

**E.ON UK GROUP OF THE ELECTRICITY SUPPLY PENSION
SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 MARCH 2023**

CONTENTS

Report of the Group Trustees	3
Introduction	3
The Group Structure and Responsibilities	3
Advisers and Fund Managers	7
Membership Statistics	8
Pension Increases	9
Transfers from the Group	10
Investment Report for the Year Ended 31 March 2023	11
Custody	14
Report on Actuarial Liabilities	15
Address for Enquiries	18
Actuarial Certification of Schedule of Contributions	19
Group Trustees' Statement on Defined Contribution Governance	20
Implementation Statement	21
Independent Auditors' Statement about Contributions to the Group Trustees	33
Summary of Contributions Payable in the Year Ended 31 March 2023	34
Independent Auditors' Report to the Group Trustees	35
Fund Account	38
Statement of Net Assets Available for Benefits	39
Notes to the Financial Statements	40

REPORT OF THE GROUP TRUSTEES

INTRODUCTION

This Annual Report and Financial Statements is produced by the Group Trustees for the members of the E.ON UK Group (“the Group”) of the Electricity Supply Pension Scheme.

The Electricity Supply Pension Scheme (“the Scheme”) is an industry-wide pension scheme. The Scheme has 23 actuarially independent sections known as “Groups”. Each Group has its own Trustees and assets to fund the benefits of its members. Further information relating to the Scheme as a whole can be found in the Scheme Annual Report and Financial Statements.

The Scheme is an occupational pension scheme established under irrevocable trusts and its provisions are set out in the Clauses and Rules contained in the Scheme document. The Scheme is a registered pension scheme under the Finance Act 2004 and 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.

In the case of the E.ON UK Group, the Group provides for:

- Defined Benefit (“DB”) pensions, where benefits are based on a member’s salary and length of service; and
- Defined Contribution (“DC”) pensions, where benefits are based on what a member’s accumulated fund value will purchase at retirement.

The Group has eight benefit categories which include four former Groups of the Electricity Supply Pension Scheme (Powergen, East Midlands Electricity (EME), Eastern and Midlands) as well as the EME Pension Plan (EMEPP), the Retirement Balance Plan (RB Plan), the Midlands Electricity Pension Scheme (MEPS) and the Eastern Group Pension Scheme (EGPS). Within the MEPS and EGPS categories there are both Defined Benefit and Defined Contribution sections (the Defined Contribution sections consist only of a small number of annuitants receiving pensions directly from insurers under individual annuity contracts written in the name of the Group Trustees). Since 1 December 2008 all categories have been closed to new members.

The Group’s Principal Employer and sole Participating Employer is E.ON UK plc.

The Group Financial Statements on page 38 to 52 have been prepared and audited so as to comply with Regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

THE GROUP STRUCTURE AND RESPONSIBILITIES

The Group Trustees’ duties and responsibilities are carried out by a trust company, limited by guarantee, called E.ON UK Trustees Limited. The Directors of E.ON UK Trustees Limited have the same functions as individual Group Trustees. The rules for their appointment, election and tenure of office are exactly the same as individual Group Trustees, as are their responsibilities under the provisions of the Scheme and pensions legislation.

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

For simplicity the term ‘Group Trustees’ has been used elsewhere in this Report as shorthand for the more accurate term ‘Directors of E.ON UK Trustees Limited’.

The Group has 8 Trustees of whom 4 are appointed by E.ON UK plc and 4 are nominated by the members, as follows:

Appointed

Stefan Brenk
Capital Cranfield Pension Trustees Limited
represented by Martine Trouard-Riolle – Chair
Sara Leavesley
Keith Plowman – Deputy Chair
Graeme Thompson (to 30 June 2023)

Member-Nominated

Mike Andrews
Chris Brown (to 30 June 2023)
Derek Evans (to 30 June 2023)
Adrian Harris
Gary Marsh (from 1 December 2022)
Steve Millward (from 1 July 2023)

The Group Trustees met 7 times during the year.

Trustee committees

In addition to the meetings of the Group Trustees, certain matters were subject to detailed consideration in Trustee Committees. These Committees are as follows:

- The Governance and Risk Committee is responsible for oversight of the Group’s internal controls, risk management, accounting processes and the preparation of the annual report and financial statements. The Committee met 5 times during the year. The members of the Committee are Graeme Thompson (chair)(to 30 June 2023), Adrian Harris, Gary Marsh (from 1 December 2022)(chair) and Steve Millward (from 18 July 2023). Gary Burmiston (Senior Vice President, Corporate Audit, E.ON) is also a member of the Committee by invitation of the Group Trustees.
- The Determinations Committee is responsible for determining the recipients of benefits payable under discretionary trust and for considering and responding to complaints under the Internal Dispute Resolution Procedure. The Committee met frequently during the year. The members of the Committee are Adrian Harris (chair), Chris Brown (to 30 June 2023), Derek Evans (to 30 June 2023), Sara Leavesley and Mike Andrews (from 18 July 2023).
- The Investment Committee gives detailed consideration to certain investment matters and has delegated authority to make investment decisions within risk parameters defined by the Trustee Board. The Committee met 7 times during the year. The members of the Committee are Martine Trouard-Riolle (chair), Mike Andrews, Stefan Brenk and Keith Plowman. Manpreet Rattan (E.ON SE Pension Finance & Asset Strategy team) was also a member of the Committee by invitation of the Group Trustees.

Appointment of Group Trustees

Member-Nominated Group Trustees normally serve for a term of six years. The next nomination and selection process is due to take place between September and November 2026. In addition to changes that take place at a scheduled nomination and selection process, a Member-Nominated Group Trustee ceases to be a Trustee if he/she resigns, ceases to be a contributing member or pensioner of the Group, or is removed from office by a majority of the other Member-Nominated Group Trustees. A casual vacancy for a Member-Nominated Group Trustee can be filled by a person nominated by the remaining Member-Nominated Group Trustees.

The Appointed Group Trustees can be removed by E.ON UK plc. The rules for the appointment, election and tenure of office of Group Trustees are set out in the Articles of Association of E.ON UK Trustees Limited.

STATEMENT OF GROUP TRUSTEES' RESPONSIBILITIES

The Group Trustees' 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 Trustees. Pension scheme regulations require, and the Group Trustees are responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Group during the Group year and of the amount and disposition at the end of the Group year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Group year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Group Trustees are 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 Trustees are also responsible for making available certain other information about the Group in the form of an annual report.

The Group Trustees have 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 Trustees' responsibilities in respect of contributions

The Group Trustees are 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 Trustees are 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 Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Additional Group Trustees' responsibilities

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

- to ensure benefits payable from the Group are paid as they fall due;
- to determine an investment strategy for Group assets;
- to ensure appropriate management of the Group 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 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.

The main responsibilities of the Scheme Trustee, 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.

ADVISERS AND FUND MANAGERS

To assist them in their work the Group Trustees have appointed a team of professional advisers as follows:

Group Actuary David Eteen FIA of Aon Solutions UK Limited	Carries out valuations and other funding updates of the Group as required by the Scheme Rules and Statute, provides all tables and factors for the application of Scheme Rules and options, and advises on all matters relating to pension funding.
Independent Group Auditors PricewaterhouseCoopers LLP	Reports on the audit of the Group Financial Statements.
Scheme Custodian The Bank of New York Mellon	Maintains safe custody of the Scheme's assets.
Investment Advisers Cardano Risk Management B.V.	Advises the Group Trustees on all investment matters including the Statement of Investment Principles and on the long-term strategic benchmark having regard to the nature of the liabilities and the funding position of the Group.
Aon Solutions UK Limited	Advises the Group Trustees on all investment matters relating to the Additional Voluntary Contribution (AVC) arrangements.
Legal Advisers DLA Piper UK LLP	Principal legal adviser to the Group Trustees.
Field Fisher Waterhouse LLP	Additional legal adviser to the Group Trustees.
Performance Measurer The Bank of New York Mellon (Defined Benefit section)	Provides the Group Trustees with a measurement service for their investments relative to the strategic benchmark and on the performance of the investment managers.
Aon Solutions UK Limited	Retained by the Group Trustees to monitor the performance of the AVC providers.
Sponsor Covenant Assessor Cardano Advisory Limited	Assesses the employer's willingness and ability to fund the Group's liabilities.
Administrator Railpen	Maintains individual records, calculates and pays the benefits on behalf of the Group Trustees.
Investment Adviser Assessor IC Select Limited	Assesses the investment adviser in relation to non-defined contribution assets and provides oversight of the Niche Assets portfolio.

Group Appointed Fund Managers – Defined Benefit Section

Amundi Funds (appointed 24 May 2022)
BlackRock Financial Management, Inc. (appointed 23 November 2022)
Bridgewater Associates LP (terminated 21 July 2022)
Cambridge Associates LLC
Caxton Associates LP
Dorsal Capital Management, LLC
Egerton Capital Limited
Farallon Capital Management LLC
GoldenTree Asset Management LP
Insight Investment Management (Global) Limited
J P Morgan Asset Management (Europe) SARL
Kadensa Capital Limited
Metropolis Capital Limited (appointed 14 September 2022)
Rialto Partners GP RVCF, LLC
Ruffer
Sands Capital Management, LLC
Two Sigma Advisers, LP
Wellington Management Company LLP

Group Appointed Additional Voluntary Contribution (AVC) Providers

Aviva plc
Utmost Life and Pensions
The Prudential Assurance Company Limited
Royal London (terminated 13 February 2023)
Standard Life Assurance Limited

MEMBERSHIP STATISTICS

Defined Benefit section

	Contributors	Pensioners	Dependants	Deferred Pensioners	Total
As at 1 April 2022	1,240	11,633	3,808	6,192	22,873
Retirements	(66)	338	-	(272)	-
Deaths	(2)	(456)	(325)	(8)	(791)
New dependants	-	-	228	-	228
Cessation of child allowances	-	-	(2)	-	(2)
Leavers with deferred pensions	(231)	-	-	231	-
Leavers with commutation of benefits	-	-	-	(14)	(14)
Transfers to other schemes	-	-	-	(26)	(26)
As at 31 March 2023	941	11,515	3,709	6,103	22,268

Defined Contribution section

	Contributors	Annuitants	Dependants	Deferred Pensioners	Total
As at 1 April 2022	-	34	1	-	35
As at 31 March 2023	-	34	1	-	35

The Group holds some historic annuity policies in the name of the Trustees. Given the levels involved, these annuity policies have been excluded from the financial statements on the grounds of materiality.

PENSION INCREASES

The Rules of the Scheme applicable to the Group provide for the following increases to pensions in payment, children's allowances and deferred pensions:

Category	Basis
Powergen, EME, Eastern and Midlands	<p>Pensions in payment, children's allowances and deferred pensions in relation to pensionable service before 1 November 2018 to be increased on an annual basis 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% E.ON UK plc has the discretion to limit the pension increase to a lower figure subject to a minimum of 5%.</p> <p>For pensionable service from 1 November 2018, pensions in payment, children's allowances and deferred pensions to be increased on an annual basis on 1 April each year in accordance with the rise in the Consumer Prices Index (CPI) in the 12 months ended on the preceding 30 September subject to a maximum of 3%. If the CPI increase is greater than 3% E.ON UK plc has the discretion to limit the pension increase to a lower figure subject to a minimum of 3%.</p>
EMEPP and MEPS	<p>Pensions in payment and children's allowances in relation to pensionable service before 1 November 2018 to be increased on an annual basis on 1 April each year in accordance with the rise in the RPI in the 12 months ended on the preceding 30 September, subject to a maximum of 5% per annum. Pensions in payment and children's allowances in relation to pensionable service from 1 November 2018 to be increased on an annual basis on 1 April each year in accordance with the rise in the CPI in the 12 months ended on the preceding 30 September, subject to a maximum of 3% per annum.</p> <p>Deferred pensions to be increased over the number of complete years of deferment in line with the statutory provisions of the Pension Schemes Act 1993. With effect from 1 January 2011, the Government amended these statutory provisions such that the CPI replaced the RPI as the measure used for determining minimum increases to deferred pensions.</p>
EGPS	<p>Pensions in payment and children's allowances in relation to pensionable service before 1 November 2018 to be increased on an annual basis on 1 April each year by an amount not less than the lower of the rise in the RPI in the 12 months ended on the preceding 30 September and 5%, or such greater amount as E.ON UK plc may determine. Pensions in payment and children's allowances in relation to pensionable service from 1 November 2018 to be increased on an annual basis on 1 April each year by an amount not less than the lower of the rise in the CPI in the 12 months ended on the preceding 30 September and 3%, or such greater amount as E.ON UK plc may determine.</p> <p>Deferred pensions in relation to pensionable service before 1 November 2018 to be increased over the number of complete years of deferment by the increase in the RPI over the period subject to a maximum of 5% per annum. Deferred pensions in relation to pensionable service from 1 November 2018 to be increased over the number of complete years of deferment by the increase in the CPI over the period subject to a maximum of 3% per annum.</p>

Retirement Balance Plan	Retirement Balances are increased in the period before payment on an annual basis on each 1 April in accordance with the rise in the CPI in the 12 months ended on the preceding 30 September. E.ON UK plc has discretion to vary this increase.
-------------------------	--

The increase in the RPI in the 12 months to 30 September 2022 was 12.6% and E.ON UK plc has used its discretion in respect of relevant categories to limit the pensions increase applied from 1 April 2023 to 5% in relation to pensionable service before 1 November 2018. The increase in the CPI in the 12 months to 30 September 2022 was 10.1% and E.ON UK plc has used its discretion in respect of relevant categories to limit the pensions increase applied from 1 April 2023 to 3% in relation to pensionable service from 1 November 2018.

A proportionate increase was applied to pensions which came into payment between 2 April 2022 and 1 March 2023 for all categories.

Pension increases over the previous five years were:

1 April 2022	4.9% (3.1% in relation to pensionable service from 1 November 2018)
1 April 2021	1.1% (0.5% in relation to pensionable service from 1 November 2018)
1 April 2020	2.4% (1.7% in relation to pensionable service from 1 November 2018)
1 April 2019	3.3% (2.4% in relation to pensionable service from 1 November 2018)
1 April 2018	3.9%

TRANSFERS FROM THE GROUP

Deferred pensioners can transfer the cash equivalent of their deferred benefits to another registered pension scheme. Cash equivalents are calculated and verified in accordance with Pension Schemes Act 1993. The policy of the Group Trustees is to make allowance for certain discretionary benefits. For all categories, excluding the RB Plan category, there is discretion to pay a pension to a dependant when the member dies without a surviving spouse or civil partner. On the death of a member in the RB Plan category there is discretion to pay a dependant's pension regardless of the marital status of the member.

INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2023

Statement of Investment Principles

The Group Trustees have adopted a Statement of Investment Principles (SIP) in accordance with Section 35 of the Pensions Act 1995. In preparing the SIP the Group Trustees took professional advice from Cardano Risk Management B.V. and consulted with the Principal Employer, E.ON UK plc.

The SIP covers the Group Trustees' policy on the following matters:

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

The latest SIP was adopted by the Group Trustees on 30 September 2020. A copy can be downloaded via <https://myeonpension.com/about-the-scheme/scheme-documents> or obtained by writing to the Group administrators, Railpen, whose address and telephone number are shown on page 18.

The asset allocation chosen to meet the Group Trustees' investment objective will normally fall within the ranges set out in the table below. The actual allocation at any point in time is based on advice from the Group Trustees' Investment Advisers and will take into account prevailing economic conditions and the wider investment environment in order to meet the target return over time while remaining within the risk level described in the SIP. The Group Trustees monitor the actual allocation versus the ranges set out below. The Group Trustees will consider advice and take appropriate action should the allocation fall outside of these ranges. This is likely to result in a plan to ensure that the allocation returns within range over a defined period of time and / or according to defined market triggers.

	Minimum (%)	Maximum (%)
Hedge Ratio		
Interest rate hedge ratio (as % of the liabilities)	55	100
Inflation hedge ratio (as % of the liabilities)	55	100
Fund Structures for Return Seeking Assets		
Non-traditional	0	40
Hedge Funds	0	40
Illiquids	0	30
Asset Classes		
Return Seeking Assets		
Credit	0	30
Equities	0	25
Property	0	15
Multi-Strategy and Macro Oriented	0	40
Niche Assets	0	10
Cash	0	10
Liability-Driven Investment Assets	45	100

The table above sets out the ranges within which the Group Trustees will operate during the normal course of implementing the investment strategy. Further information on the hedge ratio definition, fund structures for return seeking assets and the types of investments that would fall within the ranges stated above can be found in the SIP.

Defined Benefit section

For all investment matters including establishing strategy, fund selection and independent assessment and performance monitoring (other than in relation to the Niche Assets portfolio), the Group Trustees are advised by Cardano Risk Management B.V.. Fund selection in relation to the Niche Assets portfolio is carried out by Cambridge Associates LLC.

The overall performance of the Group's assets for the year ended 31 March 2023 was -26.0%. The overall annualised return on the Group's assets in the past three Group years was -8.1%. The lower value of the Group's assets compared with the prior year end reflects the general rise in interest rates. The Group's liabilities, the value of which is affected by gilt yields, also fell, by approximately 25% in the period.

In September 2022, gilt yield rises accelerated dramatically after the government's mini-budget, as market participants questioned the sustainability of the measures and the large amounts of borrowing that would be required to fund them. These large and sudden rises in gilt yields created a major challenge for the DB pensions industry, as many schemes employ Liability Driven Investment (LDI) risk-management strategies. The Bank of England stepped in, announcing quantitative easing measures to "restore orderly market conditions" within the government bond market. Subsequently, a change in government leadership brought about a reversal of the mini-budget and conditions began to normalise.

During this period the Group Trustees worked with its investment adviser to ensure the interest rate hedges were maintained, taking actions to provide sufficient liquidity to the LDI programme. Throughout the period care was also taken to maintain balanced market exposures in the non-LDI investments.

As at 31 March 2023 the investments comprised:

Class/Fund	Asset Manager	Date of Inception	Value as at 31 March 2023	Year ended 31 March 2023 ¹	
			£million	Fund return ¹	Return Relative to Benchmark ²
Liability-Driven Investment Assets					
Insight		January 2006	1,632.7	-23.0%	2.1%
Credit (Bonds)					
GoldenTree		April 2018	180.4	-2.5%	-2.4%
Rialto		October 2020	100.9	-8.7%	-10.9%
Wellington		September 2020	41.7	-4.7%	0.9%
Equity					
Dorsal		January 2021	74.9	1.4%	-0.8%
Egerton		August 2013	104.6	-8.8%	-5.5%
Kadensa		October 2021	109.7	0.8%	-1.5%
Metropolis		September 2022	64.3	28.6%	21.8%
Sands ⁴		March 2023	31.0	n/a	n/a
Emerging Market TRS ⁵		October 2022	1.1	n/a	n/a
Multi-Strategy & Macro-Oriented					
Amundi		May 2022	80.6	-9.7%	-11.8%
BlackRock		December 2022	91.9	2.5%	1.5%
Caxton		November 2011	107.1	3.0%	3.3%
Farallon ⁶		January 2023	172.8	1.6%	0.7%
Ruffer		December 2021	94.2	(3.1)%	0.7%
Diversified Growth					
Two Sigma		June 2017	101.7	-0.4%	-2.6%
Niche Assets/Private Equity					
Cambridge Associates		September 2015	225.8	6.4%	6.1%
Other Hedging Assets					
US Dollar Hedge		November 2012	6.2	n/a	n/a
Equity Hedging		June 2022	-4.2	n/a	n/a
Other					
Other ³		n/a	77.4	n/a	n/a
Total			3,294.8	-26.0%	-0.9%

¹ Returns are quoted for the full year or since date of first investment if less than one year and are net of fees.

² Returns are assessed against benchmarks specific to each fund.

³ Liquidity Fund, Additional Voluntary Contributions assets, cash balances, and accruals.

⁴ Sands was fully redeemed in 2022 and reacquired in March 2023.

⁵ Emerging Market Total Return Swap (TRS).

⁶ Farallon was fully redeemed in December 2022 and the proceeds reinvested in a new Farallon fund.

The Group Trustees specify the investment objectives for each of these portfolios, including performance targets for each manager where applicable. Investment reports are received in accordance with the instructions of the Group Trustees, and representatives of each fund manager attend meetings of the Group Trustees as required to discuss the results of their management of the portfolio(s) concerned against targets.

Fund manager appointments and terminations during the year are shown on page 8.

All investment assets (other than those held in the Niche Assets/Private Equity portfolio) are readily marketable.

Fund manager fees across all of the portfolios are calculated as a percentage of the net asset value of the investment or, in limited circumstances, the exposure value of the investment. In some cases a cap or a floor is applied to the total fee a fund manager can charge each year. There are also instances where a fund manager may charge a performance related fee for generating exceptional returns.

Employer-related investments

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

The Regulations apply separately to each Group within the Scheme, by reference to the investments of the Group Trustees in the Employers participating in the Group and their associated companies, and provide that such employer-related investments must not exceed 5% of the market value of the Group's assets.

As at 31 March 2023 the Group had none of its assets (2022: *£nil*) invested directly in E.ON UK plc or its associated companies. There were also no assets (2022: *£nil*) invested indirectly in E.ON UK plc through pooled investment vehicles. This was in accordance with the policy of the Group Trustees.

Additional Voluntary Contribution (AVC) investments

The Group Trustees hold these assets invested separately from the main fund in the form of individual insurance policies. Each member receives an annual statement confirming the amount held in their account and the movements in the year. Details of the AVC providers can be found on page 8.

CUSTODY

The assets of the Group are subject to the overall custody and control of the Scheme and are held by Scheme-wide custodians appointed by Electricity Pensions Trustee Limited to safeguard the assets.

The Bank of New York Mellon is the custodian in relation to securities. Where certificates are available in relation to such securities, they are held by The Bank of New York 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.

For Group-specific Funds, money at call and short notice is placed in accordance with the provisions of Investment Management Agreements negotiated between Group Trustees and Group-specific fund 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 Scheme, or in a fund 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.

IMPLEMENTATION STATEMENT

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

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

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

The Group Trustees' Implementation Statement, which sets out further voting and engagement information undertaken by the Group's investment managers for the year ended 31 March 2023, is set out on pages 21 to 32, and forms part of the Group Trustees' Report.

REPORT ON ACTUARIAL LIABILITIES

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

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is to be assessed at least every 3 years using assumptions agreed between the Group Trustees and the employer and set out in the Statement of Funding Principles, a copy of which is available to Group members on request by writing to the Group administrators, Railpen, whose address and telephone number are shown on page 18.

The current statutory funding regime came into force at the end of 2005 and for this purpose each Group of the Electricity Supply Pension Scheme is treated as a pension scheme in its own right. The Group's latest actuarial valuation under this regime was carried out by the Group Actuary, David Eteen of Aon Solutions UK Limited, as at 31 March 2021.

As part of the valuation as at 31 March 2021 the Group Trustees have prepared and agreed with the Principal Employer their current Statement of Funding Principles. This statement includes details of the actuarial assumptions used to assess the Group's liabilities. The Pensions Regulator has issued a Code of Practice for the current funding regime and reviews valuations against this Code.

A summary of the results of the valuation as at 31 March 2021 are set out below:

Value of technical provisions:	£4,856.8m
Value of assets available to meet technical provisions:	£4,878.4m
Funding surplus:	£21.6m
Funding level:	100.4%

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 main assumptions underlying the valuation calculations were:

Method	Projected unit
Discount rate	The annualised gross redemption yield on the fixed interest gilt yield curve at the valuation date plus 0.82% p.a.
Rate of salary increase (excluding allowance for promotional increases)	If salary is below £70,000 p.a., 3% LPI gilt yield curve (based on CPI) (assumed until the £70,000 cap is reached) If salary is above £70,000 p.a., nil increases
Retail Price inflation	RPI yield curve derived from the gilt market at the valuation date
Consumer Price inflation	RPI yield curve derived from the gilt market at the valuation date less 0.9% p.a. until 2030 and less 0.1% p.a. thereafter
Increases to pensions in payment	Gilt best estimate pension increases: The 5% LPI gilt yield curve (based on RPI) for pension in excess of GMPs, accrued before 1 November 2018. The 3% LPI gilt yield curve (based on CPI) for pension in excess of GMPs, accrued after 31 October 2018. The 3% LPI gilt yield curve (based on CPI) for post-88 GMPs.
Post-retirement mortality	Base table - S3PA tables with combined best-estimate scaling factors derived from an experience analysis combined with postcode analysis. Future improvements - CMI 2020 projections with $S_k=7$, $A=0.50\%$ and long-term improvement rate of 1.50% p.a. for men and women.

The funding position shown by the Annual Actuarial Report prepared by the Group Actuary as at 31 March 2022 is as follows:

Value of technical provisions:	£4,660.5m
Value of assets available to meet technical provisions:	£4,668.4m
Funding surplus:	£7.9m
Funding level:	100.2%

Since the actuarial valuation as at 31 March 2021 the Group's technical provisions funding level has fallen slightly and the surplus has decreased by £13.7m. The Group's assets and liabilities have fallen since the valuation date due to rising gilt yields, with the assets falling slightly further contributing to a worsening of the funding position.

The next actuarial valuation is due to be carried out as at 31 March 2024.

Guaranteed Minimum Pension ("GMP") Equalisation

The Group has undertaken a process of assessing the overall impact of the October 2018 ruling regarding GMP Equalisation and based on an initial assessment by the actuary, an estimate of £8 million has been determined for the full liability. The Group Trustees have not included a liability in respect of these matters in these Financial Statements. They will be accounted for in the year they are determined.

On 20 November 2020, the High Court handed down a further judgment on the GMP equalisation case in relation to the Lloyds Banking group pension schemes. This follows from the original judgement in October 2018. This latest judgment confirmed that defined benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Group has historical transfers which may be subject to adjustment as a result of this second ruling. The Group Trustees are currently considering this and decisions will be made in the near future as to the next steps. Any adjustments necessary will be recognised in the Financial Statements in future years. An initial estimate of the value of such adjustments has been calculated and based on this the Group Trustees do not expect a material liability to arise.

The Group Trustees wrote to all affected pensioner members in July 2023 explaining how they are proposing to address the historical inequality relating to GMP benefits. Active members and members with deferred benefits who are affected by this matter will be contacted in due course.

UKRAINE CONFLICT

The Group Trustees have continued to monitor the consequences of the Ukraine conflict for the Group and have considered in particular the payment of pensions, the effect on the employer covenant and the effect on the Group Trustees' investment strategy.

The Group has no pensioners who are based in Russia or Ukraine and therefore no special measures regarding the payment of pensions have been necessary. The Group Trustees are satisfied having assessed the effect on the employer covenant and the investment strategy that the risks posed to the management of the Group and its investments have been sufficiently understood and no mitigating actions are currently required.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD")

The Electricity Supply Pension Scheme as a whole is in scope of the climate change governance and reporting requirements from 1 October 2021. It has a scheme year end date of 31 March, so the deadline for the Scheme as a whole publishing a TCFD report is 31 October each year (the Group has been advised that no regulatory disclosures are required in addition to those made in the Scheme's TCFD report).

For more information on the Scheme's TCFD report — the Scheme Trustee's identification, assessment and management of climate change risk — please visit <https://www.espspensions.co.uk/#useful-documentation>.

ADDRESS FOR ENQUIRIES

Enquiries about the administration of benefits, payment of pensions and requests for copies of the Statement of Investment Principles, the actuarial valuation report, the Statement of Funding Principles and the Schedule of Contributions should be addressed to the administrators as follows:

Railpen
2 Rye Hill Office Park
Birmingham Road
Coventry
CV5 9AB

Telephone: 02476 472541
Email: enquiries@railpen.com

Approved by and signed on behalf of the Group Trustees on 3 August 2023.

Martine Trouard-Riolle
On behalf of Capital Cranfield
Pension Trustees Limited – Chair of the Group
Trustees

Gary Marsh
Director

ACTUARIAL CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Name of scheme: E.ON UK Group of the Electricity Supply Pension Scheme (“the Group”)

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 2021 to be met for the period for which the schedule is to be in force.

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 21 June 2022.

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

Date

21 June 2022

Name:

David Eteen

Qualification:

Fellow of the Institute and
Faculty of Actuaries

Address:

Verulam Point
Station Way
St Albans
Hertfordshire
AL1 5HE

Name of employer:

Aon Solutions UK Ltd

GROUP TRUSTEES' STATEMENT ON DC GOVERNANCE – SCHEME YEAR ENDED 31 MARCH 2023

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (“the Administration Regulations”) were amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 to include the requirement for the Trustee to prepare an annual statement regarding governance of Defined Contribution (DC) funds within the Group, which must be included in the annual report.

This statement is in respect of the DC Category of the Group (the MEPS and EGPS Categories). The DC funds were transferred out of the Group in January 2021 and therefore the last full DC Governance Statement the Group Trustee produced was for the year ended 31 March 2021.

Following this transfer, the membership of the DC Category of the Group consists only of a small number of annuitants receiving pensions directly from insurers under individual annuity contracts written in the name of the Group Trustees. Therefore, the requirement to have (and to review) a default investment strategy, governance and charges disclosures in relation to the default investment strategy, charges and transaction costs paid by members and processing of core financial transactions are no longer relevant to the Group. In addition, the Group Trustees no longer undertake training specifically related to DC matters and a Statement of Investment Principles in relation to the DC Category is no longer being maintained.

Signed on behalf of the Group Trustees on 3 August 2023

Martine Trouard-Riolle

On behalf of Capital Cranfield Pension Trustees Limited – Chair of the Group Trustees

E.ON UK GROUP OF THE ESPS IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

Introduction

This implementation statement (“Statement”) is produced alongside the Trustee Report and Accounts and is required by pensions regulations¹. The Trustee of the E.ON UK Group of the ESPS (the ‘Scheme’) has prepared this statement to provide stakeholders with a transparent and accurate review of how we have acted in line with the stewardship and engagement policies set out in the Statement of Investment Principles during the accounting year.

This statement is intended to improve accountability, highlighting the proactive steps taken by us and our service providers to ensure members’ assets are invested responsibly and for the long-term.

This statement includes details of:

- Compliance against the stewardship and voting policies;
- Any changes we made to our stewardship and voting policies (“Stewardship Policy”) during the year; and
- Specifically, how the Group’s investment managers voted and engaged on our behalf

This statement has been prepared by the Trustees to cover the period 1 April 2022 to 31 March 2023.

The Statement is publicly available at <https://myeonpension.com>

To the best of our knowledge, the Trustees have followed all of the policies as outlined in the relevant SIP during the reporting period.

Executive summary

We monitor the voting and engagement activity of all of our investment managers, and, through the support of our Investment Committee and Investment Advisor, challenge their decisions. Some of our managers don’t own very many equities or corporate bonds and therefore stewardship is less likely to be relevant or significant.

We focus our efforts on those investment managers where voting and engagement is material. The policies of those investment managers are summarised in this Statement, along with examples of the type of activity which took place during the period covered by this Statement. The Trustee is comfortable that the Investment Advisor has an appropriate approach to assess the stewardship and voting policies for all investment managers. With the assistance of our Investment Advisor, the Trustee undertakes an in depth review of the investment managers’ ESG credentials, including their stewardship and voting activity and policies every year. Our Investment Advisor monitors the stewardship activity of our investment managers on an ongoing basis and alerts the Trustee of any material concerns between this review period.

In 2023, the Trustee set up a Stewardship and Engagement programme to undertake further engagement activities with underlying companies within the portfolio. We will report on this activity in next year’s Implementation Statement. This utilises the capabilities of our Investment Advisor. Our Investment Advisor will report on details of engagement behaviour on the Group’s largest holdings on a semi-annual basis.

¹ The Occupational Pension Scheme (Investment and Disclosure) (Agreement) 2019

1. Our Stewardship Policy

1.1. What is Stewardship?

“Stewardship” is the responsible allocation, management and oversight of capital to create long-term value for members, which should also lead to sustainable benefits for the economy, the environment and society. In practice, stewardship is affected through exercising the right to vote on any shares which are owned by the Scheme and engaging with the management of any companies or properties where an investment has been made.

1.2. What is our Stewardship policy?

We have a long-term time horizon in relation to the Group’s investment strategy and therefore acknowledge the importance of being a responsible investor. We consider Responsible Investment to be the integration of non-financial matters such as environmental, social and governance considerations into investment decisions in respect of the Group’s investment portfolio where financial risk and / or return is, or could be, materially affected (“Responsible Investment”).

The Group’s assets are typically held in pooled arrangements, managed by investment managers who are in a position to exert significant influence on the companies in which they invest on the Group’s behalf.

We expect our appointed investment managers to integrate social, environmental and governance considerations (including but not limited to climate change) and opportunities within their investment process as applied to the assets of the Group.

We regularly review the continuing suitability of the appointed managers and take advice from the Investment Adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

Engagement

The Investment Advisor is responsible on an ongoing basis for engaging with our investment managers. For managers where it is expected to have a meaningful impact, the Investment Advisor monitors voting records and the level of engagement with underlying investments.

The Trustee has recently selected two stewardship priorities for manager engagement in order to improve alignment against our policies and beliefs as well as enhance disclosure. These priorities are linked to the UN Sustainable Development Goals with an international endeavour in mind and aim to improve sustainability within the portfolio and have a direct real world impact to our members’ current and future landscape. The Trustee’s stewardship priorities are:

- Climate Crisis (with a focus on climate change and net zero greenhouse gas emissions)
- Environmental Impact (with a focus on biodiversity, deforestation and water)

On behalf of the Trustee, the Investment Advisor has recently written to the Group’s investment managers reaffirming and expanding on the Trustee’s policy and expectations which align with our stewardship priorities. The Trustee expects the investment managers to incorporate these themes into their future voting practices and the Investment Advisor will monitor future manager disclosures to ensure alignment against our priorities.

1.3. How have we implemented our Responsible Investment and Stewardship Policy?

Fund structuring

We primarily hold investments on an indirect basis through pooled funds. The reason for this approach is that:

- It provides a broader range of investment opportunities, which helps to improve the diversification of investments, which in turn helps to manage risk;
- Fixed costs are shared amongst other investors, thereby reducing our overall costs; and
- It simplifies the implementation process as existing funds can be used with standard terms and agreements, reducing the overall governance burden both on the Trustee and the Sponsor.

Where investments are made in pooled funds, we follow the voting and engagement policies of the asset managers of the pooled funds. However, we remain responsible for setting their voting and engagement policies and ensuring that the appointed asset managers act consistently with it.

External engagements

We acknowledge that the Group has limited direct influence in the implementation of its Stewardship Investment policy and in practice has delegated voting and engagement to the chosen underlying asset managers. However, we remain responsible for setting our voting and engagement policies and ensuring that the asset managers we appoint act consistently with it.

This is done through our Investment Advisor, who is responsible for engaging with investment managers regarding their voting records and level of engagement with the underlying investments, where this is expected to have meaningful impact. This does not include the Niche Asset Portfolio, a fund of funds investment vehicle managed by Cambridge Associates that invests in both liquid and illiquid investments, where we monitor their approach directly.

In addition, our Investment Advisor has been a signatory to the UN Principles for Responsible Investment since 2011 and they are a signatory to the UK 2020 UK Stewardship Code. They are also a member of a range of sustainable investment organisations, these are noted below.



Engagement beliefs

The development of engagement beliefs is an important Trustee responsibility; however the Trustee also recognises that they have limited direct influence on investment decisions of the relevant persons that could, per se, affect global sustainability and economic security. The Trustee also recognise that their asset managers are in a position to exert significant influence on the companies in which they invest. In this regard, the Trustee expects their appointed asset managers to be responsible investors.

The Trustee monitors the voting and engagement activity of all the asset managers, and, alongside their Investment Adviser, challenge their activity. The Trustee is comfortable that the Investment Adviser's core beliefs are consistent with our own.

In 2023, the Trustee set up a Stewardship and Engagement programme to undertake further engagement activities with underlying companies within the portfolio. We will report on this activity in next year's Implementation Statement. This utilises the capabilities of our Investment Adviser.

The beliefs driving the Investment Adviser's approach to engagement are as follows:

Quality over quantity

- The Investment Adviser is interested in a few meaningful quality engagements, with strong reporting (rather than, being interested in the quantity of votes). They want managers to prioritise the highest sustainability impacts in their portfolios.

Long-term

- The Investment Adviser encourages underlying managers to form long-term relationships with companies. Successful stewardship can take many months, maybe even years.

Real world impact

- The Investment Adviser is interested in engagement on topics that contribute to positive real-world sustainability impact (such as reduction in absolute carbon emissions).

Transparency

- Some engagement, perhaps even most engagement, will be unsuccessful. The Investment Adviser is realistic, and they prefer transparency from managers.

Collaboration

- Engagement is more efficient when managers collaborate – not just for the managers, but for the companies too (who will field fewer, but higher conviction, engagements from their investors). The Investment Adviser encourages underlying managers to participate in collaborative initiatives, such as Climate Action 100+.

Innovation

- The Investment Adviser welcomes innovation, for example, third-party tools to assess a company's conviction on sustainability topics.

Integrated

- The Investment Adviser is interested in how (if at all) stewardship contributes to the investment thesis and whether managers link their stewardship to other engagement activity (for example, policy engagement).

Manager selection and monitoring

When selecting investment managers, the Trustee and their Investment Adviser scrutinise the stewardship, voting and engagement policies. Activities of investment managers are assessed before the initial investment to ensure they align with our Stewardship Policy. The Investment Adviser monitors our investment managers on an ongoing basis; ensuring their activities align with our Stewardship Policy and engaging with our investment managers to help them improve their stewardship approach.

Assisted by the Investment Adviser, the Trustee plans to engage with the asset managers on a regular basis to ensure that the managers are meeting their targets, as well as making further advancements.

The Trustee monitors voting and engagement activity of our investment managers and challenges their activity through the Investment Adviser. We categorise our managers according to how material voting and engagement is in their mandate, focusing efforts on managers where voting and engagement is material.

The Group also invests in a Niche Asset Portfolio. Most of the strategies in this portfolio are Private Market investments and own controlling stakes in the underlying businesses, meaning that stewardship and engagement is evidenced in a much broader way than in the public sphere. A critical means of value creation for many private strategies is (for example) ensuring that each business has the best governance possible – dictating and controlling the policies and make up of senior leadership (as opposed to indirect influence through voting). Engagement is, therefore, highly relevant in some cases and we include some examples in the relevant section of this report.

More information on the Niche Asset Portfolio is provided in Section 4.

Compliance statement with our Responsible Investment and Stewardship Policy

To the best of our knowledge, we have complied with our Stewardship Policy.

2. Voting Activity

The Shareholder Rights Directive (SRD II) and the UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers engaging with the companies in which they invest. They stress the importance of exercising shareholder voting rights effectively. Voting only applies to equities held by the Group and given the use of pooled funds, there is limited scope for the Trustee to directly influence voting. Voting is carried out by the investment managers on behalf of the Trustee.

2.1. How did our managers vote?

The tables below provide a summary of the voting activity undertaken by our managers during the year. The managers presented in this report represent c20% of the Group or c.50% of the Group’s investment portfolio as at 31 March 2023 (i.e. excluding the LDI and Niche Assets Portfolio).

Note: All investment managers that the Group invests with, directly or indirectly, are subject to the Group’s engagement policy and monitored accordingly. The managers included in this section denote those where voting and engagement are seen as material aspects of their investment process, rather than necessarily those investments we have the largest exposure to. In some cases, aspects of a manager’s voting activity may not be included in this document; where we have concerns that public disclosure prohibit the investment strategy of the Group.

BlackRock

	Manager response
Number of meetings the manager was eligible to vote at over the year	159
Number of resolutions the manager was eligible to vote on over the year	1,173
% of eligible resolutions the manager voted on	100%
% of votes with management	90%
% of votes against management	10%
% of resolutions the manager abstained from	0%

Dorsal Capital

	Manager response
Number of meetings the manager was eligible to vote at over the year	22
Number of resolutions the manager was eligible to vote on over the year	272
% of eligible resolutions the manager voted on	100%
% of votes with management	89%
% of votes against management	5%
% of resolutions the manager abstained from	6%

Egerton Capital

	Manager response
Number of meetings the manager was eligible to vote at over the year	33
Number of resolutions the manager was eligible to vote on over the year	330
% of eligible resolutions the manager voted on	90%
% of votes with management	92%
% of votes against management	6%
% of resolutions the manager abstained from	2%

Farallon

	Manager response
Number of meetings the manager was eligible to vote at over the year	193
Number of resolutions the manager was eligible to vote on over the year	1,724
% of eligible resolutions the manager voted on	100%
% of votes with management	90%
% of votes against management	9%
% of resolutions the manager abstained from	1%

MI Metropolis

	Manager response
Number of meetings the manager was eligible to vote at over the year	26
Number of resolutions the manager was eligible to vote on over the year	433
% of eligible resolutions the manager voted on	100%
% of votes with management	94%
% of votes against management	6%
% of resolutions the manager abstained from	0%

Ruffer

	Manager response
Number of meetings the manager was eligible to vote at over the year	81
Number of resolutions the manager was eligible to vote on over the year	1,368
% of eligible resolutions the manager voted on	100%
% of votes with management	95%
% of votes against management	5%
% of resolutions the manager abstained from	0%

Sands

	Manager response
Number of meetings the manager was eligible to vote at over the year	61
Number of resolutions the manager was eligible to vote on over the year	440
% of eligible resolutions the manager voted on	100%
% of votes with management	94%
% of votes against management	4%
% of resolutions the manager abstained from	2%

2.2. Use of proxy voting services

Proxy voting services are specialist firms that provide an outsourced voting service. Some investment managers choose to use these services (rather than vote themselves). The reasons for using proxy voting services could include:

- The investment manager lacks the resource to research each vote and submit votes;
- The investment manager wants to follow a recognised code of practice and the proxy voting service is an easy way to implement this.

Using a proxy voting service does not necessarily mean that voting is done poorly. In fact, many professional proxy

voting services are able to devote significant resource to researching AGM motions and are able to follow best practice guides like the Financial Reporting Council's (FRC) Stewardship Code.

We recognise that by having a suitable Stewardship Policy in place and using our Investment Advisor to monitor voting activity, investment managers can create more engagement over time; particularly smaller, more boutique managers with less in-house expertise and resource.

The table below outlines the use of proxy voting services by the Group's investment managers where voting is deemed to be of material importance.

Manager	Use of proxy voting service
BlackRock	ISS
Dorsal Capital	n/a
Egerton Capital	Utilise Proxy Edge to cast votes
Farallon	Glass Lewis for research
MI Metropolis	ISS
Ruffer	ISS
Sands	ISS, Glass Lewis and SES for India holdings

2.3. Examples of significant votes

When collating voting statistics for our managers, we also asked our managers to provide examples of significant votes cast. The tables below outline a sample of responses received.

BlackRock

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Charter Communications	April 2022	Report on Effectiveness of Diversity, Equity and Inclusion Efforts and Metrics	For	A vote for these disclosures was warranted to bring the company in line with best practice in tracking diversity, equity and inclusion, and sustainability of business model

Egerton Capital

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Canadian National Railway	May 2022	Voted to accept Canadian National Railway's climate action plan	For	ESG Related

MI Metropolis

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Alphabet	June 2022	Report on Metrics and Efforts to Reduce Water Related Risk	In favour	The proposed report would increase transparency into Alphabet's exposure to climate-related water risks, which the manager understands is of particular relevance to Google, given its intense use of water in data centre cooling. The manager believes this report would be in the interest of shareholders.

Ruffer

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
BP Plc	May 2022	Approve shareholder resolution on climate change targets	Against	Ruffer voted in line with ISS and management. Ruffer undertook an extensive review of BP's work on the energy transition and climate change and Ruffer think BP are industry leading. Ruffer support management in their effort to provide clean, reliable and affordable energy and therefore Ruffer voted against the shareholder resolution.

Sands

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
CP All Public Company Limited	April 2022	Elect Phatcharavat Wongsuwan, Padoong Techasarintr ,and Pridi Boonyoung as Directors	Against	Concerns about a non-independent Board

3. Engagement Activity

Engagement is considered to be purposeful dialogue with a specific and targeted objective to achieve positive change in the interests of beneficiaries, thereby a key action required for delivering good stewardship. The Trustee favours active engagement, as opposed to disinvestment or exclusions practices. Through engagement, asset managers can build relationships with the companies in which they invest, helping to steward companies on a range of topics, including sustainability.

The tables below provide examples of engagement activity of the Group's investment managers where engagement should be a material activity in the management of the assets.

Egerton

Key points	Engagement activity
<p>Engagement Theme:</p> <p>Governance</p>	<p>Egerton own a position in Norsk Hydro, an aluminium producer. Aluminium is used extensively in renewable energy and electric cars and is also infinitely recyclable.</p>
<p>Industry:</p> <p>Industrial</p>	<p>Egerton has been in regular and active communication with Norsk Hydro management for several years, recently this has centred on improving governance. Egerton spoke with the company in January and February 2023 to discuss the structure and absolute level of compensation of both the management team and board.</p>
<p>Outcome:</p> <p>Engaged with the company on executive compensation to ensure that the company are able to attract and retain top-level talent</p>	<p>The Norwegian government are a significant shareholder. Due to government pressure, compensation of both the management team and board is below the international norm. This is making it difficult for the company to compete for top-level talent internationally against peers. This is a non-trivial problem as the European aluminium industry faces significant economic, geopolitical and environmental headwinds which need to be actively navigated by a highly competent management team.</p> <p>As such, in May, Egerton voted to support a resolution proposed by management to align compensation for the management team and board to what is typically seen internationally.</p>

Ruffer

Key points	Engagement activity
<p>Engagement Theme:</p> <p>Climate change – renewable energy and fossil fuels</p>	<p>Ruffer met with BP at the beginning of February 2023, primarily to discuss the previous quarter's performance and full year results for 2022. However, when the company announced its results, it also gave an update on strategic progress that garnered a lot of negative media attention. Reports claimed that the announcement represented a row back on renewables and a shift towards oil and gas production.</p>
<p>Industry:</p> <p>Oil and gas</p>	<p>As long-term shareholders, Ruffer felt obliged to learn more about the seemingly mixed messages on BP's strategy. Ruffer spoke to BP's chief financial officer and the newly appointed executive vice president of gas and low carbon energy. They confirmed that the company is aiming to marginally extend the life of its existing oil and gas assets to meet demand triggered by Russia's invasion of Ukraine but is doing so in a resource and energy efficient manner by using existing machinery and fields, rather than investing in intensive new projects.</p>
<p>Outcome:</p> <ul style="list-style-type: none"> • Ruffer engaged with company management, to discuss performance and year results to better understand the strategy • The company have expressed their approach to achieve its Net Zero target which Ruffer agree is important in an increasingly volatile environment 	<p>Overall, the announcements suggest that BP is taking a pragmatic and flexible approach to achieving its reiterated goal of a Net Zero transition. The transition will require a significant amount of energy, much of which will unavoidably be fossil fuel based, and the flexibility to react to external events and adjust accordingly will be crucial to delivering a value accretive, and therefore sustainable, transition. Ruffer believe the events of the past year have highlighted how important such characteristics will be to achieving decarbonisation in an increasingly volatile world.</p>

Key points	Engagement activity
<p>Engagement Theme: Health and nutrition</p> <p>Industry: Food packaging</p> <p>Outcome: Sands engaged with company management, raising concerns regarding the health impact of their products The company have shared quantitative targets with shareholders regarding reduction of sugar, salt and other unhealthy ingredients in their products</p>	<p>Britannia is one of India's leading food companies, responsible for producing popular food brands in India. Britannia is conscious of its products' impact on the health of its consumers and has made efforts to incorporate measures that Sands have advocated for, to produce healthier food. Due to the sugar and fat content in a majority of Britannia's products, the company is exposed to growing concerns about obesity, ingredient safety, and nutritional value.</p> <p>Sands shared this feedback with management, who agreed with this assessment. Britannia revealed its plan to shift its product line-up to a healthier array of snacks and to improve the current product portfolio by reducing the sugar, flour, and fat content within these items. Furthermore, the company provided investors with specific quantitative targets to reduce ingredients like sugar and sodium in its products. Sands believe this level of transparency is a hallmark of good management and can lead to more productive meetings in the future.</p> <p>Last November, Sands visited Britannia's R&D centre in Bengaluru and had an extensive conversation with its head of R&D. Sands were encouraged to hear that the team is well equipped with seasoned professionals in food technology, chemistry, nutrition, and packaging, who actively integrate ESG initiatives into product development.</p>

4. Niche Assets Portfolio

The Niche Asset Portfolio is a fund of funds investment vehicle, managed by Cambridge Associates. The manager invests in both liquid and illiquid investments:

- Some liquid managers may invest directly in listed securities
- Illiquid managers invest in private companies, while a number do not invest in companies.

We have provided the relevant information for the funds that invest in listed equities.

4.1. How did our managers vote?

ARCM IV investment represents less than 0.5% of the Group.

ARCM IV

	Manager response
Number of meetings the manager was eligible to vote at over the year	31
Number of resolutions the manager was eligible to vote on over the year	324
% of eligible resolutions the manager voted on	100%
% of votes with management	98%
% of votes against management	1%

4.2. Use of proxy voting services

A summary of the use of proxy voting by the managers is as follows:

Manager	Use of proxy voting service
ARCM	Utilise Broadridge for vote implementation

4.3. Private market (illiquid) investments – engagement example

Bridgepoint

Key points	Engagement activity
<p>Engagement Theme: Climate change</p> <p>Industry: Logistics and materials management provider</p> <p>Outcome: Introducing a carbon emissions reduction target</p>	<p>The Bridgepoint Credit team directly engaged with the management team on the back of receiving high estimated emissions run by a third-party specialist. The Bridgepoint team worked together with the company to dive deeper into the emissions management practices and established that the company measures scope 1 and 2 emissions and partial scope 3. As a result, the company set a carbon reduction target and have introduced green electricity tariffs in UK and Norway to reduce scope 2 emissions.</p>

Independent auditors' statement about contributions to the Group Trustee of E.ON UK Group of the Electricity Supply Pension Scheme

Statement about contributions

Opinion

In our opinion, the contributions required by the schedules of contributions for the Group year ended 31 March 2023 as reported in E.ON UK Group of the Electricity Supply Pension Scheme's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the Group actuary on 27 June 2019 and 21 June 2022.

We have examined E.ON UK Group of the Electricity Supply Pension Scheme's summary of contributions for the Group year ended 31 March 2023 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 schedules 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
Chartered Accountants and Statutory Auditors
Leeds
4 August 2023

SUMMARY OF CONTRIBUTIONS PAYABLE IN THE YEAR ENDED 31 MARCH 2023

During the year the contributions required by the schedules of contributions for the Group year ended 31 March 2023 were as follows:

	Employees £ million	Employers £ million	Total £ million
Required by the schedule of contributions			
Normal contributions – Defined Benefit*	-	17.6	17.6
Total as reported on by Group auditors	-	17.6	17.6
Other contributions payable			
Early retirements	-	11.8	11.8
Supplementary pensions funding	-	1.1	1.1
Rule 29 contributions	-	0.2	0.2
AVCs	0.4	0.1	0.5
Total	0.4	30.8	31.2

*Under salary sacrifice arrangements, £3.8m of contributions were met by the Employer rather than the Members and are included in the £17.6m above.

Approved by and signed on behalf of the Group Trustees on 3 August 2023:

Martine Trouard-Riolle
On behalf of Capital Cranfield
Pension Trustees Limited - Chair of the Group Trustees

Gary Marsh
Director

Independent auditors' report to the Group Trustee of E.ON UK Group of the Electricity Supply Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion, E.ON UK 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 2023, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the Annual Report and Financial Statements, which comprise: the Statement of Net Assets Available for Benefits as at 31 March 2023; 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to, or in respect of, the Group.

We have provided no non-audit services to the Group in the period under audit.

Conclusions relating to going concern

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

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

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

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

Reporting on other information

The other information comprises all the information in the Annual Report and Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Group Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Group Trustee for the financial statements

As explained more fully in the statement of Group Trustee's responsibilities, the Group Trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Group Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Group Trustee is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group Trustee either intends to wind up the Group, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

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

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
Chartered Accountants and Statutory Auditors
Leeds
4 August 2023

FUND ACCOUNT

For the year ended 31 March 2023

	Note	2023 £million	2022 £million
Contributions and benefits			
Employer contributions	4	30.8	40.9
Employee contributions	4	0.4	0.6
Total contributions		31.2	41.5
		31.2	41.5
Benefits paid or payable	5	(201.3)	(198.4)
Payments to and on account of leavers	6	(5.6)	(11.3)
PPF and other levies	7	(0.2)	(0.2)
Administrative expenses	8	(2.0)	(1.9)
		(209.1)	(211.8)
Net withdrawals from dealings with members		(177.9)	(170.3)
Returns on investments			
Investment income	9	8.3	4.5
Change in market value of investments	10	(1,205.6)	(43.0)
Investment management expenses	16	(1.2)	(1.0)
Net returns on investments		(1,198.5)	(39.5)
Net decrease in the fund		(1,376.4)	(209.8)
Opening net assets		4,675.0	4,884.8
Closing net assets		3,298.6	4,675.0

The notes on pages 40 to 52 form part of these Financial Statements.

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at 31 March 2023

	Note	2023 £million	2022 £million
Investment assets			
Pooled investment vehicles	11	3,286.9	4,666.0
AVC investments	12	6.6	6.6
Cash	13	1.3	0.4
		3,294.8	4,673.0
Total net investments		3,294.8	4,673.0
Current assets	19	5.5	4.9
Current liabilities	20	(1.7)	(2.9)
Total net assets available for benefits		3,298.6	4,675.0

The Financial Statements summarise the transactions of the Group and deal with the net assets available for benefits at the disposal of the Group Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Group, which does take account of such obligations, is dealt with in the report on Actuarial Liabilities on pages 15 to 17 of this Annual Report and these Financial Statements should be read in conjunction with this report. The notes on pages 40 to 52 form part of these Financial Statements.

The Financial Statements on pages 38 to 52 were approved by the Group Trustees on 3 August 2023.

Approved by and signed on behalf of the Group Trustees:

Martine Trouard-Riolle
On behalf of Capital Cranfield
Pension Trustees Limited - Chair of the Group Trustees

Gary Marsh
Director

Notes to the Financial Statements

Year ended 31 March 2023

1. Basis of preparation of the financial statements

The individual financial statements of E.ON UK 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").

2. Identification of the financial statements

The Group is established as a trust under English law. The ESPS 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 address for enquiries to the Group is Railpen, 2 Rye Hill Office Park, Birmingham Road, Coventry, CV5 9AB.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Currency

The Group's functional currency and presentational currency is pounds sterling (GBP).

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 (including salary sacrifice), are generally accounted for on an accruals basis in the payroll period to which they relate. In the case of member contributions this is when deducted from pay.

Employers' Early Retirement contributions, Rule 29 and Supplementary pensions funding 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 Group Trustees.

Transfers to and from the Group

Transfer values represent the capital sums either receivable in respect of members from other pension plans of previous employers or payable to the pension plans of new employers for members who have left the Group. They are accounted for on an accruals basis on the date the trustees of the receiving plan accept the liability. In the case of individual transfers, this is normally when payment of the transfer value is made.

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 Trustees are notified of the members' decision to leave the Scheme.

Where the Group Trustees agree or are required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Scheme, any tax liability due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within Benefits.

Administrative and other expenses

Administrative expenses, including the PPF and other levies, are accounted for on an accruals basis.

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.

Other 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.

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 Trustees adopt 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 other pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Group Trustees. 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;
- The Group holds some historic annuity policies in the name of the Trustees. Given the levels involved, these annuity policies have been excluded from the financial statements on the grounds of materiality.

Critical accounting judgements and estimation uncertainty

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

Critical accounting judgements

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

Key accounting estimates and assumptions

The Group Trustees make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Group, the Group Trustees believe the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Group's investments and, in particular, those classified in Level 3 of the fair-value hierarchy. Explanation of the key assumptions underpinning the valuation of investments are included within notes 17 and 18.

4. Contributions

	2023	<i>2022</i>
	£million	<i>£million</i>
Employers		
Normal	13.8	15.6
Salary sacrifice*	3.8	4.1
Salary sacrifice – AVC**	0.1	0.2
Special		
Early retirement	11.8	7.1
Supplementary pensions funding***	1.1	1.6
Additional****	-	12.2
Rule 29	0.2	0.1
Employees		
AVCs	0.4	0.6
	31.2	41.5

*Under the salary sacrifice arrangement, £3.8m (2022: £4.1m) of contributions were met by the employer rather than the employees.

**Under the salary sacrifice arrangement, £0.1m (2022: £0.2m) of additional voluntary contributions were met by the employer rather than the employees.

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

****An agreement was made between the Principal Employer and the Group Trustees dated 27 June 2019 under which the Company agreed to make a pension contribution to the Group in the event of future reductions in interest rates ("Internal Hedge"). The Principal Employer and the Group Trustees agreed that the end date of the Internal Hedge would be 16 July 2021 at which time a pension contribution to the Group of £12.2m was required and subsequently paid by the Principal Employer.

5. Benefits paid or payable

	2023	<i>2022</i>
	£million	<i>£million</i>
Pensions	188.4	186.0
Lump sum retirement benefits and commutations	12.0	11.3
Purchase of annuities on retirement (AVCs)	0.1	0.6
Lump sum death benefits (in service)	0.4	0.3
Lump sum death benefits (in retirement)	0.1	0.2
Taxation where annual or lifetime allowance exceeded	0.3	-
	201.3	198.4

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

6. Payments to and on account of leavers

	2023 £million	2022 £million
Transfer values paid to other pension arrangements:		
Individual transfers	5.1	11.3
Intra-scheme transfers		
Individual transfers	0.5	-
	5.6	11.3

7. PPF and other levies

	2023 £million	2022 £million
Pensions Protection Fund (PPF) levy	0.1	0.1
Pensions Regulator levy	0.1	0.1
	0.2	0.2

8. Administrative expenses

	2023 £million	2022 £million
Actuarial	0.4	0.3
Administration	0.9	0.8
Audit	0.1	0.1
Covenant assessment advice	0.1	0.1
Share of ESPS administration	0.1	0.1
Legal	0.1	0.1
Other professional fees	0.1	0.2
Support and other costs	0.2	0.2
	2.0	1.9

Other than those shown above, all administrative expenses incurred by the Group, and not directly related to the investment management of the securities, were met by the Employers.

9. Investment income

	2023 £million	2022 £million
Income from pooled investment vehicles	7.9	3.7
Other	0.4	0.8
	8.3	4.5

10. Reconciliation of net investments

	Opening value £million	Purchases £million	Sales proceeds £million	Change in market value £million	Closing value £million
Pooled investment vehicles	4,666.0	2,243.3	(2,418.4)	(1,204.0)	3,286.9
AVC investments	6.6	0.5	(0.2)	(0.3)	6.6
	4,672.6	2,243.8	(2,418.6)	(1,204.3)	3,293.5
Cash	0.4				1.3
Total net investments	4,673.0				3,294.8

Change in market value reconciliation

	2023 £million	2022 £million
Change in market value from reconciliation of net investments	(1,204.3)	(43.5)
Exchange (losses) / gains	(1.3)	0.5
	(1,205.6)	(43.0)

Investment transaction costs

Transaction costs are included in the cost of purchases and deducted from sales proceeds in the defined benefit reconciliation above. Direct transaction costs incurred are analysed as follows:

	Pooled investment vehicles £million	2023 £million	2022 £million
Fees	0.2	0.2	0.1
Commissions	-	-	-
Taxes	-	-	-
	0.2	0.2	0.1

In addition to the direct transaction costs disclosed above, 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 Trustees to quantify such indirect transaction costs.

11. Pooled investment vehicles

	2023	2022
	£million	£million
Equities	384.4	729.7
Bonds	323.1	465.9
Hedge funds	473.5	753.4
Diversified growth funds	174.8	177.9
Private equity	225.8	232.0
Liability driven investments	1,632.7	2,219.3
Cash and other liquid assets	72.6	87.8
	3,286.9	4,666.0

At 31 March 2023 and 31 March 2022 the Group held a bespoke Liability Driven Investment (LDI) portfolio. The portfolio has been included above in the pooled investment vehicles, is specifically tailored for the Group's individual requirements and there are no other investors in it.

The LDI portfolio has the following investments:

	2023	2022
	£million	£million
Bonds	2,962.4	2,616.9
Swaps – net	(312.3)	(39.0)
Repurchase agreements	(1,027.9)	(428.1)
Cash and other liquid assets	10.5	69.5
	1,632.7	2,219.3

At 31 March 2023 and 31 March 2022 the Group was also the sole investor in Cambridge Associates LLC's Westwood NAP, LP fund. This fund has also been included above in the pooled investment vehicles, is specifically tailored for the Group's individual requirements and there are no other investors in it.

The Westwood NAP, LP fund has the following investments:

	2023	2022
	£million	£million
Private equity	225.8	232.0

Direct transaction costs have been incurred on the sole investor arrangements of £nil (2022: £nil).

12. AVC Investments

The number of AVC accounts (including "frozen" accounts) as at 31 March 2023 was 306 (2022: 321). In some cases members have two or more accounts.

The aggregate amounts of AVC investments held in pooled investment vehicles are as follows:

	2023	2022
	£million	£million
Aviva	5.7	5.5
Prudential Assurance Society	0.2	0.4
Standard Life Assurance	0.7	0.7
	6.6	6.6

13. Cash

	2023	2022
	£million	£million
Total cash	1.3	0.4

14. Employer related investments

As at 31 March 2023 and 31 March 2022 the Group had none of its assets invested directly in E.ON UK plc or its associated companies. There were also no assets (2022: *£nil*) invested indirectly in E.ON UK plc through pooled investment vehicles. This was in accordance with the policy of the Group Trustees.

15. Concentration of investments

Investments accounting for more than 5% of the net assets of the Group at either 31 March 2023 or 31 March 2022 were:

	2023	2023	<i>2022</i>	<i>2022</i>
	£million	%	<i>£million</i>	<i>%</i>
Insight LDI Active 29 Fund	1,635.9	49.6	<i>2,219.3</i>	<i>47.5</i>
Westwood NAP LP	225.8	6.8	<i>232.0</i>	<i>5.0</i>
Gresham Multi-Asset Credit Funds Ltd Series A	180.4	5.5	<i>261.0</i>	<i>5.6</i>
Farallon Capital F5 CC LP	172.8	5.2	<i>-</i>	<i>-</i>
Egerton Capital Equity Fund Class I GBP (Hedged)	104.6	3.2	<i>421.3</i>	<i>9.0</i>
FCOI II Currency Class Fund, Ltd, Class A (GBP)	-	-	<i>270.8</i>	<i>5.8</i>

16. Investment management expenses

Investment management fees for Group-specific funds, performance measurement services and investment-related fees of Group advisers are the responsibility of the Group Trustees. The Scheme Trustee negotiates the custody fees which apply to all portfolios. Investment management and custody fees for Group-specific funds are shown below.

	2023	<i>2022</i>
	£million	<i>£million</i>
Administration and management	(0.4)	<i>(0.4)</i>
Custody and accounting	0.1	<i>0.1</i>
Investment advice – DB	1.2	<i>1.2</i>
Legal	0.1	<i>-</i>
Share of ESPS investment costs	0.1	<i>-</i>
Other	0.1	<i>0.1</i>
	1.2	<i>1.0</i>

17. Fair value of investments

The fair value of investments has been determined using the following hierarchy:

- Level 1: Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.
- Level 2: Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.
- Level 3: Inputs are unobservable.

Where multiple inputs are involved in determining the fair value of an instrument, the categorisation is based on the lowest level input (i.e. highest number) that is significant.

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 equities, bonds and pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Group Trustees. 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 2023 or 31 March 2022.

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	2023 Total £million
Investment assets				
Pooled investment vehicles	-	3,114.1	172.8	3,286.9
AVC investments	-	6.6	-	6.6
Cash	1.3	-	-	1.3
	1.3	3,120.7	172.8	3,294.8

Analysis for the prior year end is as follows:

	Level 1 £million	Level 2 £million	Level 3 £million	2022 Total £million
Investment assets				
Pooled investment vehicles	-	4,395.2	270.8	4,666.0
AVC investments	-	6.6	-	6.6
Cash	0.4	-	-	0.4
	0.4	4,401.8	270.8	4,673.0

18. Investment risks

Financial Reporting Standards (FRS) 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

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 as follows:

- **Currency risk:** this is risk that 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; and
- **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.

The Group Trustees determine their investment strategy after taking advice from a professional investment adviser. The Group has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Group Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which take into account the Group's strategic investment objectives. These investment objectives and risk limits are implemented through the investment agreements in place with the Group's investment managers and monitored by the Group Trustees by regular reviews of the investment portfolio.

Further information on the Group Trustees' approach to risk management, credit and market risk is set out below. This does not include the legacy insurance policies or AVC investments as these are not considered significant to the overall investments of the Group.

The following table summarises the extent to which the various classes of investments (with the underlying assets of the LDI fund split out for the purposes of this analysis) are affected by financial risk:

	Credit risk	Market risk			2023	2022
		Currency	Interest rate	Other price	£ million	£ million
Bonds	●	○	●	○	2,962.4	2,616.9
Pooled investment vehicles	●	○	○	●	1,654.2	2,446.7
Derivatives	○	○	○	○	(312.3)	(39.0)
Repurchase agreements	○	○	○	○	(1,027.9)	(428.1)
Cash and other investment assets	●	○	○	○	18.4	76.5
Total					3,294.8	4,673.0

In the above table, the risk noted effect the asset class [●] significantly, [○] partially or [○] hardly/not at all.

Investment Strategy

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

The Group Trustees set the investment strategy taking into account considerations such as the strength of the Employer covenant, the long term liabilities and the funding agreed with the Employer. The investment strategy is set out in the Group's Statement of Investment Principles ("SIP").

The current strategy is to hold a portion of the assets (approximately 50% at the year-end) in investments that move in line with the long-term liabilities of the Group. This is referred to as LDI and comprises UK and overseas government and corporate bonds and interest rate swaps, the purpose of which is to hedge against the impact interest rate movement on long term liabilities.

The remaining assets are held in return seeking investments comprising UK and overseas equities, equity futures, investment property, hedge funds and private equity.

Credit Risk

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of the investments amongst a number of pooled arrangements. The Group Trustees carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager. Pooled investment arrangements used by the Group comprise unit linked insurance contracts and authorised unit trusts.

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

Type of arrangement	2023 £m	2022 £m
Open-ended investment companies	988.1	1,834.6
Shares of limited liability partnerships	326.8	346.5
SICAV/UCITS	244.2	279.3
Sole investor authorised fund	1,635.9	2,205.6
Other	91.9	-
Total	3,286.9	4,666.0

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicles. This risk is mitigated by limiting the total proportion of the return seeking portfolio that may be invested in pooled investment vehicles that can hold sub-investment grade bonds.

The information about exposures to and mitigation of credit risk above applied at both the current and previous year end.

Currency Risk

The Group is subject to indirect currency risk because some of the Group's investments are held in overseas markets pooled investment vehicles. The net currency exposure at the current and previous year-ends was:

	Direct exposure (£million)	Indirect exposure (£million)	Hedging (£million)	2023 Net exposure after hedging (£million)	2022 Net exposure after hedging (£million)
Pounds sterling (GBP)	-	2,892.4	386.3	3,278.7	4,647.7
US Dollars (USD)	-	379.4	(386.3)	(6.9)	3.7
Euros (EUR)	-	23.0	-	23.0	21.4
Other currencies	-	-	-	-	-
	-	3,294.8	-	3,294.8	4,672.8
<i>Unhedged foreign currency</i>				4%	6%

Interest Rate Risk

The Group is subject to interest rate risk because some of the Group's investments are held in bonds and interest rate swaps through pooled investment vehicles, and cash. The Group Trustees have set a benchmark for total investment in bonds and interest swaps of between 45% and 100% of the total actuarial liabilities as part of their LDI investment strategy. Under this strategy, if interest rates fall, the value of the LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. At the year-end the LDI portfolio represented 50% of the total investment portfolio (2022: 47%).

Other Price Risk

Other price risk arises principally in relation to the Group's return seeking portfolio which includes equities held in pooled vehicles, hedge funds and private equity. At the year-end the return seeking portfolio represented 50% of the total investment portfolio (2022: 53%).

The Group manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

19. Current assets

	2023 £million	2022 £million
Amounts due in respect of:		
Contributions due from the Employers	1.5	3.6
Contributions due from Employees	-	0.1
VAT recoverable and expense accruals	0.7	0.5
Cash balances	3.3	0.7
	5.5	4.9

All contributions due to the Group at the year-end relate to March 2023 and March 2022 and were paid in full to the Group in accordance with the Schedule of Contributions.

20. Current liabilities

	2023 £million	2022 £million
Benefits payable	(0.6)	(2.1)
Accrued expenses	(1.1)	(0.8)
	(1.7)	(2.9)

21. Related party transactions

Other than as disclosed elsewhere in the notes to the financial statements, related party transactions and balances comprise:

Key management personnel

Contributions and contributions receivable in respect of 1 (2022: 1) Group Trustees during their time as Group Trustees, and pensions paid in respect of 6 (2022: 5) Group Trustees during their time as Group Trustees, all in accordance with the Trust Deed and Rules

In the year to 31 March 2023 fees and expenses of £166,782 (2022: £175,961) were paid to certain Group Trustees from the Group.

Employers and other related parties

Administrative services of £187,066 (2022: £186,792) provided by the Employer and recharged to the Group and are accounted for within administrative expenses.

22. Contingent liabilities and contractual commitments

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. It is not known, at this stage, whether the case will be appealed but, as matters currently stand, the case has the potential to cause significant issues in the pensions industry. The Group Trustees will investigate the possible implications of the above with its advisers but, it is not possible, at present, to estimate the potential impact, if any, on the Group.

In the opinion of the Group Trustees, other than the matters detailed above, the Group had no (2022: none) contingent liabilities or contractual commitments entered into which are not provided for in these Financial Statements.

23. Subsequent events

There are no subsequent events requiring disclosure in the Financial Statements.