

Registered number: 19002039

**ELECTRICITY NORTH WEST GROUP OF THE ELECTRICITY
SUPPLY PENSION SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

**Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Report of the Group Trustee**

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Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Report of the Group Trustee

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 23 (2023: 23) separate actuarially independent sections (known as Groups) for each of the 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 had two sections until 30 September 2023: the Defined Benefit (DB) Section and the Defined Contribution (DC) Section. Only membership of the DC Section is open to new employees.

During 2022, Electricity North West Limited (“ENWL”), the Group’s principal employer, with agreement from the Group Trustee, made the decision to propose a move to a Defined Contribution Master Trust. Following a detailed market review and rigorous due diligence process, the LifeSight Master Trust was chosen. LifeSight provides a more modern and flexible arrangement, helping members to achieve a better outcome in retirement with:

- a wider choice of investments;
- improved options for members at retirement;
- competitive member charges and reduced costs; and
- a better member experience including an app and user-friendly portal for members, along with improved communications, educational tools and excellent member support.

The employee consultation completed in August 2023. The Company decided to go ahead, and new contributions have been invested with LifeSight since 1 October 2023. The accumulated assets transitioned to LifeSight in December 2023.

Between 1 April 2023 and 30 September 2023, the Group therefore provided:

- 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.

Since 1 October 2023, the Group provides only:

- Defined Benefit pensions, where benefits are based on a member’s salary and length of service

The Group 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 Group 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 was 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 Limited are Participating Employers in the Group.

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Report of the Group Trustee**

The Financial Statements included in this Annual Report on pages 25 to 44 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

Chris Dooley**	Member Elected
Mike Kay*	Member Elected
Irina Krumova**	Appointed
John Leigh*	Member Elected
Ken Scott*	Member Elected
Joe Stone**	Appointed (1 January 2024)
PAN Trustees UK LLP represented by Mike Roberts (Chair from 1 April 2023)	Appointed – Independent

Note:

* In receipt of pension from the Group

** Active member of the Group

Appointment/Election of Trustee Directors

The Group Trustee structure allows for four Appointed Trustee Directors who are appointed by, and can be removed by, the Company. There remains a vacancy for an Appointed Trustee Director under the current membership structure, however the Company plan to reduce the overall Trustee Director membership from eight down to six from March 2025 (see below).

Of the four Member Elected Trustee Directors (MEDs), one is a contributing member and three 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.

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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.

The next set of elections will be held in autumn 2024. Two of the existing MEDs – Chris Dooley and Ken Scott – will reach the end of their terms of office from March 2025. There is currently one vacancy on the Board, but as the DC Section of the Scheme fully transitioned to Master Trust from 1 October 2023, the Company has decided to reduce the number of Directors from 8 to 6. Also as a result of this reduction, only one Active position is due for election at March 2025. As Ken Scott is a Pensioner member, unfortunately he has to resign from the Board and is unable to re-stand in the election.

Independent Trustee Directors

One of the three 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

Meetings were held by a combination of video conferences and face to face.

8 June 2023

14 September 2023

7 December 2023

14 March 2024

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: Administration Discretions; Audit; Communications and Member Engagement and Investment. The Group Trustee oversee the governance issues of the Group.

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

Audit	20 July 2023 10 August 2023 18 January 2024
Administration Discretions	20 April 2023 25 May 2023 23 June 2023 28 July 2023 11 September 2023 12 October 2023*
Communications and Member Engagement	None**

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Investment	8 June 2023*** 14 September 2023*** 7 December 2023*** 14 March 2024***
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*Minor administration discretion issues were dealt with using Diligent and email correspondence. Substantial issues were referred to the Main board meetings for further discussion.

**No meetings were held as there were no agenda items to discuss.

***Investment meetings held as part of the Main Board.

Attendance at the meetings by Trustee Directors was as follows:

Trustee Director	Main Board	Admin Discretions SC	Comms & Member Engagement SC	Investment SC	Audit SC
Chris Dooley	4(4)	-	-	-	-
Mike Kay	4(4)	5(5)	-	4(4)*	-
Irina Krumova	4(4)	4(5)	-	-	3(3)
John Leigh	4(4)	-	-	4(4)*	-
Ken Scott	4(4)	5(5)	-	-	3(3)
Joe Stone	1(1)	-	-	-	-
PAN Trustees UK LLP (represented by Mike Roberts)	4(4)	-	-	4(4)*	3(3)

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

*Held as part of Main Board meetings.

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.

Changes to Trust Deed and Rules

There have been no changes to the Trust Deed and Rules during the year under review.

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Investment Governance Group (IGG) Principles

The Group Trustee have reviewed their procedure against the best practice principles set by the Investment Governance Group (“IGG”). The IGG is a joint government-industry group sponsored by the HM Treasury and the Department for Work and Pensions and consists of a group of senior figures representing all parts of the private workplace pension environment. The IGG was set up to encourage industry ownership and promotion of the Myners’ Principles.

The primary purpose of the IGG Principles is to ensure that trustees have the right skill set and decision-making structures and also that they have clear objectives and an appropriate and well-documented strategy in place for achieving these objectives.

The Group Trustee regularly reviews its training needs and skills to ensure effective decision-making. Where appropriate, independent expert advice is taken.

Group Trustee’s Statement on DB Investments

The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 requires the Group Trustee to provide a statement of the Group Trustee’s policy (if any) in relation to investments and the extent to which social, environmental and ethical considerations are taken into account in the selection, retention and realisation of investments. A similar Statement must also be documented in the Statement Of Investment Principles (“SIP”).

The Group Trustee recognise that social, environmental and ethical considerations are among the factors which investment managers will take into account, where relevant, when selecting investments for purchase, retention or sale. The managers have produced statements setting out their policy in this regard. The managers have been delegated by the Group Trustee to act accordingly.

On 31 May 2023, Mr C Vaughan-Williams retired from Aon Solutions UK Ltd and resigned his position as Scheme Actuary. In his statement on leaving office, he noted no circumstances connected with his resignation which, in his opinion, significantly affected the interests of the members or the prospective members of, or beneficiaries under, the Scheme. His colleague Ms R McGowan was appointed as Scheme Actuary in his place.

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.

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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.

The Group Trustee is also responsible for the maintenance and integrity of the website www.enwlpensions.co.uk. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

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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 pages 9 and 10.

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 (new DC contributions were paid to LifeSight Master Trust from 1 October 2023, and the Group assets transitioned in December 2023).

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 2023 TKU self-assessment identified that the Trustee Board as a whole had no major gaps in their knowledge and understanding. However, individual training has been offered to any Group Trustee who feels this would benefit them, a reminder has been given on independent learning through the tPR Trustee Toolkit and guidance on where to find out more information.
- Undergoing regular training on key topics and attending a range of conferences and seminars. For the Group year covered by this Statement, this included training from fund managers on pension investments; the role of the Custodian; training on Environmental, Social and Governance investing; a TCFD refresher; investment monitoring covering investment statistics, investment performance measurement, and the economic impact on financial markets; Liability Driven Investment; relevant legal hot topics; key areas of law governing the Group including occupational pensions legislation, tax treatment, the role of tPR and resolving member disputes; trustee legal protections; and training on data quality.
- 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.
- Some of this additional training was provided by advisers through main board meetings and sub-committee meetings – 12 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 Group 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

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- 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

The Group Trustee is currently made up of 7 Trustee directors, including a professional trustee, with varying skill sets. The Chair of the Group Trustee is a professional trustee. The Group Trustee believes there is a good level of diversity in terms of skills and decision making.

The Group Trustee board carries out ongoing evaluation of the composition and effectiveness of the board.

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.

Scheme Trustee - Electricity Pensions 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.

As 31 March 2024 Mr Leigh and Mr Kay were respectively the Elected and Appointed Councillors from the Electricity North West 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, Zedra Governance Ltd represented by Melanie Cusack.

As at 31 March 2024 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 2024 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 Scheme's AGM took place on 21 November 2023 and was held virtually by video conferencing. The 2024 Scheme AGM will take place on 19 November 2024.
- The Board continued to monitor risks through its Risk Register which is considered at each main meeting.

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- The Scheme advisor reviews are ongoing, with good progress having been made.
- Task force on Climate-related Financial Disclosure (TCFD) and the impact of the Pensions Regulator (TPR) Single Code of Practice were considered.
- The Forestry Project is in progress and Unitholders are being regularly updated.
- Work on the Equality, Diversity & Inclusivity Policy is ongoing.
- Work on the development of the ESPS website (www.espspensions.co.uk) continued.
- Various governance matters were progressed.

The General Data Protection Regulations (GDPR)

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 members' 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.

Advisers

Group Administrator

Railpen

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 Solutions UK Ltd – resigned on 31 May 2023

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.

Rebecca McGowan of Aon Solutions UK Ltd - appointed 1 June 2023

(Fellow of the Institute and Faculty of Actuaries)

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.

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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.

Buy-In Provider

Scottish Widows

Insurance product that provides regular income to cover a significant proportion of the pensions in payment.

Group Appointed Investment Managers

Bank of New York Mellon

Carlyle Group LLP

Insight Investment Management (Global) Limited

Legal & General Investment Management Limited

J.P. Morgan Asset Management

M&G Investment Management Limited

Morgan Stanley Investment Management Limited

Partners Group (UK) Limited

Permira Credit Solutions Limited

DC Investment Platform Provider

Aegon (until assets transitioned to the Lifesight Mastertrust in December 2023)

Additional Voluntary Contributions (AVC) Providers

Aegon (until assets transitioned in December 2023)

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 (until assets transitioned in December 2023)

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Membership Statistics

Defined Benefit Section

	Contributors	Pensioners	Dependants and spouses	Deferred Pensioners	Total
As at 1 April 2023	430	3,933	1,280	561	6,204
Adjustments to opening balance	3	-	-	-	3
As at 1 April 2023 (revised)	433	3,933	1,280	561	6,207
New	9*	-	69	-	78
Retirements	(22)	59	-	(37)	-
Deaths	-	(174)	(108)	-	(282)
Transfers out	-	-	-	(4)	(4)
Leavers with deferred pensions	(11)	-	-	11	-
Child allowance cessation	-	-	(1)	-	(1)
As at 31 March 2024	409	3,818	1,240	531	5,998

*New contributors include 9 members who have retired but have been readmitted to the Group under a flexible working arrangement. These members also are included as pensioners in the above table.

The number of deferred pensioners and pensioners who are entitled to/receiving a benefit equivalent to the relevant State Graduated Pension Scheme benefit in respect of service prior to 31 March 1975 are included in the membership statistics above.

Included within pensioners and dependants and spouses above there are 3,345 (2023: 3,491) members who are paid by way of the Scottish Widows Buy-In.

Defined Contribution Section

	Contributors	Deferred Pensioners	Total
As at 1 April 2023	1,755	704	2,459
New	114	75	189
Leavers with deferred pensions	(75)	-	(75)
Retirement	(2)	(3)	(5)
Refund of contributions	-	-	-
Re-instated	8	(8)	-
Leaver no benefits	-	-	-
Transfers out	(1,799)	(767)	(2,566)
Death	(1)	(1)	(2)
As at 31 March 2024	-	-	-

Pension 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%.

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The September 2023 RPI figure was 8.9% (2022: 12.6%) and Electricity North West has used its discretion to limit the pensions increase applied from 1 April 2024 to 5%. For members of the ex-United Utilities Pension Scheme (UUPS) section, the Group Trustee applied the full increase, which was the December 2023 RPI figure of 5.2% (2022: 13.4%). A proportionate increase was applied to pensions which came into payment between 2 April 2023 and 1 March 2024.

Pension increases over the previous five years were:

	ESPS	UUPS
1 April 2023	5%	13.4%
1 April 2022	4.9%	7.5%
1 April 2021	1.1%	1.2%
1 April 2020	2.4%	2.2%
1 April 2019	3.3%	2.7%

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)

EPL may amend the provisions of the Scheme with the unanimous consent of all the participating Principal Employers. During the year ended 31 March 2024 the following Scheme-wide amendment was made:

- Deed of Amendment dated 19 June 2023 which covered Clause 16 and the Expenses of Administration.
- Deed of Amendment dated 30 July 2023 which covered Deferred Members participation in General meetings.

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 2024.

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 21.

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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 2022. An approximate updated valuation was performed on 31 March 2023. The results of those valuations are summarised below.

	31 March 2022	31 March 2023
Value of technical provisions	£1,398.0m	£988.5m
Value of assets available to meet technical provisions	£1,378.6m	£1,016.4m
As a percentage of technical provisions	99%	103%

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 2022
Value of solvency liabilities	£1,494.8m
Value of assets available to meet solvency liabilities	£1,378.6m
As a percentage of solvency liabilities	92%

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 at the valuation date plus an addition of 2.4% per annum for pre 1 April 2022 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 2022 service.

Post retirement discount rate: Term dependent rates set by reference to the fixed interest gilt yield curve at the valuation date plus an addition of 0.5% per annum for members’ benefits not covered by the buy-in and plus an addition of 0.36% per annum for members’ benefits covered by the buy-in.

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Future retail price inflation: Term dependent rates derived from 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 1.0% per annum pre-2030, and 0.1% per annum post-2030 at the valuation date.

The difference between the assumption for RPI and CPI inflation may vary over time to reflect changing views of 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 in 2022 and 2023. From 2024 onwards, general pay increases in line with the term dependent rates for future consumer price inflation (allowing for housing costs), together with an allowance for promotional increases.

GMP Equalisation: 0.5% loading to past service liabilities in respect of members whose benefits have not already been equalised.

PIE at retirement: 30% of members with pre 1997 benefits take the PIE option based on terms consistent with those offered for the 2021 bulk pensioner PIE exercise.

Mortality for the period in retirement: For non-pensioners, standard tables S3PMA_M with a scaling factor of 109% for male members; and S3PFA_M with a scaling factor of 107% for female members. For pensioners, S3PMA_M with a scaling factor of 99% for male members; and S3PFA_M with a scaling factor of 97% for female members.

Future improvements in mortality are subject to the standard table projected forward from 2013 in line with the 2021 CMI 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, Schemes are required to adjust benefits to remove the inequalities between the GMP benefits awarded to males and females.

During 2021 the Group completed a GMP Equalisation, Conversion and PIE project. For broadly all members who were pensioners or dependants as at 5 April 2021, their pensions were equalised as part of this exercise. For the remaining members who weren't in the scope of the exercise, the Scheme Actuary made an allowance for the impact of GMP equalisation at the 31 March 2022 triennial valuation by uplifting the technical provisions in respect of these members by 0.5%.

The 31 March 2023 IAS19 accounting standard Defined Benefit Obligation (DBO) was calculated based on a roll-forward of the 31 March 2022 triennial valuation results. Therefore, the Company has also implicitly made an allowance of 0.5% of the Defined Benefit Obligation (DBO) in relation to the impact of GMP equalisation for members whose benefits were not already equalised as part of the 2021 exercise. The Defined Benefit Obligation (DBO) is the term given by international accounting standards to a company's liability due to pension promises that have been accrued by current and past employees.

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Report of the Group Trustee**

On 20 November 2020 the High Court issued a supplementary ruling in the Lloyds Banking Group GMP 2018 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.

The Group Trustee has determined that the estimated 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 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. The Group Trustee has 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 2023 based on the funding position at the 31 March 2022 valuation date. Under the recovery plan, it was agreed that the Company would pay the following deficit contributions:

- £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 2022 to March 2023 deficit payments were paid as agreed in the recovery plan.

In addition, the Group Trustee and the Employer agreed to adjust the Company's normal contributions to 38.2% of salaries with effect from 1 April 2023 to meet the cost of future service benefits for active DB members of the Group.

At the 2022 valuation date, a reserve of £13,000,000 was established to help meet future administration expenses of the Group with effect from 1 April 2023. The amount held in this reserve will be considered at least triennially at each actuarial valuation. 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 2023. A copy of this certificate is included on page 52 of this Annual Report.

Next actuarial valuation

The next triennial valuation will take place as at 31 March 2025.

Electricity North West Group of the Electricity Supply Pension Scheme
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Report of the Group Trustee

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.

The Group Trustee's Implementation Statement, which sets out further voting and engagement information undertaken by the Group's investment managers for the year ended 31 March 2024, is set out on pages 66 to 80, and forms part of the Group Trustee's 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; these investments are generally expected to deviate with yield movements.

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

Asset class	Year-end weighting (%)	Target weighting (%)
Return-seeking assets		
Distressed Debt	0.9	0.0
Global Property	2.8	0.0
Absolute Return Bonds	10.1	16.0
Infrastructure Equity	17.3	17.0
Direct Lending	16.3	17.0
Long Lease Property	17.6	10.0
Buy and Maintain Corporate Bonds	0.0	0.0
Liability-driven assets		
Liability Driven Investments	31.4	40.0
Cash	3.6	0.0
TOTAL	100.0	100.0

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Report of the Group Trustee

- The Distressed Debt and Global Property mandates 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 have a 0% target weighting in the Group's strategic benchmark.
- The Group instructed a full redemption from the Buy & Maintain Corporate Bond Fund in 2022. However, there is a residual amount of c.£31k cash still held in the Fund as at 31 March 2024 and this will be distributed back to the Group's Cash Fund in due course.
- The benchmark allocation above excludes the bulk annuity Policy with Scottish Widows.
- The Group's Absolute Return Bond mandate is held alongside the Group's LDI mandate to provide the first tier of collateral to meet any leverage rebalancing calls and receive any capital distributions. This mandate's allocation is therefore expected to deviate with yield movements.

The objective of the return-seeking assets is to achieve investment growth, within the constraints of the risk profile set by the Trustee. The objective of the liability driven assets is to secure fixed or inflation-adjusted cashflows in future; these investments are generally expected to be held to maturity.

As the Group instructed a partial redemption (50%) from the Long Lease Property holdings, the overweight position is expected to naturally decrease as redemption proceeds are paid out in due course.

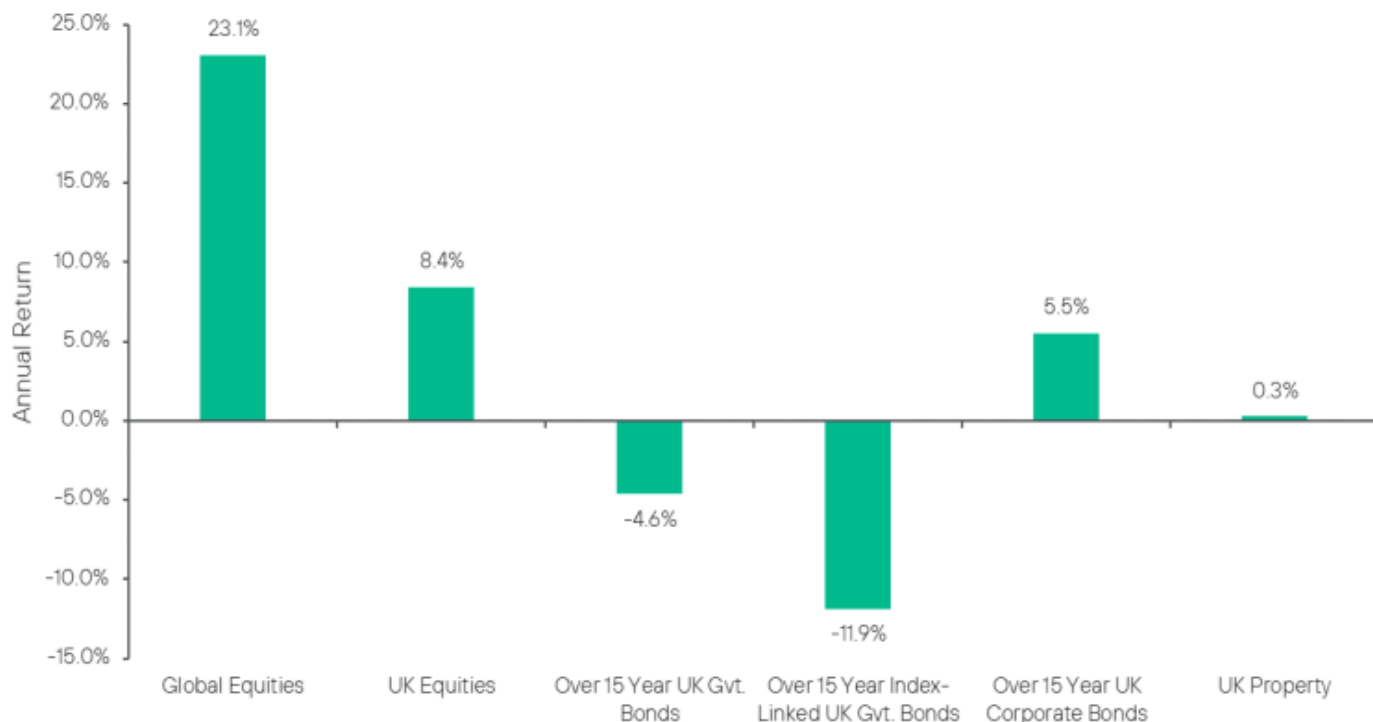
The Absolute Return Bond mandate is currently underweight as the Group awaits redemption proceeds from M&G, therefore deviations from benchmark are in line with expectations.

The underweight Direct Lending allocation is in line with expectations. We expect the Permira PCS III Fund to continue returning capital back to the Group and the Permira PCS V Fund to continue calling capital in upcoming periods. As short term drawdowns are expected to exceed distributions, the deviation should naturally rebalance towards the strategic allocation.

The LDI mandate is currently underweight due to rising gilt yields over the reporting period. Despite this it continues to provide the target amount of liability hedging.

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. Please see the table below the chart for a summary of the indices used for each of the asset classes presented.

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Report of the Group Trustee



Asset Class	Index
Global Equities	MSCI World (£)
UK Equities	FTSE All Share
Over 15 Year UK Government Bonds	FTSE Gilts (Over 15 Years)
Over 15 Year Index-Linked UK Government Bonds	FTSE ILG (Over 15 Years)
Over 15 Year UK Corporate Bonds	Sterling Non-Gilts 15+yr
UK Property	UK IPD Index

Performance of the Group's assets over the year and last three years to 31 March 2024 is outlined in the table below against the Group benchmark returns.

	Year to 31 March 2024 (%)	3 Years to 31 March 2024 (% p.a.)
Group Return	-3.1	-11.3
Group Benchmark	-4.5	-13.3

Source: investment managers, BNYM ISIO calculations

Note: The Performance figures exclude allowance for the Group's buy-in contract

Employer Related Investments

As at 31 March 2024 there were no direct employer-related investments (2023: 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 (2023: nil).

Electricity North West Group of the Electricity Supply Pension Scheme
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Report of the Group Trustee

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 Group 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 Group Trustee will monitor the Group's assets against the ESG policy on an ongoing basis.

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 November 2023. A copy of the SIP can be found on pages 54 to 65.

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.

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Report of the Group Trustee

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.

Defined Contribution Section

During 2022, Electricity North West Limited (“ENWL”), the Group’s principal employer, with agreement from the Group Trustee, made the decision to propose a move to a Defined Contribution Master Trust. Following a detailed market review and rigorous due diligence process, the LifeSight Master Trust was chosen. LifeSight provides a more modern and flexible arrangement, helping members to achieve a better outcome in retirement with:

- a wider choice of investments;
- improved options for members at retirement;
- competitive member charges and reduced costs; and
- a better member experience including an app and user-friendly portal for members, along with improved communications, educational tools and excellent member support.

The employee consultation completed in August 2023. The Company decided to go ahead, and new contributions have been invested with LifeSight since 1 October 2023. The accumulated assets transitioned to LifeSight in December 2023.

Prior to 1 October 2023, the investment objective of the Group’s Defined Contribution Section was 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 were Aegon BlackRock passive funds. The non-Aegon BlackRock funds that are held were: HSBC Islamic Global Equity, LGIM Ethical Global Equity Index and Newton Global Equity.

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

The default (Flexible Retirement) “lifestyle” arrangement operated under a predetermined strategy. It comprised three passively managed ‘core’ funds: the Aegon BlackRock (30:70) Global Equity Index Fund, the Aegon BlackRock Market Advantage Fund and the Aegon BlackRock Cash Fund. The Aegon BlackRock (30:70) Global Equity Index Fund were 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 approached retirement, there was a progressive switching of the member’s fund into the Aegon BlackRock Market Advantage Fund and the Aegon BlackRock Cash Fund. The Default Flexible Retirement Lifestyle option was aimed at members targeting a flexible retirement strategy.

The alternative lifestyle strategy, the Annuity Target Lifestyle option, also operated under a predetermined strategy. It comprised of the Aegon BlackRock (30:70) Global Equity Index Fund, the Aegon BlackRock Market Advantage Fund, the Aegon BlackRock Pre-Retirement Fund and the Aegon BlackRock Cash Fund, and was aimed at members targeting an annuity purchase at retirement.

The investment funds in the Group’s Defined Contribution Section were held in unit linked insurance funds provided by BlackRock Life Limited. The Group Trustee regularly reviewed the investment performance of the funds against the appropriate benchmarks.

**Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Report of the Group Trustee**

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
.....

Irina Krumova
.....

NAME

M Roberts (Chair) on behalf of PAN Trustees UK LLP
.....

Irina Krumova
.....

**Trustee Director
Electricity North West (ESPS) Pensions
Trustees Limited**

**Trustee Director
Electricity North West (ESPS) Pensions
Trustees Limited**

DATE:

15 October 2024
.....

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 2024, 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 within the Annual Report and Financial Statements, which comprise: the Statement of Net Assets Available for Benefits as at 31 March 2024; 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 of 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.

Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Report on the audit of the financial statements

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. Audit procedures performed by the engagement team included:

- Testing journal entries where we identified particular fraud risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the Group Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.
- Assessing financial statement disclosures, and agreeing these to supporting evidence, for compliance with the Pensions Acts 1995 and 2004 and regulations made under them.

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.

**Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Report on the audit of the financial statements**

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
16 October 2024

Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2021

	Note	DB 2024 £million	DC 2024 £million	Total 2024 £million	DB 2023 £million	DC 2023 £million	Total 2023 £million
Dealings with members							
Additions							
Employer contributions	5	11.1	7.3	18.4	29.3	13.0	42.3
Employee contributions	5	0.6	0.8	1.4	0.8	1.1	1.9
Total contributions		11.7	8.1	19.8	30.1	14.1	44.2
Transfers in	6	0.1	0.2	0.3	-	0.4	0.4
		11.8	8.3	20.1	30.1	14.5	44.6
Withdrawals							
Benefits paid or payable	7	(54.3)	(0.2)	(54.5)	(55.4)	(0.2)	(55.6)
Group transfers out	8	(4.2)	(117.5)	(121.7)	-	-	-
Payments to and on account of leavers	9	(1.4)	(1.9)	(3.3)	(32.9)	(0.9)	(33.8)
Administrative expenses	10	(1.1)	(0.4)	(1.5)	(1.0)	(0.4)	(1.4)
		(61.0)	(120.0)	(181.0)	(89.3)	(1.5)	(90.8)
Net (withdrawals) / additions from dealings with members		(49.2)	(111.7)	(160.9)	(59.2)	13.0	(46.2)
Returns on investments							
Investment income	11	77.3	-	77.3	53.1	-	53.1
Change in market value of investments	12	(91.5)	(0.2)	(91.7)	(366.1)	(0.5)	(366.6)
Investment management expenses	14	(0.5)	(0.1)	(0.6)	(1.0)	(0.1)	(1.1)
Net returns on investments		(14.7)	(0.3)	(15.0)	(314.0)	(0.6)	(314.6)
Net (decrease)/increase in the fund		(63.9)	(112.0)	(175.9)	(373.2)	12.4	(360.8)
Opening net assets		1,020.3	112.0	1,132.3	1,393.5	99.6	1,493.1
Closing net assets		956.4	-	956.4	1,020.3	112.0	1,132.3

The notes on pages 27 to 44 form part of these Financial Statements.

Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Statement of Net Assets Available for Benefits as at 31 March 2024

Statement of Net Assets Available for Benefits as at 31 March 2024

	Note	DB 2024 £million	DC 2024 £million	Total 2024 £million	DB 2023 £million	DC 2023 £million	Total 2023 £million
Investment assets							
Pooled investment vehicles	12	454.8	-	454.8	460.3	111.9	572.2
Insurance policies	12	480.7	-	480.7	545.3	-	545.3
AVC investments	12	-	-	-	3.9	-	3.9
Cash	13	17.3	-	17.3	3.4	-	3.4
Other investment balances	13	1.1	-	1.1	1.7	-	1.7
		953.9	-	953.9	1,014.6	111.9	1,126.5
Investment liabilities							
Other investment balances	13	(0.1)	-	(0.1)	(0.1)	-	(0.1)
		(0.1)	-	(0.1)	(0.1)	-	(0.1)
Total net investments		953.8	-	953.8	1,014.5	111.9	1,126.4
Current assets	19	2.7	0.3	3.0	6.4	0.2	6.6
Current liabilities	20	(0.1)	(0.3)	(0.4)	(0.6)	(0.1)	(0.7)
Total net assets available for benefits		956.4	-	956.4	1,020.3	112.0	1,132.3

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 13 to 15 of the Annual Report, and these Financial Statements should be read in conjunction with this report.

The Financial Statements on pages 25 to 44 were approved by the Group Trustee on

Approved and signed on behalf of the Group Trustee:

SIGNATURE

Mike Roberts

.....

Irina Krumova

.....

NAME

M Roberts (Chair) on behalf of PAN Trustees LLP

.....

Irina Krumova

.....

Trustee Director
Electricity North West (ESPS) Pensions
Trustees Limited

Trustee Director
Electricity North West (ESPS) Pensions
Trustees Limited

Electricity North West Group of the Electricity Supply Pension Scheme
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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 was open to new members up to 30 September 2023.

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 Pension Solutions – ESPS Team, Hartshead House, 2 Cutlers Gate, Sheffield, S4 7TL. The address for the Group is C/O Pensions Secretariat – ESPS, Electricity North West Limited, Borrton Street, Portwood, Stockport, Cheshire, SK1 2JD.

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 C/O Pensions Secretariat – ESPS, Electricity North West Limited, Borrton Street, Portwood, Stockport, Cheshire, SK1 2JD.

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.

4. Accounting policies (continued)

Contributions (continued)

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.

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.

The PPF levy is shown as an expense in the Fund Account. If the Principal Employer chooses to pay the PPF levy on behalf of the Group, then an amount equal to the PPF levy is included in Other Income.

The Participating Employers will in addition reimburse the Group in respect of PPF and other levies collected by the Pensions Regulator

4. Accounting policies (continued)

Investment income and expenditure

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.

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 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 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;
- External AVC funds are included at the market value advised by the fund's managers at the year end.

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4. Accounting policies (continued)

Valuation and classification of investments (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 estimates and judgements

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. The Group Trustee has not had to make any critical judgements in applying the accounting policies.

Key accounting estimates and assumptions

The Group Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Group, the Group Trustee believes 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 12, 15 and 16.

5. Contributions

	DB 2024 £million	DC 2024 £million	Total 2024 £million	DB 2023 £million	DC 2023 £million	Total 2023 £million
Employers:						
Normal*	10.9	7.0	17.9	8.5	12.5	21.0
Deficit funding	-	-	-	20.0	-	20.0
Other contributions						
Expenses	0.2	-	0.2	0.8	-	0.8
Group life	-	0.3	0.3	-	0.5	0.5
Employees:						
Normal	0.2	0.1	0.3	0.2	0.1	0.3
Other contributions	-	-	-	-	-	-
AVC	0.4	0.7	1.1	0.6	1.0	1.6
	11.7	8.1	19.8	30.1	14.1	44.2

* Included within Normal Employers are contributions for the DB section of £1.1 million (2023: £1.1 million) and for the DC section of £2.4 million (2023: £4.3 million) that were met by the Employer rather than the employees under the salary sacrifice arrangement.

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

- £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).

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6. Transfers in

	DB 2024 £million	DC 2024 £million	Total 2024 £million	<i>DB 2023 £million</i>	<i>DC 2023 £million</i>	<i>Total 2023 £million</i>
Individual transfers in from other schemes	0.1	0.2	0.3	-	0.4	0.4

7. Benefits paid or payable

	DB 2024 £million	DC 2024 £million	Total 2024 £million	<i>DB 2023 £million</i>	<i>DC 2023 £million</i>	<i>Total 2023 £million</i>
Pensions	50.9	-	50.9	50.6	-	50.6
Commutations of pensions and lump sum retirement benefits	2.8	0.2	3.0	4.3	0.2	4.5
Purchase of annuities on retirement	0.1	-	0.1	-	-	-
Lump sum death benefits (in service)	-	-	-	0.4	-	0.4
Tax (annual allowance exceeded)	0.5	-	0.5	0.1	-	0.1
	54.3	0.2	54.5	55.4	0.2	55.6

On 20 November 2020 the High Court issued a supplementary ruling in the Lloyds Banking Group GMP 2018 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.

The Group Trustee has determined that the estimated the cost of the impact of this ruling for the Group is immaterial based on an initial estimate. 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.

8. Group transfers out

The Group transfers out of £121.7m represents the assets transferred to LifeSight Master Trust in respect of members of the DC Section and the Aegon BlackRock AVC investments of the DB Section. New DC and AVC contributions were paid to LifeSight from 1 October 2023, and the Group assets transitioned in December 2023.

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9. Payments to and on account of leavers

	DB 2024 £million	DC 2024 £million	Total 2024 £million	<i>DB 2023 £million</i>	<i>DC 2023 £million</i>	Total 2023 £million
Individual transfers out to other schemes	1.4	1.9	3.3	32.6	0.9	33.5
Individual transfers – AVC	-	-	-	0.3	-	0.3
	1.4	1.9	3.3	32.9	0.9	33.8

10. Administrative expenses

	DB 2024 £million	DC 2024 £million	Total 2024 £million	<i>DB 2023 £million</i>	<i>DC 2023 £million</i>	Total 2023 £million
Administration and processing	0.5	0.1	0.6	0.4	0.2	0.6
Actuarial fees	0.5	-	0.5	0.4	-	0.4
Trustee fees	0.1	-	0.1	-	-	-
Legal fees	-	-	-	0.1	-	0.1
Insurance	-	0.3	0.3	-	0.2	0.2
Audit fees	-	-	-	0.1	-	0.1
Other professional fees	-	-	-	-	-	-
	1.1	0.4	1.5	1.0	0.4	1.4

The Employer contributed towards the administrative expenses of the DB Section of the Group incurred during the years to 31 March 2024 and 31 March 2023.

11. Investment income

	DB 2024 £million	DC 2024 £million	Total 2024 £million	<i>DB 2023 £million</i>	<i>DC 2023 £million</i>	Total 2023 £million
Interest on cash deposit	2.0	-	2.0	0.2	-	0.2
Income from pooled investment vehicles	12.3	-	12.3	11.6	-	11.6
Income from insurance policies	63.0	-	63.0	41.0	-	41.0
Other	-	-	-	0.3	-	0.3
	77.3	-	77.3	53.1	-	53.1

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 12.

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.

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12. Reconciliation of net investments

Defined benefit section

	Value at 1 April 2023 £million	Purchases £million	Sales £million	Change in market value £million	Value at 31 March 2024 £million
Pooled investment vehicles	460.3	86.6	(65.1)	(27.0)	454.8
Insurance policies	545.3	-	-	(64.6)	480.7
AVC investments	3.9	0.4	(4.4)	0.1	-
	1,009.5	87.0	(69.5)	(91.5)	935.5
Cash	3.4				17.3
Other investment balances	1.6				1.0
Total net investments	1,014.5				953.8

Defined contribution section

	Value at 1 April 2023 £million	Purchases £million	Sales proceeds £million	Change in market value £million	Value at 31 March 2024 £million
Pooled investment vehicles	111.9	9.4	(121.1)	(0.2)	-

£121.7m of sales proceeds relates to the Group transfer out to Lifesight.

	DC 2024 £million	DC 2023 £million
Allocated to members	-	111.7
Not allocated to members	-	0.2
	-	111.9

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 sole investor fund held with Legal & General amounted to nil (2023: 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.

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12. Reconciliation of net investments (continued)

Investment transaction costs (continued)

- Daily dealt funds: L&G Absolute Return Bonds
- Weekly dealt funds: L&G LDI
- Quarterly dealt funds:
 - Apollo (Semi – Liquid Credit) – The Group fully redeemed from Apollo over the reporting period.
 - M&G (Long Lease Property) – Redemptions are subject to deferral for up to 18 months from the relevant dealing date. In Q3 2023, the Group instructed a partial redemption (50%) of the Group's M&G holdings(c.£45m). Due to the nature of the underlying assets, the Group expects to receive the proceeds of the sale in instalments. As at 31 March 2024, the Group had received c.£4.4m of the redemption request with the remaining outstanding balance expected to be paid by March 2025.
- Semi-annually dealt funds: J.P. Morgan (Infrastructure Equity) – This is an illiquid open-ended fund with an initial lock-in period of 4 years, meaning the investment is not realisable without a penalty charge until the lock-in period expires. The Group's four year lock-in period is due to end in September 2026.
- Closed-ended funds: Carlyle (Distressed Debt), Permira (Private Debt), Morgan Stanley and Partners Group (both Global Property)*

*These are illiquid mandate type vehicles meaning 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. Please note that the Partners Group Real Estate Secondaries Fund entered into a formal liquidation process with final distributions expected to be paid out by the end of 2024.

Pooled investment vehicles

	DB 2024 £million	DC 2024 £million	Total 2024 £million	DB 2023 £million	DC 2023 £million	Total 2023 £million
Equities	-	-	-	-	105.1	105.1
Bonds	129.1	-	129.1	134.1	0.9	135.0
Property	96.3	-	96.3	109.8	0.1	109.9
Diversified growth funds	-	-	-	-	4.7	4.7
Infrastructure funds	81.6	-	81.6	77.0	-	77.0
Liability driven investments	147.8	-	147.8	139.4	-	139.4
Cash and other liquid assets	-	-	-	-	1.1	1.1
	454.8	-	454.8	460.3	111.9	572.2

At 31 March 2024 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 2024 £147.8 million (2022: £139.4 million) was invested with Legal & General. The LDI breakdown is as follows:

	DB 2024 £million	DB 2023 £million
Bonds – net	317.1	178.9
Swaps – net	(11.3)	(1.5)
Repurchase agreements – net	(174.2)	(76.6)
Cash and other liquid assets	16.2	38.6
	147.8	139.4

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12. Reconciliation of net investments (continued)

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 Group 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 £480.7m (2023: £545.3m).

The significant actuarial assumptions underlying the current valuation calculation are in line with those set out in the Report on Actuarial Liabilities on pages 13 to 15 updated for the 31 March 2024.

As part of the original buy-in policy, the Group Trustee had the right to restructure the buy-in following a future Pension Increase Exchange (PIE) exercise, there were also terms around restructuring for the impact of GMP Equalisation and Conversion.

An amount of £21.3m was received in August 2023 from Scottish Widows. This payment was in respect of the true-up of GMP conversion and PIE reconciliation, and the restructure to the contract as a result of increasing pensions in 2023 by less than full RPI.

AVC investments

The number of AVC accounts (including "frozen" accounts) as at 31 March 2024 was 4 (2023: 139).

The aggregate amount of AVC investments are as follows. The total valuation of the AVC accounts as at 31 March 2024 does not show in the table below as it is less than £0.1m.

	DB 2024 £million	<i>DB</i> <i>2023</i> <i>£million</i>
BlackRock Life Limited - unit linked equities pooled investment vehicles	-	2.7
BlackRock Life Limited - unit linked bonds pooled investment vehicles	-	0.3
BlackRock Life Limited - diversified growth fund pooled investment vehicles	-	0.7
BlackRock Life Limited - cash	-	0.2
	<u>-</u>	<u>3.9</u>

13. Cash and other net investment balances

	DB 2024 £million	<i>DB</i> <i>2023</i> <i>£million</i>
Cash – sterling	<u>17.3</u>	<u>3.4</u>
Total cash	<u>17.3</u>	<u>3.4</u>
Accrued interest and dividends	1.1	-
Amounts receivable from sale of investments	-	1.7
Other investment liabilities	<u>(0.1)</u>	<u>(0.1)</u>
	<u>18.3</u>	<u>5.0</u>

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14. Investment management expenses

	DB 2024 £million	DC 2024 £million	Total 2024 £million	<i>DB 2023 £million</i>	<i>DC 2023 £million</i>	<i>Total 2023 £million</i>
Administration and management fees	0.1	0.1	0.2	<i>0.5</i>	<i>0.1</i>	<i>0.6</i>
Other advisory fees	0.4	-	0.4	<i>0.5</i>	<i>-</i>	<i>0.5</i>
	0.5	0.1	0.6	<i>1.0</i>	<i>0.1</i>	<i>1.1</i>

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 2024 or 31 March 2023.

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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	2024 Total £million
DB Section				
Investment assets				
Pooled investment vehicles	-	195.6	259.2	454.8
Insurance policies	-	-	480.7	480.7
AVC investments	-	-	-	-
Cash	-	17.3	-	17.3
Other investment assets	1.1	-	-	1.1
Investment liabilities				
Other investment balances	(0.1)	-	-	(0.1)
DB Section Total	1.0	212.9	739.9	953.8

DC Section

Investment assets

Pooled investment vehicles

DC Section Total

-	-	-	-
-	-	-	-

Total investments

1.0	212.9	739.9	953.8
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	Level 1 £million	Level 2 £million	Level 3 £million	2023 Total £million
DB Section				
Investment assets				
Pooled investment vehicles	-	155.3	305.0	460.3
Insurance policies	-	-	545.3	545.3
AVC investments	-	3.9	-	3.9
Cash	-	3.4	-	3.4
Other Investment Assets	1.7	-	-	1.7
Investment liabilities				
Other investment balances	(0.1)	-	-	(0.1)
DB Section Total	1.6	162.6	850.3	1,014.5

DC Section

Investment assets

Pooled investment vehicles

DC Section Total

-	111.8	0.1	111.9
-	111.8	0.1	111.9

Total investments

1.6	274.4	850.4	1,126.4
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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 Group's buy-in was funded by a combination of corporate bonds, government bonds and cash in October 2019 with no additional buy-in's instructed during the year ending 31 March 2024.

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	2024 Subtotal £million
Pooled investment vehicles	-	-	454.8	454.8
Total	-	-	454.8	454.8

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16. Investment risks (continued)

	Investment Grade £million	Non-Investment Grade £million	Unrated £million	2023 Subtotal £million
Pooled investment vehicles	-	-	460.3	460.3
Total	-	-	460.3	460.3

Source: investment managers, BNYM, Isio Calculations

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:

	2024 £million	2023 £million
Unit-linked insurance contracts	47.8	15.8
Authorised unit trusts	82.9	90.8
Limited liability partnerships	4.4	6.3
Limited partnerships	86.6	91.1
Open-ended investment companies	81.6	112.1
Other ¹	151.5	144.2
Total	454.8	460.3

Source: investment managers

1. Notes: 1 - Other structures include L&G (LDI), Real Estate Secondary Fund with Partners.

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.

Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
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16. Investment risks (continued)

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

	2024	2023
	£million	£million
US Dollar	95.7	99.3
Euro	3.7	4.8

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.

2024	Credit Risk	Currency Risk	Interest Rate Risk	Other Price Risk
Bond funds	●	○	○	○
Property funds	○	○	●	●
Liability-driven investment funds	●	○	●	○
Infrastructure funds	○	●	○	●
Cash funds	○	○	○	○

2023	Credit Risk	Currency Risk	Interest Rate Risk	Other Price Risk
Bond funds	●	○	○	○
Property funds	○	○	●	●
Liability-driven investment funds	●	○	●	○
Infrastructure funds	○	●	○	●
Cash funds	○	○	○	○

Key to indirect risk exposures:

- Significant exposure
- Some exposure
- Negligible exposure

Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Notes to the Financial Statements

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:

	2024	2023
	£million	£million
Unit-linked insurance contracts	-	111.9

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.

The table below hasn't been prepared for 2024 due to the transfer out of DC assets to the Lifesight Master Trust from October 2023.

2023	Credit Risk	Currency Risk	Interest Rate Risk	Other Price Risk
Equity funds	○	●	○	●
Bond funds	●	○	●	●
Diversified growth funds	●	●	●	●
Property funds	○	○	○	●
Cash funds	○	○	○	○

The indirect risks reported in the Investment Risks section of the Financial Statements are provided to Isio by the Group's investment managers. 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.

Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Notes to the Financial Statements

17. Employer related investments

As at 31 March 2024 there were no direct employer-related investments (2023: 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 (2023: nil).

18. Concentration of investments

Investments accounting for more than 5% of the net assets of the Group at 31 March 2024 or 31 March 2023 were:

	2024	2024	<i>2023</i>	<i>2023</i>
	£million	%	<i>£million</i>	<i>%</i>
Scottish Widows Insurance Policy	480.7	50.3	<i>545.3</i>	<i>48.2</i>
L&G Client Specific Fund	147.8	15.5	<i>139.4</i>	<i>12.3</i>
M&G Secured Property Income Fund	82.9	8.7	<i>90.8</i>	<i>8.0</i>
JP Morgan	81.2	8.5	<i>77.0</i>	<i>6.8</i>
Permira Credit Solutions V Fund	60.7	6.3	<i>39.0</i>	<i>3.4</i>
Aegon BlackRock 30/70 Global Equity Index	-	-	<i>104.8</i>	<i>9.3</i>

19. Current assets

	DB	DC	Total	<i>DB</i>	<i>DC</i>	<i>Total</i>
	2024	2024	2024	2023	2023	2023
	<i>£million</i>	<i>£million</i>	£million	<i>£million</i>	<i>£million</i>	<i>£million</i>
Contributions due in respect of:						
Employers	0.9	-	0.9	<i>2.4</i>	-	<i>2.4</i>
VAT recoverable	0.5	-	0.5	<i>0.1</i>	-	<i>0.1</i>
Investment income	-	-	-	-	-	-
Administration & Investment expense	-	-	-	<i>0.1</i>	-	<i>0.1</i>
Cash balances	1.3	0.3	1.6	<i>3.8</i>	<i>0.2</i>	<i>4.0</i>
	2.7	0.3	3.0	<i>6.4</i>	<i>0.2</i>	<i>6.6</i>

All contributions due to the Group at 31 March 2024 and 31 March 2023 relate to March 2024 and March 2023 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	DC	Total	<i>DB</i>	<i>DC</i>	<i>Total</i>
	2024	2024	2024	2023	2023	2023
	<i>£million</i>	<i>£million</i>	£million	<i>£million</i>	<i>£million</i>	<i>£million</i>
Benefits payable	-	-	-	<i>(0.3)</i>	<i>(0.1)</i>	<i>(0.4)</i>
Administrative expenses	-	(0.3)	(0.3)	<i>(0.3)</i>	-	<i>(0.3)</i>
Other payments	(0.1)	-	(0.1)	-	-	-
	(0.1)	(0.3)	(0.4)	<i>(0.6)</i>	<i>(0.1)</i>	<i>(0.7)</i>

21. Related party transactions

Related party transactions and balances comprise:

Key Management personnel

Contributions and contributions receivable in respect of two Trustee Directors and pensions paid in respect of three 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.

In the year to 31 March 2024 fees and expenses of £111,185 (2023: £59,014) were paid to four Trustee Directors by the Scheme.

Employer and other related parties

Administrative services, including three of the Trustee Director fees and expenses are provided by the Employer, without recharge to the Group. Trustee Director fees and expenses provided by the employer without recharge to the Group amounted to £500 (2023: £81,795).

22. Contingent liabilities and contractual commitments

In the opinion of the Group Trustee the Group had no 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 use the proceeds to rebalance the investment strategy.

In the interim period the returned capital will continue to be paid into the BNYM Cash Fund.

Given the Permira PCS III Fund is in its realisation period, as at March 2024, the Group has received a total of c.£106.5m in distributions, equal to c.101.4% of its £105m commitment. As of 31 March 2024, the Group's cumulative unfunded amount stood at c.8.4m, equal to 8.0% of its commitment. As of 31 March 2024, the Group has contributed a total of c.£58.4m in capital to the Permira PCS V Fund, equal to c.46.7% of its £125m commitment.

The Virgin Media Limited / NTL Pension Trustees II decision, handed down by the High Court in June 2023, considered the implications of section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out scheme cannot be altered unless the actuary confirmed that the scheme would continue to satisfy the statutory standards. The High Court found that, where the required actuarial confirmation was not supplied, the effect of section 37 was to render the relevant amendment to any contracted-out right automatically void. It also held that references in the legislation included both past and future service rights and that the requirement for actuarial confirmation applied to all amendments to the rules of a contracted-out scheme. The case has been appealed and the judgement was handed down on 25 July 2024. The Court of Appeal agreed with the first instance High Court decision. There is still the possibility of further developments changing the position following the Court of Appeal's judgment (such as a further appeal to the Supreme Court or intervention by the Secretary of State for Work & Pensions). The Group Trustees will look again at any potential impact (if any) on the Group once there is further clarity on possible further developments.

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 2024 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 2023.

We have examined Electricity North West Group of the Electricity Supply Pension Scheme's summary of contributions for the Group year ended 31 March 2024 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

16 October 2024

**Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Summary of Contributions to the Group Trustee**

During the year, the contributions required by the Schedule of Contributions for the Group year ended 31 March 2024 were as follows:

Contribution Type	Employer £millions	Employee £millions	Total £millions
Required by the Schedule of Contributions			
Normal – DB	10.9	0.2	11.1
Normal – DC	7.0	0.1	7.1
Expenses	0.2	-	0.2
Group life	0.3	-	0.3
Sub-total	18.4	0.3	18.7
Other Contributions Payable			
AVC	-	1.1	1.1
Total (as per Fund Account)	18.4	1.4	19.8

Approved by and signed on behalf of the Group Trustee:

SIGNATURE

Mike Roberts

Irina Krumova

.....

.....

NAME

M Roberts (Chair) on behalf of PAN Trustees LLP

Irina Krumova

.....

.....

**Trustee Director
Electricity North West (ESPS) Pensions
Trustees Limited**

**Trustee Director
Electricity North West (ESPS) Pensions
Trustees Limited**

DATE:

15 October 2024

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**Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2023
Schedule of Contributions**

Introduction

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 2026. 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.	<p>Rates as set out in Appendix A:</p> <p>39.8% of Salaries or Pensionable Earnings up to 1 April 2023 and 38.2% of Salaries or Pensionable Earnings thereafter, paid monthly;</p> <p>Less a fixed reduction to future service contributions of £208,333 each month for the period 1 April 2022 to 31 March 2023; and</p> <p>£200,000 each quarter until 31 March 2023 for expenses then nil thereafter (subject to review at future actuarial valuations).</p> <p>The Participating Employers will in addition reimburse the Group in respect of PPF and other levies collected by the Pensions Regulator</p>
Shortfall contributions to satisfy the recovery	The period commencing with the date of certification of this schedule by the Group's scheme actuary and ending on 31 March 2023	<p>£1,666,700 each month from April 2022 to March 2023 inclusive.</p> <p>Elements of the Shortfall contributions are also being treated as Expense contributions and Rule 29 contributions – see Appendix A for details.</p>

The Participating Employers will ensure that the Trustee receives these contributions by the 19th day (or the 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 the 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 the payment is requested from the Participating Employers by the Administrator.

**Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2023
Schedule of Contributions**

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 set out in Appendix A which forms part of 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 Employers 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.

Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2023
Schedule of Contributions

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.	<p>ESPS members The relevant % of Salaries (6%, 5%, 3% or nil) as required under the Group's provisions.</p> <p>UUPS members The relevant % of Pensionable Earnings (3% to 7.5%) as required under the Group's provisions.</p> <p>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 payments.</p>

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:	<i>M Sugden</i>	Name:	M Sugden
Position:	Trustee Director	Date:	31 March 2023
Signature:	<i>C Dooley</i>	Name:	C Dooley
Position:	Trustee Director	Date:	31 March 2023

Signed on behalf of Electricity North West Limited

Signature:	<i>D Brocksom</i>	Name:	D Brocksom
Position:	Director	Date:	31 March 2023

Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2023
Schedule of Contributions

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)	£1,666,700 each month from April 2022 to March 2023 inclusive
Additional (Future Service)	Clause 13(1)(g)	39.8% of Salaries/Pensionable Earnings up to 1 April 2023 and 38.2% of Salaries/Pensionable Earnings thereafter, less contributions made under Clause 13(1)(a) and Clause 13(1)(f) (arising from Rule 23A). Less a fixed reduction to future service contributions of £208,333 each month for the period 1 April 2022 to 31 March 2023. For the avoidance of doubt, in any month, the aggregate contributions payable 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	Clause 13(1)(c)	As required under the provisions of Clause 13(1)(c).

**Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2023
Schedule of Contributions**

Rule 14(3), Rule 20(5) and Part II of Appendix B		
Expenses of administration (including PPF and other levies)	Clause 13(1)(h)	<p>£200,000 each quarter until 31 March 2023 for expenses then nil thereafter (subject to review at future actuarial valuations).</p> <p>For the shortfall in contributions with respect to expenses up to the 31 March 2022 valuation date, the Participating Employers will meet the costs by instalments over the period to March 2023 with £125,000 each month of the shortfall contributions detailed above representing expense contributions</p> <p>Advanced further funding is also being made. The Participating Employers will meet the costs by instalments over the period to March 2023 with £1,083,333 each month of the shortfall contributions detailed above representing expense contributions.</p> <p>The Participating Employers will in addition reimburse the Section in respect of the PPF and other levies collected by the Pensions Regulator.</p>
Other	<p>Clause 13(1)(d)</p> <p>Clause 13(1)(f) (arising from Rule 23A)</p> <p>Clause 13(1)(f) (arising from Rule 32A)</p> <p>Clause 13(1)(ee) (arising from paragraph (1A) of Rule 14)</p>	<p>As required under the provisions of Clause 13(1)(d).</p> <p>As required under the provisions of Rule 23A.</p> <p>As required under the provisions of Rule 32A.</p> <p>As required under the provisions of paragraph (1A) of Rule 14.</p>

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 Principal Employer with the Trustee.

**Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2023
Actuarial Certificate of Schedule of Contributions**

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 2022 to be met by the end of the period specified in the recovery plan dated 31 March 2023.

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 2023.

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	<i>Chris Vaughan-Williams</i>	Date	31 March 2023
Name	Chris Vaughan-Williams	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	1 Redcliff Street Bristol BS1 6NP	Name of employer	Aon Solutions UK Limited

**Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2023
Actuarial Certificate of Technical Provisions**

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 2022 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 2023.

Signature	<i>Chris Vaughan-Williams</i>	Date	31 March 2023
Name	Chris Vaughan-Williams	Name of employer	Aon Solutions UK Limited
Qualification	Fellow of the Institute and Faculty of Actuaries	Address	1 Redcliff Street Bristol BS1 6NP

Electricity North West Group of the Electricity Supply Pension Scheme

November 2023 - Statement of Investment Principles

1. Purpose of this Statement

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 Trustee’s 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 take 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 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 of in agreeing the Group’s investment arrangements. The Trustee has also taken the Myner’s Principles into account before making decisions about the Group’s investment arrangements.

The 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 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 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.

**Electricity North West Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2024
Statement of Investment Principles**

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.

4. Investment Strategy - Defined Benefit Section

The Trustee takes a holistic approach to considering and managing risks when formulating the Group’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 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 below 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 approximately 90% of interest rate and inflation risk (on the Technical Provisions basis), which is primarily obtained through the LDI mandate with LGIM. The long lease property mandate also provides some liability hedging characteristics to supplement this.

Asset Class	Benchmark Allocation (excl. bulk annuity ¹) (%)
Distressed Debt ²	0
Global Property ²	0
Asset Backed Securities ³	0
Absolute Return Bonds ⁴	16
Infrastructure Equity	17
Direct Lending	17
Long Lease Property	10
LDI	40
Total	100

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

²These asset classes are current mature illiquid holdings that will continue to distribute their remaining capital. 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 and have been allocated benchmark allocations of 0%.

³This mandate is not expected to be a long-term holding and therefore does not have a fixed benchmark allocation. This mandate may however be used for short-term deployment of cash ahead of wider cashflow requirements from time to time.

⁴The Group's Absolute Return Bond mandate is held alongside the Group's LDI mandate to provide the first tier of collateral to meet any leverage rebalancing calls and receive any capital distributions. This mandate's allocation is therefore expected to deviate with yield movements. See Appendix C for further details.

The continuing appropriateness of the current and target strategy in terms of investment risk and the 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 Strategy - Defined Contribution Section

The Group's DC holdings have been transferred to the LifeSight Master Trust arrangement in October 2023, thereby relinquishing the Trustee from their fiduciary duty over the investment strategy of these holdings.

6. Investment Management Arrangements

The Trustee has appointed several investment managers to manage the assets of the Group as listed in the IID/Statement. 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 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 takes investment managers' policies into account when selecting and monitoring managers. The Trustee also takes 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.

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The 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 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 Trustee, the IID as referenced earlier, which is available to members upon request.

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

The Bank of New York Mellon has been appointed as the Group’s custodian by the Trustee of the Electricity Supply Pension Scheme, to operate alongside the investment managers the Group has in place. The custodian provides safekeeping for the assets and performs all associated administrative duties such as the collection of dividends.

7. 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	<p>The 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 Board Meeting.</p> <p>The Group’s investment managers are invited in person, from time to time, to present to the Trustee on their performance, strategy and risk exposures.</p>	<p>There are significant changes made to the investment strategy.</p> <p>The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee’s expectations.</p> <p>Underperformance vs. the performance objective over the period that this objective applies.</p>

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Environmental, Social, Corporate Governance factors and the exercising of rights	<p>The Trustee’s investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.</p> <p>The Trustee receives information from their investment advisers on the investment managers’ approaches to engagement.</p> <p>The Trustee will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters (including the Scheme’s stewardship priorities) at least annually.</p>	<p>The manager has not acted in accordance with their stated ESG, climate and/or stewardship policies and frameworks.</p> <p>The manager’s policies are not in line with the Trustee’s policies in this area.</p>
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8. Leverage and Collateral Management - Defined Benefit Section

The Trustee will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Group’s liability hedging portfolios.

The Trustee has a stated collateral management framework. The Trustee has agreed a process for meeting collateral calls should these be made by the Group’s LDI investment manager. The Trustee will review and stress test this framework on a regular basis.

Further details on this can be found in Appendix C.

9. Additional Assets

Under the terms of the trust deed the Trustee is responsible for the Defined Contribution and Defined Benefit sections of the Group, including the investment of Additional Voluntary Contributions (“AVCs”) paid by members. Both the Group’s Defined Contribution and Defined Benefit section members hold AVCs with external providers. The Group Trustee does not influence the investment strategy of the third party AVC providers. The Trustee reviews the investment performance of the chosen providers on a regular basis and takes advice as to the providers’ continued suitability.

10. 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.

11. 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.

12. 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 investment review documents sent to the Trustee ahead of any new investment made by the Group detailing the specifics of the Group's investment arrangements.
- The Group's investment managers may only invest in securities that do not have a readily realisable value with prior Trustee consent.
- 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.

13. 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.

14. Compliance

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.

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15. 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 Roberts (Trustee Chair)
Name: On behalf of PAN Trustees UK LLP
Date: 07/12/2023

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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.	<ul style="list-style-type: none"> 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 cashflows.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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 approximately 90% of the interest rate and inflation risks inherent in the Group's liabilities (on the Technical Provisions basis, excluding the bulk annuity transaction).

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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 Group's LGIM Absolute Return Bond Fund holdings form part of a collateral waterfall structure that can be used in relation to releveraging and deleveraging events.
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 Sterling 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.

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Appendix B

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

<p>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.</p>	<ul style="list-style-type: none"> ● 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.
<p>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.</p>	<ul style="list-style-type: none"> ● The Trustee reviews the investment managers' performances relative to medium and long-term objectives as documented in the investment management agreements. ● The Trustee monitors the investment managers' engagements and voting activities regularly as part of their ESG monitoring process.
<p>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.</p>	<ul style="list-style-type: none"> ● 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 objectives. ● Investment manager fees are monitored on an on-going basis to make sure the correct amounts have been charged.

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<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</p>	<ul style="list-style-type: none"> • 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.
<p>The duration of the Group's arrangements with the investment managers.</p>	<ul style="list-style-type: none"> • 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 in line 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 to be held.
<p>How the investment managers are incentivised to vote on the Trustee's behalf.</p>	<ul style="list-style-type: none"> • The Trustee has acknowledged responsibility for the voting policies that are implemented by the Group's investment managers on their behalf. • The Trustee monitors the investment managers' engagements and voting activities regularly as part of their ESG monitoring process to engage with investment managers on alignment.
<p>How the Trustee will engage with investment managers, direct assets and others about 'relevant matters'.</p>	<ul style="list-style-type: none"> • The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Group's investment managers on their behalf. • The Trustee, via their investment advisers, will engage with managers about 'relevant matters' at least annually.

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Appendix C – Collateral management policy

The Trustee has a defined collateral rebalancing framework in place with LGIM in regard to the Group's LDI mandate. In the event of capital calls, LGIM have permission to automatically source capital as required from the Group's other LGIM fund as outlined below.

The Trustee will review their collateral management policy no less frequently than annually, or as soon as possible in the event of significant market movements.

Trigger	Action	Responsibility
When LDI fund collateral falls below the predefined trigger level of 0.9x the optimal level.	Capital call is issued, funds are automatically sourced from the below collateral waterfall as required to restore the collateral buffer to 1.05x the optimal 350 bps headroom target.	LGIM are responsible for monitoring LDI fund collateral levels, communicating capital call requirements to Isio/the Trustee and sourcing the required funds.
All collateral funds are exhausted	Consider sourcing capital from other liquid mandates and/or reducing hedging exposure.	Isio to monitor collateral levels in the collateral fund and advise accordingly when manual top ups may be required.

The latest collateral waterfall is set out below. Assets held with the same manager as the LDI mandate are shown in bold, reflecting the lower governance burden on the Trustee.

Order	Manager	Fund	Dealing frequency	Notice period	Settlement period
1	LGIM	Absolute Return Bond Fund	Daily	6pm T - 1	T + 2
2	BNY Mellon	Group Cash Fund*	Daily	5pm T - 2	T + 1

**This fund is not part of the Group's collateral framework with LGIM but can be used as an extra source of capital for manual top ups as required.*

The Group also has an upper trigger mechanism in place with LGIM which outlines the collateral levels at which capital will be distributed. This states that when the LDI fund collateral rises above the redefined trigger level of 1.2x the optimal level, capital will automatically be distributed to the Absolute Return Bond Fund to restore the 1.05x optimal collateral position.

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Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

Implementation Statement

This implementation statement is to provide evidence that the Group continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the web address:

<https://www.enwlpensions.co.uk/db-members/scheme-documents> and changes to the SIP are detailed on page 8.

The Implementation Statement 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 the 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 2024 for and on behalf of the Group including the most significant votes cast by Group or on its behalf

Summary of key actions undertaken over the Group's reporting year

Over the reporting period, the Group Trustee worked with its LDI manager, Legal and General Investment Management ("LGIM"), to increase the target collateral headroom to 3.5% - reflecting industry trends and regulatory guidance. The Group Trustee increased the target uninsured Technical Provisions hedge level over the period, initially from 71% to 75% and then to 90%.

In Q2 2023, the Group Trustee chose to fully disinvest from the Apollo Total Return Fund. The redemption proceeds of c.£36m were received in November 2023, of which c.£10m was used to increase the LDI mandate's hedge to 90%. In addition, c.£30m (consisting of the remaining Apollo redemption proceeds and excess cash within the Group Cash Fund) was reinvested into the LGIM Absolute Return Bond Fund.

The Group Trustee also chose to redeem half of its holdings in the M&G Secured Property Income Fund ("SPIF"). The Group joined the redemption queue on 1 September 2023, following which M&G have up to 18 months to pay the redemption proceeds in full, given the fund is in deferment. As at 31 March 2024, c.£4.4m (10%) of the expected redemption proceeds had been received. M&G have notified the Trustee that an additional 70% of the redemption proceeds will be processed during June 2024.

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Annually, the Trustee undertakes an in-depth review of the investment managers' Environmental, Social and Governance (ESG) strategies. The Group's investment managers are progressively integrating ESG considerations into their decision-making and due diligence. To endorse best practices, the Trustee has relayed, via their investment adviser, actions for the managers to enhance their ESG strategies. Progress will be continuously monitored against these actions by the Trustee against the Group's ESG Policy and Beliefs.

Implementation Statement

This statement 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 Mike Roberts

Position Chair of Trustees, on behalf of PAN Trustees UK LLP

Date 16 October 2024

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Managing risks and policy actions – DB

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.90% of inflation risks inherent in the Group's liabilities on the Technical Provisions basis (excluding the bulk annuity transaction).	<p>In December 2023, the Group Trustee decided to increase the LDI mandate's hedge from 71% to 75% of uninsured TP liabilities using the Scottish Widows restructuring proceeds.</p> <p>The hedge was further increased to 90% of uninsured TP liabilities in January 2024.</p> <p>Post-reporting period year end, the Group Trustee is reviewing the LDI portfolio's hedge to update the cashflows modelled to reflect the latest Actuarial Valuation Report.</p>
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	<p>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).</p> <p>Collateral for LDI purposes will initially be sourced by LGIM using cash within the bespoke pooled mandate in place.</p> <p>The Group's LGIM Absolute Return Bond Fund forms part of a collateral waterfall structure that can be used in relation to re-leveraging and de-leveraging events.</p> <p>To help manage the Group's liquidity position, an automatic rebalancing framework with pre-agreed rebalancing triggers is in place with LGIM to facilitate faster collateral rebalancing.</p>	<p>The investment strategy and insurance policy distribute regular income to assist in paying benefits as they fall due.</p> <p>Over Q4 2023, the Trustee fully redeemed the Group's holdings within the Apollo Total Return Fund and partially redeemed the Group's holdings in M&G SPIF. The proceeds from both have helped to improve the overall Group liquidity position.</p> <p>While the target LDI collateral headroom was revised upwards to 3.5% during the reporting period, the Group Trustee is satisfied there are sufficient liquid assets held elsewhere for ongoing liquidity requirements.</p> <p>Several of the Group's illiquid mandates are currently in their harvesting phase and are distributing cash back to the Group. These distributions have been earmarked as a source of capital for future drawdowns in relation to the Group's unfunded illiquid manager commitments.</p>

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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.	<p>The Group reduces market risk by diversifying its holdings across a range of asset classes and investment managers.</p> <p>Diversification in the strategy fell over the period due to the disinvestments made for de-risking the Group's holdings whilst increasing liquidity.</p> <p>The Trustee is satisfied that the Group's assets remain sufficiently diversified to appropriately address market risk.</p> <p>The Group's allocations are monitored on a regular basis relative to the Strategic Asset Allocation (set out in the SIP) in the Investment Performance Report.</p>
Credit	Default on payments due as part of a financial security contract.	<p>To diversify this risk by investing in a range of credit markets across different geographies and sectors.</p> <p>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.</p>	The Group invests across a range of credit strategies which provide exposure to several sectors and geographies.
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.	<p>The Trustee has implemented its own ESG Policy which it uses in the selection and monitoring of its investment managers.</p> <p>ESG is taken into account as part of the Group's adviser's (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.</p> <p>The Trustee monitors the managers on an ongoing basis via the annual impact assessment, which provides further details and proposed actions for the Group's investment managers improvements in ESG integration. ESG ratings are also shared in the quarterly</p>	<p>The Trustee carries out an in-depth review of the Group's investment managers' ESG policies and practices over the reporting period on an annual basis and also considered possible ways in which the Group's updated ESG policy could be incorporated into the Group's investment strategy.</p> <p>As the ESPS is covered by Taskforce for Climate related Financial Disclosures ('TCFD') regulations, the Trustee received additional training in preparation for the Group's potential requirement for TCFD submission.</p> <p>Following this training, the Group Trustee decided to implement a climate governance framework and update the existing ESG policy for climate considerations. The Trustee also produced a governance and risk management report to feed into the ESPS Scheme-level TCFD submission,</p>

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		investment performance reports.	
Currency	The potential for adverse currency movements to have an impact on the Group's investments.	<p>Hedge currency risk to an appropriate level as determined by the Trustee with advice from their investment advisor.</p> <p>The Trustee aim to invest in GBP share classes where possible to eliminate direct currency risk in underlying holdings, except where active currency positions are held.</p>	No change to policy.
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.	No change to policy.

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Changes to the SIP

Over the 12-month period to 31 March 2024, the Scheme's SIP was updated to reflect the strategy changes noted above. The Group Trustee also implemented an updated collateral management policy which details the events that should take place should LGIM issue a capital call. The additional policies added to the SIP are outlined in the table below.

Policies added to the SIP

Date updated: November 2023

Leverage and Collateral Management	<ul style="list-style-type: none"> The Trustee will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Group's liability hedging portfolios. The Trustee has a stated collateral management framework. The Trustee has agreed a process for meeting collateral calls should these be made by the Group's LDI investment manager. The Trustee will review and stress test this framework on a regular basis.
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Collateral Management Framework

The Trustee has a defined collateral rebalancing framework in place with LGIM regarding the Group's LDI mandate. In the event of capital calls, LGIM have permission to automatically source capital as required from the Group's other LGIM fund as outlined below.

The Trustee will review their collateral management policy no less frequently than annually, or as soon as possible in the event of significant market movements.

Trigger	Action	Responsibility
When LDI fund collateral falls below the predefined trigger level of 0.9x the optimal level.	Capital call is issued, funds are automatically sourced from the below collateral waterfall as required to restore the collateral buffer to 1.05x the optimal 350 bps headroom target.	LGIM are responsible for monitoring LDI fund collateral levels, communicating capital call requirements to Isio/the Trustee and sourcing the required funds.
All collateral funds are exhausted.	Consider sourcing capital from other liquid mandates and/or reducing hedging exposure.	Isio to monitor collateral levels in the collateral fund and advise accordingly when manual top ups may be required.

The latest collateral waterfall is set out below. Assets held with the same manager as the LDI mandate are shown in bold, reflecting the lower governance burden on the Trustee.

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Order	Manager	Fund	Dealing frequency	Notice Period	Settlement Period
1	LGIM	Absolute Return Bond Fund	Daily	6pm T - 1	T + 2
2	BNY Mellon	Group Cash Fund*	Daily	5pm T - 2	T + 1

**This fund is not part of the Group's collateral framework with LGIM but can be used as an extra source of capital for manual top ups as required.*

The Group also has an upper trigger mechanism in place with LGIM which outlines the collateral levels at which capital will be distributed. This states that when the LDI fund collateral rises above the redefined trigger level of 1.2x the optimal level, capital will automatically be distributed to the Absolute Return Bond Fund to restore the 1.05x optimal collateral position.

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

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Group's policy with regards to ESG as a financially material risk. As outlined in the 'Investment Manager Arrangements' section of the SIP, 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 the:

- selection, retention, and realisation of investments including taking into account all financially material considerations, including Environmental, Social and Governance ('ESG') factors in making these decisions.
- exercise of rights (including voting rights) attaching to the investments.
- undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The 'Investment Manager Monitoring and Engagement' section of the SIP also outlines the framework the Trustee uses to monitor and engage with the investment managers on ESG matters.

The Group's Trustee has also established their own beliefs and implemented an ESG Policy to help underpin investment decisions. This Policy summarises the Trustee's beliefs and steps through which the Trustee will implement the policy. The Group's ESG Policy is detailed below.

The Trustee's ESG beliefs

The following statements summarise the ESG beliefs held by the Trustee which were agreed in March 2024:

Risk Management

- i. ESG factors are important for risk management and can be financially material. Managing these risks forms part of the fiduciary duty of the Trustee.
- ii. The Trustee recognises that climate change risk poses significant investment risk that could become incrementally more severe over time.

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- iii. The Trustee believes that ESG integration leads to better risk adjusted outcomes and want a positive tilt to the investment strategy.
- iv. The Trustee will consider the ESG values and priority areas of the Company.

Investment Approach/Framework

- i. The Trustee wants to understand how investment managers integrate ESG considerations into their investment process and in their stewardship activities.
- ii. The Trustee believes that sectors which demonstrate particularly bad ESG characteristics may underperform. Where possible the investment strategy will seek to avoid these sectors.

Voting & Engagement

- i. ESG factors are relevant to all asset classes, whether equity or debt investments, and managers have the responsibility to engage with companies on ESG factors.
- ii. The Trustee will seek to understand to understand the impact of voting and engagement activity within their investment mandates.
- iii. The Trustee believes that engaging with managers is more effective to initiate change than disinvesting and so will seek to communicate key ESG actions to the managers in the first instance.

Reporting & Monitoring

- i. ESG factors are dynamic and continually evolving; therefore, the Trustee will receive training to develop and maintain their knowledge of these factors.
- ii. The Trustee will seek to monitor key ESG metrics to understand the impact of their investments.

Collaboration

- i. Investment managers should be actively engaging and collaborating with other market participants to raise the ESG investment standards and facilitate best practice as well as sign up and comply with common codes such as UN Principles for Responsible Investment (“PRI” – defined further below), Task Force on Climate-related Financial Disclosures (“TCFD”) and the UK Stewardship Code.
- ii. The Trustee should sign up to a recognised ESG framework to collaborate with other investors on key issues.

The Principles of Responsible Investment (“PRI”) is a proponent of Responsible Investment and works to consider the investment implications of ESG factors on investment and ownership decisions. The Trustee will consider all six of the Responsible Investment principles from the PRI’s voluntary code when making investment decisions. These principles are outlined in the Appendix to this document.

Implementing the Group’s Policy

The Trustee will implement the policy through the following steps:

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1. The Trustee will continue to develop their understanding of ESG factors through annual training on ESG and keep themselves up to date on the latest sustainable investment opportunities.
2. The Trustee's ESG beliefs will be formally reviewed on an ongoing basis as required.
3. The Trustee, with support from its investment consultant, will contribute to the Scheme-level Task Force on Climate-related Financial Disclosures ("TCFD") report.
4. The Trustee will incorporate ESG criteria as part of new manager selection exercises, with explicit consideration of ESG factors for any segregated mandates.
5. The Trustee, with support from Isio, will carry out regular reviews of the investment managers' approaches to and effectiveness in integrating ESG factors.
6. The Trustee will receive any relevant climate-related updates from the investment consultant, potentially covering the investment managers' climate capabilities, progress on various climate workstreams and any relevant market or regulatory updates.
7. Following the initial review, actions will be identified where investment managers are misaligned with the Trustee's ESG beliefs. Isio will engage with each manager on the Trustee's behalf to remedy these issues where possible.
8. The investment managers' stewardship and engagement activities will be monitored on an ongoing basis and the Trustee will seek to understand the effectiveness of these activities.
9. With guidance from Isio, the Trustee will seek to obtain and incorporate climate change metrics from its investment managers as TCFD aligned disclosures are required.
10. The Trustee, with support from Isio, will publish an annual report which outlines the extent to which the Group has followed its engagement policies and voting behaviours in the form of an Implementation Statement.
11. The Trustee will regularly monitor the Isio defined ESG ratings of its investment managers and will carry out regular reviews of the investment managers approach to ESG through ESG impact assessment reports and progress reports prepared by Isio.
12. The Trustee to consider signing up to the UNPRI or the UK Stewardship Code.

ESG summary and actions with the investment managers

The Trustee carried out a review of the Group's investment managers from an ESG perspective over the reporting period with the assistance of the Group's investment adviser. As part of the review the Trustee communicated via the investment adviser several suggested actions for improvement in ESG integration. The Trustee agreed that the performance of all of the investment managers was satisfactory and will continue to engage with the managers to seek improvement.

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The key findings of the review are summarised below:

- Overall, Isio are satisfied that the Group’s investment managers continue to be aligned with the Group’s ESG policy with regards to ESG matters. Most of the Group's investment managers that were evaluated achieved ratings of 'meets traditional ESG criteria' or higher.
- The LGIM Absolute Return Bond Fund rating improved from meeting traditional metrics to meeting additional sustainability criteria. Last year, Isio’s proposed actions included LGIM adopting fund-specific ESG, climate, and social objectives. As a result, LGIM now has an ESG goal at the fund level to target a 50% reduction in WACI by 2030, assessed against 2019 levels. They also issue quarterly ESG reports addressing the fund-level or sustainability. Furthermore, following Isio's suggestions, LGIM has started establishing clear objectives and milestones for underlying portfolio companies and has increased engagement with them.
- Permira, for both Fund III and Fund V, remains the only manager rated as 'amber', meaning it 'partially meets' Isio's traditional ESG criteria. This rating reflects the private nature of underlying holdings that limits data availability. Permira provides loans to medium-sized companies that usually have less comprehensive governance structures, affecting data collection and climate modelling. However, improvements have been noticed over the year. For instance, in Permira's Fund V, rated as an SFDR Article 8 fund, they are incorporating sustainability more comprehensively. Permira encourages portfolio companies to achieve ESG-related KPIs via margin ratchets. Permira is now utilising an improved ESG scorecard for due diligence and has enhanced risk management by factoring additional parameters to assess environmental and societal impacts.

A summary of the individual investment managers’ ESG policies and practices is outlined below, alongside proposed actions that have been communicated to the investment managers to further integrate ESG into the investment process.

Please note that the below summary and this Statement does not include ESG summaries for the Apollo Semi-Liquid Credit mandate as the Group fully disinvested from the fund over the reporting period.

Additionally, the below summary and this Statement also does not include the ESG summaries of the Group’s illiquid investment managers, namely Carlyle, Morgan Stanley, and Partners Group – as these are mature portfolios which have largely distributed their capital, as such ESG integration is difficult to enact retrospectively. These holdings are also not expected to remain as long-term holdings in the strategy as they will roll off the portfolio over time.

Fund Name	ESG Summary	Proposed Actions
Permira – Direct Lending	As an SFDR Article 8 rated fund, Permira have enhanced ESG integration in PCS V compared to their previous fund vintage, PCS III. The main improvements related to this are an enhanced ESG scorecard used in the due diligence process and the use of ratchets to	<p style="margin: 0;">Proposed Actions for PCS III</p> <ul style="list-style-type: none"> - To enhance the level of engagements with portfolio companies and provide evidence for the impact of Permira’s engagements. - To improve fund-level reporting and the gathering of data on fund ESG characteristics.

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	<p>incentivise borrowers to meet ESG-related KPIs.</p> <p>Permira has a dedicated ESG team which supports investment decisions and aids training across the credit business. Permira utilise an ESG scorecard in their due diligence process and enhanced their risk management by adding in additional parameters to assess environmental and societal impacts.</p>	<p>Proposed Actions for PCS V</p> <ul style="list-style-type: none"> - To improve reporting on ESG characteristics including areas which are lacking in monitoring such as biodiversity. Permira should also consider increasing the frequency and regularity of reporting. - To enhance the monitoring and documentation of interactions by offering additional examples/case studies that demonstrate Permira's capabilities in stewardship. - To set a target timeframe and create a plan of action to achieving Net Zero carbon emissions at the firm level.
M&G – Long Lease Property	<p>M&G have an established Responsible Property Investment framework, which governs ESG integration into the Fund. Extensive ESG analysis of underlying assets is carried out as part of their standard due diligence process.</p> <p>M&G are also focusing on developing a net zero carbon pathway model to monitor assets' climate emissions within the Fund.</p> <p>There is, however, limited engagement at an underlying asset level and a lack of an engagement policy given the underlying assets are buildings.</p>	<ul style="list-style-type: none"> - To introduce sector-related exclusions for controversial behaviour. - To consider engagements at the fund level and improve social initiatives with tenants. - To consider reviewing the ESG scorecard annually. - To include social and nature or biodiversity-related metrics.
LGIM – LDI	<p>LGIM is actively committed to integrating ESG considerations into LDI funds. Their dedicated ESG team plays a crucial role in stewardship and responsible investment, ensuring premium risk management through their proprietary tools.</p> <p>At the firm level LGIM is strong in their approach to ESG and Stewardship.</p>	<ul style="list-style-type: none"> - To introduce a formal ESG training program with defined training priorities. - To increase GHG data coverage for holdings within the fund. - To maximise engagement for using Active ESG tool through more choice, awareness, encouragement and incentives to investors.
LGIM – Absolute Return Bonds	<p>LGIM is one of the more advanced asset managers in relation to ESG, with a well-defined firm-wide ESG policy and a net zero commitment. LGIM provides ESG scores for all assets within the portfolio and can provide the required TCFD Scope 1 and 2 metrics.</p>	<ul style="list-style-type: none"> - To develop a process for independently assessing the effectiveness of green/sustainability-linked/use-of-proceeds bonds. - To work on reporting nature or bio-diversity related metrics in line with TCFD.

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	<p>LGIM also encourages investee companies to align sustainability reporting with best-practice frameworks. LGIM collaborates with a range of industry participants to monitor and influence a broad range of ESG topics.</p>
<p>J.P Morgan – Infrastructure Equity</p>	<p>IFM comprehensively integrate the firm’s Responsible Investment Charter throughout the Fund’s investment process and have a clear process for ESG integration through the investment process.</p> <p>They have specifically included climate concerns throughout their assessment approach, with quantifiable metrics and targets at Fund level. GIF should complete its emission reduction plans at the asset level at the earliest opportunity to assess alignment with its net zero targets.</p> <p>Reporting is now TCFD and SFDR aligned but there is potential for more detail in fund-level ESG metrics scoring and reporting, especially for social scoring.</p> <ul style="list-style-type: none"> - To develop a scorecard to report on quantifiable ESG risks. - To make climate and social factors a stewardship priority. - To improve climate scenario testing and impact on Fund value. - To continue to improve overall Fund level reporting on ESG metrics, particularly social metrics

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Voting & Engagement

There were limited voting rights attached to the Group's investments at the end of the reporting year. The majority of the Group's assets are credit based where there are no voting rights attached, whilst the infrastructure equity holdings have limited voting rights given their privately listed nature.

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 31 March 2024.

Fund name	Engagement summary	Commentary
Permira – Direct Lending	<p>Total Engagements: 23*</p> <p>*Total engagements include those for both PCS III and PCS V Senior funds.</p>	<p>Permira Credit uses three strategies for direct lending engagement: collective engagement through annual data collection and shared insights in ESG reports and webinars; more targeted one-to-one engagement with portfolio companies on certain ESG topics; and industry engagement involving interaction with peers and industry bodies.</p> <p>Examples of significant engagements include:</p> <p>ITG: Permira engaged with ITG about their ESG strategy, suggesting embedding an ESG margin ratchet in their loan documentation to incentivise ESG improvements by offering reduced margins if ESG KPIs are met. After ITG engaged with EcoVadis for ESG measurement and committed to a Science-Based Target, Permira provided enhanced loan terms through an ESG margin ratchet, linking a margin reduction to annual ESG advancements. ITG improved their EcoVadis certification score from 71 to 75 in Nov-23, translating into a 0.05% active margin reduction. The last KPI, linked to a validated SBT, will be activated later. Permira Credit is in ongoing discussions about establishing ESG margin ratchets with new portfolio companies, with consideration of climate-related criteria in some cases.</p> <p>Firm level – Monitoring and Reporting of ESG KPI data:</p> <p>In January 2024, Permira carried out its fourth annual ESG KPI data collection exercise, aiming to exceed last year's disclosure rate (80%). The exercise targeted unrealised portfolio companies in PCS3 and PCS5, aligning with industry standard ESG Data Convergence Project. The use of Tableau dashboards for data aggregation showcases Permira's shift towards uniform and objective performance tracking. The findings featured in the 2023 ESG Report and will be discussed at Annual Investor Meeting in June 2024.</p>
M&G – Long Lease Property	Total Engagements: 20	<p>SPIF, being a real estate equity fund, operates differently than a typical fund that invests in businesses. M&G's mode of engagement diverges from that of shareholders or bondholders, as they don't participate in AGMs, company meetings, or possess voting rights. Rather, M&G consistently engage with the tenants of their buildings at the asset level, and their discussions routinely involve key figures such as the Head of</p>

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		<p>Property, CFO, or Head of Sustainability. For instance, their quarterly engagement with tenants involves discussions on ESG initiatives, including targets for net-zero emissions and improved energy efficiency of the underlying assets.</p> <p>Examples of significant engagements include:</p> <p>Sainsbury's – M&G's engagement with Sainsbury's involved M&G sharing their ESG aspirations with the company and how M&G could help fund these. Sainsbury's is committed to achieving net-zero status for its business operations by 2035, covering Scope 1 and 2 emissions. As for Scope 3 emissions, the company has set a target to decrease absolute GHG emissions by 50% by 2030, in alignment with a 1.5°C scenario. Furthermore, Sainsbury's pledges a 30% reduction in Scope 3 Greenhouse Gas emissions by 2030, with the long-term goal of reaching net-zero emissions across its entire value chain by 2050. M&G intends to hold subsequent meeting to progress site opportunities and agree the next steps in Sainsbury's journey in becoming Net-Zero.</p> <p>David Lloyd - M&G and David Lloyd share common ESG goals and have been engaged in conversations around various initiatives like boreholes, ground source heat pumps, and PV panels. Regular liaison occurs with David Lloyd's ESG director about their aim of net zero carbon by 2030. The boreholes have been approved for several sites, reducing mains water usage for landscaped areas around clubs. Other specific opportunities for environmental projects are now progressing with phased delivery for PV installations across several sites.</p>
LGIM – LDI	LGIM currently do not provide details of engagement activity within the LDI portfolio.	<p>LGIM perceives ESG as a crucial part of LDI, incorporating it both from a macro (top-down) and micro (bottom-up) perspective. By interacting with regulators, governments, and fellow industry players, LGIM has a proactive approach in addressing long-term systematic concerns. Concurrently, assessments of counterparties considering ESG-related criteria are conducted through LGIM's unique ESG tools.</p>
LGIM – Absolute Return Bonds Fund	LGIM currently do not provide details of engagement activity within the Absolute Return Bond Fund portfolio.	<p>LGIM do not consider engagement on a fund-by-fund basis but do actively approach ESG at a firm level. As such, LGIM do not employ a formal framework for measuring the success of an engagement, as they believe success is difficult to measure and is best reflected in the overall market value of an asset.</p> <p>Examples of significant engagements include:</p> <p>United Utilities: LGIM engaged with United Utilities to address the broader environmental and financial challenges affecting the water sector, such as significant pollution contributions.</p> <p>Members of LGIM's investment stewardship and investment teams have been working on advanced policies and have joined a cooperative working group led by the Investor Forum focussing on short-, medium- and long-term term challenges linked with the UK's water infrastructure at the company, enhancing the focus on broader environmental and financial factors.</p> <p>The results of their engagements will set the expectations for the sector, striving for solutions and improvements with industry stakeholders. The</p>

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		<p>water sector in England and Wales faces significant environmental and governance challenges. As an investor, they are collaborating with key stakeholders to make the global water system more robust. The detailed discussion with United Utilities offered the investment and stewardship teams an understanding of the sector's challenges and their resolution plans. They plan to maintain this dialogue to monitor their actions in the future.</p>
J.P. Morgan Infrastructure Investment Fund (“IIF”)	<p>Total Engagements: 3 Environmental: 2 Social: 1</p>	<p>JPM’s Investment Stewardship is enabled through close teamwork between portfolio managers, research analysts and stewardship professionals, engaging with the companies we invest in. JPM have outlined six key long-term ESG priorities: governance, strategy alignment with the long-term, human capital management, social stakeholder engagement, natural capital and ecosystems, and climate risk. Short-term themes within these priorities are addressed as they evolve over time. Using proprietary assessments, JPM create target lists of companies for engagement. This approach lets the manager track engagement effectiveness, measure progress, and identify any need for escalation. By merging long-term priorities with evolving short-term themes, JPM established a structured framework for global engagement. This professional and investment-led stewardship helps identify significant risks, new opportunities, generating better risk-adjusted returns, and creating stronger, more sustainable portfolios for clients.</p> <p>Examples of engagements include:</p> <p>Scope 3 Pilots across the portfolio – Scope 3 pilots were successfully carried out with Summit Utilities, Ventient Energy, Sonnedix, and Renantis in the last quarter of 2023. The learnings and best practices are being implemented throughout the portfolio via the ESG cohort, with additional pilots planned for the first quarter of 2024. Findings are reported to the whole portfolio and was presented to the entire ESG Leadership Group in February 2024. Amid extensive meetings with portfolio firms and third-party consultants, updates have been provided to the IIF team and across the portfolio. More Scope 3 pilots are now set to commence for both US and European portfolio companies. The results from the initial pilots were discussed at the ESG cohort's quarterly meeting in February, with guidance on measurement provided by IIF to the portfolio based on these learnings. Moreover, steps towards supplier engagement for overall carbon reduction are being considered.</p>

Source: Investment Managers

Notes:

(1) Data provided by J.P. Morgan is up to 31 December 2023.

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The Money and Pensions Service

The Money and Pensions Service (MaPS) provides support and guidance about money and pensions.

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:

Pension Wise Service - Provides 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

Pensions Ombudsman

An independent organisation set up by law to deal with pension complaints. The Pensions Ombudsman look at the facts without taking sides, their services is free and are available to the members, beneficiaries and prospective members of pension schemes.

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

The Pensions Regulator – The public body that protects workplace pensions in the UK. TPR works with employers and those running pensions so that people can save safely for the retirement.

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 -

A service for ex-members of schemes and their dependants trace their pension entitlements. The ESPS is registered with the DWP under Scheme reference number 10200656.

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

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The Pension Protection Fund – “It’s our duty to protect people with defined benefit pension when an employer becomes insolvent”.

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