
COMBINED NUCLEAR PENSION PLAN

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

COMBINED NUCLEAR PENSION PLAN

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TRUSTEE AND ITS ADVISERS YEAR ENDED 31 MARCH 2021

Trustee	Combined Nuclear Pension Plan Trustees Limited Herdus House Westlakes Science & Technology Park Moor Row CA24 3HU
Trustee Directors	Mr M Calloway – Employer Nominated (appointed 20 November 2020) Mr J Gilmour – Employer Nominated (appointed 1 April 2021) Mr R Gorham – Employer nominated (resigned 20 November 2020) Mr P Greene - Member nominated (reappointed 1 February 2021) Ms P Hatt – Member nominated (appointed 21 September 2020) Mr F Rainford - Employer nominated (resigned 31 March 2021) Mrs C Toole - Member nominated (reappointed 1 April 2021) PAN Trustees UK LLP – Independent (represented by Mr M Roberts) Capital Cranfield Pension Trustee Limited - Independent (represented by Ms I Kirby) Strettea Independent Trustee Limited - Independent (represented by Mr A Whalley, Chairman) Mr A Oldham – Employer Nominated
Secretary to the Trustee	Terry Paul, APMI Combined Nuclear Pension Plan c/o NDA Building 329 Thomson Avenue Harwell Campus Didcot Oxfordshire OX11 0GD
Plan Actuary	Mark McClintock Deloitte Total Reward and Benefits Limited

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Plan Administrator DB Structure (for sections other than Nirex)	EQ Paymaster (EQ) William Smith House Thurso Business Park Thurso Caithness KW14 7XW
Plan Administrator DB Structure – Nirex section	Barnett Waddingham LLP St James's House St James's Square Cheltenham Gloucestershire GL50 3PR
Plan Administrator DC Structure	Aegon Workplace Investing (Aegon) Sunderland SR43 4DH
Auditor	KPMG LLP
Investment Managers	Defined Benefit (DB) Aberdeen Standard Investments ("Aberdeen Standard") Barings Asset Management ("Barings") Columbia Threadneedle Investments (Channel Islands) Limited ("Threadneedle") HPS Investment Partners LLC ("Highbridge") Insight Investment Management (Global) Limited ("Insight") Legal & General Assurance (Pensions Management) Limited ("Legal & General") MFS International (UK) Limited ("MFS") (Total assets sold September 2021) Partners Group (Guernsey) Limited ("Partners Group") Partners Group Private Markets Credit Strategies SA ("Partners Group SA") Pictet Asset Management Limited ("Pictet") Blackstone Strategic Capital Holdings II (Lux) SCSp ("Blackstone") Defined Contribution (DC) Aegon Asset Management UK Holdings Limited ("Aegon Asset Management") BlackRock Investment Management (UK) Limited ("BlackRock")
Common Investment Platform Administrators	State Street Bank & Trust Co ("State Street")

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Investment Platform	<i>DC Structure, AVC and SPPP Plans</i> Scottish Equitable plc (branded as Aegon) Prudential Assurance Company Limited ("Prudential")
Bankers	Lloyds Banking Group PLC Royal Bank of Scotland PLC
Legal Adviser	Squire Patton Boggs (UK) LLP
Investment Consultant	Redington Limited (for Defined Contribution) Aon Solutions UK Limited (for Defined Benefit)
Independent Medical Adviser	Medigold Health Consultancy Limited
Covenant Adviser	Cardano Advisory Limited
Life Insurer	Rutherford Indemnity Limited to 31 March 2021 L&G appointed from 1 April 2021
Buy-in Insurer	Just Retirement Limited
Sponsoring Employers	Direct Rail Services Limited Dounreay Site Restoration Limited ATK Energy EU Limited (formerly EnergySolutions EU Limited) International Nuclear Services Limited LLW Repository Limited Magnox Limited National Nuclear Laboratory Limited Nuclear Decommissioning Authority ("NDA") Sellafield Limited Springfields Fuels Limited Westinghouse Electric UK Holdings Limited
Contact address	<i>Defined Benefit</i> EQ William Smith House Thurso Business Park Thurso Caithness KW14 7XW <i>Defined Contribution</i> Aegon Workplace Investing Sunderland SR43 4DH

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TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

Introduction

The Trustee of Combined Nuclear Pension Plan (the Plan) is pleased to present the annual report together with the audited financial statements for the year ended 31 March 2021. The Plan incorporates a DB structure administered by EQ (except the Nirex section which is administered by Barnett Waddingham) and a DC structure administered by Aegon. All sections are administered in accordance with the establishing documents and rules solely for the benefit of its members and other beneficiaries.

The Plan was established with effect from 1 October 2006.

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

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

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

Plan Developments

The CNPP is an authorised Master Trust. The Trustee applies the high level of governance required to both DB and DC benefits, complying with the supervisory requirements set by the Pension Regulator (TPR). This includes rigorously monitoring the business plan objectives, and making sure that the plan is managed, administered and governed to a high standard.

With effect from 1 April 2021 Legal & General replaced Rutherford Indemnity Limited as the insurers of the group life benefits to the Plan.

Covid-19 Business Continuity

The Covid-19 outbreak continued to impact daily and working life throughout the Plan year. However, the organisations contracted by the Trustee to support the effective running of the scheme have all adopted alternative working practices to cope with the restrictions placed upon them. Service delivery to the Plan has continued to be strong and the Trustee has maintained close contact with both the Plan employers and their advisers.

The Trustee continues to monitor the impact of Covid-19 on the Plan through the usual governance mechanisms, including the regular oversight of the funding position and other strategic monitoring triggers.

Management of the Plan

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

There are nine Trustee Directors, three of whom are selected by the Lead Company (the Employer Nominated Directors (ENDs)), three selected by the Trustee from the membership (the Member Nominated Directors (MNDs)) and three professional independent trustees including the Chair (the Independent Nominated Directors (INDs)) selected by the Lead Company with the involvement of the Trustee. Directors are appointed for a fixed period of three years and will only be eligible to stand again or be re-appointed for a further three-

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year period, with a maximum term of office of six years. Capital Cranfield Pension Trustee Limited and Pan Trustees UK LLP have been appointed by the NDA and the individual representatives of these companies are subject to the tenure rules. Directors will be eligible to stand again, or to be re-appointed, three years from the date which they last held office with the original six years limit being disregarded. There was a vacancy amongst the MNDs following a resignation which was filled in September 2020.

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

Trustee Director resignations:

Mr R Gorham, END, resigned effective 20 November 2020.
Mr F Rainford, END, resigned effective 31 March 2021.

Trustee Director appointments:

Ms P Hatt as MND with effect from 21 September 2020.
Mr M Calloway as END with effect from 20 November 2020.
Mr P Green has been reappointed as MND with effect from 1 February 2021.
Mrs C Toole has been reappointed as MND with effect from 1 April 2021.
Mr J Gilmour as END with effect from 1 April 2021.

The Trustee Directors are listed on page 1.

Trustee meetings

During the year the Trustee Board met 13 times. All decisions are taken by majority with the Chairman having the casting vote.

The Trustee has established the following committees:

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

In addition, a Discretionary sub-committee met as required.

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The Lead Company and Sponsoring Employers

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

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

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

Pension Protection Fund

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

Plan changes

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

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Membership

Details of the membership of the Plan as at 31 March 2021 are given below:

	Active members 2021	Deferred members 2021	Pensioners 2021	Total 2021
DB Structure				
Members at the start of the year	7,832	2,507	4,838	15,177
Adjustments to members	1	(1)	(4)	(4)
New entrants in the year	10	1	38	49
Retirements	(287)	(205)	492	-
Deaths	(9)	(1)	(43)	(53)
Dependent Pensions ceasing	-	-	(4)	(4)
Members leaving with preserved benefits	(222)	222	-	-
Transfer out	-	(102)	-	(102)
	7,325	2,421	5,317	15,063
DC Structure				
Members at the start of the year	6,273	921	-	7,194
New entrants in the year	588	-	-	588
Adjustments	1	(1)	-	-
Deaths	(1)	-	-	(1)
Members leaving with preserved benefits	(117)	117	-	-
Refunds	-	(1)	-	(1)
Retirements	(4)	(2)	-	(6)
Transfer out	(14)	(37)	-	(51)
Cancelled/declined	(2)	-	-	(2)
Ported	-	(1)	-	(1)
	6,724	996	-	7,720
TOTAL MEMBERSHIP AT THE END OF THE YEAR	14,049	3,417	5,317	22,783

Notes on DB Movements:

10 new actives comprise members who opted out and rejoined, and joiners from NDA who were granted special access. The new deferred member is a divorce case who was already a member and granted an internal transfer. The 38 new pensioners are dependent pension members. As well as the new dependent pensioners EQ have been reviewing pensioner records throughout the year and reclassifying some pensioners as dependent pensioners where they had been misclassified at retirement. This work is ongoing.

Included within the closing pensioners figure are dependant pensioners of 203 (2020: 153). New entrants in the year are gross of opt-outs on auto-enrolment. The pensioners figure includes 10 members (2020: 10) receiving a pension under an insurance policy.

Adjustments to members include movements notified to the Administrator after the completion of the annual renewal at 31 March 2020. They do not include any movements notified to the administrator after the completion of the annual renewal at 31 March 2021. They also include members whose retirement date was

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prior to the year-end but records updated following the year end and cessation of child pensions which ceased to be eligible during the year.

Notes on DC movements:

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

The membership figures are broken down by section as follows:

DB Structure

	Active members	Deferred members	Pensioners	Total
Closed	-	699	643	1,342
DSRL	480	189	277	946
GPS DRS	132	88	65	285
GPS EnergySolutions	-	-	10	10
GPS Nexia	2	1	2	5
GPS SLC	321	371	604	1,296
GPS WEC	23	21	27	71
LLWR	65	15	30	110
Magnox	331	124	386	841
Nirex	-	57	96	153
Sellafield	5,457	699	2,723	8,879
SFL2	514	157	454	1,125
Total	7,325	2,421	5,317	15,063

The figures above include former RSRL members shown within Magnox (which were previously included within DSRL).

The pensioners figure includes dependant pensioners.

DC Structure

	Active members	Deferred members	Pensioners	Total
Closed	-	-	-	-
DSRL	718	101	-	819
GPS DRS	328	32	-	360
GPS SLC	56	5	-	61
GPS WEC	39	5	-	44
LLWR	211	23	-	234
Magnox	669	234	-	903
Sellafield	4,477	553	-	5,030
SFL2	226	43	-	269
Total	6,724	996	-	7,720

There were no members included in either of the Plan's structure with life assurance only benefits.

Benefits changes

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

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Pensions Increases

Pensions in payment and deferred pensions received a 2.4% increase from 1 April 2020 for all Benefit Structures, with the exception of the Nirex Benefit Structure which received a 2.2% increase on 31 March 2020, for all elements in excess of Guaranteed Minimum Pension (GMP). GMP increases are based on the increase in the Consumer Price Index (CPI) in September each year. GMPs accrued prior to 1988 receive increases via a member's State Pension and as such this element does not attract any increases from the Plan. The Trust Deed and Rules of the Plan specify the increases for benefits in excess of GMP, which are based on the percentage increase of the Retail Price Index (RPI) in September each year for CPS and GPS Structures, and the Limited Price Index (LPI) in December each year for the Nirex Structure. There were no discretionary increases awarded in the year.

GMP equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to GMP. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. Under the High Court's ruling, the schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. A further judgement was made by the High Court in relation to transfer value payments. It concluded that historic transfers since 17 May 1990, which contained GMP accrued after this date, will now need to be equalised.

The Trustee is aware that the issue will affect the Plan and has started to consider the next steps to address inequalities from GMPs. The Trustee has not yet obtained an estimated impact of GMP equalisation on the Plan. However, it is expected to be immaterial because many of the sections commenced after 6 April 1997 and do not have GMP. For those sections that were contracted out before 6 April 1997, the significant amount of benefits accrued after this date will result in the impact of GMP equalisation being immaterial. The additional impact of having to equalise historic transfers is also likely to be immaterial.

To date only the GPS EnergySolutions Section has had any GMP equalisation work undertaken due to the planned buy-out of these liabilities. EQ are progressing with the final stages of GMP reconciliation for other Sections after which the Trustee will be able to progress with the Plan's GMP equalisation work.

Actuarial Review

The financial statements set out on pages 129 - 157 do not take into account the liabilities to provide pension benefits which fall due after the year end. In respect of the Defined Benefit Structure these liabilities are considered by the Plan Actuary who carries out an actuarial valuation of these liabilities every three years. This valuation considers the funding position of the Defined Benefit Structure and the level of contributions payable.

Actuarial valuations for all 12 sections as at 31 March 2019 have been undertaken. The actuarial valuations for the GPS EnergySolutions and GPS Nexia Solutions Sections were completed and submitted by the statutory deadline of 30 June 2020. The Trustee was in communication with the Pensions Regulator regarding completion of the valuations for the NDA-backed and other sections. NDA-backed sections were agreed on 27 August 2020 (excluding GPS DRS), on 9 September 2020 for GPS DRS and on 26 September 2020 for GPS WEC Sections. The SFL2 Section's valuation was completed on 28 October 2020. Details of the liabilities as at 31 March 2019 are included in the Report on Actuarial Liabilities on Page 10 to 15.

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

The financial statements on pages 129 -157 show that the value of the Plan's assets increased by £793,805,000 to £3,866,199,000 as at 31 March 2021. The increase was comprised of net additions from

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dealings with members of £83,561,000, together with a net increase in the returns from investments of £710,244,000.

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

Further details of the financial developments of the Plan may be found in the audited financial statements on pages 129 - 157.

Report on Actuarial Liabilities

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

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

The most recent triennial actuarial valuations of the Sections of the Plan were carried out as at 31 March 2019 and the most recent annual update was completed as at 31 March 2020.

Technical Provisions Valuation	31 March 2019			31 March 2020		
	Liabilities (£000)	Assets (£000)	Surplus / (Deficit) (£000)	Liabilities (£000)	Assets (£000)	Surplus / (Deficit) (£000)
Closed Section *	108,609	103,553	(5,056)	89,225	99,159	9,934
Magnox *	119,536	120,582	1,046	105,804	117,604	11,800
LLWR *	25,001	22,364	(2,637)	22,648	23,168	520
DSRL *	121,134	106,190	(14,944)	106,990	105,176	(1,814)
Sellafield *	1,507,417	1,385,295	(122,122)	1,328,091	1,367,579	39,488
Nirex *	37,866	36,871	(995)	31,725	35,056	3,331
GPS SLC *	624,675	681,549	56,874	510,418	623,456	113,038
GPS DRS	90,989	84,609	(6,380)	76,781	82,745	5,964
SFL2	206,552	164,619	(41,933)	242,840	171,674	(71,166)
GPS Nexia	5,635	5,207	(428)	6,077	5,126	(951)
GPS EnergySolutions	23,295	27,239	3,944	23,237	25,236	1,999
GPS WEC	49,055	46,235	(2,820)	51,219	44,413	(6,806)
Total	2,919,764	2,784,313	(135,451)	2,595,055	2,700,392	105,337

* NDA backed Sections

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

Solvency Valuation	31 March 2019		
	Liabilities (£000)	Assets (£000)	Surplus/(Deficit) (£000)
Closed Section *	166,094	103,553	(62,541)
Magnox *	233,591	120,582	(113,009)
LLWR *	55,281	22,364	(32,917)
DSRL *	250,404	106,190	(144,214)
Sellafield *	3,171,755	1,385,295	(1,786,460)
Nirex *	52,558	36,871	(15,687)
GPS SLC *	1,017,561	681,549	(336,012)

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GPS DRS	161,355	84,609	(76,746)
SFL2	283,751	164,619	(119,132)
GPS Nexia	8,026	5,207	(2,819)
GPS EnergySolutions	23,295	27,239	3,944
GPS WEC	71,592	46,235	(25,357)
Total	5,495,263	2,784,313	(2,710,950)

** NDA backed Sections*

Report on Actuarial Liabilities (continued)

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

Method

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

Significant actuarial assumptions

Discount rate

- NDA-backed and GPS DRS Sections:
 - The discount rate assumed for past service liabilities is based upon the expected return on the proposed long-term investment strategy, with a margin for prudence such that the funding target is expected to be met with at least 2/3rds probability. The investment strategy will take account of the duration of the liabilities. The expected returns for each investment asset class are set using the investment consultant's model and are reviewed on a regular basis.
 - The discount rate assumed for future service liabilities will be set in a similar manner but based on a longer investment timeframe to reflect the longer duration of the active members' liabilities relative to the Section as a whole.
- GPS EnergySolutions Section:
 - Pre-retirement: The discount rate assumption is based on the yield available on fixed interest gilts with a similar duration to the Section's liabilities less a deduction of 0.5% p.a.
 - Post-retirement: The discount rate is selected by inspection of the yields available on fixed interest gilts with a similar duration to the Section's liabilities.
- GPS Nexia and GPS WEC Sections:
 - Pre-retirement: The assumption is based on the yield available on fixed interest gilts with a similar duration to the Sections' liabilities plus an allowance for the higher return that would be expected from growth assets and after an allowance for prudence. Consideration has been given to the level of growth assets as a percentage of the non-pensioner liabilities.
 - Post-retirement: The discount rate is selected by inspection of the yields available on fixed interest gilts with a similar duration to the Sections' liabilities with an allowance for corporate bond outperformance above the yield on gilts.
- SFL2 Section:
 - Pre-retirement: The discount rate is based on the yield available on fixed interest gilts with a similar duration to the Section's liabilities plus an allowance for the higher return that would be expected from growth assets after an allowance for prudence. Consideration has been given to the level of growth assets as a percentage of the non-pensioner liabilities. The discount rate is assumed to reduce uniformly between the 31 March 2019 and 31 March 2028 in line with the long-term funding target of self-sufficiency to reflect the expected de-risking of the investment strategy.

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- Post-retirement: The discount rate is selected by inspection of the yields available on fixed interest gilts with a similar duration to the Section's liabilities with an allowance for corporate bond outperformance above the yield on gilts. The discount rate is assumed to reduce incrementally between the valuation date and 31 March 2028 in line with the long-term funding target of self-sufficiency to reflect the expected de-risking of the investment strategy.

Inflation

The assumed rate of RPI price inflation is set by reference to the Bank of England's UK implied inflation spot curve data using a duration appropriate to the liabilities. An adjustment is made to allow for a possible inflation risk premium, reflecting the high demand for index linked gilts distorting the Bank of England's market-based calculation. The assumed rate of Consumer Price Inflation (CPI) was derived from the assumption for RPI less an adjustment equal to 1.00% p.a. After the UK Statistics Authority (UKSA) announced on 25 November 2020 that RPI will be reformed to be in line with the CPIH from 2030, the CPI assumption was changed to be equal to the RPI assumption less an adjustment of 0.80% p.a. This change was effective from the 31 March 2020 annual funding update.

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

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

Pension increases

Set in line with RPI assumptions. An adjustment may be made to the assumption for price inflation when looking at RPI inflation-linked pension increases to allow for any maximum and minimum values that apply to the pension increases.

Revaluation of deferred pensions

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

Pensionable Earnings increases

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

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

For the SFL2 and GPS WEC Sections: Pensionable Earnings will be assumed to increase in line with pensionable pay cap of 1% per annum that the employers are implementing. In addition, promotional increases will be assumed to be 1% per annum at all ages.

Mortality

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

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

The SFL2 Section has used the SAPS S3 tables with a 100% weighting and CMI 2018 projections and a long-term improvement rate of 1.75% p.a.

Recovery Plan

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

Section	Recovery Plan
Closed	This Section is closed to future contributions. Employer contributions of £550,000 p.a., payable monthly, for 11 years from 1 April 2021 are required to recover the deficit.
Magnox	The employer contribution rate will be increased to 30.9% p.a. of Pensionable Earnings from 1 April 2021. Employer contributions of £110,000 p.a., payable monthly, for 11 years from 1 April 2021 are required to recover the deficit.
LLWR	The employer contribution rate will be increased to 32.3% p.a. of Pensionable Earnings from 1 April 2021. Employer contributions of £420,000 p.a., payable monthly, for 11 years from 1 April 2021 are required to recover the deficit.
DSRL	The employer contribution rate will increase to 32.2% of Pensionable Earnings from 1 April 2021. Employer contributions of £400,000 p.a. were paid in monthly instalments from 1 April 2020 to 31 March 2021. Employer contributions of £2,110,000 p.a., payable monthly, for 11 years from 1 April 2021 are required to cover the deficit.
Sellafield	The employer contribution rate will be increased to 32.1% p.a. of Pensionable Earnings from 1 April 2021. Employer contributions of £19,920,000 p.a., payable monthly, for 11 years from 1 April 2021 are required to recover the deficit.
Nirex	This Section is closed to future contributions. Employer contributions of £556,000 p.a. were paid annually to 31 March 2021 to recover the deficit. No future deficit contributions are required post 1 April 2021.
GPS SLC	Given the surplus at 31 March 2019 it was agreed that the employer contribution rate would remain unchanged at 25.0% of Pensionable Earnings from 1 April 2021.

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

Section	Recovery Plan
SFL2	<p>The employer contribution rate increased to 53.7% p.a. of Pensionable Earnings from 1 April 2019, and was applied by the employer from 1 July 2020. To cover the period from 1 April 2019 to 30 June 2020 the employer agreed to pay a lump sum of £5,900,000 in November 2020 to ensure all contributions for the period 1 April 2019 to 31 March 2021 were at the revised rate.</p> <p>To eliminate the funding shortfall, the Employer will contribute the amounts set out in the table below with the amounts ceasing on 30 June 2025</p>

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Year ending	Deficit contributions	Year ending	Deficit contributions
31 March 2020	£1,400,000	31 March 2024	£9,400,000
31 March 2021	£4,400,000	31 March 2025	£10,300,000
31 March 2022	£8,200,000	31 March 2026	£2,700,000
31 March 2023	£8,700,000		

An annual review mechanism will be completed each 31 March that will assess the funding impact from the salary linkage liability, the impact from the actual Pensionable Earnings increases relative to the assumption in the Statement of Funding Principles and the impact of any redundancies. Any additional contributions from this mechanism will be payable over a 12-month period commencing during October of that year.

To cover the cost of salary linkage, contributions of £20,833 per month were payable up to 30 September 2019 and £500,000 p.a. in monthly instalments from 1 October 2019 to 30 September 2020. From 1 November 2020 to 31 October 2021, contributions of £600,000 p.a. are payable in monthly instalments.

These arrangements were formalised in a Schedule of Contributions, which the Scheme Actuary certified on 28 October 2020.

Section GPS WEC

Recovery Plan

The employer contribution rate increased to 47.0% p.a. of Pensionable Earnings from 1 April 2019 and was applied by the employer from 1 July 2020. To cover the period from 1 April 2019 to 30 June 2020 the employer agreed to pay a lump sum of £220,100 on 2 October 2020 to ensure all contributions for the period 1 April 2019 to 31 March 2021 were made at the revised rate.

To eliminate the funding shortfall, the Trustee and Section Lead Company have agreed that the Employers will contribute amounts payable between April 2019 and September 2020 at a rate of £550,000 p.a., payable monthly. The Employers will contribute £354,000 per month, over the period from 1 October 2020 to 31 March 2021.

An annual review mechanism will be completed each 31 March that will assess the funding impact from the actual Pensionable Earnings increases relative to the assumption in the Statement of Funding Principles and the impact of any redundancies. Any additional contributions from this mechanism will be payable over a 12-month period commencing during October of that year.

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

GPS EnergySolutions

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

EnergySolutions Inc. (ES) has entered into an agreement with the Trustee to provide an escrow arrangement (the Trustee Escrow) as follows:

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

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

GPS DRS The employer contribution rate will increase to 43.1% p.a. of Pensionable Earnings from 1 April 2021. Employer contributions of £1,010,000 p.a., payable monthly, for 11 years from 1 April 2021 are required to recover the deficit. There is no allowance for outperformance on asset returns.

The arrangements were formalised in a Schedule of Contributions which the Scheme Actuary certified on 9 September 2020.

GPS Nexia The employer contribution rate will increase to 49.5% p.a. of Pensionable Earnings from 1 April 2021. The Employer contributed £100,000 on 1 July 2020 and agreed to pay further contributions of £100,000 by 1 April 2021, £100,000 by 1 April 2022 and £200,000 by 1 April 2023 in lump sum instalments in order to recover the deficit.

The arrangements were formalised in a Schedule of Contributions which the Scheme Actuary certified on 12 May 2020.

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

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General investment matters

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

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

Statements of Investment Principles

The Trustee has produced Statements of Investment Principles in accordance with Section 35 of the Pensions Act 1995. The statements dated September 2020 for DB and September 2021 for DC are available on the CNPP website. The main priority of the Trustee, when considering the investment policy, is to ensure that there are sufficient assets available to pay out members' and dependants' benefits when they fall due.

Custodial arrangements

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

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Custodial arrangements (continued)

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

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

With effect from 1 July 2016, all Sections of the Plan (excluding the GPS EnergySolutions Section) participated in the Common Investment Platform (CIP).

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

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Investment stewardship and engagement

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

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

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

Self-investment

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

Transfers

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

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

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

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Further information

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

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

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

DB Structure members:

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

DC Structure members:

The Trustee of Combined Nuclear Pension Plan
Aegon Workplace Investing
Sunderland
SR43 4DH

Email: my.pension@aegon.co.uk

Members of the Nirex Section:

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

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

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

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Investment commentary

DB Structure investment strategy

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

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

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

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

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

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

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

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

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

DB Structure Investment performance

The table below shows the Plan's performance to 31 March 2021 for the DB Structure.

	12 months %	3 years (Ann) % p.a.	5 years (Ann) % p.a.
Growth Fund Return	27.9%	8.5%	9.4%
Benchmark Return	25.3%	9.0%	9.0%
Bond Fund Return	3.6%	2.5%	4.0%
Benchmark Return	3.7%	2.4%	3.7%

Note: Fund and benchmark returns are based on information provided by the underlying investment managers. 5 Year annualised returns are to the inception of the CIP Funds, July 2016.

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The Plan's Growth Fund delivered an overall return of 27.9% over the 12-month period to 31 March 2021. The Plan's Bond Fund delivered an overall return of 3.6% over the 12-month period to 31 March 2021.

Performance over the year incorporates the market recovery from the COVID-19 shock, which occurred following significant government and central bank support. The Growth and Bond Funds continue to deliver good absolute returns over the longer term.

Subsequent to the 2021 year-end, the CIP Funds were restructured from two CIP Funds (Growth and Bond) to five CIP Funds (Growth, Illiquid Growth, Liquid Credit, Gilt and Hedging).

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

Responsible Investment

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

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

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

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

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

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

Arrangements with Investment Managers

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

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

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

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

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

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

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

Stewardship & Engagement

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

The Trustee recognises the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as this ultimately creates long-term financial value for the Plan and its beneficiaries.

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Stewardship & Engagement (continued)

The Trustee regularly reviews the suitability of the Plan's appointed investment managers and takes advice from their investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed investment managers. If an incumbent investment manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee will engage with the investment manager and seek a more sustainable position.

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

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

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

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

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

Monitoring costs and performance

Cost transparency

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

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

The Trustee will only appoint investment managers who offer full cost transparency via the CTI templates to

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manage assets of the Plan. All existing managers are required to offer full cost transparency.

Portfolio Turnover

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

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

Evaluation of Performance and Remuneration

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

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

Current investment strategy – DB Structure

The table below sets out the Plan's actual allocations for the DB Structure of the Plan as at 31 March 2021. The figures below reflect the Plan's underlying investments in Pooled Investment Vehicles.

Asset class	Asset allocation 31 March 2021 %	Asset allocation 31 March 2020 %
Equities (Legal & General, MFS)	36.1	32.3*
Private Equity (Partners)	4.2	3.3
Property** (Legal & General, Columbia Threadneedle, Aberdeen Standard)	8.6	10.5
Diversified growth funds (Pictet)	6.8	6.6
Liquid Credit (Barings)	5.0	4.2
Illiquid Credit (Partners)	1.7	2.8
Secured Loans (Barings, HPS)	5.0	5.4
Corporate Bonds	10.7	12.4

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(Legal & General, Insight)		
Index-Linked Gilts (Legal & General, Insight)	13.3	20.3
Ground rents (Aberdeen Standard)	1.6	2.0
Cash/liquidity funds (Legal & General, State Street)	7.0	0.2
Total	100.0	100.0

Source: Aon, State Street, Investment Managers.

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

Pooled Investment Vehicles

Pooled fund investment arrangements used by the Plan can include unit-linked insurance contracts, authorised unit trusts, unauthorised exempt unit trusts, OEICs and SICAVs. As at 31 March 2021, with the exception of the GPS EnergySolutions Section buy-in insurance policy, all the Plan's investments were held in pooled investment vehicles. In May 2019 the Trustee purchased an insurance policy from Just Retirement to cover the buy-in arrangement for the GPS EnergySolutions Section members. The policy provides benefits for the subset of members and has been purchased as an exact match for the future liabilities of these members.

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Market Background – 12 months to 31 March 2021

General background

After severe disruption in global markets in early 2020 from the Coronavirus pandemic, equity markets rebounded in Q2 and Q3 2020 as a slowdown in new cases and the relaxation of lockdown measures resulted in a sharp economic rebound. A second wave outbreak at the onset of winter, however, dampened economic optimism over Q4 2020. Equity markets continued to rally as huge fiscal and monetary stimulus and optimism over Covid-19 vaccine rollouts led to investor willingness to overlook the sharpest economic recession in generations. Heightened political uncertainty around November's US presidential election provided some drag on risk sentiment, but increased expectations of expanded fiscal spending following Democrat Joe Biden's victory boosted markets.

Global Covid-19 cases continued to surge in Q1 2021, with many countries going back into lockdown as new virus variants became more virulent. Health concerns also halted the vaccine rollout in some countries whilst supply constraints led to a slower than expected rollout in Europe. However, improving economic data over the quarter in most countries and global vaccination rollouts boosted economic recovery optimism. The MSCI AC World Index rose by 51.1% in local currency terms over the past twelve months and by 38.9% in sterling terms. Governments across major economies announced swift and significant fiscal support for businesses and individuals. The US government approved several stimulus packages and have proposed a new infrastructure bill worth \$1.9tn. The European Union (EU) promised a recovery package which was increased to €1.8tn and passed in late 2020.

Central banks loosened monetary policy with quantitative easing (QE) programs. The US Federal Reserve (Fed) even began buying individual corporate bonds directly from the secondary market for the first time in Q2 2020. The Fed then announced a major policy shift in Q3 2020 by adopting an "average inflation targeting" approach which implies a higher tolerance towards inflation. In Q4 2020 and Q1 2021, the Fed maintained its guidance surrounding keeping interest rates near zero until at least 2024 and continuing to buy \$120bn of debt per month until "substantial further progress has been made" towards its employment and inflation targets.

In Q3 2020, the Bank of England (BOE) reported in its meeting minutes that it was examining how negative interest rates could be implemented effectively should this be required. However, deputy governor Dave Ramsden later suggested that the current base rate represented the "effective lower bound" for interest rates. The European Central Bank (ECB) launched a €1.9tn pandemic emergency purchase program (PEPP) which will continue until March 2022.

After years of negotiations, the UK and the European Union (EU) reached a historic Brexit trade deal. The deal was reached after issues including EU fishing rights in UK waters and fair competition rules were agreed. The agreement allows most goods to be traded between the UK and the EU without tariffs or quotas. Meanwhile, EU fishing rights in UK waters will be reduced by one-quarter over a five and a half-year transition period, after which access will depend on annual negotiations. Spain and the UK also agreed to keep the land border between the British overseas territory of Gibraltar and Spain open.

Sterling ended the twelve months 5.7% higher on a trade-weighted basis. Sterling depreciated in Q2 2020 due to the deteriorating UK coronavirus situation, Brexit uncertainty and a poor economic outlook. However, in Q3 2020, the weak US dollar led to sterling gains against the dollar. Sterling continued to more broadly appreciate in Q4 2020 in anticipation that a Brexit deal would be reached. The relief rally in sterling in Q1 2021, in the wake of the Brexit deal was boosted by the launch of a successful UK vaccination program.

Inflation expectations rose globally over the last year on the back of liquidity expansion and growth optimism. This rise in inflation expectations was a key driver of rising global bond yields from record low levels reached in the first half of 2020. The rise in inflationary expectations was most significant in the US given the shift in Fed strategy and the massive US fiscal spending program.

UK gilt yields fell to extreme lows in summer 2020 on the back of the pandemic, Brexit uncertainty and increased

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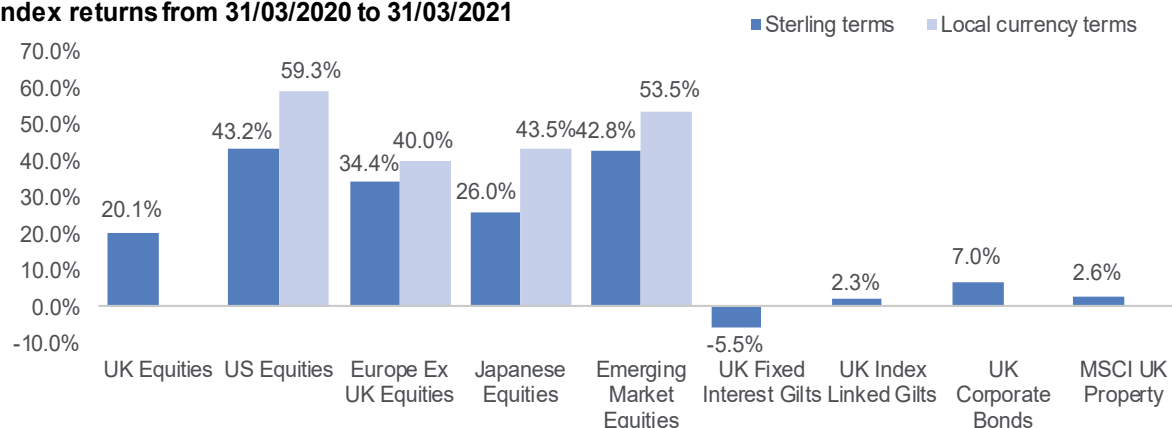
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expectations of a BOE rate cut to negative levels. However, yields started to edge up across maturities in Q3 as global risk sentiment improved. In Q1 2021, gilt yields rose sharply on the back of economic optimism in the light of several vaccine discoveries, further fuelled by the new US stimulus package. According to FTSE All-Stocks indices, UK fixed-interest gilts fell by 5.5%, whilst index-linked gilts returned 2.3% over the last twelve months.

Credit markets benefited from risk-on investor sentiment over the year, with credit spreads continuing to contract to ever tighter levels. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, ended the period 111bps lower at 106bps.

UK commercial property returned 2.6% over the period as the income return of 5.6% offset the 2.9% fall in capital values. Virus pressure on the already struggling retail sector meant it returned -5.8% over the year. The office sector returned -0.8% over the year, whilst industrials outperformed with a return of 13.9%.

Index returns from 31/03/2020 to 31/03/2021



Source: FactSet, MSCI (Equities, Property), FTSE (Gilts), iBoxx (Corporate Bonds)

DB Structure Investment commentary

The following table summarises the broad asset classes in which the Plan (excluding the GPS EnergySolutions Section) was invested as at 31 March 2021. The proportions of assets held in the various asset classes shown in the table differ from the proportions reported in the 31 March 2020 accounts due to changes in the value of the underlying funds during the year, and the impact of cashflows. In addition, the proportions shown in the table are exclusive of cash balances held in Trustee bank accounts. Investment in each of these classes is achieved via pooled investment vehicles managed by various investment managers, as noted in the following section.

From 1 July 2016, all sections of the Plan (excluding the GPS EnergySolutions Section) accessed investments through the CIP Growth and Bond funds. During March 2021 the CIP Funds were restructured to create four funds from the start of April 2021, CIP Growth, CIP Illiquid Growth, CIP Liquid Credit, and CIP Gilt. Subsequent to the year-end, during April 2021, the fund CIP Hedging was added to the Common Investment Platform

During May 2019 the bulk of the invested assets and all liabilities for the GPS EnergySolutions Section were transferred to an insurer.

Asset class	% of Defined Benefit Assets	CIP Growth	CIP Illiquid Growth	CIP Liquid Credit	CIP Gilt
Equities	36.1%*	✓			

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Private Equity	4.2%		✓		
Property	8.6%	✓			
Active Strategies	6.8%	✓			
Liquid Credit	5.0%	✓			
Illiquid Credit	1.7%	✓	✓		
Secured Loans	5.0%	✓			
Corporate Bonds	10.7%			✓	
Index-Linked Gilts	13.3%	✓			✓
Ground Rents	1.6%	✓			
Cash	7.0%	✓	✓	✓	✓
Total	100.0%				

Source: Aon, State Street, Investment Managers

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

Investment managers

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

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

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

In addition, State Street manage a series of cash accounts for the participating sections of the CIP Funds.

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

Equities

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

The Plan's exposure to Equities was maintained to within agreed tolerances over the year to 31 March 2021. Where disinvestments are required from invested assets to meet cashflows or capital commitments to other

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funds, and investment in cash funds and cash balances are insufficient to meet these payments, these are principally sourced from the CIP's equity funds.

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

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

Private equity

The CIP Illiquid Growth Fund includes a private equity mandate managed by Partners Group. Partners Group is a global private markets investment manager with investment programmes in private equity, private debt, private real estate and private infrastructure. The funds invested with Partners Group are now held as part of the client specific CNPP Private Markets L.P. The CIP Illiquid Growth Fund also includes a private equity mandate managed by Blackstone. Blackstone invests across the full range of illiquid assets. The Plan invests in the Blackstone Strategic Capital Holdings II solution (BSCH II). BSCH II does not invest directly in private equity companies or funds and instead looks to take minority stakes in alternative asset management companies (predominantly Private Equity managers). For this ownership stake, BSCH II receives a share of the long-term and contracted management fees from the underlying asset managers.

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

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

Property

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

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

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

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

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

Active strategies

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

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

Secured loans

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

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

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

Multi-credit

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

The Trustee invests in the Barings Capital Global High Yield Fund for the CIP Growth Fund. The objective of the fund is to provide a positive absolute return against a cash-based benchmark. The fund will invest

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predominantly in floating rate and fixed-income instruments and the investment manager expects returns to be generated from ongoing interest income as well as original issue discount, closing payments, commitment fees, prepayments and related penalties. While the fund is actively managed, the manager is expected to pursue a buy and hold strategy.

Corporate bonds and index-linked gilts

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

The Trustee invests assets with Legal & General. The Trustee invests in the Investment Grade Corporate Bond All Stocks Index Fund, Over 15 year Index-Linked Gilts Fund, All Stocks Index-Linked Gilts Fund and a range of levered index-linked bond funds through a pooled Liability Driven Investment platform. The underlying funds are invested wholly or predominantly in gilt repos, reverse gilt repos, gilts, gilt total return swaps, interest rate swaps and shares in the Legal & General Sterling Liquidity Fund. The principal instrument used to gain leveraged exposure will generally be gilt repos. All derivative exposure will be collateralised daily to help reduce counterparty risk.

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

The Trustee invests assets in the Insight UK Corporate All Maturities Bond Fund, which invests predominantly in sterling investment grade bonds. Units are held directly in the Trustee's name at the Fund Administrator, Bank of New York Mellon UK.

Cash

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

Hedging

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

DC Structure assets

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

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

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

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A summary of the AVC, SPPP and DC funds split between key asset classes, along with 12-month, 3-year and 5-year performance to 31 March 2021, is provided in the table below:

Asset class	% of total assets held in respect of the AVC, SPPP and DC arrangements	12 month performance (% p.a.) ^[1]	3 year performance (% p.a.) ^[1]	5 year performance (% p.a.)
Global Equity	8.9%	32.7	7.3	9.9
UK Equity	3.4%	26.8	3.1	6.2
Global Equity (ex UK)	4.6%	40.1	14.3	15.3
Emerging Markets Equity	0.5%	46.2	7.5	13.1
Sharia Law (Equity)	0.6%	36.6	19.5	17.6
Property	0.1%	3.2	1.8	2.8
Multi-Asset	0.3%	16.4	5.4	4.7
Corporate Bonds	0.2%	6.9	4.1	4.5
Index-Linked Gilts	2.5%	-1.7	3.4	6.3
Pre-Retirement (bonds)	1.4%	-1.8	3.6	4.4
With Profits ^[2]	0.5%	n/a	n/a	n/a
Cash	2.1%	-0.1	0.4	0.3
Target Date Funds ^[3]	75.2%	43.2	10.5	11.2
Total	100.0%			

Note: Numbers may not tally due to rounding.

[1] Based on performance for funds provided by Aegon in which the Plan invests. Self-select funds were inceptioned in September 2015.

[2] Performance information for the Prudential With-Profits fund is reported annually as part of the fund's bonus declaration and relates to calendar year periods only.

[3] For the target date fund performance, the performance from a representative fund is included, namely the 2046-48 LifePath Flexi option. LifePath funds were inceptioned in April 2016.

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DB Structure implementation statement

1. Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (the "Regulations"). Change made under those Regulations amongst other things require that the Trustee produce an annual Implementation Statement (the "Statement") which outlines the following:

- A summary of any review and the changes made to the Statement of Investment Principles ("SIP") over the year in respect to investment of Defined Benefit assets;
- Evidence on how and the extent to which the Trustee has fulfilled the objectives and policies included in the SIP over the year;
- Describe the voting behaviour by, or on behalf of the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the Plan year and state any use of the services of a proxy voter during that year.

This document sets out the details, as outlined above. This Statement has been prepared by the Trustee with the support of the investment adviser, Aon Solutions UK Limited, and covers the Plan year from 1 April 2020 to 31 March 2021.

2. Overview of Trustee actions

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

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

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

2 (i). SIP changes over the period

The Plan's SIP was reviewed and updated in September 2020 to reflect the following changes:

- Assets transferred from the FTSE All Share 5% capped fund and split between the World Equity Index Fund and the World Equity Index Fund – GBP Hedged, within the Legal & General Client Specific Unitised Fund.
- Implementation of a new Private Equity investment with Blackstone.
- Expansion of Trustee policies on cost transparency and how asset managers are incentivised, in particular, how the Trustee incentivises asset managers to fulfil the Trustee's long-term objectives, policies on cost transparency, policies on voting and stewardship and how asset managers' policies align with the Trustee's and those of the sponsoring employers in relation to sustainability.

Following these changes, the SIP remained in place until 31 March 2021, without change.

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The SIP is expected to be further updated after 31 March 2021 as the Common Investment Platform ("CIP") is restructured.

2 (ii). Meeting the Trustee's overriding funding principles for the DB structure

The Trustee outlines in the Plan's SIP several key objectives and policies.

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

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

Overriding principle	Actions taken by the Trustee
To build up assets to provide for accrued benefits and new benefits for active members as they are earned. The Trustee continues to monitor the assets versus the liabilities on an ongoing basis.	The Trustee worked in conjunction with its advisers in relation to the triennial actuarial valuation. This was most recently undertaken as at 31 March 2019, to assess whether the Plan has sufficient assets to cover the liabilities on an ongoing basis.
To recover any funding shortfall over an agreed time frame. The Trustee and the Employers have agreed recovery plans to address the deficit in funding.	As part of the last triennial valuation, as at 31 March 2019, the Trustee reviewed the deficit funding requirement and agreed with the relevant employers the recovery plan for each Section. The Sections of the Plan have received the deficit contributions, as expected.
To ensure that there are always sufficient assets of the Plan (at their realisable value) to meet 100% of benefits as they fall due for payment to members.	The Trustee, in conjunction with the Plan's administrator and investment adviser, has ensured that there has been sufficient cash available to meet benefits as they fall due. Where necessary, the Trustee has disinvested assets.

2 (iii). Meeting the Trustee's policies set out in the SIP

The SIP includes policies in the following areas. The below information confirms how these policies have been met during the scheme year.

Investment strategy review

The Trustee undertook an investment strategy review, during the scheme year, alongside the most recent triennial actuarial valuation. As part of this, the Trustee considered the Plan's long-term goals and funding plan, along with the investment return required over time. The Trustee's investment adviser proposed changes which it deemed to be in line with the over-riding principles for the DB structure.

The Trustee delegates functions to the Investment Sub-Committee (the "ISC"), which are set out in the Terms of Reference appended to the SIP. Between September and December 2020, the ISC, with the support of the Trustee's investment adviser, agreed to restructure the Common Investment Platform ("CIP") structure. The existing structure was made up of a Growth Fund, housing the highest risk and return investment managers, and a Bond Fund, housing all the lower risk liability matching investment managers. The reasoning for the CIP restructure was to provide the Sections greater flexibility in implementing their strategies.

The CIP restructure saw the creation of three additional CIP Funds to deliver the flexibility needed to tailor individual Section's investment strategies. The Plan's investment managers were reallocated across the new CIP Fund structure, which now includes the Growth Fund, Illiquid Growth Fund, Liquid Credit Fund, Gilt Fund and Hedging Fund. The new CIP funds were not available until after the year-end therefore do not have a

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bearing on the period to which these Financial Statements relate.

Alongside this, the Trustee reviewed suitable target returns and portfolios for each of the underlying Sections. Allocations across each of the five CIP Funds were agreed for each Section, depending on its specific risk and return objectives.

Over the coming year, the Trustee will review the investment manager line-up of each of the five CIP Funds and, where appropriate, consider changes, with the support of their investment adviser.

Risk management

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

- The maturity and cashflow profile of the section;
- The strength of the covenant provided by the sponsoring employers
- Variation in interest rates and inflation;
- Environmental, social and governance issues (ESG), including climate change; and
- Capital market risk and the benefits of diversification by market and within markets to mitigate market concentration.

In line with the policy set out in the SIP, the Trustee maintained a risk register setting out specific risks faced by the Plan and measures in place to monitor or mitigate these risks. Investment risks are categorised in terms of strategic, implementation, market and regulatory risks. Each risk identified is managed through a combination of ongoing monitoring and specific risk controls, with the aim of reducing both likelihood or impact of risks materialising and thus the impact on the Plan. The ISC met on a quarterly basis and reviewed the risk register.

The Trustee reports on the risks associated with its investments annually in the investment risk disclosure note in the notes to the financial statements. This report covers the action taken by the Trustee to monitor the risks associated within the DB Sections of the Plan, considering separately market risks, credit risk, interest rate risk, inflation risk and other price risk.

Appointment of investment advisers, investment managers and custodian

Over the year, the Trustee appointed Blackstone Strategic Capital Holdings to manage a private equity mandate, within the Illiquid Growth CIP Fund. The total commitment agreed was \$312.5m. The Trustee's investment adviser undertook due diligence on the Trustee's behalf in advance of this appointment. The appointment was in line with the kinds of investment to be held by the Plan that are outlined within the SIP.

The Plan may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index linked bonds, cash, property and commodities, either directly or through pooled funds.

The Trustee considers all of these classes of investment to be suitable in the circumstances of the Plan.

Reporting and monitoring investment performance

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

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

Actuarial funding update

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

Cashflow monitoring

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

Stewardship policy

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

The Trustee believes good management of companies should lead to more sustainable and predictable returns. The investment managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies. The Trustee has reviewed the voting policies of their investment managers and determined that these policies are appropriate. The Trustee monitors voting and engagement activity and will periodically review amendments to investment managers' policies. The investment manager's voting and engagement policies (and any amendments) were reviewed on the Trustee's behalf by Aon as part of the production of this implementation statement.

When appointing new investment managers, the Trustee considered the investment managers' approach to voting and engagement. Aon's manager research team discuss the engagement policies of fund managers as part of their fund rating review and the Trustee receive and review manager monitoring information on a quarterly basis that includes a score for management of Environmental, Social and Governance issues.

Further details relating to the voting and engagement behaviour of the investment managers are included in this statement.

Climate risk policy

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

The Plan is currently progressing towards meeting the requirements as set out as part of the Task Force on Climate-related Financial Disclosures ("TCFD"). The TCFD establishes a set of eleven clear, comparable and consistent recommended disclosures about the risks and opportunities presented by climate change. The increased transparency encouraged through the TCFD recommendations is intended to lead to decision-useful information and therefore better-informed decision-making on climate-related financial risks. Aligning

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the Plan to the TCFD can be a long process and requires careful planning. The requirements are oriented around four pillars that represent the core elements of how organisations operate. For pension scheme trustees, these are:

- Governance: disclose the trustees' governance around climate-related risks and opportunities;
- Strategy: disclose the actual and potential impacts of climate-related risks and opportunities on the pension scheme where such information is material;
- Risk management: disclose how the trustees identify, assess and manage climate-related risks and opportunities;
- Metrics and targets: disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Regulations impact the Plan from 1 October 2021 and the Trustee will be preparing its first TCFD report in 2022 for the Trustee Report and Accounts. Aon are currently working with the Trustee to achieve the requirements in respect to the following disclosures:

- 1a Describe the board's oversight of climate-related risks and opportunities;
- 1b Describe management's role in assessing and managing climate-related risks and opportunities;
- 2a Describe the climate-related risks and opportunities identified over the short, medium and long term;
- 2b Describe the impact of climate related risks and opportunities
- 2c Describe the resilience of the strategy taking into consideration different climate-related scenarios;
- 3a Describe the process for identifying and assessing climate-related risks;
- 3b Describe the process for managing climate-related risks;
- 3c Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management;
- 4a Disclose the metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process;
- 4b Disclose greenhouse gas emissions and the related risks;
- 4c Describe the targets used to manage climate-related risks and opportunities and performance targets.

Arrangements with Investment Managers

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

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

The Trustee has received quarterly reports and updates from its investment adviser and reviewed engagement information on an annual basis.

Monitoring Costs

The Trustee is aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustee recognises that in addition to

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annual management charges, there are a number of other costs incurred by their investment managers that can increase the overall cost incurred by their investments.

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

3. Voting and Engagement Activity – Equity and Diversified Growth (Multi-Asset) Funds

The Plan's DB section invests in the following equity funds or those with material equity allocations:

Manager	Fund Name
Legal & General Investment Management ("LGIM")	All World Equity Index Fund
Legal & General Investment Management ("LGIM")	LGIM Synthetic Equity
Legal & General Investment Management ("LGIM")	FTSE RAFI All World 3000 Equity Index Fund
MFS Investment Management ("MFS")	MFS Global Equity Fund
Pictet Asset Management ("Pictet")	Dynamic Asset Allocation Fund

The Trustee was not required to cast votes during the scheme year as assets are held within pooled funds where ownership and voting responsibilities rest with the fund managers.

3i to 3iii below reflect significant votes cast by the fund managers during the scheme year.

Each of the managers use the services of respective proxy voting organisations (such as Institutional Shareholder Services ("ISS") and Glass, Lewis & Co ("GL")) for various services that may include research, vote recommendations, administration, vote execution.

Voting statistics for each fund over the period are shown in the Appendix.

3 (i). Legal & General Investment Management ("LGIM")

LGIM provided voting and engagement information in relation to equity funds at a firm level only, as detailed below. The Synthetic Equity Fund gains exposure to equity markets through derivative instruments, for which voting and engagement are not applicable (and as a result, no voting statistics appear in the Appendix for the Synthetic Equity Fund).

Voting

LGIM make use of the ISS proxy voting platform to electronically vote and augment their own research and proprietary environmental, social and governance assessment tools, but do not outsource any part of the strategic decisions. They have put in place a custom voting policy with specific instructions that apply to all markets globally, which seek to uphold what they consider to be minimum best practice standards all companies should observe. Even so, LGIM retain the ability to override any voting decisions based on the voting policy if appropriate, for example, if engagements with the company have provided additional information.

Voting Example: Pearson

In September 2020, LGIM voted against a remuneration policy put forward by an investee company Pearson. The company put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy at an extraordinary general meeting ("EGM"), which was tied to the appointment of a proposed CEO. Shareholders supportive of the new leadership were therefore unable to separately evaluate the remuneration policy.

LGIM spoke with the chair of Pearson's board in relation to plans for the change in leadership and discussed the shortcomings of the company's current remuneration policy. Additionally, LGIM relayed their concerns prior to the EGM that the performance conditions within the remuneration policy were not appropriate and should be re-evaluated to best align management incentives with those of the shareholders.

In the absence of any changes to the proposal, LGIM took the decision to vote against the amendment to the

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remuneration policy. In all, 33% of shareholders voted against the remuneration policy and the appointment of the new CEO. While the proposal received sufficient support to be passed, the engagement highlighted concerns around governance, which LGIM has stated will be challenged through continued engagement going forward.

Engagement

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues
2. Formulate the engagement strategy
3. Enhancing the power of engagement
4. Public Policy and collaborative engagement
5. Voting
6. Reporting to stakeholders on activity

More information can be found on LGIM's engagement policy here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf

Engagement Example: Proctor and Gamble

An example of engagement over 2020 was with Proctor and Gamble ("P&G"). P&G uses both forest pulp and palm oil as raw materials within its household goods products. A key issue identified was that the company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Furthermore, two of their Tier 1 suppliers of palm oil were linked to illegal deforestation.

Following a resolution proposed by Green Century that P&G should report on effort to eliminate deforestation (that was voted on in October 2020), LGIM engaged with the P&G, the resolution proponent, and with the Natural Resource Defence Counsel to fully understand the issues and concerns.

Through this round of engagements, LGIM decided to support this resolution as although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, LGIM felt it was not doing as much as it could. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC-certified sources.

More detail on this engagement example can be found here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/cg-quarterly-report.pdf

3 (ii). MFS Investment Management ("MFS") Global Equity Fund

Voting

The manager has entered into an agreement with ISS to perform various proxy voting-related administrative services, such as vote processing and recordkeeping functions. While the manager also receives research reports and vote recommendations from ISS and GL, the manager analyses all proxy voting issues within the context of their own Proxy Policies.

Voting Example: Comcast Corporation

An example of a vote against management took place in June 2020 in relation to reporting on lobbying payments and policy at Comcast Corporation. MFS took the stance that additional reporting on the company's lobbying-related practices and policies, including its indirect lobbying through trade associations and other organisations, would benefit shareholders in assessing the risks associated with the company's public policy engagements. MFS continue to engage with the company on this issue as the outcome was unsuccessful.

Engagement

Proxy-led engagement activity is conducted on a firm-wide level. The manager's proxy voting team engages in a dialogue or written communication with a company or other stakeholders, when they believe that the discussion will enhance the manager's understanding of certain matters on the company's proxy statement that are of concern to shareholders. The manager may also engage in such dialogue regarding certain thematic topics of focus for its proxy voting committee.

Engagement Example: Cognizant

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In December 2020 MFS engaged with Cognizant. The focus of engagement was to discuss board composition, executive compensation, sustainability, diversity and culture. MFS met with the chairman of the board and chair of the compensation committee to discuss strategy, diversity and inclusion, board refreshment, proposed compensation changes and sustainability. This engagement is still ongoing. MFS will continue to analyse and discuss the evolution of the company's executive compensation plan, the company's ongoing sustainability efforts, its corporate culture initiatives, as well as any other topics relevant to the company.

3 (iii). Pictet Asset Management ("Pictet") Dynamic Asset Allocation Fund

Voting

Pictet Asset Management ("Pictet") use the services of third-party specialists (ISS) to provide research and to facilitate the execution of voting decisions at all relevant company meetings worldwide and to assist in performing their proxy voting responsibilities. Pictet's proxy voting policy is based on generally accepted standards of practice in corporate governance, including those relating to board compensation, executive remuneration, risk management and shareholder rights. Pictet typically use the recommendations of ISS to inform voting decisions but may deviate from voting recommendations on a case-by-case basis in order to act in the best interests of their clients. Such divergences may be initiated by Investment teams or by the ESG team and is supported by detailed written rationale.

If Pictet believe the subject of a vote could present a material concern from an ESG perspective, they will continue to monitor and engage with the company. If warranted, Pictet will consider actions as part of their escalation strategy, including future voting decisions.

Pictet consider a vote to be significant due to the subject matter of the vote, for example a vote against management, if the company is one of the largest holdings in the portfolio, and/or if Pictet hold an important stake in the company.

Voting Example: Mitchells & Butlers

An example of a vote against management took place in March 2021 with Mitchells & Butlers regarding the approval of a restricted share plan. Pictet did not communicate their voting intention to the company ahead of the vote. Pictet did not support this plan as the company was replacing performance shares with restricted shares, the latter being time-based instruments without conventional performance conditions, and the introduction of the plan and its relevance to company strategy had not been supported with sufficient rationale. The resolution was ultimately approved by shareholders.

Engagement

Pictet consider it their fiduciary duty to engage selected corporate issuers in order to positively influence a company's ESG performance which would protect or enhance the value of Pictet's clients' investments. Pictet engage management to adopt appropriate policies, practices and disclosure in line with established best practice but focus on those that lag behind or where accidents or events bring to light structural weaknesses in their governance and/or management of environmental and social issues.

Pictet state that of the 271 engagements that they undertook over the period to Q1 2021, 46 were on Environmental issues, 80 on Social and 145 on Governance related issues. Pictet's data collection and publication practices on engagement is something they are working to improve and investing in firm wide. Engagement conducted by Pictet is coordinated by their in-house ESG team and involves participation from investment teams. For each engagement, they set or support defined objectives, track progress and in some cases, if the objectives are not met, may reduce or sell their holdings.

Engagement Example: Mining Industry

An example of engagement during the period was involving a holding of a company in the mining sector. The first engagement for this particular case study example was in November 2020 via Sustainalytics. This engagement is designed to address issues that arise in relation to companies' failings on governance issues and/or significant deviations from relevant international norms and standards such as the UN Global Compact, OECD Guidelines for Multinational Enterprises, as well as human rights and environmental conventions. Pictet's objective from the engagement was to ensure the company looks to resolve poor management practices that have negatively affected indigenous people, heritage sites, and the local environment. Pictet state that they have been pleased with the progress of this engagement to date and will continue this dialogue with the company throughout 2021. Pictet will continue to monitor this case and vote accordingly in

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line with their voting and engagement policy objectives.

4. Engagement Activity – Private Equity & Debt

The Plan invests in a number of private equity and debt strategies and acknowledges the ability to engage and influence companies may be less relevant than for public equity holdings, more so if a vehicle is in the later stages of its investment lifecycle. From the information received, the Trustee is encouraged that the managers are aware and active in their role as a steward of capital.

The following examples demonstrate some of the engagement activity being carried out on behalf of the Plan over the year.

4 (i). HPS Investment Partners ("HPS") Core Senior Lending Fund, Private Loan Opportunities Fund, Specialty Loan Fund III

Voting

HPS Investment Partners ("HPS") state that although generally not applicable to the Firm's business, they have the authority to vote client securities on behalf of its clients via ISS. HPS exercises voting authority over client proxies with the intent to ensure that they vote proxies in the best interests of its clients.

Engagement Example: Project Parker

An example of engagement relevant to both the Core Senior Lending Fund and Private Loan Opportunities Fund is Project Parker, with the aim to help develop the portfolio company's ESG policy. The company did not have a formalised ESG policy or framework, but rather had some relevant pieces for a potential ESG framework. Over several video conferences in Q1 2021, HPS reviewed these materials and provided guidance on how to develop a specific framework relevant to the specific industry.

As a result of HPS's initial engagement, the Company is currently creating a formalised ESG policy and HPS continue to help the Company with documenting their ESG goals into a formalised framework.

4 (ii). Partners Group ("Partners") Direct Equity, Global Value, Multi Asset Credit strategies

The Fund was invested in several private equity and debt vehicles over the period, the voting and engagement policy for the manager is detailed at a firm level below.

Voting

Where appropriate, Partners use GL proxy voting services, who have been instructed to vote in-line with Partners Group's Proxy Voting Directive. Wherever the recommendations for GL, Partners proxy voting directive, and the company's management differ, Partners vote manually on those proposals.

Engagement

Partners state clear expectations with newly acquired assets through a standard ESG onboarding process. In 2020, this resulted in 39 tailored ESG engagements across their direct investment portfolio comprising at least 3 target ESG projects per year. Collectively, these engagements mean that Partners have over 100 ongoing ESG value creation projects across private equity, private real estate and private infrastructure as at 31 March 2021.

Partners' ESG strategy is anchored in their Responsible Investment Policy, which describes their overall approach to responsible investment, including how they integrate material environmental, social and governance factors, alongside commercial and financial considerations, into their sourcing, due diligence and ownership practices across all of the asset classes in which they invest.

Partners state that for each engagement of a private asset investment into a company, they discuss their commitment to ESG and ambition with company management. The Partners Investment and Industry Value Creation teams discuss topics most relevant to the company or asset's business and stakeholders, identify key ESG improvement opportunities, and define the vision and strategy for a company or asset's ESG engagement with Partners.

For more information, please refer to the firm's website for the latest Corporate Sustainability Report:

<https://www.partnersgroup.com/en/sustainability/>

Engagement Example: COVID-19 Pandemic

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An example of engagement during the period for the multi-asset credit funds was in relation to the management of the impacts of COVID-19. Partners Group implemented continuous engagement during the pandemic to measure the impacts and follow up on business strategy. The company is now able to deliver services remotely where it could not before and is also not expected to face liquidity issues in the near term. In addition, the company has now sold off its Property division, and proceeds received have strengthened its balance sheet.

5. Engagement Activity – Fixed Income and Real Estate

The Plan also invests in a number of fixed income and real estate strategies and the Trustee recognises that the ability for managers to engage and influence companies may be less direct than in comparison to public equity holdings, though note that the managers are aware and active in their role as stewards of capital. The following examples demonstrate some of the engagement activity being carried out on behalf of the Plan over the year.

5 (i). Barings Global Loan Fund, Global High Yield Credit Strategies

For the Barings Global Loan Fund and Global High Yield Credit Strategies, the number of engagements was not tracked during the reporting period. However, Barings have recently launched an in-house proprietary ESG system that enables its investment teams to systematically track and monitor all its engagements going forward. It allows the recording and detailing of engagement focus areas, the objectives, milestones, and timelines for each engagement. It also allows Barings to monitor the success or failure of each milestone and objective.

Engagement Example (Global Loan Fund): Global Software Company

During the year, a global software company held as an investment by the Barings Global High Yield team implemented a number of employee restructuring programmes, including a forced furlough scheme for employees and pausing defined-contribution pension payments. This was undertaken in reaction to disruption caused by the COVID-19 pandemic and as a cost saving exercise. The company is based in Silicon Valley and Barings was concerned about the impact of the restructuring on employee morale and attrition. Barings engaged with senior management to obtain further disclosure on staff turnover and employee satisfaction metrics. Initial data obtained indicated lower morale at the company, but through further engagement Barings was able to understand that performance metrics have been sequentially improving. What Barings discovered through their engagement has been reassuring, and they continue to hold an investment in the company.

5 (ii). Insight Investment Management ("Insight") UK Corporate Bonds

Insight states within its responsible investment policy that it engages as a bondholder with management and other entities to discuss issues such as strategy, deployment of capital, performance, remuneration, risk management and ESG factors. Insight prioritises its engagement dependent on a variety of factors which can include portfolio position, materiality of issue and company access.

Engagement Example: ENEL

An example of engagement was in Q4 2020 with ENEL to discuss their ESG strategy, carbon emissions reduction plans and their inaugural GBP SDG linked bond issue. As part of the Climate Action 100+ initiative, Insight continue to encourage ENEL to establish measures to mitigate climate risk and adapt the business for a low carbon economy.

Insight state that ENEL have been responsive to the engagement and a follow up call with the company chair has been scheduled so that ENEL's team can present solutions and future plans to improve on the areas addressed.

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5 (iii). Aberdeen Standard Investments ("ASI") Long Lease Property Fund, Ground Rents Fund (Real Estate)

The Aberdeen Standard Investments Long Lease Property Fund and Ground Rents Fund directly invest in properties rather than companies, therefore information regarding voting is not directly relevant. However, ASI state that they do engage fully with their stewardship responsibilities and regularly engage with the managements of companies in which they are invested. In this way, even in the absence of voting rights, ASI can encourage them to remain 'good' companies and become even better businesses.

5 (iv). Columbia Threadneedle Investments ("Threadneedle") Threadneedle Property Unit Trust (Real Estate)

The Columbia Threadneedle Property Unit Trust (TPUT) directly invests in properties rather than companies, therefore information regarding voting is not directly relevant.

Columbia Threadneedle have a five-step process towards ensuring they manage their real estate portfolios responsibly which includes:

- Carrying out due diligence when properties are being considered for acquisition
- Seeking to improve energy & water efficiency, waste management and other sustainable practices in the properties
- Refurbishing with high sustainability standards
- Continuously manage properties with sustainability objectives in mind
- Ensuring portfolios undergo risk and governance controls.

Regarding TPUT specifically, Columbia Threadneedle engages with all stakeholders involved in the property investments to monitor the sustainability of the portfolio. This includes tenants, suppliers, participant's workforce and the local community. For example, Columbia Threadneedle provide questionnaires to their key suppliers about their approach to corporate responsibilities and highlight the need for UK suppliers to comply with the Modern Slavery Act.

6. Conclusion

In respect to Stewardship and Engagement the Trustee believes good management of companies should lead to more sustainable and predictable returns. The Trustee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The investment managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies. Based on the activity over the year by the Trustee and its service providers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice. The Trustee note that most of their investment managers were able to disclose strong evidence of voting and engagement activity. The Trustee expect improvements in disclosures over time in line with the increasing expectations on investment managers and their significant influence to generate positive outcomes for the Plan through considered voting and engagement.

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Appendix – Voting Statistics

This below information relates to the specific funds the Plan invests in.

Voting Statistics over the year to 31 March 2021

Manager For the period from 1 Apr 2020 – 31 Mar 2021

Manager	% of resolutions voted on for which the fund was eligible	Of the resolution on which the fund voted, % of resolutions voted against management	% of resolutions abstained
LGIM - All World Equity Index Fund	99.85%	15.96%	0.79%
LGIM - FTSE RAFI All World 3000 Equity Index Fund	99.78%	18.11%	0.38%
MFS - MFS Global Equity	100%	6.41%	1.16%
Pictet - Dynamic Asset Allocation Fund	100%	9.88%	0%

Source: Investment managers.

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DC Structure implementation statement

This Implementation Statement ("the Statement") has been prepared by the Trustee and relates to the DC Structure of the Plan, covering both the Shift Pay Pension Plan (and relevant additional voluntary contributions) and members in the Defined Contribution (DC) New Joiners Benefit Structure.

This Statement is produced by the Trustee as required by Regulation 29A of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. This Statement covers the Statement of Investment Principles ("SIP") in relation to the DC Structure only and any reference to SIP in this Statement will mean the SIP for the DC Structure. The Trustee has a separate SIP and relevant Implementation Statement for the DB Structure. The regulations state that the Statement must:

- Set out how, and the extent to which, in the opinion of the Trustee, the SIP has been followed during the year;
- describe any review of the SIP undertaken during the year, explain any change made to the SIP during the year and the reason for the change (or where no such review was undertaken during the year, state the date of the last review) (see the section entitled "SIP review and update" below); and
- Describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the year and state any use of the services of a proxy voter during that year (see the section entitled "Voting Behaviour" below).

Based on regulatory requirements, the Statement will cover the period from 1 April 2020 to the end of the Plan's financial year on 31 March 2021.

The Statement is split into three sections:

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

Overview of Trustee actions

During the relevant reporting period, the Trustee with support from the Plan's investment adviser:

1. Undertook a triennial review and assessed the suitability of the default investment options and self-select fund range. This review encompassed but was not limited to:
 - (i) understanding the membership;
 - (ii) assessing the design of the strategy (including the glidepath);
 - (iii) reviewing the integration of Environmental, Social and Corporate Governance ("ESG") factors.

The Trustee is satisfied that default investment options continue to remain suitable for the membership of the Plan.

2. Directed ongoing member contributions and accrued assets that were being invested in the Replacement Cash Fund into the relevant default investment options for affected members.
3. Received advice to understand the reasoning behind BlackRock's decision to increase allocation to funds with explicit ESG considerations within its LifePath range. The Trustee concluded that it is comfortable with the change. Overall, the change will not impact charges, or investment objectives, but explicit ESG integration now covers the entirety of equity allocation within LifePath and therefore the majority members' investments in the default investment options.

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Overview of Trustee actions (continued)

SIP review and update

The SIP was both reviewed and updated in September 2020 in response to additional changes to the Occupational Pension Schemes (Investment) Regulations 2005, which in summary were to cover:

- The arrangements in place between the Scheme and its investment managers; and
- Further information about the Scheme's approach to engagement activities.

Financially material considerations

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

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

ESG integration within the default

BlackRock continue to develop how members' investments can be better positioned against potential risks arising from ESG factors. Part of this development has led to the introduction of the ACS World Screened Index Fund to supplement the existing global equity allocation and bring explicit ESG risk management to all equity holdings in the LifePath strategies. Members will benefit from a more robust ESG focussed strategy, reduced carbon emissions intensity, whilst not impacting their portfolios' investment objectives, benchmark, or charges. The Trustee is satisfied that the revised strategy will result in more than half of the portfolio's assets (53%) in the growth phase benefiting from explicit ESG risk management.

Non-Financial Factors

The Trustee continues to make one ethical fund available to members – the CNPP Sharia Law Fund.

The Default Investment Arrangement

During the scheme year, the Trustee reviewed on a quarterly basis, the performance of each fund against the stated performance objective for that fund. The most recent assessment as of the Plan Year was in Q1 2021. The Trustee concluded that the managers remained well suited for the purpose. The Trustee will continue to monitor the managers on a quarterly basis - considering both the funds' performance and other prevailing circumstances.

The Trustee is aware that Strategic Asset Allocation plays a vital role in achieving investment objectives and good member outcomes. Due to the Covid-19 pandemic, four of the underlying managers suspended trading in the CNPP Property Fund (referred to as the "Property fund" below). Consequently, future contributions were invested into a temporary fund - the Aegon Replacement Cash Fund. Members were sent a letter dated 27 March 2020 in relation to this change, with a copy of the letter also publicly available in the Document Library of the scheme website (document titled "Notice of suspension of CNPP Property Fund").

Due to the ongoing closure of the Property Fund, the Trustee took the decision to transfer ongoing member contributions and accrued assets that were being invested in the Replacement Cash Fund into the relevant default investment options for affected members. This change was communicated to members in December 2020 and reflected the Trustee's concern around the limited returns members' savings were accruing within the Replacement Cash Fund during this prolonged period of fund closure.

An assessment of the suitability of the default investment options and self-select fund range was conducted by the Trustee during the Plan year (Q4 2020). The Trustee is satisfied that both default investment options continue to remain suitable for the respective memberships of the Sections of the Plan. The Trustee's adviser assisted

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Overview of Trustee actions (continued)

with the assessment and provided a review in the context of areas including (but not limited to): the suitability of the default investment strategy for their relevant membership, suitability against the objectives in the Statement of Investment Principles, and views on the investment manager of the funds used. The review also found that the range of self-select options offered covers all the main asset classes the adviser would typically expect. However, it was also noted that there is an increasing focus in the industry around Environment, Social and Governance factors and in the future the Trustee may seek to consider adding a self-select option that explicitly addresses or has specific targets against these factors.

Final Remarks

The Plan has demonstrated the actions the Trustee has undertaken during the relevant reporting period reflects the policies within the Plan's SIP.

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Review of policies contained in the SIP

This section sets out a summary of the policies which form the Plan's SIP and the Trustee's opinion as to how and the extent to which those policies (and, consequently, the SIP) have been followed during this reporting period.

Policy	Has the policy been followed?	How has the policy been followed during the scheme year?
Primary objective		
<p>The Trustee believes that members should make their own investment decisions based on their individual circumstances. The Trustee's objective is therefore to make available a range of investment options that, whilst avoiding excessive complexity, should assist the members in achieving the following objectives:</p> <ul style="list-style-type: none"> • Optimising the value of retirement benefits from the given contributions; • Protecting the value of those benefits in the years approaching retirement against market falls; • Protecting the value of those benefits in the years approaching retirement against fluctuations in turning fund values into retirement benefits; and • Tailoring their investments to meet their own needs. 	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee continues to provide two default investment arrangements specific to the different needs of members in the New Joiners DC Structure and Shift Pay Pension Plan.</p> <p>Where the Default Options do not meet the needs of a wider cross-section of members, the Plan provides 12 self-select funds. This self-select range includes both passive and active funds covering multi-assets and single asset strategies as well as an option for members who wish to invest in accordance with Sharia Law. An assessment of the suitability of the default investment options and self-select fund range was conducted by the Trustee during the Plan year (Q4 2020). The Trustee is satisfied that default investment options continue to remain suitable for the respective membership of the Plan.</p>
Default arrangements		
<p>The main objective of the default arrangements is to support good member outcomes at retirement while subject to a level of investment risk appropriate to the majority of members who do not make active investment choices.</p> <p>Manage the principal investment risks members face, gradually changing where they are invested as they approach retirement; and reflect that New Joiners DC Structure and Shift Pay Pension Plan ("SPPP") members are expected to choose different benefits at retirement.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The LifePath Funds are sets of Target Date Funds ("TDFs"), each managed to an asset allocation appropriate to its target retirement age range and retirement benefits.</p> <p>To reflect the different ways that members in the New Joiners DC Structure and SPPP sections are likely to access their retirement benefits, the default strategy for these sections differ, targeting income drawdown and cash at retirement respectively.</p> <p>Additionally, the Aegon Replacement Cash Fund was a default solution for part of the reporting period (until December 2020) due to the suspension of the CNPP Property Fund.</p> <p>The Trustee continues to receive regular reporting from its DC Investment Advisers, Redington, on the investment performance. Member outcome modelling is assessed</p>

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Designing and maintaining a default arrangement meets the expected different benefits at retirement for the membership.		using the PLSA Retirement Living Standards. Performance of the BlackRock LifePath funds returns (after charges) has been broadly in line with their respective objectives. Based on the Plan's membership this is a suitable investment option with the propensity to deliver good retirement outcomes for members at competitive charges. An assessment of the suitability of the default investment options and self-select fund range was conducted by the Trustee during the Plan year (Q4 2020),concluding that the default options continue to remain suitable for the respective Plan members and that the self-select options cover all the main asset classes the Plan's investment adviser would typically expect.
Choosing the default arrangements and other investment options		
The Trustee believes that understanding the Plan's membership is essential to designing and maintaining a default arrangement which meets the needs of the majority of members.	Yes, the Trustee is satisfied that this policy has been followed.	An assessment of the suitability of the default investment options and self-select fund range was conducted by the Trustee during the Plan year (in Q4 2020), concluding that the default options continue to remain suitable for the membership of the Plan and that the self-select options cover all the main asset classes the Plan's investment adviser would typically expect. As such, the Trustee is satisfied with the suitability of the default investment option but aim to revisit the range of self-select investment options after the Plan Year end and consider the following: 1) addition of funds with specific consideration for ESG factors, and 2) assessing the on-going suitability of the Property Fund.
The Plan should offer members a choice of investment options because the default may: 1) not meet the needs of the needs of a wider cross-section of members; 2) members attitude to risk and needs for returns will vary from member to member.		
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.		Performance of the Plan's investments were reviewed on a quarterly basis during Investment Sub-Committee meetings.
Kinds of Investments 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.	Yes, the Trustee is satisfied that this policy has been followed.	BlackRock as investment manager for the default investment options, make sure of the range of asset classes is as described in the Policy. In the Plan year to March 2021 the Trustee's Investment Sub-Committee, met on a quarterly basis to monitor, with the assistance of the Plan's investment advisers, how well each fund met its objective and benchmarks within their risk controls. Specifically, the Committee met on the 9 th June 2020, 23 rd September 2020, 16 th December 2020 and 9 th March 2021 to discuss this.

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Investment Risks		
<p>The Trustee believes that the three principal risks most members will face are: inflation risk, benefit conversion risk and volatility/market risk. The Trustee has developed and maintains a framework for assessing the impact of all investment risks on long-term investment returns.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>In the Plan year to March 2021 the Trustee received Quarterly Monitoring Reports from its DC Investment Adviser. These reports are centred around the monitoring framework that assesses the impact of all investment risks on long-term investment returns.</p> <p>This framework looks at member retirement outcome modelling, which considers the long-term investment returns in a base case and downside situations.</p> <p>These reports were discussed at their respective quarterly meetings on the 9th June 2020, 23rd September 2020, and 16th December 2020 and 9th March 2021. Following each discussion, the Trustee remained comfortable that the investment risks were suitability mitigated in the Plan's investments.</p>
<p>The default investment options 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.</p>	<p>Yes, the Trustee is satisfied this policy has been followed.</p>	<p>The Plan continues to make use of target date fund structures to implement the default investment options for members.</p> <p>An assessment of the suitability of the default investment options, including the suitability of the automatic switching of assets (i.e. de-risking glidepath), was carried out in the Plan year (Q4 2020). The Trustee concluded, based on advice from the Plan's investment adviser, that the default options remain suitable for the membership of the Plan.</p>
<p>The self-select fund range provides members with a choice of funds with differing risk and return characteristics.</p>	<p>Yes, the Trustee is satisfied this policy has been followed.</p>	<p>In Q4 2020 the Trustee undertook an assessment of the self-select range. The review found that the range of self-select options offered covers all the main asset classes the Plan's investment adviser would typically expect, catering for members with varying risk appetites.</p> <p>However, it was noted that there is an increasing focus in the industry on ESG risk factors and as such the Trustee may wish to add an explicitly ESG focused fund to the self-select range. The Trustee is to consider this further following the end of the Plan year.</p>

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Review of policies contained in the SIP (continued)

Non-financial Factors		
The Trustee recognises that some members will have strong personal views on religious convictions that influence where they believe their savings should, or should not, be invested.	Yes, the Trustee is satisfied that this policy has been followed.	The Plan continues to make available a self-select fund appropriate for members with Sharia beliefs.
The Trustee will take into account what, in its reasonable opinion, members' views of non-financial factors are likely to be. Noting that the arrangements for receiving member feedback on the Plan in general gives members an opportunity to express views on non-financial factors relating to the Plan's investments.	Yes, the Trustee is satisfied that this policy has been followed.	The Plan continues to seek member feedback annually in the annual newsletter publication. During the Plan year, Aegon made DC presentations to employees and this was used as an opportunity to issue surveys for targeted member feedback.
Financially Material Considerations		
The Trustee regularly monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies	Yes, the Trustee is satisfied that this policy has been followed.	In March 2021, the Trustee sought its investment adviser's recommendation and views on BlackRock's change to increase the Plans default strategy's allocation to funds with explicit ESG considerations. Specifically, BlackRock moved away from applying specific views on the geography split of equities to a global market capitalisation approach. This was achieved through the use of an additional ESG focused fund – MSCI World ESG Screened – increasing the younger members' allocation to funds with explicit ESG risk management to 53%, up from the 14% already invested in the BlackRock ACS World ESG Equity Tracker Fund.
The Trustee recognises that the consideration of financially material considerations, including ESG factors and climate risk and seeks to manage these.		

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<p>The Trustee seeks to manage these financially material considerations, to protect long-term returns, by:</p> <ul style="list-style-type: none">• 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 actors) 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 and the extent to which these reflect ESG factors.	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>Through this change, members are expected to benefit from an investment strategy with reduced carbon emissions intensity, without changes to their portfolios' investment objectives, benchmark, or charges. As per the Trustee's policy to periodically review the choice of fund and index benchmarks used and the extent to which these reflect ESG factors - acknowledging that climate risks are relevant to the development, selection and monitoring of the Plan's investment options – the Trustee confirmed it is comfortable with the changes made by BlackRock.</p>
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Implementation		
<p>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.</p>	<p>This policy was not applicable during the reporting period as no new investments were added to the Plan.</p>	<p>N/A</p>
<p>The Trustee and the investment manager, to whom discretion has been delegated, exercise their powers (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.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>Additional details are provided in the "Voting Behaviour" section of this Statement that highlights how the investment manager has encouraged business strategies, which should improve or protect the value of investments (where reasonably practicable).</p>
<p>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.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee has quarterly Investment Sub Committee meetings where their investment adviser shares an assessment of manager performance. To maintain the focus on long-term outcomes, these reviews are structured to show longer term performance (5-year, 3-year) before mention of shorter-term performance (12-month, 3-month).</p>
<p>The following steps are taken to encourage alignment between the Plan and the managers:</p>	<p>See 3 points below</p>	<p>See 3 points below</p>
<ul style="list-style-type: none"> 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. 	<p>This policy was not applicable during the reporting period as no new investments were added to the Plan.</p>	<p>N/A</p>

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<ul style="list-style-type: none"> 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. 	No, the policy was not followed during the reporting period.	The Trustee did not share the Plan's SIP with the Plan's fund manager BlackRock since this policy was put in place in September 2020. However, the Trustee will share the Plan's SIP in the following reporting period.
<ul style="list-style-type: none"> 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 and 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. 	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee receives regular reporting from its investment adviser on its managers' portfolios. The Trustee found that BlackRock's portfolio was aligned with the Trustee's policies. Over the period the Trustee further sought its investment adviser's recommendation and views on changes to BlackRock's LifePath portfolio to increase allocations to funds with explicit ESG considerations. Concluding that this change was in line with the Trustee's policy on ESG and climate change no further engagement was carried out during this reporting period.
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.	Yes, the Trustee is satisfied that this policy has been followed.	All fund managers used by the DC section are both signatories to the Financial Reporting Council's Stewardship Code in the UK and the United Nations supported Principles for Responsible Investment over the period of the Plan Year.

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<p>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.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee assessed the costs and value for money in preparing the Chair's Statement – a publicly available document on the Plan's website. Further details around the findings (including details on portfolio turnover costs) can be located on the Plan's website. Chair's Statements for earlier Plan years are publicly accessible through the document library on the Plan's website (www.cnpp.org.uk/document-library).</p> <p>In summary, the Trustee is comfortable with the costs incurred and continue to believe that CNPP offers value for money for members. The main reasons that the Trustee reached this conclusion are:</p> <ul style="list-style-type: none"> • The quality of the investment proposition has continued to improve with further integration of ESG factors into BlackRock LifePath funds used for the default options and ongoing improvement in BlackRock's engagement with underlying companies on key ESG issues, including climate change. • Continuation of strong governance and oversight from the Trustee Board, a competitive contribution structure and low charges. • 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. <p>The costs associated with portfolio turnover are provided in the Chair's Statement – a publicly available document on the Plan's website. The Trustee is comfortable that these costs are aligned with the expected portfolio turnover costs for similar funds.</p> <p>The Trustee also monitors the manager performance relative to relevant benchmarks at quarterly Investment Sub-Committee meetings. To maintain the focus on long-term outcomes, these reviews are structured to show longer term performance (5-year, 3-year) before mention of shorter-term performance (12-month, 3-month). The purpose of this monitoring is to ensure that the performance of the BlackRock LifePath funds returns (after charges) are broadly in line with their respective objectives.</p>
Expected Return on Investments		
<p>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.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>Over the Plan year to March 2021 the Trustee's Investment Sub-Committee received quarterly reporting from its DC investment advisers, Redington. These reports include long-term retirement outcome modelling that uses an expected return approach that is aligned with the asset class objectives detailed in the Trustee's SIP policy on expected returns.</p> <p>Each quarterly monitoring report was discussed at the respective Investment Sub-Committee meeting on the 9th June 2020, 23rd September 2020, 16th December 2020 and 10th March 2021. Following these discussions, the Trustee's Investment Sub Committee remained comfortable that each of the asset class specific funds were performing in line with expectations.</p>

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Realisation of Investments		
<p>The Trustee expect that the investment platform provider and the fund manager will normally be able to sell the funds within a reasonable timescale. There may, however, be occasions where the investment platform or fund managers needs to impose restrictions on the timing of sales and purchases of funds in some market conditions to protect the interest of all investors in that fund.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>Due to Covid-19 pandemic four of the underlying managers suspended trading in the CNPP Property Fund. Consequently, and as per the Trustee's announcement on 27/03/20, future contributions were invested into a temporary fund called the Aegon Replacement Cash Fund. During the Plan year, the Trustee took the decision to direct ongoing member contributions and accrued assets that were being invested in the Aegon Replacement Cash Fund into the relevant default investment options for affected members and the Replacement Cash Fund has since been closed.</p>
Balance of Investments		
<p>Overall the Trustee believes that the Plan's investment options:</p> <ul style="list-style-type: none">• Provide a balance of investments; and• Are appropriate for managing the risks typically faced by members.	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>An assessment of the suitability of the default investment options and self-select fund range was conducted by the Trustee during the Plan year (Q4 2020) – concluding that the default options continue to remain suitable for the membership of the Plan and that the default options in conjunction with the self-select options provide a balance of investment by covering all the main asset classes the Plan's investment adviser would typically expect and are appropriate for managing the risks typically faced by members.</p>

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Stewardship		
<p>The Trustee recognises that an important part 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.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee is satisfied that BlackRock, through the work of their Investment Stewardship team, comply with the requirements in the Shareholder Rights Directive II relating to engagement with public companies and other parties in the investment ecosystem.</p> <p>The key responsibilities of BlackRock's Investment Stewardship Team are to:</p> <ul style="list-style-type: none"> (i) Engage with company leadership and vote on proxies to maximise long-term value for their client. (ii) Encourage business and management practices that support sustainable financial performance over the long-term. (iii) Work with BlackRock's various investment teams to provide insight on ESG considerations. (iv) Participate in market-level dialogue to understand and contribute to the development of policies that support sustainable long-term value creation. <p>The responsibilities of BlackRock's Investment Stewardship Team, as outlined above, are aligned with the Trustee's policy to ensure high standards of governance and promote corporate responsibility. Reflecting the Trustee's belief that it may be appropriate for fund managers to engage with key stakeholders including corporate management, regulators and governance bodies.</p>

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Voting and Engagement		
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.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee continues to delegate voting decisions to underlying fund managers. Additional details on significant votes can be found in the "Voting Behaviour" section of this Statement.
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.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee's fund manager reviews and updates their "Global Principles and market-specific voting guidelines" on an annual basis. The aim of these annual updates is to reflect the continuous strengthening of the fund manager's stewardship practices. The Trustee executive has a copy of the fund manager's summary of the latest annual update.
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.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee did not find cause to engage with the investment platform provider or investment managers for further information on how portfolios may be affected by particular issues.
Monitoring		
The Trustee receives reports from the investment platform provider on the fund managers voting activity on a periodic basis.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee receives voting reports from the investment platform provider at least annually and further details on the managers' voting activity relevant to this period can be found in the "Voting Behaviour" section of this Statement.
The Trustee reviews the fund managers' voting activity on a periodic basis in conjunction with the Plan's investment adviser and uses 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.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee has reviewed managers' voting activity and did not identify any issues of concern to be raised with the relevant managers.

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<p>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 the Plan's investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee has regular engagement and meetings with the investment platform provider on behalf of the Trustee. Furthermore, BlackRock, the investment manager of the default investment strategies, met with the Trustee's Investment Sub-Committee on the 9th March 2021.</p> <p>In March 2021, the Trustee sought the Plan's investment adviser's recommendation and views on BlackRock's change to increase allocation to funds with explicit ESG considerations. Through this change in allocations, members are expected to benefit from an investment strategy with reduced carbon emissions intensity, without changes to their portfolios' investment objectives, benchmark, or charges. The Trustee confirmed it is satisfied with the fund managers' approach.</p>
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Review of policies contained in the SIP (continued)

Voting		
The fund managers are expected to exercise the voting rights attached to individuals' investments in accordance with their own house policy. The Trustee aims to review engagement activity undertaken by the fund managers as part of its broader monitoring activity.		
Where appropriate, the Trustee will engage with and may seek further information from the Investment platform provider, fund managers and / or Plan's investment advisers on how portfolios may be affected by a particular issue. The Trustee does not engage directly, but believes it is sometimes appropriate for the fund managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee was provided with voting reports relating to the period of the SIP. (See the section entitled "Voting behaviour")

Stewardship and Engagement

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

Use of Proxy Voting Services

Due to the delegation of responsibility for the stewardship activities to underlying asset managers, any use of proxy voting services on the Trustee's behalf is at the respective asset managers' discretion. The Trustee does not appoint or utilise a dedicated proxy voting service provider.

Investment Stewardship Engagements

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

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

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

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

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

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

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Lifepath Flexi Fund

Top Engagement Topic	Times Discussed
Governance	
Board Composition and Effectiveness	1,036
Corporate Strategy	955
Remuneration	790
Environmental	
Climate Risk Management	920
Operational Sustainability	873
Social	
Human Capital Management	704

ACS UK Equity Fund

Top Engagement Topic	Times Discussed
Governance	
Board Composition and Effectiveness	1,350
Corporate Strategy	1,288
Remuneration	1,029
Environmental	
Climate Risk Management	1,293
Operational Sustainability	1,223
Social	
Human Capital Management	928

ACS 50:50 Global Equity Fund

Top Engagement Topic	Times Discussed
Governance	
Board Composition and Effectiveness	899
Corporate Strategy	828
Remuneration	713
Environmental	
Climate Risk Management	897
Operational Sustainability	828
Social	
Human Capital Management	650

ACS World ex UK Equity Fund

Top Engagement Topic	Times Discussed
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Governance	
Board Composition and Effectiveness	721
Corporate Strategy	717
Remuneration	525
Environmental	
Climate Risk Management	785
Operational Sustainability	683
Social	
Human Capital Management	564

Aquila Emerging Markets Fund

Top Engagement Topic	Times Discussed
Governance	
Board Composition and Effectiveness	195
Corporate Strategy	235
Remuneration	95
Environmental	
Climate Risk Management	225
Operational Sustainability	224
Social	
Human Capital Management	99

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

Voting Behaviour

Voting

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

Despite being considered a default fund over the Plan year, we have not included voting statistics for the Replacement Cash Fund as it is not applicable to the assets held by the Fund.

Key Voting Statistics on the Default Funds

LifePath Flexi and Lifepath Capital	
Assets in LifePath Flexi at the end of 31 March 2021	£324,263,526.17
Assets in LifePath Capital at the end of 31 March 2021	£90,674,640.24
Value of whole CNPP Scheme	£555,401,225.03
Meetings eligible to vote at	3,528
Number of resolutions eligible to vote on	34,394
% of resolutions voted on	95.05%
For Votes	90.78%
Against Votes	8.89%

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Abstain Votes	3.17%
	Number
Total company engagements	2,903
Number of individual companies engaged	1,340
Engagement Themes	
Governance	1,920
Social	884
Environmental	1,264

Voting Statistics of the Self-Select Funds

Year to 31 March 2021:	ACS World ex UK Equity Fund	ACS Global Fund	5050 Equity	ACS UK Equity Fund	Aquila Emerging Markets Fund
Number of meetings at which eligible to vote	2,203	2,781		808	2,472
Number of resolutions on which eligible to vote	27,246	35,781		11,044	23,189
Proportion of eligible resolutions on which voted	92.04%	94.21%		100%	96.77%
Of the resolutions on which you voted, what % did you vote with management?	93.71%	94.03%		94.87%	90.79%
Of the resolutions on which you voted, what % did you vote against management?	6.26%	5.94%		5.13%	9.21%
Of the resolutions on which you voted, what % did you abstain from voting?	0.34%	0.44%		0.65%	2.77%

Most Significant Votes

BlackRock takes a thematic approach towards voting and engagement. The 5 themes that BlackRock prioritised in their voting behaviour over the Plan year were:

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

Therefore, the most significant votes cast by the asset manager on behalf of the Trustee will relate to both some of the largest holdings as well as relevance to the 5 key themes listed above.

Below are the most significant votes – as defined by BlackRock – cast over the period on behalf of the Trustee, split by fund.

All first-person references (e.g. to us, we, our etc.) in the tables below will refer to BlackRock and their views as opposed to those of the Trustee of CNPP.

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LifePath Flexi Fund – Most Significant Votes

Company:	WOODSIDE PETROLEUM LTD.
Date:	30 th April 2020
Resolution:	<p>Item 4a: Special Resolution to Amend the company Constitution</p> <p>Item 4b (1-3): Ordinary Resolution on Paris Goals and Targets</p> <p>Item 4c: Ordinary Resolution on Climate-Related Lobbying</p> <p>Item 4d: Ordinary Resolution on Reputation Advertising Activities</p>
BlackRock Vote:	BlackRock voted with management and withheld support for the relevant proposals
Rationale:	<p>Item 4a: (AGAINST)</p> <p>This resolution is required under Australian voting rules, which require a change in the company's constitution in order to file an underlying resolution. Therefore, a resolution calling for an amendment to the company's constitution is necessary to allow for the three non-binding resolutions (4b, 4c, and 4d). A group of shareholders owning 5% of voting shares or 100 shareholders (with no minimum holding size or length of holding period) may file a resolution. BlackRock is generally not supportive of constitutional amendment resolutions as the relative ease of filing risks distracting and time-consuming proposals being submitted by shareholders whose interests are not necessarily aligned with those of the broader shareholder base. We believe shareholder proposals should be a tool used after engagement has failed, which in our experience is not the case here.</p> <p>Item 4b: (AGAINST)</p> <p>Based on Woodside's existing reporting and our engagement to date, we believe the company recognises the priority it must place on carbon disclosure and reduction targets. While we are supportive of the goals underlying the resolution, its bundled structure presents a challenge as Scope 3 emissions remain particularly complicated in the natural gas sector and will require time to define and implement as they encompass all indirect emissions of a company's entire value chain. Nevertheless, we encourage the company to continue to review and set ambitious emissions targets as the natural gas sector improves its ability to understand and manage them. Our view that the company is responsive to shareholder concerns regarding carbon disclosure and emissions targets draws on the fact that Woodside publicly recognises the science of climate change, has committed to the Paris Goals, and stated its ambition of being carbon neutral by 2050. It has also established a Sustainability Division, which holds responsibility for carbon offsets and hydrogen business development and publishes a separate sustainability report that discloses its climate change strategy, emissions reduction targets, and historical emissions performance. Finally, its most recent annual report also included a reasonable start to continuously improve climate risk evaluations and disclosures by mapping them to the TCFD framework. On our assessment, Woodside already substantively addresses the request made in the resolution. Woodside's capital expenditure disclosures incorporate the International Energy Agency's (IEA) Sustainable Development Scenario (SDS) into the values it uses to calculate levels of resilience and prioritise investments. While it is only one of several internal and external scenarios, the IEA's SDS does align to the Paris Agreement objective of holding the increase in the global average temperature to well below 2 °C above pre-industrial levels, this century.</p> <p>Item 4c (AGAINST):</p> <p>Based on our analysis, Woodside's lobbying is consistent with its public position on climate change. Where differences are identified, the company discloses them openly. Our conditional support for management on this resolution is based on the company's public commitment to undertake a more comprehensive review of its industry association advocacy by November 2020.</p> <p>Item 4d (AGAINST):</p> <p>Based on our evaluation, Woodside provides adequate transparency on their advertising activities and the community groups that they support. We recognise that there are a range of strongly held and differing views in the energy transition debate and maintain that all parties, including the company, are</p>

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within their rights to state their views/engage in the discussion within OECD guidelines. Furthermore, based on our research, there is no indication that Woodside's sponsorships and community partnerships do not comply with relevant laws and the underlying principles of the OECD Guidelines for Multinational Enterprises.

Company:	TOTAL S
Date:	29 th May 2020
Resolution:	Item A: Instruct Company to Set and Publish Targets for Greenhouse Gas (GHG) Emissions Aligned with the Goal of the Paris Climate Agreement and Amend Article19 of Bylaws Accordingly.
BlackRock Vote:	BlackRock voted AGAINST the shareholder resolution given the company's existing reporting aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), its responsiveness to shareholder engagement on portfolio resilience and reduction of scope 1, 2, and 3 greenhouse (GHG) emissions
Rationale:	BlackRock Investment Stewardship team ("BIS") has engaged with Total on its climate commitments for a number of years and was engaged with the company throughout the process of this latest revision of its commitments. Most of Total's Scope 3 emissions come from the Scope 1 emissions of Total's customers. Because no single oil & gas company is fully in control of the global energy mix, Total's Scope 3 commitments will only be achievable if key stakeholders such as policymakers, businesses and consumers work together to accelerate the development and use of low-carbon technologies, incentivise more energy efficiency, reduce demand for fossil fuels, and remove emissions from the atmosphere. In determining our vote, we took into consideration that Total already had some of the most ambitious climate targets in the industry on all relevant scopes (1, 2 & 3), and that the company already makes strong TCFD disclosures. Even under the most ambitious energy transition scenarios, fossil fuels are likely to play a role in the global economy for the coming decades. Furthermore, the shareholder resolution refers to Total's previous climate commitments, which are now out of date and have been superseded by renewed and stronger commitments. As a result of Total's responsiveness, BIS considers the request made in the resolution to have been substantively delivered. Given the company's TCFD-aligned reporting, which has been one of BIS' key requests of significant carbon emitters, its commitment to continuous improvement and its responsiveness to shareholder engagement on portfolio resilience and reduction of scope 1, 2, and 3 GHG emissions, we are supportive of management at present. Moreover, we do not believe it appropriate to amend Total's bylaws in the manner proposed. A company's bylaws define its purpose and the rules by which it is run, and are not meant to define the corporate strategy, which must, by its very nature, evolve in accordance with the company's operating environment. In this case, the proposed modification to Total's bylaws is an unsuitable mechanism by which to address climate-related matters and could have unforeseen and far-reaching consequences for both the company and its shareholders. In summary, BIS voted against Item A due to the company's strong commitments and responsiveness to engagement with BIS and other shareholders on the issues in question; the consequent redundancy of many of the resolution's key areas of focus; and the unsuitability of a proposal to amend the bylaws to address a question of corporate strategy. For these reasons, BIS voted with management on all resolutions at the AGM.

Company:	AMERISOURCEBERGEN CORPORATION (NYSE.ABC)
Date:	11 th March 2021
Resolution:	Item 1d: Re-elect Richard W. Gochnauer (Compensation Committee member) Item 1g: Re-elect Kathleen W. Hyle (Compensation Committee member) Item 1h: Re-elect Michael J. Long (Compensation Committee Chair) Item 3: Advisory Vote to Approve the Compensation of Named Executive Officers Item 4: Shareholder Proposal to Adopt a Policy that the Chairman of the Board be an Independent Director

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BlackRock Vote:	BlackRock voted AGAINST the management items and AGAINST the shareholder proposal.
Rationale:	<p>Items 1d, g and h: (AGAINST)</p> <p>ABC's Compensation Committee has the "discretion to increase or reduce any portion of a calculated award for reasons including, but not limited to, issues that may positively or negatively impact the company." Per the BlackRock Investment Stewardship team ("BIS") commentary on our approach to incentives aligned with value creation, where a compensation committee has used its discretion in determining the outcome of any compensation structure, we expect transparency with respect to how and why discretion was used. As was the case in this instance, we hold members of the compensation committee, or equivalent, accountable for poor compensation practices or structures, and the lack of sufficient disclosure. Please refer to item 3 below for more detail regarding our concerns over the Compensation Committee's decisions.</p> <p>Item 3: (AGAINST)</p> <p>ABC Chairman, President and CEO Steven H. Collis received \$14.3 million in total compensation for fiscal year 2020, representing an increase of 26% from the prior year. We do not believe that support for ABC's Say-on-Pay proposal is warranted given the significant divergence between ABC's operating loss of \$5.1 billion – as calculated according to generally accepted accounting principles (GAAP) – and adjusted operating income of \$2.2 billion, as measured on a non-GAAP basis, which includes an adjustment for the \$6.6 billion opioid settlement-related charge. ABC maintains that excluding the opioid settlement-related adjustment from its executive compensation pay out determinations was an appropriate use of non-GAAP accounting practices. However, the company's original proxy statement failed to describe whether the Compensation Committee considered the charge when reaching its compensation decisions. We believe the circumstances call for a robust explanation by the Compensation Committee of its decision not to exercise discretion to lower Mr. Collis' pay-out. While a supplemental proxy filing made by ABC provided additional insight into the Compensation Committee's decisions, we believe that the filing did not sufficiently address the magnitude of the opioid settlement-related adjustment and the fact that it did not affect executive compensation pay-outs.</p> <p>Item 4: (AGAINST)</p> <p>BIS did not support the proposal because the company has a designated Lead Independent Director, Dr. Jane E. Henney, who fulfils the requirements appropriate to such role. As stated in our 2021 Proxy voting guidelines for U.S. securities, "In the absence of a significant governance concern, we defer to boards to designate the most appropriate leadership structure to ensure adequate balance and independence. In the event that the board chooses a combined chair/CEO model, we generally support the designation of a lead independent director if they have the power to: 1) provide formal input into board meeting agendas; 2) call meetings of the independent directors; and 3) preside at meetings of independent directors. Furthermore, while we anticipate that most directors will be elected annually, we believe an element of continuity is important for this role to provide appropriate leadership balance to the chair/CEO." While we maintain concerns regarding the decision related to compensation, we do not have any overarching governance or independence concerns that would warrant support for this proposal at this time.</p>

Company:	AMAZON.COM, INC.
Date:	27 th May 2020
Resolution:	Multiple
BlackRock Vote:	BlackRock voted FOR all management proposals and AGAINST all shareholder proposals
Rationale:	BlackRock Investment Stewardship team ("BIS") voted FOR all directors (item 1), the ratification of auditors (item 2), and the advisory resolution to approve executive compensation (item 3) as we have

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no concerns relating to these items. BIS voted FOR management's proposal to lower the stock ownership threshold for shareholders to request a special meeting from 30% to 25% (item 4). The company received the following 12 shareholder proposals: Item 5: Create a report on effects of food waste Item 6: Create a report on customer use of certain technologies Item 7: Report on potential customer misuse of certain technologies Item 8: Report on efforts to restrict certain products Item 9: Request for a mandatory independent board chair policy Item 10: Create an alternative report on gender/racial pay Item 11: Report on certain community impacts Item 12: Report on viewpoint discrimination Item 13: Create a report on promotion data Item 14: Request for a reduction in threshold for calling special shareholder meetings Item 15: Request for a specific supply chain report format Item 16: Request for additional reporting on lobbying after thorough review of the company's existing disclosures, along with insights gleaned from multiple engagements, BlackRock determined that Amazon is actively addressing those material issues raised by the various shareholder proposals. Some of the proposals were too prescriptive in their request for additional information, such as requesting an alternative report on gender/racial pay in addition to the one the company already publishes and a specific supply chain report format beyond the report currently available on the company's website specifically addressing human rights. For a subset of the proposals, including the request for a report on customer use of certain technologies, such as Rekognition and an additional report on lobbying, the company is already meeting the best practices guidelines.

Company:	FACEBOOK, INC.
Date:	27 th May 2020
Resolution:	Item 1.2: Elect Director Marc L. Andreessen Item 4: Shareholder Proposal to Approve Recapitalisation Plan for all Stock to Have One-vote per Share
BlackRock Vote:	BlackRock voted AGAINST Mr. Andreessen as he serves on the Audit Committee and we do not consider him independent. We voted FOR the shareholder proposal asking for a recapitalisation plan as we generally support one share one vote capital structures. BlackRock supported management on all remaining agenda items.
Rationale:	<p>Item 1.2: (AGAINST)</p> <p>BlackRock Investment Stewardship team ("BIS") voted AGAINST Mr. Andreessen as we do not consider him independent and he serves on the audit committee. BIS considers Mr. Andreessen to be affiliated as he is a founding partner at Andreessen Horowitz which has held significant stakes in companies acquired by Facebook (e.g. Instagram, Oculus, and wit.ai). We believe all members of key committees, including audit, should be independent.</p> <p>Item 4: (FOR)</p> <p>The proposal asks that Facebook's "Board take all practicable steps in its control to initiate and adopt a recapitalisation plan for all outstanding stock to have one vote per share. We recommend that this be done through a phase-out process in which the board would, within seven years or other timeframe justified by the board, establish fair and appropriate mechanisms through which disproportionate rights of Class B shareholders could be eliminated. This is not intended to unnecessarily limit our Board's judgment in crafting the requested change in accordance with applicable laws and existing contracts." As we note in our U.S. proxy voting guidelines, we strongly prefer a "one vote for one share" capital structure for publicly-traded companies. We prefer this capital structure as it provides control proportionate to shareholders' capital at risk and is thus more aligned with our clients' interests. While we recognise the potential benefits of dual class shares to newly public companies as they establish themselves, we believe that these structures should have a specific and limited duration for well-established public companies such as Facebook.</p>

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Company:	OVINTIV, INC.
Date:	29 th April 2020
Resolution:	Item 4: Report on Climate Change
BlackRock Vote:	BlackRock voted FOR the proposal given the materiality of climate risk to the company's business model and the uncertainty regarding the company's near-term timeframe for setting greenhouse gas emission reduction targets.
Rationale:	<p>In the course of our multi-year engagement with the company on climate-related risks and opportunities, we have emphasised the importance of consistent disclosures in line with the TCFD and the Sustainability Accounting Standards Board (SASB). In endorsing the TCFD framework, we expect companies to disclose not only scenario analysis, but a credible plan for operating under a Paris-aligned 2 degree or lower scenario. This includes:</p> <ul style="list-style-type: none"> • Asking companies to outline their thinking about GHG emissions reduction target-setting, and plans to set and disclose such targets (and to explain their timeline if they have not already done so) • Seeking disclosure on the company's anticipated transition to a lower carbon economy (i.e. plans to align the company's business model with the Paris Agreement) • Seeking disclosure on the global warming path the company is on (e.g. based on the targets the company has selected, it anticipates X degree of warming) <p>For companies with a carbon-intensive business model, especially those such as Ovintiv with whom we have had prior engagement on the subject, we expect reporting that is substantially aligned with the TCFD framework. While Ovintiv has made notable progress on their climate reporting from a governance and risk management perspective, the company has yet to set targets recommended by the TCFD framework or disclose a clear timeline for doing so. We believe information stemming from such disclosure is material to investment decision-making and BlackRock Investment Stewardship team's ("BIS") assessment of the company's risk-management processes, including operational risks, the potential for decreased demand for the company's products over time, and physical, reputational and regulatory risks, among others. If a company's business model is not aligned with achieving the Paris Agreement's target of 2 degrees or less of global warming, we would expect the company to provide an evidence-based justification for why that is in long-term shareholders' interests. Moreover, if the company has not already set carbon-reduction goals, we expect them to have targets in place in the next 12 months. This is in line with our public requests over the last several years for companies to align their reporting with the TCFD. In the absence of robust disclosures, including information about target-setting approaches, we are increasingly concluding that companies, especially those with carbon-intensive businesses, are not adequately managing material risks and planning for the long-term.</p>

ACS 5050 Global Equity Fund – Most Significant Votes

Company:	EXXON MOBIL CORP
Date:	27 th May 2020
Resolutions:	Item 1.2: Elect Director Angela F. Braly Item 1.4: Elect Director Kenneth C. Frazier Item 4: Require Independent Board Chair
BlackRock Vote:	<p>Against Director Angela F. Braly for insufficient progress on TCFD aligned reporting and related action.</p> <p>Against Director Kenneth C. Frazier for insufficient progress on TCFD aligned reporting and related action, and for failure to provide investors with confidence that the board is composed of the appropriate mix of skillsets and can exercise sufficient independence from the management team to effectively guide the company in assessing material risks to the business.</p> <p>For the Independent Chair proposal on account of our belief that the board would benefit from a more robust independent leadership structure given the concerns noted below.</p>
Rationale:	Item 1.2: Elect Director Angela F. Braly

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Against Director Angela F. Braly for insufficient progress on TCFD aligned reporting and related action. According to Exxon's disclosures, the company's Public Issues and Contributions Committee oversees operational risks such as those relating to employee and community safety, health, environmental performance, including actions taken to address climate-related risks, security matters, and reviews and provides advice on objectives, policies and programs related to political and other contributions. Ms. Braly is the Chair of Public Issues Committee, and as such, the BlackRock Investment Stewardship team ("BIS") holds her accountable for lack of progress in driving greater action on climate risk in line with TCFD guidance, SASB recommendations, and BIS' feedback over several years.

Item 1.4: Elect Director Kenneth C. Frazier

Against Director Kenneth C. Frazier for insufficient progress on TCFD aligned reporting and related action, and for failure to provide investors with confidence that the board is composed of the appropriate mix of skillsets and can exercise sufficient independence from the management team to effectively guide the company in assessing material risks to the business. We look to the Lead Independent Director and the Nominating and Governance Committee Chair for oversight of board composition and independence. This includes ensuring that the board is made up of directors with the right mix of skillsets and experience and who have sufficient leeway to exercise judgment that is independent from management to provide unfettered guidance to them. In this instance, we do not believe that the Exxon board has demonstrated that it is exercising its independent judgment in advising and overseeing management in assessing and disclosing material risks to the business relating to climate. In addition, we believe that having more directors with oil and gas industry experience would bolster the board's ability to act independently. As such, we are holding Mr. Frazier as the Lead Independent Director and Chair of the Nominating and Governance Committee, accountable. We also hold Mr. Frazier, as Lead independent Director, responsible for lack of progress in driving greater action on climate risk in line with TCFD guidance, SASB recommendations, and BIS' feedback over several years.

We supported all other directors and routine management items on the 2020 ballot.

Item 4: Require Independent Board Chair

For the Independent Chair proposal on account of our belief that the board would benefit from a more robust independent leadership structure given the concerns noted below.

The non-binding shareholder proposal requests that the company establish an independent Board Chair position in place of the present Lead Independent Director structure by appointing one of the independent members of the board to the Chair position. The Independent Chair proposal would be phased in for the next CEO transition.

BIS typically defers to the board to establish the appropriate structure of governance. Our governance and voting guidelines do not normally necessitate an Independent Chair so long as there is evidence of strong independence in the boardroom that is facilitated by a Lead Independent Director. We acknowledge that the company has strengthened its disclosures around the stated roles and responsibilities of the Lead Independent Director. We also recognise that Mr. Frazier, Chair of the Nominating and Governance Committee, stepped into the Lead Independent Director Role this year. Nonetheless, we remain concerned about the board's responsiveness to shareholder feedback and concerns regarding climate risk management, and do not have confidence that an enhanced role on paper will lead to a demonstrable increase in independent leadership. This concern is also reflected in the fact that BIS took voting action in 2017 and 2019, including voting against both Mr. Frazier and former Lead Independent Director Steven Reinemund. However, we have still not seen the substantive action we would expect given the material climate risks facing the company, and the concern expressed to the company by investors, including BlackRock. In our view this lack of progress on robust GHG emissions reduction target setting, and disclosure is a symptom of board independence issues. This now warrants an escalation in our approach, to encourage more independent leadership in this particular boardroom.

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Company:	ROYAL DUTCH SHELL PLC CLASS B
Date:	19 TH May 2020
Resolution:	Item 21: Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions
BlackRock Vote:	BlackRock voted AGAINST the shareholder resolution.
Rationale:	<p>The shareholder proposal (Item 21) requested that Shell set and publish targets across Scope 1, 2 and 3, aligned with the Paris Agreement. The proponent argued that Shell's ambition to reduce its net carbon intensity by 50% by 2050 in a growing energy system would not ultimately lead to the level of absolute emissions reduction necessary to achieve the goals of the Paris Agreement. The proponent asked for more "aspirational" targets. Since the submission of the shareholder proposal, Shell has updated its climate commitments to more aggressively reduce its carbon footprint, and to become a "net-zero emissions energy business" by 2050 or sooner. This commitment now includes:</p> <ul style="list-style-type: none"> - Scope 1&2: net zero on all emissions from the manufacture of all products by 2050; - Scope 3: reducing the Net Carbon Footprint of its energy products by around 65% by 2050 (up from a previous target of around 50%), and by around 30% by 2035 (up from a previous target of around 20%), both now consistent with the Paris Agreement goal to limit the average temperature rise to 1.5 degrees Celsius; - A transition towards serving businesses and sectors that by 2050 are also net-zero emissions. <p>BlackRock Investment Stewardship team ("BIS") has been engaged with Shell on its climate commitments for a number of years and was engaged with the company throughout the process of this latest upgrading of its commitments. Most of Shell's Scope 3 emissions are the Scope 1 emissions of their customers. Because no single oil & gas company is fully in control of the global energy mix, Shell's Scope 3 commitments will only be achievable if key stakeholders such as policymakers, businesses and consumers accelerate the development and use of low-carbon technologies, incentivise more energy efficiency, reduce demand for fossil fuels, and remove emissions from the atmosphere.</p> <p>In determining our vote, we took into consideration that Shell already had some of the most ambitious climate targets in the industry on all relevant scopes (1,2,3), and that the company already makes strong TCFD disclosures. Furthermore, the shareholder resolution refers to Shell's previous climate commitments, which are now out of date and have been superseded by renewed and stronger commitments. As a result of Shell's responsiveness, BIS considers the request made in the resolution to have substantively been delivered.</p> <p>Finally, we understand from our engagement with the company that the recently revised targets will be kept under review, with a view to evolving them even further if possible. We will be monitoring closely the delivery against the targets set out to date. We will hold the management and board directors to account for lack of progress on their delivery through future voting on director elections. For now, we note that Shell's existing disclosure of 3-year net carbon footprint targets already makes the company a sector leader in the global oil & gas industry.</p> <p>Given the company's progress towards aligning its reporting with TCFD recommendations, which has been one of BIS' key requests of large carbon emitters, and its responsiveness to shareholder engagement on portfolio resilience and reduction of scope 1, 2, and 3 GHG emissions, we are supportive of management for the time being.</p>

Company:	BARCLAYS PLC
Date:	7 th May 2020
Resolution:	Resolution 29: Approve Barclays' Commitment to Tackling Climate Change Resolution 30: Approve Share Action Requisitioned Resolution
BlackRock Vote:	BlackRock, through an independent fiduciary, voted FOR all management resolutions and AGAINST shareholder Resolution 30.

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Rationale:	<p>Resolution 29: Approve Barclays' Commitment to Tackling Climate Change (FOR)</p> <p>Resolution 30: Approve Share Action Requisitioned Resolution (AGAINST)</p> <p>The independent fiduciary reported that it took into consideration several factors when voting to support the company's own climate change resolution (Resolution 29) and against the shareholder resolution (Resolution 30). Support for both resolutions would have been problematic as they are both binding. The independent fiduciary determined that, as outlined in Resolution 29, the company sets a clear ambition to become net-zero and align to the goals of the Paris Agreement, addressing shareholders' concerns for the time being.</p>
Company:	MIZUHO FINANCIAL GROUP INC
Date:	25 TH June 2020
Resolution:	Item 5: Shareholder Proposal. Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement
BlackRock Vote:	BlackRock, through an independent fiduciary, voted AGAINST all shareholder proposals, including Item 5, and FOR all management resolutions.
Rationale:	<p>Item 5: Shareholder Proposal. Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement VOTE AGAINST shareholder proposal Item 5.</p> <p>The independent fiduciary reported that it took into consideration the company's policies and the announcements made since the shareholder proposal was filed. The independent fiduciary determined that the company now has policies in place that address the issues raised in the proposal.</p>
Company:	CHEVRON CORP
Date:	27 TH May 2020
Resolution:	Item 6: Report on Climate Lobbying Aligned with Paris Agreement Goals
BlackRock Vote:	BlackRock voted FOR this proposal, as greater transparency into the company's approach to political spending and lobbying as aligned with their stated support for the Paris Agreement will help articulate consistency between private and public messaging in the context of managing climate risk and the transition to a lower-carbon economy.
Rationale:	<p>We acknowledge that Chevron has been responsive to investors and transparent in their detailed TCFD and SASB-aligned reporting. BlackRock Investment Stewardship team ("BIS") considers Chevron a leader among US peers with regard to board oversight of climate risk, strong corporate governance practices, and reporting in line with SASB and the TCFD. We expect that Chevron will continue to iterate on its climate risk approach, including considering future GHG emissions reduction targets, the degree of warming the company anticipates under its currently articulated strategy, and its views regarding how this is aligned with long-term shareholders' interests. One additional area that we believe would strengthen the company's disclosure is additional transparency around political spending and lobbying related to climate risk and the low carbon transition. In our view, the company could provide investors with a more detailed explanation of the alignment between Chevron's political activities and the goal of the Paris Agreement to limit global warming to no more than two degrees Celsius, which the company supports. While we recognise and applaud Chevron's current TCFD and SASB-aligned reporting, BIS believes that greater transparency into the company's approach to political spending as aligned with its stated support for the Paris Agreement will help articulate consistency between private and public messaging for managing climate risk and transition to a lower-carbon economy.</p> <p>Based on recent engagements with the company leading up to the annual meeting, we believe Chevron is aligned with the spirit of this proposal, as it has articulated a desire to provide more clarity for investors on its internal climate considerations and associated political spending and lobbying contributions. We appreciate the company's willingness to consider investor feedback and look forward to forthcoming reporting.</p>

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We believe enhanced disclosure will help investors better understand the company's political activities in the context of policy that supports the transition to a lower carbon economy.

As such, support for this proposal is not meant to be punitive or suggest that we feel the board has failed to appropriately consider climate risk in the context of strategy. Rather, we believe this is a further point of refinement to solidify best in class reporting amongst US oil and gas peers. The proposal does not suggest or require Chevron to alter its current actions; instead, it affords an opportunity to provide greater context for investors. This is in line with our view that the risks of climate change and the transition to a lower carbon economy present material regulatory, reputational, and legal risks to companies. As a fiduciary for our clients, we see it as material to better understand how these risks are being adequately disclosed and overseen.

Company:	DANSKE BANK A/S
Date:	9 th June 2020
Resolution:	Item 4a: Re-elect Lars-Eril Brenoe as Director Item 4b: Re-elect Karsten Dybvad as Director Item 4c: Re-elect Bente Avnung Landsnes as Director Item 8: Approve Board Remuneration for 2020 and 2021 Item 9: Approve Guidelines for Incentive-Based Compensation for Executive Management and Board
BlackRock Vote:	We ABSTAINED from the re-election of the members of the remuneration committee (Items 4a, 4b and 4c) and voted AGAINST remuneration proposals (Items 8 and 9) given our concerns on remuneration outcomes and disclosures. Due to the plurality voting standard in Denmark, it is not possible to vote against director elections in Denmark when voting by proxy.
Rationale:	<p>Items 4a, 4b, 4c: Re-election of members of the Remuneration Committee (ABSTAINED)</p> <p>Last year, despite having concerns with remuneration which we raised in our engagement and having abstained from the remuneration related proposals, we supported the election of Remuneration Committee members, recognizing their short tenure on the board. However, we have seen limited progress this year and continue to have concerns on remuneration structure, disclosure and outcomes. In line with our voting guidelines to hold relevant directors accountable, we have abstained from supporting the re-election of the three directors who are members of the Remuneration Committee.</p> <p>Item 8: Approve Board Remuneration for 2020 and 2021 (AGAINST)</p> <p>The board has proposed a substantial increase in fees across board positions, for example, as much as 40% for the chairman role and 64% for the vice chairman. While the board has decided the new fees will take effect from 1st January 2021 given the COVID-19 pandemic, it still believes the rationale for the proposal on new fees remains relevant.⁹ We recognise the Bank's circumstances might require more oversight from the board, however, we don't believe that such sizeable increases are warranted across all roles.</p> <p>Item 9: Approve Guidelines for Incentive-Based Compensation for Executive Management and Board (AGAINST)</p> <p>As discussed above, we have concerns regarding the company's remuneration disclosures and structural elements such as the granting of sign-on awards. We expect remuneration disclosures to provide investors with clarity on how the proposed policy is aligned with the company's strategy and shareholders' interests. Disclosures should also explain how the Remuneration Committee sets targets and assesses performance and determines that KPIs are sufficiently stretching to ensure pay is aligned with performance.</p>

Company:	VOLVO AB
Date:	18 th June 2020
Resolution:	Items 12.1, 12.4, 12.8, 12.11: Re-elect Matti Alahuhta, James Griffith, Martina Merz and Carl-Henric Svanberg as Directors

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	<p>Item 13: Re-elect Carl Henric Svanberg as Board Chairman</p> <p>Item 15: Approve remuneration policy and other terms of employment for executive management</p> <p>Item 18: Limit contributions to Chalmers University of Technology Foundation to a maximum of SEK 4 million per year</p>
BlackRock Vote:	<p>We voted AGAINST all key resolutions outlined above given our concerns about progress on climate-related risks reporting, the structure of executive pay at the company and the approach taken by the shareholder to micromanage company activities</p>
Rationale:	<p>Items 12.1, 12.4, 12.8, 12.11, 13: (AGAINST)</p> <p>BlackRock Investment Stewardship team ("BIS") believes board members should be held accountable for the level of oversight provided on governance matters, including executive pay, and how the management team addresses material issues, such as climate risk. Given the lack of progress the company has made on its climate disclosures and our ongoing concerns with its executive pay policy, BIS' policy is to withhold support from the re-election of those board members who are most accountable through their membership on relevant board sub-committees or, in the absence of such committees, the most senior board member. We voted against the re-election to the board of Matti Alahuhta, James Griffith and Carl-Henric Svanberg as members of the remuneration committee. We voted against the re-election of Mr. Svanberg as Board Chair, as the most senior board member responsible for climate disclosures. In particular, we are holding Mr. Svanberg to account for the current lack of adequate climate-related risks disclosures and expect more fulsome disclosure regarding the company's long-term adaptation strategies in line with the TCFD by next year. Additionally, as the role of director is becoming increasingly demanding, directors must be able to commit an appropriate amount of time to board and committee matters. Given the nature of the role, it is important a director has flexibility for unforeseen events and therefore only takes on the number of mandates to ensure such flexibility. Consistent with our EMEA proxy voting guidelines, we consider Matti Alahuhta and Martina Merz to hold an excessive number of mandates. In addition to his role at Volvo, Mr. Alahuhta serves as board chair at Outotec Oyj and non-executive director at Kone Oyj and ABB Ltd. In addition to her role at Volvo, Ms. Merz serves as the CEO of ThyssenKrupp AG and non-executive director at SAF-HOLLAND SA. This raises substantial concerns about their ability to exercise sufficient oversight on Volvo's board.</p> <p>Item 15: Approve remuneration policy and other terms of employment for executive management (AGAINST)</p> <p>We voted against the approval of the remuneration policy to reflect our continuing concerns, as we previously expressed by voting against the pay proposal at the 2019 annual general meeting (AGM). As we describe in our EMEA proxy voting guidelines, BlackRock supports incentive plans that foster the sustainable achievement of results. Consistent with best practice, we emphasize performance over a sustained period, generally 3-5 years, and expect performance hurdles for long-term incentive plans to be disclosed at the beginning of the period. Where pay structures differ substantially from best practice, we expect clear disclosure explaining how the decisions are in shareholders' best long-term economic interests. Volvo's long-term incentive plan measures performance over three one-year periods, with performance hurdles being set at the beginning of each one-year period. These hurdles are not disclosed at the beginning of the plan, and no context is provided for these practices. In our view, these practices fall short and therefore warranted a vote against management.</p> <p>Item 18: Limit contributions to Chalmers University of Technology Foundation to a maximum of SEK 4 million per year (AGAINST)</p> <p>A shareholder has proposed to restrict the amount the company can donate to the Chalmers University of Technology Foundation. The shareholder disagrees with the conclusions of one of the foundation's research areas. This item was proposed by the same shareholder at the 2019 AGM. We considered that this proposal strays into micromanagement and, moreover, we are generally not supportive of proposals that are overly prescriptive in nature.</p>

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Company:	VOLKSWAGEN AG
Date:	30 th September 2020
Resolution:	Multiple
BlackRock Vote:	BlackRock voted AGAINST the discharge of a number of Management Board and Supervisory Board members (items 3.1, 3.3, 3.5 and items 4.1, 4.3, 4.6, 4.7, 4.8, 4.12, 4.13, 4.15, 4.16, 4.17, 4.18, 4.19, 4.21) due to ongoing concerns with (i) oversight in relation to the emissions scandal, (ii) the insufficient level of independence on the Supervisory Board and its sub-committees, and (iii) the independence of the external auditor. We voted AGAINST item 5 to re-elect Dr. Hussain Ali Al Abdulla as Supervisory Board member due to the insufficient level of independence on the Supervisory Board.
Rationale:	<p>Items 3.1, 3.3, 3.5: Resolution on the formal approval for fiscal year 2019 of the actions of the members of the Board of Management H. Diess, J. Heizmann and A. Renschler who held office in fiscal year 2019 (AGAINST): We voted against the discharge of members of the Board of Management who were already serving at the time of the emissions incident. In doing so, we are holding those individuals accountable for the deficiencies in VW's governance practices and management of its material risks. This is consistent with our approach since VW's 2016 AGM.</p> <p>Items 4.1, 4.3, 4.6, 4.7, 4.8, 4.12, 4.13, 4.15, 4.16, 4.17, 4.18, 4.19, 4.21: Resolution on the formal approval for fiscal year 2019 of the actions of the members of the Supervisory Board H.D. Pötsch, H.A. Al Abdulla, B. Dietze, H.P. Fischer, M. Heiß, L. Kiesling, P. Mosch, B. Osterloh, H.M. Piëch, F.O. Porsche, W. Porsche, C. Schönhardt and S. Weil who held office in fiscal year 2019 (AGAINST): BlackRock Investment Stewardship team ("BIS") has ongoing concerns with the insufficient level of independence on the Supervisory Board and its subcommittees. BIS' policy is to withhold support from the re-election or discharge of those members who are most accountable for Supervisory Board composition through their role on the Supervisory Board or membership of relevant board sub-committees. We voted against the discharge of nomination committee members H.D. Pötsch, W. Porsche and S. Weil for the insufficient level of independence on the Supervisory Board, and of Supervisory Board chair H.D. Pötsch for the insufficient level of independence on the sub-committees. In light of BIS' concern regarding the independence of the external auditor, we voted against the discharge of Supervisory Board members B. Dietze, M. Heiß, B. Osterloh, F.O. Porsche and C. Schönhardt, all of whom served on the audit committee during fiscal year 2019. We believe Supervisory Board members should be held accountable for the level of oversight provided on governance matters. We voted against the discharge of Supervisory Board members H.D. Pötsch, H.A. Al Abdulla, H.P. Fischer, L. Kiesling, P. Mosch, B. Osterloh, H.M. Piëch, F.O. Porsche, W. Porsche and S. Weil who were already serving at the time of the emissions incident. This is consistent with our approach since VW's 2016 AGM.</p> <p>Item 5: Election of a member of the Supervisory Board (AGAINST) BIS voted against the re-election of Supervisory Board member H.A. Al Abdulla, who will reach a tenure of 12 years during the course of this new mandate, if approved, further reducing the level of independence on the Supervisory Board.</p>

Company:	SANTANDER CONSUMER USA HOLDINGS, INC.
Date:	10 th June 2020
Resolution:	Item 3: Report on Risk of Racial Discrimination in Vehicle Lending
BlackRock Vote:	We voted FOR the shareholder proposal, as discriminatory lending practices (of all forms) are a material risk to the company's business and shareholders would benefit from increased and improved disclosure on compliance programs, processes and procedures, as well as risk mitigation processes and procedures to prevent discriminatory lending (including racial discrimination).

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Rationale:	<p>Item 3: Report on Risk of Racial Discrimination in Vehicle Lending Shareholders filed a non-binding proposal requesting that Santander Consumer Holdings' board prepare a report in advance of the 2021 annual meeting on the risk of discrimination in vehicle lending and any steps the company has taken to prevent racial discrimination against borrowers. Resolved: Shareholders of Santander Consumer USA Holdings Inc. (the "Company") request that the Board of Directors prepare a report on the risk of racial discrimination in vehicle lending and any steps that the Company has taken to prevent racial discrimination against borrowers. The report shall be prepared at reasonable cost omitting proprietary information and shall be made available on the Company's website no later than the 2021 annual meeting of shareholders. We acknowledge that Santander Consumer Holdings has been responsive in addressing historical material weaknesses in financial reporting. Additionally, Santander Consumer Holdings continues to improve its risk oversight and compliance processes in response to various regulatory findings or litigation, as described in further detail below. This response includes the creation of the Regulatory and Compliance Oversight Committee of the Board and increased disclosure regarding its procedures and processes over the last few years. In its Statement of Opposition, the company notes it is subject to certain federal consumer lending laws, including the Equal Credit Opportunity Act (ECOA) and it is also subject to the supervision of federal regulatory agencies, including the Consumer Financial Protection Bureau.² Racial discrimination in lending is prohibited under the ECOA. The company developed its Fair Lending Policy to meet ECOA guidelines. The policy is applicable to both direct and indirect lending; it prohibits discriminatory lending practices and mandates the use of non-discriminatory metrics in calculating lending terms for prospective borrowers. The company notes the majority of its lending is indirect and its control over this indirect (dealer) business is minimal. Yet, the company states that it will terminate dealer relationships when discriminatory lending occurs.³ However, the Statement of Opposition does not clearly demonstrate how racially discriminatory lending risk is monitored and managed, nor does it outline the company's response to this risk. In our engagement prior to the annual meeting, there was no additional context provided on the steps the company has taken to prevent discriminatory lending beyond pointing to the information in the proxy statement. Management relied on compliance with federal law, its existing compliance and risk management programs and the federal government's oversight to allay shareholder concerns. Looking at the vehicle lending sector more broadly, there are financial and reputational risks associated with discriminatory lending based on race. A peer company received a federal court order to pay \$80 million in damages for a racially discriminatory vehicle lending policy. Santander Consumer Holdings has also been censured for non-racial discriminatory lending issues. On May 19, 2020, the company agreed to change its underwriting practices as part of a \$550 million settlement in 34 states. These states alleged the company violated consumer protection laws placing borrowers with subprime credit into auto loans, which the company knew carried a high probability of default. In our view, the company has an opportunity to provide investors with a more detailed explanation of how it assesses, manages and mitigates the risk of racial discriminatory lending practices. Given the high degree of reputational and litigation risks, improved disclosure on the mechanisms for compliance would give shareholders comfort that the risk is appropriately mitigated. Moreover, detail about this particular business risk would give investors a sense of how the company addresses other forms of discriminatory lending.</p>
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Company:	DAIMLER AG
Date:	8 th July 2020
Resolution:	<p>Item 4: Resolution on ratification of Supervisory Board members' actions in the 2019 financial year</p> <p>Item 7: Resolution on the election of Timotheus Höttges as a member of the Supervisory Board</p> <p>Item 12b: Resolution on the amendment of Article 16 of the Articles of Incorporation (Annual Meeting – Resolution)</p>
BlackRock Vote:	We voted AGAINST all key resolutions outlined above given our concerns about progress on climate-related risk reporting, the external mandates held by the proposed Supervisory Board member, and the reduction in shareholder rights from the proposed article amendment.
Rationale:	Item 4: Resolution on ratification of Supervisory Board members' actions in the 2019 financial year (AGAINST)

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We believe Supervisory Board members should be held accountable for the level of oversight provided on governance matters, including how management addresses material issues such as climate risk. Given the lack of progress Daimler has made on its climate disclosures, BlackRock Investment Stewardship team's ("BIS") policy is to withhold support from the re-election of those Supervisory Board members who are most accountable through their membership of relevant board sub-committees. In the absence of such committees, BIS will hold accountable the most senior Supervisory Board member. However, Daimler has 'staggered' Supervisory Board elections, meaning that shareholders do not have the opportunity to vote on all members in any given year. Rather, Supervisory Board members are re-elected on rotation, in line with the expiry of their appointment term which is every five years at Daimler. While BIS accepts this as common practice in several markets across EMEA, the hindrance of this model to shareholders being able to optimally reflect their views is illustrated at this AGM. We are unable to withhold support from the re-election of Supervisory Board chair Dr. Manfred Bischoff as the most senior director responsible for climate disclosures. As such, BIS voted against the discharge of the Supervisory Board as a whole for actions taken in 2019.

We shared with the company that we expect disclosures in line with the TCFD framework by next year. Subsequent to our discussion, but after our vote instructions were submitted, the company published a TCFD cross reference table on its website mapping the TCFD recommendations to the relevant pages in its 2019 annual and sustainability reports. BIS is encouraged by this progress as this type of TCFD-aligned disclosure meets our expectation as shared with the company in our latest engagement.

Item 7: Resolution on the election of Timotheus Höttges as a member of the Supervisory Board (AGAINST)

Additionally, as the role of director is becoming increasingly demanding, directors must be able to commit an appropriate amount of time to board and committee matters. Given the nature of the role, it is important a director has flexibility for unforeseen events and therefore only takes on the number of mandates to ensure such flexibility. Consistent with our EMEA proxy voting guidelines, we view Timotheus Höttges to hold an excessive number of mandates. In addition to his proposed role at Daimler, Mr. Höttges already serves as CEO of Deutsche Telekom AG and a Supervisory Board member at Henkel AG & Co. KGaA. This raises substantial concerns about his ability to exercise sufficient oversight on Daimler's Supervisory Board.

Item 12b: Resolution on the amendment of Article 16 of the Articles of Incorporation (Annual Meeting – Resolution) (AGAINST)

Daimler has proposed to amend its articles such that support from 75% of votes cast would be required to dismiss a Supervisory Board member. This is an increase from the simple majority support stipulated in its current articles. BIS regards this proposed amendment to be a deterioration of shareholder rights and therefore voted against.

BIS voted in favour of all other management proposals.

We will continue to engage with the company and monitor developments, with a particular focus on progress on climate-related risk disclosures.

ACS World ex UK Equity Fund – Most Significant Votes

Company:	SWEDBANJ AB
Date:	28 th May 2020
Resolution:	Director Discharge (Items 10a – 10j): Shareholders are asked to approve the discharge of former Ordinary Board members Annika Poutianinen, Lard Idermark, Ulrika Francke, Peter Norman, Siv Svensson, Bodi Eriksson, Mats Granryd, Bo Johansson, Anna Mossberg and Magnus Ugglå Item 10o: Shareholders are asked to approve Discharge of Birgitte Bonesenas CEO
BlackRock Vote:	We voted AGAINST the discharge of relevant board members and the former CEO (items 10a-10j, 10o). We are holding these shareholder-elected directors accountable for the deficiencies in Swedbank's governance of its anti-money laundering measures given they served on the board over the period these issues occurred.

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Rationale:	Given the findings of the Swedish and Estonian FSA investigations and Swedbank's own internal investigations confirming governance and risk oversight failures related to money-laundering, and the levy of a 4 billion SEK fine, we are voting against the discharge of relevant board members and the former CEO. In doing so, we are holding those individuals accountable for the deficiencies in Swedbank's governance of its anti-money laundering measures given they served on the board over the period these issues occurred. The new leadership has initiated a number of actions to strengthen its governance, culture and controls, and work is ongoing. We will continue to engage with the company and monitor developments.
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Aquila Emerging Markets Fund – Most Significant Votes

Company:	TOP GLOVE CORPORATION BHD.
Date:	6 th January 2021
Resolution:	Item 1: Elect Lim Han Boon as Director Item 2: Elect Rainer Althoff as Director Item 3: Elect Noripah Kamso as Director Item 4: Elect Norma Mansor as Director Item 5: Elect Sharmila Sekarajasekaran as Director Item 6: Elect Lim Andy as Director Item 11: Approve Lim Han Boon to Continue Office as Independent Non-Executive Director
BlackRock Vote:	BlackRock voted AGAINST these proposals
Rationale:	The company has been the subject of intense scrutiny over various labour-related and human rights issues in its supply chain since 2018. Whilst we acknowledge the board and management's willingness to engage with the BlackRock Investment Stewardship team ("BIS"), as well as the steps the company has taken in response to some of the controversies, the COVID-19 pandemic has exposed severe shortcomings in management and oversight of worker health and safety-related issues. Despite the board and management's reassurance that COVID-19 preventive measures have been implemented since the start of the pandemic, a quarter of its workers have since been infected with the virus, with one associated death. The investigations conducted by Malaysia's Ministry of Human Resources ("MoHR") and U.S. Customs and Border Protection ("CBP"), together with the whistleblower's account and other media reports, have shown that Top Glove's workers live in dense, unsuitable accommodations with a lack of proper ventilation and physical distancing – a stark contrast to what the board has conveyed to shareholders. Given Top Glove's role as a leading Personal Protective Equipment (PPE) manufacturer, we view the board's ineffectiveness in COVID-19 mitigation and inadequate oversight of worker health and safety issues as especially egregious with potentially serious implications for its reputation as a supplier of such equipment to hospitals around the world. As the COVID-19 pandemic ravaged the region, the board failed in a key aspect of its oversight responsibility given that it did not identify and set policies to manage risks including the health and safety of workers living in its dormitories. This is particularly surprising given the enhanced awareness and attention to the company's worker safety issues since 2018. As such, BIS voted against the re-election of six Independent Non-Executive Directors (INEDs) and a separate proposal for Senior Independent Director Lim Han Boon to continue in office as an INED. Given the gravity of the situation and the material failure in oversight by the board, BIS voted against the re-election of the current members of the Board of Directors. We also intend to hold other incumbent directors not on ballot at this AGM accountable by voting against their re-election at future shareholder meetings. We will continue to engage with the company to assess the measures that are taken towards the resolution of the US CBP and MoHR investigations, how it is meeting its various commitments to improve labour rights and workers' accommodation, and how it is addressing health and safety-related issues.

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Company:	KOREAN ELECTRIC POWER CORPORATION
Date:	9 th November 2020
Resolution:	Item 1.2: Elect Choi Young-ho as an Inside Director Item 2: Elect Choi Young-ho as a member of the Audit Committee
BlackRock Vote:	While we remain concerned about the company's coal projects in Indonesia and Vietnam, BlackRock voted in favour of the candidate for reasons including that he is a new nominee and therefore not responsible for KEPCO's past decisions
Rationale:	<p>BlackRock expects audit committees to comprise only non-executive directors and a majority of independent directors to ensure independent oversight of the company's accounts, including assumptions made by management in key investment decisions as captured in the company's financial statements. The company has publicly indicated that the decision to continue to pursue the coal-fired plant projects in Indonesia and Vietnam took into consideration government-to-government level partnerships and support. BlackRock Investment Stewardship team ("BIS") therefore has a duty to consider the potential risks that a publicly-appointed candidate might introduce to the company's internal audit process, including financial oversight of future government-led projects. We have communicated this responsibility with the company in recent engagements, including our duty to take voting actions if deemed necessary to signal concern in order to protect our clients' interests. Upon engagement and extensive analysis, and in consideration of the company's response to investor concerns by committing to move away from future coal-power projects, we supported the candidate Choi Young-ho as an inside director and audit committee member on the basis that:</p> <ul style="list-style-type: none"> (i) Choi is a new nominee who ought not to be held accountable for KEPCO's past decisions; (ii) the prevailing regulation dictates the election of a government-appointee to the board and audit committee; and (iii) given KEPCO's recent announcement to stop all future coal projects, a safeguard is now in place that he, as well as other members of the board, will not be assessing any new coal projects going forward. <p>We also supported the election of Lee Jong-hwan as inside director (Item 1.1) as he is a new and non-publicly appointed nominee who is not associated with the company's past decisions. While we see the company's announcement to stop all future coal projects as a positive outcome, we remain very concerned with the coal-fired power plant projects KEPCO continues to pursue in Indonesia and Vietnam and the contradiction these projects present with the company's stated climate strategy. We will continue to engage with the company on the financial and environmental risks associated with both and seek adequate disclosure regarding the plans and anticipated timeline for the conversion and /or termination of the Saul 2 project in the Philippines and the Thabametsi plant in South Africa.</p>

Company:	CEZ, A.S.
Date:	29 th June 2020
Resolution:	Item 10: Approve Remuneration Policy Item 12: Recall and Elect Supervisory Board Members Item 13: Recall and Elect Members of Audit Committee Item 14: Shareholder proposal – Amend Business Strategy
BlackRock Vote:	BlackRock voted AGAINST recalling and electing Supervisory Board Members for the company's lack of progress on climate-related reporting and insufficient information with regards to the identity of the directors. For similar transparency issues, BlackRock voted AGAINST the remuneration policy, and recalling and electing the Members of the Audit Committee. BlackRock voted AGAINST the shareholder proposal to amend the business strategy due to its overly prescriptive nature and the lack of sufficient rationales for the restrictions on capital allocation decisions that it would introduce.
Rationale:	Item 10: Approve Remuneration Policy (AGAINST) The policy contains insufficient detail concerning incentives and performance-related elements such as

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how performance measures are defined or weighted. Moreover, CEZ only provides limited disclosure on award levels for both its short-term and long-term incentive plans. We acknowledge that CEZ is presenting its remuneration policy for the first time to a shareholder vote, and we understand that reporting practices on those issues are not yet well established in the Czech Republic. However, we consider the current level of transparency to be insufficient for us to understand the remuneration plans and support the approval of the remuneration policy.

Item 12 & 13: Recall and Elect Supervisory Board Members and Members of the Audit Committee (AGAINST)

At the time of our analysis, the names of the candidates were not disclosed, which makes it impossible for minority shareholders to make an informed decision about the election of board members. CEZ is not an official TCFD supporter and has made no public commitment regarding the alignment of its disclosures with the recommendations of the TCFD. Despite a section in the company's 2019 annual report dedicated to climate protection, these climate-related disclosures do not demonstrate sufficient progress towards CEZ aligning its reporting with the TCFD recommendations. In line with our approach of holding directors accountable when a company is not effectively addressing a material issue, we voted against recalling and re-electing Supervisory Board members for lack of progress in relation to climate-risk reporting. More generally and consistent with previous years, the lack of information on the identity of the Supervisory Board members to be (re)elected ahead of the AGM is a key impediment to us supporting items 12 and 13.

Item 14: Shareholder proposal - Amend Business Strategy (AGAINST)

A group of shareholders tabled a resolution to amend the business policy of the company.⁶ In accordance with the Articles of Association, the business policy is defined by the framework of business activities to be pursued by CEZ. In particular, the proponents asked that the following sections be amended: • CEZ's Group Mission and Vision; • Key Areas for Fulfilling Main Strategic Priorities; • Effective operation, optimal use and development of power generation portfolio; • Business Concept and Strategic Priorities of CEZ Group. The portion of the resolution that relates to decarbonising CEZ's generation portfolio addresses a material risk and is in line with our views on the need for companies to properly manage and oversee these risks to ensure a smoother transition to a low-carbon economy. Accordingly, we expressed our concerns about how the company has been addressing climate related issues via our vote against item 12. However, we do not believe that such a prescriptive modification of CEZ's business policy by shareholders would be a suitable mechanism to address these issues. It could have unclear and far reaching consequences for both the company and its shareholders. We considered that by directly addressing the corporate strategy and priorities of the company, this proposal strays into micromanagement and we are generally not supportive of proposals that are overly prescriptive in nature. Moreover, the proposed amendments would significantly restrict the nature and amount of some capital allocation decisions including the ones made on the basis of a contractual agreement with the Czech Republic Government such as the creation of new nuclear power units. The proponents have not provided compelling rationales as to why these restrictions are warranted and how they would be practical and beneficial for the company and its shareholders. For these reasons, we voted against the shareholder proposal.

Company:	PT INDOFOOD CBP SUKSES MAKMUR TBK
Date:	3 rd August 2020
Resolution:	EGM Item 1: Approve Acquisition of the total issues share capital of Pinehill Company Limited
BlackRock Vote:	BlackRock voted AGAINST the resolution
Rationale:	The proposed acquisition has merit from a strategic perspective. ICBP has in-depth knowledge of Pinehill's Indomie business and Pinehill's established footprint in its current markets could provide ICBP a strong platform for overseas growth. Nevertheless, BlackRock believes it is in our clients' economic interests to vote against the proposed acquisition due to the following concerns: The valuation and terms of the transaction; and the board's oversight in relation to the inherent conflict of interest. There are several concerns regarding the proposed terms of the transaction. We believe that the decision to include Southeast Asian peers in the pool of comparable companies used to determine Pinehill's valuation had an inflationary effect on the valuation. Given Pinehill's business locations, we do not find the inclusion of Southeast Asian food product companies – which trade at a premium to Middle Eastern

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peers – to be appropriate. On our assessment it inflates Pinehill's valuation by approximately twenty percent. Moreover, the use of trailing price-to-earnings (PE) as a benchmark for the forward earnings of the target company is questionable from a valuation methodology perspective. Had the valuation of Pinehill been determined by forward earnings of appropriate comparable companies at the time the transaction was announced, it would have yielded a more accurate valuation. If Pinehill's last reported earnings in 2019 were used on a like-for-like trailing PE basis, the proposed acquisition price values Pinehill at 38.6x (after adjusting for foreign exchange and interest expenses), which is double the average multiple that buyers had paid for packaged foods companies in Africa, Middle East, and European emerging markets in the past five years. As a consequence, our clients as shareholders in ICPB are significantly overpaying to acquire the assets from Pinehill. We are also concerned that ICBP's risk profile will materially worsen as the majority of the cash raised to fund the acquisition is in US dollar-denominated loans, therefore introducing significant foreign exchange risk to a company whose revenues are derived mainly from the Middle East and Africa. While the US\$128.5 million per annum profit guarantee is reassuring, any failure to fund the loans below the earnings yield of 4.3% on the total acquisition cost could dilute ICBP's earnings. Perhaps most importantly, there is a material failure in governance at the ICBP board level resulting in a failure to protect minority shareholders' rights in what is an acknowledged related party transaction. When ICBP first announced the proposed acquisition in February 2020, the company held several investor calls and repeatedly emphasised that the transaction would be earnings accretive and that its controlling shareholder, INDF, would not be allowed to vote on this transaction due to a clear conflict of interest. However, ICBP subsequently reversed its position in its May 22 filing, stating that INDF would vote despite the fact that it is an 80.5% controlling shareholder in ICBP, which is in turn controlled by the Salim group through the Hong Kong-listed holding company, First Pacific. With the decision to allow INDF to vote, approval is a foregone conclusion. ICBP's board determined that the transaction does not involve a conflict of interest as defined under current Indonesian regulations. Of importance, in April 2020, Indonesia's regulator announced it would introduce stricter regulations on Material Transactions coming into effect in October 2020, under which INDF would have been required to abstain from voting on the ICBP transaction. Market perception of this transaction is clearly reflected in ICBP's share price, which fell almost twenty percent (double the decline of the Indonesian Consumer Sector Index) since the transaction was announced.² Furthermore, the total value lost across ICBP and the related companies INDF and FPC over the same time period is estimated to be US\$2.9 billion. Given the concerns over fundamental governance, valuation methods, conflicts of interest, and expedited timing just prior to enhanced regulation, BlackRock Investment Stewardship team ("BIS") has decided to vote against the proposed transaction. We escalated our concerns to relevant parties in the Indonesian market and have proposed opening a dialogue to discuss minority shareholder protections. In addition, to address the material failure in governance at the board, BIS intends to hold the current members of the Board of Directors and Board of Commissioners accountable by voting against their re-election at future shareholder meetings.

Conclusion

Overall, the Plan has demonstrated key actions by the Trustee during the relevant reporting period that highlights how it continues to make investment decision in line with the policies set out in the SIP.

The relevant reporting period for this Statement (1 April 2020 to 31 March 2021).

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

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

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

COMBINED NUCLEAR PENSION PLAN

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

Statement of Trustee's Responsibilities

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

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

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

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

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

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

The Trustee is responsible for the maintenance and integrity of the Plan and financial information included on the Plan's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed for and on behalf of the Trustee:

Allan Whalley

Trustee Director

Date: 12 October 2021

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CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

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 ended 31 March 2021 (referred to as the Plan Year below) and the steps the Trustee has taken to improve value for members that will apply with effect from 1 April 2021:

For the Plan Year covered by this statement, the Trustee confirms:

- The Plan's default arrangements remained suitable for members;
- The default for all New Joiner DC Structure members are the appropriate Aegon BlackRock LifePath Flexi Fund;
- The amounts of charges and costs borne by members are as set out in Annex 2;
- Financial transactions were, based on information provided to the Trustee, carried out accurately, promptly and efficiently;
- The Trustee has kept its knowledge of pension matters up-to-date; and
- The first Supervisory Return since the Plan became an authorised Master Trust was submitted to the Pensions Regulator for the year end 31 March 2021.

Covid-19 pandemic: The global outbreak of Covid-19 caused widespread disruption to financial markets and normal patterns of business activity across the world, although financial markets had improved by the second half of the Plan Year.

During the Plan year to 31 March 2021, the Trustee took action in light of the Covid-19 pandemic in respect of the CNPP Property fund. Difficulties faced by independent valuers in valuing properties and property fund managers ability to sell buildings to meet redemption requests had resulted in the suspension of the CNPP Property Fund. Members were initially notified that contributions were being redirected into the Replacement Cash Fund (Aegon BlackRock Cash) until such time as the CNPP Property Fund could reopen. However, due to the ongoing suspension of the CNPP Property Fund, and the low return potential for monies invested in the Replacement Cash Fund, the Trustee subsequently closed the Replacement Cash Fund and members' monies were transferred to the relevant default strategy.

The Plan is an authorised Master Trust, these are occupational pension schemes that provide benefits to the employees enrolled by non-associated employers i.e. multiple employers within a Defined Contribution (DC) pension arrangement and regulated by the Pensions Regulator (TPR). Following the Plan's authorisation the Trustee has increased further the levels 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 TPR Supervision (Level 2) which means that the Plan passed Master Trust authorisation at the highest level. The governance includes:

- Monitoring against significant events, and ensuring prompt notification to TPR;
- 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 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.

The first supervisory return, as at 31 March 2021, was compiled and submitted to TPR on 30 June 2021 meeting TPRs required timescale.

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CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

Summary (continued)

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.

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 Trustee by:

Allan Whalley

Allan Whalley
Chair of the Trustee of the Combined Nuclear Pension Plan

Date: 12 October 2021

COMBINED NUCLEAR PENSION PLAN

CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

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 2021. 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 27 March 2020, the Plan had two default arrangements for DC members who did not make an active fund choice, they were Aegon BlackRock LifePath Flexi Funds and the Aegon BlackRock LifePath Capital Funds.

Prior to the start of the Plan Year, four of the underlying managers suspended trading in the CNPP Property Fund. Consequently, and as per the Trustee's announcement on 27 March 2020, future contributions originally directed to the CNPP Property Fund were invested into a temporary fund – the Aegon Replacement Cash Fund.

Due to the prolonged closure of the Property Fund, the Trustee subsequently took the decision to transfer member contributions and accrued assets that were being invested in the Replacement Cash Fund into the relevant default investment options for affected members. This change was communicated to members in December 2020 and reflected the Trustee's concern around the limited returns members' savings were accruing within the Replacement Cash Fund during this prolonged period of fund closure. In December 2020, the Replacement Cash Fund was therefore closed in respect of redirected contributions from the CNPP Property Fund.

Under pensions regulations, the Replacement Cash Fund was treated by the Trustee as a default arrangement, for the period 27 March 2020 to December 2020.

The default arrangements in place during this Plan year are summarised in the following table:

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

During the Plan year the Replacement Cash Fund was a default arrangement for AVC members who had directed contributions to the suspended CNPP Property Fund. Due to the prolonged closure of the Property Fund, the Trustee took the decision to transfer AVC member contributions and accrued assets to the relevant Aegon BlackRock LifePath Capital 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; and
- To target the retirement benefits that the majority of members in each section are expected to choose.

The objective of the Replacement Cash Fund was to protect the absolute value of the members 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 1¹.

¹ Regulation 23(a)(i) Administration Regulations

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CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

a) Default arrangements (continued)

During the Plan year, the Trustee with support from its advisers, undertook a triennial review and assessed the suitability of the default investment options and self-select fund range. The review encompassed but was not limited to: Understanding the membership; Assessing the design of the strategy (including the glidepath) and; Reviewing the integration of Environmental, Social and Corporate Governance (ESG) factors.²

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. Following the review, the Trustee is satisfied that both default options continue to remain suitable for the respective memberships of the Sections of the Plan. Specifically, the Plan's Statement of Investment Principles (SIP) states that 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. Additionally, the SIP requires that the default arrangements should manage the principal investment risks members face, gradually changing where they are invested as they approach retirement and reflecting that the New Joiners DC structure and SPPP members are expected to choose different benefits at retirement.

The Trustee reached the conclusion that both default options continue to remain suitable based on advice from the Plan's DC adviser, which highlighted that members in the New Joiners DC Structure and SPPP structure continued to benefit from the tailored investment approach within the default investments which aligns asset allocation to the different retirement benefits (income drawdown vs. cash respectively) members are expected to take. The assessment also reviewed the performance delivered and risk taken by the default investments and concluded that both had met their objectives whilst also remaining appropriately structured to meet the ongoing aims within the SIP. Finally, both default investment options were reviewed against the DC adviser's long-term retirement outcome model which concluded that they were expected to deliver sufficient real returns to provide for good member outcomes at retirement.³ The review also considered the asset manager's increased allocation to funds with explicit environmental, social and governance ("ESG") considerations within the default investment options. The Trustee concluded that they are comfortable with the change. Overall, the change will not impact charges, or investment objectives, but explicit ESG integration will now cover the majority of most members' investments in the default investment options. Additionally, the review also found that the range of self-select options offered covers all the main asset classes the adviser would typically expect. However it was noted that there is an increasing focus on ESG factors and as such, in the next Plan Year, the Trustee intends to consider adding an explicitly ESG focused fund to the self-select range.

The Trustee continues to monitor the performance of the default funds at its quarterly Investment Sub Committee (ISC) meetings and any issues requiring rectification would be managed by the ISC and reported to the Trustee. There were no default fund issues identified during the Plan year.

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.

² Reg 23(1)(a)(ii) Administration Regulations

³ Reg 23(1)(a)(iii) Administration Regulations

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(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, has taken into account the statutory guidance issued by the Department for Work and Pensions⁴.

Charges

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

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

Transaction costs

Transaction costs are in addition to the funds' TERs and can arise when:

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

Transaction costs vary from day to day depending on how each fund is invested and market conditions at the time. Transaction costs include both explicit custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes), and implicit impact/opportunity costs. 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 arrangements⁵

The charges and transaction costs for the default arrangements for each Section during the Plan year to 31 March 2021 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

⁴ Reg 23(1A) Administration Regulations

⁵ Reg 23(1)(c)(i) Administration Regulations

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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 arrangements⁶

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	0.00% p.a. to 0.1% or £0.00 to £1.00 cost per £1,000 fund value
2. CNPP DB Structure SPPP	Aegon BlackRock LifePath Capital Funds	0.01% p.a. to 0.1% or £0.10 to £1.00 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

Charges for the investment options outside the default arrangements for the period to 31 March 2021⁷

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 0.77%	-
CNPP DB Structure AVCs	Prudential With Profits Fund (not open to new members)	1%	With-profits investments are currently subject to a fund charge of 1% per year. The charge isn't guaranteed to remain at this level and may change in the future.

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

⁷ Reg 23(1)(c)(ii) Administration regulations

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Transaction costs for the self-select investment options outside the default arrangement⁸

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 -0.01% to 0.54% p.a. or from a saving of £0.10 to a cost of £5.40 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%.

The transaction costs for AVCs invested in With Profits borne by members for the period 1 April 2020 to 31 March 2021 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.

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 illustrations⁹ 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 £1,029,613 to £932,375.

Please note:

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

⁹ Reg 23(1)(ca) Administration Regulations

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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.¹⁰ 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 its 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. For a full breakdown of the cost sharing between members and employer(s) please see the table provided in section (b) Charges and transaction costs. The table clearly denotes the services that are paid for by members, employers and those shared between both parties. Value is not simply about low cost – the Trustee also considers the quality of the services for which members pay.

The Trustees approach toward assessing Value for Members (VfM) is to consider 5 factors: Trustee Governance, Administration, Communication & Tools, ESG, and Investment. Through the charges disclosed in section (b) above, members pay for investment management, investment transactions, administration, and communication either in full or in part. As such, these areas are the focus of the VfM assessment undertaken by the Trustee (for a full breakdown of the cost sharing between members and employer(s) please see the table provided in section (b) Charges and transaction costs). 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 of 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).

¹⁰ Reg 29A(2) of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013

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

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(c) Value for members (continued)

Area Reviewed	Assessment Factors	CNPP 2020	Score	CNPP 2021	Score
		Average: 3.9		Average: 4.2	
Trustee 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		4.0	
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		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		4.3	
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		4.1	
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		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 quality of the investment proposition has continued to improve with further integration of Environmental, Social and Governance (ESG) factors into BlackRock LifePath funds and ongoing improvement in BlackRock's engagement with underlying companies on key ESG issues, including climate change.
- The planned communications tools and system launches from the administrator continue to be implemented. These improvements in communications were part of the reason for the change in administrator in 2019. The successful implementation of these highlight the improved value members are receiving.
- 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 2020-2021 Plan year, the Trustee undertook the following steps to improve value for members:

- The Trustee, in conjunction with its advisers, assessed the suitability of the default investment options and self-select fund range as part of the triennial review. This review encompassed but was not limited to: understanding the membership; assessing the design of the strategy (including the glidepath); and reviewing the integration of ESG factors. The Trustee is satisfied that both default investment options continue to remain suitable for the respective memberships of the Sections of the Plan.
- In light of the Covid-19 pandemic which led to the suspension of the CNPP Property Fund, the Trustee initially invested members contributions into a temporary fund called the Replacement Cash Fund. Since the CNPP Property Fund remains suspended, the Trustee subsequently took the decision to direct ongoing member contributions and accrued assets that were being invested in the Replacement Cash Fund into the relevant default investment options for affected members. This reflects the Trustee's concern around the limited returns members' savings were accruing within the Replacement Cash Fund due to the prolonged closure.

The following table highlight the actions undertaken by the Trustee over the Plan year in relation to the value members receive from the Plan. These include both the action listed in the 31 March 2020 Chair's Statement (i.e. which were ongoing at the end of the previous Plan year) and any additional actions taken.

Actions from 31 March 2020 Chair's Statement	Progress
A review of the Plan's default arrangements.	Completed – This was completed in Q4 2020. The Trustee remains satisfied that the default investment arrangements and self-select funds remain appropriate for members of the Plan.
Following the appointment of Aegon, the bundled DC Plan Administrator, monitor and develop the new Plan administrator's performance and implement new offerings when applicable.	Completed – The Member App was successfully launched in Q1 2021.
Updating the SIP to reflect the new regulations on Responsible Investment, stewardship & voting and engagement.	Completed – the SIP was updated in September 2020 to reflect the new regulations.

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(c) Value for members (continued)

Additional actions taken in the year	Progress
Invested members contributions into a temporary fund called the Aegon Replacement Cash Fund as a result of the Covid-19 pandemic leading to 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 was treated as a default for the purpose of fulfilling legislative requirements.	Completed – From December 2020, the Trustee took the decision to direct ongoing member contributions and accrued assets that were being invested in the Replacement Cash Fund into the relevant default investment options for affected members due to the prolonged suspension of the CNPP Property Fund.
During Q4 2020 the Trustee reviewed its Investment beliefs to ensure that it remained up to date. Investment beliefs, supported by research and experience, can help focus investment decision-making and make it more effective.	Completed – The Investment beliefs were updated and signed off at the December board meeting.
Monitoring the launch and subsequent success of a new, targeted, communications campaign that takes advantage of the tools developed by Aegon.	Ongoing –The launch has taken place, but the Trustee will continue to work with Redington and with Aegon to run member presentations and campaigns.
Reviewing the range of self-select funds and considering adding in some ESG specific funds.	Ongoing – The Trustee will continue to work with its adviser to consider the addition to self-select funds available to members of a fund that addresses specific ESG considerations.

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 members

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 annual member newsletter. Feedback was invited from the membership in the Plan year in the member newsletter sent by mail to every member in March 2021 providing easy contact details.

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(d) Processing financial transactions

Aegon are 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 and EQ administer the DB Structure, split of areas of responsibility are detailed in the table below.

Activity
EQ administer the Plan relating to the DB Structure, Shift Pay Pension Plan and AVC funds for the CPS Sections with the exception of the Nirex Section which is administered by Barnett Waddingham.
Aegon are the Plan administrator of the DC New Joiners Structure for the CPS and GPS Sections (excluding With Profits Funds which are provided by Prudential).

The Trustee is satisfied that the Plan's defined contribution services and service levels are competitive. Set out below is an explanation of how, over the Plan year, the Trustee secured that core financial transactions were processed promptly and accurately.¹²

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.
- Bank account monitoring for receipt of contributions.
- Recording when all necessary employer information is received.
- Monitoring that received monies are invested within 3 days of receipt of all required information.
- Monitoring 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.

¹² Reg 23(1)(b) Administration Regulations

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(d) Processing financial transactions (continued)

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 of the Administration Regulations 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).

Administration reporting identified that Springfield and WEC experienced payroll difficulties due process modifications, during the period March 2019 to December 2019. This resulted in contribution submissions and payments to Aegon falling outside of the normal timescales. An assessment was carried out in the Plan year of the affected transactions that identified which members had suffered a financial impact caused by the delayed investment of the contributions. The DC Plan administrator and Trustee worked with the employers and additional monies were invested on the members' accounts to purchase the additional units required to resolve the shortfall in units. No further cases occurred during the Plan year.

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.
- Monitoring the transfer of members assets out of the scheme.
- Monitoring transfer of assets relating to members between different investments within the Plan.
- Monitoring payments from the Plan to, or in respect of, members.
- 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.

In summary, the Trustee monitored core financial transactions and administration service levels during the Plan year by:

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- Receiving quarterly reports from the Plan administrators on the processing of core financial transactions and other administration processes against the agreed service levels.
- Generally, the Trustee would consider the reasons for and resolution of any breaches of service standards. However, as summarised above, the Trustee is not aware of breaches of the agreed service levels during the Plan Year.
- Considering member feedback and complaints received during the Plan year.
- The Trustee is aware that Prudential (where some members' AVC are invested through the With Profits fund) experienced some issues receiving timely communications due to a change to the Prudential administration platform. There were also difficulties receiving information required to update the Supervisory Return to the Pensions Regulator.

The Trustee is satisfied that during the Plan Year:

- Core financial transactions were processed accurately, promptly and efficiently.¹³
- The wider administration of the Plan has generally achieved the agreed service standards.

(e) Trustee knowledge and understanding¹⁴

Policies and practices which the Trustee has followed during the Plan year

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 representatives of professional Trustee Companies and have the required professional Trustee 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 per annum.

On appointment, all Trustee Directors receive an induction from the Secretariat focussing on key features of the Plan. The Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively and have done so through the Plan year by applying the following policies, practices and actions (as well as those set out under the following sub-headings):

- Trustee Directors are expected to 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 administration of the Plan generally,
- Trustee Directors are expected to 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 of the assets of occupational pension schemes.
- All the Trustee Directors are familiar with and, during the Plan year have had 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 Statements 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, was available during the Plan year and was accessed by all Trustee Directors as required.
- At the beginning of each Trustee meeting the Trustee Directors apply the Trustee's conflicts of interest policy.

¹³ Reg 23(1)(b) Administration Regulations.

¹⁴ Reg 23(1)(d) Administration Regulations

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(e) Trustee Knowledge and Understanding (continued)

- The Trustee reviewed the Plan's Integrated Risk management dashboard twice during the Plan year at its meetings on 15 April 2020 and 28 January 2021, with advice from the Plan Actuary enabling the Trustee to monitor the Plan's key DC risks.
- 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.
- During the Plan year the Trustee received ESG training and additional relevant advice regarding requirements on SIP changes from its investment advisers. In September 2020 the Trustee reviewed the DC SIP which has been updated to reflect required changes from 1 October 2020.
- All Trustee Directors have confirmed their completion of 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)

Trustee Directors are also encouraged to undertake further study and qualifications which support their work as Trustee and 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 inform the Secretariat of the training they have undertaken which is maintained on a central register. 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 under the heading "*In-house training undertaken during the Plan year*" below.

Review of policies and practices and identification of knowledge gaps

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's three-year Work Plan was reviewed by the Trustee at its quarterly Trustee Board meetings. The Work Plan captures the Trustee Board workstreams for the current Plan year and the two consecutive years.

At its meeting on 21 April 2021 the Trustee reviewed its training record to identify knowledge gaps which the Trustee Directors may have. The Trustee review its policy on a biennial basis which is why a review was not undertaken in the Plan year. The knowledge gaps identified were predominantly around investments, where there was more limited knowledge of the more in-depth areas of investment, for those who are not members of the Investment Sub-Committee. This was assessed as not significant as additional training is available when items are relevant to the Plan.

Training for new Trustee Directors

- 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 Trustee Knowledge and Understanding (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. All Trustee Directors who were appointed during the Plan year have undertaken this. The current induction programme involves:
 - 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;

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(e) Trustee Knowledge and Understanding (continued)

- completing the TPR online training (the Trustee toolkit) which the Trustee normally expects new Trustee Directors to complete within the first 3 months of being appointed; and optional external training which broadly covers all of the TKU topics at a high level e.g. PLSA Trusteeship training;
- Three hour-long sessions with the CNPP Secretariat and separately a session with 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.
- 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.

Training records and assessment of knowledge and understanding

- The Trustee Directors have an agreed Trustee Training Policy in place. The TKU self-assessment questionnaire was issued in this Plan year to all directors, except one director who was appointed on 1 April 2021. The policy is for that individual to be asked to complete the questionnaire after 6 months in post.
- Trustee Directors are issued with a TKU self-assessment questionnaire every two years which is based on TPR's TKU requirements and were issued in the Plan year. The questionnaire results were analysed to 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.
- The Secretariat maintains on behalf of the Trustee a record of the individual training undertaken.

Review of MND appointment process

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.

Specific knowledge and understanding in relation to the Plan's Master Trust status

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 advisers and Secretariat utilising TPR guidance developed for commercial master trusts (although the Plan is a non-commercial master trust). The skills matrix covers 32 identified relevant areas including investment and pension administration knowledge, skills and experience (5+ years), finance skills gained through role or professional qualifications. A review of the Trustee Skills Matrix takes place annually and was reviewed in the Plan year at the Trustee meeting on 15 April 2020 and included in the papers and minutes of that meeting. Additionally, each new Trustee Director is assessed and added to the Trustee Skills Matrix when they are appointed requiring ad hoc updates.

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(e) Trustee Knowledge and Understanding (continued)

This was further reviewed and updated at a Trustee meeting on 28 May 2020 to add three DB specific skills as follows:-

- Statement of Funding Principles - Knowledge and understanding of the CNPP's Statement of Funding Principles (Skill classification - Essential).
- Defined Benefit Valuation - Experience and knowledge of pension scheme funding, valuations and covenant reviews (Skill classification - Desirable).
- Defined Benefit Investments - Benefit investment knowledge, skills and experience (including involvement in the investment sub-committee) (Skill classification- Desirable).
- 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.
- 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 Director 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 advisers 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

As required, 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 review of the Trustee Fit & Proper Assessments was undertaken and reported to the Trustee at its meeting on 15 April 2020 and included in the corresponding minutes.

In-house training undertaken during the Plan year

Details of the in-house training undertaken during the Plan year, and which included training tailored to the Committee(s) on which the Trustee Directors serve, are set out in more detail below:

Date	Topic	Aim	Trainer
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
27/04/20	Private Credit	Additional reading material provided following in meeting training provided in the previous Plan year on 10 March 2020.	DB Investment Consultant

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28/04/20	Asset Class Training: Liability Driven Investment (LDI) and synthetic equities training	Understanding of LDI and synthetic equities asset classes	DB Investment Consultant
12/06/20	New SIP requirements applicable to both DB and DC Structures in the Plan in relation to the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019"	Understanding new regulatory requirements	DC Investment Consultant
13/06/20	Chair's statement, DWP guidance, cost illustrations and modelling scenarios.	The Trustee Directors agreed the Plan and Value for Members framework for the Chair's Statement for the year ending 31 March 2020	Investment consultant
09/03/21	Introduction to Task Force on Climate-Related Financial Disclosures (TCFD)	Understanding the new regulatory requirement	DC Investment Consultants
20/04/21	Investment Training day covering Funding, Investment and covenant, Introduction to Hedging, Improving decision quality, Climate Change and Pensions, Update from Aegon and BlackRock, Asset class focus,	To strengthen Trustee understanding.	DB and DC investment consultants, Actuarial Advisers, Scheme Lawyers & Investment Managers

Review of effectiveness of advisers

The Trustee has appointed a suitably qualified and experienced actuary, and legal advisers, investment consultants, covenant advisers 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 board meetings if requested; 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 Public Contract Regulations 2015 (PCR15) and accordingly complies with PCR15 when issuing public contracts for services.

The Trustee undertakes regular reviews of the effectiveness of all its advisers on a rolling basis and periodically reviews the appointment of its advisers. During the Plan year the Trustee reviewed the Group Life Insurer appointment and the outcome of which was to appoint a new Insurer, L&G, with effect from 1 April 2021 for a period of two years. Work started in Q2 2021 on the Auditor procurement with the aim to publish the Invitation to tender in Q4 2021.

The procurement of an Actuary under PCR15, previously scheduled for Q2 2021, has been deferred due to other work commitments/priorities. This will now be undertaken following the completion of the 2022 Triennial Valuation of the Plan:-

Quarter	Adviser/provider
Q2 2021	Auditor
Q2 2023	Actuary

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(e) Trustee Knowledge and Understanding (continued)

The following formal PCR15 reviews currently scheduled for 2021/22 are:

Quarter	Adviser/provider
Q1 2021	Covenant Adviser (ongoing)
Q2 2021	Auditor (ongoing)
Q1 2022	Legal
Q1 2022	Independent Medical Adviser

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 to improve future effectiveness of advice provided

Summary conclusions

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.
- Reminder and acceptance of s172 duties at the start of each Trustee meeting At each quarterly meeting the Trustee review the effectiveness of that 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.
- Quarterly reviews of ongoing Master Trust requirements, including but not limited to reporting of significant events and quarterly and annual requirements. Including submission of the Supervisory Return as at 31 March 2021 and annual updates to the Business Plan & Continuity Strategy.

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 2020 and the Statement was changed in September 2020 to reflect the Trustee's views on responsible investment.

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.

Taking into account the knowledge and experience of the Trustee Directors (which each have assessed during the Plan year) with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisers (e.g. investment consultants, legal advisers) and the reviews noted above, the Trustee Directors believe that throughout the Plan year they have all the necessary skills and knowledge to organise their business. This has been evidenced by being able to make all necessary decisions and take all appropriate action in order 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.

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(e) Trustee Knowledge and Understanding (continued)

Affiliated/non-affiliated trustee director 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 Administration Regulations and Charges & Governance Regulations. The Plan is not one which is promoted as a scheme where participating employers need not be connected employers and consequently, the requirements of the Administration Regulations in relation to the appointment of affiliated or non-affiliates trustee directors do not apply.

(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:

- 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 2021, the Trustee updated the DC SIP to reflect the Replacement Cash Fund no longer being used as a default arrangement and this has been subsequently removed.
- Monitor the launch and subsequent success of a new, targeted, communications campaign that takes advantage of the tools developed by Aegon, to include the launch of the member App and virtual DC member presentations which aim to increase engagement and understanding for members.
- Given the potential for material impacts on member outcomes, the Trustee has sought climate change training from their advisers. The Trustee will establish a governance structure for oversight of climate-related risks and opportunities in line with the framework developed by the Taskforce for Climate-Related Financial Disclosures (TCFD).
- Revisit the range of self-select investment options, and in particular to consider addition of funds with specific consideration for Environment, Social and Governance factors, and to assess the on-going suitability of the Property fund.
- Roll out DC membership presentations with the aim of increasing engagement.

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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 (AVC) 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). It 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. Some DB members also pay contributions based on shift pay to a defined contribution arrangement, the SPPP, and all DB members 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 that can be located in the publicly accessible document library on the Combined Nuclear Pension Plan website.

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 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 achieve a more efficient and effective implementation of any recommended changes to the Plan's investment arrangements.

The appendix does not formally form part of the Statement of Investment Principles.

Allan Whalley

Allan Whalley
Signed for and on behalf of the Trustee of the Combined Nuclear Pension Plan
September 2021

This Statement of Investment Principles supersedes the previous version dated September 2020.

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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 over 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 achieve 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 when turning fund values into retirement benefits; and
- 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
- The 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, they 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.

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The Plan offers members a number 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.

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Choosing the investment options

In choosing the range of investment options to be made available to members, the Trustee has taken into consideration a number of aspects of the Plan's membership 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. These reviews will consider a range of inputs such as the changing composition of members and potential member feedback. In addition, the Trustee reviews the performance of the Plan's investments on a regular basis. Advice is received as required from professional advisers.

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.

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.

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

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

AVC – There is no default for members commencing AVCs. However, for members with AVCs included in the bulk transfer from Prudential to Aegon in April/May 2019, a series of target date funds suitable for members who are expected to take all their benefits in cash at retirement was used. The CNPP Property Fund investment option was suspended in March 2020, and member funds originally intended for the Property Fund were invested in an alternative default fund, the Replacement Cash Fund. This fund was closed in December 2020 and accumulated funds for AVC members were transferred into a series of target date funds suitable for members who are expected to take all their benefits in cash at retirement.

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.

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Additional Voluntary Contributions

The Plan provides a facility for all 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 greater detail in the relevant headings below.

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 available on the CNPP website.

Choosing Investments

The funds in which members invest are pooled funds, which the Trustee believes are appropriate given the size and nature of the Plan.

The majority of the Plan's assets are invested using a passive (index tracking) approach, the objective of which is for an investment manager to seek to match, rather than exceed, the performance of the chosen benchmark index in relation to the particular fund, or underlying investments. Within each fund the investment manager invests in individual stocks in such a way as to replicate, as closely as possible, the composition of the benchmark index. In adopting this approach, the manager ensures a suitably diversified portfolio.

There are also investment options where the investment manager is expected to outperform a benchmark index through active management of investments. 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.

Principal Investment Risks

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

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.

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.

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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 fluctuation and reduction in values - although there may be occasions when this does not hold true.

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 the target for the fund, investment markets generally or other investment managers.
- The risk that funds which invest in more illiquid assets will not be able to accept investments or disinvestments requested by the Trustee and/or members.
- The risk that counterparties holding derivative based assets may default leading to a reduction in the value of a fund.
- 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 changes in Government policy, 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 to members are managed on a passive (index tracking) basis, the risk of underperformance from the manager is materially reduced. Actively managed funds

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are used where passive management would not be appropriate or viable for the asset class concerned.

Financially material considerations

The Trustee, with their advisers, 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:

- 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 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 and the extent to which these reflect ESG factors.

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 Aegon, who provide a platform that 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 advisers 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 (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.

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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.

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 or strategy. 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 and climate change). 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 and 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 (above inflation) return over the long term. The objective of the cash and bond funds is to provide for the payment of the tax-free lump sum on retirement and to reduce the volatility of the cost of the annuity that may be purchased, rather than to achieve a specified 'real' or 'nominal' return.

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

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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
Multi-asset funds (i.e. investing in a varying mix of asset classes)	Positive relative to inflation over the longer-term	Lower than equities
Corporate Bonds (i.e. loan stocks issued by companies)	Positive, but lower than equities and property	Lower than equities or property
Long-dated Bonds (e.g. UK Gilts and Corporate Bonds with a duration of 15 years or more)	Broadly in line with the financial factors influencing annuity rates	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

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 ESG factors and 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.

COMBINED NUCLEAR PENSION PLAN

CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

Types of funds used and Delegation of investment decisions

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

Security of assets

The security of funds is 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) can be managed to deliver good long-term returns while avoiding the impact of liquidity issues at retirement.

Balance of investments

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

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

Stewardship

Stewardship

The Trustee recognises that an important part 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 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

COMBINED NUCLEAR PENSION PLAN

CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

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.

COMBINED NUCLEAR PENSION PLAN

CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

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

The Plan offers a Sharia Law based fund for members who 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

CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

Appendix 1: Investment Implementation Document

The funds available to members are:

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

* Default options.

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

Notes

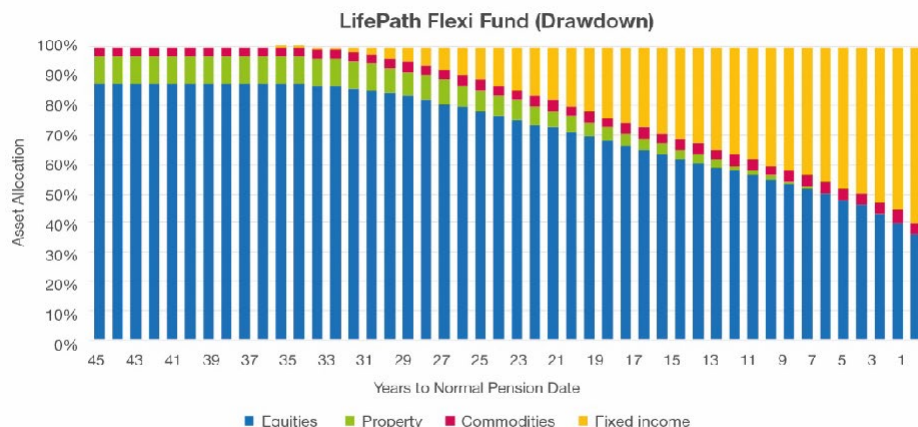
- The LifePath Funds are sets of 'target date' funds, each managed to an asset allocation appropriate to its target retirement age range and target retirement benefits.
- The CNPP and Aegon BlackRock funds are provided through the Aegon administration and investment contract.
- The CNPP labelled funds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

COMBINED NUCLEAR PENSION PLAN

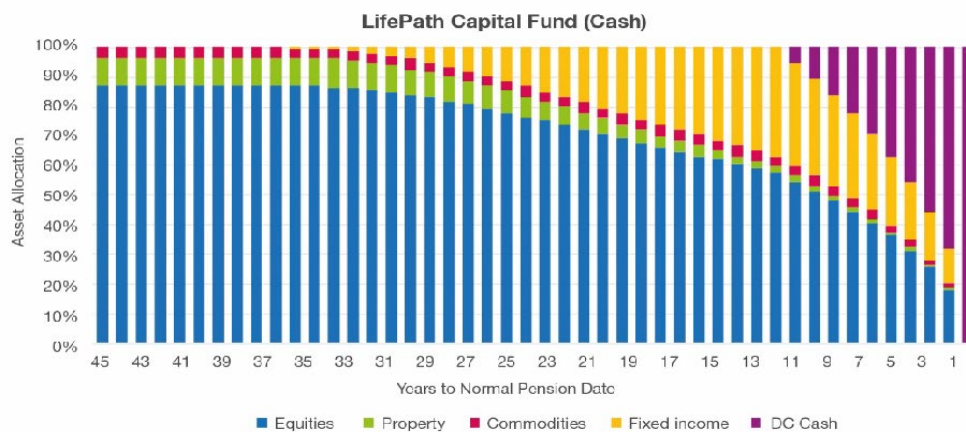
CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

Default arrangements

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



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



COMBINED NUCLEAR PENSION PLAN

CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

Annex 2

Tables of funds and charges

2a Default arrangements

The funds' annualised charges (as Total Expense Ratios) and transaction costs from 1 April 2020 to 31 March 2021 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	0.00 to 0.10	0.00 to 1.00
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 0.10	0.10 to 1.00
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.

COMBINED NUCLEAR PENSION PLAN

CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

Annex 2 (continued)

2b Lifestyle options outside the default arrangement

The funds' annualised charges (as Total Expense Ratios) and transaction costs from 1 April 2020 to 31 March 2021 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	0.03 to 0.10	0.30 to 1.00.

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.

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 2020 to 31 March 2021 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)	0.00	0.00
	CNPP Emerging Markets Equity Fund	GB00BYNV2W30	0.34	3.40	Aegon BlackRock Emerging Markets Equity Index (BLK)	0.00	0.00
	CNPP Global Equity Fund	GB00BG49KG09	0.19	1.90	Aegon BlackRock 50/50 Global Equity Index (BLK)	0.03	0.30
	CNPP UK Equity Fund	GB00BG49KF91	0.19	1.90	Aegon BlackRock UK Equity Index Tracker (BLK)	0.00	0.00
	CNPP Sharia Law Fund	GB00BYNV2Q79	0.48	4.80	Aegon HSBC Islamic Global Equity Index (BLK)	0.02	0.20
	CNPP Property Fund	GB00BYNV2S93	0.77	7.70	Aegon DC Property Fund	0.11	1.10

COMBINED NUCLEAR PENSION PLAN

CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

	CNPP Multi-Asset Fund	GB00BYNV2R86	0.58	5.80	Aegon BlackRock Dynamic Allocation (BLK)	0.54	5.40
	CNPP Index-linked Gilt Fund	GB00BG49KH16	0.19	1.90	Aegon BlackRock Over 5-year Index-Linked Gilt Index (BLK)	-0.01	-0.10
	CNPP Corporate Bonds Fund	GB00BYNV2V23	0.20	2.00	Aegon BlackRock Corporate Bond All-Stocks Index (BLK)	0.05	0.50
	CNPP Pre-Retirement Fund	GB00BG49KJ30	0.30	3.00	Aegon BlackRock Pre-Retirement (BLK)	0.04	0.40
	Aegon BlackRock Cash Fund	GB0030155393	0.23	2.30	BlackRock Cash (BLK)	0.01	0.10

Source: Aegon Investment Solutions Limited

2d AVCs for members in the GPS Section up to 31 March 2021

The funds' charges (as Total Expense Ratios) and transaction costs in the last year for the Prudential AVC funds to 31 March 2021 were:

Prudential Fund (up to 31 March 2021)	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	1.00 ***	1.00	n/a	0.11	1.10

* 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.

Source: Prudential Assurance Company Limited

COMBINED NUCLEAR PENSION PLAN

CHAIR'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

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 valid, 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 £50,475 (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, which is assumed to increase by 3.5% each year
7. Inflation is assumed to be 2.0% each year.

COMBINED NUCLEAR PENSION PLAN

CHAIR'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

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)	0.80% - 6.00%	2.0%	0.27%	0.06%	0.58% - 3.60%
Aegon BlackRock LifePath – Capital (BLK)	0.70% - 6.00%	2.0%	0.26%	0.06%	-1.62% - 3.61%

FUND ASSUMPTIONS					
Fund name	Investment Returns	Inflation	TER**	Transaction costs	Net (Real) Return
CNPP Global Equity ex UK	6.00%	2.0%	0.19%	0.00%	3.78%
CNPP Property	4.55%	2.0%	0.77%	0.11%	1.67%
Aegon BlackRock Cash (BLK)	0.7%	2.0%	0.23%	0.01%	-1.54%

Investment Returns: Statutory Money Purchase Illustration (SMPI) investment returns sourced from Aegon as at 31 March 2021

Inflation: standard inflation assumption for FCA

TER (Total Expense Ratio): Annual Management Charge including Additional Annual Expenses, sourced from Aegon as at 31 March 2021

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 01/04/20 to 31/03/21, sourced from Aegon

Net (Real) Returns are gross of Transaction Costs

COMBINED NUCLEAR PENSION PLAN

CHAIR'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

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: £50,475; FUTURE CONTRIBUTION: from £6,937 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	£59,152	£58,991	£59,152	£58,997
3	£78,347	£77,729	£78,347	£77,753
5	£99,480	£98,242	£99,480	£98,290
10	£161,910	£158,230	£161,910	£158,371
15	£240,258	£232,477	£240,258	£232,773
20	£335,468	£321,422	£335,468	£321,954
25	£445,007	£422,178	£445,007	£423,036
30	£564,336	£530,099	£564,336	£531,379
35	£688,859	£640,701	£688,859	£642,490
40	£813,387	£749,170	£800,899	£739,988
45	£931,675	£849,956	£867,907	£794,625
49	£1,029,613	£932,375	£905,893	£823,813

COMBINED NUCLEAR PENSION PLAN

CHAIR'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

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: £50,475; FUTURE CONTRIBUTION: from £6,937 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	£59,186	£59,080	£58,487	£58,061	£56,625	£56,507
3	£78,479	£78,071	£75,815	£74,224	£69,051	£68,636
5	£99,746	£98,925	£94,446	£91,343	£81,572	£80,811
10	£162,706	£160,254	£147,250	£138,612	£113,360	£111,517
15	£242,183	£236,971	£210,052	£192,867	£145,964	£142,741
20	£341,921	£332,383	£284,397	£254,925	£179,545	£174,657
25	£466,474	£450,480	£372,050	£325,690	£214,269	£207,440
30	£621,381	£596,062	£475,030	£406,160	£250,310	£241,269
35	£813,380	£774,911	£595,638	£497,435	£287,849	£276,328
40	£1,050,656	£993,986	£736,501	£600,733	£327,076	£312,809
45	£1,343,157	£1,261,656	£900,615	£717,394	£368,191	£350,910
49	£1,624,958	£1,517,481	£1,050,924	£821,335	£402,583	£382,696

COMBINED NUCLEAR PENSION PLAN

CHAIR'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

Annex 3 (continued)

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)).

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

CHAIR'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

Annex 3 (continued)

The assumptions used in the illustrations are:

Data Item	Assumption	Reason
Existing Account value	£50,475	Median existing account value across Plan. 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	£33,839	Median salary across Plan. 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 0.70% CNPP Global Equity 6.00% CNPP Property 4.55%	Growth rates are aligned with the growth rates in Aegon's annual SMPI assumptions.
Price inflation	2.0%	Standard price inflation assumption for FCA illustrations (in line with the guidance and only basis we can currently illustrate on).
Earnings inflation	3.5%	Standard earnings inflation assumption for FCA illustrations (in line with the allowable range in the guidance and only basis we can currently illustrate on).

COMBINED NUCLEAR PENSION PLAN

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

Opinion

We have audited the financial statements of Combined Nuclear Pension Plan ("the Plan") for the year ended 31 March 2021 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in Note 4.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year ended 31 March 2021 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Going concern

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

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Plan and analysed how those risks might affect the Plan's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Plan's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Plan will continue in operation.

COMBINED NUCLEAR PENSION PLAN

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (fraud risks) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee, as to the Plan's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether it has knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board and sub-committee minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that the Trustee (or its delegates including the Plan Secretariat and the Plan administrators) may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension Plan relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee and its delegates (as required by auditing standards), and discussed with the Trustee and its delegates the policies and procedures regarding compliance with laws and regulations.

As the Plan is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Plan's procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Plan is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

COMBINED NUCLEAR PENSION PLAN

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

Secondly, the Plan is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Plan's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation, recognising the financial and regulated nature of the Plan's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and its delegates and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the schedule of contributions in our statement about contributions on page 158 of the Report and Financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's Report (including the Report on Actuarial Liabilities, the DB and DC Implementation Statements and the Summary of Contributions), the Chair's Statement and the actuarial certification of the Schedule of Contributions. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

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

Trustee's responsibilities

As explained more fully in its statement set out on page 81, the Plan Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to wind up the Plan, or has no realistic alternative but to do so.

Auditor's responsibilities

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

COMBINED NUCLEAR PENSION PLAN

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

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

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

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

Pamela Marco

Pamela Marco

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

Date:..... 18 October 2021

COMBINED NUCLEAR PENSION PLAN

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2021

		DB Structure	DC Structure	For the Year Ended 31 March 2021 £'000	For the Year Ended 31 March 2020 £'000
	Note	2021 £'000	2021 £'000	2021 £'000	2020 £'000
Contributions and Benefits					
Members' Contributions	5	32,281	17,488	49,769	50,904
Employers' Contributions	6	122,004	34,763	156,767	143,629
Contributions		154,285	52,251	206,536	194,533
Other Income	7	1	1,196	1,197	895
		154,286	53,447	207,733	195,428
Benefits	8	(52,460)	(2,055)	(54,515)	(50,298)
Payments to and on account of Leavers	9	(65,159)	(4,260)	(69,419)	(48,909)
Administrative Expenses	10	(238)	-	(238)	(122)
		(117,857)	(6,315)	(124,172)	(99,329)
Net Additions from Dealings with Members		36,429	47,132	83,561	96,099
Returns on Investments					
Investment Income	11	18,418	-	18,418	9,594
Change in Market Value of Investments	13	597,248	97,271	694,519	(191,260)
Investment Management Expenses	19	(2,693)	-	(2,693)	(2,972)
Net Returns on Investments		612,973	97,271	710,244	(184,638)
Net Increase/(Decrease) in the Fund During the Year		649,402	144,403	793,805	(88,539)
Net Assets of the Plan at 1 April 2020		2,797,871	274,523	3,072,394	3,160,933
Net Assets of the Plan at 31 March 2021		3,447,273	418,926	3,866,199	3,072,394

The notes on pages 132 to 157 form an integral part of these financial statements.

COMBINED NUCLEAR PENSION PLAN

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 MARCH 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
DB Structure			
Investment Assets			
Pooled Investment Vehicles	14	3,247,484	2,642,113
Insurance Policies	15	16,530	17,100
AVC and SPPP Investments	17	138,971	118,695
Cash Deposits	13	33,815	12,254
Cash in Transit	13	110	866
Total Net Investments		3,436,910	2,791,028
Current Assets	22	15,443	9,551
Current Liabilities	22	(5,080)	(2,708)
Total Net Assets of DB Structure		3,447,273	2,797,871
	Note	31 March 2021 £'000	31 March 2020 £'000
DC Structure			
Investment Assets			
Pooled Investment Vehicles	14	419,267	271,140
Cash in Transit	13	-	3,164
Total Net Investments		419,267	274,304
Current Assets	22	651	768
Current Liabilities	22	(992)	(549)
Total Net Assets of DC Structure		418,926	274,523
Total Net Assets of the Plan at 31 March		3,866,199	3,072,394

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

COMBINED NUCLEAR PENSION PLAN

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 MARCH 2021

The actuarial position of the Plan, which does take account of such obligations for the DB Structure, is dealt with in the Report on Actuarial Liabilities on pages 10 to 15 of the annual report and these financial statements should be read in conjunction with this report.

The notes on pages 132 to 157 form an integral part of these financial statements.

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

Trustee Director: Allan Whalley

Trustee Director: Andrew Oldham

Date: 12 October 2021

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued by the Financial Reporting Council and with guidance set out in the Statement of Recommended Practice (SORP) (revised 2018).

The financial statements have been prepared on a going concern basis. The Trustee considers this to be appropriate as it believes that the Plan has adequate resources to meet pension payments in the normal course of affairs for at least the next twelve months. In reaching this conclusion, the Trustee has assessed the impact of the Covid-19 pandemic in terms of the effect on the Plans assets and the technical provisions.

The nature of the participating employers in the Plan is to provide nuclear decommissioning services and while there may be some short-term operational impact from the effect of Covid-19, there should not be any material change to the employer covenants. In particular, the Lead Employer, the Nuclear Decommissioning Authority, is a non-departmental public body. In addition, during the year the Trustee has received advice from an independent covenant expert as part of the 2019 Valuation for all Participating Employers within the Plan and specifically on the non-NDA Participating Employers: Springfields Fuels Limited and Westinghouse Electric. It is therefore expected that the Participating Employers can continue to support the Plan and continue to make contributions as they fall due, but the Trustee will monitor the situation. At the date of signing these financial statements the Trustee believes that, due to the Plan's well-hedged investment strategy and funding, the Fund can cover its expected outgoings for at least 12 months from the date of signing. As a result, the Trustee considers the preparation of the financial statements on a going concern basis to be appropriate.

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. COMPARATIVE DISCLOSURES FOR THE FUND ACCOUNT

	Note	DB Structure 2020 £'000	DC Structure 2020 £'000	For the Year Ended 31 March 2020 £'000
Contributions and Benefits				
Members' Contributions	5	35,588	15,316	50,904
Employers' Contributions	6	112,076	31,553	143,629
Contributions		147,664	46,869	194,533
Other Income	7	7	888	895
		147,671	47,757	195,428
Benefits	8	(48,843)	(1,455)	(50,298)
Payments to and on account of Leavers	9	(43,269)	(5,640)	(48,909)
Administrative Expenses	10	(121)	(1)	(122)
		(92,233)	(7,096)	(99,329)
Net Additions from Dealing with Members		55,438	40,661	96,099
Returns on Investments				
Investment Income	11	9,594	-	9,594
Change in Market Value of Investments		(163,193)	(28,067)	(191,260)
Investment Management Expenses	19	(3,014)	42	(2,972)
Net Returns on Investments		(156,613)	(28,025)	(184,638)
Net Decrease in the Fund During the Year		(101,175)	12,636	(88,539)
Transfers Between DB/DC Structures		(106)	106	-
Net Assets of the Plan at 1 April 2019		2,899,152	261,781	3,160,933
Net Assets of the Plan at 31 March 2020		2,797,871	274,523	3,072,394

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

4. ACCOUNTING POLICIES

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

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

4.2 **Contributions**

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

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

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

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

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

4.3 **Payments to Members**

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

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

4.4 **Transfers**

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

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

4.5 **Foreign Currencies**

The functional and presentational currency of the Plan is sterling.

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

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

4. ACCOUNTING POLICIES (continued)

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

4.6 Expenses

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

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

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

4.7 Investments

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

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

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

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

4.8 Investment Income

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

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

Income received from pooled investment vehicles which are not accumulation funds is recognised in investment income.

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

5. MEMBERS' CONTRIBUTIONS

	DB Structure 2021 £'000	DC Structure 2021 £'000	For the Year Ended 31 March 2021 £'000
Normal	19,953	17,488	37,441
AVCs	7,682	-	7,682
SPPP contributions	4,646	-	4,646
	32,281	17,488	49,769

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

6. EMPLOYERS' CONTRIBUTIONS

	DB Structure 2021 £'000	DC Structure 2021 £'000	For the Year Ended 31 March 2021 £'000
Normal	109,581	34,763	144,344
Additional	500	-	500
Augmentations	72	-	72
SPPP Contributions	3,996	-	3,996
Deficit Funding	7,855	-	7,855
	122,004	34,763	156,767

Included within employers normal contributions are lump sum payments of £6.6m relating to SFL2 section (which includes a further catch up payment of £0.7m) and £0.2m relating to GPS WEC section as discussed on pages 13 and 14.

The deficit contributions for the year ended 31 March 2021 include:

- £556,000 for the Nirex Section
- £4,400,000 for the CNPP SFL2 Section
- £2,399,000 for the GPS WEC Section
- £400,000 for the CNPP DSRL Section
- £100,000 for the GPS Nexia Section

The Schedule of Contributions can be found on pages 13 to 15 for further information on the future deficit contributions required. These were certified on the following dates:

12 May 2020:	GPS Nexia
26 June 2020:	GPS EnergySolutions
27 August 2020:	Closed Section
	Magnox
	LLWR
	DSRL
	Sellafield
	Nirex
	GPS SLC
9 September 2020:	GPS DRS
28 September 2020:	GPS WEC
28 October 2020:	SFL2

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

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

6. EMPLOYERS' CONTRIBUTIONS (continued)

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

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

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

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

7. OTHER INCOME

	DB Structure 2021 £'000	DC Structure 2021 £'000	For the Year Ended 31 March 2021 £'000
Claims on Term Insurance Policies	-	1,191	1,191
Other Income	1	5	6
	1	1,196	1,197

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

8. BENEFITS

	DB Structure 2021 £'000	DC Structure 2021 £'000	For the Year Ended 31 March 2021 £'000
Pensions	29,003	-	29,003
Commutations and lump sums	18,649	11	18,660
Taxation where Lifetime or Annual Allowance Exceeded	135	-	135
Purchase of Annuities	3,537	144	3,681
Death Benefits	1,136	1,900	3,036
	52,460	2,055	54,515

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

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	DB Structure 2021 £'000	DC Structure 2021 £'000	For the Year Ended 31 March 2021 £'000
Transfers Out - Individual	65,158	4,249	69,407
Refunds	1	11	12
	65,159	4,260	69,419

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

10. ADMINISTRATIVE EXPENSES

	DB Structure 2021 £'000	DC Structure 2021 £'000	For the Year Ended 31 March 2021 £'000
Bank Charges	1	-	1
Administration and Processing	237	-	237
	<u>238</u>	<u>-</u>	<u>238</u>

£233,000 was in relation to the administrative expenses for the GPS EnergySolutions Section.
Except as noted above, administrative expenses of the Plan are borne by the sponsoring employers.

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

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

11. INVESTMENT INCOME

	DB Structure 2021 £'000	DC Structure 2021 £'000	For the Year Ended 31 March 2021 £'000
Income from Pooled Investment Vehicles	17,886	-	17,886
Interest on Cash Deposits	6	-	6
Annuity Income	526	-	526
	18,418	-	18,418

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

12. TAX

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

13. INVESTMENTS

MOVEMENTS IN INVESTMENTS

DB Structure

	Value at 1 April 2020 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31 March 2021 £'000
Pooled Investment Vehicles	2,642,113	353,001	(323,615)	575,985	3,247,484
Insurance Policy	17,100	-	-	(570)	16,530
AVC and SPPP Investments	118,695	18,714	(20,271)	21,833	138,971
	<u>2,777,908</u>	<u>371,715</u>	<u>(343,886)</u>	<u>597,248</u>	<u>3,402,985</u>
Cash Deposits	12,254				33,815
Cash in Transit	866				110
	<u>2,791,028</u>				<u>3,436,910</u>

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

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

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

Switches between funds for the AVC and SPPP Investments of £6,953,000 have been excluded from the sales and purchases in the table above.

Included in the above are sales and purchases for pooled investment vehicles of £11,042,000 relating to rebalancing events within the Highbridge portfolio.

DC Structure

	Value at 1 April 2020 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31 March 2021 £'000
Pooled Investment Vehicles	271,140	55,639	(4,783)	97,271	419,267
Cash in transit	3,164				-
	<u>274,304</u>				<u>419,267</u>

All investments in the DC Structure are allocated to members.

Switches between funds for the Pooled Investment Vehicles of £14,568,000 have been excluded from the sales and purchases in the table above.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

14. POOLED INVESTMENT VEHICLES

	DB Structure 2021 £'000	DC Structure 2021 £'000	31 March 2021 £'000
Client Specific Funds (Note 16)	1,453,996	-	1,453,996
Bond Funds	879,220	15,973	895,193
Equity Funds	315,308	71,586	386,894
Property Funds	333,003	465	333,468
Private Equity Funds	35,576	-	35,576
Diversified Growth Funds	222,085	-	222,085
Liquidity Funds	8,296	5,447	13,743
Multi Asset	-	325,796	325,796
	3,247,484	419,267	3,666,751

	DB Structure 2020 £'000	DC Structure 2020 £'000	31 March 2020 £'000
Client Specific Funds (Note 16)	1,130,200	-	1,130,200
Bond Funds	695,890	14,288	710,178
Equity Funds	230,245	47,074	277,319
Property Funds	327,186	452	327,638
Private Equity Funds	43,730	-	43,730
Diversified Growth Funds	172,420	-	172,420
Hedge Funds	36,863	-	36,863
Liquidity Funds	5,579	4,853	10,432
Multi Asset	-	204,473	204,473
	2,642,113	271,140	2,913,253

15. INSURANCE POLICY

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

16. CLIENT SPECIFIC FUNDS

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

	DB Structure 2021 £'000	DC Structure 2021 £'000	31 March 2021 £'000
Legal & General			
Equities	851,273	-	851,273
Bond Funds	231,196	-	231,196
Liquidity Funds	186,572	-	186,572
Cash	1,579	-	1,579
Accruals	3,044	-	3,044
Partners			
Private Equity Funds	112,354	-	112,354
Multi Credit Funds	56,957	-	56,957
Cash	10,292	-	10,292
Derivatives	505	-	505
Other Investment Balances	224	-	224
	1,453,996	-	1,453,996

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

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

17. AVC AND SPPP INVESTMENTS

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

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

	DB Structure	DC Structure	For the Year Ended 31 March 2021 £'000
	2021 £'000	2021 £'000	
Prudential AVC			
With-Profits Funds	2,770	-	2,770
Unit-Linked Funds	3	-	3
Prudential SPPP			
With-Profits Funds	64	-	64
Aegon AVC and SPPP			
Bond Funds	6,315	-	6,315
Equity Funds	25,461	-	25,461
Property Funds	171	-	171
Liquidity Funds	6,197	-	6,197
Multi Asset	97,990	-	97,990
	138,971	-	138,971

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

18. CONCENTRATION OF INVESTMENTS

The following investments, excluding UK Government securities, account for more than 5% of the Plan's net assets as at 31 March 2021.

	Market Value 2021 £'000	2021 %	<i>Market Value 2020 £'000</i>	<i>2020 %</i>
Legal & General Client Specific Unitised Equity Fund	944,895	24.4	570,457	18.6
Legal & General Client Specific Unitised Leveraged Gilt Fund	328,769	8.5	381,640	12.4
MFS Global Equity Fund	315,308	8.2	230,245	7.5
Insight UK Corporate All Maturities Bond Fund	206,370	5.3	187,496	6.1

19. INVESTMENT MANAGEMENT EXPENSES

	DB Structure 2021 £'000	DC Structure 2021 £'000	For the Year Ended 31 March 2021 £'000
Administration, Management & Custody	3,652	-	3,652
Investment Fee Rebate	(959)	-	(959)
	2,693	-	2,693

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

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

20. FAIR VALUE

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

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

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

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

	At 31 March 2021			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
DB Structure				
Pooled Investment Vehicles	6,030	2,624,676	616,778	3,247,484
Insurance Policies	-	-	16,530	16,530
AVC and SPPP Investments	-	136,134	2,837	138,971
Cash Deposits	33,815	-	-	33,815
Cash in Transit	110	-	-	110
	39,955	2,760,810	636,145	3,436,910

DC Structure

Pooled Investment Vehicles	-	418,802	465	419,267
	-	418,802	465	419,267

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

DC Structure

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

20. FAIR VALUE (continued)

In the prior year, as a result of the Covid-19 pandemic, the major property valuation firms in the UK and their professional body, the Royal Institute of Chartered Surveyors (RICS) concluded unanimously that they are now faced with an unprecedented set of circumstances on which to base a valuation judgement and are thus required to include a 'Market Valuation Uncertainty' clause to their valuations. In addition, the DB pooled investment property funds held with Legal & General, Threadneedle and Aberdeen Standard-suspended trading for the funds in March 2020. During the current year Aberdeen Standard Long Lease Property Pension Fund had the suspension lifted on 3 August 2020, Threadneedle on 30 September 2020 and Legal & General Managed Property Fund on 1 October 2020.

The Property funds held with Scottish Equitable (formerly branded as Aegon) at the year-end with valuation in these accounts for DC and AVC/SPP of £465k and £171k respectively also suspended trading for the funds in March 2020 and remain suspended.

These funds continue to be classified as level three for the purposes of the Fair Value Hierarchy.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

21. INVESTMENT RISK

Investment Risks

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

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

It defines market risk as:

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

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

It defines credit risk as:

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

The key risks associated with the current investment strategy are:

Defined Benefit Structure

Interest rate risk

The Plan is subject to indirect interest rate risk due to the assets invested in bonds, secured loans and gilts, held through pooled investment vehicles.

The majority of the Plan’s interest rate risk hedging is delivered through the investment in Index-linked Gilt (ILG) pooled funds managed by Legal & General.

The level of exposure to ILGs depends on the underlying strategies for each Section of the Plan, with the proportion of assets invested in the CIP Gilt or Hedging Fund (in which the ILGs are held) ranging from 20% to 40% (depending on the investment strategy adopted for each Section).

The Plan is not subject to direct interest rate risk.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

21. INVESTMENT RISK (continued)

Currency risk

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

The table below summarises the Plan's direct currency risk as at 31 March 2020 and 2021.

Currency	31 March 2021 (£'000) (*)	31 March 2020 (£'000)
US Dollar	122,650	80,593
Euro (on a look through basis)	112,354	86,317

Note: (*). GBP equivalent values are estimated using the mid-rate from WM/Reuters on 31 March 2020 and 2021 respectively where GBP equivalent values are not provided by the investment managers.

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

Other price risk

Indirect other price risk arises principally from the Plan's return seeking portfolio, which includes indirectly held equities, secured loans and property. Assets exposed to Other Price Risk include the LGIM Client Specific Unitised Fund, £636,329k as at 31 March 2021 (£569,641k as at 31 March 2020). A number of the Plan's investment managers may use derivatives as a way of obtaining efficient exposure to investment markets. The Trustee manages other price risk by constructing a diverse portfolio of investments across various markets and with various investment managers.

Credit risk

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

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

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

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

21. INVESTMENT RISK (continued)

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

Asset class	31 March 2021 £'000	31 March 2020 £'000	Credit risk	Interest rate risk	Currency risk	Other price risk
Equities (Legal & General, MFS)	1,166,581	800,702*	No	No	Yes	Yes
Private Equity (Partners, Blackstone)	147,929	86,317	No	No	Yes	Yes
Property (Legal & General, Columbia Threadneedle, Aberdeen Standard)	279,629	274,840	Yes	Yes	No	Yes
Diversified funds (Pictet)	222,085	172,420	Yes	Yes	Yes	Yes
Liquid Credit (Barings)	162,870	111,051	Yes	Yes	Yes	Yes
Illiquid Credit (Partners)	56,957	72,995	Yes	Yes	Yes	Yes
Secured Loans (Barings, Highbridge)	162,406	141,902	Yes	Yes	Yes	Yes
Corporate Bonds (Legal & General, Insight)	350,367	325,370	Yes	Yes	No	Yes
Index-Linked Gilts (Legal & General, Insight)	434,774	420,691	Yes	Yes	No	Yes
Ground rents (Aberdeen Standard)	53,374	52,346	Yes	Yes	No	Yes
Liquidity (Legal & General)	188,838	161,612	No	Yes	No	No
Cash (State Street, Partners)	17,900	18,923	No	Yes	No	No
Derivatives (Partners)	505	1,430	No	No	Yes	No
Other Investment Balances (Partners)	3,269	1,514	No	Yes	No	No
Total (excluding DC, AVC and SPPP funds)	3,247,484	2,642,113				

Source: Aon, State Street, Investment Managers.

Notes:

The valuations exclude the insurance policy held by the GPS EnergySolutions Section.

(*) Includes holdings based on look through basis within the LGIM Client Specific Unitised Funds held by the Plan.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

21. INVESTMENT RISK (continued)

AVC and SPPP arrangements

Direct credit risk

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

The Plan's holdings in pooled investment vehicles are not rated by a credit rating agency, as the Plan owns units in the pooled vehicles rather than directly owning the underlying credit.

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

Indirect credit risk and other market risks

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

Asset class	31 March 2021 £'000	31 March 2020 £'000	Credit risk	Interest rate risk	Currency risk	Other price risk
Equities	25,465	18,957	No	No	Yes	Yes
Property	171	162	Yes	Yes	No	Yes
Multi-asset	801	506	Yes	Yes	Yes	Yes
With-profits	2,834	3,658	Yes	Yes	Yes	Yes
Bonds	6,315	6,581	Yes	Yes	No	Yes
Cash	6,196	7,851	No	Yes	No	No
Target date funds	97,189	80,980	Yes	Yes	Yes	Yes
Total (AVC and SPPP funds)	138,971	118,695				

Defined Contribution Structure

Direct credit risk

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

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

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

21. INVESTMENT RISK (continued)

Indirect credit risk and other market risks

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

Asset class	31 March 2021 £'000	31 March 2020 £'000	Credit risk	Interest rate risk	Currency risk	Other price risk
Equities	71,586	47,074	No	No	Yes	Yes
Property	465	452	Yes	Yes	No	Yes
Multi-asset	1,055	739	Yes	Yes	Yes	Yes
Bonds	15,973	14,288	Yes	Yes	No	Yes
Cash	5,447	4,853	No	Yes	No	No
Target date funds	324,741	203,734	Yes	Yes	Yes	Yes
Total (DC funds)	419,267	271,140				

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

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

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

22. CURRENT ASSETS AND LIABILITIES

	DB Structure 2021 £'000	DC Structure 2021 £'000	For the Year 31 March 2021 £'000
Current Assets			
Cash Balances	15,443	-	15,443
Due from Other Sections	-	500	500
Accrued Income	-	151	151
	15,443	651	16,094
Current Liabilities			
Unpaid Benefits	1,300	992	2,292
Accrued Expenses	2,307	-	2,307
HM Revenue & Customs	428	-	428
Due to Other Sections	500	-	500
Contributions Received in Advance	545	-	545
	5,080	992	6,072
Total Current Assets and Liabilities	10,363	(341)	10,022

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

Included in the DC structure above is £651,000 (2020: £768,000) which is designated to members.

COMBINED NUCLEAR PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

23. RELATED PARTY TRANSACTIONS

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

The Trustee fees paid in respect of the year to 31 March 2021 totalled £213,246 (2020: £209,682), all of which related to Independent Trustees. Combined Nuclear Pension Plan Trustees Limited settle the costs relating to the Plan which are then reimbursed by the employers.

The NDA provide secretariat services for the Plan.

Balances due between the DB Structure and the DC Structure are shown in Note 22.

There were no other related party transactions during the year.

24. EMPLOYER RELATED INVESTMENTS

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

25. CAPITAL COMMITMENTS

The Plan made a capital commitment with Highbridge to the value of \$140m. The commitment remaining at 31 March 2021 is \$15.5m. The Plan also has a capital commitment with Partners Group. In relation to the Partners CNPP Private Markets, L.P. Inc., the commitment remaining at 31 March 2021 is £74.5m. The Plan made a further capital commitment with Blackstone to the value of \$312.5m, the commitment remaining at 31 March 2021 is \$277.4m.

26. GMP EQUALISATION

As explained on page 9 of the Trustee's report, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Plan is aware that the issue will affect the Plan and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined. A further judgement was made by the High Court in relation to transfer value payments. It concluded that historic transfers since 17 May 1990, which contained GMP accrued after this date, will now need to be equalised. This requirement will be included in the review of GMP equalisation and any liabilities.

COMBINED NUCLEAR PENSION PLAN

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS FOR THE YEAR ENDED 31 MARCH 2021

Statement about Contributions

We have examined the summary of contributions payable under the Schedule of Contributions to the Combined Nuclear Pension Plan in respect of the Plan year ended 31 March 2021 which is set out on page 159. In our opinion contributions for the Plan year ended 31 March 2021 as reported in the Summary of Contributions and payable under the Schedules of Contributions have in all material aspects been paid at least in accordance with the Schedules of Contributions certified by the actuary.

Scope of work on Statement about Contributions

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

Respective responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 159, the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with the Schedules of Contributions.

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

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

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

Pamela Marco

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

Date: 18 October 2021

COMBINED NUCLEAR PENSION PLAN

ACTUARIAL STATEMENTS

Statement of Trustee's Responsibilities in respect of Contributions

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

Trustee's Summary of Contributions payable under the schedules in respect of the Plan year ended 31 March 2021

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

The Summary of Contributions sets out the employer and member contributions payable to the Plan in respect of the Plan year ended 31 March 2021. The Plan auditor reports on these in the Auditor's Statement about Contributions.

Contributions payable under the Schedules in respect of the Plan year

	DB Structure £000	DC Structure £000
Employers' Contributions		
Normal	109,581	34,763
Additional	500	-
Deficit	7,855	-
SPPP contributions	3,996	-
Augmentations	72	-
Members' Contributions		
Normal	19,953	17,488
SPPP contributions	4,646	-
Additional voluntary contributions	7,682	-
Total contributions payable under the Schedules as reported in the financial statements (as reported on by the Plan Auditor)	154,285	52,251

* Schedules of Contributions dated:

- 30 May 2017 and 12 May 2020 for GPS Nexia section
- 18 July 2019 and 25 June 2020 for GPS EnergySolutions section
- 30 May 2017 and 27 August 2020 for Closed, DSRL, GPS SLC, LLWR, Magnox, Sellafield and Nirex sections
- 30 May 2017 and 9 September 2020 for DRS section
- 17 July 2017 and 26 September 2020 for GPS WEC section
- 31 July 2017 and 28 October 2020 for SFL2 section

Signed on behalf of the Trustee:

Trustee Director:

Allan Whalley

Date: 12 October 2021

COMBINED NUCLEAR PENSION PLAN

ACTUARIAL STATEMENTS

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

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

ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

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

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

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

I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective can be expected to be met by the end of the periods specified in the Recovery Plans dated between 12 May 2020 and 28 October 2020.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated between 12 May 2020 and 28 October 2020.

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

Signature: MARK McCLINTOCK
Date: 12 May 2020, 26 June 2020, 27 August 2020, 9 September 2020, 26 September 2020 and 28 October 2020.

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

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