Registered number: 19002039

ELECTRICITY SUPPLY PENSION SCHEME

ELECTRICITY NORTH WEST GROUP
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

Introduction

This Annual Report & Financial Statements is produced by the Group Trustee for the members of the Electricity North West Group (the "Group") of the Electricity Supply Pension Scheme (the "Scheme").

The Scheme is an industry-wide pension scheme in which the Participating Employers are companies formed upon the privatisation of the electricity industry in 1990, or their successors. The Scheme has independent sections (known as Groups) for each of the 26 companies participating in the Scheme as Principal Employers, and each Group has its own assets to fund the benefit of its members. Information relating to the Scheme as a whole can be found in the Scheme Annual Report & Financial Statements. The Scheme is established under irrevocable trusts and its provisions are set out in the Clauses and Rules contained in the Scheme document.

The Electricity North West Group has two sections: the Defined Benefit (DB) Section and the Defined Contribution (DC) Section. Only membership of the DC Section is open to new employees.

The Group therefore provides;

- Defined Benefit pensions, where benefits are based on a member's salary and length of service; and
- Defined Contribution pensions, where benefits are based on a member's fund value at retirement.

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by the Employers are normally eligible for tax relief, and income and capital gains earned by the Scheme are generally tax exempt. The DB Section of the Group was primarily contracted out of the State Second Pension until 5 April 2016, when contracting-out ceased for all pension schemes to coincide with the introduction of new State Pension arrangements. The DC Section is not contracted out.

The Principal Employer of the Group is Electricity North West Limited. Electricity North West (Construction and Maintenance) Limited and Electricity North West Services are Participating Employers in the Group.

The Financial Statements included in this Annual Report on pages 27 to 47 have been prepared and audited in compliance with Regulations made under Sections 41(1) and (6) of the Pensions Act 1995.

Group Trustee Structure

The Group is administered by a trustee company, limited by shares, called Electricity North West (ESPS) Pensions Trustees Limited, and referred to as the Group Trustee. The appointment and removal of the Group Trustee rests with the Principal Employer.

The Group Trustee structure provides for a total of eight Trustee Directors; four appointed by Electricity North West Limited (the "Company") and four elected by members.

The Directors of Electricity North West (ESPS) Pensions Trustees Limited have the same functions as individual trustees. The rules for their appointment, election and tenure of office are documented in the Articles of Association.

For simplicity the term 'Trustee Directors' has been used in this Report as shorthand for the more accurate term 'Directors of Electricity North West (ESPS) Pensions Trustees Limited'.

There is also a Scheme Trustee, Electricity Pensions Trustee Limited (EPTL), which is a trust corporation and consists of a Council and a smaller Board of Directors.

Group Trustee

Names of Trustee Directors

Daniel Clarke**	Appointed (resigned 31 October 2020)
Chris Dooley**	Member Elected (re-elected 11 March 2021)
John Hodgkinson*	Member Elected (resigned 10 March 2021)
Mike Kay*	Member Elected
Irina Krumova**	Appointed (from 1 November 2020)
John Leigh*	Member Elected
Ken Scott**	Member Elected (from 11 March 2021)
Malcolm Sugden* (Chairman)	Appointed
Martin Yates**	Appointed (resigned 30 September 2020)
PAN Trustees UK LLP	Appointed – Independent
Gillian Williamson**	Appointed (from 1 October 2020)

Note:
* In receipt of pension from the Group
** Active member of the Group

Appointment/Election of Trustee Directors

The four Appointed Trustee Directors are appointed by, and can be removed by, the Company.

There are currently no vacancies on the Board.

Of the four Member Elected Trustee Directors (MEDs), two are contributing members and two are pensioner members of the Group. The Group's MED policy is that there must be at least one active and one pensioner MED. In addition to changes that take place at an election, a MED ceases to be a Director if he/she resigns, ceases to fulfil his/her category of representation and there are no representatives or vacancies in their new category, or is removed from office by a majority of the other MEDs. All members of the Group are entitled to vote in MED elections.

All Trustee Directors, both Elected and Appointed, act on behalf of and are accountable to all members of the Group.

MEDs normally serve for a term of four years. Elections are held every two years, at which two positions become vacant by rotation. Mr Dooley and Mr Hodgkinson were due to reach the end of their terms of office in March 2021 and were eligible for re-election in autumn 2020. Mr Hodgkinson resigned, Mr Dooley was re-elected. Mr Scott was also elected. The next set of elections will be held in autumn 2022.

Independent Trustee Directors

One of the four Appointed Trustee Directors, PAN Trustees UK LLP (represented by Mike Roberts), has been appointed as an Independent Trustee Director.

The appointment of an Independent Trustee Director does not affect the powers of the Appointed and Elected Trustee Directors.

Meetings of the Group Trustee during the Year

All held via video conference:
26 May 2020
10 September 2020
11 November 2020
4 December 2020
11 March 2021

Group Trustee Sub-Committees (SCs)

In addition to the meetings of the Group Trustee, certain matters were subject to detailed consideration by the Sub-Committees of the Group Trustee. The Group has the following Sub-Committees: Administration, Audit & Governance, Defined Contribution and Investment.

The Group Trustee Sub-Committees held meetings via video conference during the year as set out below:

Audit & Governance	29 July 2020 13 January 2021 15 March 2021
Administration	23 April 2020 21 October 2020
Defined Contribution	21 May 2020 12 November 2020
Investment	26 May 2020 24 July 2020 10 September 2020 6 November 2020 4 December 2020 11 March 2021

Attendance at the meetings by Trustee Directors was as follows:

Trustee Director	Main Board	Admin SC	DC SC	Investment SC	Audit & Governance SC
Daniel Clarke	2(2)	-	-	-	1(1)
Chris Dooley	5(5)	-	2(2)	-	3(3)
John Hodgkinson	4(4)	2(2)	-	5(5)	-
Mike Kay	5(5)	2(2)	-	6(6)	-
Irina Krumova	2(2)	-	-	-	2(2)
John Leigh	5(5)	-	2(2)	6(6)	-
Ken Scott	1(1)	-	-	-	-
Malcolm Sugden	5(5)	-	-	6(6)	-
Martin Yates	1(1)	1(1)	1(1)	-	-
PAN Trustees UK LLP (represented by Mike Roberts)	4(5)	-	-	-	3(3)
Gillian Williamson	3(3)	-	-	-	-

Note: The number in brackets indicates the number of meetings the Trustee Director was eligible to attend.

Business of Meetings of the Group Trustee

At its meetings the Group Trustee deals with matters relating to members' benefits and the investment of the Group assets. It also receives periodic reports from the Sub-Committees, and presentations and training from the Group Secretary, the Company, and its investment, actuarial and legal advisers.

During the year, the Group Trustee issued annual newsletters to DB and DC members, and various other communications.

Voting at Meetings of the Group Trustee

In the event of an issue being put to a vote at a meeting, each Appointed and Elected Trustee Director has one vote.

In the event of an equality of votes the Chairman has the discretion to exercise an additional casting vote to resolve the issue concerned. In the year under review there were no occasions on which the Chairman used this casting vote.

Statement of Group Trustee's responsibilities

Group Trustee's responsibilities in respect of the Financial Statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Group Trustee. Pension scheme regulations require, and the Group Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Group during the Group year and of the amount and disposition at the end of the Group year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Group year; and

- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Group Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Group will continue as a going concern.

The Group Trustee is also responsible for making available certain other information about the Group in the form of an annual report.

The Group Trustee has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Group Trustee's responsibilities in respect of contributions

The Group Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Group by or on behalf of employers and the active members of the Group and the dates on or before which such contributions are to be paid.

The Group Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Group and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Group in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Group Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Additional Group Trustee Responsibilities

The structure of the Scheme means that certain matters are dealt with by the Group Trustee and others by the Scheme Trustee. The main additional responsibilities of the Group Trustee are:

- to ensure benefits from the Group are paid when they fall due;
- to agree an investment strategy for the Group's assets;
- to ensure appropriate management of the Group's assets;
- to arrange for regular actuarial valuations of the Group to be carried out in accordance with the funding principles agreed with the Employers;
- to prepare and agree with the Employers a Statement of Funding Principles which includes the actuarial assumptions used to assess the Group's liabilities;
- to prepare and agree a recovery plan with the Employers for making good any shortfall in assets against liabilities identified in periodic actuarial valuations; and
- to make available to members annual funding updates on the financial position of the Group.

In carrying out their work the Trustee Directors must always act impartially and in the best interests of all the members of the Group.

To assist them in their work the Trustee Directors have appointed a team of professional advisers whose advice is taken into account when necessary. The advisers include lawyers, actuaries, investment consultants and investment managers. Their details are set out on page 10.

Scheme Trustee - Electricity Pension Trustee Limited (EPTL)

Under the Scheme constitution each Group currently appoints two individuals to be Councillors on the EPTL Council. One Councillor is chosen by the Member-Elected Trustee Directors, and one by the Principal Employer.

At 31 March 2021 Mr Leigh was the Elected and Appointed Councillor from the Electricity North West Group. As at this date there was also a vacancy for another Councillor to be appointed from the Group.

The Council is responsible for the appointment of a smaller Board of eight Directors, selected from their number under the following criteria:

(a) Four Directors must be Councillors chosen by the Elected Group Trustee; and
(b) Four Directors must be Councillors chosen by Principal Employers.

The Board also has an Independent Chair. Until 31 December 2020 this was Capital Cranfield Trustees Limited who were represented by Joanna Matthews. From 1 January 2021 PTL was appointed, represented by Melanie Cusack.

As at 31 March 2021 there were no Electricity North West Group Councillors on the Board.

The Council has also chosen a panel of four Reserves (observers) who may attend Board meetings as observers but they do not have any voting rights at these meetings. Two are chosen by the Elected Group Trustee and two by the Principal Employers.

As at 31 March 2021 there were no Electricity North West Group Reserves (observers) represented on the Board.

The main responsibilities of EPTL are:

- to ensure the safe custody and administrative control of assets;
- to produce the Scheme Report & Financial Statements on an annual basis; and
- to ensure proper investment management of Group assets invested in the Unitised Fund.

Review of the Operation of the Electricity Supply Pension Scheme ("ESPS")

- The Board continued to monitor risks through its Risk Register which is considered at each main meeting. The risks considered included COVID-19 implications and the effect on the suppliers of services.
- Work on the consolidation of the Scheme Document was approved.
- A new contract with the custodian, The Bank of New York Mellon, was negotiated and signed.
- The new ESPS website went live on 28 September 2020 (www.espspensions.co.uk)
- An updated EPTL Statement of Investment Principles ("SIP") was approved and published on the ESPS website.
- The Carillion situation continued to be monitored.
- The 2020 Scheme AGM took place on 23 November 2020 and the 2021 Scheme AGM will take place on 22 November 2021.
- The appointment of a new independent chair, Melanie Cusack, took place replacing Joanna Matthews.

The General Data Protection Regulations (GDPR)

The European Union General Data Protection Regulation ("GDPR") came into force on 25 May 2018 in order to harmonise data privacy laws and applies directly in the UK. Although the key principles of data privacy remain, there are some fundamental changes to the requirements surrounding data protection.

The GDPR sets out seven key principles which govern the way that personal data is obtained, stored, used and shared; it also sets out the conditions subject to which personal data may be processed.

From 1 January 2021, the UK GDPR came into effect which will run alongside the DPA 2018, and the EU GDPR to which all EU nations remain subject. This ensures that the Group has adequate provision for the safe processing of data in the UK and in the EU/EEA.

Obligations under the UK GDPR are fundamentally the same as obligations under the EU GDPR and The Group continues to remain subject to UK Data Protection laws.

By virtue of their role in handling member's personal and sensitive data, the Group Trustee is a "Data Controller", data processing is carried out on behalf of the Group Trustee by internal or external administrators. The Group Trustee also considers the wider range of service providers – for example, communications teams, medical officers, investment consultants, actuaries and lawyers.

COVID-19 Pandemic

Since the outbreak of COVID-19 and the accompanying global uncertainty, the Group Trustee and their appointed advisers have carried out a significant amount of work to understand the risks posed to the Group as a result of COVID-19 in order to ensure that steps were taken to mitigate the exposure where appropriate to protect the security of the Group and members' benefits.

The Group Trustee identified and prioritised the risks to delivering services to members as well as the Group Trustee's objectives. The impact of COVID-19 on these risks was discussed and various mitigation actions were agreed where appropriate, building this into the existing risk management framework. The following key areas were discussed in particular:

- Operational — the Group Trustee sought information from their advisers regarding their ability to continue to operate despite the restrictions resulting from the spread of COVID-19. This is monitored on a monthly basis and all advisers continue to provide services as normal following the implementation of their resilience plans to facilitate remote working.

  The Electricity North West in-house pensions team were familiar with working from home prior to the pandemic and there have been no additional cyber security risks identified associated with working from home during the pandemic.

  The Group Trustee has received comfort that the Pension Administrators (RPMI) have taken adequate business continuity steps to ensure their continued service to the Group's members during the pandemic. RPMI have provided regular business continuity updates during the pandemic.

  RPMI's systems and telephony system fully support home working and the majority of employees have been working remotely during the pandemic, with only a minor impact on the service provided. RPMI have continued to pay pensions and invest contributions as normal and all reporting from RPMI to the Trustee has continued unaffected during the pandemic.

  Due to the volatile markets demonstrated by the big falls in the FTSE as a result of COVID-19, RPMI have introduced an additional step in the transfer out process to ensure members are still happy to proceed with their transfer requests. RPMI also continue to monitor the transfer out settlement process, for potential pension scams.

  RPMI are aware of increased volumes of phishing and smishing scams and are being increasingly vigilant when verifying members who contact them.

  RPMI continue to monitor tPR and PASA advice to ensure they are following the latest guidance during the pandemic.

- Trustee effectiveness — the Group Trustee, in conjunction with their advisers, have also sought to review their own effectiveness as a decision-making body in light of the risks posed by COVID-19. As a result of these discussions, the Group Trustee is comfortable that there is sufficient flexibility within the Scheme Rules to enable decision-making processes to operate largely unaffected. The Group Trustee and their advisers have also successfully transitioned to virtual meetings in order to facilitate the effective running of the Group.

- Covenant — the Group Trustee have been working closely with the Employer to understand the impact of COVID-19 on the strength of the employer supporting the Group.

  Building on existing Business Continuity and Emergency plans, the Company began planning for the potential impact of an outbreak in the UK commencing early in 2020, with further steps then taken as the situation evolved. An Executive steering group is in place, which includes representation from across the organisation, including the CEO.

  Although the pandemic does continue to have an impact on the Company's operations, as the Company is deemed a critical service provider by the UK Government it is required to deliver its essential service to customers. No employees have been furloughed.

  The Company's revenues are collected, in-part, based on the demand over the network. With the lockdown, this has naturally fallen, with a short-term reduction in cashflows. To the extent that the Company does not collect all its allowed revenues in this year, the regulatory framework adjusts collections in future years, and therefore this will not have a lasting economic impact on the Company.

The Company's funding position continues to be strong, although it continues to monitor its liquidity and working capital. The short term reduction in cashflows has not affected the Company's ability to carry out its obligations to the Group and all pension contributions have been paid on time.

Whilst the Group Trustee will continue to monitor in this space, the impact of COVID-19 is not expected to have a material impact on the support that the employer provides to the Group. The Group Trustee therefore believes that the employer covenant has not been materially impacted by the COVID-19 Pandemic.

- Investment (DB) — The Group's investment strategy is designed to weather market volatility and it does so by holding a well-diversified portfolio of assets. Therefore, whilst the recent fall in equity values had some impact on the Group's DB assets, it has not been material.

  As part of the Investment Adviser's usual quarterly reporting they discussed the impact of COVID-19 with the Group's investment managers. This included not only the impact on investment, but also their operations. On the latter, no material operational issues were noted and the experience has been business as usual from the Investment Adviser's perspective.

- Funding — similarly to the above, advice was sought from the Group Actuary who confirmed that the funding position has not seen a material change as a result of the impact of COVID-19 though the Group Trustee continues to monitor.

- Investment (DC) — the COVID-19 pandemic has had a substantial effect on global investment markets generally and it is difficult to quantify the effect due to the ongoing volatility of markets. The Group Trustee are continuing to monitor the situation closely in conjunction with the Group advisers. The impact on members DC investments varies depending on the funds invested in and further information was provided to members as part of the communication noted below.

- Communication — a communication was issued to all DC members in March 2020. The key message was that while the Group Trustee would continue to monitor the situation and keep an eye on markets and investments, members should bear in mind that pensions are a long term savings plan, and therefore members may not want to make short term kneejerk reactions during a period of heightened market volatility.

  Members were encouraged to consider their investment time horizon when reviewing their investment choices, and where appropriate, look to have a longer-term outlook with regards to their pension investments.

  For members approaching retirement or planning to access their benefits, it was explained that the Group offers options designed to manage the level of risk taken dependent upon how close members are to retirement, with automatic risk reduction as members start to approach their target retirement age.

  A further communication was provided in April 2020, with members given a COVID-19 factsheet and access to a pre-recorded webinar covering the above points, and also warning members to be vigilant against scammers.

  The Group Trustee continued to monitor the situation and issued further communications with the Annual Benefit Statements, Personalised Videos, and Member Newsletters.

- Liquidity — there was already close monitoring of the cash position in place and this was further reviewed to ensure that sufficient cash was available in the event it was needed.

The Group Trustee continues to monitor in this space given the constantly evolving nature of the global pandemic. Nonetheless, the Group Trustee does not believe that the impact of COVID-19 will have a material effect on the security of the Group and members' benefits.

Advisers

Group Administrator	
RPMI	Carries out all the general administrative duties of the Group on behalf of the Group Trustee in accordance with the Group's Rules.
Group Actuary	
Chris Vaughan-Williams of Aon Ltd (Fellow of the Institute and Faculty of Actuaries)	Carries out valuations and other funding updates of the Group as required by the Group Rules and Statute, provides all tables and factors for the application of Group Rules and options, and advises on matters relating to pension funding.
Independent Auditors	
PricewaterhouseCoopers LLP	Audits the Group Financial Statements.
Group Custodian	
The Bank of New York Mellon	Maintains safe custody of the Group's assets.
Investment Adviser	
Isio Ltd	Advises the Group Trustee on all investment matters including the Statement of Investment Principles.
Legal Adviser	
Sacker & Partners LLP	Advises on legislative requirements and application of the provisions of the Group in particular circumstances.
Covenant Adviser	
Penfida	Provides the Group Trustee with advice on the strength of the Employer's covenant, for the purposes of the Group's Actuarial Valuation.

Group Appointed Investment Managers
Bank of New York Mellon
BlackRock Investment Management (UK) Limited
Carlyle Group LLP
Insight Investment Management (Global) Limited
Legal & General Investment Management Limited
M&G Investment Management Limited
Morgan Stanley Investment Management Limited
Partners Group (UK) Limited
Permira Credit Solutions Limited

DC Investment Platform Provider
Aegon

Additional Voluntary Contributions (AVC) Providers
Aegon
Utmost Life and Pensions (Policies transferred from Equitable Life Assurance Society)
Prudential Assurance Company

Bankers
HSBC Bank Limited
Royal Bank of Scotland

Investment Managers – Defined Contribution Section
BlackRock Life Limited

Membership Statistics

Defined Benefit Section

	Contributors	Pensioners	Dependants and spouses	Deferred Pensioners	Total
As at 1 April 2020	**610**	**4,196**	**1,343**	**544**	**6,693**
Adjustments to opening balance	-	2	3	(5)	-
As at 1 April 2020 (revised)	**610**	**4,198**	**1,346**	**539**	**6,693**
New	-	-	76	-	76
Retirements	(26)	54	-	(28)	-
Deaths	(1)	(170)	(115)	-	(286)
Transfers out	-	-	-	(25)	(25)
Leavers with deferred pensions	(19)	-	-	19	-
Cessation of child allowances	-	-	(1)	-	(1)
As at 31 March 2021	**564**	**4,082**	**1,306**	**505**	**6,457**

There has been no new contributors who have retired but have been readmitted to the Group under a flexible working arrangement.

As at 31 March 2021 there were 126 (2020: 127) deferred pensioners and 29 (2020: 29) pensioners who were entitled to a frozen benefit equivalent to the relevant State Graduated Pension Scheme benefit in respect of service prior to 1975. These members are in addition to the above membership statistics.

Included within pensioners and dependants and spouses above there are 3,724 (2020: 3,883) members who are paid by way of the Scottish Widows Buy-In.

Defined Contribution Section

	Contributors	Deferred Pensioners	Total
As at 1 April 2020	**1,407**	**417**	**1,824**
New	159	-	159
Leavers with deferred pensions	(121)	121	-
Retirement	-	(15)	(15)
Refund of contributions	-	(4)	(4)
Merged	-	(3)	(3)
Transfers out	-	(16)	(16)
Death	(3)	-	(3)
As at 31 March 2021	**1,442**	**500**	**1,942**

New employees to Electricity North West Limited are automatically enrolled into the DC Section of the Group.

Pensions Increases

The Rules of the Scheme applicable to the Group provide for all pensions in payment, children's allowances and deferred pensions to be increased on 1 April each year in accordance with the rise in the Retail Prices Index (RPI) in the 12 months ended on the preceding 30 September. If the RPI increase is greater than 5% Electricity North West has the discretion to limit the pension increase to a lower figure subject to a minimum of 5%. For members of the ex-United Utilities Pension Scheme (UUPS) section, the increase at 1 April is based on the rise in the Retail Prices Index (RPI) in the 12 months ended on the preceding 31 December. If the RPI increase is greater than 5% the Group Trustee has the discretion to limit the pension increase to a lower figure subject to a minimum of 5%.

The September 2020 RPI figure was 1.1% and the December 2020 figure was 1.2%. A proportionate increase was applied to pensions which came into payment between 2 April 2020 and 1 March 2021.

Pension increases over the previous five years were:

	ESPS	UUPS
1 April 2020	2.4%	2.2%
1 April 2019	3.3%	2.7%
1 April 2018	3.9%	4.1%
1 April 2017	2.0%	2.5%
1 April 2016	0.8%	1.2%

Transfers from the Group

Cash equivalent transfer values paid during the year have been calculated and verified in the manner prescribed by the Pensions Schemes Act 1993 and do not include discretionary benefits.

Changes in Scheme Provisions

Scheme wide amendments by the Scheme Co-ordinator, Electricity Pensions Limited (EPL) may amend the provisions of the Scheme with the unanimous consent of all the participating Principal Employers. During the year ended 31 March 2021 there were no Scheme-wide amendments made.

Group amendments by the Company

The Principal Employer, Electricity North West Limited, may make amendments to the provisions of the Scheme as they apply to the Electricity North West Group. The Company did not make any amendments during the year ended 31 March 2021.

Dispute Resolution Procedure

Pension legislation requires pension schemes to have procedures for the trustees to resolve disputes arising from the running of the scheme.

The Dispute Resolution Procedure for the Group is a two-stage process. In the first instance a complaint from a member (including a pensioner, dependant, or deferred member) or prospective member must be addressed to the Group Administrator. In normal circumstances a response will be made within two months. If dissatisfied with the response, the complainant is entitled to refer the complaint to the Group Trustee within six months of receiving the response from the Group Administrator. The Group Trustee will reply directly, again where possible within two months. This procedure has been introduced to comply with legislative requirements and does not preclude any member from raising any queries regarding the Group informally at any time.

The details for contacting the Group Administrator are shown on page 23.

Report on Actuarial Liabilities

As required by FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, the Financial Statements do not include liabilities in respect of promised retirement benefits.

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

The most recent triennial actuarial valuation of the Group was carried out as at 31 March 2019. An approximate updated valuation was performed on 31 March 2020. The result of those valuations are summarised below.

	31 March 2019	31 March 2020
Value of technical provisions	£1,478.4m	£1,476.4m
Value of assets available to meet technical provisions	£1,408.9m	£1,396.5m
As a percentage of technical provisions	95%	95%

Although there are no current plans to discontinue the Group and buy-out liabilities with an insurance company, the Group 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 at the triennial actuarial valuation date is provided below:

	31 March 2019
Value of solvency liabilities	£1,695.2m
Value of assets available to meet solvency liabilities	£1,408.9m
As a percentage of solvency liabilities	83%

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

Method

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

Significant actuarial assumptions

Pre-retirement discount rate: Term dependent rates set by reference to the fixed interest gilt yield curve (as derived from Bank of England data) at the valuation date plus an addition of 2.5% per annum for pre 1 April 2019 service.

Term dependent rates set by reference to future retail price inflation (described below) at the valuation date plus an addition of 1.5% per annum for post 31 March 2019 service.

Post retirement discount rate: Term dependent rates set by reference to the fixed interest gilt yield curve (as derived from Bank of England data) at the valuation date plus an addition of 0.5% per annum for members not covered by the buy-in and plus an addition of 0.36% per annum for members covered by the buy-in.

Future retail price inflation: Term dependent rates derived from the Bank of England fixed interest and index-linked gilt yield curves at the valuation date.

Future consumer price inflation: Term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 1.1% per annum at the valuation date.

The difference between the long term assumption for RPI and CPI inflation may vary over time to reflect changing views of long term structural differences between the calculation of RPI and CPI inflation at the date subsequent calculations are carried out.

Pension increases: Derived from the term dependent rates for future retail or consumer price inflation allowing for the caps and floors on pension increases according to the provisions in the Group's Rules.

Pay increases: General pay increases in line with the term dependent rates for future retail price inflation together with an allowance for promotional increases.

GMP Equalisation: 0.5% loading to past service liabilities.

Mortality for the period in retirement: For non-pensioners, standard tables S2PMA with a scaling factor of 110% for male members; and S2PFA with a scaling factor of 105% for female members. For pensioners, S2PMA with a scaling factor of 100% for male members; and S2PFA with a scaling factor of 95% for female members.

Future improvements in mortality are subject to the standard table projected forward from 2007 in line with the 2018 CMI extended model with initial addition to mortality improvements (A) of 0.5%, period smoothing parameter (Sk) of 7.0 and a long-term improvement rate of 1.75% per annum for men and women.

Guaranteed Minimum Pension ("GMP") equalisation

Following the High Court ruling on 26 October 2018 regarding the equalisation of Guaranteed Minimum Pension ('GMP') benefit within the Lloyds pension scheme, the Schemes are required to adjust benefits to remove the inequalities between the GMP benefits awarded to males and females.

The Company included an allowance for the impact of GMP equalisation within its 31 March 2019 accounting results. The high-level estimate was calculated for the Schemes based on this ruling, which only covered current members, and increased the IAS19 DBO as at 31 March 2019 by £4.1m.

On 20 November 2020 the High Court issued a supplementary ruling in the Lloyds Banking Group GMP equalisation case with respect to members that have transferred out of their scheme prior to the ruling. The results of this mean that:

- Trustees are obliged to make transfer payments that reflect equalised benefits and are required to make top up payments where this was not the case in the past;

- A DB scheme that received a transfer is concurrently obliged to provide equalised benefits in respect of the transfer payments; and

- There were no exclusions on the grounds of discharge forms, CETV legislation, forfeiture provisions or the Limitation Act 1980.

We have determined that the estimated the cost of the impact of this ruling for the Scheme is immaterial based on high-level summary data. The detailed member calculations required to accurately determine the impact of GMP equalisation for former members of the Schemes are intricate and require a large amount of data, some of which may not be readily available.

The second ruling did not cover whether Trustees would need to equalise the benefits of members who died before their benefits were equalised. Given the impact of the second High Court ruling has not been material, we have assumed that any future ruling which requires Trustees to equalise the benefits of members who have died will be even smaller and immaterial.

Recovery plan

A recovery plan was agreed between the Group Trustee and the Employer on 31 March 2020. Under the recovery plan, it was agreed that the Company would pay the following deficit contributions:

- £1,575,000 each month from April 2020 to March 2021 inclusive
- £1,616,700 each month from April 2021 to March 2022 inclusive
- £1,666,700 each month from April 2022 to March 2023 inclusive

These amounts together with anticipated returns from the Group's assets over that period were expected to eliminate the deficit by 31 March 2023. The April 2020 to March 2021 deficit payments have been paid as agreed in the recovery plan.

In addition, the Employer agreed to increase normal contributions from 36.7% to 39.8% of salaries with effect from 1 April 2020 to meet the cost of future service benefits for active DB members of the Group. This is subject to a fixed reduction to future service contributions of £208,333 each month for the period 1 April 2020 to 31 March 2023.
The Employer will also pay £200,000 each quarter for expenses or such other amount as advised by the Actuary and agreed by the Group Trustee and Principal Employer. The Employer will in addition reimburse the Group in respect of PPF and other levies collected by the Pensions Regulator.

These arrangements were formalised in a Schedule of Contributions, which the Group Actuary certified on 31 March 2020. A copy of this certificate is included on page 55 of this Annual Report.

Next actuarial valuation

The next triennial valuation will take place as at 31 March 2022. The Group Trustee expects to agree a revised recovery plan within the statutory deadline of 30 June 2023.

Investment Report

Investment management

The Group Trustee delegates the day-to-day management to professional external investment managers. The Group Trustee sets the investment strategy for the Defined Benefit Section and the investment options available to members of the Defined Contribution Section after taking advice from the Group's Investment Advisor, Isio. The Group Trustee has put mandates in place with their investment managers which implement this strategy.

In accordance with Section 35 of the Pensions Act 1995, a Statement of Investment Principles has been prepared by the Group Trustee which incorporates the investment strategy. A copy of the SIP can be found on pages 73 to 82.

New regulations, which came into force with effect from 1 October 2020, changed the way in which trustees of pension schemes must document in their SIP how they govern the management of their arrangements with their investment managers, in particular concerning stewardship matters and cost transparency. During the year, and following advice from their investment advisor, the Group Trustees reviewed and updated its SIP in advance of October 2020 to ensure that it is compliant with these new regulations.

In accordance with the Disclosure Regulations Schedule 3, 30(d)(iv) Investment Regulations 2(3)(d), from 1 October 2020 the Group Trustees have set out in their SIP their policies in relation to the following matters:

- how the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Group Trustees' policies mentioned in sub paragraph b of the Investment Regulations;
- how that arrangement incentivises the asset manager to make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long term;
- how the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Group Trustees' policies mentioned in sub paragraph b of the Investment Regulations;
- how the Group Trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range; and
- the duration of the arrangement with the asset manager.

The Group Trustees' Implementation Statement, which sets out further voting and engagement information undertaken by the Group's investment managers for the year ended 31 March 2021, is set out on pages 83 to 94, and forms part of the Group Trustees' Report.

Defined Benefit Section

The primary investment objective of the Group's Defined Benefit Section is to hold a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Group payable under the Trust Deed and Rules as they fall due.

The Group Trustee sets the investment strategy for the Group taking into account considerations such as the strength of the employer covenant, the long term liabilities and the funding agreed with the Employer.

The objective of the return-seeking assets is to achieve investment growth, within the constraints of the risk profile set by the Group Trustee. The objective of the liability-driven assets is to secure fixed or inflation-adjusted cashflows in future.

The Group's cash allocation was materially overweight as at the reporting date. Following the reporting date, the Group Trustee decided to invest in two new mandates: Infrastructure Equity and Semi-Liquid Credit. These mandates are currently being onboarded at the respective managers. The strategic benchmark has also been updated in the Group's Statement of Investment Principles following the reporting date to reflect this.

The current target weightings of the Group's assets between the major asset classes are detailed in the table on the next page.

Asset Allocation	Year-end weighting (%)	Target weighting (%)
Global Equities	7.5	10.0
Distressed Debt	1.8	2.0
Global Property	2.8	6.5
Direct Lending	13.1	14.5
Long Lease Property	16.9	16.5
Buy and Hold Corporate Bonds	20.8	19.0
Liability Driven Investment	30.5	31.5
Cash	6.6	0.0

- The Direct Lending mandate is expected to distribute capital and income within the Fund over time. The distributions from this mandate will be reinvested in growth assets.

- The Distressed Debt and Global Property mandate will continue to distribute remaining capital within each Fund; however, they are not expected to remain as long-term holdings in the strategy and as such are expected to roll out of the portfolio over time.

- The benchmark allocation above excludes the bulk annuity Policy with Scottish Widows

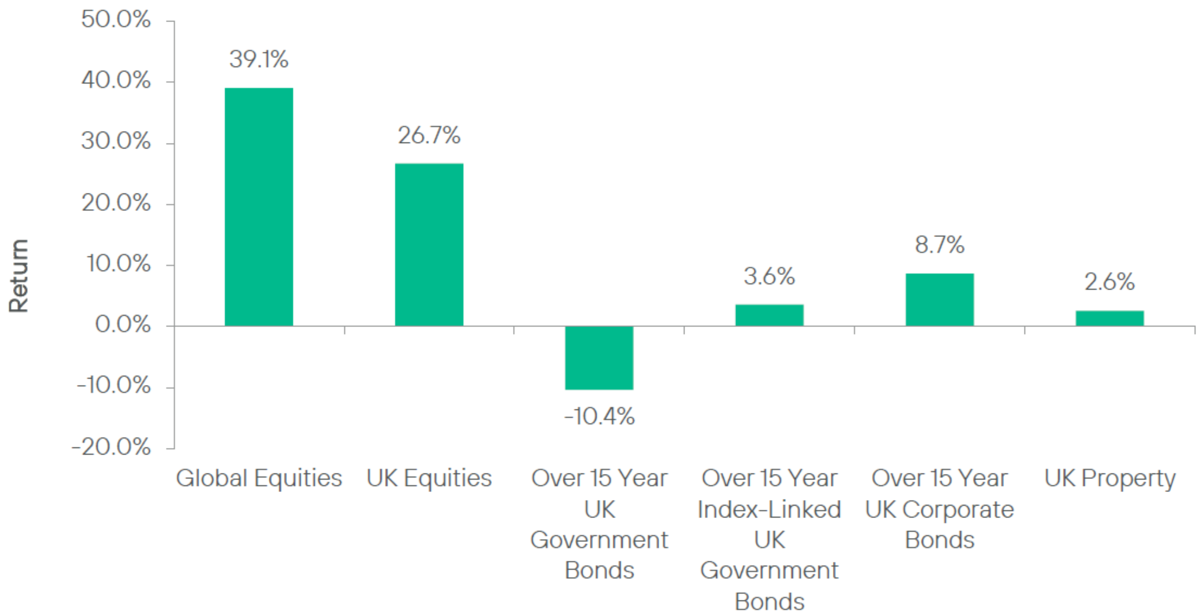
The majority of asset classes delivered positive returns over the 12 months to 31 March 2021. The unprecedented levels of fiscal and monetary support provided by governments and central banks helped markets recover from the COVID-19 induced sell-off in March 2020. Despite resurgences of COVID-19 cases globally throughout the 12-month period, the announcement and deployment of a COVID-19 vaccination late in 2020 boosted investor optimism and the overall global economic outlook.

Global equity markets made strong gains over the period in response to the continued monetary and fiscal support measures provided globally, with the MSCI World Index returning 39.1% in Sterling terms. There was also a reduction in political uncertainty seen towards the end of 2020 following the announcement of the results of the US Presidential election and the agreement of a Brexit deal between the UK and the EU. During Q1 2021 optimism for the reopening of the global economy was boosted as lockdown measures began to ease around the world. UK equities lagged relative to other markets over the period, with the FTSE All Share delivering 26.7%, predominately due to the greater exposure to certain sectors such as oil and gas and financials which suffered following the large economic shutdowns.

Global credit markets also delivered positive returns over the 12-month period, recovering from the pandemic-led market volatility as accommodative policies from governments and central banks led to increased market liquidity. Whilst increased inflationary pressures caused real gilt yields to decrease over the period, nominal gilt yields rose overall, with FTSE Index-Linked Gilts and Fixed Interest Gilts (over 15 years) delivering returns of 3.6% and -10.4% respectively.

The underlying disruptions to the UK economy caused by the COVID-19 outbreak impacted property markets during H1 2020, with hotel and leisure sectors the worst affected. Long lease property remained largely resilient to the impacts of the pandemic relative to other asset classes, largely due to its defensive characteristics from its secure, long-term income streams.

The following chart shows market returns of core asset classes over the 12-month period covered by the financial statements, where a meaningful comparative market index exists.



Performance of the Group's assets over the year and last three years to 31 March 2021 is outlined in the table below against the Group benchmark returns.

	Year to 31 March 2021 (%)	3 Years to 31 March 2021 (% p.a.)
Group Return	7.2	4.7
Group Benchmark	4.3	4.4

Source: investment managers, BNYM ISIO calculations
Note: Performance is calculated excluding buy-in contract

Employer Related Investments

Investment Regulations limit employer-related investments by occupational pension schemes. These investments include equities, loan stocks, debentures and other securities issued by the employers participating in the pension scheme and their associated companies, together with loans made to the employers, and any properties or land owned by the scheme and occupied by the employers.

The Regulations apply separately to each Group within the Scheme, by reference to the investments of the Group Trustee in the Employers participating in their Group and their associated companies, and provide that such employer-related investments must not exceed 5% of the market value of the Group's assets. Arising from regulations that took effect on 30 September 2010, holdings in the Group's Participating Employers and their associated companies through pooled investment vehicles must be included within this disclosure.

There were no direct employer-related investments as at 31 March 2021. The Group Trustee recognises that indirect investment in the Company is possible through holdings in pooled investment vehicles. It has been confirmed that there is no indirect exposure to shares in the Company as at 31 March 2021.

Socially Responsible Investment and Corporate Governance

The Group is a large institutional investor, investing on behalf of its members as beneficiaries. As part of its fiduciary duty, the Group Trustee recognises the need for the Group to be a long-term responsible stakeholder. The Group Trustee aims to ensure that value for its members is always delivered through long-term financial returns generated in a way that is responsible. The Trustee also believes Environmental, Social and Governance (ESG) factors may have a material financial impact on the Group.

The Group's ESG beliefs have been agreed and are set out in an Environmental, Social and Governance Policy. The policy considers how ESG factors are addressed whilst meeting the overall objectives of the Group. The Group Trustee recognises the importance of having a policy aligned to that of the Company and has considered the Company's policies when formulating their own.

The Group Trustee will monitor the Group's assets against the ESG policy on an ongoing basis (for instance through investment managers joining trustee meetings). The Group Trustee also respects that ESG factors and beliefs are continuously evolving. Therefore, the Group Trustee will receive training and formally discuss their beliefs on an annual basis, making updates to the policy as required.

Custody

The assets of the Group were subject to the overall custody and administrative control of EPTL and are held by the Scheme-wide custodians appointed by EPTL to safeguard the assets.

The Bank of New York Mellon ("BNY Mellon") is the custodian in relation to securities. Where certificates are available in relation to such securities, they are held by BNY Mellon and identified as investments of the Scheme. Where certificates are not available, but records are held in computer based systems, the relevant accounts record the Scheme's ownership.

The Group Trustee is responsible for instructing BNY Mellon on the day to day management of the assets of their Group.

The investment managers operating the unitised funds in which the Group invests are responsible for the underlying custody arrangements for those funds.
For Group-specific funds, money at call and short notice is placed in accordance with the provisions of Investment Management Agreements negotiated between the Group Trustee and Group-specific investment managers. Additionally, limits are in place to minimise exposure to any one bank. In each case the Scheme is identified as the lender.

All cash is held in bank accounts in the name of the Group, or in an investment manager's institutional cash fund, commonly called a cash pool. This type of investment allows cash to be invested across a broad range of institutions thereby reducing risk and exposure.

Statement of Investment Principles

The Group Trustee has produced a Statement of Investment Principles (SIP) in accordance with Section 35 of the Pensions Act 1995. In preparing the SIP the Group Trustee took professional advice from Isio and consulted with the Company. This was revised in May 2021.

The SIP covers the Group Trustee's policy on the following matters:

(a) ensuring compliance with the current investment requirements;
(b) the types of investment, and the balance between different types of investment;
(c) risk;
(d) expected return of investments;
(e) realisation of investments;
(f) voting rights; and
(g) social, environmental and ethical investment considerations.

The Group Trustee is not aware of and has not been informed by the fund managers of any departures from the SIP during the year.

A copy of the SIP can be found on pages 73 to 82.

Defined Contribution Section

The investment objective of the Group's Defined Contribution Section is to offer investment choice to members whilst maximising investment returns and providing an acceptable level of risk. Members can make a choice from a number of investment funds.

The majority of funds held are Aegon BlackRock passive funds. The non-Aegon BlackRock funds that are held are: HSBC Islamic Global Equity, LGIM Ethical Global Equity Index and Newton Global Equity.

Members can choose to invest in any of the available funds or they can choose one of the 2 lifestyle strategies.

The default (Flexible Retirement) "lifestyle" arrangement operates under a predetermined strategy. It comprises three passively managed 'core' funds: the Aquila (40:60) Global Equity Index Fund, the Aquila Life Market Advantage Fund and the DC Cash Fund. The Aquila Global Equity (40:60) Index Fund is considered to be appropriate as an investment vehicle for the majority of a member's working life, under the Lifestyle option, but as a member approaches retirement, there is a progressive switching of the member's fund into the Aquila Life Market Advantage Fund and the Aquila Cash Fund. The Default Flexible Retirement Lifestyle option is aimed at members targeting a flexible retirement strategy.

The alternative lifestyle strategy, the Annuity Target Lifestyle option, also operates under a predetermined strategy. It comprises of the (40:60) Global Equity Index Fund, the Aquila Life Market Advantage Fund, the Pre-Retirement Fund and the DC Cash Fund, and is aimed at members targeting an annuity purchase at retirement.

The Group Trustee is in the process of amending the growth phases of these lifestyles to use a 30:70 Global Equity Index fund to lower the UK equity allocation.

The investment funds in the Group's Defined Contribution Section are held in unit linked insurance funds provided by BlackRock Life Limited. The Group Trustee regularly reviews the investment performance of the funds against the appropriate benchmarks. The performance of the investments over the year and the last three years to 31 March 2021 is shown below.

	Year to 31 March 2021 (%)	Year Benchmark to 31 March 2021 (%)	3 Years to 31 March 2021 (% p.a.)	3 Year Benchmark to 31 March 2021 (% p.a.)
Aegon BlackRock 40/60 Global Equity Index	34.9	34.6	-	-
Aegon BlackRock Emerging Markets Equity Index	46.2	46.6	7.5	7.4
Aegon BlackRock Market Advantage	14.1	3.7	3.0	4.0
Aegon HSBC Islamic Global Equity	36.6	37.6	19.5	20.2
Aegon LGIM Ethical Global Equity Index	37.3	38.1	13.9	14.5
Aegon Newton Global Equity	35.2	38.9	14.2	12.7
Aegon BlackRock Property	3.0	2.5	1.7	2.4
Aegon BlackRock Cash	0.0	-0.1	0.4	0.3
Aegon BlackRock All Stocks Gilt Index	-5.7	-5.5	2.5	2.5
Aegon BlackRock UK Index-Linked Gilt Index	2.1	2.3	3.3	3.3
Aegon BlackRock Corporate Bond All-Stocks Index	7.0	7.0	4.1	4.0
Aegon BlackRock Pre-Retirement	-1.6	-2.2	3.7	3.4

Source: investment managers. All returns are quoted net of fees. Only funds in which members invest are shown above.

Assets were switched from the 60:40 Global Equity Index Fund to the 40:60 Global Equity Index Fund within the last three year period and therefore longer term returns for the 40:60 Global Equity Index Fund are not shown as the Group has not yet invested in this Fund for that period of time.

The scale of investment volatility during March 2020 due to COVID-19 impacted on the ability of independent property valuers to accurately assess the value of physical properties. The Group Trustee was informed that the UK valuer community had invoked the ‘Uncertain Market Valuation Clause’, which meant they did not believe they could provide accurate valuations on UK commercial properties in current market conditions. As a result, trading was suspended on the Aegon BlackRock Property fund until there is greater clarity over UK commercial property values. This remains the case in July 2021.

Address for Enquiries

Any enquiries regarding the Electricity North West Group of the Electricity Supply Pension Scheme should be addressed to:

Pensions Secretariat – ESPS (Electricity North West Group)
Electricity North West Limited
Borron Street
Portwood
Stockport
Cheshire
SK1 2JD

Email: pensions@enwl.co.uk

Approved by and signed on behalf of the Group Trustee:

SIGNATURE

Mike Roberts	*Chris Dooley*
....	....

NAME

Mike Roberts – Pan Trustees UK LLP	Chris Dooley
....	....
Trustee Director **Electricity North West (ESPS) Pensions Trustees Limited**	**Trustee Director** **Electricity North West (ESPS) Pensions Trustees Limited**

DATE:

20th August 2021
....

Independent auditors' report to the Group Trustee of Electricity North West Group of the Electricity Supply Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion, Electricity North West Group of the Electricity Supply Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the Group during the 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 year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the Annual Report and Financial Statements, which comprise: the Statement of net assets available for benefits as at 31 March 2021; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Group Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Group Trustee with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all the information in the Annual Report and Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Group Trustee is responsible for the other information. 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 thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Group Trustee for the financial statements

As explained more fully in the statement of Group Trustee's responsibilities, the Group Trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Group Trustee is also 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.

In the preparation of the financial statements, the Group Trustee is responsible for assessing the Group'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 the Group Trustee either intends to wind up the Group, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the Group in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Group Trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed included:

- Testing of journals where we identified particular risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Reviewing estimates and judgements made in the preparation of the financial statements.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, contracts and agreements, and holding discussions with the Group Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Group Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
22 August 2021

Fund Account for the year ended 31 March 2021

	Note	DB 2021 £million	DC 2021 £million	**Total 2021 £million**	*DB 2020 £million*	*DC 2020 £million*	*Total 2020 £million*
Dealings with members							
Additions							
Employer contributions	**5**	29.7	9.6	**39.3**	*31.5*	*8.7*	*40.2*
Employee contributions	**5**	0.7	0.5	**1.2**	*0.7*	*0.5*	*1.2*
Total contributions		30.4	10.1	**40.5**	*32.2*	*9.2*	*41.4*
Transfers in	**6**	-	0.1	**0.1**	*1.6*	*0.7*	*2.3*
Other income	**7**	-	0.3	**0.3**	-	-	-
		30.4	10.5	**40.9**	*33.8*	*9.9*	*43.7*
Withdrawals							
Benefits paid or payable	**8**	(50.8)	(0.6)	**(51.4)**	*(52.5)*	*(0.2)*	*(52.7)*
Payments to and on account of leavers	**9**	(18.4)	(2.1)	**(20.5)**	*(14.6)*	*(0.4)*	*(15.0)*
Administrative expenses	**10**	(1.1)	(0.3)	**(1.4)**	*(1.1)*	*(0.3)*	*(1.4)*
		(70.3)	(3.0)	**(73.3)**	*(68.2)*	*(0.9)*	*(69.1)*
Net (withdrawals) / additions from dealings with members		(39.9)	7.5	**(32.4)**	*(34.4)*	*9.0*	*(25.4)*
Returns on investments							
Investment income	**11**	75.9	-	**75.9**	*43.3*	-	*43.3*
Change in market value of investments	**12**	(44.4)	18.5	**(25.9)**	*(18.4)*	*(5.9)*	*(24.3)*
Investment management expenses	**14**	(0.1)	(0.1)	**(0.2)**	*(2.9)*	*(0.1)*	*(3.0)*
Net returns on investments		31.4	18.4	**49.8**	*22.0*	*(6.0)*	*16.0*
Net (decrease)/increase in the fund		(8.5)	25.9	**17.4**	*(12.4)*	*3.0*	*(9.4)*
Opening net assets		1,398.7	53.6	**1,452.3**	*1,411.1*	*50.6*	*1,461.7*
Closing net assets		1,390.2	79.5	**1,469.7**	*1,398.7*	*53.6*	*1,452.3*

The notes on pages 29 to 47 form part of these Financial Statements.

Statement of net assets available for benefits as at 31 March 2021

	Note	DB 2021 £million	DC 2021 £million	**Total 2021 £million**	*DB 2020 £million*	*DC 2020 £million*	*Total 2020 £million*
Investment assets							
Bonds	**12**	-	-	**-**	*60.6*	*-*	*60.6*
Pooled investment vehicles	**12**	608.1	79.3	**687.4**	*551.5*	*53.5*	*605.0*
Derivatives	**12**	-	-	**-**	*1.0*	*-*	*1.0*
Insurance policies	**12**	733.7	-	**733.7**	*770.9*	*-*	*770.9*
AVC investments	**12**	3.0	-	**3.0**	*2.2*	*-*	*2.2*
Cash	**12**	42.3	-	**42.3**	*8.6*	*-*	*8.6*
Other investment balances	**12**	-	-	**-**	*0.8*	*-*	*0.8*
		1,387.1	79.3	**1,466.4**	*1,395.6*	*53.5*	*1,449.1*
Investment liabilities							
Derivatives	**12**	-	-	**-**	*(2.5)*	*-*	*(2.5)*
Other investment balances	**12**	-	-	**-**	*(0.4)*	*-*	*(0.4)*
		-	-	**-**	*(2.9)*	*-*	*(2.9)*
Total net investments		1,387.1	79.3	**1,466.4**	*1,392.7*	*53.5*	*1,446.2*
Current assets	**19**	3.7	0.4	**4.1**	*7.1*	*0.1*	*7.2*
Current liabilities	**20**	(0.6)	(0.2)	**(0.8)**	*(1.1)*	*-*	*(1.1)*
Total net assets available for benefits		1,390.2	79.5	**1,469.7**	*1,398.7*	*53.6*	*1,452.3*

The Financial Statements summarise the transactions of the Group and deal with the net assets at the disposal of the Group Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Group year. The actuarial position of the Group, which takes into account such obligations for the defined benefit section, is dealt with in the Report on Actuarial Liabilities on pages 14 to 16 of the Annual Report, and these Financial Statements should be read in conjunction with this report.

The Financial Statements on pages 27 to 47 were approved by the Group Trustee on……………………………

Approved and signed on behalf of the Group Trustee:

SIGNATURE

Mike Roberts
……………………………………………
Mike Roberts – Pan Trustees UK LLP
……………………………………………

Trustee Director
Electricity North West (ESPS) Pensions Trustees Limited

Chris Dooley
……………………………………………
Chris Dooley
……………………………………………

Trustee Director
Electricity North West (ESPS) Pensions Trustees Limited

1. General information

The Group has a Defined Benefit ("DB") section which is no longer open to new members but existing members continue to accrue benefits, and a Defined Contribution ("DC") Section which is open to new members.

The Scheme is a registered pension scheme and is established as a trust under English Law under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by the Employers are normally eligible for tax relief, and income and capital gains earned by the Scheme are generally tax exempt. The address of the Scheme's principal office is C/O Capita – ESPS Team, Highdown House, Yeoman Way, Worthing West Sussex BN99 3HH. The address for the Group can be found on page 23.

2. Basis of preparation of the financial statements

The individual financial statements of Electricity North West Group of the Electricity Supply Pension Scheme 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 (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP").

3. Identification of the financial statements

The Group is established under irrevocable trusts under English law. The address for enquiries to the Group is included in the Group Trustee's Report on page 23.

4. Accounting policies

The following principal accounting policies, which have been applied consistently, have been adopted in the preparation of the Financial Statements.

Currency

The Group's functional currency and presentational currency is pounds sterling (GBP), which is the currency of the primary economic environment in which the Group operates.

Assets and liabilities in foreign currency are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

Contributions

Normal and additional voluntary contributions, both from employees and employers, are generally accounted for on an accruals basis in the payroll period to which they relate. In the case of member contributions this is when deducted from pay.

Employers' Early Retirement, Rule 29 and Supplementary contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.

4. Accounting policies (continued)

Employers' deficit funding contributions are accounted for on the due dates set out in the Schedule of Contributions, or on receipt if earlier, with the agreement of the Employer and the Group Trustee.

Other contributions made by the Employer to reimburse costs and levies payable by the Group Trustee are accounted for on the same basis as the corresponding expense.

Transfers to and from the Group

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers, or payable to the pension scheme of new employers for members who have left the Group. They are accounted for on a cash basis or, where the Group Trustee has agreed to accept liability in advance of receipt of funds on an accruals basis from the date of the agreement where the transfer amount can be determined with reasonable certainty.

Benefits and payments to and on account of leavers

Pensions in payment are accounted for in the period to which they relate.

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement or death as appropriate. Refunds and opt-outs are accounted for when the Group Trustee is notified of the members' decision to leave the Group.

Where the Group Trustee agrees or is required to settle tax liabilities on behalf of members (such as where lifetime or annual allowances are exceeded) with a consequent reduction in benefits receivable from the Group, any tax liability due is accounted for on the same basis as the event giving rise to the tax liability, and will be shown separately within the benefits note.

Administrative and other expenses

Administrative expenses and premiums on term insurance policies are accounted for on an accruals basis, net of recoverable VAT.

Investment income and expenditure

Income from bond securities should be accounted for on an accruals basis.

Income from any pooled investment vehicles which distribute income is accounted for on an accruals basis on the date stocks are quoted ex-dividend, or in the case of unquoted instruments, when the dividend is declared.

Interest on cash and short term deposits and income from other investments are accounted for on an accruals basis.

Investment income includes withholding taxes. Withholding taxes is accrued on the same basis as investment income. Where withholding tax is not recoverable, this is shown as a separate expense within investment income.

Income arising from annuity policies is included in investment income on an accruals basis.

4. Accounting policies (continued)

Receipts or payments under swap contracts, representing the difference between the swapped cash flows, are included in investment income.

The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Group such as fees, commissions, stamp duty and other fees. Other investment management expenses are accounted for on an accruals basis and shown separately within investment returns.

Valuation and classification of investments

Investment assets and liabilities are included in the Financial Statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used.

Where quoted and other unit prices are not available, the Group Trustee adopts valuation techniques appropriate to the class of investment. Details of the valuation techniques and principal assumptions are given in the Notes to the Financial Statements where used.

The methods of determining fair value for the principal classes of investments are:

- Certain bonds and pooled investment vehicles, which are traded on an active market, are included at the quoted price, which is normally the bid price;

- Unitised pooled investment vehicles, which are not traded on an active market, but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before the year end;

- The value of other bonds and pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Group Trustee. Where the value of the pooled investment vehicle is primarily driven by fair value of its underlying assets, the net asset value advised by the investment manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustments are made;

- Swaps are valued at the net present value of future cash flows arising there from;

- Over the counter (OTC) options are valued by the investment manager using generally accepted pricing models such as Black Scholes, where inputs are based on market data at the year end date; and

- Forward foreign exchange contracts (FFX) are valued at the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

Accrued interest is excluded from the market value of bonds, but is included in investment income receivable. External AVC funds are included at the market value advised by the Fund's managers at the year end.

4. Accounting policies (continued)

Annuity (insurance) policies are valued by the Group Actuary at the amount of the related obligation, determined using the most recent Group funding valuation assumptions updated for market conditions at the reporting date.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting judgements

The Group Trustees have not had to make any critical judgements in applying the accounting policies.

Key accounting estimates and assumptions

The Group Trustees make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Group, the Group Trustees believe the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Group's investments and, in particular, those classified in Level 3 of the fair-value hierarchy. Explanation of the key assumptions underpinning the valuation of investments are included within notes 15 and 16.

5. Contributions

	DB 2021 £million	DC 2021 £million	**Total 2021 £million**	*DB 2020 £million*	*DC 2020 £million*	*Total 2020 £million*
Employers:						
Normal*	9.9	9.2	**19.1**	12.2	*8.4*	20.6
Deficit funding	18.9	-	**18.9**	18.3	-	18.3
Other contributions						
Rule 29 costs	-	-	**-**	0.2	-	0.2
PPF levy	0.1	-	**0.1**	0.1	-	0.1
Expenses	0.8	-	**0.8**	0.7	-	0.7
Group life	-	0.4	**0.4**	-	*0.3*	0.3
Employees:						
Normal	0.2	0.1	**0.3**	0.3	*0.2*	0.5
Other contributions	0.1	-	**0.1**	0.1	-	0.1
AVC	0.4	0.4	**0.8**	0.3	*0.3*	0.6
	30.4	10.1	**40.5**	*32.2*	*9.2*	*41.4*

* Included within Normal Employers are contributions for the DB section of £1.2 million (2020: £1.3 million) and for the DC section of £3.2 million (2020: £2.8 million) that were met by the Employer rather than the employees under the salary sacrifice arrangement.

5. Contributions (continued)

Deficit funding contributions are being paid by the Employer to the DB section of the Group until December 2023 in accordance with the Schedule of Contributions dated 31 March 2020 in order to improve the Group's funding position. Details of the amounts payable are:

- £1,575,000 each month from April 2020 to March 2021 inclusive; plus
- £1,616,700 each month from April 2021 to March 2022 inclusive; plus
- £1,666,700 each month from April 2022 to March 2023 inclusive.

Supplementary pensions funding represents Employer contributions to grant additional benefits on early retirement including Rule 32 payments (grant of special terms).

6. Transfers in

	DB 2021 £million	DC 2021 £million	**Total 2021 £million**	*DB 2020 £million*	*DC 2020 £million*	*Total 2020 £million*
Individual transfers in from other schemes	-	0.1	**0.1**	*1.6*	*0.7*	*2.3*

7. Other income

	DB 2021 £million	DC 2021 £million	**Total 2021 £million**	*DB 2020 £million*	*DC 2020 £million*	*Total 2020 £million*
Death Insurance	-	0.3	**0.3**	-	-	-

8. Benefits paid or payable

	DB 2021 £million	DC 2021 £million	**Total 2021 £million**	*DB 2020 £million*	*DC 2020 £million*	*Total 2020 £million*
Pensions	48.5	0.1	**48.6**	*49.1*	*0.1*	*49.2*
Commutations of pensions and lump sum retirement benefits	2.1	0.2	**2.3**	*3.0*	-	*3.0*
Lump sum death benefits (in service)	-	0.3	**0.3**	*0.3*	*0.1*	*0.4*
Lump sum death benefits (in retirement)	0.2	-	**0.2**	*0.1*	-	*0.1*
	50.8	0.6	**51.4**	*52.5*	*0.2*	*52.7*

On 20 November 2020 the High Court issued a supplementary ruling in the Lloyds Banking Group GMP equalisation case with respect to members that have transferred out of their scheme prior to the ruling. The results of this mean that:

• Trustees are obliged to make transfer payments that reflect equalised benefits and are required to make top up payments where this was not the case in the past;

• A DB scheme that received a transfer is concurrently obliged to provide equalised benefits in respect of the transfer payments; and

8. Benefits paid or payable (continued)

• There were no exclusions on the grounds of discharge forms, CETV legislation, forfeiture provisions or the Limitation Act 1980.

The Group Trustee has determined that the estimated the cost of the impact of this ruling for the Group is immaterial based on high-level summary data. The detailed member calculations required to accurately determine the impact of GMP equalisation for former members of the Group are intricate and require a large amount of data, some of which may not be readily available.

The second ruling did not cover whether the Group Trustee would need to equalise the benefits of members who died before their benefits were equalised. Given the impact of the second High Court ruling has not been material, we have assumed that any future ruling which requires the Group Trustee to equalise the benefits of members who have died will be even smaller and immaterial.

9. Payments to and on account of leavers

	DB 2021 £million	DC 2021 £million	**Total 2021 £million**	*DB 2020 £million*	*DC 2020 £million*	***Total* *2020 £million***
Individual transfers out to other schemes	18.4	2.1	**20.5**	*14.4*	*0.4*	*14.8*
Individual transfers – AVC	-	-	**-**	*0.2*	-	*0.2*
	18.4	2.1	**20.5**	*14.6*	*0.4*	*15.0*

10. Administrative expenses

	DB 2021 £million	DC 2021 £million	**Total 2021 £million**	*DB 2020 £million*	*DC 2020 £million*	*Total 2020 £million*
Administration and processing	0.4	0.1	**0.5**	*0.4*	*0.1*	*0.5*
PPF levy	0.1	-	**0.1**	*0.1*	-	*0.1*
Actuarial fees	0.5	-	**0.5**	*0.4*	-	*0.4*
Legal fees	0.1	-	**0.1**	*0.1*	-	*0.1*
Insurance	-	0.2	**0.2**	-	*0.2*	*0.2*
Other fees	-	-	**-**	*0.1*	-	*0.1*
	1.1	0.3	**1.4**	*1.1*	*0.3*	*1.4*

The Employer contributed towards the administrative expenses of the DB Section of the Group incurred during the years to 31 March 2021 and 31 March 2020, and expenses that were not directly related to the investment management of the securities and property portfolios on a quarterly basis by paying expense contributions (see note 5).

11. Investment income

	DB 2021 £million	DC 2021 £million	**Total 2021 £million**	*DB 2020 £million*	*DC 2020 £million*	*Total 2020 £million*
Income from bonds	1.4	-	**1.4**	*9.2*	-	*9.2*
Income from pooled investment vehicles	33.2	-	**33.2**	*23.6*	-	*23.6*
Interest on cash deposits	-	-	**-**	*0.1*	-	*0.1*
Income from insurance policies	41.3	-	**41.3**	*10.4*	-	*10.4*
	75.9	-	**75.9**	*43.3*	-	*43.3*

11. Investment income (continued)

Investment income relating to any accumulation class pooled investment vehicles is reflected in the net change in market value for those pooled investment vehicles as shown in Note 13.

Investment income shown above reflects income earned by investments within the Defined Benefit Section. All income earned on pooled investment units held by the Defined Contribution Section is accounted for within the value of those funds.

The taxation charge within investment returns represents irrecoverable withholding tax arising on certain classes of investment income.

12. Reconciliation of net investments

Defined benefit section

	Value at 1 April 2020	Purchases and derivative payments	Sales proceeds and derivative receipts	Change in market value	**Value at 31 March 2021**
	£million	£million	£million	£million	**£million**
Bonds	60.6	0.1	(67.4)	6.7	**-**
Pooled investment vehicles	551.5	72.5	(1.0)	(14.9)	**608.1**
Derivatives	(1.5)	2.9	(1.9)	0.5	**-**
Insurance policies	770.9	-	-	(37.2)	**733.7**
AVC investments	2.2	0.4	-	0.4	**3.0**
	1,383.7	75.9	(70.3)	(44.5)	**1,344.8**
Cash	8.6				**42.3**
Other investment balances	0.4				**-**
Total net investments	1,392.7				**1,387.1**

Summary of changes in Market Value	2021
	£million
Change in Market Value shown above	(44.5)
Exchange gains/losses	0.1
	(44.4)

Defined contribution section

	Value at 1 April 2020	Purchases	Sales proceeds	Change in market value	**Value at 31 March 2021**
	£million	£million	£million	£million	**£million**
Pooled investment vehicles	53.5	11.3	(4.0)	18.5	**79.3**

12. Reconciliation of net investments (continued)

	DC 2021 £million	*DC 2020 £million*
Allocated to members	**79.1**	*53.2*
Not allocated to members	**0.2**	*0.3*
	79.3	*53.5*

Defined contribution assets purchased by the Group are allocated to provide benefits to those individuals on whose behalf the corresponding contributions were paid. Accordingly, the assets identified as designated to members above do not form a common pool of assets available for members generally. Members receive an annual statement confirming the contributions paid on their behalf and the value of their money purchase rights.

Investment transaction costs

Transaction costs incurred during the year on the two sole investor funds held with Insight and Legal & General amounted to £34,472 (2020: £nil). Indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Group Trustee to quantify such indirect transaction costs.

The ability to realise the Group’s assets on the accounting date is determined by the underlying assets as well as the dealing frequency of the managers’ funds in which the assets are invested.

- Weekly liquidity – L&G (global equities, conventional bond funds, LDI bond funds)
- Monthly liquidity – M&G (long lease property) and Insight (buy and hold bond fund)
- Illiquid – Carlyle (distressed debt), Gottex (hedge fund), Permira (private equity), Morgan Stanley and Partners Group (both global property) are all limited partnership type vehicles meaning that they are not realisable until the respective funds pay out to investors, and even then this is expected to be spread through time in a series of cash flows. There is potentially scope to realise the investment on the secondary market, however this could not be guaranteed and the value received could be below net asset value.

It should be noted that the above applies to normal market conditions and does not account for increased illiquidity in the underlying asset classes during market stress.

Pooled investment vehicles

	DB 2021 £million	DC 2021 £million	**Total 2021 £million**	*DB 2020 £million*	*DC 2020 £million*	*Total 2020 £million*
Equities	48.8	73.7	**122.5**	*35.4*	*48.8*	*84.2*
Bonds	231.8	1.7	**233.5**	*167.0*	*1.0*	*168.0*
Property	129.7	0.1	**129.8**	*146.7*	*0.1*	*146.8*
Diversified growth funds	-	3.0	**3.0**	-	*3.0*	*3.0*
Liability driven investments	197.8	-	**197.8**	*202.4*	-	*202.4*
Cash and other liquid assets	-	0.8	**0.8**	-	*0.6*	*0.6*
	608.1	79.3	**687.4**	*551.5*	*53.5*	*605.0*

12. Reconciliation of net investments (continued)

At 31 March 2021 the Group held a bespoke Liability Driven Investment (LDI) portfolio. The portfolio has been included above in the DB section's pooled investment vehicles and is specifically tailored for the Group's individual requirements and there are no other investors. As at 31 March 2021 £197.8 million (2020: £202.4 million) was invested with Legal & General. The LDI breakdown is as follows:

	DB 2021 £million	*DB 2020 £million*
Bonds	**456.3**	*510.4*
Swaps – net	**0.9**	*1.1*
Repurchase agreements	**(262.7)**	*(335.3)*
Cash and other liquid assets	**3.3**	*26.2*
	197.8	*202.4*

The Group invests with Insight and is a sole investor. This is shown within the Bond pooled investment balance in the pooled investment vehicles. As at 31 March 2021 £135.1m (2020:£57m) was invested. The breakdown of the Insight portfolio is as follows:

	DB 2021 £million	*DB 2020 £million*
Bonds	**128.8**	*51.6*
Swaps – net	**0.6**	*(1.1)*
Cash and other liquid assets	**5.7**	*6.5*
	135.1	*57.0*

Derivatives

Objectives and Policies

The Group Trustee has authorised the use of derivative financial instruments by their investment managers as part of their investment strategy as follows:

- Forward Foreign Currency – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in GBP, a currency hedging programme, using forward FX contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.
- Swaps – the Group Trustee aim is to match as far as possible the Liability Driven Investment (LDI) portfolio of the Group's long term liabilities, in particular in relation to their sensitivities to interest rate movements. Due to the lack of available long dated bonds the Group Trustee has entered into over the counter (OTC) interest rate swaps during the year that extend the duration of the fixed income portfolio to better match the long term liabilities of the Group. The Group Trustee invests in over the counter swap contracts, when the parties agree to exchange one stream of cashflows for another.

12. Reconciliation of net investments (continued)

Outstanding derivative financial instruments at the year end are summarised as follows:

	DB 2021 Assets £million	**DB 2021 Liabilities £million**	**DB 2021 Total £million**	*DB 2020 Assets £million*	*DB 2020 Liabilities £million*	*DB 2020 Total £million*
Over-the-counter contracts						
Forward foreign currency	-	**-**	**-**	-	*(0.6)*	*(0.6)*
Swaps	-	**-**	**-**	*1.0*	*(1.9)*	*(0.9)*
	-	**-**	**-**	*1.0*	*(2.5)*	*(1.5)*

Insurance Policies – annuities

The Group Trustee holds an insurance policy with Scottish Widows in relation to specified beneficiaries. This policy is an asset of the Trustee and not a policy assigned for the benefit of the individuals it relates to, and is included within the Statement of Net Assets (available for benefits) at £733.7m (2020: £770.9m).

The significant actuarial assumptions underlying the current valuation calculation are in line with those set out in the Report on Actuarial Liabilities on page 14 based on market conditions as at 31 March 2021.

AVC investments

The number of AVC accounts (including "frozen" accounts) as at 31 March 2021 was 81 (2020: 76). In some cases members have two or more accounts.

The aggregate amount of AVC investments are as follows:

	DB 2021 £million	*DB 2020 £million*
BlackRock Life Limited	**2.9**	*2.1*
Prudential Assurance Society	**0.1**	*0.1*
	3.0	*2.2*

13. Cash and other net investment balances

	DB 2021 £million	*DB 2020 £million*
Cash – sterling	**42.3**	*5.9*
Cash – foreign currency	**-**	*2.7*
Total cash	**42.3**	*8.6*
Accrued interest and dividends	**-**	*0.8*
Other investment liabilities	**-**	*(0.4)*
	42.3	*9.0*

14. Investment management expenses

	DB 2021 £million	DC 2021 £million	**Total 2021 £million**	*DB 2020 £million*	*DC 2020 £million*	*Total 2020 £million*
Administration and management fees	0.4	0.1	**0.5**	*1.5*	*0.1*	*1.6*
Custody Fees	-	-	**-**	*0.1*	-	*0.1*
Other advisory fees	(0.3)	-	**(0.3)**	*1.3*	-	*1.3*
	0.1	0.1	**0.2**	*2.9*	*0.1*	*3.0*

15. Fair value determination

The fair value of financial instruments has been estimated using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

- Level 2: Inputs other than quoted prices included within Level 1 which 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.

Fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

Pooled investment vehicles which are traded regularly are generally included in level 2. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair values applies, valuation techniques are adopted and the vehicles are included in level 3 as appropriate.

The value of other pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Group Trustee. Where the value of the pooled investment vehicle is primarily driven by fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustments are made. No such adjustments have been made to the valuations at 31 March 2021 or 31 March 2020.

15. Fair value determination (continued)

The Group's investment assets and liabilities have been included at fair value within the categories as follows:

	Level 1 £million	Level 2 £million	Level 3 £million	**2021 Total £million**
DB Section				
Investment assets				
Pooled investment vehicles	-	381.7	226.4	**608.1**
Insurance policies	-	-	733.7	**733.7**
AVC investments	-	3.0	-	**3.0**
Cash	42.3	-	-	**42.3**
DB Section Total	42.3	384.7	960.1	**1,387.1**
DC Section				
Investment assets				
Pooled investment vehicles	-	79.2	0.1	**79.3**
DC Section Total	-	79.2	0.1	**79.3**
Total investments	42.3	463.9	960.2	**1,466.4**

	Level 1 £million	Level 2 £million	Level 3 £million	**2020 Total £million**
DB Section				
Investment assets				
Bonds	-	60.6	-	**60.6**
Pooled investment vehicles	-	294.9	256.6	**551.5**
Insurance policies	-	-	770.9	**770.9**
Derivatives	-	1.0	-	**1.0**
AVC investments	-	2.2	-	**2.2**
Cash	8.6	-	-	**8.6**
Other investment balances	0.8	-	-	**0.8**
Investment liabilities				
Other investment balances	(0.4)	-	-	**(0.4)**
Derivatives	-	(2.5)	-	**(2.5)**
DB Section Total	9.0	356.2	1,027.5	**1,392.7**
DC Section				
Investment assets				
Pooled investment vehicles	-	53.4	0.1	**53.5**
DC Section Total	-	53.4	0.1	**53.5**
Total investments	9.0	409.6	1,027.6	**1,446.2**

16. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks.

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

Market risk: this comprises currency risk, interest rate risk and other price risk.

Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

Other price risk: this is the risk that the fair value or future cash flows of a financial asset 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 individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

With regards to the Defined Benefit Section, the Group Trustee determines the investment strategy after taking advice from a professional investment adviser. Following the Group Trustee agreement to implement the investment strategy set out previously, the Group has exposure to these risks. The Group Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Group's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the respective Group's investment managers and monitored by the Group Trustee by regular reviews of the investment portfolio.

The Group's strategy aims to ensure that there are sufficient appropriate assets to support the payment of pensioner liabilities. In line with this, the Group funded an insurance policy ("buy-in") with Scottish Widows, which intends to pay a proportion of existing pensioners in perpetuity. The policy was funded by a combination of corporate bonds, government bonds and cash.

With regards to the Defined Contribution Section, exposure to the above risks arises due to the investment options the Group Trustee make available to members for selection. The day-to-day management of the options is outsourced to underlying investment managers, including direct management of credit and market risks. The Group Trustee monitors the Group's investment options and underlying risks on a regular basis, with assistance from its investment adviser.

The risks disclosed relate to the Group's options as a whole. Members are able to choose their own investments from the range of options offered by the Group Trustee and may therefore face a different profile of risks from their individual choices compared with the Group as a whole.

16. Investment risks (continued)

Defined Benefit Section

Direct risks – Credit

The Group is directly subject to credit risk resulting from the following;

	Investment Grade £million	Non-Investment Grade £million	Unrated £million	**2021 Subtotal £million**
Pooled investment vehicles	-	-	608.1	**608.1**
Total	-	-	608.1	**608.1**

	Investment Grade £million	Non-Investment Grade £million	Unrated £million	2020 Subtotal £million
Bonds	60.6	-	-	60.6
Pooled investment vehicles	-	-	551.5	551.5
Total	60.6	-	551.5	612.1

Source: investment managers, BNYM, Isio Calculations
Note: Asset valuation as at 31 March 2021 excludes the buy-in policy with Scottish Widows. Credit rating for the Pooled Investment Vehicle is based on the investment manager's credit rating and is not affected by the credit rating of any parent company.

Pooled investment vehicles

Direct credit risk is mitigated by the ring-fenced nature of the pooled investment vehicles, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

The Group Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2021 £million	2020 £million
Unit-linked insurance contracts	48.8	35.4
Authorised unit trusts	109.7	109.9
Open-ended investment companies	-	9.7
Shares of limited liability partnerships	96.7	137.0
Other[1]	352.9	259.5
Total	608.1	551.5

Source: investment managers
Notes:
1. *Other structures include Irish Qualifying Investor Alternative Investment Funds with Insight and L&G (LDI) and Real Estate Secondary Funds with Morgan Stanley.*

16. Investment risks (continued)

Direct risks – Currency

There is direct currency risk within the Group's pooled vehicles, as 4 funds are held in a non-Sterling share class. Indirect currency risk may exist within pooled vehicles if underlying investments are held in non-Sterling assets; any such risk is shown in the subsequent Indirect Risks table.

There is no direct currency risk within the Group's non-pooled investments, as these only hold Sterling-denominated assets.

The Group's total net unhedged exposure by major currency at the year-end was as follows:

	2021	2020
	£million	£million
US Dollar	24.9	43.6
Euro	7.9	9.7

Indirect risks

The Group is indirectly exposed to investment risks via the underlying assets of the pooled investment vehicles. This indirect risk is mitigated by the diversification of these underlying assets within the individual vehicles as part of a diversified investment strategy.

2021	Credit Risk	Currency Risk	Interest Rate Risk	Other Price Risk
Equity funds	**o**	●	○	●
Bond funds	●	**o**	**o**	●
Property funds	**o**	**o**	●	●
Liability-driven investment funds	●	○	●	○
Cash funds	**o**	○	**o**	○

2020	Credit Risk	Currency Risk	Interest Rate Risk	Other Price Risk
Equity funds	○	●	○	●
Bond funds	●	●	**o**	**o**
Property funds	**o**	**o**	●	●
Liability-driven investment funds	●	○	●	●
Cash funds	**o**	○	**o**	○

Key to indirect risk exposures:

● Significant exposure

o Some exposure

○ Negligible exposure

16. Investment risks (continued)

Defined Contribution Section

Direct risks – Credit

Direct credit risk is mitigated by the ring-fenced nature of the pooled investment vehicle options available to members, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

The Group Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2021	2020
	£million	£million
Unit-linked insurance contracts	79.3	53.5

Direct risks – Currency

There is no direct currency risk associated with the Group's pooled investment vehicles as all units are held in a Sterling share class. Indirect currency risk may exist within pooled investment vehicles if underlying investments are held in non-Sterling assets; any such risk is shown in the subsequent Indirect Risks table.

Indirect risks

The Group’s members are indirectly exposed to investment risks via the underlying assets of the pooled investment vehicles available for selection.

2021	Credit Risk	Currency Risk	Interest Rate Risk	Other Price Risk
Equity funds	○	●	○	●
Bond funds	●	○	●	●
Diversified growth funds	●	●	●	●
Property funds	◉	○	○	●
Cash funds	◉	○	◉	○
2020	**Credit Risk**	**Currency Risk**	**Interest Rate Risk**	**Other Price Risk**
Equity funds	○	●	○	●
Bond funds	●	○	●	●
Diversified growth funds	●	●	●	●
Property funds	◉	○	○	●
Cash funds	◉	○	◉	○

Key to indirect risk exposures:

● Significant exposure
◉ Some exposure
○ Negligible exposure

16. Investment risks (continued)

The indirect risks reported in the Investment Risks section of the Financial Statements are provided to Isio by the Group's investment manager. Indirect risks refer to the Group's assets that are held in pooled investment vehicles. Isio then review the classification and investigate any discrepancies amongst peer groups. The indirect risk tables are then populated based on the rating which reflects the exposure across the Group's investment portfolio.

The risks are classified on a portfolio level based on the manager's judgement of the Fund's overall exposure to the risks defined in the Investment Disclosure Report provided by Isio.

17. Employer related investments

As at 31 March 2021 there were no direct employer-related investments (2020: nil). The Group Trustee recognises that indirect investment in the Company is possible through holdings in pooled investment vehicles. It has been confirmed that there is no indirect exposure to shares in the Company at the year end.

18. Concentration of investments

Investments accounting for more than 5% of the net assets of the Group at 31 March 2021 or 31 March 2020 were:

	2021 £million	**2021 %**	*2020 £million*	*2020 %*
Scottish Widows Insurance Policy	**733.7**	**49.9**	*770.9*	*53.1*
L&G Client Specific Fund	**197.8**	**13.5**	*202.4*	*13.9*
M&G Secured Property Income Fund	**109.7**	**7.5**	*109.9*	*7.6*
Permira Credit Solutions III Senior GBP LP	**84.8**	**5.7**	*93.3*	*6.4*
Insight LDI Solutions Fixed Income	**135.1**	**9.2**	*57.0*	*3.9*

19. Current assets

	DB 2021 £million	DC 2021 £million	**Total 2021 £million**	*DB 2020 £million*	*DC 2020 £million*	*Total 2020 £million*
Contributions due in respect of:						
Employers	2.4	-	**2.4**	*2.6*	*-*	*2.6*
VAT recoverable	0.2	-	**0.2**	*0.1*	*-*	*0.1*
Admin expenses	-	-	**-**	*0.2*	*-*	*0.2*
Cash balances	1.1	0.4	**1.5**	*4.2*	*0.1*	*4.3*
	3.7	0.4	**4.1**	*7.1*	*0.1*	*7.2*

All contributions due to the Group at 31 March 2021 and 31 March 2020 relate to March 2021 and March 2020 respectively. All contributions were paid in full to the Group in accordance with the Schedule of Contributions.

The cash balances held at the year end in respect of the DC Section in both years were not allocated to members, but were held for the general purpose of the Section.

20. Current liabilities

	DB 2021 £million	DC 2021 £million	**Total 2021 £million**	*DB 2020 £million*	*DC 2020 £million*	*Total 2020 £million*
Benefits payable	(0.4)	-	**(0.4)**	*(0.8)*	-	*(0.8)*
Administrative expenses	(0.2)	(0.2)	**(0.4)**	*(0.3)*	-	*(0.3)*
	(0.6)	(0.2)	**(0.8)**	*(1.1)*	-	*(1.1)*

21. Related party transactions

Related party transactions and balances comprise:

Key Management personnel

Contributions and contributions receivable in respect of three Trustee Directors and pensions paid in respect of four Trustee Directors. These were all in accordance with the Group Trust Deed and Rules.

There have been no discretionary contributions, pensions made on terms not normally granted to members and no trustee spouses are entitled to a pension in their own right.

The remaining four Trustee Directors' fees and expenses amounted to £64,512 (2020: £54,592) during the year and were accounted for in administration fees.

Employer and other related parties

Administrative services, including four of the Trustee Director fees and expenses are provided by the Employer, without recharge to the Group.

22. Contingent liabilities and contractual commitments

Following the High Court ruling on 26 October 2018 regarding the equalisation of Guaranteed Minimum Pension ('GMP') benefit within the Lloyds pension scheme, the Schemes are required to adjust benefits to remove the inequalities between the GMP benefits awarded to males and females.

The Company included an allowance for the impact of GMP equalisation within its 31 March 2019 accounting results. The high-level estimate was calculated for the Schemes based on this ruling, which only covered current members, and increased the IAS19 DBO as at 31 March 2019 by £4.1m.

In the opinion of the Group Trustee the Group had no other contingent liabilities or contractual commitments entered into which are not provided for in these Financial Statements.

Currently the Carlyle Group, Partners Group and Morgan Stanley mandates are at a stage where capital are being returned back to the investors therefore no further drawdowns are expected to be made. The Group will seek to reinvest the returned capital into return-generating mandates. In the interim period the returned capital will continue to be paid into the BNYM Cash Fund.

The Group has a cumulative unfunded amount of c.£8.4m (c.8.0% of its commitment) with Permira as at 31 March 2021.

23. Subsequent events

There were no subsequent events requiring disclosure in the financial statements.

Independent auditors' statement about contributions to the Group Trustee of Electricity North West Group of the Electricity Supply Pension Scheme

Statement about contributions

Opinion

In our opinion, the contributions required by the Schedule of Contributions for the Group year ended 31 March 2021 as reported in Electricity North West Group of the Electricity Supply Pension Scheme's summary of contributions have, in all material respects, been paid in accordance with the schedule of contributions certified by the Group actuary on 31 March 2020.

We have examined Electricity North West Group of the Electricity Supply Pension Scheme's summary of contributions for the Group year ended 31 March 2021 which is set out on the following page.

Basis for opinion

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 in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Group under the schedule of contributions, and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the Group Trustee in respect of contributions

As explained more fully in the statement of Group Trustee's responsibilities, the Group's Group Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Group by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the Group Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
22 August 2021

During the year, the contributions required by the schedule of contributions for the Group year ended 31 March 2021 were as follows:

Contribution Type	Employer £millions	Employee £millions	Total £millions
Required by the Schedule of Contributions			
Normal – DB	9.9	0.2	**10.1**
Normal – DC	9.2	0.1	**9.3**
Deficit funding	18.9	-	**18.9**
Expenses	0.8	-	**0.8**
Group life	0.4	-	**0.4**
Pension Protection Fund (PPF) Levy	0.1	-	**0.1**
Sub-total	39.3	0.3	**39.6**
Other Contributions Payable			
Added years DB	-	0.1	**0.1**
AVC	-	0.8	**0.8**
Total (as per Fund Account)	**39.3**	**1.2**	**40.5**

Approved by and signed on behalf of the Group Trustee:

SIGNATURE

Mike Roberts ....

Chris Dooley ....

NAME

Mike Roberts – Pan Trustees UK LLP ....

Chris Dooley ....

Trustee Director
Electricity North West (ESPS) Pensions Trustees Limited

Trustee Director
Electricity North West (ESPS) Pensions Trustees Limited

DATE:

20th August 2021 ....

This schedule of contributions is required by Section 227 of the Pensions Act 2004. It comes into effect on the date of certification of this schedule by the Group's scheme actuary and covers the five year period from that date. The Trustee of the Group is responsible for preparing a revised schedule no later than 30 June 2023.

This schedule supersedes all previous versions.

Participating Employers

This schedule covers contributions to the Group from all employers who participate in the Group from time to time.

Employer Contributions – Defined Benefit members

In respect of the Defined Benefit members of the Group, the participating employers will contribute to the Group as follows:

Type	Period	Rate/Amount
Normal, Additional (future service) and Expenses	The five year period commencing with the date of certification of this schedule by the Group's scheme actuary.	Rates as set out in Appendix A: 36.7% of Salaries or Pensionable Earnings up to 1 April 2020 and 39.8% of Salaries of Pensionable Earnings thereafter, paid monthly; Less a fixed reduction to future service contributions of £208,333 each month for the period 1 April 2020 to 31 March 2023; and £200,000 each quarter for expenses or such other amount as advised by the Actuary and agreed by the Trustee and Principal Employer. The Employer will in addition reimburse the Group in respect of PPF and other levies collected by the Pensions Regulator
Shortfall contributions to satisfy the recovery plan	The period commencing with the date of certification of this schedule by the Group's scheme actuary and ending on 31 March 2023	£1,525,000 each month from April 2019 to March 2020 inclusive; plus £1,575,000 each month from April 2020 to March 2021 inclusive; plus £1,616,700 each month from April 2021 to March 2022 inclusive; plus £1,666,700 each month from April 2022 to March 2023 inclusive.

The participating employers will ensure that the Trustee receives these contributions by the 19th day (or 22nd day if paid electronically) of the month following the month to which the contributions relate, with the exception of contributions for expenses which will be received on a quarterly basis by the 19th day (or 22nd day if paid electronically) of the second month after each quarter end and contributions for PPF and other levies, which will be received by the end of the month following that in which payment is requested from the Employer by the Administrator.

Deficit contributions will be split between Electricity North West Limited and other participating employers in accordance with proportions notified from time to time by Electricity North West Limited to the Group Administrator, on behalf of the Trustee, in advance of the contributions being paid. In the event that any such contributions are not paid by the other participating employers, they shall be payable by Electricity North West Limited.

The Group provisions cover other employer contributions when members leave service or retire which are not determined at periodic actuarial valuations. These and the above contributions are appended to this schedule. The participating employers will ensure that the Trustee receives these other contributions in accordance with the time limits appropriate to each contribution type as set out in Appendix A.

A participating employer may, from time to time, pay additional contributions to the Group as advised to the Trustee by the Principal Employer in writing.

Employer Contributions – Defined Contribution members

In respect of Defined Contribution members of the Section, the participating employers will contribute to the Section as follows:

Type	Period	Rate/Amount
Normal	The five year period commencing with the date of certification of this schedule by the Group's scheme actuary.	6% to 12.784% of Pensionable Earnings, depending on the employee rate chosen by the member (or otherwise specified in writing to individual members).
Administration expenses and life cover	The five year period commencing with the date of certification of this schedule by the Group's scheme actuary.	0.65% of Pensionable Earnings. The Participating Employers will also meet the annual cost of the insurance premiums which are payable in respect of standard cover for Life Assurance only members, in equal monthly payments.

The participating employers will ensure that the Trustee receives these contributions by the 19th day (or 22nd day if paid electronically) of the month following the month to which the contributions relate.

Employee Contributions

Employees who are active members of the Group will contribute to the Section as follows:

Period	Rate/Amount
The five year period commencing with the date of certification of this schedule by the Group's scheme actuary.	**ESPS members** The relevant % of Salaries (6%, 5%, 3% or nil) as required under the Group's provisions. **UUPS members** The relevant % of Pensionable Earnings (3% to 7.5%) as required under the Group's provisions. **Defined Contribution members** 3% to 7% of Pensionable Earnings, depending on the employee rate chosen by the member (or otherwise specified in writing to individual members). In addition, members will pay the life insurance cost for cover above the standard levels thereafter, paid in monthly payment payments.

These amounts do not include members' Additional Voluntary Contributions or other additional contributions members may choose to pay.

The participating employers will ensure that the Trustee receives the contributions payable by employees within 19 days (or 22nd day if paid electronically) of the end of the calendar month in which the contributions were deducted from the employees' salaries.

Under the Employer's salary sacrifice arrangement, certain members are not required to pay their contributions. For those members, the participating employer will pay additional contributions equal to the contribution the member would have otherwise paid. The participating employers will ensure that the Trustee receives the additional contributions within 19 days (or 22nd day if paid electronically) of the end of the calendar month to which the contributions relate. For the avoidance of doubt these additional contributions are additional to the Employer contributions summarised above and in Appendix A.

Signed on behalf of the Trustee of the Electricity North West Group of the ESPS

Signature:	*M Yates*	Name:	M Yates
Position:	Trustee Director	Date:	31 March 2020
Signature:	*M G Sugden*	Name:	M G Sugden
Position:	Trustee Director	Date:	31 March 2020

Signed on behalf of Electricity North West Limited

Signature:	*D Brocksom*	Name:	D Brocksom
Position:	Director	Date:	31 March 2020

Appendix A

Employer contribution details

Contribution	Clause/Rule	Rate/Amount
Normal	Clause 13(1)(a)	Twice members' contributions or, for members who participate in the salary sacrifice arrangement, twice members' contributions that would otherwise have been payable had the member not participated in the salary sacrifice arrangement.
Shortfall (Past Service)	Clause 13(1)(i)	£1,525,000 each month from April 2019 to March 2020 inclusive £1,575,000 each month from April 2020 to March 2021 inclusive £1,616,700 each month from April 2021 to March 2022 inclusive £1,666,700 each month from April 2022 to March 2023 inclusive
Additional (Future Service)	Clause 13(1)(g)	36.7% of Salaries or Pensionable Earnings up to 1 April 2020 and 39.8% of Salaries of Pensionable Earnings thereafter, paid monthly; Less a fixed reduction to future service contributions of £208,333 each month for the period 1 April 2020 to 31 March 2023. For the avoidance of doubt, in any month under Clause 13(1)(g) shall not be less than £0.
Early retirement	Clause 13(1)(e) (arising from Rule 16 and Rule 17)	The cost of early retirements (assessed using actuarial factors provided by the Actuary)
Supplementary pensions	Clause 13(1)(f) (arising from Rule 44)	The cost of supplementary pensions (assessed using actuarial factors provided by the Actuary)
Special terms	Clause 13(1)(f) (arising from Rule 32)	As required under the provisions of Rule 32.
Employer's matching contribution to reduction in benefits under Rule 29(1)(b)	Clause 13(1)(c)	Advance funding is being made. The Employers will meet the costs by instalments over the period to March 2023 with £166,667 each month of the shortfall contributions detailed above representing "Rule 29" costs.

Employer's matching contribution to reduction in lump sum benefits under Rule 14(3), Rule 20(5) and Part II of Appendix B	Clause 13(1)(c)	As required under the provisions of Clause 13(1)(c).
Expenses of administration (including PPF and other levies)	Clause 13(1)(h)	£200,000 each quarter commencing, or such other amount as advised by the Actuary and agreed by the Trustee and Principal Employer. The Employer will in addition reimburse the Section in respect of the PPF and other levies collected by the Pensions Regulator.
Other	Clause 13(1)(d) Clause 13(1)(f) (arising from Rule 23A) Clause 13(1)(f) (arising from Rule 32A) Clause 13(1)(ee) (arising from paragraph (1A) of Rule 14)	As required under the provisions of Clause 13(1)(d). As required under the provisions of Rule 23A. As required under the provisions of Rule 32A. As required under the provisions of paragraph (1A) of Rule 14.

The Participating Employers will ensure that the Trustee receives in such a manner (or manners) as notified to the Trustee in writing:

- Normal, Shortfall (Past Service), Additional (Future Service) and Other (except Rule 32A and Clause 13(1)(ee)) contributions by the 19th (or 22nd day if paid electronically) day of the month following the month to which the contributions relate.

- Expenses of Administration (except PPF and other levies) contributions by the 19th day (or 22nd day if paid electronically) of the second month after each quarter end.

- Otherwise by the end of the month following that in which the payment is requested from the Employer by the Administrator, or such later date as may be agreed by the Principle Employer with the Trustee.

Certification of schedule of contributions

Name of scheme: Electricity North West Group of the Electricity Supply Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2019 to be met by the end of the period specified in the recovery plan dated 31 March 2020.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 31 March 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 Group's liabilities by the purchase of annuities, if the Group were to be wound up.

Signature	*Chris Vaughan-Williams*	Date	31 March 2020
Name	Chris Vaughan-Williams	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	1 Redcliff Street Bristol BS1 6NP	Name of employer	Aon Hewitt Limited

Actuarial certificate given for the purposes of Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Electricity North West Group of the Electricity Supply Pension Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Group's technical provisions as at 31 March 2013 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Group and set out in the statement of funding principles dated 31 March 2017.

Signature	*Chris Vaughan-Williams*	Date	31 March 2020
Name	Chris Vaughan-Williams	Name of employer	Aon Hewitt Limited
Qualification	Fellow of the Institute and Faculty of Actuaries	Address	1 Redcliff Street Bristol BS1 6NP

Annual statement regarding governance of the DC Section of the Scheme ("Statement") (for the Scheme year 1 April 2020 to 31 March 2021)

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") requires trustees of defined contribution ("DC") pension arrangements to prepare an annual statement regarding scheme governance and aim to help members achieve a good outcome from their pension savings.

This Statement is issued pursuant to Regulation 23 of the Scheme Administration Regulations by the Group Trustee and covers the Group year from 1 April 2020 to 31 March 2021. It is signed on behalf of the Group Trustee by the Chair.

This Statement covers governance and charge disclosures in relation to the following:

1. The Group's default arrangement
2. Processing of core Group financial transactions
3. Member borne charges and transaction costs relating to:
    i. Default arrangement
    ii. Self-select funds
    iii. Additional Voluntary Contributions

    Illustrations of the cumulative effect of these costs and charges are also included here.
4. Value for Members assessment
5. Group Trustee knowledge and understanding

The Group Trustee has also taken actions required to manage the Group in light of the COVID-19 pandemic and has incorporated additional commentary into this Statement to reflect that.

1. The Default Arrangement

The Group Trustee is required to design the default arrangement in members' interests and keep it under review. The Group Trustee needs to set out the aims and objectives of the default arrangement and take account of the level of costs and the risk profile that are appropriate for the Group's membership.

The Group is used as a Qualifying Scheme for auto-enrolment purposes.

The Group Trustee is responsible for the Group's investment governance, which includes setting and monitoring the investment strategy for the Fund's selected default arrangement, the Flexible Retirement Lifestyle Strategy (the "Default"). The Default is primarily provided for members who join the Scheme and do not choose an investment option for their contributions and are looking to take their retirement savings through income drawdown in retirement.

Details of the objectives and the Group Trustee's policies regarding the Default can be found in the Group's 'Statement of Investment Principles' (SIP) prepared in accordance with Regulation 2A (default investment strategy) of the Occupational Pension Schemes (Investment) Regulations 2005. The SIP is attached to this Statement as an appendix and a summary of its aims are set out here for ease of reference:

- The aim of the Default is to try to ensure that members' savings are invested in funds that are appropriate for them, based on the number of years until their selected retirement date
- In designing the default strategy for DC members, the Group Trustee has explicitly considered the risk and expected return characteristics of the funds used at different stages of the strategy
- Assets in the Default are invested in the best interests of members and beneficiaries, taking into account the profile of membership

- Assets in the Default are invested in a manner which aims to ensure the security, liquidity and profitability of member's portfolio as whole
- Assets are invested in regulated products and mainly on regulated markets (any that are not will be kept to prudent levels)

Default investment strategy review

A formal investment strategy review took place during the Group year covered by this Statement and was completed on 26 May 2020. The review considered suitability of the Default and other fund options with reference to the membership demographics and how members access their benefits.

Following the review, the Group Trustee decided that the Default should move allocations from the Aegon BlackRock 40/60 Global Equity Index Fund in the growth phase, to the Aegon BlackRock 30/70 Global Equity Index Fund to reduce UK equity bias exposure. However, the only version of the 30/70 Fund available from the Group's investment manager (Aegon) at the time of making this decision, incurred a higher associated charge due to its additional currency hedging feature. Following discussions with Electricity North West Limited ("ENWL"), the Group's principal employer, and resistance to the increase in member borne charges, Aegon has subsequently made an unhedged version of the 30/70 Global Equity Index Fund available which sees only a minimal increase in charges. The decision in principle has been made for the Default to utilise the unhedged version of the 30/70 Fund in the growth phase. This has not yet been implemented, but is intended to take place in the latter half of 2021.

The Group Trustee undertakes a formal review of the default arrangement every 3 years and the next formal detailed review is due to take place before 26 May 2023.

Performance Monitoring

The Group Trustee also reviews the performance of the Default against its aims and objectives on a quarterly basis. This review includes an analysis of fund performance to check that the risk and return levels meet expectations. Performance is reviewed against target benchmarks that have been agreed with the investment managers.

The gross fund performance of the component funds of the Default over a 1 year and 3 year rolling period is shown below:

	Annualised performance per year (% p.a.)	
Fund name	1 year	3 years
Aegon BlackRock 40/60 Global Equity Index	35.0	-
Benchmark	34.6	-
Aegon BlackRock Market Advantage	14.3	3.3
Benchmark	3.7	4.0
Aegon BlackRock Cash	0.1	0.6
Benchmark	-0.1	0.3

The Group Trustee reviews that took place in the year concluded that the Default was performing broadly as expected.

The Group Trustee has undertaken more frequent monitoring of the investment strategy and member experience, in light of the COVID-19 pandemic, so it can identify any investment related issues and respond more quickly. The Group Trustee decided that no additional revisions to the investment strategy during this period were appropriate.

The Group Trustee wrote to all DC members in April 2020, providing members with a COVID-19 factsheet and access to a pre-recorded webinar covering the following:

- Members should continue to remember that pensions are a long-term savings plan after some large downturns in equity markets and other investments, and they may not want to make short term decisions during a period of heightened market volatility;
- Members were encouraged to consider their investment time horizon when reviewing their investment choices, and where appropriate, look to have a longer-term outlook with regards to their pension investments;
- For members approaching retirement or planning to access their benefits, it was explained that the Group offers options designed to manage the level of risk taken dependent on how close members are to retirement, with automatic risk reduction as target retirement age is approached; and
- Members should be extra vigilant with the number of pension scams on the rise.

This followed a prior communication in March 2020 where the Group Trustee wrote to all DC members covering similar points.

The Group Trustee continues to monitor the situation and will issue further communications as necessary, including planned communications in the annual benefit statements, personalised videos, and member newsletters.

2. Processing of Core Financial Transactions

The Group Trustee has a duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the investment of contributions, transfer of member funds into and out of the Group, transfers between different investments within the Group and payments to and in respect of members/beneficiaries.

The bulk of the core financial transactions are undertaken on behalf of the Trustee by the Scheme administrator, RPMI.

Electricity North West Limited ("ENWL"), the Group's principal employer is responsible for ensuring that member and employer contributions are paid to the Group promptly. ENWL's payroll team follows procedures agreed with the ENWL in-house pensions team to ensure that member and employer contributions are remitted to the Group Trustee within three working days of the relevant pay date in respect of monthly paid employees. Contributions for weekly paid employees are paid monthly and these members have been offered monthly payment terms. The timing of such payments is monitored by the Group Trustee from six-monthly administration reports provided by RPMI.

In order to determine how well the administration is performing the Group Trustee has service level agreements ("SLA") in place with RPMI. The SLAs detail the key administration processes to be performed and the target timescale within which each of these processes needs to be completed. The SLAs cover all core financial transactions. Under the current SLA, RPMI aims to accurately complete all financial transactions within 3 working days, with the exception of the validation and reconciling and the investment of contributions, which must be completed within 2 working days.

The Group Trustee has also reviewed the key processes adopted by RPMI and output in order to minimise the risks of inaccurate or late payment of core financial transactions. Key processes include:

- A full member and Group reconciliation being undertaken annually as part of the annual preparation of the Annual Report and Financial Statements
- Provision of quarterly administration reports – enabling the Group Trustee to check core financial transactions and review processes relative to any member complaints made
- Monthly contribution checks and daily reconciliation of the Group Trustee bank account
- Checks for all investment and banking transactions prior to processing

- All trading with the investment managers (investments, disinvestments and switches)
- Annual data reviews
- Documentation and operation in line with quality assurance policies and procedures
- Operation in line with the business continuity plan and confirmation that the administrator has prioritised core financial transactions during this period.

In addition, the ENWL in-house pensions team meets with RPMI on an annual basis to discuss the administration of the DC Section of the Group. These meetings provide an opportunity to discuss any issues that might arise.

The Group Trustee is satisfied that over the Group year covered by this Statement:

- the administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA;
- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately.

3. Member Borne Charges and Transaction costs

The Group Trustee is required under Regulation 25(1)(a) of the Administration Regulations to calculate certain charges and transaction costs over the period covered by this statement. The Group Trustee should regularly monitor the level of charges borne by members through the investment funds. These charges comprise:

4. **Charges: these are explicit, and represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio (TER), or as an Annual Management Charge (AMC), which is a component of the TER;**
5. **Transaction costs: these are not explicit and are incurred when the Scheme's fund manager buys and sells assets within investment funds but are exclusive of any costs incurred when members invest in or sell out of funds.**

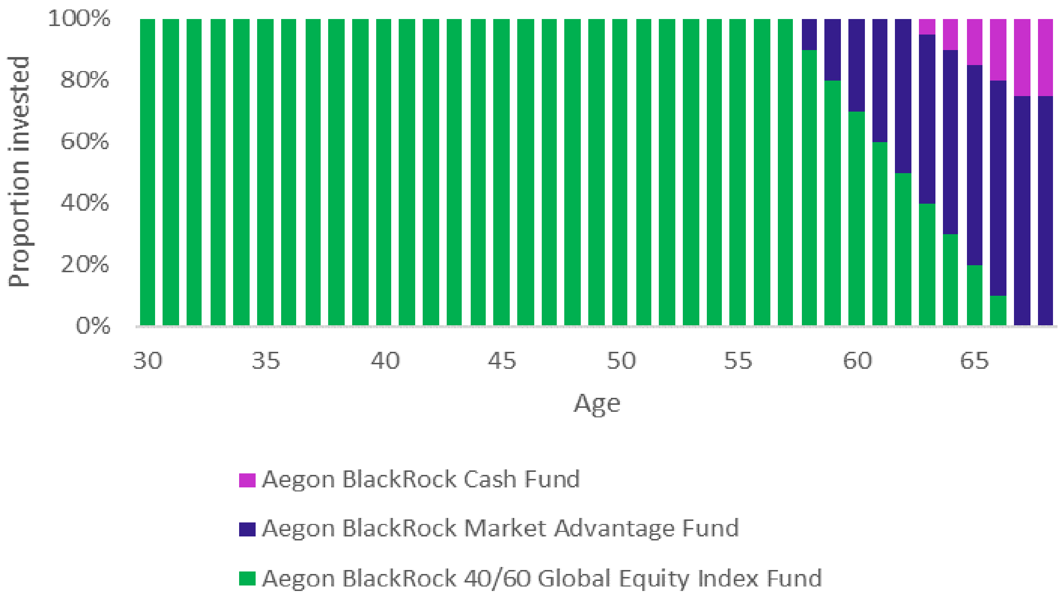
The Group Trustee is also required to confirm that the charges on the Default have not exceeded 0.75% pa (the charge cap) and produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

The Group Trustee has set out the costs and charges that are incurred by members, rather than the employer, over the statement year in respect of each investment fund available to members. These comprise the AMC/TER and insofar as we are able to, transaction costs.

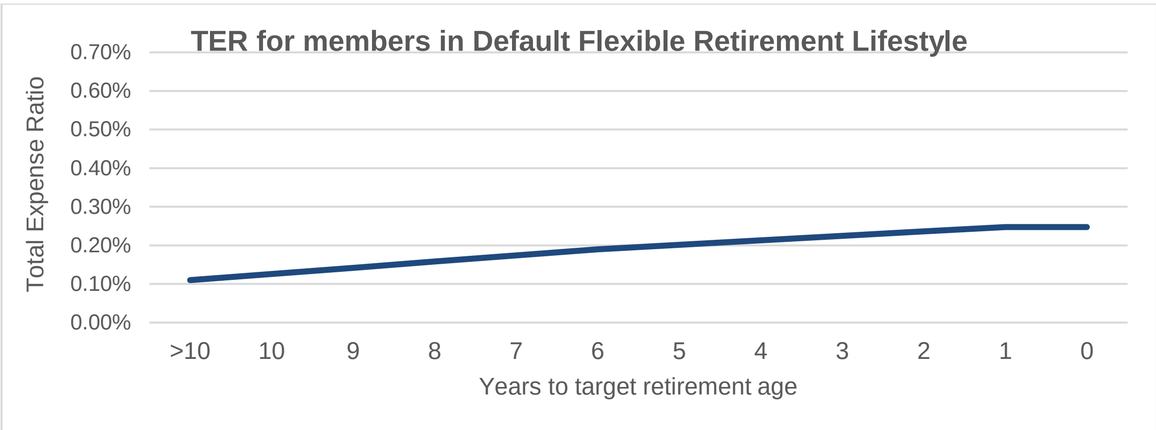
The charges and transaction costs have been supplied by Aegon, the Group's investment platform provider.

(i) The Default – Flexible Retirement Lifestyle

The Flexible Retirement Lifestyle has been set up as a lifestyle arrangement which means that member's assets are automatically moved between different investment funds as they approach their Target Retirement Date. This is illustrated in the bar chart below.



The TER that a member paid over the year depends on their term to retirement, as shown in the line chart below. The TER ranges from 0.11% p.a. to 0.25% p.a. which is within the 0.75% p.a. charge cap for schemes that are used for auto-enrolling their employees and is unchanged from the Scheme year ending 31 March 2020.



Lifestyle	**TER % p.a.**	**Transaction costs % p.a.**				**Total costs % p.a.**
		2020/21	**2019/20**	**2018/19**	**3-year average**	
Flexible Retirement	0.11 – 0.25	0.026 – 0.137	0.036 – 0.106	0.042 – 0.116	0.035 – 0.120	0.145 – 0.370

(ii) Self-select investment funds

In addition to the Default, members also have the option to invest in a further lifestyle arrangement targeting annuity at retirement, and 12 individual funds.

The TERs and transaction costs for each of these are shown in the following tables:

Lifestyle	**TER % p.a.**	**Transaction costs % p.a.**				**Total costs % p.a.**
		2020/21	**2019/20**	**2018/19**	**3-year average**	
Annuity Target	0.11 – 0.19	0.020 - 0.102	0.022 – 0.036	0.007 – 0.042	0.016 – 0.060	0.126 – 0.250
Individual funds	**TER % p.a.**	**Transaction costs % p.a.**				**Total costs % p.a.**
		2020/21	**2019/20**	**2018/19**	**3-year average**	
Aegon BlackRock 40/60 Global Equity Index	0.11	0.0000	0.0361	0.0420	0.0260	0.1360
Aegon BlackRock All Stocks UK Index Linked Gilt Index	0.10	0.0441	-0.0113	0.0010	0.0151	0.1151
Aegon BlackRock All Stocks UK Gilt Index	0.10	-0.007	0.0691	0.1210	0.0634	0.1634
Aegon BlackRock Corporate Bond All Stocks Index	0.12	0.0512	0.0425	0.0170	0.0369	0.1569
Aegon BlackRock Pre-Retirement	0.15	0.0358	0.0261	0.0030	0.0216	0.1716
Aegon BlackRock Cash	0.18	0.0144	0.0114	0.0170	0.0142	0.1942

Aegon BlackRock Emerging Markets Equity Index	0.31	0.0000	-0.0602	-0.0750	0.0000	0.3100
Aegon LGIM Ethical Global Equity	0.41	0.0000	0.0042	0.0090	0.0044	0.4144
Aegon BlackRock Market Advantage	0.27	T0.2454	0.1375	0.1490	T0.1773	0.4473
Aegon HSBC Islamic Global Equity Index	0.50	0.0196	0.0409	0.0330	0.0312	0.5312
Aegon BNY Mellon Global Equity	0.65	0.0000	0.0621	0.0790	0.0470	0.6970
Aegon BlackRock Property	0.94	0.1127	-0.0636	-0.0640	0.0376	0.9776

In the 3 year average column we have assumed zero transaction cost for any year where the transaction cost was negative.

(iii) Additional Voluntary Contributions

The Group also has some legacy AVC investments held with Utmost Life and Pensions (formally Equitable Life) and Prudential (With Profits Fund). These funds are closed to new contributions.

The annual management and additional expense charges on the Utmost Life Funds are 0.5% - 0.75% p.a. The charges on the Prudential With Profits Fund are not explicit and are accounted for in the bonus declared on the With Profits Fund. Prudential estimates the charge on the With Profits Fund is 0.8% p.a. assuming underlying investment returns are 5% p.a.

(iv) Illustrations of the cumulative effect of costs and charges

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to providing members with additional information about investment

charges and the level of core financial costs by the trustee and managers of a relevant scheme. This was intended to improve transparency on costs and the information must be set out as example member illustrations.

In order to comply with this requirement, and to help members to understand the impact that costs and charges can have on their retirement savings, the Group Trustee has provided illustrations of their cumulative effect on the value of typical Scheme members' savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions, which are set out in the Notes section below.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Group they are not a substitute for the personalised illustrations which are provided to members in their annual benefit statements.

Key points to note relating to the illustrations

The tables below illustrate the potential impact that costs and charges might have on different investment options provided by the DC Section of the Group. Not all investment options are shown - the Group Trustee has chosen illustrations which it believes will provide an appropriate representative sample of the different investment choices that members can make.

In each of the illustrations, the "Before charges" column gives the hypothetical value of the investments if members were able to invest in funds at no cost. However, there will always be some cost to investing. This is because the organisations which manage the funds charge fees for their services, and buying and selling the stocks and shares which drive the funds' performance incurs costs. The "After all costs and charges deducted" column reflects the performance of the funds after these costs have been deducted.

In the illustrations, we have shown the projections for the following:

1. The Default
2. The fund with the highest charges of all funds available (Aegon BlackRock Property Fund)
3. The fund with the lowest charges and lowest expected return of all funds available (Aegon BlackRock All Stocks UK Index Linked Gilt Fund)
4. The fund with the highest expected return of all funds available (Aegon BlackRock Emerging Markets Equity Index Fund)

The tables illustrate how the pension pot of members currently aged 17 and 36 (being the youngest age and the median age) will increase over time, with and without charges. Please see the Notes below for more details.

Member projections – the Default

Active member – ongoing contributions assumed to be invested in the Default				
	17 year old, with a starting pot of £3,600, paying annual contributions of £2,700		**36 year old, with a starting pot of £30,000, paying annual contributions of £6,200**	
Years from 31/3/21	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	6,483	6,476	37,424	37,379
3	12,572	12,539	53,105	52,934
5	19,120	19,042	69,969	69,619
10	37,732	37,439	117,899	116,819
15	60,052	59,357	175,378	173,052
20	86,818	85,469	244,306	240,045
25	118,916	116,578	325,674	318,032
30	157,407	153,640	410,970	396,364
32	174,872	170,380	440,403	422,127
35	203,567	197,794	-	-
40	258,922	250,398	-	-
45	323,141	310,063	-	-
50	384,629	363,875	-	-
51	394,566	372,020	-	-

Individual fund projections – the funds with the lowest and highest charges and the lowest and highest expected returns

17 year old active member						
Years from 31/3/21	Aegon BlackRock Property Fund (highest charges)		Aegon BlackRock All Stocks UK Index Linked Gilt Fund (lowest charges and lowest expected return)		Aegon BlackRock Emerging Markets Equity Index (highest expected return)	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	6,473	6,425	6,191	6,185	6,522	6,507
3	12,524	12,289	11,203	11,177	12,767	12,691
5	19,006	18,454	15,997	15,941	19,586	19,404
10	37,302	35,278	27,089	26,919	39,507	38,809
15	59,033	54,334	37,014	36,683	64,333	62,634
20	84,843	75,918	45,893	45,368	95,270	91,886
25	115,497	100,365	53,838	53,093	133,823	127,803
30	151,904	128,054	60,947	59,964	181,868	171,901
35	195,144	159,416	67,308	66,076	241,740	226,045
40	246,500	194,939	72,998	71,512	316,351	292,524
45	307,494	235,173	78,090	76,348	409,331	374,148
450	349,457	261,832	80,884	78,989	475,773	431,795
51	395,981	290,560	83,498	81,451	551,594	496,997

36 year old active member						
Years from 31/3/21	Aegon BlackRock Property Fund (highest charges)		Aegon BlackRock All Stocks UK Index Linked Gilt Fund (lowest charges and lowest expected return)		Aegon BlackRock Emerging Markets Equity Index (highest expected return)	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	37,358	37,034	35,471	35,433	37,688	37,586
3	52,854	51,640	46,056	45,925	54,117	53,723
5	69,455	66,992	56,180	55,937	72,059	71,242
10	116,315	108,891	79,603	79,008	124,471	121,879
15	171,969	156,347	100,561	99,529	189,787	184,052
20	238,070	210,099	119,313	117,782	271,182	260,389
25	316,576	270,980	136,091	134,017	372,616	354,115
30	409,817	339,937	151,103	148,459	499,020	469,193
32	451,842	370,017	156,656	153,778	557,904	522,257

Notes, assumptions and data for illustrations:

The following assumptions have been made for the purposes of the above illustrations:

1. Annual salary growth and inflation is assumed to be 2.5% p.a.

2. The projected growth rates for each fund used in the projections are shown in the table below. These are consistent with the rates used in the Statutory Money Purchase Illustration ("SMPI") Assumptions when preparing the annual benefit statements.

Fund	Return assumption above inflation (% pa)
Aegon BlackRock 40/60 Global Equity Fund	3.70
Aegon BlackRock Aquila Life Market Advantage Fund	3.00
Aegon BlackRock Cash Fund	-1.50
Aegon BlackRock Property Fund	3.50
Aegon BlackRock Emerging Markets Equity Index Fund	4.50
Aegon BlackRock All Stocks UK Index Linked Gilt Fund	-2.20

3. The projected annual growth rates in relation to inflation for the Default at various periods to retirement are shown below. These are consistent with the rates used in the SMPI assumptions when preparing the annual benefit statements:
   - 3.70% for periods up to 11 years to retirement
   - 3.56% when a member is 9 years from retirement
   - 3.06% when a member is 5 years from retirement
   - 1.88% when a member is at their retirement age

   The projection takes into account the changing proportion invested in the different underlying funds in the Default.

4. The transaction costs have been averaged over a 3 year period in line with statutory guidance to reduce the level of volatility (noting that costs for earlier years have not been provided by Aegon), and a floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.

5. The starting fund values and future contributions used in the projections are representative of the average for the DC Section of the Scheme. The starting pot size for the 17 year old member is assumed to be £3,600, which is the expected pot for a member aged 17. For the member aged 36, we have used the median sized pot which is currently £30,000.

6. For the 17 year old member, the illustrations assume ongoing contributions of £2,700 each year, which is based on an average annual salary of £13,700 and total contributions of 19.8% p.a.

7. For the 36 year old member, the illustrations assume ongoing contributions of £6,200 each year, which is based on an average annual salary of £31,500 and total contributions of 19.8% p.a.

8. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.

9. Values shown are estimates and are not guaranteed.

10. Transaction costs have been estimated based on the data available from Aegon and the underlying fund managers.

11. Retirement age is assumed to be 68 for both members.

12. Data used is as at 31 March 2021.

4. Value for Members assessment

Regulation 25(1)(b) of the Administration Regulations requires the Group Trustee to assess charges and transactions costs borne by members and the extent to which those charges and costs represent good value for money for members.

There is no legal definition of "good value" or the process of determining this for scheme members. Therefore, working in conjunction with their advisers, Aon and Isio, the Group Trustee has developed a cost-benefit analysis framework in order to make an assessment as to whether members receive good value from the Scheme relative to the costs and charges they pay.

The costs have been identified as the TER and transaction costs and are set out in section 3 of this Statement. The Group Trustee has considered the benefits of membership under the following five categories: Group governance, investments, administration and member experience, member communications and retirement support. Benchmarking relative to other pension arrangements or industry best practice guidelines is also undertaken and the total Group charges are well below the median average charge for similar sized DC pension arrangements.

The Group Trustee's beliefs have formed the basis of the analyses of the benefits of membership. These are set out below along with the main highlights of their assessment.

Scheme governance

The Group Trustee believes in having robust processes and structures in place to support effective management of risks and ensure members interests are protected, increasing the likelihood of good outcomes for members

- In addition to the main Group Trustee board, there are four sub-committees responsible for oversight of the Group: DC sub-committee, investment sub-committee, administration sub-committee and audit and governance sub-committee. The sub-committees meet separately at least bi-annually and report back to the main board at quarterly trustee meetings.
- The audit and governance sub-committee is responsible for ensuring the Group is governed effectively and in line with relevant regulations. This includes an annual review of the governance and operational processes.
- The Group has a detailed risk register in place which is used to identify, quantify and mitigate potential risks relating to the Group, including specifically in relation to the DC section.

Investments

The Group Trustee believes that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes

- The Group offers two lifestyle strategies and a variety of freestyle funds covering a range of member risk profiles and asset classes. The investment funds available have been designed, following advice from the Group Trustee's investment adviser, with the specific needs of members in mind.

Administration

The Group Trustee believes that good administration and record keeping play a crucial role in ensuring that scheme members receive the retirement income due to them. In addition, that the type and quality of service experienced by members has a bearing on the level of member engagement.

- The Group Trustee obtains information to assess the member experience through quarterly administration reports from RPMI and member discussion groups.

- The DC sub-committee regularly reviews the performance of the administrator by reviewing the administration reports and gaining feedback from ENWL's in-house pensions team. The ENWL in-house pensions team meets with RPMI annually to review performance and discuss any appropriate action.
- As a result of COVID-19, the Group Trustee regularly communicated with RPMI to ensure that the essential processes continued to be undertaken, including processing core financial transactions such as investing member contributions and processing retirement requests.

Member communications

The Group Trustee believes that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.

- The Group Trustee has a communication strategy in place, works with communication experts and makes use of a variety of communication media, including access to online tools to support retirement planning and other materials that are posted on the member website. The new website launched during the Group year covered by this Statement: www.enwlpensions.co.uk
- The Group Trustee sends personalised pension videos to active members on an annual basis to show them the current value of their pension pot, an estimate of the value of their pension at normal retirement age, how much the Company contributes towards their pension and how they could improve their retirement outcome by increasing their contribution.

Retirement support

The Group Trustee believes it is important to have retirement processes that enable members to make informed decisions and select appropriate option(s) at retirement.

- The Group offers support to members through an agreement with an external provider, Hargreaves Lansdown. This support is reviewed regularly, at least on an annual basis to ensure it remains appropriate.

Taking all the above into account, the Group Trustee's assessment concluded that the charges and transaction costs borne by Scheme members represents good value for members relative to the benefits of Group membership.

In connection with the Group's AVC arrangements with Utmost Life and Pensions (previously Equitable Life) and Prudential, the Group Trustee has concluded that the costs and charges represent good value relative to similar arrangements. A more detailed review of these arrangements is due to take place to determine whether members could receive better value through the main DC Section.

5. Group Trustee Knowledge and Understanding ("TKU")

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Group Trustee directors to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.

The comments in this section relate to the Group as a whole and not solely the DC Section.

The Group Trustee directors have processes and procedure in place to meet the Pension Regulator's TKU requirements (as set out in their Code of Practice No 7), some of which are identified below:

- A structured training programme for newly appointed Group Trustee directors including completion of the Pension Regulator's Trustees toolkit, an online learning programme. New Trustee directors also receive structured on-boarding training sessions when they join the Trustee board; the sessions include pensions law and investment.

- Assessing training needs and identifying gaps in knowledge through annual assessments. The Group Trustee's 2020 TKU self-assessment identified that confidence remained low in understanding how to find information in the Group's documents, particularly the Group rules, despite a training session led by the Group Trustee's legal advisers in September 2019. The Group Trustee concluded that it was comfortable with 'satisfactory' knowledge in this area, but individual training has also been offered to any Group Trustee who feels this would benefit them.

- Undergoing regular training on key topics. For the Group year covered by this Statement, this included training on the DC pensions landscape, cyber security, investment strategy, pension scams; effectively running virtual meetings; General Data Protection Regulations; Anti-money laundering regulations; Environmental, Social and Governance investing; climate change risk; legal pension developments

- Each Group Trustee director must maintain a training log supporting the above, which is submitted to the ENWL in-house pensions team on a six-monthly basis.

- Group Trustee directors attended a range of conferences and seminars (mainly online/virtual events) which covered topics such as training from fund managers on pension investments, crisis resilience planning for pension schemes; 21st Century Trusteeship, member support at retirement and received additional training from advisers through main board meeting and sub-committee meetings – 16 meetings in total held during the Group year covered by this Statement.

- The Group Trustee has engaged with its professional advisers regularly throughout the year to ensure that it exercises its functions properly and takes professional advice where needed. In exercising its functions this has required knowledge of key Scheme documents such as the Trust Deed & Rules, Annual Report and Financial Statements and SIP. A few of the areas that support this statement are set out below:

    - Updates to the SIP for the latest regulatory requirements and production of an Implementation Statement
    - Signing of the Annual Report and Financial Statements
    - The law relating to pensions and trusts through updating the risk register
    - Review of quarterly administration reports to monitor service delivery against agreed service levels standards and assessing the member experience
    - Reviewing quarterly investment reports to assess fund performance against benchmarks, and funds against overall Group aim and objectives, as set out in the SIP
    - Maintaining a regime for proper governance - reviewing and updating the Group Trustee governance framework for the DC Section

The Group Trustee continued to monitor the impact of the COVID-19 pandemic on the Group Trustee board and whether measures put in place the previous year to ensure that the board could continue to perform effectively during this time remained fit for purpose.

The Group Trustee board is made up of 8 Trustee directors, including a professional trustee, with varying skill sets. The Chair of the Group Trustee previously worked for the sponsoring employer as a senior member of the finance team and other trustee directors have varying backgrounds including investment and administration. The Group Trustee believes there is a good level of diversity in terms of skills and decision making.

The Group Trustee board aims to carry out ongoing evaluation which includes, amongst other things, the design, systems, security, administration, risk management, advisers and governance of the DC Section, along with the composition and effectiveness of the board. During the prior Group year, an independent observer was invited to attend a Group Trustee meeting and provided some initial feedback to the Group Trustee board. Following this, the Group Trustee arranged a trustee effectiveness workshop and review (to be carried out by an independent body), which would have also covered sub-committee composition. The workshop was postponed due to the COVID-19 pandemic, but the Group Trustee hopes to run this workshop and review as soon as is practicably possible.

The Group Trustee considers that it meets the Pension Regulator's TKU requirements (as set out under Code of Practice No 7) and are confident that its combined knowledge and understanding, together with the support of its professional advisers, enables it to properly exercise its functions as the Group Trustee of the Group.

Signed on behalf of the Trustee of the DC Section of the Electricity North West Group of the Electricity Supply Pension Scheme by the Trustee Chair

Name	Malcolm G Sugden
Signature	*Malcolm G Sugden*
Date	20th August 2021

Electricity North West Group of the Electricity Supply Pension Scheme

May 2021 - Statement of Investment Principles

1. Introduction

The Trustee of the Electricity North West Group of the Electricity Supply Pension Scheme ("the Group"), has drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act") and subsequent legislation. This statement sets out the principles governing the Trustee's decisions to invest the assets of the Group.

The Group's investment strategy is derived from the Group Trustee investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

A separate document ("Summary of Investment Arrangements") detailing the specifics of the Group's investment arrangements is available upon request.

2. Governance

The Trustee of the Group makes all major strategic decisions including, but not limited to, the Group's asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustee takes written advice. The Trustee's investment advisers, Isio Group Limited, are qualified by their ability in, and practical experience, of financial matters, and have the appropriate knowledge and experience. The investment advisers' remuneration will be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Group.

In preparing this Statement the Group Trustee has consulted the Sponsoring Company, Electricity North West Limited ("the Company"), to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Group's investment arrangements. The Trustee has also taken the Myners Principles into account before making decisions about the Group's investment arrangements.

The Group Trustee has established an Investment Sub-Committee. It has delegated responsibility for regular investment monitoring and may delegate other matters at the discretion of the Trustee to the Investment Sub-Committee.

The Group Trustee has also established a Joint Working Group ("the JWG") with the Company. The JWG's responsibilities include formulating and monitoring an approach to reduce risk depending on both improvements to the funding level over time and also the Group's membership profile, aiming to achieve a long-term funding target.

3. Investment Objectives

The Group Trustee invests the assets of the Group with the aim of ensuring that all members' current and future benefits can be paid.

3.1 Defined Benefit Section

The Group's ongoing (technical provisions) position is evaluated regularly through the formal triennial valuation process and also the annual funding updates. The immediate objective is for the Group to be fully funded on a technical provisions basis. It is on this basis that the Group's Schedule of Contributions is agreed.

The agreed long term objective is for the Group to aim to be fully funded on a "long term funding target" basis defined as gilts +0.5%. The aim on this basis is for the Group to have sufficient assets to maintain a low-risk investment strategy and still be able to pay out pensioner cash flows as they become due. Once achieved, the Group should have a relatively low reliance on the Company for ongoing financial support.

3.2 Defined Contribution Section

If members have not opted for discretion over their own investments decisions, the Trustee's objective is to ensure the default is appropriate for the majority of members.

4. Investment Strategy– Defined Benefit Section

The Group Trustee takes a holistic approach to considering and managing risks when formulating the Scheme's investment strategy. Given that the bulk annuity transaction is fixed to cover a set amount of liabilities, the Trustee will consider the benchmark allocation for the residual assets only but will incorporate the bulk annuity when considering cashflow, interest rate and inflation hedging decisions.

The Group's investment strategy was derived following careful consideration of the factors set out in **Appendix A**. The considerations include the nature and duration of the Group's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Group, and also the strength of the sponsoring company's covenant. The Trustee considered the merits of a range of asset classes.

The Group Trustee recognises that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. This risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

The table overleaf shows the Group's target investment strategy that aims to provide returns consistent with the long-term funding target objective outlined in section 3.1 and to achieve this with the lowest possible volatility. Excluding the bulk annuity transaction, the strategy aims to hedge c.90% of interest rate and c.80% of inflation risk, which is primarily obtained through the LDI mandate. The buy and hold bonds and long lease property mandates also provide some liability hedging characteristics to supplement this.

Asset Class	Benchmark Allocation (excl. bulk annuity[1]) (%)
Global Equities	7
Distressed Debt[2]	0

Global Property[2]	0
Direct Lending[3]	13
Semi-Liquid Credit	5
Infrastructure Equity[4]	10
Long Lease Property	15
Buy and Hold Bonds	20
LDI	30
Total	100

[1]The benchmark allocation above excludes the bulk annuity Policy with Scottish Widows due to inability to rebalance these holdings to a target weight

[2] These asset classes are current holdings will continue to distribute the remaining capital within the Fund, however they are not expected to remain as long term holdings in the strategy and as such are expected to roll out of the portfolio over time.

[3] This asset class is expected to distribute capital and income within the Fund over time. The distributions from this mandate will be reinvested in growth assets.

[4] This mandate will be drawn down over time.

The continuing appropriateness of the current and target strategy in terms of investment risk and the Group Trustee's objectives will be considered on an ongoing basis and at least every three years in conjunction with the tri-annual actuarial valuation.

5. Investment Management Arrangements

The Group Trustee has appointed several investment managers to manage the assets of the Scheme as listed in the Investment Implementation Document ("IID")/SIP. The investment managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Group Trustee has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Group's investments and that they are carrying out their work competently. The Trustee's take investment managers' policies into account when selecting and monitoring managers. The Trustee's also take into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

The Group Trustee regularly reviews the continuing suitability of the Group's investments, including the appointed managers and the balance between active and passive management, which may be adjusted from time to time. However, any such adjustments would be done taking into account the risk measures detailed in Appendix A.

Each of the appointed managers has a specific performance objective (to be achieved within acceptable risk tolerances). Performance of the managers is monitored in detail by the Group Trustee on a quarterly basis and the managers meet the Trustee to report on their performance at least once every three years.

Details of the appointed managers can be found in a separate document produced by the Group Trustee, the IID as referenced earlier, which is available to members upon request.

In the event of a change in investment manager(s), the Group Trustee will seek appropriate advice to facilitate the required asset transfer.

The Group Trustee has appointed a custodian to operate alongside the investment managers in place. The custodian provides safekeeping for the assets and performs all associated administrative duties such as the collection of dividends.

6. Investment Manager Monitoring and Engagement

The Trustee monitors and engages with the Group's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	• The Group Trustee receives a quarterly performance report which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee/ISC meeting. • The Group's investment managers are invited, in person, to present to the Trustee's on their performance, strategy and risk exposures.	• There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee's expectations. • Underperformance vs the performance objective over the period that this objective applies.

Environmental, Social, Corporate Governance factors and the exercising of rights	• The Trustee's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Trustee receives information from their investment advisers on the investment managers' approaches to engagement.	• The manager has not acted in accordance with their policies and frameworks. • The manager's policies are not in line with the Trustee's policies in this area.

Through the engagement described above, the Trustee will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager's appointment and will consider terminating the arrangement.

7. Additional Assets

Under the terms of the trust deed the Trustee is responsible for the Defined Contribution Section of the Group including the investment of Additional Voluntary Contributions ("AVCs") paid by members. The Trustee reviews the investment performance of the chosen providers on a regular basis and takes advice as to the providers' continued suitability.

8. Employer-related Investments

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Groups (Investment) Regulations 2005 except where the Group invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Group's total asset value. The Trustee will monitor this on an ongoing basis to ensure compliance.

9. Direct Investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their investment advisers.

No direct investment in the following entities is permitted, nor any direct investments in the transferrable securities issued by those entities (ENW Finance plc, ENW Capital Finance plc, NWEN plc, NWEN Finance plc and infrastructure funds managed by any of Equitix, Kansai Electric Power Co. Inc., Mitsubishi UFJ Lease & Finance Co. Limited, Daiwa Energy & Infrastructure Co. Limited and CNIC).

It is recognised that an index tracking manager may invest in these stocks indirectly to the size of these stocks within the index and that the Trustee is unable to influence the size of the investment. Similarly, it is recognised that the Group's other managers may invest in these prohibited stocks where the Group is investing in a pooled fund.

10. Additional Control Framework

The Trustee has adopted the following framework in structuring the Group's investments taking into account the risk measures detailed in **Appendix A**:

- Derivatives may only be used with the prior consent of the Trustee, except as otherwise specified in the separate document detailing the specifics of the Group's investment arrangements.
- No investment in securities without a readily realisable value without the prior consent of the Trustee.
- Investment may be made in securities that are not traded on regulated markets. Recognising the risks (in particular liquidity and counterparty exposure) the Trustee will ensure that the assets of the Group are predominantly invested on regulated markets.
- Direct borrowing is not permitted except as to cover short term liquidity requirements.

11. Socially Responsible Investment and Corporate Governance

The Group is a large institutional investor, investing on behalf of its members as beneficiaries. As part of its fiduciary duty, the Trustee recognises the need for the Group to be a long-term responsible stakeholder.

The Group's ESG beliefs have been agreed and are set out in a separate document: Environmental, Social and Governance Policy.

12. Compliance with this Statement

The Trustee monitors compliance with this Statement annually and obtains written confirmation from the investment managers that they have given effect to the investment principles in this Statement so far as reasonably practicable and that in exercising any discretion the investment managers have done so in accordance with Section 4 of The Occupational Pension Groups (Investment) Regulations 2005.

13. Review of this Statement

The Trustee will review this Statement annually and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments. In addition, the Trustee will obtain written confirmation from the investment managers that they have complied with its requirements.

Signed on behalf of Electricity North West (ESPS) Pensions Trustees Limited, as Trustee of the Electricity North West Group of the Electricity Supply Pension Scheme

Signed:	*M G Sugden*	Date:	13 May 2021
Name:	M G Sugden, Trustee Chair		

Appendix A – Risks, Financially Material Considerations and Non-Financial Matters

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach. The three key risks associated with this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Group's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Group's funding basis and the sponsoring company's covenant strength. • Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Group assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Group.	• When developing the Group's investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Group is exposed to is at an appropriate level for the covenant to support.

The Group is exposed to a number of underlying risks relating to the Group's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Group assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge c.90% of interest rate and c.80% of inflation risks inherent in the Group's liabilities (excluding the bulk annuity transaction).
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values). Collateral for LDI purposes will be sourced by LGIM using cash within the segregated mandate in place.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Group for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Group's investments.	• The Trustee has implemented its own ESG Policy which it uses in the selection and monitoring of its investment managers. • ESG is taken into account as part of Isio's standard due diligence and ongoing research and as such is a consideration in the selection and retention of the Group's investment managers. The Trustee monitors the managers on an ongoing basis.

Currency	The potential for adverse currency movements to have an impact on the Group's investments.	• Hedge currency risk to an appropriate level as determined by the Trustee with advice from their investment advisor. • The Trustee aims to invest in GBP share classes where possible to eliminate direct currency risk in underlying holdings, except where active currency positions are held.
Non-financial	Any factor that is not expected to have a financial impact on the Group's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix B – Manager Incentivisation

The Trustee has the following policies in relation to the investment management arrangements for the Group:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.	• Where the Group is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective. • Where the Trustee has a bespoke or segregated arrangement with the investment managers, thereby allowing the investment managers to align their strategy with the Trustee's policies. This is reviewed on an ongoing basis. • The Group's mandates for Global Real Estate Secondaries, Distressed Debt and Direct Lending are subject to a performance related fee.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	• The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustee monitors the investment managers' engagement and voting activity regularly as part of their ESG monitoring process.

How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies.	• The Trustee reviews the performance of all of the Group's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustee evaluates performance over the time period stated in the investment managers' performance objective. • Investment manager fees are monitored on an on-going basis to make sure the correct amounts have been charged.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	• The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Group's arrangements with the investment managers	• The duration of the arrangements is considered in the context of the type of fund the Group invests in. • For closed ended funds or funds with a lock in period, the Trustee ensures the timeframe of the investment or lock-in is inline with the Trustee's objectives and Group's liquidity requirements • For open ended funds, the duration is flexible and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue

Background and Implementation Statement

The Department for Work and Pensions ('DWP') is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and pension groups need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that pension groups detail their policies in their statement of investment principles ("SIP") and demonstrate adherence to these policies in an implementation report.

Statement of Investment Principles (SIP)

The Group updated its SIP in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments
- an explanation of how the default strategy is in the best interest of members

The SIP can be found online at the web address www.enwlpensions.co.uk/about-the-scheme/scheme-documents.

Implementation Report

This implementation report provides evidence that the Group continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Group has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with Group's investment managers on managing ESG risks
- the extent to which the Group has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 March 2021 for and on behalf of the Group including the most significant votes cast by the Group or on its behalf
- the policies in place to ensure the default strategy remains in the best interest of its members

Summary of key actions undertaken over the Group reporting year

Following the purchase of an insurance policy covering a portion of the Group's liabilities, the Group refined the assets within the liability driven investment ("LDI") portfolio to better reflect the shape of the uninsured liabilities over Q4.

The Group Trustee also decided to consolidate the two buy and hold corporate bonds mandates (previously held with Insight and BlackRock) into one mandate (with Insight) following the insurance transaction. The transition of the assets from the BlackRock portfolio was completed over Q4 2020.

The Group Trustee agreed to the following asset class and investment manager appointments over Q1 2021 following significant returns of capital from the illiquid mandates:

- Investing £35m in a semi-liquid credit mandate to be managed by Apollo via their Total Return Fund.
- Investing $100m in an infrastructure equity mandate to be managed by J.P. Morgan via their Infrastructure Investment Fund.

The Group's SIP has been updated for the above decisions and is reflected in the May 2021 SIP.

The Trustee for the Defined Contribution section decided to reduce the UK overweight in the default lifestyle by amending fund used in the growth phase from the Aegon BlackRock 40/60 Global Equity Index to the Aegon BlackRock 30/70 Global Equity Index.

The Trustee also decided at add an ESG focused equity fund to the self-select range. Both these changes are in the process of being implemented.

Implementation Statement

This report demonstrates that Electricity North West Group of the ESPS has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed	*Malcolm G Sugden*
Position	Trustee Chair
Date	20th August 2021

Managing risks and policy actions (DB & DC)

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Group assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge c.90% of interest rate and c.80% of inflation risks inherent in the Group's liabilities (excluding the insurance policy). The DC Section offers funds which are expected to outperform inflation, including the default.	The Group refined the LDI portfolio to better reflect the uninsured liability profile over Q4 2020. The overall level of hedging was also refined to match the Group's funding level on a technical provisions basis for interested rates with a c.10% lag for the level of inflation hedging in place.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values). Collateral for LDI purposes will be sourced by LGIM using cash within the segregated mandate in place. The funds offered through the DC Section invest predominantly in assets which are readily redeemable in normal circumstances at reasonable prices.	The investment strategy and insurance policy distributes regular income to assist in paying benefits as they fall due.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	The Group reduces market risk by diversifying its assets across a range of asset classes and investment managers. These allocations are monitored on a quarterly basis relative to the Strategic Asset Allocation (set out in the SIP) in the Investment Performance Report.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available	The Group reduces credit risk by diversifying its assets across a range of different issuers which provide exposures to a range of sectors and geographies. These positions are monitored on a quarterly basis relative to the Strategic Asset Allocation in

Risk / Policy	Definition	Policy	Actions and details on changes to policy
		sufficiently compensates the Group for the risk of default.	the Investment Performance Report.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Group's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework (particularly around reducing their carbon footprint) 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory The Group Trustee monitors the mangers on an ongoing basis.	The Group Trustee has implemented its own ESG Policy which it uses in the selection and monitoring of its investment managers. ESG is taken into account as part of Isio's standard due diligence and ongoing research and as such is a consideration in the selection and retention of the Group's investment managers. The Group Trustee monitors the managers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Group's investments.	e currency risk to an appropriate ıs determined by the Group ee with advice from their ment advisor. roup Trustee aim to invest in hare classes where possible to ıate direct currency risk in lying holdings, except where currency positions are held.	
Non-financial	Any factor that is not expected to have a financial impact on the Group's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	

Changes to the SIP

Over the 12-month period to 31 March 2021, there have been no changes to the Group's SIP. The Group's latest SIP, applicable to this statement, is December 2019 and this has subsequently been updated in May 2021. This will be reflected in the 2022 Implementation Statement.

Current ESG Policy and Approach

ESG as a financially material risk

The SIP describes the Group's policy with regard to ESG as a financially material risk. The Group has agreed a more detailed ESG policy which describes the Group Trustee's ESG beliefs to help underpin investment decision making. The Group Trustee has recently undertaken a beliefs session and will be updating the Group's ESG policy shortly. This page details how the Group's ESG policy is implemented.

Isio's assessment criteria as well as the ESG beliefs used in evaluating the Group's managers' ESG policies and procedures on behalf of the Group. The rest of this statement details the Group Trustee's view of the managers, actions for engagement and an evaluation of the stewardship activity.

The below table outlines the areas which the Group's investment managers are assessed on when evaluating their ESG policies and engagements. The Group Trustee intends to review the Group's ESG policies and engagements periodically to ensure they remain fit for purpose.

The Group Trustee's ESG beliefs

The Group Trustee has considered and discussed ESG issues to establish their own beliefs to help underpin investment decision making having regard to an appropriate time horizon for the Group.

The following statements summarise the ESG beliefs held by the Group Trustee:

1. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Group Trustee
2. ESG factors are relevant to investment decisions in all asset classes
3. The Group Trustee will seek managers who are either signatories to the UN Principles for Responsible Investment ("PRI" – defined further below) and/or directly incorporate ESG into their investment process
4. The Group Trustee expects high ethical standards for all asset managers and welcome managers that promote diversity of views, cultures and opinions in their investment decision making
5. The Group Trustee will understand how ESG is integrated into the appointed manager's investment decisions including the managers' approach to voting and engagement
6. The Group Trustee expects all asset managers shall, without exception, prohibit all forms of forced, compulsory labour, bribery and corruption
7. The Group Trustee, along with their investment advisor, will incorporate ESG considerations into decision making on investment strategy and manager selections
8. The Group Trustee, in aligning with the Company view, will place particular importance on the managers seeking to reduce their carbon footprint

Areas of assessment by Isio for the Group's Investment Managers and ESG beliefs

Risk Management	Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Group ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Group Trustee
Approach / Framework	The Group Trustee should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager ESG factors are relevant to investment decisions in all asset classes Managers investing in companies' debt, as well as equity, have a responsibility to engage with management on ESG factors
Reporting & Monitoring	Ongoing monitoring and reporting of how asset managers manage ESG factors is important ESG factors are dynamic and continually evolving; therefore the Group Trustee will receive training as required to develop their knowledge The role of the Group's asset managers is prevalent in integrating ESG factors; the Group Trustee will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions
Voting & Engagement	The Group Trustee will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach Engaging is more effective in seeking to initiate change than disinvesting
Collaboration	Asset managers should sign up and comply with common codes and practices such as the UNPRI & Stewardship code. If they do not sign up, they should have a valid reason why Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights

ESG summary and actions with the investment managers (DB)

Manager, fund	ESG Summary	Actions identified	Engagement with manager commentary
LGIM Portfolio – Passive Equity	LGIM have shown a strong commitment to highlighting, identifying and managing ESG risks across their entire fund range, including their passive equity funds. LGIM are a market leader in their approach to ESG. They have developed a clear and comprehensive framework for scoring portfolio companies on ESG factors. They actively communicate these scores to the companies and engage with them directly to help mitigate ESG risks moving forwards.	- LGIM to consolidate the ESG scores of the underlying portfolio companies to generate a portfolio level score, making it easier for investors to digest the ESG impact of the fund. - LGIM should provide further evidence that they are making progress towards diversity at a firm level and also within the portfolio management team. - LGIM should integrate ESG reporting into their standard, quarterly client reports. While LGIM currently produce numerous, comprehensive reports on ESG, they are separate from the standard reporting.	- February 2021: This is to be picked up as part of the project to report ESG metrics, and we expect this action to be implemented in Q2 2021. - February 2021: LGIM provided a range of materials on their progress on diversity at the board and firm level, listing a number of encouraging initiatives promoting this. - February 2021: LGIM noted a timeline for reporting ESG metrics, earmarking Q2 2021 for release of quarterly client ESG reports. We will monitor progress of the release of these documents and provide update.
Permira Portfolio	Permira have demonstrated they consider ESG risks in their approach to investments and manage these risks appropriately. We view their overall approach positively but note that Permira are looking to further develop their ESG screening on potential deals, and on their private equity sponsors they work with. The lack of client reporting has been raised with the manager, and this is noted as an area that needs improvement.	- Permira could offer relevant reporting to clients with the appetite to learn more about the ESG characteristics of the manager's portfolio companies. Another form of reporting could focus on the extent of Permira's engagement with portfolio companies to improve ESG characteristics. - Permira could look to track ESG Key Performance Indicators ("KPIs") across the portfolio with the goal of highlighting key areas of development for portfolio companies.	- May 2020: There is still a lack of ESG reporting available to clients, thought it has been noted that this is being developed.

Partners Group ("PG") Portfolio	PG fully integrate ESG factors into their due diligence process, screening out investments based on specific ESG considerations as appropriate. They have established specific ESG KPIs for the Global Real Estate Secondary funds and provide regular reporting on these against targets. At a business level, PG also show strong commitment to tackling prominent ESG issues such as Climate Change.	- Provide specific ESG metrics and policies that apply at fund-level, instead of providing broader practices that apply to the entire PG firm and fund range. - Provide case studies/examples of ESG engagement with portfolio assets. - Provide more granular information/data on the diversity metrics in place at portfolio level, including ethnicity, gender and social mobility statistics.	- The actions identified were in discussion with Partners Group over the period.
Morgan Stanley 2013 Portfolio	Morgan Stanley has an established ESG process and through recruitment has recently looked to expand in this area. Morgan Stanley have also displayed a good level of collaboration with wider market participants on ESG issues. We believe a key area for improvement for Morgan Stanley would be to increase reporting as it does not currently report on ESG specific issues.	- Integrate ESG issues into reporting, examples of engagement with portfolio companies which has led to a certain outcome would provide a good insight into the ESG work that goes on in the portfolio. - Examples of meaningful engagement by Morgan Stanley displaying that ESG issues are continuously considered.	- July 2020: Morgan Stanley are yet to be able to report ESG issues or provide clear examples of engagement.
Carlyle Portfolio	Carlyle have shown that they are willing to integrate ESG considerations into all stages of the asset management process and are willing to decline deals if they have concerns on ESG grounds. Carlyle understand their limited influence as a lender in the distressed debt space. The management team therefore seek to make sure investors are appropriately rewarded for ESG risks and regular monitor these risks. In 2014, Carlyle hired its first dedicated ESG professional, and now has 5 in the business. Further, Carlyle recently become a supporter of TCFD and their first report was issued in 2020.	- In line with best practise, Carlyle should look to join the UN PRI signatory list. - Although ESG metrics are included in some report, such as Carlyle's annual ESG Report, Carlyle should integrate ESG reporting into all their standard reports, including quarterly client reports. - Increase the frequency with which ESG and impact issues are raised with the board, which currently stands at annually.	- The actions identified were in discussion with Carlyle over the period.

M&G Portfolio	M&G have an established Responsible Investment framework and carry out extensive ESG analysis as part of their due diligence. Secured Property Income Fund ("SPIF") has a strong history of active engagement and collaboration on ESG related topics.	- To provide energy and carbon emissions performance as part of their regular reporting. - To increase the percentage of assets within SPIF covered by Green Certification. - M&G could develop smart capture methods to capture data, this would be more time efficient from a tenant's perspective and potentially increase the accuracy of the data received. - To provide reporting to a similar level as gender pay gap reporting on other inclusion and diversity factors such as ethnicity, nationality and social standing.	- The actions identified were in discussion with M&G over the period.
Insight Portfolio	- At a firm level, Insight understand the importance of ESG integration in investment decision making. They actively participate in industry-wide discussions on ESG related topics. - However, the fund does not have any specific ESG objectives and there are developments for Insight to work on relating to engagement reporting. - The Group has implemented sustainability restrictions for the mandate restricting investments in carbon intensive or thermal coal businesses.	- Implement a scoring system relating to engagement data - Introduce an attribution report on how engagements have affected performance of the fund - Recruit external specialist or provide internal training so that a subset of the existing analysts have an ESG tilt to ensure that they can focus more on what the specialists focus on.	- The actions identified were in discussion with Insight over the period.
LGIM Portfolio - LDI	- LGIM have a team dedicated to understanding and assessing the impact of ESG factors for the wider business. - LGIM use proprietary tools to quantify and monitor ESG risk. LGIM believe engaging with regulators, governments and other industry participants will help mitigate ESG risk.	- LGIM should include the ESG scoring of counterparties in regular client reporting of LDI Funds.	- April 2020: Check in with LGIM LDI ESG Team on having these integrated into reports. - February 2021: LGIM noted a timeline for reporting ESG metrics and scoring, earmarking Q2 2021 for release of quarterly client ESG reports. We will monitor progress of the release of these documents and provide update.

Engagement (DB)

As the Group invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the 12-month period to the end of 31 March 2021.

Fund name	Engagement summary	Commentary
LGIM Portfolio - Passive Equity	LGIM currently do not provide details of their engagement activity for individual accounts.	LGIM engage with regulators, governments and other industry participants to address long-term structural issues. LGIM believe in an active ownership approach. Therefore, they aim to leverage the wider capabilities of the global firm, to actively engage with companies, to create positive change and value. Where engagements are unsuccessful, the team will assess where problems arose and new approaches to be employed.
Permira Portfolio – Direct Lending	Total engagements: 2 ESG: 2 (both in relation to Soho House on separate occasions)	Over the year, Permira engaged with Soho House twice on ESG matters (January and March 2021). The engagement was with the management team pre and post-investment. A summary of both engagements with Soho House is provided below: In 2020, Permira developed foundations for pilot sustainability linked loans (SLL). Permira engaged with external advisers (Sustainability Group) on strategy development and identification of ESG key performance indicators for SLL for SoHo House. The SoHo House sustainability strategy was developed by the management team focusing on: Climate; Environment; Diversity and Inclusion; Social and Economy.
Partners Group Portfolio – Global Real Estate Secondaries	Total engagements: 25 Governance:24 ESG: 1 Note the above engagement are with the underlying funds, not companies.	Partners Group engage with a wide range of underlying funds in which it invests. Partners Group have a clear due diligence and engagement framework. The team continually engage with portfolio companies and funds through discussion with management, and these engagements have been a key driver to produce formal corporate sustainability reports. An example of significant engagement includes:

		Engagement with EPISO, one of the portfolio underlying funds, regarding rent collection, insolvency risk amongst tenants, new leases and future sales plans during the ongoing COVID-19 pandemic.
Morgan Stanley 2013 Portfolio - Global Real Estate Secondaries	Morgan Stanley currently do not provide details of their engagement activity for individual accounts.	The Fund has a fund of funds structure and also co-investments. Morgan Stanley engage in updates with underlying managers and monitor their activity regularly including a review of ESG reporting/commentary when published. In addition to regular reviews and monitoring processes, Morgan Stanley also ask about ESG risks or developments that may have been harmful, but this is done as part of the broader discussions.
Carlyle Portfolio – Distressed Debt	Total engagements: 7 Environment & Social: 5 Environment: 1 Governance: 1	Carlyle has engaged with 4 issuers over the time period. A prominent theme is the reduction of pollution and reduced risk to people, along with engagement on code of conduct, labour management and Covid-19 management. For example, Carlyle liaised with the company Sterling on both environment and social issues: 1. Within the past 12 months, Sterling achieved a successful and timely compliance International Maritime Organization ("IMO") 2020 regulation to reduce sulphur emissions by over 80% by switching to lower sulphur fuels. 2. The risks of seafarers' prolonged stay on board was assessed though Sterling's relevant procedures, and mitigated using the measures including: (i) adoption of mental support for seafarers, (ii) dissemination of material concerning mental health, (iii) installation of electronic software for the monitoring of work/rest hours and (iv) cooperation with specialist Company to provide remote counselling and coaching sessions to seafarers.
M&G Portfolio – Long Lease Property	Total engagements: 12 Environment & Social: 10 Environment: 2	Engaging with property funds with long leases to improve ESG measures has historically been difficult due to the long-term nature of the contracts. In most engagements, M&G have shared their ESG aspirations with the tenants, with most tenants happy to engage in discussions around opportunities. Further, 10 out of the 12 tenants that were engaged with shared energy data. Of the engagements, three large supermarkets, including Sainsburys, Tesco and Morrisons, discussed their net zero aspirations and the installation of PV panels on their stores.
Insight Portfolio – Buy and Maintain Bonds	Total Engagements: 118 Engagements with companies typically covered a wide range of issues covering all aspects of ESG.	Insight have shown they have sufficient resource and capability to assess the extent of ESG risks on counterparty exposure for LDI mandates. Of the engagements, these covered a wide range of topics including, but not limited to: Governance

		issues, business strategy, environmental issues, refinancing and social issues. Insight proactively engage with companies to ensure accurate analysis and influence improvement in practices. Over 80% of engagements by their credit analysts included ESG issues. Assessment of ESG issues is included in analysts' objectives.
LGIM Portfolio - LDI	LGIM currently do not provide details of their engagement activity for individual accounts.	LGIM engage with regulators, governments and other industry participants to address long-term structural issues. LGIM believe in an active ownership approach. Therefore, they aim to leverage the wider capabilities of the global firm, to actively engage with companies, to create positive change and value. Where engagements are unsuccessful, the team will assess where problems arose and new approaches to be employed.

Source: Investment Managers

Engagement (DC)

As the Group invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the 12-month period to the end of 31 March 2021. We have included the funds used in the default as the vast majority of members and assets will be invested in these underlying funds.

Fund name	Engagement summary	Commentary
Aegon BlackRock 40/60 Global Equity Index	No data available. We are working with the manager to enable them to provide this in the future.	At firm-level, BlackRock engages with many companies and informs clients about its engagement and voting policies through various forms of communication. The Investment Stewardship team is responsible for encouraging sound corporate governance practices and encouraging companies to deliver long-term, sustainable growth and returns for clients through engagement and proxy voting.
Aegon BlackRock Market Advantage	See above	See above
Aegon BlackRock Cash	See above	See above

Voting (Equity Funds Only) – DB

As the Group invests via fund managers the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2021. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
LGIM Portfolio - Passive Equity	Votable Proposals: 40,987 Proposals Voted: 99.84% For votes: 81.38% Against votes: 18.07% Abstain votes: 0.55% Non-proxy agent votes: 100% (see commentary) Proxy agent votes: 0%	- Whitehaven Coal: The resolution was for a report on the potential wind down of the company's coal operations. LGIM voted in favour of this. As they believe the role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation. - Tyson Foods: The resolution was for a report on human rights due diligence. LGIM voted against management and in favour of the resolution. LGIM believes that companies in which they invest their clients' capital should uphold their duty to ensure the health and safety of employees over profits. LGIM continue to monitor the Company. The resolution failed to receive majority support as only 17% of shareholders supported it.	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. In most cases, LGIM voted with managements, showing some unwillingness to vote against managements. Only 6% of votes were against management.

Voting (Equity Funds Only) DC

As the Group invests via fund managers the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2021. The managers also provided examples of any significant votes.

Only funds used in the Default have been included as this is where the majority of members will be invested. The Aegon BlackRock 40/60 Global Equity Index is a blended fund of the ACS UK equity fund and the ACS World ex-UK equity fund.

Fund name	Voting summary	Examples of significant votes	Commentary
BlackRock ACS World ex UK Equity fund	Votable Proposals: 27,246 Proposals Voted: 92.04% For votes: 93.71% Against votes: 6.26% Abstain votes: 0.34%	Chevron Corporation: Resolution was to Report on Climate Lobbying Aligned with Paris Agreement Goals. 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.	BlackRock use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock categorise their voting actions into two groups: holdings directors accountable and supporting shareholder proposals. Where BlackRock have concerns around the lack of effective governance on an issue, they usually vote against the re-election of the directors responsible to express this concern.
BlackRock ACS UK Equity fund	Votable Proposals: 11,044 Proposals Voted: 100.00% For votes: 94.87% Against votes: 5.13% Abstain votes: 0.65%	Royal Dutch Shell plc: Proposal was to request Shell to ret and publish targets for Greenhouse Gas (GHG) Emissions. BlackRock voted against the shareholder resolution. Shell's disclosures are consistent with BlackRock's expectation of large carbon emitters with a previous history of engagement with BIS on the topic.	
Aegon BlackRock Market Advantage	Votable Proposals: 28,532 Proposals Voted: 94.27% For votes: 91.12% Against votes: 8.88% Abstain votes: 2.39%	Exxon Mobil Corporation: Resolution was to elect Director Kenneth C. Frazier. BlackRock voted 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.	See above

The Money and Pensions Service

The Money and Pensions Service (MaPS) combines three financial guidance bodies – the Pensions Advisory Service, Pension Wise and the Money Advice Service to offer support and guidance about money and pensions.

General enquiries to the Money and Pensions Service can be made via:
Telephone: 01159 659 570
Email: contact@maps.org.uk
Postal Address: The Money and Pensions Service, Holborn Centre, 120 Holborn, London, EC1N 2TD
Additional guidance can be obtained from:

The Pensions Advisory Service for free guidance about specific pension matters
Telephone: 0800 011 3797
Website: www.pensionsadvisoryservice.org.uk
Postal Address: The Pensions Advisory Service,120 Holborn, London, EC1N 2TD

Pension Wise for free and impartial government advice about general pension matters
Telephone: 0800 138 3944
Email: contact@pensionwise.gov.uk
Website: www.pensionwise.gov.uk
Postal Address: Pension Wise, PO Box 10404, Ashby de la Zouch, Leicestershire, LE65 9EH

The Money Advice Service for free and impartial money advice
Telephone: 0800 138 7777
Email: enquiries@maps.org.uk
Website: www.moneyadviceservice.org.uk
Postal Address: The Money Advice Service, Holborn Centre, 120 Holborn, London, EC1N 2TD

Pensions Ombudsman

The Pensions Ombudsman is available to help members and beneficiaries of occupational pension schemes resolve any difficulties they may have encountered and which they have failed to resolve with the Group Trustee or administrators of schemes. The Pension Ombudsman may be contacted either while a complaint is being reviewed under the dispute resolution procedure or if the complainant is not satisfied with the response received from the Group Trustee under the second stage of the procedure. The Ombudsman can investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The services of the Ombudsman are available to the members, beneficiaries and prospective members of pension schemes.

The Pensions Ombudsman can be contacted in the following ways:
Telephone: 0800 917 4487
E-mail: enquiries@pensions-ombudsman.org.uk
E-mail: helpline@pensions-ombudsman.org.uk (early resolution)
Website: www.pensions-ombudsman.org.uk
Postal Address: The Pensions Ombudsman, 1st Floor, 10 South Colonnade, Canary Wharf, London, E14 4PU

Names and Addresses of External Bodies

The Pensions Regulator

The Pensions Regulator has statutory objectives to protect members benefits, to reduce risk of calls on the Pension Protection fund (PPF), to promote good administration, to maximise employers' compliance with their new duties in relation to automatic enrolment and to minimise any adverse impact on sustainable growth of an employer' when exercising its functions under the Scheme Funding Legislation.

The Pensions Regulator can be contacted in the following ways:
Telephone: 0345 600 0760
E-mail: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk
Postal Address: The Pensions Regulator, Napier House, Trafalgar Terrace, Brighton,
BN1 4DW

The Department for Work and Pensions (DWP) Pension Tracing Service

The purpose of the DWP's Pension Tracing Service is to provide a tracing service for ex-members of schemes and their dependants with pension entitlements who have lost touch with earlier employers and their schemes. The ESPS is registered with the DWP under Scheme reference number 10200656.

The Pension Tracing Service can be contacted in the following ways:
Telephone: 0800 731 0193
Website: www.thepensionservice.gov.uk
Postal Address: Pension Tracing Service, The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU

The Pension Protection Fund

The Pension Protection Fund was established to pay compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation.

The Pension Protection Fund (PPF) can be contacted in the following ways:
Telephone: 0330 123 222
Email: ppfmembers@ppg.gsi.gov.uk
Website: www.pensionprotectionfund.org.uk
Postal Address: Pension Protection Fund, Renaissance, 12 Dingwall Road, Croydon, CR0 2NA
Listed below are brief explanations of terms that may assist members.

Pension glossary	
Actuarial deficit	The actuarial valuation of the Group's assets is less than its actuarial liability meaning that there are insufficient assets to meet the future pensions provision of the Group.
Bulk transfers	The transfer of a number of members from one occupational pension scheme to another or from one Group of the ESPS to another. Generally this will occur if there has been a merger, sale or purchase of a business and the new Employer wishes to amalgamate pension arrangements.
Commutation	The exchange of expected pension benefits for a cash lump sum.
Deficit repair payments	A single payment or a series of payments made by the Employer in order to make good the actuarial shortfall caused by projected pension liabilities being in excess of assets.
Discontinuance funding ratio	This shows the Actuary's estimate of the proportion which the value of the Group's assets represent of the costs of buying out the accrued benefits with an insurance company.
Money Purchase basis	The calculation of an individual member's benefits by reference to the value of the contributions paid into a pension scheme in respect of that member.
Rule 32 Payment	The payment of special contributions (whether in relation to benefits, contributions or otherwise) by the Principal Employer, without limitation, in respect of Back Service Credits and/or Added Years to or in respect of one or more individuals (excluding Enhanced Protection Members).
SAPS Tables	The Continuous Mortality Investigation (CMI) produce standard mortality tables based on UK defined benefit pension scheme mortality, as part of the Self-Administered Pension Schemes ("SAPS") mortality study. CMI is owned by the UK actuarial profession.
State Second Pension	Additional pension benefits purchased through National Insurance Contributions to enhance the Basic State Pension by those people not "Contracted Out" through membership of a private or company pension scheme. This was formerly known as the State Earnings Related Pension Scheme (SERPS) and was re-named from 6 April 2002.
State Graduated Pension Scheme	The State Graduated Pension Scheme which commenced on 3 April 1961 and terminated on 5 April 1975 being replaced by SERPS.
Supplementary pensions funding	Contributions made by Employers or members to provide additional or "top-up" pension benefits.
Transfer Values received	Transfers of monies from another pension scheme, so that a member can augment their pension benefits from the ESPS.

Investment glossary	
Derivative	A financial contract between two parties where the value of the asset is derived from something else, such as the value of an underlying asset or an index based on asset prices (typically equities, bonds, interest rates, exchange rates and stock market indices). The main types of derivatives used by pension schemes are: - futures contracts - forward foreign exchange contracts - options and - swaps A derivative can be exchange traded or traded over the counter ("OTC").
Exchange traded	An exchange traded security is purchased or sold through a registered exchange (e.g. a stock exchange) which provides trading facilities.
Forward foreign currency contract (FFX)	A transaction whereby two parties agree to exchange two different currencies at an agreed rate of exchange on a specific date in the future. FFX contracts are OTC.
Futures Contract	A contract which legally binds two parties to complete a sale or purchase of an asset at a specified future date and at a price which is fixed at the time the contract is agreed. Futures contracts are exchange traded.
IPD	Investment Property Databank is an independent organisation that collates and publishes information about performance of the commercial property sector. The IPD provides a benchmark against which the performance of property assets can be monitored.
Managed Funds	A fund which is managed by a fund manager. Typically managed funds relate to a unitised fund under a policy of assurance from a life assurance company.
Options	A contract which give the purchaser the right, but not the obligation, to buy (call option) or sell (put option) a specific security at a specified price (the exercise or strike price), at or within a specified time (the expiry date). This right is purchased by payment of an amount (the premium), and can be exercised whatever happens to the security's market price. Options may be exchange traded or OTC.
Over the counter (OTC)	A security that is not listed on a stock exchange, and is therefore traded by buyers and sellers dealing directly with each other.
Pooled investment vehicles	A fund where assets are managed on a collective basis. The assets of a pooled investment vehicle are denominated in units that are revalued regularly to reflect the values of the underlying assets. Investors hold units in the PIV rather than in the underlying assets. Types of PIVs include: open-ended investment companies (OEICs), open-ended investment trusts, real estate investment trusts (REITs), unit linked policies, unit trusts and shares in limited partnerships.
Segregated Funds	In the ESPS, investment portfolios which are specific to a particular Group and may be comprised of individual securities or take the form of a pooled investment vehicle.

Swaps	A swap is either an exchange traded or OTC transaction whereby the parties to the contract agree to exchange cash flows according to the terms agreed at the outset of the swap. The amount of the cash flows is generally determined by reference to an underlying asset, index, instrument or notional amount.
Unitised Fund	The Unitised Fund is a pooled investment vehicle that is only available to Groups within the ESPS and comprises three Sectors: UK Property, UK Forestry and Cash.
Variation Margin	Before entering into a futures contract, a deposit is required which is referred to as the initial margin. This deposit may be in the form of cash or other assets, such as securities. The margin is required to protect parties against possible losses arising from the futures contract. The variation margin is the amount payable under futures contracts to ensure that deposits/(margins) are maintained at contractually agreed levels as the value of the underlying asset changes.