New Joiners DC Structure	Aegon BlackRock LifePath Flexi Funds	-0.29% p.a. to 0.02% p.a. or -£2.90 saving to £0.20 cost per £1,000 fund value
2. CNPP CPS SPPP	Aegon BlackRock LifePath Capital Funds	-0.29% p.a. to 0.05% p.a. or -£2.90 saving to £0.50 cost per £1,000 fund value
3. CNPP GPS New Joiners DC Structure (pre-1 February 2017)	Lifestyle strategy administered by Prudential	0.21% to -0.03% - or £2.10 cost to £0.30 saving per £1,000 fund value

Charges for the investment options outside the default arrangements for the period to 31 March 2019

The Plan offers members a choice of self-select/AVC funds. The table in Annex 2 gives the levels of charges and transaction costs applicable to all funds which are not part of the default arrangements.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

The ranges of charges for the investment options outside the default arrangements during the year were:

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 0.36% to 1.20% p.a. up to February and from 0.19% to 0.80% in March	Range of charges up to February includes 0.215% p.a. charge for administration services collected by Aon Hewitt
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.	

The charges for the investment options outside the default arrangements will also be reduced between 1 March and 1 June 2019 and will be broadly in a range from 0.19% to 0.80%.

Transaction costs for the self-select investment options outside the default arrangement

The transaction costs for self-select investment options outside the default arrangements borne by members during the year were:

Plan Section	Self-select/AVC fund choices	Range of transaction costs
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 -0.29% to 0.28% p.a. or from a saving of £2.90 to a cost of £2.80 per £1,000 invested.
GPS New Joiners DC Structure (pre 01/02/17)	6 Prudential fund choices	From -0.05% to 0.26% p.a. or from a saving of £0.50 to a cost of £2.60 per £1,000 invested.
GPS Defined Benefit Section AVCs	16 Prudential fund choices	From -0.15% to 0.78% p.a. or from a saving of £1.50 to a cost of £7.80 per £1,000 invested.

AVCs

The transaction costs for AVC investment options borne by members during the year were in a range from minus 0.15% to 0.78% of the amount invested or, put another way, in a range from a saving of £1.50 to a cost of £7.80 per £1,000 invested.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

AVCs invested in With Profits

A closed group of Defined Benefit Structure members' have AVCs invested in the Prudential 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, the charges and costs are effectively averaged across all policyholders and it is not possible to determine the exact charges and costs borne by the members of our Plan.

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

The With Profits Funds average transaction costs were 0.07% p.a. for the year to 31 December 2018.

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.

Transitions

On 1 July 2018 the DC business of BlackRock Life was transferred to Aegon. Ownership of the underlying BlackRock funds passed to Aegon and so members in the CPS New Joiners DC Structure, CPS SPPP, CPS Defined Benefit AVCs and GPS New Joiners DC Structure (from 01/02/17) were not subject to any "out-of-market" risks while the funds moved or transaction costs as there were no sales and purchases of funds.

On 1 March 2019, the contributions for all members in the CPS New Joiners DC Structure, CPS SPPP, CPS Defined Benefit AVCs and GPS New Joiners DC Structure (from 01/02/17) were redirected to a new contract with Aegon providing investment and administration services with on-line access.

On 11 March 2019, the funds for members in the CPS New Joiners DC Structure, CPS SPPP, CPS Defined Benefit AVCs and GPS New Joiners DC Structure (from 01/02/17) were transferred from the Aegon Investment platform contract to the new full-services contract with Aegon. The underlying BlackRock funds were moved from the old to the new Aegon contract and so these members were not subject to any "out-of-market" risks while the funds moved or transaction costs as there were no sales and purchases of funds. The Trustee is satisfied that this transition between Aegon contracts was conducted efficiently and without costs to members.

The transfer of contributions and assets from Prudential to Aegon for the GPS New Joiners DC Structure (pre 01/02/17) and GPS Defined Benefit Section AVCs took place on 1 April 2019 and 23 May 2019 respectively and will be covered in next year's Statement. These members did not incur any transaction costs when the transfers took place.

Missing information

The Trustee has been unable to obtain full information on:

- Charges and transaction costs for the Prudential With Profits Fund as Prudential only provide figures to their 31 December financial year-end and so figures to 31 March 2019 are not expected to be available;
- Charges and transaction costs for the Prudential unit-linked funds to 31 March 2019, which may not be available until October 2019. We have shown figures to 31 December 2018 in the interim.

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

- The Trustee has been monitoring the providers' and fund managers' progress on implementing the FCA rules on transaction cost disclosure which came into force on 3 January 2018
- The Trustee's advisers have been in regular contact with Aegon and Prudential regarding the provision of charges and transaction costs
- The Trustee's adviser is pressing for greater disclosure of costs and charges for the Prudential With Profits Fund. Prudential are looking to provide details on a quarterly basis in future.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Prudential now operate a website setting out charges and transaction costs. However, there is a marked time-lag before costs are shown while some funds' charges are missing. Our advisers have been in correspondence with Prudential for an explanation and when up-to-date information will be available. The Trustee will seek confirmation from Prudential that missing information is provided to members via the Prudential website.

The Trustee has requested further regular reporting on service levels and processing of financial transactions from Aegon as part of the new contract from 1 March 2019. It should be noted that, at present, there is limited benchmarking data available to enable comparisons of transaction costs.

Impact of costs and charges

The Trustee has asked Aegon as the Plan's provider to illustrate the impact over time of the costs and charges borne by members.

These illustrations show projected fund values in today's money before and after costs and charges for typical members at stages from joining the Scheme at age 16 up to retirement.

The tables in Annex 3 to this Statement show these figures for the default arrangements, most popular self-select funds and a selection of self-select funds with differing levels of investment risk, together with a note of the assumptions used in calculating these illustrations.

As an example, for a member who joined the LifePath Flexi default arrangement at age 16, the level of charges and costs seen in the last year would reduce their projected pot value at retirement in today's money from £889,442 to £843,174.

Please note:

These illustrated values are not guaranteed and may not prove to be a good indication of how a member's own savings might grow.

The Trustee has processes in place to ensure that the Chair's annual statement is made available on the CNPP member website providing details of the member borne charges, transaction costs and the Trustee's assessment of value for members. Members are notified of the availability of the Chair's annual statement in annual benefit statement correspondence.

(c) Value for Members

Each year, with the help of their advisers, 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 low cost – the Trustee also considers the quality of the services for which members pay.

The Trustee adopted the following approach to assessing Value for Members for the last year:

Services – considered the investment, administration and communication services where members bear or share the costs;

Outcomes – weighted each service according to its likely impact on outcomes for members at retirement;

Comparison – the cost and quality of each service were compared against similar schemes and available external comparisons.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Rating – each service was rated on the following basis:

Definition	Rating
The Trustee considers the Plan offers excellent value for members, providing services within a top 20% quality/cost range compared with typical options for similar schemes.	Excellent
The Trustee considers the Plan offers good value for members, providing services at better quality/cost compared with typical options for similar schemes.	Good
The Trustee considers the Plan offers average value for members, providing similar services at similar quality/cost compared with typical options for similar schemes.	Average
The Trustee considers the Plan offers below average value for members, providing similar services at higher cost or more limited services for similar cost compared with typical options for similar schemes.	Below average
The Trustee considers the Plan offers poor value for members providing services, within the bottom 20% quality/cost range compared with typical options for similar schemes.	Poor

Following the completion of a compulsory competitive tendering exercise for administration services to the defined contribution and defined benefit Sections of the Plan during 2018, the Trustee was able to proceed with changes which will markedly improve Value for Members:

For the CPS and GPS New Joiners (post 1 February 2017) the move to a new contract for administration and investment services with Aegon took effect from March 2019 and so had a proportionate impact on the Value for Members rating for the year to 31 March 2019.

The corresponding changes for the GPS New Joiners (pre-1 February 2017) DC Structure took full effect in May 2019 and so will be reflected in next year's assessment of Value for Members.

While the trustees of all defined contribution pension schemes should be seeking to improve Value for Members, meaning that the standards against which we compare the Plan are steadily rising, we expect that by next year's assessment the Plan's Value for Members will be at or approaching Excellent.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

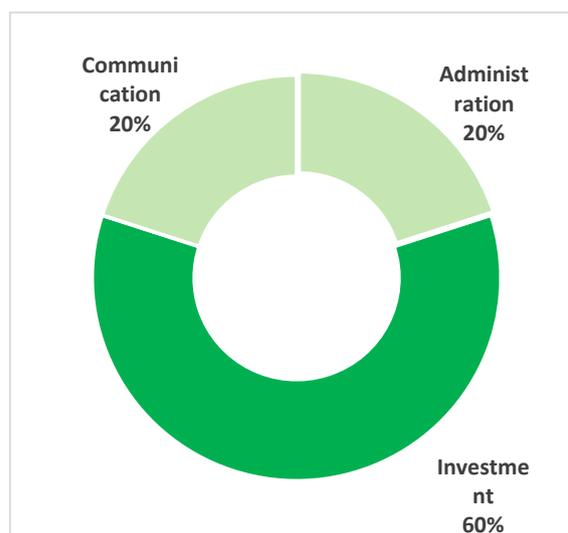
The rationale for the rating of each service this year was in outline:

Service and weighting	Rating	Rationale
Investment 60%	Good	<p>Charges were on average slightly more than those of comparable schemes until March 2019 when charges for the CPS and GPS New Joiners (post 1 February 2017) Structures were significantly reduced. Transaction costs for most funds were similar to those of comparable schemes.</p> <p>The investment options are suitable for the Plan's membership because:</p> <ul style="list-style-type: none"> • They give cost-effective access to a wider than average range of asset types; • Members can choose a LifePath fund appropriate to their planned retirement date and choice of retirement benefits; and • There is a good choice of self-select funds for members wanting to be more involved with where their contributions are invested. <p>Investment performance was in line with the funds' objectives.</p>
Administration 20%	Average	<p>The administration was carried out within the agreed service standards. An error in Aegon's calculation of unit prices disrupted some aspects of the Plan's administration towards the end of 2018, but this has been rectified and systems improved.</p> <p>The administration for the CPS and GPS New Joiners (post 1 February 2017) Structure was improved in March 2019 by the move to a new combined administration and investment service contract with Aegon. This new contract gives enhanced on-line services for members including the ability to switch funds.</p>
Communication 20%	Average	<p>Members are provided with a range of Plan specific information on the Plan's own website.</p> <p>Following the introduction of the new Aegon contract in March 2019, members in the CPS and GPS New Joiners (post 1 February 2017) Structure have on-line access to a wide range of administration, education and information features including fund switching and modelling retirement benefits.</p>

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Considering all these services together, the Trustee believes that the Plan gave **Good Value for Members** during the year ending 31 March 2019:



The Trustee has agreed an action plan for the coming year to complete the improvement in our value for members rating where necessary which is outlined in Section (f) of this Statement.

(d) Processing financial transactions

Following the decision of Aon Hewitt to withdraw its administration services to the Plan, during 2018 the Trustee carried out a compulsory competitive tendering exercise for both the DB and DC Structures of the Plan. For the DC benefits this exercise led to the appointment of Aegon as the provider for most of the Plan's defined contribution benefits.

Date	Activity
From 1 April 2018 to 31 January 2019	Aon Hewitt was appointed to administer the Plan relating to the DC Structure, DB Structure, Shift Pay Pension Plan DC Section and AVC funds for the CPS Sections.
From 1 February 2019	Equiniti was appointed to administer the Plan relating to the DB Structure, Shift Pay Pension Plan DC Section and AVC funds for the CPS Sections.
From 1 March 2019	Aegon was appointed Plan administrator of the DC New Joiners Structure for the CPS and GPS Sections (excluding With Profits Funds).
From 1 April 2019	All future contributions for the GPS New Joiners DC Structure (pre-1 February 2017) and GPS AVC and SPPP sections will be paid to the new contract with Aegon.
On 23 May 2019	All accumulated assets for the GPS New Joiners DC Structure (pre-1 February 2017) and GPS AVC and SPPP sections will be transferred from Prudential to the new contract with Aegon.

Prudential continues to administer the With Profits Funds for the closed group of AVC members.

As a result, the Trustee is satisfied that the Plan's defined contribution services and service levels are competitive.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

The Trustee received quarterly stewardship reports from Aon Hewitt, the former Plan administrator which reflected service level achievement and monitored both core financial transactions and administration service levels 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
- Payments of benefits (including retirements and outward transfers of funds).

To 31 January 2019 the Trustee had service level agreements in place with Aon Hewitt and from 1 February 2019 with Equiniti Paymaster with regards to the administration and investment requirements. For both Plan administrators, quarterly reporting highlighted exceptions to SLAs and other expected service levels. Agreed processes ensured that any SLA exceptions to, in particular those under Regulation 24 such as contribution investment, were notified to the Trustee via the CNPP Secretariat, immediately and dealt with. The Trustee understands both Aon Hewitt and Equiniti Paymaster monitor their performance against 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.
- Monitoring daily transactions
- Regular internal audits of administration procedures
- Reviewing the level, causes and resolution of complaints.

From 1 March 2019 the Trustee has had a service level agreement in place with Aegon which was appointed Plan administrator of the DC New Joiners Structure for the CPS and GPS Sections (excluding With Profits Funds). The Trustee understands Aegon monitor their performance against these service levels by:

- Monitoring that received contributions are invested within 1 day (automatic process) and 3 days (part-automatic process) of receipt of all required information.
- Monitoring daily transactions and member movements.
- Recording when all necessary employer information is received.
- Monitoring and reporting against agreed SLAs at weekly review meetings, formal monthly service reviews and quarterly steering group meetings.
- Monitoring that received cheques are banked within 7 days of receipt.
- Monitoring complaint reporting, investment allocations and payments made.
- Peer review quality checks are completed as part of processing and procedures before an activity is deemed complete. Sample checking is completed by two senior individuals. The checking percentages vary depending on the work type, for example 100% checking on financially critical transaction (claims, transfers, switches) prior to completion. On large transactions Management sign-off is also required. 100% checking is completed on all free format text.

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

- Receiving quarterly reports from the Plan administrators on the processing of financial transactions and other administration processes against the agreed service levels
- Considering the reasons for and resolution of any breaches of service standards
- Reviewed data accuracy in the light of the transition from the previous plan administrator to the new DC Plan administrator
- Reviewing the competitiveness of the service standards against other administrators/providers as part of the compulsory competitive tendering exercise for the DC investment and administration services
- Considering member feedback including any complaints.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

The Trustee is satisfied that during the year:

- Core financial transactions were, with one exception processed accurately, promptly and efficiently (see paragraph below).
- The wider administration of the Plan has generally achieved the agreed service standards.

Aegon discovered that there was a small error in the pricing of units for several of their funds used by the CPS section of the Plan and other pension schemes between July and September 2018. The unit prices were corrected. While detailed investigations were undertaken, there were delays in fund factsheets being available. Plan members were found not to have been materially affected.

The Trustee is satisfied that Aegon have put in place new procedures to reduce the risk of an error of this sort occurring again.

(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 met TPR's Codes of Practice 7 and 13. Relevant details are:

- There is an induction process for newly appointed Trustee Directors All Trustee Directors have received training with the Investment Adviser, Plan lawyer and Actuary within the first quarter of commencing their appointment providing understanding on trust law and funding and investment principles. The amount of material covered in the induction programme is significant and will usually take several months to complete. This is consistent with the law on TKU which allows 6 months for a new Trustee Director to be trained before they are expected to have achieved the required level of knowledge and understanding.
- All Trustee Directors complete the Pensions Regulator's "Trustee Toolkit" (which provides a grounding in the skills and knowledge new Trustee Directors need to perform their duties) within 6 months of becoming a Trustee Director. All Trustee Directors have confirmed they have completed the trustee toolkit.
- All Trustee Directors have completed an "Individual Fit & Proper Assessment" which includes competency details for their Trustee Director role in respect of the master trust application. An annual update of the Assessment will be undertaken to ensure master trust compliance.
- A Trustee secure website containing Trust documentation, all Plan documents, Articles of Association, meeting papers/minutes and setting out Trustee policies, is accessed by all Trustee Directors as required.
- The Trustee Directors are conversant with the CNPP Trustees Limited Articles of Association.
- All Trustee Directors have confirmed they have a working knowledge of the Plan's Trust Deed and Rules.
- Trustee Directors have a working knowledge of the law and legislation relating to pension schemes.
 - The Trustee Directors' working knowledge and understanding of the above documents, law and legislation is demonstrated and maintained by regular reference to each as relevant when making decisions in relation to the Plan.
- All Trustee Directors have confirmed they have a working knowledge of the Plan's Defined Contribution Statement of Investment Principles (SIP) as well as the investment concepts relevant to the Plan. During the year the Trustee received ESG training and additional relevant advice regarding requirements on SIP changes from its investment advisers. The SIP was updated September 2019 reflecting post member fund transitions, ESG requirements and other required areas.
- A skills matrix is maintained for all Trustee Directors.
- Trustee Directors are encouraged to undertake further study and qualifications which support their work as Trustee. During the scheme year this has included PLSA Introduction to Trusteeship training undertaken by a new Member Nominated Director.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

- The Trustee Directors have a plan in place for ongoing training appropriate to their duties. The Trustee Directors are actively encouraged to supplement the formal training plan by accessing other resources including pensions related publications and, where appropriate, industry conferences, seminars and publications. The Trustee Directors have kept a record of the training they have undertaken. Details of the in-house training undertaken during the year, and which included training tailored to the Committee(s) on which the Trustee Directors serve, are included below.
- The effectiveness of these practices and the training received are reviewed and updated annually by the Trustee.
- The Trustee Directors did not carry out an assessment (using questionnaires) to identify any gaps in their knowledge and skills during the Plan year, The Trustee reviews training approach every two years and during 2020 intends to undertake a review of its training requirements and how these are measured. The Trustee and each of its Committees will produce a calendar identifying the topics and issues to be discussed and determined. Appropriate training sessions will then be scheduled to support the activities.

The Trustee Directors received the following training and “hot topic” information during the last scheme year:

Date	Topic	Aim	Trainer
16/05/18	Public contract regulations 2015 (Arranged to address an identified Trustee learning requirement to meet new PCR 15 requirements)	Provided overview of legal regime governing procurement by government bodies	Trustee's Legal adviser
17/05/18	(1) Trustee's investment beliefs	Main asset classes refresher, how these relate to Trustee's beliefs and overall strategy	Investment consultant
17/05/18	(2) Switching “cash +” to “liability +” strategies; (3) ESG and responsible investment; (4) Infrastructure (for Trustee Directors to broaden knowledge base and understand a new investment opportunity)	Understand: use of synthetic equities and consider their implementation; implications of ESG and infrastructure (understand and action legislative changes from 01/10/19)	Investment consultant
17/05/18	Chair's statement, default funds and value for members (an annual review incorporating any new required areas)	Understand: Value for members and regulatory requirements	Investment consultant
19/07/18	Integrated risk management	Provided an understanding of the key risks and processes	Actuarial adviser
11/10/18	Actuarial valuation background and action plan	Required training for all Trustee Directors to ensure appropriate valuation TKU	Actuarial adviser
14/02/19	Board effectiveness & 21 st century trusteeship (arranged to address Board effectiveness areas identified at October 2018 Board meeting)	Identified areas where improvements to board effectiveness could be made and planned actions.	Secretariat
14/02/19	Regulatory update Q1 2019	A report on the issues affecting pension schemes	Investment consultant

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Individual Trustee Directors maintain their own training register and are able to test their familiarity with the Plan's documentation and understanding of pensions law and regulations at trustee meetings with additional advice from their advisers. The Trustee Directors have demonstrated their working knowledge of Trustee policies and documents throughout the Plan year including:

- A meeting at which the general duty to report relevant breaches of the law to the Pensions Regulator was refreshed and enabled the Trustee directors assess the required PCR15 process activities for the DC Plan administrator.
- Correct application of conflicts of interest policy and requirements at the beginning of each Trustee meeting.
- Trustee review of an Internal Dispute Resolution AVC case, which required review and application of the Plan Rules and advice from the Plan lawyer and enabled a satisfactory member solution.
- Regular review of the Plan's Integrated Risk management dashboard with advice from the Plan Actuary enabling the Trustee to monitor the Plan's key DC risks.

Under the Pensions Regulator's Master Trust requirements all Trustee Directors have completed an "Individual Fit and Proper Form" as part of the application process to operate as a Master Trust. This form required, inter alia, Trustee Directors to provide details of their professional qualifications, knowledge, skills and experience in respect of the Plan. Members can draw comfort from the legal requirement for Trustee Directors of a master trust to maintain their knowledge and understanding of pension matters.

The Trustee, with the help of its advisers, reviews the DC Statement of Investment Principles at least every three years. The last review was carried out in 2019 and the Statement was changed in September 2019 to reflect the changes in the default arrangements and the new requirements regarding responsible investing which come into force on 1 October 2019. Due to the appointment of Aegon as administrator for DC benefits, the next triennial review of default funds will be undertaken by the Trustee in 2020.

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 all its advisers annually but on a rolling basis and also periodically reviews the appointment of its advisers.

The Trustee considered the effectiveness of advisers regularly and assessed the following concluding that a formal review would not be undertaken at this stage:

Date	Review of
16/05/18	Medical adviser
11/10/18	Auditor

During the Plan year, at the end of each Trustee Board meeting, the Trustee has evaluated the effectiveness of the advice provided to the Trustee at the meeting against the objectives of the item and the Trustee's business plan. Matters identified are advised to the Plan's Secretariat for development with the providers/future actions on the business plan.

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

- Taken effective steps to maintain and develop knowledge and understanding of all Trustee Directors as required by s 248 of the Pensions Act 2004; 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 2019

(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:

- The completion of the transfer of the GPS New Joiners (pre-1 February 2017), AVC and SPPP sections from Prudential to Aegon
- A review of the Plan's default arrangements
- A review of the Statement of Investment Principles taking into account the new Regulations on Environmental, Social and Corporate Governance (ESG) considerations including the impact of climate change.
- Following appointment of Aegon, the bundled DC Plan Administrator, monitor and develop the new Plan administrator's performance and implement new offerings when applicable.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Annex 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 Plan has a Defined Benefit ("DB") Structure and a DC Structure. DB members also pay contributions based on shift pay to a defined contribution arrangement, the SPPP, and have the option to make AVCs. This Statement is in relation to the Plan's DC Structure, SPPP and AVC sections only. The Trustee has prepared a separate Statement in relation to the Plan's DB Structure.

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.



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

September 2019

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

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Aims and objectives for the DC Investment Options

Primary Objective

The primary objective for all investment options under the DC Structure, SPPP and AVCs is to provide, on a defined contribution basis, benefits for members on their retirement or benefits for their dependents on death before retirement.

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 Trustee has established default investment arrangements because:

- The Plan is a qualifying scheme for auto-enrolment purposes and so must have a default arrangement;
- It should be easy to become a member of the Plan and start building retirement benefits without the need to make any investment decisions; and
- A majority of the Plan's members are expected to have broadly similar investment needs.

Objectives for the default arrangements

- The main objective of the default arrangements is to support 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; and
- Reflect that DC Structure and SPPP members are expected to choose different benefits at retirement.

Choosing the default arrangements

The Trustee believes that understanding the Plan's membership is essential to designing and maintaining a default arrangement which meets the needs of the majority of members.

The Trustee has taken into account a number of aspects of the Plan's membership including:

- The members' age and salary profile;
- The likely sizes of pension pots at retirement;
- The level of income in retirement that members are likely to need; and
- Members' likely benefit choices at and into retirement.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Other investment options

In addition to the default arrangements, the Plan offers members a choice of investment options because:

- While the default arrangements are intended to meet the needs of a majority of the Plan's members, it may not meet the needs of a wider cross-section of members;
- Attitudes to investment risks and the need for investment returns will vary from member to member and will also vary for each member over time and, in particular, as they approach retirement;
- Members have differing investment needs and these needs change during their working lives; and
- Some members will want to be more closely involved in choosing where their contributions are invested.

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.

Choosing the investment options

The Trustee believes that taking into consideration the Plan's membership is important to maintaining an appropriate range of investment options and have taken into account a number of aspects including:

- The members' age and salary profile;
- The likely sizes of members' pension pots at retirement;
- Previous sources of retirement income from the Employers;
- Members' retirement dates and likely benefit choices at retirement;
- The levels of investment risk and return members may be willing to take;
- The degree to which members are likely to take an interest in where their contributions are invested; and
- The number of members who are likely to want responsible, ethical or faith-based investment.

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 in keeping with the Trustee's primary objective for all the investment options.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

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's investments on a regular basis.

Investment options

Members were transferred to a combined administration and investment services contract with Aegon on:

CPS, GPS New Joiners (from 1 February 2017) DC Structure and CPS SPPP – March 2019; and

GPS New Joiners DC Structure (pre-1 February 2017) and AVCs – April (contributions) and May (transfer of accumulated assets) 2019.

Following these transfers all members have the same investment options.

Default arrangements

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.

AVC – There is no default for members commencing AVCs. However, for members with AVCs included in the bulk transfer from Prudential to Aegon in April/May 2019, a series of target date funds which are suitable for members who are expected to take all their benefits in cash at retirement was used.

Self-Select Options

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.

Additional Voluntary Contributions

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.

Managing Risk

Risk and return

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustee objectives for these investment options. The expected investment returns and approach to managing investment risks including financially material considerations such as climate change are described in Section 3.

Full details of the current investment options are provided in the documents "Investment implementation for investment options outside the default arrangements" and "Investment implementation for the default arrangements".

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Choosing Investments

The funds in which members invest are pooled funds, which the Trustee believes are 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 investment options where the investment manager is expected to outperform a 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.

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.

Principal Investment Risks

The Trustee believes that the three principal 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:

a) The risk that the investment returns over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate pension.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

- b) The risk that movements in investment market values in the period prior to retirement lead to a reduction in the anticipated level of benefits.
- c) 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.
- d) The risk that an investment manager will not deliver investment returns in line with investment markets generally or other investment managers.
- e) 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.
- f) The risk that counterparties holding derivative based assets may default leading to a reduction in a fund's value.
- g) Interest rate risk – the value of funds which invest in bonds will be affected by changes in interest rates.
- h) Default risk – for bond funds (where money is lent in return for the payment of interest), the company or government borrowing money fails to pay the interest due or repay the loan.
- i) The risk that environmental, social and corporate governance (“ESG”) issues are not reflected in asset prices and/or not considered in investment decisions making leading to underperformance relative to expectations.
- j) The risk that climate change causes a material deterioration in asset values as a consequence of factors including, but not limited to: policy change, physical impacts and the expected transition to a low-carbon economy.

Managing investment risks

The Trustees have developed and maintain a framework for assessing the impact of all investment risks on long-term investment returns.

Time horizon

The Trustees monitor the age profile of the Plan's membership to arrive at an appropriate investment horizon when considering all investment risks:

The Plan is open to new entrants from age 16;

As a result, given the likelihood of increases in retirement ages in the future, investment risks need to be considered over a time horizon approaching 50 years.

The target date funds manage the three main investment risks as members grow older by automatically switching from assets which are expected to give long-term growth relative to inflation into assets 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.

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.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

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.

Financially material considerations

The Trustee recognises that the consideration of financially material considerations, including ESG factors and climate risk, are relevant to the development, selection and monitoring of the Plan's investment options.

Implementation

The Plan uses standard pooled funds offered by investment platform providers and fund managers. This gives access to a range of funds while keeping down costs to members, but means that the Trustee cannot adopt an approach to managing financially material considerations specific to the Plan. The Trustee nevertheless seeks to manage financially material considerations to protect long-term returns by:

- Choosing fund managers who have clearly articulated policies for managing financially material considerations including climate change;
- Considering the extent to which ESG issues including climate risk, where relevant, are integrated into the fund managers' investment processes and are satisfied that the fund managers follow an approach which takes account of financially material factors;
- For actively managed funds (where the fund manager decides where to invest), expect the fund managers to take financially material considerations into account when selecting which companies and markets to invest in;
- For passively managed funds, the Trustee recognises that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with its benchmark (which may or may not include ESG factors) and believes this approach is in line with the basis on which their current strategy has been set. The Trustees will review periodically the choice of fund and index benchmarks used ;
- For all funds, expect fund managers to engage with companies in which the fund invests to encourage business strategies which should improve or protect the value of those investments; and
- Prefer fund managers who are signatories to the Financial Reporting Council's Stewardship Code in the UK and the United Nations supported Principles for Responsible Investment.

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.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Asset class	Expected long-term investment returns relative to inflation	Expected shorter- term volatility in fund values
Equities (i.e. company shares)	Strong return relative to inflation	Most volatile in the short-term
Property (e.g. offices, shops and warehouses)	Positive, but lower than equities	Lower than equities
Corporate Bonds (i.e. loan stocks issued by companies)	Positive, but lower than equities and property	Lower than equities or property
Fixed Interest Government Bonds (e.g. UK Gilts)	Positive, but lower than equities, property or corporate bonds	Lower than equities, property or corporate bonds
Index-Linked Government Bonds (e.g. UK Index-Linked Gilts)	In line with inflation	Lower than equities, property or corporate bonds
Cash (and other short-term interest-bearing investments)	Return may not keep pace with inflation	Minimal with high degree (but not complete) of capital security

Long-dated Bonds (e.g. UK Gilts and Corporate Bonds with a duration of 15 years or more) – should give fund values which move broadly in line with the financial factors influencing annuity rates.

Multi-asset funds (i.e. investing in a varying mix of asset classes) - should deliver positive returns relative to inflation over the longer-term, with lower short-term volatility than equities.

Investment beliefs

The Trustee's investment decisions are made in the context of their investment beliefs that:

- Managing the Principal investment risks (inflation, benefit conversion and volatility) is the most important driver of good long-term member outcomes;
- As the Plan invests for members over the long-term, financially material considerations including the impact of climate change will have a bearing on funds' expected levels of risk and return;
- Investment markets may not always behave in line with long-term expectations during the shorter-term;
- Charges and costs (levied by fund managers and platform providers) can have a material effect on net returns.

Types of funds used

Delegation of investment decisions

The Plan uses unit-linked funds provided through an investment platform. This investment platform in turn invests its funds in funds provided by a selection of fund managers where investments are pooled with other investors. This enables the Plan to invest in a range of funds giving a good spread of investments in a cost-effective manner. It does mean that the Trustee has delegated day to day investment decisions including the management of financially material considerations to the fund managers.

Security of assets

The funds are provided through policies of insurance issued to the Trustee by the investment platform provider and the With Profits Fund provider. As a result, the value of the funds may be affected in the event of the providers getting into financial difficulties.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

The underlying funds used by the investment platform provider are mostly accessed through unit purchase agreements. In the event of a fund manager getting into financial difficulties, the values in these underlying funds will depend upon the nature of the contract with the platform provider and the fund vehicles used by the fund managers' funds.

Realisation of investments

The Trustee expects that the investment platform provider and the fund managers will normally be able to sell the funds within a reasonable timescale. There may, however, be occasions where the investment platform or fund managers need to impose restrictions on the timing of sales and purchases of funds (most notably for funds investing in property) in some market conditions to protect the interests of all investors in that fund.

Nevertheless, the Trustee recognises that most members' pension accounts have a long investment timeframe, during which assets which are less easily traded (such as property or infrastructure) can be managed to deliver good long-term returns while avoiding the impact of liquidity issues at retirement.

Balance of investments

Overall, the Trustee believes that the Plan's investment options:

- Provide a balance of investments; and
- Are appropriate for managing the risks typically faced by members.

Stewardship

Stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment platform and fund managers and the monitoring of compliance with agreed policies.

Members' financial interests

The Trustee expects that the investment platform provider and fund managers will have the members' financial interests as their first priority when choosing investments.

Voting and engagement

The Trustee believes that engagement with the companies in which the Plan invests, including the proactive use of shareholder voting rights, can improve the longer-term returns on the Plan's investments.

The Plan invests via an investment platform provider, who in turn invests in funds which are pooled with other investors to keep costs down and ensure adequate diversification. As a result, the Trustee has adopted a policy of delegating voting decisions on stocks to the underlying fund managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The fund managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where relevant, the Trustee has reviewed the voting and engagement policies of the fund managers as well as the approach to governance of the investment platform provider and determined that these policies are appropriate. On an annual basis, the Trustee will request that the investment platform provider and fund managers provide details of any change in their house policy.

Where appropriate, the Trustee will engage with and may seek further information from the investment platform provider and fund managers on how portfolios may be affected by a particular issue.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

The Trustee does not engage directly, but believes it is sometimes appropriate for the fund managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks. The Trustee aims to review engagement activity undertaken by the fund managers as part of its broader monitoring activity.

The Trustee expects the investment platform provider to adopt similar practices with regards to the inclusion and ongoing oversight of fund managers on their platform. The Trustee also expects the platform provider to be able to evidence their own governance practices on request.

Monitoring

The Trustee receives reports from the investment platform provider on the fund managers voting activity on a periodic basis.

The Trustee reviews the fund managers' voting activity on a periodic basis in conjunction with their investment adviser and use this information as a basis for discussion with the investment platform provider and fund managers. Where the Trustee deems it appropriate, any issues of concern will be raised with the manager for further explanation.

The Trustee meets with the investment platform provider on a regular basis. Fund managers may be challenged both directly by the Trustee and by their investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

Non-financial factors

The Trustee recognises that some members will have strong personal views or religious convictions that influence where they believe their savings should, or should not, be invested.

The Trustee notes that a large majority of members have not made active investment choices and so the Trustee believes that most members are unlikely to have strong views on where their savings are invested. The Trustee will instead take into account what, in its reasonable opinion, members' views of non-financial factors are likely to be.

The Trustee notes that the arrangements for receiving member feedback on the Plan in general give members an opportunity to express views on non-financial factors relating to the Plan's investments.

The Plan offers a Sharia Law based fund for members who are likely to hold convictions in line with the Islamic faith.

The Trustee notes that non-financial factors can affect various investment risks which are borne by members and may under-perform other funds with broader-based investment approaches.

Fund managers are otherwise only expected to take non-financial factors into account when these do not conflict with the financial interests of members and the Plan's investment objectives.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

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.
- 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

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

- 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
- 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

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Appendix 2: Investment Implementation Document

The funds available to members are:

Fund	Gross annual fee
	%pa
CNPP UK Equity Fund	0.19
CNPP Global Equity Fund	0.19
CNPP Global Equity (ex-UK) Fund	0.19
CNPP Emerging Markets Equity Fund	0.34
CNPP Sharia Law Fund	0.48
CNPP Property Fund	0.80
CNPP Multi-Asset Fund	0.58
CNPP Pre Retirement Fund	0.31
CNPP Index-Linked Gilt Fund	0.19
CNPP Corporate Bonds Fund	0.20
Aegon BlackRock Cash Fund	0.23
Aegon BlackRock LifePath Flexi Funds*	0.26
Aegon BlackRock LifePath Capital Funds*	0.26
Aegon BlackRock LifePath Retirement Funds	0.26
Prudential With-Profits Fund**	1.00

* Default options.

** Only available for existing AVC investments – closed to future AVCs.

Notes

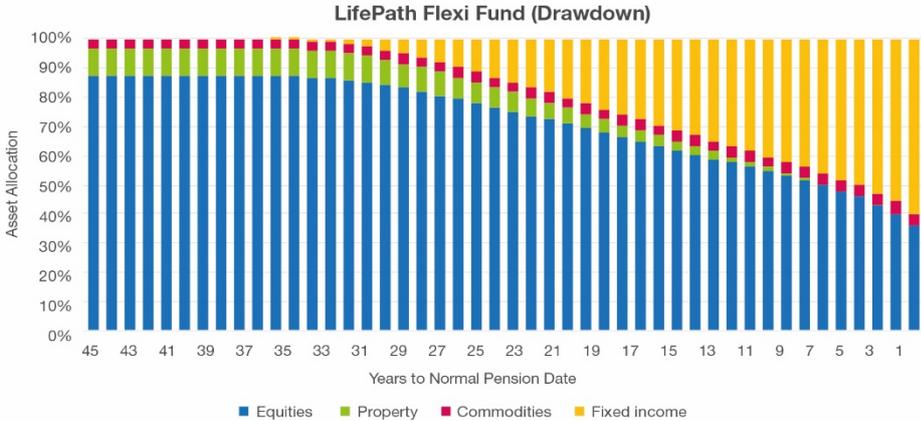
- The LifePath Funds are sets of “target date” funds, each managed to an asset allocation appropriate to its target retirement age range and target retirement benefits.
- The CNPP and Aegon BlackRock funds are provided through the Aegon administration and investment contract.
- The CNPP labelled funds invest in underlying investment managers' funds through they Aegon platform.

Default arrangements

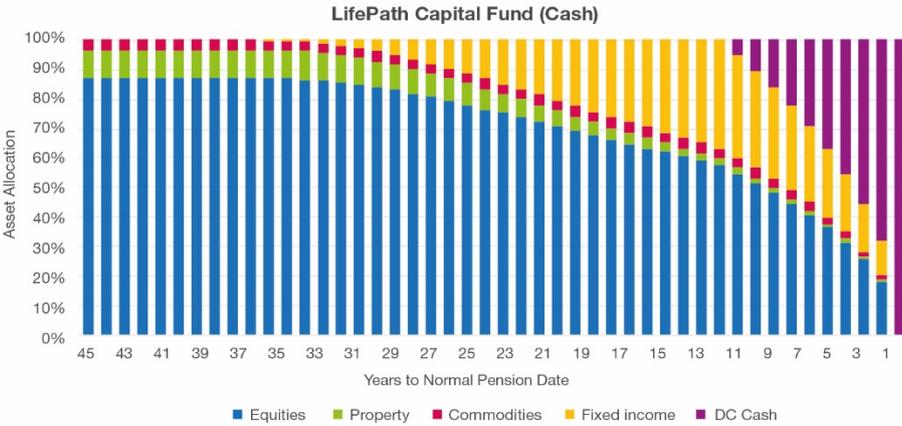
For members who are invested in the Aegon BlackRock LifePath Flexi option the following chart illustrates the changes to fund allocations that will be implemented on members behalf up to their retirement date:

COMBINED NUCLEAR PENSION PLAN

**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019**



For members who are invested in the Aegon 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 2019

Annex 2

Tables of funds and charges

2a Default arrangements

The funds' annualised charges (as "Total Expense Ratios") and transaction costs from 1 April 2018 to 28 February 2019 used in the default arrangement were:

Plan Section	Fund	ISIN *	Charges **		Underlying Fund***	Transaction costs	
			% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
CNPP DC New Joiners Section and CNPP GPS DC New Joiners Section (from 1 February 2017)	Aegon BlackRock LifePath Flexi Fund	GB00BV9GYT21	0.43	4.30	BlackRock LifePath Flexi Fund	-0.29 to 0.02	-2.90 to 0.20
CNPP Shift Pay Pension Plan (SPPP)	Aegon BlackRock LifePath Capital Fund	GB00BYZSFG73	0.43	4.30	BlackRock LifePath Capital Fund	-0.29 to 0.05	-2.90 to 0.50

Source: Aegon Investment Solutions Limited

Please note that the charges in the table above take into account Aon Hewitt's 0.215% charge for administration services up to 28 February 2019 which are also borne by members.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

The funds' annualised charges (as "Total Expense Ratios") and transaction costs from 1 March 2019 to 31 March 2019 used in the default arrangement were:

Plan Section	Fund	ISIN *	Charges **		Underlying Fund***	Transaction costs	
			% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
CNPP DC New Joiners Section and CNPP GPS DC New Joiners Section (from 1 February 2017)	Aegon BlackRock LifePath Flexi Fund	GB00BV9GYT21	0.26	2.60	BlackRock LifePath Flexi Fund	-0.29 to 0.02	-2.90 to 0.20
CNPP Shift Pay Pension Plan (SPPP)	Aegon BlackRock LifePath Capital Fund	GB00BYZSFG73	0.26	2.60	BlackRock LifePath Capital Fund	-0.29 to 0.05	-2.90 to 0.50

Source: Aegon Investment Solutions Limited

Plan Section	Fund	ISIN *	Charges **		Underlying Fund***	Transaction costs	
			% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
CNPP GPS DC New Joiners Section (pre-1 February 2017)	Prudential Lifestyle strategy		0.75 to 0.675	7.50 to 0.675	See 2 nd table at 2c below	0.21 to 0.03	2.10 to 0.30

Source: Prudential

* ISIN = the International Securities Identification Number unique to each fund.

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

*** Underlying Fund = the fund in which the Plan's top level Fund invests.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

2b Lifestyle options outside the default arrangement

The funds' annualised charges (as "Total Expense Ratios") and transaction costs from 1 April 2018 to 28 February 2019 used in the Aegon Blackrock LifePath Retirement Fund lifestyle option were:

Plan Section	Aegon BlackRock Fund	ISIN *	Charges **		Underlying Fund***	Transaction costs	
			% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
CNPP DC New Joiners Section; CNPP GPS New Joiners DC Section (from 1 February 2017); and CNPP CPS Section AVCs	Aegon BlackRock LifePath Retirement Fund	GB00BV9GYX66	0.43	4.30	BlackRock LifePath Retirement Fund	-0.29 to 0.08	-2.90 to 0.80

Source: Aegon Investment Solutions Limited

Please note that the charges in the table above take into account Aon Hewitt's 0.215% charge for administration services up to 28 February 2019 which are also borne by members.

The funds' annualised charges (as "Total Expense Ratios") and transaction costs from 1 March 2019 to 31 March 2019 used in the Aegon Blackrock LifePath Retirement Fund lifestyle option were:

Plan Section	Fund	ISIN *	Charges **		Underlying Fund***	Transaction costs	
			% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
CNPP DC New Joiners Section; CNPP GPS New Joiners DC Section (from 1 February 2017); and CNPP CPS Section AVCs	Aegon BlackRock LifePath Retirement Fund	GB00BV9GYX66	0.26	2.60	BlackRock LifePath Retirement Fund	-0.29 to 0.08	-2.90 to 0.80

Source: Aegon Investment Solutions Limited

* ISIN = the International Securities Identification Number unique to each fund.

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

*** Underlying Fund = the fund in which the Plan's top level Fund invests.

2c Self-select funds outside the default arrangement

The funds' annualised charges (as "Total Expense Ratios") and transaction costs from 1 April 2018 to 28 February 2019 for the self-select funds were:

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Plan Section	Aegon BlackRock Fund	ISIN *	Charges **		Underlying Fund***	Transaction costs	
			% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
CPS New Joiners DC Section; CNPP GPS New Joiners DC Section (from 1 February 2017); and CNPP CPS Section AVCs	CNPP Global Equity (ex-UK) Fund	GB00BG49KD77	0.36	3.60	Aegon BlackRock World (ex-UK) Equity Index (BLK)	-0.00	-0.00
	CNPP Emerging Markets Equity Fund	GB00BYNV2W30	0.54	5.40	Aegon BlackRock Emerging Markets Equity Index (BLK)	-0.14	-1.40
	CNPP Global Equity Fund	GB00BG49KG09	0.36	3.60	Aegon BlackRock 50/50 Global Equity Index (BLK)	0.01	0.10
	CNPP UK Equity Fund	GB00BG49KF91	0.36	3.60	Aegon BlackRock UK Equity Index Tracker (BLK)	0.07	0.70
	CNPP Sharia Law Fund	GB00BYNV2Q79	0.72	7.20	Aegon HSBC Islamic Global Equity Index (BLK)	0.06	0.60
	CNPP Property Fund	GB00BYNV2S93	1.20	11.20	Aegon DC Property Fund	0.12	1.20
	CNPP Multi-Asset Fund	GB00BYNV2R86	0.67	6.70	Aegon BlackRock Dynamic Allocation (BLK)	0.28	2.80
	CNPP Index-linked Gilt Fund	GB00BG49KH16	0.36	3.60	Aegon BlackRock Over 5 year Index-Linked Gilt Index (BLK)	0.02	0.20
	CNPP Corporate Bonds Fund	GB00BYNV2V23	0.37	3.70	Aegon BlackRock Corporate Bond All-Stocks Index (BLK)	0.02	0.20
	CNPP Pre-Retirement Fund	GB00BG49KJ30	0.37	3.70	Aegon BlackRock Pre-Retirement (BLK)	0.01	0.10
Aegon BlackRock Cash Fund	GB0030155393	0.40	4.00	BlackRock Cash (BLK)	0.02	0.20	

Source: Aegon Investment Solutions Limited

Please note that the charges in the table above take into account Aon Hewitt's 0.215% charge for administration services up 28 February 2019 which are also borne by members.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

The funds' annualised charges (as "Total Expense Ratios") and transaction costs from 1 March 2019 to 31 March 2019 for the self-select funds were:

Plan Section	Aegon BlackRock Fund	ISIN *	Charges **		Underlying Fund***	Transaction costs	
			% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
CPS New Joiners DC Section; CNPP GPS New Joiners DC Section (from 1 February 2017); and CNPP CPS Section AVCs	CNPP Global Equity (ex-UK) Fund	GB00BG49KD77	0.36	3.60	Aegon BlackRock World (ex-UK) Equity Index (BLK)	-0.00	-0.00
	CNPP Emerging Markets Equity Fund	GB00BYNV2W30	0.54	5.40	Aegon BlackRock Emerging Markets Equity Index (BLK)	-0.14	-1.40
	CNPP Global Equity Fund	GB00BG49KG09	0.36	3.60	Aegon BlackRock 50/50 Global Equity Index (BLK)	0.01	0.10
	CNPP UK Equity Fund	GB00BG49KF91	0.36	3.60	Aegon BlackRock UK Equity Index Tracker (BLK)	0.07	0.70
	CNPP Sharia Law Fund	GB00BYNV2Q79	0.72	7.20	Aegon HSBC Islamic Global Equity Index (BLK)	0.06	0.60
	CNPP Property Fund	GB00BYNV2S93	1.20	11.20	Aegon DC Property Fund	0.12	1.20
	CNPP Multi-Asset Fund	GB00BYNV2R86	0.67	6.70	Aegon BlackRock Dynamic Allocation (BLK)	0.28	2.80
	CNPP Index-linked Gilt Fund	GB00BG49KH16	0.36	3.60	Aegon BlackRock Over 5 year Index-Linked Gilt Index (BLK)	0.02	0.20
	CNPP Corporate Bonds Fund	GB00BYNV2V23	0.37	3.70	Aegon BlackRock Corporate Bond All-Stocks Index (BLK)	0.02	0.20
	CNPP Pre-Retirement Fund	GB00BG49KJ30	0.37	3.70	Aegon BlackRock Pre-Retirement (BLK)	0.01	0.10
	Aegon BlackRock Cash Fund	GB0030155393	0.40	4.00	BlackRock Cash (BLK)	0.02	0.20

Source: Aegon Investment Solutions Limited

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

To 31 December 2018 (the latest figures available from Prudential):

Plan Section (up to 31 March 2019)	Prudential Fund	ISIN *	Charges **		Underlying Fund***	Transaction costs	
			% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
CNPP GPS Section New Joiners DC Section (pre-1 February 2017)	Prudential BlackRock Aquila UK Equity Index Fund	GB00B08ZTQ53	0.75	7.50	BlackRock Aquila Connect UK Equity Index Fund	0.26	2.60
	Prudential BlackRock Aquila (50:50) Global Equity Index Fund – part of lifestyle option	GB00B08ZTM16	0.75	7.50	BlackRock Aquila Connect (50:50) Global Equity Index Fund	0.21	2.10
	Prudential BlackRock Aquila World ex-UK Equity Index Fund	GB00B08ZTN23	0.75	7.50	BlackRock Aquila Connect World ex-UK Equity Index Fund	0.02	0.20
	Prudential Index Linked Passive Fund	GB0032824418	0.65	6.50	M&G Pooled Pensions Index Linked Passive Fund	-0.05	-0.50
	Prudential Long-Term Gilt Passive Fund – part of lifestyle option	GB0031694259	0.65	6.50	M&G Pooled Pensions Long-Term Gilt Passive Fund	-0.04	-0.40
	Prudential Cash Fund – part of lifestyle option	GB0031681108	0.75	7.50	M&G Pooled Pensions Cash Fund	0.00	0.00

Source: Prudential Assurance Company Limited

* ISIN = the International Securities Identification Number unique to each fund.

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

*** Underlying Fund = the fund in which the [Scheme's/Plan's] top level Fund invests

Transaction costs are not available from Prudential.

2d AVCs for members in the GPS Section up to 31 March 2019

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year for the Prudential AVC funds to 31 December 2018 (the latest figures available from Prudential) were:

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Prudential Fund (up to 31 March 2019)	ISIN *	Charges **		Underlying Fund	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
Prudential M&G Recovery Fund	GB0031684334	0.75	7.50	M&G Pooled Pensions Recovery Fund	-0.15	-1.50
Prudential Ethical Fund	GB0031694366	0.75	7.50	M&G Pooled Pensions Ethical Fund	0.04	0.40
Prudential UK Equity Fund	GB0031694473	0.75	7.50	M&G Pooled Pensions Equity Fund	-0.07	-0.70
Prudential UK Equity Passive Fund	GB0031694580	0.65	6.50	M&G Pooled Pensions UK Equity Passive Fund	0.07	0.70
Prudential Global Equity Fund	GB0031685968	0.75	7.50	M&G Pooled Pensions Global Equity Fund	-0.09	-0.90
Prudential International Equity Fund	GB0031686263	0.76	7.60	M&G Pooled Pensions International Equity Fund	-0.04	-0.40
Prudential Long Term Growth Passive Fund	GB0031686370	0.67	6.70	M&G Pooled Pensions Long Term Growth Passive Fund	0.04	0.40
Prudential Overseas Equity Passive Fund	GB0031693954	0.68	6.80	M&G Pooled Pensions Overseas Equity Passive Fund	-0.01	-0.10
Prudential Discretionary Fund ^	GB0031685745	0.80	8.00	M&G Pooled Pensions Discretionary Fund	-0.07	-0.70
Prudential Fixed Interest Fund	GB0031685851	0.75	7.50	Prudential Fixed Interest Fund	-0.01	-0.10

* ISIN = the International Securities Identification Number unique to each fund.

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

^ 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

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Prudential Fund (up to 31 March 2019)	ISIN *	Charges **		Underlying Fund	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
Prudential Index-Linked Fund	GB0031686040	0.75	7.50	M&G Pooled Pensions Index Linked Fund	-0.01	-0.10
Prudential Long Term Bond Fund	GB0031694036	0.65	6.50	M&G Pooled Pensions Long Term Bond Fund	-0.03	-0.30
Prudential Long Term Gilt Passive Fund	GB0031694259	0.65	6.50	M&G Pooled Pensions Long-Term Gilt Passive Fund	-0.04	-0.40
Prudential UK Property Fund ^	GB0031694143	1.31	13.10	M&G Pooled Pensions UK Property Fund	0.78	7.80
Prudential With Profits Fund (closed to new investors)	OBMG	1.00 ****	10.00	n/a	0.07	0.70
Prudential Cash Fund	GB0031681108	0.55	5.50	M&G Pooled Pensions Cash Fund	0.00	0.00
Prudential Deposit Fund (closed to new investors)	GB00B6S70486	0 ***	n/a	n/a	0.00	0.00

* ISIN = the International Securities Identification Number unique to each fund.

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

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

**** Average across all With Profits policyholders.

^ 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

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Annex 3

Illustrations of the impact of costs and charges

Purpose of this example illustration

This isn't a personal illustration, it is based on the assumptions detailed later on in this document. The purpose of the illustration is to show how fund related costs and charges can affect the overall value of the funds you invest in over time.

Fund transactional charges and costs total (%)

	Aegon BlackRock LifePath Flexi (BLK)	Aegon BlackRock LifePath Capital (BLK)	Aegon BlackRock Cash (BLK)	CNPP Global Equity ex UK	CNPP Property
Growth	-0.76% to 2.40%*	-0.76% to 2.40%*	-0.76%	3.00%	2.15%
AMC	0.26%	0.26%	0.20%	0.18%	0.78%
AAE	0.00%	0.00%	0.03%	0.01%	0.03%
TC	-0.06%**	-0.06%**	0.02%	0.00%	0.12%

* The growth rate used for the Lifepath fund varies through time based on the underlying asset mix

** We have used one third of the transaction costs for 01/04/18 to 31/03/19 in this illustration

Growth is the assumed growth rate for the fund after taking into account assumed price inflation of 2% per annum.

AMC is the Annual Management Charge, which is a yearly management charge expressed as an annual percentage but calculated and deducted on a daily basis from the fund.

AAE are the Additional Annual Expenses, which are an estimate of any additional fees and expenses that may apply, such as fees for custody, administration and trustee services that may be incurred in addition.

TC are the Transaction Costs, which are an estimate of explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund, based on actual transaction costs for the period 01/04/18 to 31/03/19.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

The impact of transactional costs and charges on fund values (£)

The 'Before Charges' column shows each fund value without any transaction costs, charges or expenses being applied to the fund's holdings.

The 'After all charges' column shows the fund's holdings after transaction costs, charges and expenses have been deducted.

Years	Aegon BlackRock LifePath Flexi (BLK)		Aegon BlackRock LifePath Capital (BLK)		Aegon BlackRock Cash (BLK)		CNPP Global Equity ex UK		CNPP Property	
	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	28034	27985	28006	27957	27324	27264	28215	28168	28022	27795
3	44906	44705	44771	44572	42127	41895	45707	45512	44915	43992
5	62894	62466	62582	62156	57146	56672	64697	64276	62989	61025
10	113133	111749	112015	110649	95703	94317	119415	118010	113775	107492
15	171677	168685	169138	166200	135831	133101	185931	182788	173446	159950
20	239602	234196	234881	229608	177704	173200	266315	260442	243226	218999
25	318108	309307	310278	301748	221505	214795	362974	353087	324493	285292
30	408536	395154	396473	383589	267427	258078	478706	463156	418796	359543
35	512379	492995	494733	476191	315680	303254	616762	593456	527876	442527
40	631305	604221	606462	580723	366484	350535	780915	747216	653688	535090
45	767170	730370	733212	698470	420076	400149	975545	928154	798427	638151
49	889442	843174	846576	803126	465127	441681	1156582	1095324	929490	728829

About this illustration

Your current age is 16 and retirement age is 65. This is based on the age of the youngest person in the scheme.

Your current salary is £37,000 and will increase each year by 3.5%.

Future contributions paid will be 20.5% of your salary (£632.08 each month increasing by 3.5% each year in line with assumed salary increases).

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

The existing fund value is £20,000 which based on the median value of the total holdings within the scheme. We calculate this by listing the total holdings of each member in the scheme, from the lowest to the highest value and selecting the value in the middle.

We've shown the default Aegon BlackRock LifePath Flexi and Aegon BlackRock LifePath Capital investment options that the majority of members invest in. We've also shown the Aegon BlackRock Cash and CNPP Global Equity ex UK funds to show the asset classes with the lowest and highest assumed growth. The Aegon BlackRock Cash fund is also the fund with the lowest charges and we have shown the CNPP Property fund as the fund with the highest charges.

Investment growth

The value of your investments will grow at a rate appropriate to the funds you're invested in and inflation will be 2.0% every year. This is an illustrative growth rate only.

The investment growth achieved may be more or less than this and may vary depending on the fund(s) you're invested in.

The assumed growth rate used for each fund is shown above. This rate is based on our view of potential long-term returns of the main asset classes (equities, property, corporate bonds, government bonds and cash) and will vary depending on the fund(s). The growth rates for mixed asset funds are derived from the asset class growth rates based on the investment objectives and asset allocation of the funds.

If the growth rate we've used is:

- The same as the rate of inflation this reduces the growth rate, after making an allowance for inflation, to 0%
- Less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

The assumptions used in the illustrations are:

Data Item	Assumption	Reason
Existing Account value	£20,000	Median existing account value across scheme (rounded to nearest £1,000). Calculated by listing the total holdings of each member in the scheme from the lowest to the highest value and selecting the middle value.
Member pensionable salary	£37,000	Median salary across scheme (rounded to nearest £1,000). Calculated by listing the pensionable salary of each member in the scheme from the lowest to the highest value and selecting the middle value.
Illustration term	49 years	Age of youngest member (16) to scheme NRA (65)
Contribution rate	7% EE, 13.5% ER	Median contribution rates across scheme for employee and employer
Default Fund Option 1	Lifepath Flexi	Default investment option (and most popular investment option)
Default Fund Option 2	Lifepath Capital	Default investment option for shift pay / AVC members)
Alternative Fund 1	Aegon BlackRock Cash (BLK)	Fund with the lowest assumed investment growth
Alternative Fund 2	CNPP Global Equity Ex UK	Fund with the highest assumed investment growth & lowest charge level (AMC & additional expenses)
Alternative Fund 3	CNPP Property	Fund with the highest charges (AMC + additional expenses)
Fund growth rates (before inflation at 2%) for the selected funds above	Lifepath Flexi – calculated within illustration AGN BLK Cash 1.24% CNPP Glob Eq ex UK 5% CNPP Property 4.15%	Our fund growth rate assumptions currently used for FCA illustrations (permitted under the guidance and the only basis we can illustrate on as the 'reduction in yield' values required are only produced for FCA illustrations). Note: our 'Equity' asset class growth assumption is capped at 5% (FCA maximum) for FCA illustrations.
Price inflation	2.0%	Standard price inflation assumption for FCA illustrations (in line with the guidance and only basis we can currently illustrate on).
Earnings inflation	3.5%	Standard earnings inflation assumption for FCA illustrations (in line with the allowable range in the guidance and only basis we can currently illustrate on).