
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.

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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.

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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")

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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

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(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

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(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

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(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

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(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

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(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.

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(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.

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(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.

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(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

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(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.

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(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 advisors (e.g. investment consultants, legal advisors), 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

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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.

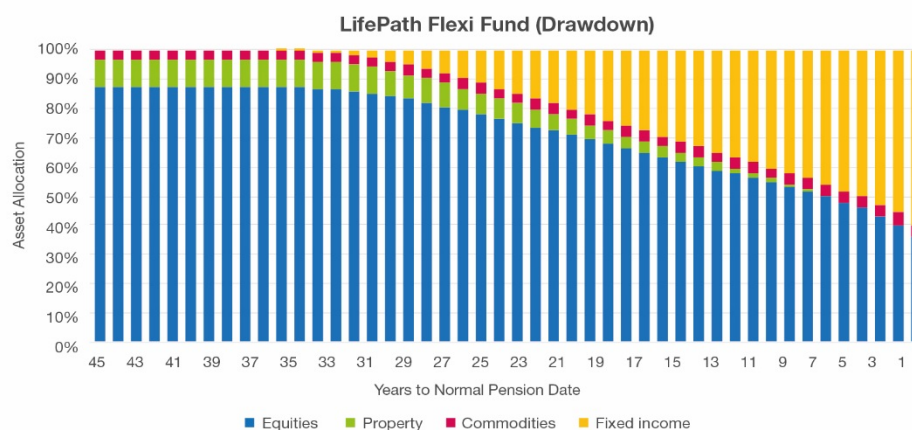
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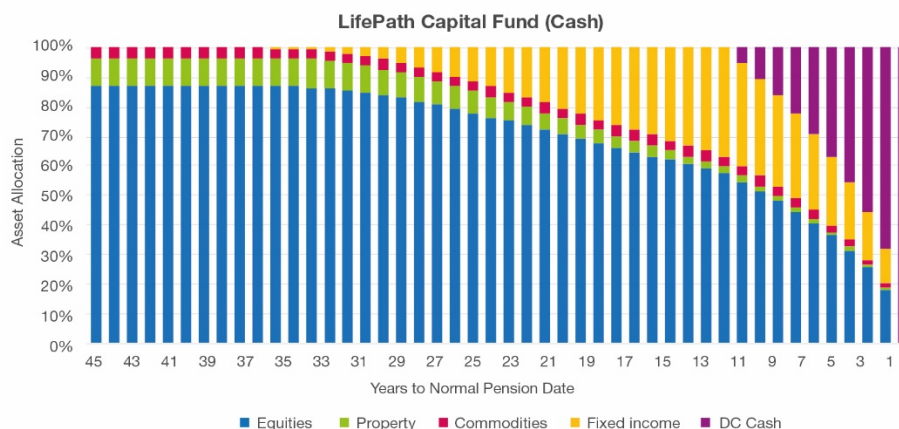
Annex 1 – Appendix 2 (continued)

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:



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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

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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).

