
COMBINED NUCLEAR PENSION PLAN

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2020

COMBINED NUCLEAR PENSION PLAN

CONTENTS

	Page
Trustee and its advisers	1 – 3
Trustee's report	4 – 54
The Combined Nuclear Pension Plan Chairman's Statement	55 – 98
Independent Auditor's report to the Trustee	99 – 100
Fund account	101
Statement of Net assets (available for benefits)	102 -103
Notes to the financial statements	104 – 128
Independent Auditor's Statement about contributions	129
Summary of contributions	130
Actuarial statements	131

COMBINED NUCLEAR PENSION PLAN

TRUSTEE AND ITS ADVISERS YEAR ENDED 31 MARCH 2020

Trustee	Combined Nuclear Pension Plan Trustees Limited Herdus House Westlakes Science & Technology Park Moor Row CA24 3HU
Trustee Directors	Mr R Gorham – Employer nominated (appointed 16 October 2019) Mr P Greene - Member nominated Ms P Hatt – Member nominated (appointed 21 September 2020) Mr N Lowe - Employer nominated (resigned 16 October 2019) Mr F Rainford - Employer nominated Mrs C Toole - Member nominated Mrs A Uppington - Member nominated (resigned 31 March 2020) Mr A van der Lem - Employer nominated (resigned 31 December 2019) PAN Trustees UK LLP – Independent (represented by Mr M Roberts) Capital Cranfield Pension Trustee Limited - Independent (represented by Ms I Kirby) Mr A Whalley – Independent (resigned 11 September 2019) Strettea Independent Trustee Limited - Independent (represented by Mr A Whalley, Chairman appointed 11 September 2019). Mr A Oldham – Employer Nominated (appointed 12 February 2020)
Secretary to the Trustee	Terry Paul, APMI Combined Nuclear Pension Plan c/o NDA Building 329 Thomson Avenue Harwell Campus Didcot Oxfordshire OX11 0GD
Plan Actuary	Mark McClintock Deloitte Total Reward and Benefits Limited

COMBINED NUCLEAR PENSION PLAN

TRUSTEE AND ITS ADVISERS YEAR ENDED 31 MARCH 2020

Plan Administrator DB Structure	EQ (Equiniti Group) (for Sections other than Nirex) William Smith House Thurso Business Park Thurso Caithness KW14 7XW Barnett Waddingham LLP (Nirex Section) St James's House St James's Square Cheltenham Gloucestershire GL50 3PR
Plan Administrator DC Structure	Aegon Workplace Investing (Aegon) Churchgate 1 New Road Peterborough PE1 1TT
Auditor	KPMG LLP
Investment Managers	<i>Defined Benefit (DB)</i> Aberdeen Standard Assurance Limited ("Aberdeen Standard") Barings Asset Management ("Barings") (formerly Babson Capital) Columbia Threadneedle Investments (Channel Islands) Limited ("Threadneedle") HPS Investment Partners LLC ("Highbridge") Insight Investment Management (Global) Limited ("Insight") Legal & General Assurance (Pensions Management) Limited ("Legal & General") MFS International (UK) Limited ("MFS") Partners Group (Guernsey) Limited ("Partners Group") Partners Group Private Markets Credit Strategies S.A. ("Partners Group SA") Pictet Asset Management Ltd ("Pictet") <i>Defined Contribution (DC)</i> Aegon Asset Management UK Holdings Limited BlackRock Investment Management (UK) Limited (BlackRock)
Common Investment Platform Administrators	State Street Bank & Trust Co ("State Street")

COMBINED NUCLEAR PENSION PLAN

TRUSTEE AND ITS ADVISERS YEAR ENDED 31 MARCH 2020

Investment Platform	<i>DC Structure, AVC and SPPP Plans</i> Scottish Equitable plc (branded as Aegon) Prudential Assurance Company Limited ("Prudential")
Bankers	Lloyds Banking Group PLC Royal Bank of Scotland PLC
Legal Adviser	Squire Patton Boggs (UK) LLP
Investment Consultant	Hymans Robertson LLP (to 29 October 2019) Redington Limited (for Defined Contribution from 16 October 2019) Aon Solutions UK Limited (for Defined Benefit from 30 October 2019)
Independent Medical Adviser	Medigold Health Consultancy Limited
Covenant Adviser	Lincoln Pensions Limited
Life Insurer	Rutherford Indemnity Limited
Buy-in Insurer	Just Retirement Limited
Sponsoring Employers	Direct Rail Services Limited Dounreay Site Restoration Limited ATK Energy EU Limited (formerly EnergySolutions EU Limited) International Nuclear Services Limited LLW Repository Limited Magnox Limited National Nuclear Laboratory Limited Nuclear Decommissioning Authority (NDA) Sellafield Limited Springfields Fuels Limited Westinghouse Electric UK Holdings Limited
Contact address	<i>Defined Benefit</i> EQ William Smith House Thurso Business Park Thurso Caithness KW14 7XW <i>Defined Contribution</i> Aegon Churchgate 1 New Road Peterborough PE1 1TT

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Introduction

The Trustee of Combined Nuclear Pension Plan (the 'Plan') is pleased to present the annual report together with the audited financial statements for the year ended 31 March 2020. The Plan incorporates a DB structure administered by EQ (except the Nirex section which is administered by Barnett Waddingham) and a DC structure administered by Aegon. All sections are administered in accordance with the establishing documents and rules, solely for the benefit of its members and other beneficiaries.

The Plan was established with effect from 1 October 2006.

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

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

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

Plan Developments

With effect from 1 April 2019 the Trustee changed the administrator of the Plan's DB Structure. The Plan administrator's appointment for the DC Structure occurred in the previous Plan year (from 1 March 2019). EQ were appointed as administrator for the Plan's DB Structure and Aegon the administrator for the DC Structure. Both have replaced Aon Hewitt Limited. The Trustee is confident that the transitions to the two administrators is delivering an improved service to members.

On 9 May 2019 the Trustee submitted an application to the Pensions Regulator (TPR) for master trust authorisation under section 4 of the Pension Schemes Act 2017. On 15 October 2019 TPR confirmed it was satisfied that the Plan met the authorisation criteria as set out in section 5 of the Pension Schemes Act 2017 and Master Trust authorisation was granted to the Plan effective from that date.

On 15 May 2019 the GPS EnergySolutions Section was bought-in by the insurer Just Retirement Limited. A proposed buy-out of the remaining members and wind-up of the GPS EnergySolutions Section will be progressed following reconciliation of GMP equalisation data.

Covid-19 Business Continuity

Since early 2020 there has been a global outbreak of Covid-19 which has caused widespread disruption to financial markets and normal patterns of business activity across the world. The Trustee, working closely with its advisers, has assessed the main risks faced as a result of the pandemic, and the measures in place to monitor and manage these risks (covering investment, funding, covenant and operational matters). The Trustee immediately put in place its Business Continuity plan and has received regular reports from administrators and advisers on their Business Continuity plans, all of whom continue to provide an effective service to the Trustee and to members thus ensuring continuity of service throughout the pandemic.

The Trustee has remained in close contact with the Employers since the onset of Covid-19 pandemic and does not believe the pandemic has had a material impact on the Employers' covenants as at the date of the issue of the Trustee's report. The Trustee continues to monitor the impact of Covid-19 on the Plan through the usual governance mechanisms including the regular oversight of the funding position and other strategic monitoring triggers.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Management of the Plan

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

There are nine Trustee Directors, three of whom are selected by the Lead Company (the Employer Nominated Directors (ENDs)), three from the membership (the Member Nominated Directors (MNDs)) and three professional independent trustees including the Chair (the Independent Nominated Directors (INDS)) selected by the Lead Company with the involvement of the Trustee. Directors are appointed for a fixed period of three years and will only be eligible to stand again or be re-appointed for a further three year period, with a maximum term of office of six years. Directors will be eligible to stand again, or to be re-appointed, three years from the date which they last held office with the original six years limit being disregarded. There was a vacancy amongst the MNDs following a resignation and two were serving at the year end.

In May 2020 the Trustee reviewed the process whereby it appoints MNDs. Following this review, the Trustee has implemented an application and Selection Panel based process for the appointment of future MNDs starting this year.

Trustee Director resignations: The appointment of Mr Whalley as an IND has been rectified. His limited company, Strettea Independent Trustees Limited (SITL) has been appointed to the Board and Mr Whalley appointed as SITL's nominated individual. Notwithstanding this rectification, pursuant to section 161 of the Companies Act 2006, the acts of Mr Whalley as an individual IND are valid and binding on CNPP Trustees Limited.

Mr N Lowe, END, resigned effective 16 October 2019.

Mr A Van der Lem, END, resigned effective 31 December 2019.

Mrs A Uppington, MND, resigned effective 31 March 2020.

Trustee Director appointments:

Mr R Gorham as END with effect from 16 October 2019.

Mr A Oldham as END with effect from 12 February 2020.

Ms P Hatt as MND with effect from 21 September 2020.

Mr P Green has been reappointed as MND with effect from 1 February 2021.

Mrs C Toole has been reappointed as MND with effect from 1 April 2021.

The Trustee Directors are listed on page 1.

Trustee meetings

During the year the Trustee Board met 10 times. All decisions are taken by majority with the Chairman having the casting vote.

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

- Communications sub-committee whose March 2020 meeting was rescheduled to 1 April 2020.
- Investment sub-committee (met four times during the year).

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

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

The Lead Company and Sponsoring Employers

The Lead Company of the Plan is the NDA. There were 11 Sponsoring Employers during the year and the sections in which they have participated are listed below:

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

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

Pension Protection Fund

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

Plan changes

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

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Membership

Details of the membership of the Plan as at 31 March 2020 are given below:

	Active members 2020	Deferred pensioners 2020	Pensioners 2020	Total 2020
DB Structure				
Members at the start of the year	8,372	2,525	4,353	15,250
Adjustments to members	-	-	67	67
New entrants in the year	14	-	49	63
Retirements	(302)	(182)	484	-
Deaths	(18)	(8)	(44)	(70)
Dependent Pensions ceasing	-	-	(71)	(71)
Members leaving with preserved benefits	(216)	216	-	-
Transfer out	(18)	(44)	-	(62)
	7,832	2,507	4,838	15,177
DC Structure				
Members at the start of the year	6,022	684	-	6,706
New entrants in the year	591	-	-	591
Deaths	(6)	-	-	(6)
Members leaving with preserved benefits	(288)	288	-	-
Refunds	(5)	-	-	(5)
Retirements	-	(4)	-	(4)
Transfer out	(39)	(41)	-	(80)
Cancelled/declined	(2)	-	-	(2)
Ported	-	(6)	-	(6)
	6,273	921	-	7,194
TOTAL MEMBERSHIP AT THE END OF THE YEAR	14,105	3,428	4,838	22,371

Notes on DB Movements:

The previous administration database held dependent records within the member record and these amalgamated records were split into separate records identifying the member and all dependents as part of the change of administrator. Subsequent to the year-end EQ identified not all records had been correctly migrated due to discrepancies in the source data. As a result 68 additional pensioner records were identified and 1 pensioner who was actually deceased, hence the adjustment of 67 members from the reported 4,353 members. 13 members opted out of the Plan and were allowed to re-join in line with the Plan Rules and 1 member was granted DB membership as part of their employment terms.

Notes on DC movements:

Ported cases represent inheritance of a DC member with two records which have been amalgamated into one record. Cancelled/declined cases represent DC members leaving with no benefits or who should not have been set-up as a member. Refunds are paid to members who leave within 30 days of joining the Plan.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Membership (continued)

Included within the closing pensioners figure are dependant pensioners of 153 (2019: 299). New entrants in the year are gross of opt-outs on auto-enrolment. The pensioners figure includes 10 members (2019: nil) receiving a pension under an insurance policy.

Adjustments to members include movements notified to the Administrator after the completion of the annual renewal at 31 March 2019. They do not include any movements notified to the administrator after the completion of the annual renewal at 31 March 2020. They also include members whose retirement date was prior to the year-end but records updated following the year end.

The membership figures are broken down by section as follows:

DB Structure

	Active members	Deferred members	Pensioners	Total
Closed	-	782	566	1,348
DSRL	689	253	413	1,355
GPS DRS	146	82	57	285
GPS EnergySolutions	-	-	10	10
GPS Nexia	2	2	1	5
GPS SLC	347	396	584	1,327
GPS WEC	27	18	26	71
LLWR	69	13	29	111
Magnox	168	68	203	439
Nirex	-	62	93	155
Sellafield	5,775	689	2,477	8,941
SFL2	609	142	379	1,130
	7,832	2,507	4,838	15,177

DC Structure

	Active members	Deferred members	Pensioners	Total
Closed	-	-	-	-
DSRL	687	89	-	776
GPS DRS	328	22	-	350
GPS SLC	48	3	-	51
GPS WEC	32	2	-	34
LLWR	170	23	-	193
Magnox	565	232	-	797
Sellafield	4,231	502	-	4,733
SFL2	212	48	-	260
	6,273	921	-	7,194

The pensioners figure includes dependant pensioners.

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

Benefits changes

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

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Pensions Increases

Pensions in payment and deferred pensions received a 3.3% increase from 1 April 2019 for all Benefit Structures with the exception of the Nirex Benefit Structure which received a 2.7% increase. The Trust Deed and Rules of the Plan specify the increases which are based on the percentage increase of the Retail Price Index (RPI) in September each year for CPS and GPS Structures, and the Limited Price Index (LPI) in December each year for the Nirex Structure. There were no discretionary increases awarded in the year.

GMP equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pensions (GMP). The issues determined by the judgment arise in relation to many other defined benefit pension schemes. Under the High Court's ruling, the schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

The Trustee has not yet obtained an estimated impact of GMP equalisation on the Plan. However, it is expected to be immaterial because many of the sections commenced after 6 April 1997 and do not have GMP. For those sections that were contracted out before 6 April 1997, the significant amount of benefits accrued after this date will result in the impact of GMP equalisation being immaterial. To date only the GPS EnergySolutions Section has had any GMP equalisation work undertaken due to the planned buy-out of these liabilities. EQ are progressing with the final stages of GMP reconciliation for other Sections after which the Trustee will be able to progress with the Plan's GMP equalisation work.

Actuarial Review

The financial statements set out on pages 101 to 103 do not take into account the liabilities to provide pension benefits which fall due after the year end. In respect of the Defined Benefit Structure these liabilities are considered by the Plan Actuary who carries out an actuarial valuation of these liabilities every three years. This valuation considers the funding position of the Defined Benefit Structure and the level of contributions payable.

Actuarial valuations for all 12 sections as at 31 March 2019 have been undertaken. The actuarial valuations for the GPS EnergySolutions and GPS Nexia Solutions Sections have been completed and submitted by the statutory deadline of 30 June 2020. The Trustee was in communication with the Pensions Regulator regarding completion of the valuations for the NDA-backed and other sections. NDA-backed sections were agreed by 31 August 2020 (excluding GPS DRS) and by 30 September 2020 for GPS DRS and GPS WEC Sections. Finalisation of the SFL2 Section is currently in progress. Details of the liabilities as at 31 March 2019 (or 31 March 2016 for the SFL2 Section) are included in the Report on Actuarial Liabilities on Page 10 to 14.

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

The financial statements on pages 101 to 103 show that the value of the Plan's assets decreased by £88,539,000 to £3,072,394,000 as at 31 March 2020. The decrease was comprised of net additions from dealings with members of £96,099,000, together with a net decrease in the returns from investments of £184,638,000.

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

Further details of the financial developments of the Plan may be found in the audited financial statements on pages 101 to 128.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Report on Actuarial Liabilities

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

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

The most recent triennial actuarial valuations of the Sections of the Plan were carried out as at 31 March 2019. The results on the technical provisions basis for the SFL2 Section are as at 31 March 2016 because the discussions between the Trustee and the sponsoring employer for the 31 March 2019 actuarial valuation are not finalised.

Technical Provisions Valuation	Liabilities (£000)	31 March 2019 Assets (£000)	Surplus/(Deficit) (£000)
Closed Section *	108,609	103,553	(5,056)
Magnox *	119,536	120,582	1,046
LLWR *	25,001	22,364	(2,637)
DSRL *	121,134	106,190	(14,944)
Sellafield *	1,507,417	1,385,295	(122,122)
Nirex *	37,866	36,871	(995)
GPS SLC *	624,675	681,549	56,874
GPS DRS	90,989	84,609	(6,380)
SFL2**	102,780	92,820	(9,960)
GPS Nexia	5,635	5,207	(428)
GPS EnergySolutions	23,295	27,239	3,944
GPS WEC	49,055	46,235	(2,820)
Total	2,815,992	2,712,514	(103,478)

* NDA backed Sections

** effective date 31 March 2016

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

Solvency Valuation	Liabilities (£000)	31 March 2019 Assets (£000)	Surplus/(Deficit) (£000)
Closed Section *	166,094	103,553	(62,541)
Magnox *	233,591	120,582	(113,009)
LLWR *	55,281	22,364	(32,917)
DSRL *	250,404	106,190	(144,214)
Sellafield *	3,171,755	1,385,295	(1,786,460)
Nirex *	52,558	36,871	(15,687)
GPS SLC *	1,017,561	681,549	(336,012)
GPS DRS	161,355	84,609	(76,746)
SFL2**	274,316	164,619	(109,697)
GPS Nexia	8,026	5,207	(2,819)
GPS EnergySolutions	23,295	27,239	3,944
GPS WEC	71,592	46,235	(25,357)
Total	5,485,828	2,784,313	(2,701,515)

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Report on Actuarial Liabilities (continued)

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

Method

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method. A three-year control period is used for the sections open to future accrual.

Significant actuarial assumptions

Discount rate

- NDA-backed and GPS DRS Sections:
 - The discount rate assumed for past service liabilities is based upon the expected return on the proposed long-term investment strategy, with a margin for prudence such that the funding target is expected to be met with at least 2/3rds probability. The investment strategy will take account of the duration of the liabilities. The expected returns for each investment asset class are set using the investment consultant's model and are reviewed on a regular basis.
 - The discount rate assumed for future service liabilities will be set in a similar manner but based on a longer investment timeframe to reflect the longer duration of the active members' liabilities relative to the Section as a whole.
- GPS EnergySolutions Section:
 - Pre-retirement: The discount rate assumption is based on the yield available on fixed interest gilts with a similar duration to the Section's liabilities less a deduction of 0.5% p.a.
 - Post-retirement: The discount rate is selected by inspection of the yields available on fixed interest gilts with a similar duration to the Section's liabilities.
- GPS Nexia and GPS WEC Sections:
 - Pre-retirement: The assumption is based on the yield available on fixed interest gilts with a similar duration to the Sections' liabilities plus an allowance for the higher return that would be expected from growth assets and after an allowance for prudence. Consideration has been given to the level of growth assets as a percentage of the non-pensioner liabilities.
 - Post-retirement: The discount rate is selected by inspection of the yields available on fixed interest gilts with a similar duration to the Sections' liabilities with an allowance for corporate bond outperformance above the yield on gilts.
- SFL2 Section:
 - Pre-retirement: based on the yield available on fixed interest gilts with a similar duration to the section's liabilities, plus an allowance for the higher return that would be expected from growth assets after an allowance for prudence. Consideration has been given to the level of growth assets as a percentage of the non-pensioner liabilities up to a threshold of 70%, with any excess above this ignored on the grounds of prudence. Allowance has been made to reflect the strength of the sponsor covenant.
 - Post-retirement: selected by inspection of the yields available on fixed interest gilts with a similar duration to the section's liabilities, plus an allowance for corporate bond outperformance above the yield on gilts.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Inflation

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

The inflation risk premium varies by Section in the following manner:

- NDA-backed and GPS DRS Sections: 0.3% p.a.
- GPS EnergySolutions and SFL2 Sections: Nil
- GPS Nexia and GPS WEC Sections: 0.1% p.a.
- SFL2 Section: 0.2% p.a.

Pension increases

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

Revaluation of deferred pensions

Set in line with RPI for all Sections other than Nirex where CPI was used.

Pensionable Earnings increases

Pensionable Earnings have been assumed to increase relative to the assumed rate of price inflation following discussions with the Lead Employer or Section Employer by an amount based on an experience analysis conducted for the 31 March 2019 valuation. Views from the Employer have been considered when setting the assumption.

Each Section has an allowance for promotional increases which is in addition to the inflationary increase described above and is based upon analysis of the membership or is directed by the Section Employer.

For the GPS WEC Section: Pensionable Earnings will be assumed to increase in line with pensionable pay cap of 1% p.a. that the employers are implementing. In addition, promotional increases will be assumed to be 1% p.a.

For the SFL2 Section: Pensionable Earnings have been assumed to increase relative to either the assumed rate of price inflation following discussions with the Section Employer by an amount based on an experience analysis conducted for the 31 March 2016 valuation.

Mortality

The NDA-backed Sections, the GPS DRS Section, the GPS Nexia Section and the GPS WEC Section have used the standard tables SAPS S3 with a 110% weighting, the Continuous Mortality Investigation (CMI) 2018 projections and a long-term improvement rate of 1.50% p.a.

The GPS EnergySolutions Section has used the SAPS S3 tables with a 90% weighting, the CMI 2018 projections and a long-term improvement rate of 2.0% p.a.

The SFL2 Section has used the standard tables SAPS S2 with the CMI 2015 projections and a long-term improvement rate of 1.25% p.a.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Recovery Plan

The arrangements for the Sections backed by the NDA were formalised in a Schedule of Contributions which the Scheme Actuary certified on 27 August 2020. No allowance for outperformance on assets returns has been made for any Section.

Section	Recovery Plan
Closed	This Section is closed to future contributions. Employer contributions of £550,000 p.a., payable monthly, for 11 years from 1 April 2021 are required to recover the deficit.
Magnox	The employer contribution rate will be increased to 30.9% p.a. of Pensionable Earnings from 1 April 2021. Employer contributions of £110,000 p.a., payable monthly, for 11 years from 1 April 2021 are required to recover the deficit.
LLWR	The employer contribution rate will be increased to 32.3% p.a. of Pensionable Earnings from 1 April 2021. Employer contributions of £420,000 p.a., payable monthly, for 11 years from 1 April 2021 are required to recover the deficit.
DSRL	The employer contribution rate will be increased to 32.2% p.a. of Pensionable Earnings from 1 April 2021. Employer contributions of £400,000 p.a., were paid in the year to 31 March 2020, with a further £400,000, payable in monthly instalments for 12 months from 1 April 2020, then £2,110,000 p.a. for 11 years from 1 April 2021 are required to recover the deficit.
Sellafield	The employer contribution rate will be increased to 32.1% p.a. of Pensionable Earnings from 1 April 2021. Employer contributions of £19,920,000 p.a., payable monthly, for 11 years from 1 April 2021 are required to recover the deficit.
Nirex	This Section is closed to future contributions. Employer contributions of £556,000 p.a. were paid in the year, and a further £556,000 payment by 31 March 2021 is required to recover the deficit.
GPS SLC	Given the surplus at 31 March 2019 it was agreed that the employer contribution rate would remain unchanged at 25.0% of Pensionable Earnings from 1 April 2021.

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

Section	Recovery Plan
SFL2	<p>Springfield Fuels Limited agreed to increase the employer contribution rate to 35.9% of Pensionable Earnings from 1 July 2017. The employer agreed a contribution of £2.8m to allow for the employer contribution rate increasing from 1 July 2017 rather than 31 March 2016 and £2.675m in respect of the increase in the salary linkage liability from 31 March 2013 up to 30 September 2017. These contributions were paid in September 2017.</p> <p>In respect of the deficit at 31 March 2016, the employer agreed to pay contributions of £1.4m per annum, payable monthly, from 1 April 2018 for a period of 5 years. It is expected that the funding shortfall will be met by 31 March 2023.</p> <p>To cover the future cost of salary linkage, contributions of £62,500 per month were paid until 30 September 2017 and from 1 October 2017, the contributions are £20,833 per month.</p> <p>The arrangements were formalised in a Schedule of Contributions which the Scheme Actuary certified on 31 July 2017.</p>

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Recovery Plan (continued)

Section	Recovery Plan
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GPS WEC	
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	The employer contribution rate increases to 47.0% p.a. of Pensionable Earnings from 1 July 2020. The Employer has agreed to address this underpayment from 1 April 2019 to 30 June 2020 by contributing a lump sum payment of £200,000 on 2 October 2020.
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To eliminate the funding shortfall, the Trustee and Section Lead Company have agreed that the Employers will contribute amounts payable between April 2019 and September 2020 at a rate of £550,000 p.a., payable monthly. The Employers will contribute £354,000 per month, over the period from 1 October 2020 to 31 March 2021.

The arrangements were formalised in a Schedule of Contributions which the Scheme Actuary certified on 26 September 2020.

GPS EnergySolutions	
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	The actuarial valuation of the GPS EnergySolutions Section as at 31 March 2019 revealed a funding surplus of £3,900,000. On 22 May 2019, the liabilities for all members were secured with an insurer and there were surplus assets of over £2m. Therefore, no further contributions are required to buy out the benefits in full and wind up the GPS EnergySolutions Section of the Plan (after allowance for all expenses).
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EnergySolutions Inc. (ES) has entered into an agreement with the Trustee to provide an escrow arrangement (the Trustee Escrow) as follows:

- A payment by ES of £2,500,000 into the Trustee Escrow account, was made by 31 July 2018; and
- The Trustee can require payment out of the Trustee Escrow account in the event of it determining that it requires additional funds for the buy-out of liabilities of the Plan, the payment of costs, charges and expenses (including PPF levies) in relation to the GPS EnergySolutions section of the Plan or the non-payment by the Employer of a debt on the employer under s75 of the Pensions Act 2004 or otherwise.

These arrangements were formalised in a Schedule of Contributions which the Scheme Actuary certified on 26 June 2020.

GPS DRS	
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	The employer contribution rate will increase to 43.1% p.a. of Pensionable Earnings from 1 April 2021. Employer contributions of £1,010,000 p.a., payable monthly, for 11 years from 1 April 2021 are required to recover the deficit. There is no allowance for outperformance on asset returns.
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The arrangements were formalised in a Schedule of Contributions which the Scheme Actuary certified on 9 September 2020.

GPS Nexia	
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	The employer contribution rate will increase to 49.5% p.a. of Pensionable Earnings from 1 April 2021. The Employer made a contribution of £100,000 by 1 July 2020 and agreed to pay further contributions of £100,000 by 1 April 2021, £100,000 by 1 April 2022 and £200,000 by 1 April 2023 in lump sum instalments in order to recover the deficit.
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The arrangements were formalised in a Schedule of Contributions which the Scheme Actuary certified on 12 May 2020.

The next triennial valuations will be performed as at 31 March 2022.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

General investment matters

Investments for the Plan's DB Structure have been managed during the year by investment managers appointed by the Trustee. Investments for the DC Section, including Additional Voluntary Contributions (AVCs), Shift Pay Pension Plan (SPPP) and the DC Structure funds, were delivered from pooled investment funds accessed via Aegon and Prudential Assurance Company Limited.

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

Statements of Investment Principles

The Trustee has produced Statements of Investment Principles in accordance with Section 35 of the Pensions Act 1995. The statements dated September 2020 are available on the CNPP website. The main priority of the Trustee, when considering the investment policy, is to ensure that there are sufficient assets available to pay out members' and dependants' benefits when they fall due.

Custodial arrangements

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

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Custodial arrangements (continued)

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

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

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

AVCs, SPPP and the DC Structure funds are invested with Aegon and the Prudential Assurance Company Limited. Members are free to choose how their contributions are invested from a range of investment funds selected by the Trustee.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Investment stewardship and engagement

The Trustee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. The investment managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies. The Trustee has reviewed the voting policies of their investment managers and determined that these policies are appropriate. The Trustee monitors voting and engagement activity and periodically reviews amendments to managers' policies. When appointing new managers, the Trustee considers the managers' approach to voting and engagement.

The Trustee recognises that the consideration of financially material factors, including Environmental, Social and Governance (ESG) factors, is relevant at different stages of the investment process. Within the context of the requirements for each Section, the Trustee considers strategies that provide a greater probability of delivering sustainable and predictable returns as likely to be most suitable, and this is reflected in the Trustee's approach to Responsible Investment. The Trustee has not at this stage made explicit allowance for climate change in framing its strategic asset allocation, although this is to be reviewed periodically. Instead, the Trustee expects the active managers to take into account all financially material factors, including climate change, in the selection of assets within their portfolios and to be able to demonstrate their approach when challenged.

In appointing new active managers, the Trustee will explicitly consider the managers' ability to integrate the consideration of ESG factors within their investment process. The Trustee periodically reviews their investment managers and seeks evidence that managers are meeting the Trustee's expectations.

Self-investment

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

Transfers

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

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

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

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Further information

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

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

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

DB Structure members:

The Trustee of Combined Nuclear Pension Plan
c/o EQ
P.O. Box 5167
Lancing
BN99 9AY
Email: CombinedNuclearPensionPlan@equiniti.com

DC Structure members:

The Trustee of Combined Nuclear Pension Plan
Aegon Workplace Investing
PO Box 17486
Edinburgh
EH12 1NU
Email: my.pension@aegon.co.uk

Members of the Nirex Section:

The Trustee of Combined Nuclear Pension Plan
Barnett Waddingham
St James' House
St James' Square
Cheltenham
Gloucestershire
GL50 3PR
Email: Nirex@barnett-waddingham.co.uk

EQ, Aegon and Barnett Waddingham in their capacity as data processors, processes personal data on behalf of the data controller, the Trustee of the Plan. Any personal data used in completion of this report and accounts complies with all relevant data protection legislation including any other applicable legislation and any instructions given by the data controller.

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

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Investment commentary

DB Structure investment strategy

The Trustee currently sets the investment strategy for each Section of the Plan, taking into account considerations such as the strength of the employer covenant, the maturity of the Sections and after receiving professional advice from Aon Solutions UK Limited, in order to try and achieve the objectives listed below.

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

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

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

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

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

Within the context of achieving these over-riding funding principles, the Trustee also aims to:

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

The Trustee's DB Statement of Investment Principles (DB SIP) discloses its policies in relation to financially and non-financially material considerations over the appropriate time horizon of investments. The DB SIP takes into account the selection, retention and realisation of investments.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DB Structure Investment performance

The table below shows the Plan's performance to 31 March 2020 for the DB Structure.

	12 months %	3 years % p.a.	5 years % p.a.
Growth Fund Return	-7.5%	1.4%	4.4%
Growth Fund Benchmark Return	-4.3%	2.2%	4.4%
Bond Fund Return	-1.7%	1.9%	5.3%
Bond Fund Benchmark Return	-1.7%	1.5%	5.1%

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

The Plan's Growth Fund delivered an overall negative return of -7.5% over the 12-month period to 31 March 2020, lagging the aggregate benchmark return by 3.2%. Positive absolute performance from the Growth Fund over the 9 months from April 2019 was eroded completely by negative returns in the final quarter of the Plan year to March 2020 as the Covid-19 pandemic took hold. The Growth Fund delivered positive absolute returns over the longer term, returning 1.4% p.a. over the three-year period to 31 March 2020, but underperformed the aggregate benchmark by 0.8% p.a.

The Plan's Bond Fund delivered an overall negative return of -1.7% over the 12-month period to 31 March 2020, in line with the aggregate benchmark return. Positive performance from the Bond Fund over the second and third quarters of 2019 was dampened by negative returns over the fourth quarter of 2019, whilst returns were broadly flat over the first quarter of 2020. The Bond Fund delivered positive absolute and relative returns over the longer three-year period, delivering a positive absolute return of 1.9% p.a., outperforming the aggregate benchmark by 0.4% p.a.

With effect from 30 September 2020, the Trustee updated their Statement of Investment Principles (SIP) for their policies in relation to: 'Arrangements with asset managers'; 'Monitoring of investment Manager Costs'; and 'Evaluation of Investment Manager Performance and Remuneration'. The Trustee policies in these areas are covered in detail in the Statement of Investment Principles, dated September 2020, but broadly summarised as follows:

Responsible Investment

The Trustee recognises that the consideration of financially material factors, including ESG factors, is relevant at different stages of the investment process. Specifically, the differing maturity of sections within the Plan affect decisions on strategy and its implementation, both in terms of required return and term of investing. Within the context of the requirements for each section, the Trustee considers strategies that provide a greater probability of delivering sustainable and predictable returns as likely to be most suitable, and this is reflected in the Trustee's approach to Responsible Investment.

The strategic asset allocation for each section has been determined using appropriate economic and financial assumptions for different asset classes. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors. The Trustee recognises that climate change could pose systemic risks which could in turn affect the returns achieved from their investment strategy.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Responsible investment (continued)

The Trustee has not at this stage made explicit allowance for climate change in framing its strategic asset allocation, although this will be reviewed periodically. Instead, the Trustee does expect the active investment managers to take into account all financially material factors, including climate change, in the selection of assets within their portfolios and to be able to demonstrate their approach when challenged.

In appointing new active investment managers, the Trustee will explicitly consider the investment managers' ability to integrate the consideration of ESG factors within their investment process. The Trustee will also periodically review their investment managers and seek evidence that investment managers are meeting the Trustee's expectations.

In passive mandates, including derivative based mandates, the Trustee recognises that the choice of benchmark dictates the assets held by the investment manager and that the investment 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 investment manager is to deliver returns in line with the market and believe this approach is in line with the basis on which their current strategy has been set. The Trustee will review periodically the index benchmarks employed.

The Trustee has not imposed any constraints on the investment arrangements or investment managers employed relating to non-financial factors.

Arrangements with Investment Managers

The Trustee regularly monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies, including those on non-financial matters. This includes monitoring the extent to which investment managers:

- make decisions based on assessments about medium-to long-term financial and non-financial performance of an issuer of debt or equity; and
- Engage with issuers of debt or equity in order to improve their performance in the medium-to long-term.

The Trustee is supported in this monitoring by their investment adviser and receives quarterly reports and verbal updates from the investment adviser on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's objectives and assesses the investment managers over longer periods.

The Trustee receives annual stewardship reports on the monitoring and engagement activities carried out by their investment managers, which supports the Trustee in determining the extent to which the Plan's engagement policy has been followed throughout the year. Furthermore, the Trustee shares the policies, as set out in this Statement, with the Plan's investment managers, and requests that the investment managers review and confirm whether their approach is in alignment with those of the Trustee. Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the investment manager but may ultimately replace the investment manager where this is deemed necessary.

Before appointment of a new investment manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Plan invests in a collective vehicle, then the Trustee will express their expectations to the investment managers by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Arrangements with investment managers (continued)

The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustee's policies and that are based on assessments of medium-and long-term financial and non-financial performance.

There is typically no set duration for arrangements with investment managers, although the continued appointment all for investment managers will be reviewed periodically. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

Stewardship & Engagement

The Trustee believes good management of companies should lead to more sustainable and predictable returns. The Trustee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. The investment managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies. The Trustee has reviewed the voting policies of their investment managers and determined that these policies are appropriate. The Trustee will monitor voting and engagement activity and will periodically review amendments to investment managers' policies. When appointing new investment managers, the Trustee will consider the investment managers' approach to voting and engagement. The Trustee has a preference for 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.

The Trustee recognises the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as this ultimately creates long-term financial value for the Plan and its beneficiaries. The Trustee regularly reviews the suitability of the Plan's appointed investment managers and takes advice from their investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed investment managers. If an incumbent investment manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee will engage with the investment manager and seek a more sustainable position.

The Trustee reviews the stewardship activities of their investment managers as often as required, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the Plan's investment managers and ensure their investment managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability and positive change.

The Trustee expects the Plan's appointed investment managers to consider adherence of invested companies and assets with the United Nations Global Compact and additionally, the Trustee has identified a key area of concern around climate related risks and will scrutinise their investment managers accordingly. It is the expectation of the Trustee that the Plan's investment managers will prioritise and actively monitor for this risk within the investment, providing transparency on engagement and voting actions with respect to mitigating these risks as appropriate.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Stewardship & Engagement (continued)

The transparency offered for engagements should include objectives and relevance to the Plan, the methods of engagement and the processes for escalating unsuccessful engagements. The transparency for voting should include voting actions and rationale with relevance to the Plan, in particular, where: votes were cast against management; votes against management generally were significant; votes were abstained; and voting differed from the voting policy of either the Trustee or the investment manager.

Where voting is concerned, the Trustee expects its investment managers to recall stock lending, as necessary, in order to carry out voting actions.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Monitoring costs and performance

Cost transparency

The Trustee is aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by their investment managers that can increase the overall cost incurred by their investments.

The Trustee collects annual cost transparency reports covering all of their investments and ask that all the investment managers provide this data in line with the appropriate Cost Transparency Initiative (CTI) template for each asset class. This allows the Trustee to understand exactly what they are paying their investment managers.

The Trustee will only appoint investment managers who offer full cost transparency via the CTI templates to manage assets of the Plan. All existing managers are required to offer full cost transparency.

Portfolio Turnover

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year. The Plan's investment adviser monitors this on behalf of the Trustee as part of the investment manager monitoring they provide to the Trustee and flags to the Trustee where there are concerns.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by investment manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and investment manager's style and historic trends and performance. Where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Evaluation of Performance and Remuneration

The Trustee evaluates the performance of their investment managers relative to their respective objectives on a regular basis via their investment monitoring reports and updates from the investment managers. The Trustee also reviews the remuneration of the Plan's investment managers on at least a triennial basis to ensure that these costs are reasonable in the context of the kind and balance of investments held.

In addition to regular reviews, the Trustee reviews the remuneration of their investment managers prior to appointment of a new mandate. The Trustee reviews the options available to remunerate their investment managers and decides on the most appropriate approach.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Current investment strategy – DB Structure

The table below sets out the Plan's actual and target allocations for the DB Structure of the Plan as at 31 March 2020. The figures below reflect the Plan's underlying investments in Pooled Investment Vehicles.

Asset class	Asset allocation 31 March 2020 %	Asset allocation 31 March 2019 %	Target Weight¹ %
Equities (Legal & General, MFS)	32.3*	33.8*	32.8
Private Equity (Partners)	3.3	3.3	3.6
Property** (Legal & General, Columbia Threadneedle, Aberdeen Standard)	10.5	9.9	9.5
Diversified growth funds (Pictet)	6.6	6.3	6.6
Liquid Credit (Barings)	4.2	4.8	4.7
Illiquid Credit (Partners)	2.8	3.1	4.0
Secured Loans (Barings, HPS)	5.4	4.6	4.4
Corporate Bonds (Legal & General, Insight)	12.4	11.7	12.9
Index-Linked Gilts (Legal & General, Insight)	20.3	20.6	20.1
Ground rents (Aberdeen Standard)	2.0	1.8	1.4
Cash/liquidity funds (Legal & General, State Street)	0.2	0.1	0.0
Total	100.0	100.0	100.0

Source: Aon, State Street, Investment Managers.

Notes: Figures may not tally due to rounding. The asset allocation as at 31 March 2020 above excludes the buy-in insurance policy held by the GPS EnergySolutions Section.

*Total listed equity exposure including leveraged investments was c. 39% of Common Investment Platform assets as at 31 March 2020, and 42% as at 31 March 2019.

** Please see Page 30 for commentary on the temporary suspension of Property Funds

¹ The target weights are calculated based on the weighted average of the target weights for the underlying funds and the actual weights of the Growth and Bond Funds at 31 March 2020.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Pooled Investment Vehicles

Pooled fund investment arrangements used by the Plan can include unit-linked insurance contracts, authorised unit trusts, unauthorised exempt unit trusts, OEICs and SICAVs. As at 31 March 2020, with the exception of the GPS EnergySolutions Section buy-in insurance policy, all the Plan's investments were held in pooled investment vehicles. In May 2019 the Trustee purchased an insurance policy from Just Retirement to cover the buy-in arrangement for the GPS EnergySolutions Section members. The policy provides benefits for the subset of members and has been purchased as an exact match for the future liabilities of these members.

Market Background – 12 months to 31 March 2020

General background

The MSCI AC World Index fell by 9.5% in local currency terms over the past twelve months. Global equities performed well in the first three quarters of the period, recording the best annual equity market gain in a decade in 2019 as trade war concerns faded with the eventual agreement of a "phase one" US-China trade deal. However, Covid-19 brought an end to the decade-long bull market in Q1 2020, as the virus outbreak in China escalated into a global pandemic. Whilst unprecedented fiscal and monetary stimulus provided support to markets, the MSCI AC World index still recorded its worst quarter since the 2008 Global Financial Crisis with a -19.9% return in local currency terms in Q1 2020. With much of the global economy shuttered going into Q2 2020, a deep global recession appears to be inevitable. Sterling depreciation limited global equity losses for unhedged UK investors. The MSCI AC World Index returned -6.2% in sterling terms.

On a sector level, Information Technology (7.5%) and Health Care (1.6%) were the best performers in local currency terms. These sectors were relatively unhindered by coronavirus-driven lockdowns. Energy (-41.6%) was the worst-performing sector as oil prices collapsed in Q1 2020.

Sterling ended a highly volatile twelve-month period 1.7% lower on a trade-weighted basis. Sterling was driven by Brexit developments for most of 2019. Whilst fears of an acrimonious "No Deal" Brexit kept pressure on sterling over 2019, sterling rallied after Prime Minister Boris Johnson agreed a Withdrawal Agreement with the European Union and his Conservative Party won a sizeable majority in the UK general election, paving the way for the Brexit Withdrawal Agreement to be ratified. Sterling fell sharply in Q1 2020, briefly hitting a 30-year low of \$1.15/£ against the US dollar amidst safe haven dollar inflows and a deteriorating UK Covid-19 situation.

The US Federal Reserve (Fed) implemented three 25bps rate cuts over the second half of 2019, bringing the Federal Funds Rate target down to 1.50%-1.75%. The Fed then announced two emergency rate cuts in Q1 2020 in a bid to mitigate the severe economic impacts of Covid-19, lowering the Fed Funds Rate target by a total of 150bps to 0.00%-0.25%. The Fed also relaunched quantitative easing, pledging to buy potentially unlimited amounts of treasuries, corporate bonds, and other credit assets.

Following the Fed's lead, the Bank of England (BoE) cut its base rate by 65bps to an all-time low of 0.10% in Q1 2020. Meanwhile, the European Central Bank (ECB) cut its deposit rate by 10bps to -0.5% in September 2019 but, with limited room to cut rates further, kept interest rates unchanged in Q1 2020 amidst the Covid-19 outbreak. The BoE joined the ECB in launching new asset purchase programme in Q1 2020.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

General market background (continued)

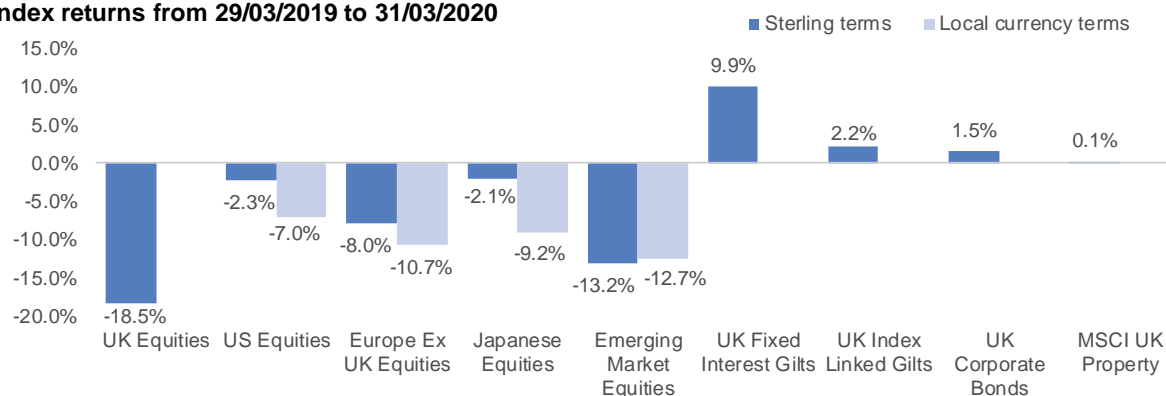
Brent Crude oil prices fell sharply by 66.7% to US\$23/BBL over the last twelve months. Weakening global economic growth and heightened trade tensions kept a lid on crude oil prices over 2019 but almost all of the decline occurred in Q1 2020. Over that quarter, oil prices fell by 65.5% in USD terms as demand for fuel fell due to social distancing measures to reduce the spread of Covid-19 whilst Saudi Arabia ramped up production after it failed to agree a plan with Russia to cut oil supply.

UK gilt yields fell in tandem with global government bond yields as monetary easing measures by major central banks took interest rates to near zero. Meanwhile, increased demand for government bonds from investors seeking "safe haven" assets amidst an equity market sell-off and from central banks implementing quantitative easing measures also drove prices up and yields down further. According to FTSE All-Stocks indices, UK fixed-interest gilts returned 9.9% whilst index-linked gilts returned 2.2%.

Investment grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, ended the period 75bps higher at 217bps, their highest level since 2012. Credit spreads widened by 94bps just in Q1 2020, a reflection of the risk asset sell-off which tormented equity markets over the quarter, as concerns over future corporate earnings and existing corporate leverage resurfaced.

UK commercial property returned 0.1%, supported by a steady income return of 5.4% which offset the 5.0% fall in capital values. The Covid-19 outbreak intensified pressure on the already struggling retail sector, delivering a total return of -9.7% over the period.

Index returns from 29/03/2019 to 31/03/2020



DB Structure Investment commentary

The following table summarises the broad asset classes in which the Plan (excluding the GPS EnergySolutions Section) was invested as at 31 March 2020. The proportions of assets held in the various asset classes shown in the table differ from the proportions reported in the 31 March 2019 accounts due to changes in the value of the underlying funds during the year, and the impact of cashflows. In addition, the proportions shown in the table are exclusive of cash balances held in Trustee bank accounts. Investment in each of these classes is achieved via pooled investment vehicles managed by various investment managers, as discussed in the following section.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DB Structure Investment commentary (continued)

From 1 July 2016, all sections of the Plan (excluding the GPS EnergySolutions Section) accessed investments through the CIP Growth and Bond funds. During May 2019 the bulk of the invested assets and all liabilities for the GPS EnergySolutions Section were transferred to an insurer.

Asset class	% of Defined Benefit Assets	CIP Growth Fund	CIP Bond Fund
Equities	32.3%*	✓	
Private Equity	3.3%	✓	
Property	10.5%	✓	
Active Strategies	6.6%	✓	
Liquid Credit	4.2%	✓	
Illiquid Credit	2.8%	✓	
Secured Loans	5.4%	✓	
Corporate Bonds	12.4%		✓
Index-Linked Gilts	20.3%	✓	✓
Ground Rents	2.0%		✓
Cash	0.2%	✓	✓
Total	100.00%		

Source: Aon, State Street, Investment Managers

Notes: Figures may not tally due to rounding. The asset allocation at 31 March 2020, includes the value of GPS Energy Solution Section assets invested in the Legal & General Sterling Liquidity Fund following the purchase of the buy-in insurance policy. The asset allocation as at 31 March 2020 does not include the buy-out policy for the GPS Energy Solutions Section.

*Total listed equity exposure including leveraged investments is c. 39% of Common Investment Platform assets as at 31 March 2020, and 42% as at 31 March 2019.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DB Structure Investment commentary (continued)

Investment managers

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

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

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

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

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

Equities

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

The Plan's exposure to Equities was maintained to within agreed tolerances over the year to 31 March 2020. Where disinvestments are required from invested assets to meet cashflows or capital commitments to other funds, and investment in cash funds and cash balances are insufficient to meet these payments, these are principally sourced from the CIP's equity funds.

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

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

Private equity

The CIP Growth Fund also includes a private equity mandate managed by Partners Group. Partners Group is a global private markets investment manager with investment programmes in private equity, private debt, private real estate and private infrastructure. The funds invested with Partners Group are now held as part of the client specific CNPP Private Markets L.P.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DB Structure Investment commentary (continued)

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

Private equity investment differs from other 'traditional' asset classes. It requires an initial commitment of capital by the Plan, which then gets drawn down, usually over a period of years, as the private equity manager identifies attractive investments in underlying companies, when these investments mature and are sold the private fund distributes capital to its investors. Following the initial commitment capital remains invested with the Plan's current investment managers until drawn down for investment.

The Plan established the CNPP Partners Private Markets L.P. in December 2018. As part of this Partners Group are responsible for maintaining the exposure to this asset class relative to the levels set by the Trustee. Within this structure Partners are able to net off cashflows between underlying pooled funds and investments contributing to operational efficiency and reducing trading costs for the Plan.

Property

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

The Trustee invests in the Legal & General Managed Property Fund which in turn invests in UK freehold and leasehold property. The value of underlying units fluctuates directly in relation to the value of the underlying assets. All units are redeemable at bid prices that are calculated from independent, external pricing sources. The assets underlying the units are held by independent corporate custodians who are regularly reviewed by external auditors. The Trustee has implemented a programme to gradually reduce the Plan's investment in the Managed Property Fund through regular income distributions and through crossing of redemptions and investments at the total Fund level.

The Trustee also invests assets in the Aberdeen Standard Long Lease Property Fund for the CIP Growth Fund. The objective of the Long Lease Property Fund is to provide long-term growth from a combination of income and capital appreciation by investing typically in properties with long leases from across the UK retail, office, industrial and other sectors. The Long Lease Property Fund is actively managed, and the investment manager looks to hold properties that have a high lease to value ratio, with inflation-linked rental uplifts where possible.

The Trustee invests assets in the Aberdeen Standard Ground Rent Fund for the CIP Bond Fund which is intended to provide a combination of capital growth and income (ground rents) through investment in UK Commercial Ground Rents from across a number of property sectors. The fund is expected to support the ongoing cashflow requirements of the Plan.

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

During the first quarter of 2020, dealing was suspended for the Legal & General Managed Property Fund, the Aberdeen Standard Commercial Ground Rent Pension Fund, the Aberdeen Standard Long Lease Property Fund and the Threadneedle Property Unit Trust. The difficult market conditions created by the Covid-19 pandemic created an inability to value these types of assets with any degree of confidence. Each asset manager followed advice issued by the Association of Real Estate Funds that indicated that valuations from March 2020 would be highly uncertain and the suspension of dealing would help protect investors. The Trustee

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Property (continued)

does not rely on these investments for liquidity and the dealing suspension had no adverse implications on the Trustee's investment strategy. As at 31 March 2020, the dealing suspensions remained in place. On 3 August 2020, dealing was reinstated for the Aberdeen Standard Long Lease Property Fund, which is subject to a waiting list. Dealing was reinstated for the Threadneedle Property Unit Trust on 30 September 2020 and for the Legal & General Managed Property Fund on 1 October 2020.

Active strategies

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

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

Secured loans

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

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

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

Multi-credit

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

The Trustee invests in the Partners Group Multi Asset Credit 2014 Fund (I), Multi Asset Credit 2016 Fund (III) and Multi Asset Credit 2017 Fund (IV) for the CIP Growth Fund. These funds are held within the client specific CNPP Partners Private Markets L.P. The objective for the Multi Asset Credit mandate is to obtain superior returns and achieve capital growth over the medium and long-term. Partners will ordinarily target senior secured and subordinated debt, with select investments in high yield bonds and distressed situations. Partners may invest in either pooled funds, or single line investments.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Multi-credit (continued)

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

Corporate bonds and index-linked gilts

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

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

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

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

The Trustee invests assets in the Insight UK Corporate All Maturities Bond Fund for the CIP Bond Fund. In August 2019 the Trustee transferred their holding from the Custody Lite arrangement to invest directly in the pooled Insight Fund. This means the units are now held directly in the Trustee's name at the Fund Administrator, Bank of New York Mellon UK.

Cash

Over the Plan year the Trustee held cash with Legal & General in relation to the CIP Growth Fund, CIP Bond Fund and GPS EnergySolutions Section. In addition, cash is held by State Street in relation to the CIP Growth Fund and CIP Bond Fund. This cash holding is retained in order to help maintain short term liquidity to meet Section benefit payments and expenses that may arise for the Plan.

Hedging

The Plan's investments in levered and non-levered index-linked gilts with Legal & General are intended to provide protection from changes in interest and inflation rates. In particular, these assets are intended to move in line with changes in the liabilities, which are affected by changes in interest and inflation rates. The degree to which the assets 'match' changes in the liabilities varies by section.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DC Structure assets

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

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

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

A summary of the AVC, SPPP and DC funds split between key asset classes, along with 12-month and 3-year performance to 31 March 2020, is provided in the table below:

Asset class	% of total assets held in respect of the AVC, SPPP and DC arrangements	12 month performance (%) ^[1]	3 year performance (% p.a.) ^[1]
Global Equity	8.9%	-13.0	-1.7
UK Equity	3.5%	-18.8	-4.3
Global Equity (ex UK)	4.2%	-4.8	2.9
Emerging Markets Equity	0.3%	-14.1	-2.7
Sharia Law (Equity)	0.3%	6.0	8.4
Property	0.2%	-1.8	3.2
Multi-Asset	0.3%	-2.7	1.4
Corporate Bonds	0.2%	1.6	2.2
Index-Linked Gilts	3.4%	6.4	4.2
Pre-Retirement (bonds)	1.8%	8.3	4.7
With Profits ^[2]	0.9%	n/a	n/a
Cash	3.3%	0.6	0.4
Target Date Funds ^[3]	72.7%	1.8	2.1
Total	100.0%		

Note: Numbers may not tally due to rounding.

[1] Based on performance for funds provided by Aegon in which the Plan invests. Self-select funds were inceptioned in September 2015. A 5-year track record is currently unavailable.

[2] Performance information for the Prudential With-Profits fund is reported annually as part of the fund's bonus declaration and relates to calendar year periods only. The 12 month return from the With-Profits fund for the year ending 31 December 2019 was 11.5% (after tax).

[3] For the target date fund performance, the performance from a representative fund is included, namely the 2019-21 LifePath Flexi option. LifePath funds were inceptioned in April 2016. A 5-year track record is currently unavailable.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DB Structure implementation statement

This Statement of Investment Principles (SIP) Implementation Statement (the Statement) has been prepared by the Trustee and relates to the DB structure of the Plan. It is the first Statement produced by the Trustee as required by the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

These Regulations require that the Trustee:

- Set out how, and the extent to which, in the opinion of the Trustees the SIP has been followed in the year; and
- Describe the voting behaviour by, or on behalf of, the Trustees during the year and state any use of the services of a proxy voter during the year.

As required by the regulations, this first Implementation Statement covers the period from 1 October 2019 to the end of the Plan's Financial Year on 31 March 2020.

The Statement is split into three sections:

1. An overview of the Trustee's actions over the period;
2. How the Trustee has met its policies set out in the Plan's SIP;
3. The engagement and voting behaviour of the investment managers used by the Plan.

Overview of Trustee actions

This Statement sets out the actions undertaken by the Trustee to review how the service providers and investment managers have implemented the stewardship policy as set out in the SIP and includes voting and engagement information that has been gathered from the managers.

The Trustee's primary concern when setting the investment strategy is to act in the best interests of the beneficiaries, seeking the best return that is consistent with a prudent level of risk. The Trustee believes that promoting corporate responsibility and ensuring the highest standards of governance is consistent with this objective.

The Trustee has reviewed the voting policies for the appointed investment managers and deemed that these policies are appropriate. The Trustee monitors voting and engagement activity and will periodically review amendments to managers' policies. The Trustee expects the managers to exercise its voting rights wherever possible and to promote positive change in the companies in which they invest on the Plan's behalf.

SIP update

The SIP was updated during September 2019, ahead of new regulatory changes that effect on 1 October 2019. The SIP remained in place throughout the period 1 October 2019 to 31 March 2020, without change.

The SIP has been updated in September 2020 to reflect changes within the bespoke equity fund with Legal & General and a new private equity manager. These changes can be summarised as:

- Assets will be transferred from the FTSE All Share 5% capped fund and split between the World Equity Index Fund and the World Equity Index Fund – GBP Hedged. These changes will occur within the Legal & General Client Specific Unitised Fund.
- Implementation of a new Private Equity investment with Blackstone.

In addition to the changes noted above, the SIP has been updated during September 2020 to take account of further regulatory changes which are required to expand policies on cost transparency and how asset managers are incentivised. In particular, the Trustee will outline its policies regarding how it incentivises asset managers to achieve its long-term objectives, its policies on cost transparency, its policies on voting and stewardship and how its policies align with that of the sponsoring employers in relation to sustainability.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DB Structure implementation statement (continued)

How the Trustee has met policies set out in the SIP

The Trustee outlines in its SIP a number of key objectives and policies.

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

The Trustee's overriding funding principles for the DB structure, and how these have been met by the Trustee are:

Overriding principle	Actions taken by the Trustee
To build up assets to provide for new benefits for active members as they are earned. The Trustee continues to monitor the assets versus the liabilities on an ongoing basis.	The Trustee has been working in conjunction with its advisers in relation to the triennial actuarial valuation. This has been undertaken to assess whether the Plan has sufficient assets to cover the liabilities on an ongoing basis.
To recover any funding shortfall over an agreed time frame. The Trustee and the Employers have agreed recovery plans to address the deficit in funding.	The Sections of the Plan have received the deficit contributions, as expected. As part of the triennial Valuation, the Trustee has discussed with the relevant employers, the recovery plan for each Section.
To ensure that there are always sufficient assets of the Plan (at their realisable value) to meet 100% of benefits as they fall due for payment to members.	The Trustee, in conjunction with the Plan's administrator and investment adviser, has ensured that there has been sufficient cash available to meet benefits as they fall due. Where necessary, the Trustee has disinvested assets.

As noted, in the SIP, the Trustee intends to ensure that the investment objectives are consistent with the Plan's Statement of Funding Principles. Therefore, to ensure consistency, the Trustee embarked on an investment strategy review.

The actions below provide an explanation of how the Trustee's objectives have been met and policies adhered to over the course of the year.

Investment strategy review

Throughout the period, the Trustee undertook an investment strategy review, this has been undertaken alongside its triennial actuarial valuation. As part of this, the Trustee considered the Plan's long-term goals and funding plan, along with the investment return required over time. The Trustee's investment advisor has proposed changes which it deemed to be in line with the over-riding principles for the DB structure.

Alongside this, the Trustee is reviewing suitable target returns and portfolios for the Plan and its underlying sections. These changes will be implemented in the coming financial year.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DB Structure implementation statement (continued)

Risk management

As part of the investment strategy review, the Trustee has considered the investment risks which it believes that each section is exposed to. These include:

- The maturity and cashflow profile of the section – this has been extensively covered within the investment strategy review. The Trustee has considered the maturity of each section, and how that may impact the types of assets suitable for each section. The cashflow profile has also been considered, with the Trustee looking at the suitability of illiquid assets for each section.
- The strength of the covenant provided by the sponsoring employers. The Trustee has consulted with the sponsoring employers, where appropriate, as part of the consultation for the investment strategy review
- Variation in interest rates and inflation. The Trustee invests in assets that are designed to deliver the desired return target within the appropriate risk budget. This includes holding assets that are designed to match movements resulting in changes to interest rates and inflation expectations. In conjunction with the investment strategy review, the Trustee is also considering ways to improve the accuracy of the interest rate and inflation hedging.
- Environmental, social and governance issues (ESG), including climate change. At the 10 March 2020 ISC meeting, The Trustee received an initial training session from Aon to understand ESG issues and the regulatory requirements coming into force in October 2020. At the 10 June 2020 ISC meeting, the Trustee received a joint training session from both Aon and Redington exploring how ESG issues can affect the Plan and its chosen investments. Supported by Aon, the Trustee undertook a responsible investment survey to analyse the views of the Trustee to gain an understanding of the current approach to, and policy on responsible investment and familiarity with the guidance and regulations around responsible investment.
- Capital market risk and the benefits of diversification by market and within markets to mitigate market concentration. To address this risk, the Trustee initiated a review of the balance between UK and global equities, which led to a restructure being carried out later in 2020.

The Trustee delegates functions to the Investment Sub-Committee, which are set out in the Terms of Reference appended to the SIP.

The Trustee maintains a risk register setting out specific risks faced by the Plan and measures in place to monitor or mitigate these risks. Investment risks are categorised in terms of strategic, implementation, market and regulatory risks. Each risk identified is managed through a combination of ongoing monitoring and specific risk controls, with the aim of reducing either or both of the likelihood or impact of risks materialising and thus the impact on the Plan. The Trustee has reviewed the risk register at each Investment Sub-Committee meeting through the period.

The Trustee reports on the risks associated with its investments annually in the investment risk disclosure report accompanying the Reports and Accounts. This report covers the action taken by the Trustee to monitor the risks associated within the DB Sections of the Plan, concentrating on market risks, credit risk, interest rate risk, inflation risk and other price risk.

Appointment of investment advisers, investment managers and custodian

During the period, the Trustee appointed new investment advisers to the Plan. For the DB Section, the Trustee terminated the appointment of Hymans Robertson LLP for the DB and DC sections. After undertaking due diligence, the Trustee appointed Aon Solutions UK Limited ("Aon") as the DB investment adviser, which took effect in October 2019. Alongside this, the Trustee terminated the appointed of Hymans Robertson.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DB Structure implementation statement (continued)

Reporting and monitoring investment performance

The Trustee received quarterly investment reports from its investment advisor, Aon. The reports outlined the valuation of all investments held, monitored the performance of these investments and recorded any transactions encountered during each period under review. Investment returns were compared with appropriate performance objectives and monitored the relative performance of these investments. The asset allocation was also monitored and compared to the strategic asset allocation for each section.

Within the monitoring reports, the Trustee also received an overview of each manager rating produced by Aon's manager research team.

Actuarial funding update

The Trustee monitored the funding level on a regular basis, considering the current funding level within the context of the long-term funding objective.

Cashflow monitoring

The Trustee's administration team at Equiniti monitored the cashflow requirements of the Plan's sections on a regular basis. The Trustee disinvested from assets when required to fulfil pension obligations. The Plan held sufficient cash buffers so that assets were readily accessible for cashflow purposes. The cash buffers were reviewed on an ad-hoc basis.

Stewardship policy

The Trustee sets out, in its voting and engagement policy within the SIP, that it recognises the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies in which it invests. The Trustee acknowledges that ultimately this protects the financial interest of the Plan. As such, the Trustee expects its investment managers to carry out the Trustee's rights and duties as shareholders, including voting and engaging with underlying companies to promote good corporate governance, accountability and positive change where necessary. Further details relating to the voting and engagement behaviour of the investment managers are included in this statement.

Aon's manager research team discuss the engagement policies of fund managers as part of their fund rating review.

Engagement and voting behaviour

Equity investments

The Plan's Growth Fund invests in global equities with Legal & General Investment Management (Legal & General) and MFS Investment Management ("MFS").

Legal & General and MFS have been signatories of both the Principles for Responsible Investment (PRI) and the UK Stewardship Code since 2010. The Financial Reporting Council (FRC) have confirmed that Legal & General will remain signatories of the 2012 UK Stewardship Code until the first list of signatories of the 2020 Code is published.

Both Legal & General and MFS vote by proxy through the Institutional Shareholder Services (ISS) voting platform. Absolute Return manager Pictet also uses ISS's proxy voting service for the equities held within the Fund, further details of which are included in the Absolute Return section.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DB Structure implementation statement (continued)

Legal & General engagement

Legal & General do not outsource their engagement activities. They have a six-step approach to engagement activities in order to:

1. Identify the most material issues and focus on specific ESG themes they are able to address.
2. Identify and set long-term goals for the engagement, which often may take many years to occur.
3. Formulate an engagement strategy, including prioritising engagement in companies where they have the biggest holdings, which poses the greatest risk and opportunities to market performance.
4. Track progress of the engagement activity to assist evaluation of stewardship approaches and performance.
5. Regularly reviewing the progress, impact and success of engagement and amend the engagement strategy if required.
6. Consistently and regularly report to clients on the engagement outcomes and detailing case studies.

Legal & General's engagement policy aims to encourage companies to adopt sustainable business models. Engagement at Legal & General covers governance in its broadest sense, looking at all material issues including regulation, listing rules, mergers and acquisitions, corporate strategy, and capital and financial management.

For energy companies such as BP, the shift to a low-carbon economy has profound implications. Legal & General and other major shareholders put forward a motion calling on BP to explain how its strategy was consistent with the Paris Agreement on climate change. In May 2019, Legal & General worked with the board of BP to secure its support for the motion. At the company's annual general meeting, the proposal was passed with overwhelming approval from shareholders. Legal & General have since met BP repeatedly – including its chair and incoming CEO – to advise on implementing the resolution. At the time of this report, the company announced industry-leading targets: net zero emissions from its operations, net zero carbon emissions from the oil and gas it digs out of the ground, and a 50% reduction in the carbon intensity of all the products it sells.

Legal & General voting policy

Legal & General regularly monitor the proxy voting services through quarterly due diligence meetings with ISS, where Legal & General set out their expectations and analyse any issues experienced when voting during the previous quarter. The Stewardship team also receive research reports on the FTSE All-Share, highlighting any governance issues investors should be concerned about.

Legal & General strengthened its voting policy in 2020 to state they will not vote against misaligned pensions for directors from that point. Weekly voting meetings are recorded and audited annually within the team, with all votes having a rationale behind them.

Legal & General voting statistics

Legal & General continue to strengthen their expectations of companies. To reflect the changing stewardship landscape, Legal & General review voting policies on an annual basis and during 2019 introduced the following changes:

- Voting against all combined CEO/Chairs in all markets (excluding Japan), beginning in 2020; and
- Voting against Japanese companies that do not have at least one female director on the board, beginning in 2020.

Legal & General rely on the service of their proxy advisor, ISS, but have implemented their own customised policies.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DB Structure implementation statement (continued)

The tables below show the voting data provided by Legal & General for the Plan's equity Client Specific Unitised Fund (CSUF) holdings, for the year to 31 March 2020.

FTSE RAFI AW 3000 Equity Index	
Total resolutions eligible to vote	39,994
% of resolutions voted of which eligible to vote	97.9%
% of votes with management	82.7%
% of votes against management	17.0%
% of votes abstained	0.3%
% of meetings with at least one vote against management	68.1%
% of resolutions voted contrary to proxy adviser recommendation	10.4%

UK Equity (5% Capped) Passive	
Total resolutions eligible to vote	11,141
% of resolutions voted of which eligible to vote	99.8%
% of votes with management	93.7%
% of votes against management	6.3%
% of votes abstained	0.0%
% of meetings with at least one vote against management	43.3%
% of resolutions voted contrary to proxy adviser recommendation	5.0%

MFS engagement

When engaging with companies, the MFS proxy voting team aims to:

- Explain the rationale behind MFS' proxy votes
- Exchange views on relevant ESG issues; and
- Potentially effect positive change with respect to such issues.

An example of an engagement was Pernod Ricard. In September 2019, MFS' proxy team held an in-person meeting with the Chair/CEO of Pernod Ricard. Amongst the topics of discussion was the recent appointment of two new independent directors to the board. As part of MFS' ongoing dialogue with the company, MFS expressed their belief that the appointment of a lead independent director with robust duties and responsibilities would enhance the board's ability to provide independent oversight and to act in the best interests of shareholders. While this dialogue, similar to many of MFS' dialogues with issuers, is ongoing, the company Pernod Ricard shared that the board had recently appointed a lead independent director to the board.

MFS voting policy

MFS have entered into an agreement with ISS to perform various proxy voting-related administrative services, such as vote processing and record-keeping functions. While they also receive research reports and vote recommendations from ISS and Glass, Lewis & Co. Inc. MFS analyse all proxy voting issues within the context of the MFS Proxy Policies, which are developed internally and independent of third-party proxy advisory firms. MFS' voting decisions are not defined by any proxy advisory firm benchmark policy recommendations. MFS has due diligence procedures in place, and all proxy voting decisions are made in what MFS believe to be the best long-term economic interests of their clients.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DB Structure implementation statement (continued)

MFS voting statistics

1 April 2019 - 31 March 2020	
No. of meetings eligible to vote	92
No. of resolutions eligible to vote	1,319
% of resolutions voted	98%
% resolutions voted with management	94%
% of resolutions voted against management	6%
% of resolutions abstained	0%
% of meetings with at least one vote against management	27%

Real Estate investments

The Plan's Growth Fund and Bond Fund invests in real estate with Legal & General, Columbia Threadneedle (Threadneedle) and Aberdeen Standard Investments (ASI).

Legal & General has been a signatory of the Principles for Responsible Investment (PRI) and the UK Stewardship Code since 2010. Threadneedle has been a signatory of the PRI since 2006 and of the UK Stewardship Code since 2010. ASI has been a signatory of the PRI since 2007 and the UK Stewardship Code since 2010.

Legal & General and ASI have not provided engagement examples for the reporting period for the Real Estate Investments.

Threadneedle engagement

Threadneedle were awarded an A rating in 2019 by the PRI for its progress in responsible investment. Regarding the Threadneedle Property Unit Trust (TPUT), in which the Plan invests, Threadneedle engages with stakeholders involved in its property investments to monitor the sustainability of the portfolio. This includes tenants, suppliers, participant's workforce and the local community. For example, Threadneedle provide questionnaires to their key suppliers about their approach to corporate responsibilities and highlight the need for UK suppliers to comply with the Modern Slavery Act.

Absolute Return investments

The Plan's Growth Fund invests in an Absolute Return mandate with Pictet Asset Management (Pictet).

Pictet has been a signatory of the Principles for Responsible Investment (PRI) since 2007 and the UK Stewardship Code since 2010.

Pictet engagement

Pictet engage issuers through a combination of targeted in-house-led discussions, third-party engagement services and via collaborative institutional investor initiatives. There are three tiers to Pictet's approach to engagement, as outlined below:

1. The first tier is Pictet's Targeted Engagement programme with corporate issuers. These companies are identified jointly by investment teams and Pictet's ESG team. Each company is selected because Pictet have significant ESG concerns and the strategic nature or size of their holding is significant enough to indicate that engagement will likely be effective.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DB Structure implementation statement (continued)

Targeted engagement led by Pictet entails regular and ongoing company dialogue as they seek to become strategic partners of the companies in which they invest. The frequency of interactions varies depending on the status of each engagement, the availability of company representatives and their willingness to engage. Interaction will occur at least twice per year per issuer and typically involves a combination of face-to-face meetings, videoconferences, telephone calls and written communication.

2. Taking part in collaborative engagement with other investors forms the second tier of Pictet's approach. Pictet recognises that there are occasions when it is better to act collectively rather than individually, particularly if their investment is relatively small in relation to the enterprise value of the company.

Collaborative engagement is reviewed on a case-by-case basis by Pictet's ESG team, in conjunction with relevant investment teams, to ensure the objectives are aligned with those of their clients. Before committing to any new investor collaboration, Pictet assess the relevance of the initiative, the method of engagement, the credibility of associated partners and any regulatory implications, including acting in concert.

3. The third tier of Pictet's engagement is designed to address issues that arise in relation to companies' failings on governance issues and/or significant deviations from relevant international norms and standards such as the UN Global Compact, OECD Guidelines for Multinational Enterprises, as well as human rights and environmental conventions.

Engagement conducted by Pictet is coordinated by their ESG team and involves participation from investment teams either as engagement leads or as support.

For each engagement conducted, Pictet set or define objectives, track progress against these objectives and in some cases, if they are not met, may reduce or sell holdings.

Pictet voting

Pictet's voting policy is based on generally accepted standards of best practice in corporate governance and holds an objective to act in the best long term interest of the its shareholders. Pictet therefore do not always support the management of investee companies and may vote against management from time to time. To assist Pictet in the exercising of proxy votes, Pictet uses the services of third-party specialists ISS whose expertise and international experience allows them to vote at all relevant company meetings worldwide.

In February 2020, Pictet adapted their proxy voting guidelines for Japanese companies with no female board members and we will vote "abstain" on male candidates to boards with no female directors. Pictet believe that board diversity can lead to improved corporate governance and strategic oversight. It can also lead to greater innovation, better risk management and stronger connections with customers, employees and business partners. Therefore, Pictet are keen to play a part in encouraging Japanese businesses in their progress towards more gender-balanced boards.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DB Structure implementation statement (continued)

Pictet voting statistics

	1 April 2019 - 31 March 2020
No. of meetings eligible to vote	33
No. of resolutions eligible to vote	251
% of resolutions voted	100%
% resolutions voted with management	92%
% of resolutions voted against management	8%
% of resolutions abstained	0%
% of meetings with at least one vote against management	52%

Credit Investments

The Plan's Growth Fund invests in credit mandates with Barings.

Barings has been a signatory of the PRI since 2014 and the UK Stewardship Code since 2012.

Barings engagement

Barings recently launched an in-house proprietary ESG system that will enable their investment teams to systematically track and monitor all of their engagements going forward. The system allows the recording and detailing of engagement focus areas, their objectives, milestones, and timelines for each engagement. It also allows them to monitor the success or failure of each milestone and objective.

Barings provided an engagement example regarding the governance of a German wood products manufacturer. Barings engaged with the financial sponsor and company CEO and CFO as it believed the Company's disclosure in their Q2 2019 accounts was insufficient to properly understand underlying trends impacting the business. The disclosures significantly improved in the quarter after the engagement, and the Barings investment committee remained comfortable holding the investment.

Illiquid Investments

The Scheme's Growth Fund invests in Illiquid mandates with Highbridge Investment Partners (Highbridge) and Partners Group (Partners).

Partners is a signatory to the Principles for Responsible Investment (PRI) and the UK Stewardship Code.

Highbridge is not a signatory to either the Principles for Responsible Investment (PRI) or the UK Stewardship Code. Whilst they are not a PRI signatory, in May 2020 Highbridge developed its own ESG Integration Framework. The Framework has been developed as Highbridge believes in a responsible approach to investing that emphasises transparency, corporate governance and sustainability maximises value to Highbridge, its employees and investors and the communities in which they operate and invest. Highbridge will continue to evaluate whether becoming a signatory to the PRI will enhance value to their investors and stakeholders. Highbridge continue to evaluate the appropriateness of becoming a signatory to the UK Stewardship Code but have yet to make a decision.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DB Structure implementation statement (continued)

Partners Group engagement

Early in due diligence Partners Group's investment teams are required to complete an ESG assessment that identifies relevant ESG factors and assesses target performance, flagging any ESG-related risks and prioritising areas for engagement post-acquisition.

Partners Group have advanced engagements with 89% of equity portfolio managers and 93% of infrastructure portfolio managers. In addition to their advanced level engagements, Partners Group distribute an annual ESG KPI Survey to their equity and infrastructure portfolio managers as well as selected real estate and infrastructure managers to better understand their approach to material ESG topics.

Highbridge engagement

While the consideration of ESG factors has traditionally fallen under the purview of active equity investors with a greater ability to influence outcomes, Highbridge believe that credit investors also have an obligation to consider ESG factors where feasible. Typically, Highbridge's role as a credit investor limits their ability to set company level ESG policies, however, Highbridge will seek to examine the impact a company has on the environment and society as they review the investment opportunity and its suitability for their funds. This approach Highbridge believes to be consistent with the values and objectives of their investors and employees.

Although generally not applicable to the firm's business, in April 2020 Highbridge engaged ISS to manage its proxy voting and retains the authority to vote in decisions relating to client securities on the client's behalf.

Fixed Income Investments

The Plan's Growth Fund and Bond Fund invests in fixed income instruments with Legal & General and Insight Investment Management (Insight).

Legal & General and Insight have not provided engagement examples for the reporting period for the fixed income investments.

CONCLUSION

Overall, the Trustee is of the opinion that the Plan's fund managers appear to be exercising their respective voting and engagement abilities in a thoughtful, responsible manner and that the Trustees' stewardship policy is being appropriately implemented on its behalf.

The Trustee acknowledges that there is still room for improvement generally within the industry, including reporting to the Trustee. The Trustee notes that its investment managers still face some difficulty in getting the information they need from the companies they invest in to be able to make well-informed investment decisions. This exercise of reviewing manager engagement information has highlighted to the Trustee the importance of stewardship as an input into investment decisions.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DC Structure implementation statement

This Statement of Investment Principles (SIP) Implementation Statement (the Statement) has been prepared by the Trustee and relates to the DC Structure of the Plan.

This is the first Statement produced by the Trustee as required by the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. The regulations state that the Statement must:

- Set out how, and the extent to which, in the opinion of the trustees, the SIP has been followed during the year; and
- Describe the voting behaviour by, or on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) during the year and state any use of the services of a proxy voter during that year.

Based on regulatory requirements, the Statement covers the period from 1 October 2019 to the end of the Plan's financial year on 31 March 2020.

The Statement is split into four sections:

1. An overview of the Trustee's actions and highlights during the period covered;
2. The policies set out in the Plan's SIP and the extent to which they have been followed in the reporting period;
3. The stewardship and engagement policies of the fund managers used by the Plan; and
4. The voting behaviour and significant votes undertaken by the fund managers on behalf of the Plan.

Overview of Trustee actions

During the relevant reporting period, the Trustee:

1. Undertook an investment survey, surrounding financial material considerations (including ESG factors) and knowledge training. This ensured that they were well equipped to consider ESG factors during the process for the selection, retention, and realisation of investments.
2. Met with their Investment Advisers (Redington) in December 2019 to agree the approach to member outcome focussed modelling as means for monitoring the calls-to-actions for the Plan. The modelling looks to provide an expectation for members' potential retirement income through the default investment strategy.
3. Consulted with their investment advisers to understand the reasoning behind BlackRock's decision to implement ESG principles into the LifePath. The Trustee concluded that they are comfortable with the change. Overall, the change will not impact charges, or investment objectives, but the index has a greater allocation towards companies that show positive ESG characteristics, whilst minimising the carbon exposure of the investments. The aim is to reduce the level of carbon emissions exposure by at least 50% compared to the standard MSCI World index.

SIP update

No SIP update was made in the reporting period. However, the SIP was updated prior to 1 October 2019 to reflect the Trustee's view on stewardship and financially material risks such as Environmental, Social and Governance (ESG), including climate change. The SIP has been updated in September 2020 to reflect the survey conducted to understand the Trustee's views on responsible investment.

Financially material considerations

The Trustee has selected the LifePath Target Date Fund (TDF) range by BlackRock (the Manager) as the default investment strategy for Plan members. This means that the responsibility of managing the mix of assets, where members' savings will be invested in, on a day-to-day basis has been delegated to BlackRock.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DC Structure implementation statement (continued)

The Trustee acknowledges that many members will have a long time until their retirement, therefore any investment decisions should be considered over a long period of time, with suitable growth targets across a range of asset types. The Trustee's long-term focus leads to the belief that, for investors, the most effective way of enforcing a strong ESG policy is through responsible ownership and proactive engagement with companies.

ESG integration within the default

BlackRock continue to develop how members' investments can be better positioned against potential risks arising from ESG factors. Part of this development has led to a change in part of members' exposure to broad equity markets. Previously all of members' investment in equities based in developed countries was through a passive fund that tracked the largest companies in the world (MSCI World Index). Now, around half of members' equity investments remain invested in that way, but the other half is based on a new index, the MSCI World ESG Focus Low Carbon Screened Index.

This is BlackRock's first but positive step to incorporating ESG considerations into the LifePath range of funds.

Non-Financial Factors

With regards to funds that reflect member-specific ethical principles, the Trustee continues to offer the CNPP Sharia Fund, which looks to meet sharia standards that are compatible with Islamic law.

The Default Investment Arrangement

During the scheme year, the Trustee reviews on a quarterly basis, the performance of each fund against the stated performance objective for that fund. The most recent assessment was in Q1 2020. The Trustee concluded that the managers remained well suited for the purpose. They will continue to monitor the managers on a quarterly basis - considering both the funds' performance and other prevailing circumstances.

The Trustee is aware that Strategic Asset Allocation (SAA) plays a vital role in achieving investment objectives and good member outcomes. Due to Covid-19 pandemic, four of the underlying managers suspended trading in the CNPP Property Fund. Consequently and, as per the Trustee's announcement on 27 March 2020, future contributions were invested into a temporary fund - the Aegon Cash Fund. As members' contributions are directed into this fund without them making an active selection, this fund will be treated as a default for the purpose of fulfilling legislative requirements. The objective of the fund is 'to protect the absolute value of the investment by investing in deposits and other short-term money market instruments.' The fund aims to perform in line with its benchmark.

It is worth noting that no review of default arrangement has been conducted in the relevant reporting period. The last formal review of the default strategy and the performance of the default arrangements was completed on 3 September 2015 when it was concluded that the default arrangements for DC should adopt BlackRock's LifePath Target Date Funds. An interim review of the default arrangements and charges was undertaken in 2017 as part of the Public Contracts Regulation 2015 modelling for the new DC administrator appointment. The Trustee's Working Group concluded that the BlackRock LifePath Target Date Funds remained appropriate for the majority of the members and the Trustee agreed with the Working Group's conclusion. The next review of default funds will be undertaken in December 2020 by Redington, the new DC adviser appointed by the Trustee.

Final Remarks

The Plan has demonstrated the actions the Trustee has undertaken during the relevant reporting period reflects the policies within the Plan's SIP. The relevant reporting period for this Statement is relatively short and some relevant items (e.g. default investment strategy review) will be undertaken outside of this period and will be reported against in the subsequent implementation report.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Review of policies contained in the DC SIP

Policy	Has the policy been followed?	Evidence
Primary objective		
<p>The primary objective for all investment options under the DC Structure, SPPP and AVCs is to provide, on a DC basis, benefits for members on their retirement or benefits for their dependents on death before retirement.</p> <p>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 be able to 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:</p> <ul style="list-style-type: none"> • 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. 	Yes, the Trustee is satisfied that this policy has been followed.	<p>The Trustee continues to provide two default investment arrangements specific to the different needs of members in the New Joiners DC Structure and SPPP.</p> <p>Where the Default Options do not meet the needs of a wider cross-section of members alternative options have been offered.</p> <p>Furthermore, the Trustee are planning to review the default strategies and self-select range in December 2020.</p>
Default arrangements		
<p>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</p> <p>Manage the principal investment risks members face, gradually changing where they are invested as they approach retirement; and reflect that New Joiners DC Structure and SPPP members are expected to choose different benefits at retirement.</p> <p>Designing and maintaining a default arrangement meets the expected different benefits at retirements for the membership.</p>	Yes, the Trustee is satisfied that this policy has been followed.	<p>The LifePath Funds are sets of Target Date Funds (TDFs), each managed to an asset allocation appropriate to its target retirement age range and retirement benefits. Based on the Plan's membership this is a suitable investment option that offers the best combination of potential for good member outcomes balanced against the member borne charges.</p> <p>To reflect the different ways that members in the New Joiners DC Structure and SPPP sections are likely to access their retirement benefits, the default strategy for these sections differ, targeting income drawdown and cash at retirement respectively.</p> <p>In December 2019, the Trustee agreed to a monitoring framework based on member outcome modelling for monitoring calls-to-actions for the Plan.</p> <p>Furthermore, the Trustee is planning to review the default strategies and self-select range in December 2020.</p>

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DC Structure implementation statement (continued)

Review of policies contained in the DC SIP

Choosing Investment Options		
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	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee underwent a review of the default investment strategies and self-select range in September 2015 and believe that it remains relevant for the Plan's membership. However, the Trustee are planning to review the default strategies and self-select range in Q4 2020.
The Plan should offer members a choice of investment options because the default may 1) not meet the needs of the needs of a wider cross-section of members; 2) members attitude to risk and needs for returns will vary from member to member.		

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DC Structure implementation statement (continued)

Review of policies contained in the DC SIP

Policy	Has the policy been followed?	Evidence
Non-financial Factors		
The Trustee recognises that some members will have strong personal views on religious convictions that influence where they believe their savings should, or should not, be invested.	Yes, the Trustee is satisfied that this policy has been followed.	The Plan continues to make available a self-select fund appropriate for members with Sharia beliefs. The review of self-select choices in December 2020 will also cover the potential for additional funds that reflect additional views or convictions members may hold.
Financially Material Considerations		
The Trustee regularly monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies	Yes, the Trustee is satisfied that this policy has been followed.	In February 2020, the Trustee sought their investment adviser's recommendation and views on BlackRock's change in 2019 to update the equity exposure from a solely market capitalisation weighted developed market equity index (i.e. the MSCI World Index) to include a variant that includes screening and position-level tilts that reflect ESG and carbon factors. The Trustee confirmed they are comfortable with the changes made by BlackRock.
The Trustee recognises the importance of financially material considerations, including ESG factors and climate risk and seeks to manage these.		
Implementation		
Choosing fund managers who have clearly articulated policies for managing financially material consideration including climate change.	Yes, the Trustee is satisfied that this policy has been followed.	The investment adviser's review in February 2020 provided the Trustee with comfort on BlackRock's policies towards managing these considerations.
Realisation of Investments		
The Trustee expects that the investment platform provider and the fund manager will normally be able to sell the funds within a reasonable timescale. There may, however, be occasions where the investment platform or fund managers needs to impose restrictions on the timing of sales and purchases of funds in some market conditions to protect the interest of all investors in that fund.	Yes, the Trustee is satisfied that this policy has been followed.	Due to Covid-19 pandemic four of the underlying managers suspended trading in the CNPP Property Fund. Consequently, and as per the Trustee's announcement on 27 March 2020, future contributions were invested into a temporary fund called the Aegon Cash Fund. This is reflected in the SIP update in September 2020.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DC Structure implementation statement (continued)

Review of policies contained in the DC SIP

Policy	Has the policy been followed?	Evidence
Stewardship and Engagement		
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.	Yes, the Trustee is satisfied that this policy has been followed.	BlackRock is the sole asset manager for assets in the Plan that have voting rights. The Trustee is satisfied that BlackRock, through the work of their Investment Stewardship team, comply with the requirements in the Shareholder Rights Directive II relating to engagement with public companies and other parties in the investment ecosystem.
Voting		
The fund managers are expected to exercise the voting rights attached to individuals' investments in accordance with their own house policy. The Trustee aims to review engagement activity undertaken by the fund managers as part of its broader monitoring activity.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee was provided with voting reports relating to the period of the SIP. (See Implementation Voting section)
Where appropriate, the Trustee will engage with and may seek further information from Investment platform provider, fund managers and or investment advisers on how portfolios may be affected by a particular issue. 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.		

Stewardship

The Trustee, without prejudice, delegates to the manager the responsibility for the stewardship activities that apply to the Plan's investments. The Trustee expects the manager to exercise their voting powers with the objective of preserving and enhancing long-term shareholder value.

Investment Stewardship Engagements

The Trustee recognise that stewardship encompasses the exercise of engagement with the companies in which the Plan invests, as this can improve the longer-term returns of Plan's investments. The Trustee notes that sustainable financial outcomes are better leveraged when supported by good governing practices, such as board accountability.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DC Structure implementation statement (continued)

Long-term perspective on the Plan's member's assets

In the Statement of Compliance for the Shareholder Rights Directive II (SRD II), BlackRock states, "BlackRock takes a long-term perspective in its investment stewardship work informed by two key characteristics of our business:

- The majority of end beneficiaries are saving for long-term goals so the Trustee presumes they are long-term shareholders; and
- The majority of equity holdings are in index-tracked portfolio, so end beneficiaries are, by definition, long-term shareholders."

The Trustee finds that BlackRock is well positioned to protecting and enhancing the long-term value of members' assets. Notably BlackRock, has confirmed that they are enhancing their reporting and level of voting and engagement disclosures. They have focussed their improvement on three key themes:

- Moving from annual to quarterly voting disclosure
- Prompting disclosure around key votes including an explanation of their voting decisions, and
- Enhancing disclosure of their company engagements.

Top Engagement Topic	Times Discussed
Governance	
Board Composition and Effectiveness	416
Corporate Strategy	413
Executive Compensation	281
Environmental	
Climate Risk Management	343
Operational Sustainability	297
Social	
Human Capital Management	208

BlackRock's Investment Stewardship (BIS) team is in line with the Trustees investment policies.

Voting behaviour

Voting

The Plan invests in pooled fund arrangements, and as such, it is not necessary for managers to consult with the Trustee before voting. However, as part of its wider due diligence of the implementation of investment strategies, the Trustee request the managers to produce information that demonstrate the manager is exercising good stewardship.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DC Structure implementation statement (continued)

Key Voting Statistics on the Default Funds

LifePath Flexi and Lifepath Capital	
Assets in LifePath Flexi at the end of 31 March 2020	£205,474,671.15
Assets in LifePath Capital at the end of 31 March 2020	£73,452,779.27
Value of whole CNPP Scheme	£386,176,344.27
Voteable Proposals	59,654
Proposals Voted	56,606*
For Votes	51,451
Against Votes	4,073
Abstain Votes	939
Withhold Votes	127
Votes with Management	52,432
	Number
Total company engagements	2,504
Number of individual companies engaged	1,630
Engagement Themes	
Governance	4,887
Social	835
Environmental	1,560

* The breakdown of votes may not sum to the total 'Proposals Voted' for various reasons: Parties may receive instructions to "not vote," on particular topics and, or double counting may occur when different votes are submitted across ballots for a given meeting.

Most Significant Votes

BlackRock takes a thematic approach towards voting and engagement. The five themes that BlackRock prioritised in their voting behaviour over the Plan year were:

- Board Quality
- Environmental Risks and Opportunities
- Corporate Strategy and Capital Allocation
- Compensation that promotes long-termism
- Human Capital Management

Therefore, the most significant votes cast by the asset manager on behalf of the Trustee will relate to both some of the largest holdings as well as relevance to the five key themes listed above.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DC Structure implementation statement (continued)

A significant vote cast during the Plan year in relation to one of the top 25 holdings

Company:	The Walt Disney Company
Date:	11 March 2020
Resolutions:	<ol style="list-style-type: none">1. Election of Directors2. Ratification of the appointment of auditors3. Consideration of an advisory vote to approve executive compensation4. Approval of an amendment to the Company's Amended and Restated 2011 Stock Incentive Plan5. Consideration of a shareholder proposal requesting an annual report on lobbying
BlackRock Vote:	In favour of all management proposals and against a shareholder proposal seeking disclosure on lobbying
Rationale:	Where companies are making progress on key corporate governance issues, BlackRock will generally support the board and management in those efforts. BlackRock determined that The Walt Disney Company's current level of disclosure, following the changes discussed above, is in line with the best practices detailed in BlackRock's Investment Stewardship team's commentaries on executive compensation and on corporate political activities.

A significant vote cast during the Plan year in relation to one of BlackRock's key engagement themes

Company:	BHP Group
Date:	17 October 2019 and 7 November 2019
Resolution:	Lobbying inconsistent with the goals of the Paris Agreement
BlackRock Vote:	Against
Rationale:	BlackRock voted against the shareholder resolution because: <ol style="list-style-type: none">1. BHP is an industry leader on climate-related issues;2. BHP's track record, and our engagements with their management and board, give us confidence in their judgment on these issues;3. The ultimate goal of this resolution appears to be more targeted at the industry associations than at driving positive outcomes at BHP.

CONCLUSION

Overall, the Plan has demonstrated key actions by the Trustee during the relevant reporting period that highlights how it continues to make investment decision in line with the policies set out in the SIP. The relevant reporting period for this Statement (1 October 2019 to 31 March 2020) is shorter than future implementation statements. Therefore, subsequent statements are expected to cover more actions undertaken by the Trustee.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

DC Structure implementation statement (continued)

A key action that will be taken outside the reporting period of this Statement is the review of the default investment strategy and self-select range, which is due to take place in Q4 2020. This will be covered in greater detail in next year's implementation statement.

From a stewardship and engagement perspective, the Plan is limited in its scope to directly influence how asset managers invest and engage with underlying companies due to the use of pooled funds to implement the Plan's investments.

The Trustee is committed to building a strategic approach towards their incorporation of ESG factors to meet the needs of the membership. As such, the Trustee will aim do the following:

- Continue to be kept abreast of industry developments in responsible investment to understand how best to implement best practices for the Plan where practicable.
- Ask and challenge the fund manager on how they seek to influence companies in their portfolios and seek to integrate further ESG considerations into the LifePath fund range.

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2020

Statement of Trustee's Responsibilities

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

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

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

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

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

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

Signed for and on behalf of the Trustee:

Trustee Director A Whalley

Date: 22 October 2020

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

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 2020:

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

- The Plan's default arrangements remained suitable for most members.
- From 1 April 2019 the default arrangement for the pre-1 February 2017 GPS New Joiners DC Structure was changed from a lifestyle option to that used by all other New Joiners DC Structure members. The default for all New Joiner DC Structure members is therefore the Aegon BlackRock LifePath Flexi Funds.
- The amounts of charges and costs borne by members as set out in Annex 2.
- The transfer of the GPS New Joiners (pre-1 February 2017), AVC and SPPP sections from Prudential to Aegon was completed in June 2019 with notification of the completion of the transfer of assets. This transfer improved the value that members receive in key areas such as administration and communication whilst maintaining the overall view that Plan continues to deliver good value.
- Financial transactions were, based on information provided to the Trustee, carried out accurately, promptly and efficiently.
- Due to the changeover in administrators at the beginning of the year and staff at employers during the year, there were a few instances of late contributions to the DC Plan Administrator. This meant delayed investment of member contributions for some members during the Plan year. The Trustee has taken this very seriously and is in discussions with the employer for the provision of redress payments and will ensure communications are undertaken with affected members; an update will be provided in the next Chairman's Statement.
- The Trustee has kept its knowledge of pension matters up-to-date.
- Master Trust Authorisation was applied for and approved on 19 October 2019.

During the last year the changes arranged by the Trustee have significantly improved Value for Members for all the Plan's DC, AVC and SPPP sections (excluding Prudential's With Profits Fund). Any transfer of, or changes to, members' With Profits arrangements are likely to lead to a loss of guarantees, so these assets have been retained with Prudential.

The Trustee implemented a new contract with Aegon covering both the Plan's DC administration and investment (excluding the With Profits Fund) in line with the timetable as set out in the last Chairman's Statement resulting in the following changes:

Date	Activity
From 1 April 2019	All future contributions for the GPS New Joiners DC Structure (pre-1 February 2017) and GPS AVC and SPPP sections were paid to 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 were transferred from Prudential to Aegon.
21 June 2019	Members were informed that the transfer of assets from Prudential had been completed.

Following these changes, the charges (except for the Prudential With Profits Fund) paid by members were reduced and members can now access a wider range of supporting on-line services such as switching of funds. The transfer of funds from the Prudential platform to Aegon for all of the above Sections did not incur any transaction charges as Aegon agreed to meet the spread costs and there was no out of market exposure experienced in the transfer of investments.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Summary (continued)

Covid-19 pandemic: The global outbreak of Covid-19 has caused widespread disruption to financial markets and normal patterns of business activity across the world. It has contributed to significant volatility in share prices and other investments and it can be expected to continue for some time to come.

The Trustee took specific action in the first half of 2020, in light of the Covid-19 pandemic:

- Issued 2 Covid-19 specific member communications, in March and April, detailing the Trustee's priorities in ensuring that payment of pensions took precedence as a key priority.
- A Frequently Asked Questions in relation to the tax year end was provided and members were made aware of resources from the Financial Conduct Authority and The Pensions Regulator available to assist against the growing trend in pensions fraud brought on by the Covid-19 pandemic, as noted by the National Fraud Intelligence Bureau.
- The Trustee also notified members of the suspension of the CNPP Property Fund due to the difficulties independent valuers faced in valuing properties. Members were also notified that contributions were being redirected into the Replacement Cash Fund (Aegon BlackRock Cash) until such time as the CNPP Property Fund could reopen. The Trustee subsequently updated the Plan's Statement of Investment Principles to reflect the Cash Fund's status as a default arrangement.

The Plan is an authorised Master Trust and therefore has introduced a higher level of governance in regard to its DC benefits. The Plan continues to comply with the stringent Master Trust ongoing supervisory requirements and has the lowest level of the Pension Regulator (TPR) Supervision (Level 2) which means that the Plan passed Master Trust authorisation at a highest level. The governance includes:

- Monitoring against significant events
- Monitoring objectives in the business plan (which include ensuring that the management, administration and governance of the Master Trust is delivered to a high standard, providing members with an appropriate default investment fund and a range of alternative investment options and providing value for members through a competitive charging structure and the delivery of high quality services.)
- Risk management
- Monitoring of complaints.
- Monitoring of service providers.

In preparation for the annual Master Trust supervisory return, the Trustee has developed and reviews a quarterly report of the actions undertaken to maintain its Master Trust Authorisation.

After a stringent appointment exercise, the Trustee has appointed a new DC Plan administrator to provide specialist DC advice to the Trustee on all aspects of the DC Structure including default arrangements.

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 2020

Summary (continued)

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 Trustee¹ by:

A Whalley

Chair of the Trustee of the Combined Nuclear Pension Plan

Date: 22 October 2020

¹ Reg 23(1)(e) the Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("Administration Regulations")

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

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 2020. It will 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 2020, the Plan had two default arrangements for DC members who did not make an active fund choice.

From 20 March 2020 Aegon suspended trading in the CNPP Property Fund. On 27 March 2020 the Trustee informed DC members who were making regular contributions into the CNPP Property Fund that their future contributions would be invested into the Replacement Cash Fund. Under pensions regulations, the Replacement Cash Fund will therefore also need to be treated by the Trustee as a default arrangement. The Trustee will monitor this situation and take appropriate measures when the CNPP Property Fund is able to accept contributions again.

The default arrangements are summarised in the following table:

Section	Default
1. CNPP New Joiners DC Structure (includes both CPS and GPS Sections)	Aegon BlackRock LifePath Flexi Funds
2. CNPP DB Structure SPPP	Aegon BlackRock LifePath Capital Funds
3. Any DC members making regular contributions into the CNPP Property Fund in March 2020	Replacement Cash Fund (from 27 March 2020)

Following the previous Plan Administrator'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 was implemented effective from 1 April 2019. Accumulated investment accounts for the CNPP GPS New Joiners DC Structure members held at Prudential were transferred to the Aegon BlackRock LifePath Flexi Fund in May 2019. GPS Section AVCs (excluding Prudential With Profits Funds) which were transferred from Prudential to Aegon were invested in the Aegon BlackRock LifePath Capital Funds unless members made their own fund selection.

During the year there was no default arrangement for AVC members. However, from 27 March 2020 Aegon suspended the CNPP Property Fund and AVC members' future contributions were diverted to the Replacement Cash Fund. Under pension regulations the Replacement Cash Fund will therefore need to be treated as a default fund.

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 that the majority of members in each section are expected to choose.
- The objective of the Replacement Cash Fund is to protect the absolute value of the investment by investing in deposits and other short-term money market instruments.

The most recent Statement of Investment Principles for the default arrangements is attached at Annex 1².

² Regulation 23(a)(i) Administration Regulations

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

(a) Default arrangements (continued)

Due to the new appointment of Aegon as administrator for DC benefits, no formal review of the default strategy or the performance of the default arrangements was undertaken during the year (and, consequently, no changes were made which might result from such reviews)³. However, the Trustee monitors the performance of default funds at its quarterly Investment Sub-Committee (ISC) meetings and any issues requiring rectification would be managed by the ISC and advised to the Trustee. There were no default fund issues identified during the Plan year. The last formal review of the default strategy and the performance of the default arrangements 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 funds⁴. An interim review of the default arrangements and charges was undertaken in 2017 as part of the Public Contracts Regulation 2015 modelling for the new DC administrator appointment. The Trustee's Working Group concluded that the BlackRock LifePath target date funds remained appropriate for the majority of the members and the Trustee agreed with the Working Group's conclusion. The next review of default funds will be undertaken in December 2020 by the new DC adviser appointed by the Trustee. 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 targets a final investment mix suitable for cash withdrawal.

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. The performance over the period covered by this statement has been assessed to ensure the defaults continue to be managed to a level of risk appropriate for members' proximity to retirement and the type of benefits they are expected to take.

(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 Pensions⁵.

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.

³ Reg 23(1)(a)(ii) Administration Regulation

⁴ Reg 23(1)(a)(iv)

⁵ Reg 23(1A) Administration Regulations

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

(b) Charges and transaction costs (continued)

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 arrangements⁶

The charges and transaction costs for the default arrangements for each Section during the year to 31 March 2020 are given in Annex 2. The ranges of charges during the year were:

Section	Default arrangement	Charges
CNPP New Joiners DC Structure (includes both CPS and GPS Sections)	Aegon BlackRock LifePath Flexi Funds	0.26% p.a. or £2.60 per £1,000 fund value
CNPP Defined Benefit (DB) Structure SPPP	Aegon BlackRock LifePath Capital Funds	0.26% p.a. or £2.60 per £1,000 fund value
CNPP New Joiners Section (includes both CPS and GPS Sections), CNPP DB Structure SPPP and AVCs	Replacement Cash Fund	0.23% p.a. or £2.30 per £1,000 fund value

Source: Aegon

Transaction costs for the default arrangements⁷

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

Section	Default arrangement	Transaction costs
1. CNPP New Joiners DC Structure (includes both CPS and GPS Sections)	Aegon BlackRock LifePath Flexi Funds	0.02% p.a. to 0.11% or £0.20 to £1.10 cost per £1,000 fund value
2. CNPP DB Structure SPPP	Aegon BlackRock LifePath Capital Funds	0.01% p.a. to 0.11% or £0.10 to £1.10 cost per £1,000 fund value
3. CNPP New Joiners Section (includes both CPS and GPS Sections), CNPP DB Structure SPPP and AVCs	Replacement Cash Fund	0.01% p.a. or £0.10 per £1,000 fund value

⁶ Reg 23(1)(c)(i) Administration Regulations

⁷ Reg 23(1)(c)(i) Administration Regulations

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

(b) Charges and transaction costs (continued)

Charges for the investment options outside the default arrangements for the period to 31 March 2020⁸

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

Plan Section	Self-select/AVC fund choices	Member-borne charges	Comment
CNPP New Joiners DC Structure (includes both CPS and GPS Sections) CNPP DB Structure SPPP and AVCs	14 fund choices (including the two LifePath default options)	From 0.19% to 0.78%	
CNPP DB Structure AVCs	Prudential With Profits Fund (not open to new members)	0.98%	The annual management charge is 0.80% and the other cost expenses (OCE) is 0.18%

Transaction costs for the self-select investment options outside the default arrangement⁹

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	Transaction costs
CNPP New Joiners DC Structure (includes both CPS and GPS Sections) CNPP DB Structure SPPP CNPP DB Structure AVCs	14 fund choices (including the two LifePath default options)	From -0.06% to 0.23% p.a. or from a saving of £0.60 to a cost of £2.30 per £1,000 invested.
CNPP DB Structure AVCs	Prudential With Profits Fund (not open to new members)	0.11% p.a. or a cost of £1.10 per £1,000 invested.

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%.

⁸ Reg 23(1)(c)(ii) Administration regulations

⁹ Reg 23(1)(c)(ii) Administration regulations

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

(b) Charges and transaction costs (continued)

The transaction costs for AVCs invested in With Profits borne by members during the year were 0.11% of the amount invested or, put another way, a cost of £1.10 per £1,000 invested.

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

The transfer of contributions and assets from Prudential to Aegon for the GPS New Joiners DC Structure (pre 01 February 2017) and GPS Defined Benefit Section AVCs took place on 1 April 2019 and 23 May 2019 and therefore the value for members assessment is in reference to the Aegon platform. After discussions with the Trustee and as a gesture of goodwill, Aegon met all transaction costs and consequently these members did not incur any transaction costs when the transfers took place.

Impact of costs and charges

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

These illustrations¹⁰ show projected fund values in today's money before and after costs and charges for typical members at stages from joining the Plan 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 investment value at retirement in today's money from £1,310,324 to £1,189,755.

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 Members¹¹

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's approach towards assessing Value for Members for the last year had a slight amendment compared to the 2019 report. This is due to the change in advisers during the year.

¹⁰ Reg 23(1)(ca) Administration Regulations

¹¹ Reg 23(1)(c)(iv) Administration Regulations

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

(c) Value for members (continued)

The prior approach looked at three factors, Investment, Communication and Administration. This year two additional factors were included, Environmental, Social & Governance (ESG) and Governance. Given these additions, the weightings to each area were also amended:

Assessment Area	2020 Weighting	2019 Weighting	Reason for Change
Administration	20%	20%	This weighting remains in line with last year because administration was identified by the Trustee as one area that required improvement. This has been addressed with the move to Aegon, which has now been in place for the full year.
Communications & Tools	10%	20%	With the introduction of two new assessment areas (ESG and Governance), the Communications & Tools weighting has been reduced. This seems appropriate as the quality and standards of communications have been improved with the move to Aegon, which has now been in place for the full year.
ESG	15%	N/A	This is a new assessment area due to the perceived importance of ESG for members.
Governance	20%	N/A	This is a new assessment area.
Investment	35%	60%	Investment carries the highest weighting due to its importance in delivering good member outcomes. With the introduction of two new assessment areas (ESG and Governance), the Investment weighting has been reduced. However as ESG predominately relates to the Plan's investment approach, there remains a combined 50% weighting to investment areas.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

(c) Value for members (continued)

Each area is graded from 1-5 with a lower score representing lower value for members and a higher value relating to better value, with 5 being best-in-class. The scores are determined based on peer analysis on a set of assessment factors. The peers are selected based on what members could typically access in a similar scheme (i.e. another authorised Master Trust).

Area Reviewed	Assessment Factors	CNPP Score
		Average: 3.9
Administration (20% weighting)	<ul style="list-style-type: none"> Administration prioritisation and flow of work Engagement with administration team and frequency of reviews Array of member support Service Level Agreements and their percentage completion 	4.0
Communication & Tools (10% weighting)	<ul style="list-style-type: none"> Member communications, their simplicity and understandability Engaging content and coverage of key information Measurement of communication methods Use of segmented communications 	3.4
ESG (15% weighting)	<ul style="list-style-type: none"> Beliefs related to ESG ESG focus within default strategy Range of alternative ESG funds or strategies being offered Charges across ESG funds 	3.0
Governance (20% weighting)	<ul style="list-style-type: none"> Process in place for adding/removing/reviewing Trustees Management Information availability Progress of previous VfM analysis – areas of improvement 	3.8
Investment (35% weighting)	<ul style="list-style-type: none"> Charges for default option Charges for self-select options Suitability of default and self-select options Investment performance 	4.3

Overall, the Trustee has concluded the Plan continues to deliver good value for members. The main reasons that the Trustee reached this conclusion are:

- The completion of the transition to Aegon's bundled solution in March/April 2019 has provided the opportunity for improvements to both administration and communication.
- The quality of the investment proposition has continued to improve with the introduction of some ESG integration into the BlackRock LifePath funds and ongoing improvement in BlackRock's engagement with underlying companies on key ESG issues, including climate change, that can have financially material effects on investments.
- Continuation of strong governance and oversight from the Trustee Board, a competitive contribution structure and low charges.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

(c) Value for members (continued)

- In the context of the AVC assets, Prudential continues to offer one of the best performing and well rated with-profits funds, which represents good value for members of the Plan.

Over the 2019-2020 Plan year, the Trustee undertook the following steps to improve value for members:

- Completed the transfer of member records and investments from Prudential to Aegon in respect of GPS New Joiners (pre-1 February 2017) and GPS Additional Voluntary Contribution (AVC) and SPPP sections (excluding the Prudential With Profits Fund), including the adoption of the same default arrangements and self-select fund choices across all DC Sections.
- Invested member contributions into the Replacement Cash Fund following the suspension of trading in the CNPP Property Fund. The objective of the fund is 'to protect the absolute value of the investment by investing in deposits and other short-term money market instruments.' This fund will be treated as a default for the purpose of fulfilling legislative requirements.

The following tables highlight the actions undertaken by the Trustee over the Plan's financial year in relation to the value members receive from the Plan. These include both the action listed in the 31 March 2019 Chairman's Statement and any additional actions taken.

Actions from 31 March 2019 Chairman's Statement	Progress
The completion of the transfer of the GPS New Joiners (pre-1 February 2017), AVC and SPPP sections from Prudential to Aegon.	Completed – The Trustee believes value has been added through a bundled cost structure.
A review of the Plan's default arrangements.	Ongoing – This has been scheduled to take place in Q4 2020.
A review of the DC SIP taking into account the new ESG considerations including the impact of climate change.	Completed
Following appointment of the bundled DC Plan Administrator, monitor and develop the new Plan Administrator's performance and implement new offerings when applicable.	Ongoing – The Trustee is reviewing implementation of a more in-depth member segmentation led communications plan in 2020/21 Plan year using recently developed tools from Aegon.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

(c) Value for members (continued)

Additional actions taken in the year	Progress
Update the DC SIP to reflect the transfer to Aegon, adoption of common investment options across all DC Sections.	Completed
Redirected members' contributions into a Replacement Cash Fund in respect of Covid-19 pandemic leading to four of the underlying managers suspended trading in the CNPP Property Fund. The objective of the Replacement Cash Fund is 'to protect the absolute value of the investment by investing in deposits and other short-term money market instruments.' this fund will be treated as a default for the purpose of fulfilling legislative requirements.	Ongoing
Tendered for a new investment adviser to support ISC and Trustee with Plan decision making	Completed

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

Views of members¹²

Good communication is very important to the Trustee and members are asked to provide their feedback on any aspect of the Plan through the CNPP member website and the annual member newsletter which is sent by mail to every member and provides easy contact details.

(d) Processing financial transactions

Following the decision of Aon to withdraw its administration services to the Plan, the Trustee undertook a compulsory competitive tendering exercise for both the DB and DC Structures of the Plan. This led to the appointment of Aegon as the provider for most of the Plan's defined contribution benefits. Prudential continues to administer the With Profits Funds for the closed group of AVC members.

Date	Activity
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 (with the exception of the Prudential With Profits Fund) were paid to the new Aegon contract.
On 23 May 2019	All accumulated assets (with the exception of the Prudential With Profits Fund) for the GPS New Joiners DC Structure (pre-1 February 2017) and GPS AVC and SPPP sections were transferred from Prudential to the new contract with Aegon.

The Trustee is satisfied that the Plan's defined contribution services and service levels are competitive. Set out below is an explanation of the processes which the Trustee has had in place over the year to ensure that core financial transactions were processed promptly and accurately.¹³

¹² Reg 26 Administration Regulations

¹³ Reg 23(1)(b) Administration Regulations

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

(d) Processing financial transactions (continued)

EQ Plan Administrator: The Trustee has a service level agreement (SLA) in place with Equiniti Paymaster for administration and investment requirements. The processing of cases within the SLA is measured and controlled through EQ's case management system. Reports within the case management system provide evidence that the measurements and control of SLAs is in place and effective. All SLAs are subject to a right first-time quality measure set at 97%. The standard SLAs broadly cover the following areas: handling of new AVC and SPPP entrants, management of member records, leaver options (including retirements, deaths and transfer-outs), divorce activities and transfers-in. Other tasks undertaken by EQ under the SLA agreement broadly cover administration services (e.g. reconciliation of monthly contribution histories/annual renewals/benefit statements), accounting services (e.g. maintenance of bank accounts) and reporting services. Quarterly reporting highlights exceptions to SLAs and other expected service levels. Agreed processes ensure that any SLA exceptions are notified to the Trustee via the CNPP Secretariat, immediately and dealt with. The Trustee did not identify any defined contribution service SLA exceptions in the Plan year. The Trustee understands Equiniti Paymaster monitors its 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.
- Recording when all necessary employer information is received.
- Monitoring that received monies are invested within 3 days of receipt of all required information.
- Monitoring that 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.

Aegon Plan Administrator: The Trustee has an agreement for the provision of pension administration and investment services 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 agreement details the pensions management and operational DC services that Aegon provides and confirms that Aegon shall use reasonable efforts to perform in accordance with the SLA provided in its tender documentation, in particular those under Regulation 24 such as contribution investment. Broadly, the SLAs cover handling of new entrants, DC contribution processing including allocation and unitisation of contributions and unit holding reconciliations, maintenance of DC and AVC investment choices, leaver options (including retirements, deaths and transfer-outs), divorce activities, transfers-in and provision of information to members (e.g. annual benefit statements).

Monthly Plan Administrator transition reporting highlighted, in March 2019, that five employers had experienced payroll difficulties whilst implementing the new requirements for the authorisation of DC contributions to Aegon. The DC Plan administrator and Trustee immediately worked with the employers and the contribution authorisation issues were resolved satisfactorily. With the exception of a few other instances contributions were received by Aegon within the statutory timeframe, and investment of the funds was within the Plan's file authorisation SLA. The Trustee has worked with the employers to ensure there are no further occurrences. The Trustee is undertaking further discussions with one employer regarding rectification of the contribution receipt matter, working with the employer on resultant employee communications and will summarise in the Chairman's Statement for the Plan year ended 31 March 2021.

Aegon reports quarterly to the Trustee on its performance against the metrics in the SLA. 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.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

(d) Processing financial transactions (continued)

- 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.

Barnett Waddingham Plan Administrator: The Trustee has a service level agreement in place with Barnett Waddingham with regards to the administration requirements for the Nirex Section. The SLAs broadly cover maintenance of member records, leaver options (including retirements, deaths and transfer-outs), divorce activities, reconciliation of AVCs on members' records against those shown on AVC provider statements and provision of information to members. Quarterly reporting is in place to highlight exceptions to SLAs and other expected service levels. Agreed processes ensure that any SLA exceptions are notified to the Trustee via the CNPP Secretariat should they occur and are dealt with. There were no service SLA exceptions in the Plan year. The Trustee understands Barnett Waddingham monitors its performance against these service levels by:

- Monitoring benefit payments are paid within 5 days of receiving the paperwork from the benefits team or on the due date, if later.
- Regular internal audits of administration procedures
- Reviewing the level, causes and resolution of complaints.

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.
- Continuing to review data accuracy following the transition from the previous plan administrator to Aegon.
- Considering member feedback including any complaints.

The Trustee is satisfied that during the year:

- Core financial transactions were processed accurately, promptly and efficiently.¹⁴
- The wider administration of the Plan has generally achieved the agreed service standards.

(e) Trustee knowledge and understanding¹⁵

The Trustee Board is made up of nine Trustee Directors (three Independent, three Member-Nominated and three Employer-nominated Trustee Directors). The Independent Trustee Directors are all professional trustees with relevant qualifications. All Independent Trustee Directors are required by TPR to maintain certain levels of understanding, Continuous Professional Development (CPD) to accredited professional bodies and to keep up to date with current pensions events such as proposed and recently enacted legislation and guidance. For example, acquiring the Accredited Professional Trustee membership which to maintain requires regular 25 hours CPD p.a. On appointment, they also receive an induction from the Secretariat focussing on particular features of the Plan. The Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. Each Trustee Director must:

- Be conversant with the trust deed and rules of the Plan, the Plan's statement of investment principles and any other document recording policy for the time being adopted by the Trustee relating to the

¹⁴ Reg 23(1)(b) Administration Regulations.

¹⁵ Reg 23(1) (d) Administration Regulations

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

(e) Trustee knowledge and understanding (continued)

administration of the Plan generally.

- Have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as trustee director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

The Trustee has measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below.

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:

- All the Trustee Directors are familiar with and have access to copies of the current Plan governing documentation, including the Trust Deed and Rules (together with any amendments), Articles of Association of the Trustee company, the Plan's Defined Contribution Statement of Investment Principles and key policies and procedures. 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.

In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan and, where relevant, deciding individual member cases.

- The Trustee Directors have also demonstrated their working knowledge of Trustee policies and documents throughout the Plan year including:
 - Correct application of conflicts of interest policy and requirements at the beginning of each Trustee meeting.
 - 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.
- During the scheme year the Trustee received ESG training and additional relevant advice regarding requirements on SIP changes from its investment advisers. This training was required for the Trustee's (post 31 March 2020) review of the DC SIP in September 2020. The DC SIP was updated to reflect the required changes from 1 October 2020.
- Further, the Trustee Directors consider that they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.
- All Trustee Directors complete the Pensions Regulator's "Trustee Toolkit" or similar training provided by a Trustee adviser (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, including one appointed during the Plan year who completed the training prior to appointment, have confirmed they have completed the trustee toolkit and one new Trustee Director received the similar training.
- 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.
- There is an induction process for new Trustee Directors. 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 with little or no pension governance knowledge to be trained before they are expected to have achieved the required level of knowledge and understanding. Both Trustee Directors who were appointed during the Plan year have undertaken this, or a similar, induction programme – one had received the training prior to appointment. The current induction programme involves:

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

(e) Trustee knowledge and understanding (continued)

- where possible attending a meeting in a shadow capacity before formal appointment;
 - a briefing with the CNPP Secretariat during the nomination stage for Member Nominated Directors or, the NDA during the selection stage for Employer Nominated Directors, to ensure there is a clear understanding of the role being pursued;
 - completing the TPR online training (the Trustee toolkit) within the first 3 months of being appointed;
 - external training which broadly covers all of the TKU topics at a high level e.g. PLSA Trusteeship training.
 - a session with the CNPP Secretariat and/or the Plan's legal adviser which provides an overview of the duties of a trustee, key documents and other sources of information and training;
 - depending on immediate items of business, training sessions with advisers are arranged, for example a session with advisers on the valuation process;
 - From January 2020 new Trustee Directors are required to complete a TKU self-assessment questionnaire after six months of joining so that the effectiveness of the introductory training can be assessed and further training arranged as required.
- As part of Master Trust requirements, the Trustee utilises a Trustee Skills Matrix which is in place to identify knowledge gaps and allow for succession planning. It has been compiled by the Trustee's advisors and Secretariat utilising TPR guidance developed for commercial master trusts (although the Plan is a non-commercial master trust). The skills matrix covers 29 identified relevant areas including investment and pension administration knowledge, skills and experience (5+ years), finance skills gained through role or professional qualifications.
 - The process is that each Trustee Director will initially be assessed against the criteria in the Trustee Skills Matrix, to establish whether or not they have each of the 'essential', 'desirable' or 'helpful' skills. The Secretariat has extracted skills from the Master Trust Code of Practice, Business Plan Milestones and TPR's example skills matrix that it believes are specific requirements for running a non-commercial Master Trust for employers in the nuclear decommissioning sector. The Secretariat will review the skills, knowledge and experience in the Trustee Skills Matrix annually and assess whether any additional skills are required by reviewing any new legislation, changes to the Business Plan, specific or short-term goals or updates to TPR's guidance on Master Trust trusteeship.
 - As part of the Master Trust Authorisation submission, the Trustee has signed off the Trustee Skills Matrix. A review of the Trustee Skills Matrix will take place annually and will be included in the papers and minutes of the relevant Trustee meeting. Each new Trustee Director will be assessed and added to the Trustee Skills Matrix once they are appointed.
 - Skills marked 'Essential' are required for the Trustee Board to effectively manage the Plan and achieve the objectives set out in the Business Plan. Additionally, at least two Trustee Directors must hold the 'Desirable' skills in order to effectively manage the Plan and at least one of the Trustee Directors must hold the 'Helpful' skills in order to effectively manage the Plan.
 - If there are not enough Trustee Directors with the requisite skills above, in the short-term non-trustees or advisors may be appointed to assist the Trustee Board with the required skills and a plan to upskill or appoint a new Trustee Director with the requisite skills will be put in place. If the Trustee Board has enough Trustee Directors with the knowledge, skills and experience detailed in the Trustee Skills Matrix, then overall the Trustee Board is deemed to have the requisite skills required to exercise its function as the Trustee of the CNPP
- Where appropriate, correspondence is undertaken with line managers of new Trustee Directors to provide information on the requirements of a trustee and manage expectations in relation to the time commitment required.
- As required under the Master Trust, all Trustee Directors have completed an "Individual Fit & Proper Assessment" which includes competency details for Trustee Directors. They must 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. An annual update of the Assessment is undertaken to ensure master trust compliance.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

e) Trustee knowledge and understanding (continued)

- The DC three-year business plan and Master Trust business plan are reviewed by the Trustee at every quarterly Trustee Board meeting.
- Trustee Directors are encouraged to undertake further study and qualifications which support their work as Trustee.
- The effectiveness of these practices and the training received are reviewed and updated annually by the Trustee (and have been reviewed in this Plan year).
- The Trustee held a Board strategy day in May 2019 and, inter alia, considered the optimum allocation of time on Board agendas for DB vs DC and DC agenda presentation to enhance DC governance Board effectiveness.
- The Trustee Directors, including the Trustee Director appointed in October 2019, reviewed and documented their approach to trustee training at their Trustee Board meeting in January 2020 and adopted an agreed Trustee training policy. They considered the current induction programme and having received feedback from the newly inducted Employer-nominated Trustee director who had undertaken the process, improved the Trustee's TKU training process with the following changes:
 - Trustee Directors will be issued with a TKU self-assessment questionnaire every two years which will be based on TPR's TKU requirements. The questionnaire results will be analysed and identify both individual training needs and knowledge gaps which are common across the Trustee. The Trustee will identify improvement in levels of TKU where required. Appropriate training sessions will then be scheduled to support the activities.
 - From January 2020 the process of maintaining individual training records will change with the requirement that Trustee directors inform the Secretariat of training undertaken. The Secretariat will compile and keep Trustee direct training records.

Affiliated/non-affiliated requirements of the Charges & Governance Regulations: The Plan, although a master trust scheme under the Pension Schemes Act 2017 and Master Trust Regulations, is not a "relevant multi-employer scheme" for the purposes of the Scheme Administration Regulations and Charges & Governance Regulations. The Plan is not one which is "promoted" when considering whether the Charges & Governance Regulations provisions apply and therefore the affiliated and non-affiliated issues do not apply.

Activities post 31 March 2020: In May 2020 the Trustee reviewed the process whereby it appoints Member Nominated Directors (MNDs) and has implemented an application and Selection Panel based process for the appointment of future MNDs. The Selection Panel based process will ensure that the members of the Trustee Board have the appropriate skillset, individually and collectively, to govern the Plan effectively and to allow for the retention of key skills through succession planning. A selection process also allows the Trustee to support diversity and inclusion and foster an environment to support candidates who have the willingness and capacity for the role. This is particularly important for mixed benefit schemes with complex governance structures, which must also comply with new regulatory requirements. The Trustee has documented 'Principles for MND Appointments', which encourages attitude, desire, diversity, inclusion and equal opportunities. These Principles and the move to a selection process, are in line with the responses to TPR's Future Trusteeship Governance Consultation.

The Trustee Directors have kept a record of the training they have undertaken (which is reviewed regularly, including in this scheme year, to ensure that it is up to date). During the scheme year the Trustee reviewed its training record to identify knowledge gaps which the Trustee Directors may have. The knowledge gaps identified e.g. ESG were covered during the year. 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 set out in more detail below:

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

(e) Trustee knowledge and understanding (continued)

Date	Topic	Aim	Trainer
15/05/19	Responsible investment covering ESG factors & risks, effective stewardship and disclosure requirements.	Understand legislative changes from 01/10/19 and additional requirements in the DC SIP.	Trustee's investment consultant
15/05/19	Chair's statement, updated disclosure requirements (an annual review incorporating any new required areas).	Understand: regulatory requirements.	Investment consultant
13/06/20	Chair's statement, DWP guidance, cost illustrations and modelling scenarios.	The Trustee Directors agreed the 2019 approach to the Chair's statement modelling.	Investment consultant
30/01/20	Approach to Trustee training and policy.	The Trustee reviewed its approach to training, strengthened new Trustee Directors' induction programme, record maintenance and assessment.	CNPP Secretariat
15/04/20	Master Trust training, skill matrix review, commencement of annual fit & proper reviews, review of Master Trust training logs.	To meet Section 7 of the Pension Schemes Act 2017 to ensure Trustee Directors remain fit & proper both individually and collectively.	Actuarial adviser
10/03/20	Cost transparency and stewardship requirements and responsible investment survey covering DC and DB	To strengthen fiduciary duties of Trustee, particularly in respect of ESG factors.	DB and DC investment consultants working together

The Trustee Directors have demonstrated their working knowledge of Trustee policies and documents throughout the Plan year including:

- Correct application of conflicts of interest policy and requirements at the beginning of each Trustee meeting.
- 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.

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 came 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 consultants and benefit consultants to provide advice on the operation of the Plan in accordance with its Trust Deed and Rules, legislation and regulatory guidance. The actuary and legal advisers attend quarterly Trustee Board meetings and other additional Trustee Board meetings if requested; investment consultants attend quarterly Investment Sub-Committee meetings; and benefit consultants attend Trustee Board meetings as required. All advisers and consultants are available to provide written and/or verbal advice as required. The Trustee has agreed that it will act as if it is a "contracting authority" for the purposes of PCR 2015 and accordingly will have to comply with PCR 2015 when issuing public contracts for services.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

(e) Trustee knowledge and understanding (continued)

The Trustee undertakes annual reviews of the effectiveness of all its advisers on a rolling basis and also periodically reviews the appointment of its advisers. During 2019 the Trustee decided that investment consultancy must be split DB and DC and consequently two separate PCR 2015 procurements were undertaken for separate DB and DC investment consultants. The new DC investment adviser was appointed 16 October 2019 for a period of 8 years.

Owing to the complexities required for PCR 2015 procurements, in January 2020 the Trustee considered and agreed a procurement timetable, subject to work commitments, covering the insurers, auditors, all plan administrators and medical, covenant, legal and actuarial advisers. The following formal reviews' proposed scheduling for 2020/21 are:

Quarter	Adviser/provider
Q4 2020	Insurer
Q2 2021	Auditor
Q2 2021	Actuary

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.

Taking into account the knowledge and experience of the Trustee Directors with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisers (e.g. investment consultants, legal advisers), the Trustee Directors believe they are well placed to exercise their functions as Trustee Directors of the Plan properly and effectively.

The Trustee is also satisfied that during the last Plan 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.

(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:

- In December 2020 conduct a review of the suitability of the default arrangements and other investment options (e.g. self-select funds), including an assessment of the approach towards ESG risks.
- Leveraging CNPP's sector-based structure (to permit a better understanding of underlying members) with the aim of targeting comprehensive, clear and tailored communication strategy for the members within the Plan.
- In September 2020, the Trustee updated the DC SIP to reflect the new regulations on Responsible Investment, stewardship & voting and engagement.
- Monitor the launch and subsequent success of a new, targeted, communications campaign that takes advantage of the tools developed by Aegon.
- Work with DC Plan Administrator in relation to Master Trust best practice with a view to improving the presentation of annual benefit statements.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 1

Combined Nuclear Pension Plan – DC Sections 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, Redington Ltd. 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.

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 2020**

This Statement of Investment Principles supersedes the previous version dated September 2019.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 1 (continued)

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 be able to 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.

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 all 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 may change during their working lives; and
- Some members will want to be more closely involved in choosing where their contributions are invested.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 1 (continued)

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.

Additional detail on the investment options can be found in Appendix 2.

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.

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 as follows:

CPS and GPS New Joiners DC Structure (from 1 February 2017)	March 2019
CPS SPPP and AVCs	March 2019
GPS New Joiners DC Structure (pre-1 February 2017)	April 2019 (contributions) May 2019 (transfer of accumulated assets)
GPS Sections' AVCs	April 2019 (contributions) May 2019 (transfer of accumulated assets)

Following these transfers all members have the same investment options. A closed group of DB Structure members still have AVCs invested in the Prudential With Profits Fund but this is not open to new AVC investors.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 1 (continued)

Default arrangements

The default arrangements are, mainly, a 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.

In addition to the target date funds, the Plan also makes use of a fund called the Replacement Cash Fund (Aegon Cash Fund). This fund was introduced as a result of a decision taken to temporarily close the CNPP Property Fund (due to the suspension of trading by four of the underlying managers) so that contributions could be redirected into the Replacement Cash Fund until such time as the CNPP Property Fund could reopen. As members' contributions are to be directed into this fund without them making an active selection, this fund will be treated as a default for the purpose of fulfilling legislative requirements. The objective of the fund is 'To protect the absolute value of the investment by investing in deposits and other short-term money market instruments.' The fund aims to perform in line with its benchmark which is the 7 day London Interbank Bid (LBID) rate.

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 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 "DC New Joiners Benefit Structure Investment Guide", "Shift Pay Pension Plan Investment Guide" and "AVC Investment Guide".

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.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 1 (continued)

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:

- The risk that market movements in the period just prior to retirement lead to an increase in the cost of turning members' fund values into retirement benefits.
- The risk that an investment manager will not deliver investment returns in line with investment markets generally or other investment managers.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 1 (continued)

- The risk that funds which invest in more illiquid assets will not be able to accept investments or disinvestments requested by the Trustee and/or members.
- The risk that counterparties holding derivative based assets may default leading to a reduction in a fund's value.
- Interest rate risk – the value of funds which invest in bonds will be affected by changes in interest rates.
- 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.
- The risk that environmental, social and corporate governance (“ESG”) issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.
- 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.

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 regularly monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies. This includes monitoring the extent to which investment managers:

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 1 (continued)

- make decisions based on assessments about medium-to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium-to long-term.

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. The Trustee seeks to manage these financially material considerations, to protect long-term returns, by:

- 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; and
- 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 the benchmark index (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 Trustee will review periodically the choice of fund and index benchmarks used.

Implementation

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments. The Trustee reviews the governing documentation associated with any new investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment.

The Trustee has entered into a contract with a platform provider, who makes available to members target date funds that reflect the stage at which each individual member is in during their investment journey and a range of self-select funds. There is no direct relationship between the Plan and the underlying investment manager of the DC investment funds. The Trustee recognises that due to the collective nature of these pooled investments, there is less scope to directly influence how the asset manager invests. However, the Trustee's investment advisors ensure the investment objectives and guidelines of the manager are consistent with that of the Trustee where practicable.

The investment manager's primary role is the day-to-day investment management of the Plan's investments and they are authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The Trustee and the investment manager, to whom discretion has been delegated, exercise their powers to (in line with the principles in this SIP) to encourage business strategies which should improve or protect the value of these investments where reasonably practicable.

The Trustee selects investment managers with an expectation of a long-term arrangement, which encourages active ownership of the underlying assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short-term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 1 (continued)

Alignment between an investment manager's management of each pooled fund's assets and the Trustee's policies and objectives are a fundamental part of the appointment process of a new manager. The following steps are taken to encourage alignment between the Plan and the managers:

- Before investing, the Trustee will seek to understand the manager's approach to ESG (including engagement). The Trustee has limited influence over managers' investment practices because all the Plan's assets are held in pooled funds, however the Trustee will ensure the investment objectives and guidelines of the vehicle are consistent with its own objectives where practicable.
- To maintain alignment, managers are provided with the most recent version of the Plan's SIP, which includes the Trustee's policy on sustainable investment, on an annual basis and are required to explicitly confirm that the assets are managed in line with the Trustee's policies as outlined in those documents.
- Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager may be terminated and replaced.

Additionally, the Trustee has a preference for 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.

Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee reviews the costs and value for money incurred in managing the Plan's assets annually, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate. On a quarterly basis the Trustee also monitors manager performance relative to the relevant benchmark, with a focus on long-term performance.

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.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 1 (continued)

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

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.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 1 (continued)

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.

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 the importance of their role as a steward of capital is to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as ultimately this creates long-term financial value for the Plan and its beneficiaries. The Trustee recognises that good stewardship practices, including engagement and voting activities are important as they help preserve and enhance asset owner value over the long-term.

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 invest 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.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 1 (continued)

The Trustee expects their investment managers to practice good stewardship. This includes monitoring, engaging with issuers of debt or equity on relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and environmental, social or governance considerations, and using voting rights to effect the best possible long-term outcomes.

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. If an incumbent fund manager is found to be falling short of the Trustee's standards, the Trustee will undertake to engage with the fund manager and seek a more sustainable position.

When selecting, monitoring and de-selecting asset managers, stewardship is factored into the decision-making process to the appropriate level for the specific asset class in question.

The Trustee does not engage directly, but believes it is sometimes appropriate for the fund managers to engage with key stakeholders, or relevant persons, 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. The 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.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 1 (continued)

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 2020

Annex 1 (continued)

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 Plan 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 2020

Annex 1 – Appendix 1 (continued)

- 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 2020

Annex 1 (continued)

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	0.78
CNPP Multi-Asset Fund	0.58
CNPP Pre Retirement Fund	0.30
CNPP Index-Linked Gilt Fund	0.19
CNPP Corporate Bonds Fund	0.20
Aegon BlackRock Cash Fund	0.23
Aegon Replacement 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**	0.98

* 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 the Aegon platform.

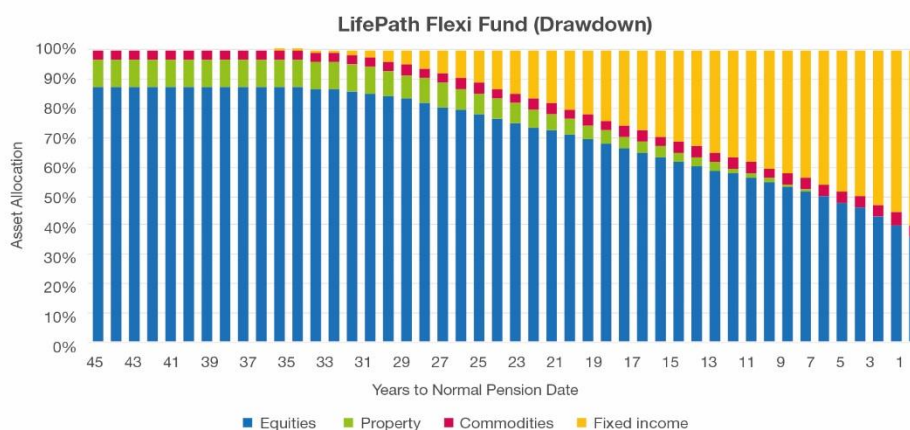
COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

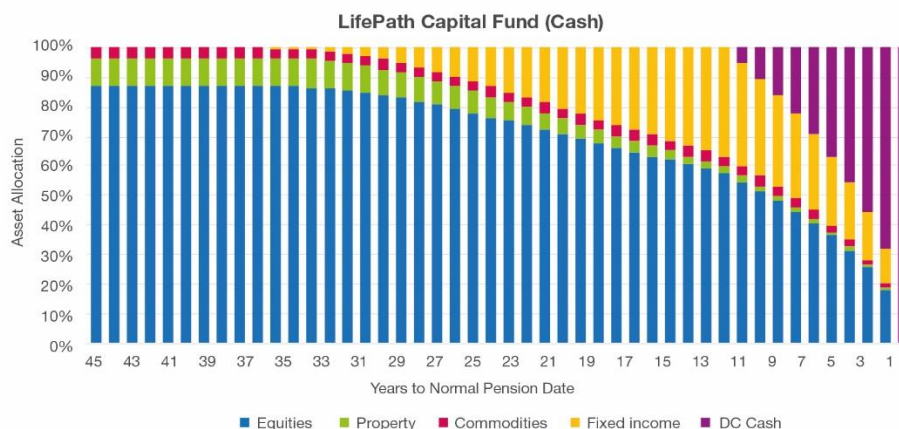
Annex 1 – Appendix 2 (continued)

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:



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 2020

Annex 2

Tables of funds and charges

2a Default arrangements

The funds' annualised charges (as Total Expense Ratios) and transaction costs from 1 April 2019 to 31 March 2020 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 (includes both CPS and GPS Sections)	Aegon BlackRock LifePath Flexi Fund	As this relates to a Target Date Fund range, the ISIN will depend on member retirement age.	0.26	2.60	BlackRock LifePath Flexi Fund	0.02 to 0.11	0.20 to 1.10
SPPP	Aegon BlackRock LifePath Capital Fund	As this relates to a Target Date Fund range, the ISIN will depend on member retirement age.	0.26	2.60	BlackRock LifePath Capital Fund	0.01 to 0.11	0.10 to 1.10
CNPP DC New Joiners Section (includes both CPS and GPS Sections) CNPP DB Structure SPPP and AVCs	Replacement Cash Fund	GB0030155393	0.23	2.30	BlackRock Cash (BLK)	0.01	0.10

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' AMC and Operating Costs and Expenses.

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

2b Lifestyle options outside the default arrangement

The funds' annualised charges (as Total Expense Ratios) and transaction costs from 1 April 2019 to 31 March 2020 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 (includes both CPS and GPS Sections); and CNPP DB Structure AVCs	Aegon BlackRock LifePath Retirement Fund	As this relates to a Target Date Fund range, the ISIN will depend on member retirement age.	0.26	2.60	BlackRock LifePath Retirement Fund	0.01 to 0.11	0.10 to 1.10

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' 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 2020

Annex 2 (continued)

Tables of funds and charges

2c Self-select funds outside the default arrangement

The funds' annualised charges (as "Total Expense Ratios") and transaction costs from 1 April 2019 to 31 March 2020 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
CNPP DC New Joiners Section (includes both CPS and GPS Sections); and CNPP DB Structure AVCs	CNPP Global Equity (ex-UK) Fund	GB00BG49KD77	0.19	1.90	Aegon BlackRock World (ex-UK) Equity Index (BLK)	0.03	0.30
	CNPP Emerging Markets Equity Fund	GB00BYNV2W30	0.34	3.40	Aegon BlackRock Emerging Markets Equity Index (BLK)	-0.06	0.60
	CNPP Global Equity Fund	GB00BG49KG09	0.19	1.90	Aegon BlackRock 50/50 Global Equity Index (BLK)	0.02	0.20
	CNPP UK Equity Fund	GB00BG49KF91	0.19	1.90	Aegon BlackRock UK Equity Index Tracker (BLK)	0.05	0.50
	CNPP Sharia Law Fund	GB00BYNV2Q79	0.48	4.80	Aegon HSBC Islamic Global Equity Index (BLK)	0.04	0.40
	CNPP Property Fund	GB00BYNV2S93	0.78	7.80	Aegon DC Property Fund	-0.06	0.60
	CNPP Multi-Asset Fund	GB00BYNV2R86	0.58	5.80	Aegon BlackRock Dynamic Allocation (BLK)	0.23	2.30
	CNPP Index-linked Gilt Fund	GB00BG49KH16	0.19	1.90	Aegon BlackRock Over 5 year Index-Linked Gilt Index (BLK)	0.02	0.20
	CNPP Corporate Bonds Fund	GB00BYNV2V23	0.20	2.00	Aegon BlackRock Corporate Bond All-Stocks Index (BLK)	0.04	0.40
	CNPP Pre-Retirement Fund	GB00BG49KJ30	0.30	3.00	Aegon BlackRock Pre-Retirement (BLK)	0.03	0.40
	Aegon BlackRock Cash Fund	GB0030155393	0.23	2.30	BlackRock Cash (BLK)	0.01	0.10

Source: Aegon Investment Solutions Limited

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 2 (continued)

2d AVCs for members in the GPS Section up to 31 March 2020

The funds' charges (as Total Expense Ratios) and transaction costs in the last year for the Prudential AVC funds to 31 March 2020 were:

Prudential Fund (up to 31 March 2020)	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 With Profits Fund (closed to new investors)	OBMG	0.98 ***	9.80	n/a	0.11	1.10

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' AMC and Operating Costs and Expenses.

*** Average across all With Profits policyholders.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 3

Illustrations of the impact of costs and charges

Background

The Trustee is required to produce an illustration for members of the DC structure, which shows the cumulative effect of costs and charges on the value of member savings within the Plan over different time periods.

This includes transaction costs which are a necessary part of buying and selling a fund's underlying investments, in order to achieve their investment objective. These are not new or additional charges. They have always been there, within the unit price of the funds, but are now being made explicitly visible to allow comparison against similar funds and facilitate understanding of their impact on investment returns.

As each member has a different amount of savings within the Plan and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has made several assumptions about what these might be. Members should be aware that such assumptions may or may not be true, so the illustrations do not promise what could happen in the future.

The tables on the following pages show potential impact of that the cost and charges might have on different investment options available to members through the DC structure and the illustration shows how they could affect the growth of members' pension pots. Please note, not all investment options are shown in the illustrations.

Illustration assumptions

1. The tables illustrate the potential impact fund costs may have on the projected value of monies invested in an average member's pension plan over various time periods.
2. All the figures illustrated here are only examples and are not guaranteed or projections of a member's pension plan – they are not minimum or maximum amounts. Please refer to member specific annual account statement for an estimate of member specific pension pots.
3. Members could get back more or less than the illustrations and members may also get back less than the amount invested.
4. Investment return in real terms: this is the effective annual growth rate of an investment after adjusting for the inflation rate.
5. The starting fund value used for the illustrations is £38,495 (this is close to the median value of the total holdings within the DC structure).
6. Contributions are paid monthly and are assumed to be 20.5% of the median salary (increasing by 3.5% each year in line with assumed salary increases).
7. Inflation is assumed to be 2.0% each year.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 3 (continued)

Fund transactional charges and costs total (%)

DEFAULT OPTION ASSUMPTIONS					
Default Name	Investment Returns**	Inflation*	TER**	Transaction costs**	Net (Real) Return***
Aegon BlackRock LifePath – Flexi (BLK)	3.27% - 5.95%	2.0%	0.26%	0.07%	1.01% - 3.69%
Aegon BlackRock LifePath – Capital (BLK)	1.05% - 5.95%	2.0%	0.26%	0.07%	-1.20% - 3.70%

FUND ASSUMPTIONS					
Fund name	Investment Returns	Inflation	TER**	Transaction costs	Net (Real) Return
CNPP Global Equity ex UK	6.00%	2.0%	0.19%	0.03%	3.81%
CNPP Property	5.00%	2.0%	0.78%	-0.06%	2.22%
Aegon BlackRock Cash (BLK)	1.05%	2.0%	0.23%	0.01%	-1.18%

Investment Returns: SMPI investment returns sourced from Aegon as at 31 March 2020

Inflation: standard inflation assumption for FCA

TER (Total Expense Ratio): Annual Management Charge including Additional Annual Expenses, sourced from Aegon as at 31 March 2020

Transaction costs: 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 01/04/19 to 31/03/20, sourced from Aegon

Net (Real) Returns are gross of Transaction Costs

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 3 (continued)

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.

The default Aegon BlackRock LifePath Flexi and Aegon BlackRock LifePath Capital investment options are where the majority of members are invested.

STARTING FUND: £38,495; FUTURE CONTRIBUTION: from £8,370 p.a. growing at 3.5% annually				
Fund value at end of year	Aegon BlackRock LifePath Flexi (BLK)		Aegon BlackRock LifePath Capital (BLK)	
	Before charges	After all charges	Before charges	After all charges
1	£48,221	£48,095	£48,221	£48,099
3	£69,589	£69,075	£69,589	£69,090
5	£93,165	£92,089	£93,165	£92,121
10	£163,047	£159,617	£163,047	£159,718
15	£251,369	£243,790	£251,369	£244,012
20	£361,673	£347,485	£361,673	£347,898
25	£494,767	£470,829	£494,767	£471,522
30	£647,170	£609,891	£647,170	£610,965
35	£814,119	£759,716	£814,119	£761,274
40	£990,350	£915,111	£990,350	£917,252
45	£1,169,957	£1,070,544	£1,143,847	£1,049,382
49	£1,310,324	£1,189,755	£1,221,977	£1,112,759

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 3 (continued)

The CNPP Global Equity ex UK and Aegon BlackRock Cash funds 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 the CNPP Property fund is the fund with the highest charges.

STARTING FUND: £38,495; FUTURE CONTRIBUTION: from £8,370 p.a. growing at 3.5% annually						
Fund value at end of year	CNPP Global Equity ex UK		CNPP Property		Aegon BlackRock Cash	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	£48,240	£48,156	£47,859	£47,585	£46,349	£46,256
3	£69,666	£69,324	£68,123	£67,033	£62,268	£61,922
5	£93,325	£92,609	£90,112	£87,873	£78,389	£77,720
10	£163,560	£161,270	£153,428	£146,590	£119,648	£117,871
15	£252,509	£247,432	£230,350	£215,849	£162,417	£159,106
20	£364,431	£354,874	£323,281	£297,161	£206,884	£201,621
25	£504,509	£488,154	£435,024	£392,235	£253,247	£245,616
30	£679,049	£652,759	£568,838	£503,003	£301,718	£291,305
35	£895,718	£855,299	£728,518	£631,650	£352,521	£338,907
40	£1,163,839	£1,103,728	£918,476	£780,640	£405,893	£388,656
45	£1,494,740	£1,407,619	£1,143,841	£952,754	£462,086	£440,799
49	£1,813,816	£1,698,326	£1,353,601	£1,109,190	£509,254	£484,410

Further notes

In order to meet each fund's investment objective, it will sometimes be necessary to buy and sell underlying investments. In doing so, the fund may need to pay broker commissions and transfer taxes (such as stamp duty reserve tax (SDRT)).

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 3 (continued)

In the case of shares, broker commissions and transfer taxes are paid by the fund on each transaction. In the case of fixed income securities such as bonds, transaction costs are incurred indirectly through what is known as the dealing spread – the difference between the prices paid to buy and sell the underlying investments in the fund.

Comparing the portfolio transaction costs for a range of funds may give a false impression of the relative costs of investing in them for the following reasons:

- Transaction costs do not necessarily reduce returns. The net impact of dealing is the combination of the effectiveness of the manager's investment decisions in improving returns and the associated costs of investment
- Historical transaction costs are not an effective indicator of the future impact on performance
- Transaction costs for buying and selling investments due to other investors joining or leaving the fund may be recovered by investors.

For further information please refer to the Pricing Policy notes which follow:

- Transaction costs vary depending on the types of investment in which a fund invests
- As the manager's investment decisions are not predictable, transaction costs are also not predictable

Note: Transaction costs may vary significantly from year to year and please note that transaction costs are not captured in the ongoing charges figures. They are an additional expense charged directly to the fund and are reflected in daily fund prices (and net performance). The transactions costs in this document relate only to explicit costs that are incurred as a result of trading activity.

COMBINED NUCLEAR PENSION PLAN

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Annex 3 (continued)

The assumptions used in the illustrations are:

Data Item	Assumption	Reason
Existing Account value	£38,495	Median existing account value across Plan (rounded to nearest £1,000). Calculated by listing the total holdings of each member in the Plan from the lowest to the highest value and selecting the middle value.
Member pensionable salary	£40,830	Median salary across Plan (rounded to nearest £1,000). Calculated by listing the pensionable salary of each member in the Plan from the lowest to the highest value and selecting the middle value.
Illustration term	49 years	Age of youngest member (16) to Plan Normal Retirement Age (65)
Contribution rate	7% EE, 13.5% ER	Median contribution rates across Plan 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 1.05% CNPP Global Equity 6.00% CNPP Property 5.00%	Growth rates are aligned with the growth rates in Aegon's annual SMPI assumptions.
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).

COMBINED NUCLEAR PENSION PLAN

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

Opinion

We have audited the financial statements of the Combined Nuclear Pension Plan ("the Plan") for the year ended 31 March 2020 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 4.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year ended 31 March 2020 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Going concern

The Trustee has prepared the financial statements on the going concern basis as they do not intend to wind up the Plan, and as they have concluded that the Plan's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Plan and analysed how those risks might affect the Plan's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Plan will continue in operation.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's Report (including the report on actuarial liabilities, the DB structure and DC structure implementation statements and the summary of contributions), the Combined Nuclear Pension Plan Chairman's Statement, and the actuarial certification of the schedule of contributions. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

COMBINED NUCLEAR PENSION PLAN

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

Other information (continued)

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

Trustee's responsibilities

As explained more fully in their statement set out on page 54, the Plan Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to wind up the Plan, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

P Marco

26 October 2020

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

COMBINED NUCLEAR PENSION PLAN

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2020

		DB Structure	DC Structure	For the Year Ended 31 March 2020 £000	For the Year Ended 31 March 2019 £000
	Note	2020 £000	2020 £000	2020 £000	2019 £000
Contributions and Benefits					
Members' Contributions	5	35,588	15,316	50,904	47,292
Employers' Contributions	6	112,076	31,553	143,629	144,180
Contributions		147,664	46,869	194,533	191,472
Other Income	8	7	888	895	833
		147,671	47,757	195,428	192,305
Benefits	9	(48,843)	(1,455)	(50,298)	(42,733)
Payments to and on account of Leavers	10	(43,269)	(5,640)	(48,909)	(38,509)
Administrative Expenses	11	(121)	(1)	(122)	(128)
		(92,233)	(7,096)	(99,329)	(81,370)
Net Additions from Dealings with Members		55,438	40,661	96,099	110,935
Returns on Investments					
Investment Income	12	9,594	-	9,594	13,802
Change in Market Value of Investments	14	(163,193)	(28,067)	(191,260)	190,830
Investment Management Expenses	20	(3,014)	42	(2,972)	(3,776)
Net Returns on Investments		(156,613)	(28,025)	(184,638)	200,856
Net (Decrease)/Increase in the Fund During the Year		(101,175)	12,636	(88,539)	311,791
Transfers Between DB/DC Structures		(106)	106	-	-
Net Assets of the Plan at 1 April		2,899,152	261,781	3,160,933	2,849,142
Net Assets of the Plan at 31 March		2,797,871	274,523	3,072,394	3,160,933

The notes on pages 104 to 128 form an integral part of these financial statements.

COMBINED NUCLEAR PENSION PLAN

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 MARCH 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
DB Structure			
Investment Assets	14		
Pooled Investment Vehicles	15	2,642,113	2,770,508
Insurance Policies	16	17,100	-
AVC and SPPP Investments	18	118,695	117,111
Cash Deposits	14	12,254	33
Cash in Transit	14	866	-
Other Investment Balances	14	-	2,559
Total Investments		2,791,028	2,890,211
Investment Liabilities	14		
Other Investment Balances	14	-	(2,559)
Total Net Investments		2,791,028	2,887,652
Current Assets	23	9,551	12,613
Current Liabilities	23	(2,708)	(1,113)
Total Net Assets of DB Structure		<u>2,797,871</u>	<u>2,899,152</u>
	Note	31 March 2020 £'000	31 March 2019 £'000
DC Structure			
Investment Assets	14		
Pooled Investment Vehicles	15	271,140	258,489
Cash in Transit	14	3,164	2,976
Total Net Investments		274,304	261,465
Current Assets	23	768	358
Current Liabilities	23	(549)	(42)
Total Net Assets of DC Structure		<u>274,523</u>	<u>261,781</u>
Total Net Assets of the Plan at 31 March		<u>3,072,394</u>	<u>3,160,933</u>

COMBINED NUCLEAR PENSION PLAN

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 MARCH 2020

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

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

The notes on pages 104 to 128 form an integral part of these financial statements.

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

Trustee Director: A Whalley

Trustee Director: A Oldham

Date: 22 October 2020

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued by the Financial Reporting Council and with guidance set out in the Statement of Recommended Practice (SORP).

This is the first set of financial statements in which the Plan Trustee has adopted the amendments to FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland Triennial Review 2017. Incremental improvements and clarification issued December 2017, and the SORP (Revised 2018). The adoption of the revised SORP has had no material impact on the financial statements, although it has required certain additions to or amendments of disclosures in the financial statements

The financial statements have been prepared on a going concern basis. The Trustee considers this to be appropriate as it believes that the Plan has adequate resources to meet pension payments in the normal course of affairs for at least the next twelve months. In reaching this conclusion, the Trustee has assessed the impact of the Covid-19 pandemic in terms of the effect on the Plans assets and the technical provisions. The Trustee has received advice from an independent covenant expert in respect of the 2019 Valuation for all Participating Employers within the Plan and during the Plan year on the following Participating Employers: Springfields Fuels Limited and Westinghouse Electric. The nature of the participating employers in the Plan is to provide nuclear decommissioning services and while there may be some short term operational impact from the effect of Covid-19, there should not be any material change to the employer covenants. In particular, the Lead Employer, the Nuclear Decommissioning Authority, is a non-departmental public body. It is therefore expected that the participating employers can continue to support the Plan and continue to make contributions as they fall due but the Trustee will monitor the situation. At the date of signing these financial statements the Trustee believes that, due to the Plan's well-hedged investment strategy and funding, the Fund is able to cover its expected outgoings for at least 12 months from the date of signing. As a result, the Trustee considers the preparation of the financial statements on a going concern basis to be appropriate.

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Plan is established as a trust under English Law. The address for enquiries to the Plan is included in the Trustee's Report.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

3. COMPARATIVE DISCLOSURES FOR THE FUND ACCOUNT

	Note	DB Section 2019 £'000	DC Section 2019 £'000	For the Year Ended 31 March 2019 £'000
Contributions and Benefits				
Members' Contributions	5	33,697	13,595	47,292
Employers' Contributions	6	116,303	27,877	144,180
Contributions		150,000	41,472	191,472
Transfers In	7	-	-	-
Other Income	8	99	734	833
		150,099	42,206	192,305
Benefits	9	(41,488)	(1,245)	(42,733)
Leavers	10	(35,245)	(3,264)	(38,509)
Administrative Expenses	11	(127)	(1)	(128)
		(76,860)	(4,510)	(81,370)
Net Additions from Dealing with Members		73,239	37,696	110,935
Returns on Investments				
Investment Income	12	13,802	-	13,802
Change in Market Value of Investments	14	176,211	14,619	190,830
Investment Management Expenses	20	(3,187)	(589)	(3,776)
Net Returns on Investments		186,826	14,030	200,856
Net Increase in the Fund During the Year		260,065	51,726	311,791
Transfers Between DB/DC Structure		-	-	-
Net Assets of the Plan At 1 April		2,639,087	210,055	2,849,142
Net Assets of the Plan At 31 March		2,899,152	261,781	3,160,933

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

4. ACCOUNTING POLICIES

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

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

4.2 **Contributions**

Employee contributions, including those where members are auto-enrolled are accounted for when they are deducted from pay by the employer, on an accruals basis.

Employer and Employee normal contributions, including AVC and SPPP contributions, are accounted for on an accruals basis at rates agreed between the Trustee and the employer based on the Schedule of Contributions.

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

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

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

4.3 **Payments to Members**

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

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

4.4 **Transfers**

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

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

4.5 **Foreign Currencies**

The functional and presentational currency of the Plan is sterling.

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

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

4. ACCOUNTING POLICIES (continued)

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

4.6 Expenses

With the exception of the GPS EnergySolutions Section, administration and investment manager expenses have been met separately by the employers.

Direct administration costs for DC administration are charged to the structure to which they relate and met by the members from disinvested units.

Costs, charges or expenses or any amount required to reimburse the Trustee related to the GPS EnergySolutions Section is met from the Section funds.

4.7 Investments

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

The AVCs, SPPP and DC Structure funds are shown as the total of the funds valued by the investment manager at the period end.

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

Annuities purchased in the name of the Trustee which fully provide the pension benefits for certain members are included in these Financial Statements at the moment of the related obligation, determined using the market value basis (namely, best estimate reserve basis). Annuity valuations are provided by the Annuity provider. Annuities are issued by Just Retirement Limited.

4.8 Investment Income

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

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

Income received from pooled investment vehicles which are not accumulation funds are included in the purchases within individual funds and is recognised in investment income.

Receipts from insurance policies held by the Trustee to fund benefits payable to Plan members are included within investment income on an accruals basis.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

5. MEMBERS' CONTRIBUTIONS

	DB Structure 2020 £'000	DC Structure 2020 £'000	For the Year Ended 31 March 2020 £'000
Normal	20,757	15,316	36,073
AVCs	10,508	-	10,508
SPPP contributions	4,323	-	4,323
	35,588	15,316	50,904

	<i>DB Structure 2019 £'000</i>	<i>DC Structure 2019 £'000</i>	<i>For the Year Ended 31 March 2019 £'000</i>
Normal	21,449	13,595	35,044
AVCs	8,555	-	8,555
SPPP contributions	3,693	-	3,693
	33,697	13,595	47,292

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

6. EMPLOYERS' CONTRIBUTIONS

	DB Structure 2020 £'000	DC Structure 2020 £'000	For the Year Ended 31 March 2020 £'000
Normal	104,617	31,553	136,170
Additional	375	-	375
SPPP Contributions	4,178	-	4,178
Deficit Funding	2,906	-	2,906
	112,076	31,553	143,629

The deficit contributions for the year ended 31 March 2020 include:

- £556,000 for the Nirex Section
- £1,400,000 for the CNPP SFL2 Section
- £550,000 for the GPS WEC Section
- £400,000 for the CNPP DSRL Section

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

See pages 10 to 14 for the recovery plan details for each Section.

There were no Augmentation payments for the year ended 31 March 2020.

	DB Structure 2019 £'000	DC Structure 2019 £'000	For the Year Ended 31 March 2019 £'000
Normal	107,987	27,877	135,864
Additional	250	-	250
Augmentations	884	-	884
SPPP Contributions	4,276	-	4,276
Deficit Funding	2,906	-	2,906
	116,303	27,877	144,180

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7. TRANSFERS IN

There were no Transfers In for the year ended 31 March 2020 or 2019.

8. OTHER INCOME

	DB Structure 2020 £'000	DC Structure 2020 £'000	For the Year Ended 31 March 2020 £'000
Claims on Term Insurance Policies	-	888	888
Other Income	7	-	7
	<u>7</u>	<u>888</u>	<u>895</u>

	<i>DB Structure 2019 £'000</i>	<i>DC Structure 2019 £'000</i>	<i>For the Year Ended 31 March 2019 £'000</i>
Claims on Term Insurance Policies	99	727	826
Other Income	-	7	7
	<u>99</u>	<u>734</u>	<u>833</u>

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

9. BENEFITS

	DB Structure 2020 £'000	DC Structure 2020 £'000	For the Year Ended 31 March 2020 £'000
Pensions	25,817	-	25,817
Commutations and lump sums	19,697	1	19,698
Taxation where Lifetime or Annual Allowance Exceeded	150	-	150
Purchase of Annuities	2,341	163	2,504
Death Benefits	838	1,291	2,129
	48,843	1,455	50,298

	DB Structure 2019 £'000	DC Structure 2019 £'000	For the Year Ended 31 March 2019 £'000
Pensions	22,449	-	22,449
Commutations and lump sums	16,344	46	16,390
Taxation where Lifetime or Annual Allowance Exceeded	31	-	31
Purchase of annuities	1,673	124	1,797
Death benefits	991	1,075	2,066
	41,488	1,245	42,733

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	DB Structure 2020 £'000	DC Structure 2020 £'000	For the Year Ended 31 March 2020 £'000
Transfers Out - Individual	43,269	5,619	48,888
Refunds	-	21	21
	43,269	5,640	48,909

	<i>DB Structure 2019 £'000</i>	<i>DC Structure 2019 £'000</i>	<i>For the Year Ended 31 March 2019 £'000</i>
Transfers Out - Individual	35,234	3,264	38,498
Refunds	11	-	11
	35,245	3,264	38,509

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

11. ADMINISTRATIVE EXPENSES

	DB Structure 2020 £'000	DC Structure 2020 £'000	For the Year Ended 31 March 2020 £'000
Bank Charges	1	-	1
Administration and Processing	120	1	121
	<u>121</u>	<u>1</u>	<u>122</u>

£120,000 was in relation to the administrative expenses for the GPS EnergySolutions Section.
Except as noted above, administrative expenses of the Plan are borne by the sponsoring employers.

	DB Structure 2019 £'000	DC Structure 2019 £'000	For the Year Ended 31 March 2019 £'000
Bank Charges	6	1	7
Administration and Processing	121	-	121
	<u>127</u>	<u>1</u>	<u>128</u>

£121,000 was in relation to the administrative expenses for the GPS EnergySolutions Section.
Except as noted above, administrative expenses of the Plan are borne by the sponsoring employers.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

12. INVESTMENT INCOME

	DB Structure 2020 £'000	DC Structure 2020 £'000	For the Year Ended 31 March 2020 £'000
Income from Pooled Investment Vehicles	8,957	-	8,957
Interest on Cash Deposits	13	-	13
Annuity Income	624	-	624
	<u>9,594</u>	<u>-</u>	<u>9,594</u>

	<i>DB Structure 2019 £'000</i>	<i>DC Structure 2019 £'000</i>	<i>For the Year Ended 31 March 2019 £'000</i>
Income from Pooled Investment Vehicles	13,792	-	13,792
Interest on Cash Deposits	10	-	10
	<u>13,802</u>	<u>-</u>	<u>13,802</u>

13. TAX

The Plan is a registered pension scheme for tax purposes under the Finance Act 2004. The Plan is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

14. INVESTMENTS

MOVEMENTS IN INVESTMENTS

DB Structure

	Value at 1 April 2019 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31 March 2020 £'000
Pooled Investment Vehicles	2,770,508	179,330	(155,965)	(151,760)	2,642,113
Insurance Policy	-	24,640	-	(7,540)	17,100
AVC and SPPP Investments	117,111	23,657	(18,180)	(3,893)	118,695
	<u>2,887,619</u>	<u>227,627</u>	<u>(174,145)</u>	<u>(163,193)</u>	<u>2,777,908</u>
Cash Deposits	33				12,254
Cash in Transit	-				866
Other Investment Balances					
Accrued Investment Income	2,559				-
Unsettled Transactions	(2,559)				-
	<u>2,887,652</u>				<u>2,791,028</u>

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

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

The "With-Profits" policies remain with the Prudential Assurance Company Limited. All AVC and SPPP investments within the DB Structure are allocated to members.

Switches between funds for the AVC and SPPP Investments of £19.2m have been excluded from the sales and purchases in the table above.

DC Structure

	Value at 1 April 2019 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31 March 2020 £'000
Pooled Investment Vehicles	258,489	63,375	(22,657)	(28,067)	271,140
Cash in transit	<u>2,976</u>				<u>3,164</u>
	<u>261,465</u>				<u>274,304</u>

All investments in the DC Structure are allocated to members.

Switches between funds for the Pooled Investment Vehicles of £40.8m have been excluded from the sales and purchases in the table above.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

15. POOLED INVESTMENT VEHICLES

	DB Structure 2020 £'000	DC Structure 2020 £'000	31 March 2020 £'000
Client Specific Funds (Note 17)	1,130,200	-	1,130,200
Bond Funds	695,890	14,288	710,178
Equity Funds	230,245	47,074	277,319
Property Funds	327,186	452	327,638
Private Equity Funds	43,730	-	43,730
Diversified Growth Funds	172,420	-	172,420
Hedge Funds	36,863	-	36,863
Liquidity Funds	5,579	4,853	10,432
Multi Asset	-	204,473	204,473
	2,642,113	271,140	2,913,253

	DB Structure 2019 £'000	DC Structure 2019 £'000	31 March 2019 £'000
Client Specific Funds (Note 17)	1,231,120	-	1,231,120
Bond Funds	732,399	12,886	745,285
Equity Funds	247,047	61,057	308,104
Property Funds	324,378	241	324,619
Private Equity Funds	38,977	-	38,977
Diversified Growth Funds	175,713	-	175,713
Hedge Funds	18,769	-	18,769
Liquidity Funds	2,105	4,389	6,494
Multi Asset	-	179,916	179,916
	2,770,508	258,489	3,028,997

16. INSURANCE POLICY

The Trustee purchased an insurance policy from Just Retirement in May 2019 to cover the Buy-In arrangement for a subset of members. The policy provides benefits for the subset of members and has been purchased as an exact match for the future liabilities of these members. No collateral arrangements are in place as part of this policy.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

17. CLIENT SPECIFIC FUNDS

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

	DB Structure 2020 £'000	DC Structure 2020 £'000	31 March 2020 £'000
Legal & General			
Equities	568,728	-	568,728
Bond Funds	221,901	-	221,901
Liquidity Funds	159,119	-	159,119
Cash	(1,404)	-	(1,404)
Accruals	3,753	-	3,753
Partners			
Private Equity Funds	86,317	-	86,317
Multi Credit Funds	72,995	-	72,995
Cash	15,847	-	15,847
Derivatives	1,430	-	1,430
Other Investment Balances	1,514	-	1,514
	1,130,200	-	1,130,200

	DB Structure 2019 £'000	DC Structure 2019 £'000	31 March 2019 £'000
Legal & General			
Equities	687,621	-	687,621
Bond Funds	280,983	-	280,983
Liquidity Funds	83,328	-	82,328
Cash	(2,399)	-	(2,399)
Accruals	3,600	-	3,600
Partners			
Private Equity Funds	91,005	-	91,005
Multi Credit Funds	86,982	-	86,982
	1,231,120	-	1,231,120

The negative cash figures above are due to timing differences of cash movement

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

18. AVC AND SPPP INVESTMENTS

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

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

	DB Structure	DC Structure	For the Year Ended 31 March 2020 £'000
	2020 £'000	2020 £'000	
Prudential AVC			
With-Profits Funds	3,586	-	3,586
Unit-Linked Funds	3	-	3
Prudential SPPP			
With-Profits Funds	71	-	71
Aegon AVC and SPPP			
Bond Funds	6,581	-	6,581
Equity Funds	18,955	-	18,955
Property Funds	162	-	162
Liquidity Funds	7,851	-	7,851
Multi Asset	81,486	-	81,486
	118,695	-	118,695

	DB Structure	DC Structure	For the Year Ended 31 March 2019 £'000
	2019 £'000	2019 £'000	
Prudential AVC	10,703	-	10,703
Prudential SPPP	69	-	69
Aegon AVC and SPPP	106,339	-	106,339
	117,111	-	117,111

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

19. CONCENTRATION OF INVESTMENTS

The following investments, excluding UK Government securities, account for more than 5% of the Plan's net assets as at 31 March 2020.

	Market Value 2020 £'000	2020 %	<i>Market Value</i> <i>2019</i> <i>£'000</i>	<i>2019</i> <i>%</i>
Legal & General Client Specific Unitised Equity Fund	570,457	18.6	688,940	21.8
Legal & General Client Specific Unitised Leveraged Gilt Fund	381,640	12.4	364,193	11.5
MFS Global Equity Fund	230,245	7.5	247,047	7.8
Insight UK Corporate All Maturities Bond Fund	187,496	6.1	179,536	5.7
Partners CNPP Private Markets	178,103	5.8	177,987	5.6

20. INVESTMENT MANAGEMENT EXPENSES

	DB Structure 2020 £'000	DC Structure 2020 £'000	For the Year Ended 31 March 2020 £'000
Administration, Management & Custody	3,706	-	3,706
Annual Management Charge	9	(42)	(33)
Investment Fee Rebate	(701)	-	(701)
	3,014	(42)	2,972

The Annual Management Charge for the DC Structure consists of an over accrual from the prior year.

Due to the change from unbundled administration by Aon to bundled administration by Scottish Equitable plc (branded as Aegon), Annual Management Charges are now no longer separately charged.

	<i>DB Structure</i> <i>2019</i> <i>£'000</i>	<i>DC Structure</i> <i>2019</i> <i>£'000</i>	<i>For the Year</i> <i>Ended</i> <i>31 March</i> <i>2019</i> <i>£'000</i>
Administration, Management & Custody	3,646	-	3,646
Annual Management Charge	250	589	839
Investment Fee Rebate	(709)	-	(709)
	3,187	589	3,776

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

21. FAIR VALUE

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

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

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

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

	At 31 March 2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
DB Structure				
Pooled Investment Vehicles	3,077	2,053,155	585,881	2,642,113
Insurance Policies	-	-	17,100	17,100
AVC and SPPP Investments	-	114,873	3,822	118,695
Cash Deposits	12,254	-	-	12,254
Cash in Transit	866	-	-	866
	16,197	2,168,028	606,803	2,791,028

DC Structure

Pooled Investment Vehicles	-	270,690	450	271,140
Cash in transit	3,164	-	-	3,164
	3,164	270,690	450	274,304

	At 31 March 2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
DB Structure				
Pooled Investment Vehicles	1,976	2,208,422	560,110	2,770,508
AVC and SPPP Investments	-	106,339	10,772	117,111
Cash Deposits	33	-	-	33
Accrued Investment Income	2,559	-	-	2,559
Other Investments	(2,559)	-	-	(2,559)
	2,009	2,314,761	570,882	2,887,652

DC Structure

Pooled Investment Vehicles	-	258,489	-	258,489
Cash in transit	2,976	-	-	2,976
	2,976	258,489	-	261,465

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

21. FAIR VALUE (continued)

As a result of the Covid-19 pandemic, the major property valuation firms in the UK and their professional body, the Royal Institute of Chartered Surveyors (RICS) concluded unanimously that they are now faced with an unprecedented set of circumstances on which to base a valuation judgement and are thus required to include a 'Market Valuation Uncertainty' clause to their valuations. This means that the traditional valuation process for the DB pooled investment property funds held with Legal & General, Threadneedle and Aberdeen Standard at the year-end with valuation in these accounts of £327m is also subject to material uncertainty. As a result of this uncertainty the fund managers also suspended trading for the funds in March 2020 although Aberdeen Standard Long Lease Property Pension Fund has subsequently had the suspension lifted on 3 August 2020, Threadneedle on 30 September 2020 and Legal & General Managed Property Fund on 1 October 2020.

The Property funds held with Scottish Equitable (formerly branded as Aegon) at the year-end with valuation in these accounts for DC and AVC/SPP of £450k and £162k respectively is also subject to material uncertainty. As a result of this uncertainty Scottish Equitable have also suspended trading for the funds in March 2020.

These funds have been classified as level three for the purposes of the Fair Value Hierarchy.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

22. INVESTMENT RISK

Investment Risks

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

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

It defines market risk as:

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

- Interest rate risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates
- Currency risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates
- Other price risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market”

It defines credit risk as:

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

The key risks associated with the current investment strategy are:

Defined Benefit Structure

Credit risk

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

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

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate, and diversification of investments amongst a number of pooled arrangements, although the pooled investment vehicles themselves are not credit rated. The Trustee carries out due diligence checks prior to the appointment of new managers and, on an ongoing basis, monitors any changes to the operating environment of the pooled manager. In addition, there is direct credit risk arising from the insurance policy purchased for the EnergySolutions section.

Pooled fund investments arrangements used by the Plan can include unit linked insurance contracts, authorised unit trusts, unauthorised exempt unit trusts, OEIC and SICAVs.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

22. INVESTMENT RISK (continued)

Interest rate risk

The Plan is subject to indirect interest rate risk due to the assets invested in bonds, secured loans and gilts, held through pooled investment vehicles. These assets are held in both the CIP Bond Fund and the CIP Growth Fund.

The majority of the Plan's interest rate risk hedging is delivered through investment in an Index-linked Gilt Client Specific Unitised Fund (ILG CSUF) managed by Legal & General. The composition of the fund consists of individual leveraged inflation-linked gilt funds, and cash (via the Sterling Liquidity Fund). These funds are held in a combined portfolio that is expected to hedge interest rate and inflation risks in relation to a portion of the Plan's liabilities.

The degree of protection depends on the underlying strategies for each Section of the Plan, with the proportion of assets invested in the CIP Bond Fund which ranges from c.15% to c.60% (unleveraged exposure) depending on the investment strategy adopted for each Section.

The Plan is not subject to direct interest rate risk.

Currency risk

The Plan has direct exposure to currency risk, as some of the pooled funds in which it invests are denominated in currencies other than Sterling. Therefore, currency risk is the risk that the fair value or future cash flows of the pooled fund will fluctuate because of changes in foreign exchange rates. The Trustee is satisfied that the expected benefits from allowing the Plan to invest in funds denominated in foreign currencies compensate for the associated currency risk.

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

The table below summarises the Plan's direct currency risk as at 31 March 2019 and 2020.

Currency	31 March 2020 (£'000) (*)	31 March 2019 (£'000)
US Dollar	80,593	57,744
Euro (on a look through basis)	86,317	91,005

Note: (*). GBP equivalent values at 31 March 2020 are estimated using the mid-rate from WM/Reuters on 31 March 2020.

Other price risk

Indirect other price risk arises principally from the Plan's return seeking portfolio, which includes indirectly held equities, diversified growth funds, secured loans and property. A number of the Plan's investment managers may use derivatives as a way of obtaining efficient exposure to investment markets. The Trustee manages other price risk by constructing a diverse portfolio of investments across various markets and with various investment managers.

There are no other direct other price risks, however the Plan is the sole investor in the equity client specific fund held with Legal & General.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

22. INVESTMENT RISK (continued)

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

Asset class	31 March 2020 £'000	31 March 2019 £'000	Credit risk	Interest rate risk	Currency risk	Other price risk
Equities (Legal & General, MFS)	800,702	935,988*	No	No	Yes	Yes
Private Equity (Partners)	86,317	91,005	No	No	Yes	Yes
Property (Legal & General, Columbia Threadneedle, Aberdeen Standard)	274,840	274,952	Yes	Yes	No	Yes
Diversified funds (Pictet)	172,420	175,714	Yes	Yes	Yes	Yes
Liquid Credit (Barings)	111,051	131,354	Yes	Yes	Yes	Yes
Illiquid Credit (Partners)	72,995	86,983	No	Yes	Yes	Yes
Secured Loans (Barings, Highbridge)	141,902	127,896	Yes	Yes	Yes	Yes
Corporate Bonds (Legal & General, Insight)	325,370	325,121	Yes	Yes	No	Yes
Index-Linked Gilts (Legal & General, Insight)	420,691	569,963	Yes	Yes	No	Yes
Ground rents (Aberdeen Standard)	52,346	49,426	Yes	Yes	No	Yes
Liquidity (Legal & General)	161,612	2,106	No	Yes	No	No
Cash (State Street, Partners)	18,923	-	No	Yes	No	No
Derivatives (Partners)	1,430	-	No	No	Yes	No
Other Investment Balances (Partners)	1,514	-	No	Yes	No	No
Total (excluding DC, AVC and SPPP funds)	2,642,113	2,770,508				

Source: Aon, State Street, Investment Managers.

Notes:

The 31 March 2020 valuation excludes the insurance policy held by the GPS EnergySolutions Section.

1. The CIP invests in a bespoke Gilt fund (the Gilt CSUF) with Legal & General, which primarily invests in leveraged Index Linked Gilts but also holds a balance in the Legal & General Sterling Liquidity. The full value of the Gilt CSUF is reflected under the Index Linked Gilt section. The value of the Legal & General Sterling Liquidity Fund within the Gilt CSUF was £83.5m as at 31 March 2019 and £111.9m as at 31 March 2020.

*Included within equities is £468.5m (2019: £687.6m) of segregated investments held within the Legal & General client specific fund that have direct, rather than indirect, risks on a look through basis.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

22. INVESTMENT RISK (continued)

AVC and SPPP arrangements

Direct credit risk

The AVC and SPPP assets are all subject to direct credit risk in relation to holdings in unit linked insurance funds held with Prudential and Aegon (formerly BlackRock).

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

Indirect credit risk and other market risks

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

Asset class	31 March 2020 £000	31 March 2019 £000	Credit risk	Interest rate risk	Currency risk	Other price risk
Equities	18,957	23,734	No	No	Yes	Yes
Property	162	365	Yes	Yes	No	Yes
Multi-asset	506	380	Yes	Yes	Yes	Yes
With-profits	3,658	3,431	Yes	Yes	Yes	Yes
Bonds	6,581	7,932	Yes	Yes	No	Yes
Cash	7,851	5,967	No	Yes	No	No
Target date funds	80,980	75,302	Yes	Yes	Yes	Yes
Total (AVC and SPPP funds)	118,695	117,111				

Defined Contribution Structure

Direct credit risk

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

After June 2019, there were no longer any unit linked insurance funds held with Prudential for the DC Structure.

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

22. INVESTMENT RISK (continued)

Indirect credit risk and other market risks

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

Asset class	31 March 2020 £000	31 March 2019 £000	Credit risk	Interest rate risk	Currency risk	Other price risk
Equities	47,074	61,057	No	No	Yes	Yes
Property	452	241	Yes	Yes	No	Yes
Multi-asset	739	568	Yes	Yes	Yes	Yes
Bonds	14,288	12,886	Yes	Yes	No	Yes
Cash	4,853	4,389	No	Yes	No	No
Target date funds	203,734	179,348	Yes	Yes	Yes	Yes
Total (DC funds)	271,140	258,489				

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

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

23. CURRENT ASSETS AND LIABILITIES

	DB Structure 2020 £'000	DC Structure 2020 £'000	For the Year 31 March 2020 £'000
Current Assets			
Contributions Receivable			
Employer	47	154	201
Employee	52	65	117
AVC	1,399	-	1,399
Cash Balances	8,053	44	8,097
Due from Other Sections	-	505	505
	9,551	768	10,319
Current Liabilities			
Unpaid Benefits	1,125	549	1,674
Accrued Expenses	697	-	697
HM Revenue & Customs	381	-	381
Due to Other Sections	505	-	505
	2,708	549	3,257
Total Current Assets and Liabilities	6,843	219	7,062

	DB Structure 2019 £'000	DC Structure 2019 £'000	For the Year Ended 31 March 2019 £'000
Current Assets			
Cash Balances	12,613	358	12,971
	12,613	358	12,971
Current Liabilities			
Unpaid Benefits	53	-	53
Accrued Expenses	734	42	776
HM Revenue & Customs	326	-	326
	1,113	42	1,155
Total Current Assets and Liabilities	11,500	316	11,816

Included in the DC structure above is £768,000 (2019: £358,000) which is designated to members.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

24. RELATED PARTY TRANSACTIONS

The Plan has received contributions in respect of three Trustee Directors (Mr P Greene, Mrs C Toole and Mrs A Uppington) who were contributing members of the Plan during the year.

The Trustee fees paid in respect of the year to 31 March 2020 totalled £209,682 (2019: £204,457), included within this amount is £204,740 relating to Independent Trustees. CNPP Pension Trustees Limited settle the costs relating to the Plan which are then reimbursed by the employers.

The NDA provide secretariat services for the Plan.

Balances due between the DB Structure and the DC Structure are shown in Note 23.

There were no other related party transactions during the year.

25. EMPLOYER RELATED INVESTMENTS

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

26. CAPITAL COMMITMENTS

The Plan made a capital commitment with Highbridge to the value of \$140m. The commitment remaining at 31 March 2020 is \$13.3m. The Plan also has a capital commitment with Partners Group. In relation to the Partners CNPP Private Markets, L.P. Inc., the commitment remaining at 31 March 2020 is £74.5m.

27. GMP EQUALISATION

As explained on page 9 of the Trustee's report, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Plan is aware that the issue will affect the Plan and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

COMBINED NUCLEAR PENSION PLAN

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS FOR THE YEAR ENDED 31 MARCH 2020

Statement about Contributions

We have examined the summary of contributions payable under the Schedule of Contributions to the Combined Nuclear Pension Plan in respect of the Plan year ended 31 March 2020 which is set out on page 130. In our opinion contributions for the Plan year ended 31 March 2020 as reported in the Summary of Contributions and payable under the Schedules of Contributions have in all material aspects been paid at least in accordance with the Schedules of Contributions certified by the actuary.

Scope of work on Statement about Contributions

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

Respective responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 130, the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with the Schedules of Contributions.

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

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

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

P Marco

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

Date: 26 October 2020

COMBINED NUCLEAR PENSION PLAN

SUMMARY OF CONTRIBUTIONS FOR THE YEAR ENDED 31 MARCH 2020

Statement of Trustee's Responsibilities in respect of Contributions

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

Trustee's Summary of Contributions payable under the schedules in respect of the Plan year ended 31 March 2020

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

The Summary of Contributions sets out the employer and member contributions payable to the Plan in respect of the Plan year ended 31 March 2020. The Plan auditor reports on these in the Auditor's Statement about Contributions.

Contributions payable under the Schedules in respect of the Plan year

	DB Structure £000	DC Structure £000
Employers' Contributions		
Normal	104,617	31,553
Additional	375	-
Deficit	2,906	-
SPPP contributions	4,178	-
Members' Contributions		
Normal	20,757	15,316
SPPP contributions	4,323	-
Additional voluntary contributions	10,508	-
Total contributions payable under the Schedules as reported in the financial statements (as reported on by the Plan Auditor)	147,664	46,869

* Schedules of Contributions dated:

- 30 May 2017 for Closed, DRS, DSRL, GPS Nexia, GPS SLC, LLWR, Magnox, Nirex and Sellafield sections;
- 21 June 2017 and 18 July 2019 for the GPS EnergySolutions section;
- 17 July 2017 for the GPS WEC section; and
- 31 July 2017 for the SFL2 section.

Signed on behalf of the Trustee:

Trustee Director:
A Whalley

Date: 22 October 2020

COMBINED NUCLEAR PENSION PLAN

ACTUARIAL STATEMENTS

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

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

ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Adequacy of rates of contributions for sections; GPS SLC, GPS EnergySolutions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective can be expected to be met on 31 March 2019 and continue to be met for the period for which the schedule is to be in force.

Adequacy of rates of contributions for sections; DSRL, LLWR, Magnox, Nirex, Sellafield, GPS WEC, SFL2, GPS Nexia, Closed, GPS DRS

I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective can be expected to be met by the end of the periods specified in the Recovery Plans dated 31 July 2017 or between 12 May 2020 and 26 September 2020.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles, dated 31 July 2017 or between 12 May 2020 and 26 September 2020.

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

Signature: MARK McCLINTOCK
Date: 31 July 2017, 12 May 2020, 26 June 2020, 27 August 2020, 9 September 2020 and 26 September 2020.

Name: M. McClintock
Qualification: Fellow of the Institute and Faculty of Actuaries

Address: Deloitte Total Reward and Benefits Limited
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