

Registered number: 19002019

**NORTHERN POWERGRID GROUP OF THE
ELECTRICITY SUPPLY PENSION SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Contents

	Pages
Group Trustees, their advisers, investment managers and other parties associated with the Group	1-4
Message from the Chair of the Group Trustees	5-7
Report of the Group Trustees	8-22
Introduction	8
Group Trustees	8-9
Membership statistics	10
Report on Actuarial Liabilities	12-13
Further information	16
Group investment report	17-21
Statement of Group Trustees' responsibilities	22-23
Independent Auditors' report to the Group Trustees	24-26
Fund Account	27
Statement of Net Assets Available for Benefits	28
Notes to the Financial Statements	29-40
Independent Auditors' Statement about Contributions	41-42
Summary of Contributions	43
Schedule of Contributions	44-45
Certification of Schedule of Contributions	46
Names and Addresses of External Bodies	47-48
Glossary of Terms	49-50
Engagement Policy Implementation Statement	51-61

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Group Trustees, their advisers, investment managers and other parties associated with the Group

Group Trustees

Employer Appointed Group Trustees:

Peter McCormick* - Chair**
John Elliott – Deputy Chair (resigned 31 December 2024)
Jon Bird* - Deputy Chair (appointed 1 January 2025)
Steve Pickering (appointed 1 January 2025)

Member Elected Group Trustees:

Mike Brown*
Bob Uttley (EPTL Council Member)*
Bob Sherit* (resigned 31st January 2025)
Michael Leighton*
Iain Miller***
Neil Dawson*
Jim Paine* (appointed 1st February 2025)

Group Trustees marked * are or were in receipt of a pension from the Group

Group Trustees marked ** are remunerated for their appointment

Group Trustees marked *** are contributing members to the Group

Independent Trustee

BESTrustees Limited**, represented by Steve Balmont

Group Actuary

Philip Dennis FIA
Aon Solutions UK Limited
3 The Embankment
Sovereign Street
Leeds
LS1 4BJ

Legal Adviser

Squire Patton Boggs (UK) LLP
6 Wellington Place
Leeds
LS1 4AP

Investment Adviser

Aon Investments Limited
Colmore Gate
2 Colmore Row
Birmingham
B3 2QD

Independent Group Auditors

PricewaterhouseCoopers LLP
Central Square
29 Wellington Street
Leeds
LS1 4DL

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Group Trustees, their advisers, investment managers and other parties associated with the Group

Administrators	Railpen Limited (to 30 th June 2025) Broadstone Holdco Ltd (from 1 st July 2025) 2 Rye Hill Office Park Birmingham Road Allesley Coventry CV5 9AB
Group Bankers	HSBC Bank plc 60 Queen Victoria Street London EC4N 4TR
AVC Providers	Legal & General Assurance Society Limited Building 1 City Park Hove East Sussex BN3 7PY Aviva plc PO Box 520 Norwich NR1 3WG Prudential Assurance Company Limited Laurence Pountney Hill London EC47 0HH Utmost Life and Pensions Limited Walton Street Aylesbury Bucks HP21 7YH
Group Custodian	The Bank of New York Mellon (“BNY Mellon”) One Canada Square Canary Wharf London E14 5AL

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Group Trustees, their advisers, investment managers and other parties associated with the Group

Investment Managers	BlackRock Investment Management (UK) Limited (“BlackRock”) 12 Throgmorton Avenue London EC2N 2DL
	Insight Investment Management (Global) Limited (“Insight”) 50 Bank Street Canary Wharf London E14 5NT
	Legal & General Investment Management (“LGIM”) One Coleman Street London EC2R 5AA
	CB Richard Ellis Global Investors (UK Funds) Limited (“CBREGI”) One New Change London EC4M 9AF
	Securis Investment Partners LLP (“Securis”) 12 th Floor 110 Bishopsgate London EC2N 4AY
	Columbia Threadneedle Investments (“Threadneedle”) Cannon Place 78 Cannon Street London EC4N 6AG
Performance Measurer	The Bank of New York Mellon (“BNY Mellon”) One Canada Square Canary Wharf London E14 5AL
Principal Employer	Northern Electric plc (the “Employer”) Lloyds Court 78 Grey Street Newcastle Upon Tyne NE1 6AF

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Group Trustees, their advisers, investment managers and other parties associated with the Group

Participating Employers

CalEnergy Resources Ltd
Integrated Utility Services Ltd
Northern Powergrid (Northeast) plc
Northern Powergrid (Yorkshire) plc
Vehicle Lease and Service Ltd

Contact Address

Group Administrator and Secretary
Northern Powergrid
Lloyds Court
78 Grey Street
Newcastle Upon Tyne
NE1 6AF
russell.dougherty@northernpowergrid.com

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

Message from the Chair of the Group Trustees

Introduction

This Annual Report and Financial Statements from the Northern Powergrid Group Trustees (the “Group Trustees”) reviews the operation of the Northern Powergrid Group of the Electricity Supply Pension Scheme (the “Group”) during the year ended 31 March 2025. Information relating to the Electricity Supply Pension Scheme as a whole (the “Scheme”) can be found in the Scheme’s Annual Report and Consolidated Financial Statements, copies of which can be requested from the Broadstone Administration Team. Using the contact details on page 16.

The Group’s last actuarial valuation was completed as at 31 March 2022. The result of the valuation and ongoing estimates shows that the Group is expected to remain fully funded as at 31 March 2025. The fully funded position was achieved three years ahead of the Group Trustees’ target date of 31 March 2025, due to a combination of the deficit repair contributions paid by the Company and the Group Trustees’ investment strategy. Further detail on the 31 March 2022 valuation is shown on pages 12 and 13.

The year to 31 March 2025 saw a decrease in the value of the Group’s net assets from £1,073.8 million as at 31 March 2024 to £975.0 million as at 31 March 2025, with the Group’s liabilities falling by a similar amount. The Group Trustees continue to regularly monitor the Group’s assets and liabilities on a quarterly basis. The assets have decreased over the year due to changes in market conditions and the benefits payments made to members.

The Group’s assets continued to perform as expected over the year, protecting the Group from the fluctuations in interest rates and inflation throughout the 12 months to 31 March 2025. The Group Trustees have continually monitored the Group’s collateral management plan, to ensure the assets function as expected and match any changes in liabilities, as markets change over the year. The Group Trustees have focussed on rebalancing the assets back to the strategic target allocations, so that the Group is not carrying more risk than is required to meet the funding objectives.

The Group Trustees have also been reviewing their longer-term aims for the Group, in conjunction with Northern Electric plc and understanding potential options for the investment strategy to meet those aims. The Group Trustees have undertaken significant analysis and training on different investment strategies with a focus on understanding the potential risks of any changes. Once a decision has been made, and after further consultation with the Company, we will inform the membership.

The Group Trustees continue to monitor the investment managers and the funds in which they invest to ensure alignment with their Responsible Investment Policy and have recently prepared their third annual report to meet the requirements of the Taskforce on the Climate related Financial Disclosure (TCFD). A copy of the most recent report is available, along with other key Group documents, on our member website - <https://www.northernpowergridgroup-esps.co.uk/public-documents/>.

The Electricity Supply Pension Scheme as a whole was in scope of the climate change governance and reporting requirements from 1 October 2021. For a copy of the ESPS 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>.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

Change in administrator

On 20 May 2025, Railpen Limited (“Railpen”) signed an agreement to sell its TPA business (the “Business”) to Broadstone Holdco Limited (“Broadstone”). The sale to Broadstone completed on 1 July 2025.

- A transfer of the TPA business to a wholly owned Railpen subsidiary called RP TPA Limited (“RP TPA”), a private company limited by shares incorporated in England under registered number 16262678.
- The transfer of the business to RP TPA came into effect at 11.59 p.m. (London time) on 30 June 2025 (the ‘Effective Time’).
- All rights, obligations and liabilities under the Agreement with Railpen transferred by way of novation to RP TPA.
- With effect from the Effective Time, RP TPA will:
 - perform all the obligations and liabilities of Railpen in place of Railpen; and
 - assume all the rights, obligations and liabilities of Railpen as if RP TPA were named in the Agreement as the original party to the Agreement in place of Railpen; and
 - c. be entitled to enforce the terms of the Agreement in place of Railpen.

Railpen and Broadstone are working closely to ensure a seamless transition for each client. A carefully managed transition – with a Transitional Services Agreement in place – will ensure that, from day one, there will be no change to the services delivered. The transition includes:

- The migration of experienced Railpen colleagues, under a TUPE arrangement
- 2. Initial communications and engagement with clients, including the contract novation process
- 3. Data transfer and system migration
- 4. Client and member on boarding
- 5. Full-service transition

Pension Increase

The 2024/25 year saw reduced levels of inflation compared with previous years. The September 2024 RPI figure was 2.7%, which was the annual pension increase to members. The pension increase was applied from 1 April 2025.

Pension Flexibilities & Scams

The Group has previously seen a significant number of active members opting out of the Group, in order to pursue a cash equivalent transfer value but the interest shown has continued to slow over the last 12 months. The Group Trustees urge members to consider carefully the implications of opting out of the Group and the advantages and disadvantages of taking a cash equivalent transfer value before taking any action, which cannot be undone.

Members should be wary of pension scams and can obtain information about what to look out for from the Broadstone Administration Team using the contact details on page 16. There is a legal requirement that each transfer request is assessed for the presence of any ‘amber flags’ or ‘red flags’, with the objective of increasing protection against pension scams. Where there is an amber flag present the member will need to provide evidence that the member has taken guidance from the Money and Pensions Service in relation to pension scams before the transfer can proceed. Where there is a red flag present, the transfer cannot proceed.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

New legal requirements came into force from 1 June 2022 in relation to applications to access or transfer “flexible benefits”. In relation to the Group, this affects applications to access or transfer AVCs. Members who wish to access or transfer their AVCs will be encouraged to obtain guidance about their options from Pension Wise and will need to confirm they have received guidance or opted out of receiving guidance before their application can be processed.

Internal Controls

The Group Trustees continued to monitor the Group’s internal control environment, as required by the Pensions Act 2004 and the Pensions Regulator’s General Code of Practice, introduced from 27 March 2024. The General Code sets out the Pensions Regulator’s expectations for the good governance of pension schemes. The Group Trustees have made good progress to review and update their risk management procedures, including setting up a Risk Committee whose aim is to ensure the Group meets the best practice standards.

The Group Trustees are keen to ensure that the controls in place continue to be appropriate and robust and that they continue to minimise (or eliminate where possible) any risk to the security of members’ benefits and the Group’s assets. The Group Trustees also operate a risk register focussing on key strategic risks and their controls, as part of the internal control environment, which is subject to regular review and revision, as necessary.

These controls include the arrangements and procedures to be followed in respect of the administration and management of the Group, the receipt of contributions from members and the Employer, the incurring of expenditure by the Group Trustees and ensuring appropriate management of the Group’s assets.

As part of the General Code, the Trustees are now required to undertake an Own Risk Assessment (ORA). The ORA is a structured review of the risks faced by the Group in meeting its objectives and how these are managed through our systems of governance. While there is no fixed format, the assessment must be documented and reviewed regularly. The Group Trustees are preparing for its first ORA due 31 March 2026 and is working to ensure that appropriate risk controls and governance processes are in place and aligned with the expectations set out in the Code.

Pensions Dashboards

The Pensions Dashboards Programme is a government initiative designed to allow individuals to securely view all their pension information in one place online. Trustees of occupational pension schemes are required to connect to the dashboard’s ecosystem by a specific staging deadline. For the Group the staging date is 30 November 2025 with a connection deadline of 30 September 2026. The Group Trustees are working closely with Broadstone and other advisers to ensure readiness ahead of the deadline.

Annual General Meeting

The Group’s Annual General Meeting is scheduled to be held on Wednesday 19 November 2025. The meeting will again be broadcast virtually, as well as being hosted in person.



Peter McCormick
Chairman of the Group Trustees
Date: 1 September 2025

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

Introduction

The Group Trustees are pleased to present the annual report together with the audited Financial Statements for the year ended 31 March 2025. The Group is a defined benefit scheme, administered in accordance with its establishing Clauses and Rules, solely for the benefit of its members and other beneficiaries. All members of the Group were contracted out of the State Second Pension until 5 April 2016, when contracting-out ceased for all pension schemes to coincide with the introduction of new State Pension arrangements.

The Group is part of the Electricity Supply Pension Scheme. The Scheme currently has 22 (2024:23) actuarially independent sections (known as Groups) that are associated with companies participating in the Scheme as Principal Employers. Each Group has its own assets to fund the benefits of its members.

Each of the Groups in the Scheme is administered and managed by its own body of trustees. The Northern Powergrid Group Trustee structure provides for nine Group Trustees, three of whom are appointed by the Employer and six of whom are elected by the members. In addition to the nine Group Trustees there is an Independent Trustee, BESTrustees Limited, which has specific powers to help protect the interests of members of the Group. A list of the Group Trustees is included in the legal and administrative information on page 1.

There is also a central Scheme Trustee, Electricity Pensions Trustee Limited (“EPTL”), which is a trust corporation and consists of a Council, comprising a trustee and an employer representative from each Group and a Board of nine Directors, comprising four trustee and four employer representatives elected by the Council and an Independent Chair appointed by the Board. The Scheme Trustee is primarily responsible for ownership of the assets of the Scheme.

Information relating to the Scheme as a whole can be found in the Scheme Annual Report and Consolidated Financial Statements, a copy of which can be obtained from the Group Administrator and Secretary, whose address is shown on page 4.

Group Trustees

Appointment/Election of Group Trustees

The three Appointed Group Trustees are appointed, and can be removed, by the Employer.

The Group Trustees maintain rules for the nomination and election of Elected Group Trustees. The six Elected Group Trustees are elected by the contributing and pensioner members of the Group. Any candidate standing for election is eligible to receive a vote from any contributing or pensioner member. Deferred members are not eligible to vote in these elections. The Elected Group Trustees’ terms of office vary, up to a period of 4 years, although they can stand for re-election at the end of their term of office if they are eligible to do so. In addition to the changes that take place at an election, an Elected Group Trustee ceases to be a Group Trustee if he/she resigns, ceases to be a contributing or pensioner member of the Group or is removed from office by a majority of the other Elected Trustees. A casual vacancy for an Elected Group Trustee can be filled by a person nominated by the remaining Elected Group Trustees.

Further information can be obtained from the Group Administrator and Secretary in this regard.

Having taken up office, all Group Trustees – both Elected and Appointed – have the same duties and responsibilities in relation to the Group and its members.

The Pensions Regulator also has the power to appoint and remove trustees of pension schemes.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

Independent Trustee

The role of the Independent Trustee is different to that of the Group Trustees. The Independent Trustee has no voting powers but has a right of veto on certain issues. In particular, several powers of the Employer can only be exercised either with the approval of, or after consultation with, the Independent Trustee. Although it has had no need to do so to date, the Independent Trustee would be able to call an extraordinary meeting of members in circumstances where it believes that the actions of the Employer were not in accordance with the Clauses and Rules of the Group or legislation. The fees of the Independent Trustee are met by the Employer.

Trustee Meetings

The Group Trustees met five times during the year on the following dates:

7 May 2024
18 July 2024
31 October 2024
19 December 2024
20 March 2025

In addition to the meetings of the Group Trustees, certain funding and investment matters were subject to more detailed consideration in a dedicated committee established by the Group Trustees. During the year, the Funding & Investment Committee met three times. The dates of those meetings were:

12 June 2024
1 October 2024
21 November 2024

During the year it was agreed that the Funding & Investment Committee would be disbanded, however the Group Trustees would retain the need for a quarterly funding and investment focussed meeting. From 1 January 2025, they would be full Group Trustee meetings, and this will allow greater flexibility and efficiency in managing Board business and decisions. The Group Trustees agreed this was required due to the increased level of work relating to pensions.

In addition to these meetings there was also a Risk Committee comprising two Appointed and two Member Elected Trustees. During the year, the Risk Committee met four times. The dates of those meetings were:

31 October 2024
6 November 2024
11 December 2024
4 February 2025

Voting at Meetings of Group Trustees

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

In the event of an equality of votes, the Chairman has the discretion to exercise an additional casting vote to resolve the issue concerned. In the year ended 31 March 2025 there was no occasion on which the Chairman used this casting vote.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

Scheme Financial Statements

EPTL remains responsible for appointing the Scheme's auditors (currently PricewaterhouseCoopers LLP) and for preparing the Scheme Annual Report and Consolidated Financial Statements, after preparation by the various groups of their individual Annual Report and Financial Statements.

Membership Statistics

Details of the membership of the Group for the year ended 31 March 2025 are given below:

	Contributors	Pensioners	Dependants	Deferred Pensioners	Total
As at 1 April 2024	393	2,901	852	686	4,832
Retirements	(27)	55	-	(28)	-
Deaths	-	(111)	(75)	-	(186)
New dependants	-	-	52	-	52
Leavers with deferred pensions	(3)	-	-	3	-
Cessation	-	-	(2)	-	(2)
Transfers out	-	-	-	(5)	(5)
As at 31 March 2025	363	2,845	827	656	4,691

The Employer introduced alternative pension arrangements for new employees appointed after 23 July 1997. After that date, unless transferring from other groups in the Scheme, new employees are generally not offered membership of the Group.

Pension Increases

The Rules of the Scheme applicable to the Group provide for all pensions in payment, children's allowances and deferred pensions to be increased on 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%, the Employer has the discretion to limit the pension increase, but to no less than 5%, subject to the consent of the Independent Trustee. The pension increase is subject to a minimum of 0%, i.e. pensions in payment are not reduced if the annual RPI change is negative.

The RPI figure was below 5% for the 12 months to 30 September 2024 and the pension increase applied from 1 April 2025 was 2.7%. A proportionate increase was applied to pensions, which came into payment between 2 April 2024 and 1 March 2025. Pension increases over the previous five years were:

1 April 2024	5.75%
1 April 2023	6.5%
1 April 2022	4.9%
1 April 2021	1.1%
1 April 2020	2.4%

A different level of increase applies to Guaranteed Minimum Pensions ("GMP") that are in payment.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

Review of the Financial Developments during the Year as Shown by the Audited Financial Statements

The Financial Statements shown on pages 27 to 40 show that the value of the Group's assets decreased by £98.8 million to £975.0 million as at 31 March 2025. The decrease was a result of a negative return on investments of £43.1 million and net withdrawals in regard to dealings with members of £55.7 million.

The Financial Statements have been prepared and audited in accordance with the regulations made under sections 41 (1) and (6) of the Pensions Act 1995.

Further details of the financial developments of the Group may be found in the audited financial statements on pages 27 to 40.

Group Changes

No amendments to the Group's Clauses and Rules were made during the year to 31 March 2025.

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 that came into effect from 1 October 2021. Although the Group does not meet the size threshold that requires TCFD reporting, it has produced a report in previous years' and will be doing so as at 31 March 2025. A copy of the most recent report is available, along with other key Group documents, on our member website - <https://www.northernpowergridgroup-esps.co.uk/public-documents/>

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>.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

Report on Actuarial Liabilities

The Group's latest triennial actuarial valuation was carried out by the Group Actuary, Philip Dennis of Aon Solutions UK Limited, as at 31 March 2022. As part of this valuation the Group Trustees prepared and agreed with the Employer the current Statement of Funding Principles. The Pensions Regulator has issued a Code of Practice for the current funding regime and reviews valuations against this Code.

The actuarial valuation, as at 31 March 2022, was undertaken using the projected unit method and the main assumptions underlying the valuation calculation were:

Discount rate	The fixed interest gilt yield curve at the valuation date plus 0.3% p.a., rounded to the nearest 0.01% p.a.		
Rate of salary increases	The assumed rate of RPI plus 0.25% p.a. This rate is inclusive of promotional increases.		
Retail Price Index ("RPI") price inflation	The assumption is derived from the difference between the fixed-interest and index-linked gilt yield curves at the valuation date.		
Consumer Price Index ("CPI") price inflation	The assumption is derived from the assumed rate of RPI price inflation less Aon's best estimate of the difference between RPI and CPI price inflation. At 31 March 2022, Aon's best estimate of this differential was 1.0% p.a. to 2030 and 0.1% p.a. thereafter.		
Increases to pensions in payment and in deferment	Derived from the price inflation assumptions with appropriate adjustment for the maximum and minimum increases that apply. For the Group's main RPI linked pension increase, this adjustment will reflect the cost of hedging such increases in the market.		
Life expectancy	Normal retirement: Standard table S3PMA (males) / S3PFA (females), adjusted to allow for individual years of birth, and average scaling factors set using Aon's Demographic Horizons Model. For the 31 March 2022 valuation, an addition of 1.5% was made to the average scaling factors to reflect the impact COVID-19 may have on mortality rates. The resulting average scaling factors are:		
		Males	Females
	Actives	104%	110%
	Deferred	107%	108%
	Pensioners (Normal Health)	101%	114%
	Ill-health retirement: Standard table S3IMA (males) / S3IFA (females), adjusted to allow for individual years of birth, and a scaling factor of 100%, set using Aon's Demographic Horizons Model.		
	Future improvements are assumed to be in line with the CMI 2021 core projection, with Sk=7.0, A=0.5% and a long-term improvement rate of 1.5% p.a.		

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

The results of the triennial actuarial valuation as at 31 March 2022 and the approximate annual updates that were prepared as at 31 March 2023 and 31 March 2024 are as follows:

	Triennial actuarial valuation at 31 March 2022	Approximate annual update at 31 March 2023	Approximate annual update at 31 March 2024
Assets	£1,649 million	£1,149 million	£1,071 million
Liabilities	£1,646 million	£1,159 million	£1,070 million
Funding level	100%	99%	100%
Surplus / (Deficit)	£3 million	(£10 million)	£1 million

As the Group was in surplus at the valuation date, no recovery plan was required.

A Schedule of Contributions was agreed by the Group Trustees and the Employer in respect of future benefit accrual. A copy of the current Schedule produced following completion of the Actuarial Valuation, including the Scheme Actuary's certifications, is included on pages 44 to 46.

The latest actuarial reports can be obtained on the Group's website at www.northernpowergridgroup-esps.co.uk.

Next Actuarial Valuation

The next actuarial valuation will be performed as at 31 March 2025, and this is currently underway and expected to be completed within the statutory time frame.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

Guaranteed Minimum Pension ("GMP") Equalisation

The Group has undertaken a process of assessing the overall impact of the October 2018 and November 2020 rulings regarding GMP Equalisation and based on an initial assessment by the actuary the Group Trustees have not included a liability in respect of these matters in these Financial Statements as the amount is not considered to be material. They will be accounted for in the year in which they are determined.

Recent Events

In June 2023, the High Court handed down a decision in the Virgin Media Ltd versus NTL Pension Trustees II Ltd, which considered the implications of section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out pension scheme cannot be altered, in relation to post April 1997 service, 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 under section 9 (2B) of the Pension Schemes Act 1993 which altered, both adversely or favourably, the section 9(2B) rights awarded to members.

This decision was appealed to the Court of Appeal, and, in July 2024, the Court of Appeal upheld the decision of the High Court. The case has the potential to cause significant issues in the pensions industry. In June 2025 the Government announced that it will "introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. Scheme obligations will otherwise be unaffected, and the Government will continue to maintain its robust framework for the funding of defined benefit pension schemes in order to protect people's hard-earned pensions."

The Trustee will investigate the possible implications of the above with its advisers once further detail is provided by the Government on the proposed legislation but at present consider any potential impact on the Group to be remote.

Transfers

Deferred members can normally transfer the cash equivalent of their deferred benefits to another registered pension arrangement at any time.

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pensions Scheme Act 1993.

In calculating transfer values, it is the policy of the Group Trustees to make full allowance for discretionary benefits.

The discretionary benefits relate to:

- Pension increases where RPI exceeds 5% in any year; and
- An allowance for payment of a dependant's pension where the member dies without leaving a surviving spouse.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

Dispute Resolution Procedure

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

The Group Trustees maintain a Dispute Resolution Procedure. The Dispute Resolution Procedure for the Group is a two-stage process. In the first instance a complaint from a member (including a pensioner, dependant, or deferred member) or prospective member or other person with an interest in the Group must be addressed to the Group Administrator. In normal circumstances a response will be made within two months. If dissatisfied with the response, the complainant is entitled to refer the complaint to the Group Trustees within six months of receiving the response from the Group Administrator. The Group Trustees will reply directly, again within two months where possible. Should a matter be escalated to a Group Trustee under stage one, that same Group Trustee will then remove themselves from any involvement under stage 2.

This procedure does not preclude any member from raising any queries regarding the Group informally at any time.

During the year, there were no complaints raised under the Dispute Resolution Procedure.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

Further Information

Further information about the Group is available on request to members and prospective members, their spouses and other beneficiaries and to all recognised trade unions. In particular, the Member Guide, a copy of the latest actuarial report and accompanying documents, the annual actuarial reports and the Group Trustees' Statement of Investment Principles can be inspected on the Group's website at www.northernpowergridgroup-esps.co.uk.

Individual benefit statements are provided to active members annually and deferred members can request details of the amount of their current transfer value. Such requests are available free of charge once a year.

If members have any questions relating to their own pension position or wish to obtain further information not already available on the Group's website (www.northernpowergridgroup-esps.co.uk), they should contact the Broadstone Administration Team. Broadstone's contact details are as follows:

Broadstone 2 Rye Hill Office Park
Birmingham Road
Allesley
Coventry
CV5 9AB

Freephone: 0800 875 8053

Email: northernpowergrid@railpen.com

Alternatively, if Broadstone is unable to provide assistance, members should contact:

Group Administrator and Secretary
Northern Powergrid
Lloyds Court
78 Grey Street
Newcastle Upon Tyne
NE1 6AF
pensions@northernpowergrid.com

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

Group Investment Report

General

Under the Clauses and Rules of the Scheme, the Group Trustees are responsible for making suitable arrangements for the investment of the assets of the Group and for monitoring the investment performance of those assets.

The Group Trustees are allowed to invest the Group's assets in Group-specific funds under the management of fund managers appointed by them and EPTL.

Investment Strategy

The investment strategy set by the Group Trustees is based on advice received from the Group's appointed investment advisers. This advice takes account of the Group's current and anticipated future pension liability profile. The Group Trustees received advice from Aon Investments Limited during the year.

The Group invests in equities, property, insurance-linked securities and listed infrastructure as well as in fixed income investments to ensure continued diversification of the investment portfolio.

The amounts held by each fund manager at 31 March 2025 in each asset class are shown below. These figures exclude the value of AVC investments held in the Group.

Asset Class	Investment Manager						Total £million
	LGIM £million	Insight £million	CBREGI £million	BlackRock £million	Threadneedle £million	Securis £million	
Pooled investment vehicles	145.3	170.6	78.4	495.9	26.2	69.7	986.1
Cash deposits	-	-	0.2	-	-	0.5	0.7
Other investment assets	-	-	-	0.1	-	-	0.1
Other investment liabilities	(15.5)	(0.1)	-	(0.6)	-	-	(16.2)
Assets as at 31 March 2025	129.8	170.5	78.6	495.4	26.2	70.2	970.7

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

Statement of Investment Principles

The Group Trustees have produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995 and an accompanying Investment Policy Implementation Document ("IPID"). In preparing these documents, the Group Trustees took professional advice from their investment advisers and consulted with the Employer. In accordance with The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 Schedule 3, 30(d)(iv) ("Disclosure Regulations") The Occupational Pension Schemes (Investment) Regulations 2005 ("Investment Regulations") Regulation 2(3)(d), from 1 October 2020 the Group Trustees have set out in their SIP their policies in relation to the following matters:

- (a) 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 Regulation 2(3)(b) of the Investment Regulations;
- (b) 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;
- (c) 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 Regulation 2(3)(b) of the Investment Regulations;
- (d) 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
- (e) The duration of the arrangement with the asset manager.

The SIP and IPID cover 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) The level of risk associated with different investment classes;
- d) Expected return of investments;
- e) The extent to which investments can be easily realised;
- f) ESG issues;
- g) How investment arrangements incentivise the fund managers to align their strategy with the Group Trustee's policies; and
- h) How costs are monitored within the portfolio, including consideration to portfolio turnover costs.

The Group Trustees are not aware of and have not been informed by the fund managers of, any departures from the SIP during the year.

The day-to-day management of the assets has been delegated to the fund managers including decisions about:

- ESG considerations in the selection, retention and realisation of investments; and
- The exercise of rights (including voting rights) attaching to the investments.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

The Group Trustees' Annual Engagement Policy Implementation Statement, which includes, amongst other things, further voting and engagement information undertaken by the Group's fund managers for the year ended 31 March 2025, is set out on pages 51 to 61, and forms part of the Group Trustees' Report.

The Group Trustees receive an annual report from their investment adviser reviewing the ESG characteristics of their fund managers.

The Group Trustees have developed a Responsible Investment Policy based on their beliefs and principles relating to responsible investment practices and established the framework under which they interact with their appointed investment managers in selection exercises and ongoing monitoring.

A copy of the SIP and IPID can be found on the Group's website or alternatively obtained from the Group Administrator and Secretary, whose address appears on page 16.

Investment Targets

The Group Trustees specify the investment objectives for the Group's total invested assets. The performance targets for the pooled portfolios, where investors are aggregated for the purpose of investment, are set by the fund managers and the same target applies to all investors.

Set by the Group Trustees:

- Total Fund objective – to maintain a funding level of at least 100% on a Technical Provisions basis and through an appropriate investment strategy, create a sufficient buffer to meet the Group's liabilities on a basis of the TP discount rate plus full RPI pension increases.

The performance targets set by the fund managers are:

- LGIM (Passive Equities and listed Infrastructure) – as these portfolios are managed on a passive (index tracking) basis, the objective is to perform in line with (i.e. track) the relevant benchmark indices.
- Insight – to seek to deliver positive absolute returns (more than zero) on an annual basis.
- CBREGI (Property) – to outperform the IPD UK Pooled Property All Balanced Funds Total Return Index.
- Threadneedle (Property) – to outperform the IPD UK Pooled Property All Balanced Funds Total Return Index.
- Securis (Insurance Linked Securities) – to produce a return 5-6% above the risk free rate (in USD terms, net of fees) over the long term.
- BlackRock (Absolute Return Bonds) – to deliver absolute (more than zero) returns on a 12 month basis in any market conditions.
- BlackRock (LDI) – to perform in line with the Group's bespoke gilt-based liability benchmark.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

Review of Investment Performance

The table below outlines the long-term performance of the Group's assets:

Manager / Fund	Last 12 months (%)*		Last 3 years (%) (annualised)*		Inception date
	Group	Benchmark	Group	Benchmark	
LGIM Equities - UK	10.4	10.5	7.2	7.2	Mar 2004
LGIM Equities - Europe	0.6	3.2	7.1	8.2	Mar 2004
LGIM Equities – North America	6.2	6.3	9.4	9.5	Mar 2004
LGIM Equities - Japan	-3.5	-3.4	6.4	6.4	Mar 2004
LGIM Equities - Asia Pacific	-5.9	-5.7	-1.9	-1.7	Mar 2004
LGIM Equities - Emerging Markets	3.1	4.7	1.8	2.4	Mar 2004
LGIM Equities - Europe Hedged	4.2	6.9	9.0	10.0	Aug 2009
LGIM Equities - North America Hedged	8.6	8.8	7.5	7.6	Aug 2009
LGIM Equities - Japan Hedged	2.0	2.3	17.3	17.7	Aug 2009
LGIM Equities - Asia Pacific Hedged	1.1	2.2	2.5	3.2	Aug 2009
LGIM Equities - World ex UK	4.0	4.5	8.1	8.3	Feb 2013
LGIM Equities - World ex UK Hedged	6.8	7.4	8.0	8.3	Feb 2013
LGIM - Infrastructure	18.5	19.1	3.4	3.7	Apr 2013
LGIM - Sterling Liquidity	5.1	5.1	4.2	4.1	Jan 2011
BlackRock ARBF	6.1	5.1	2.9	4.1	Nov 2018
BlackRock LDI	-5.5	-5.6	-10.0	-10.0	Oct 2016
CBREGI	4.5	6.4	-4.4	-3.3	Dec 2016
Columbia Threadneedle	8.7	6.4	-2.0	-3.3	Jun 2017
Insight Bonds Plus	7.9	5.1	6.0	4.1	Sep 2018
Securis	11.4	5.1	9.8	4.1	Dec 2018
Total Fund	-3.9	-4.8	-10.9	-10.9	

Notes:

* All returns are shown net of fees.

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 and the employers participating in their Group and their associated companies and provide that such employer-related investments must not exceed 5% of the market value of the Group's assets.

Details of the Group's employer-related investments are given in note 17 to the financial statements.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

Custody

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

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

The Group Trustees are responsible for instructing BNY Mellon on the day-to-day management of the assets of their Group.

For Group-specific funds, money at call and on 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 a bank account in the name of the Group, 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.

Liability Driven Investment (LDI) and Collateral

The level of collateral cover held at BlackRock is above the minimum level advised by the Pensions Regulator and the Group also has significant further liquid assets that could be transferred to the LDI portfolio to replenish collateral at relatively short notice, if required. The Group Trustees continue to monitor the collateral adequacy on an ongoing basis. The Group Trustees recognise the benefits of a LDI portfolio in reducing funding level volatility and increasing the ability of the Group to fulfil its obligations to its members.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

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 them 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 are also responsible for the maintenance and integrity of the Northern Powergrid Group - ESPS website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Report of the Group Trustees

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.

Approved by and signed for and on behalf of the Group Trustees:



Peter McCormick
Chairman of the Group Trustees

Date : 1 September 2025

Independent auditors' report to the Group Trustees of Northern Powergrid Group of the Electricity Supply Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion, Northern Powergrid 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 2025, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included within the Annual Report and Financial Statements, which comprise: the Statement of Net Assets Available for Benefits as at 31 March 2025; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Independent Auditors' Report to the Group Trustees of Northern Powergrid Group
of the Electricity Supply Pension Scheme

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 Trustees with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

As explained more fully in the statement of Group Trustees' responsibilities, the Group Trustees are 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 Trustees are also responsible for such internal control as they determine 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 Trustees are 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 Trustees either intend to wind up the Group, or have 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.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Independent Auditors' Report to the Group Trustees of Northern Powergrid Group
of the Electricity Supply Pension Scheme

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 Trustees and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets. Audit procedures performed by the engagement team included:

- Testing journal entries where we identified particular fraud risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the Group Trustees 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 Trustees 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

1 September 2025

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Fund Account for the year ended 31 March 2025

	Note	2025 £million	2024 £million
Contributions and benefits			
Employer contributions	4	9.1	9.7
Employee contributions	4	0.9	0.7
Total contributions		<u>10.0</u>	<u>10.4</u>
Benefits paid or payable	5	(60.5)	(57.0)
Payments to and on account of leavers	6	(3.0)	(5.2)
Administrative expenses	7	(2.2)	(1.3)
		<u>(65.7)</u>	<u>(63.5)</u>
Net withdrawals from dealings with members		<u>(55.7)</u>	<u>(53.1)</u>
Returns on investments			
Investment income	8	3.4	4.5
Change in market value of investments	9	(43.0)	(27.4)
Investment management expenses	10	(3.5)	(2.6)
Net returns on investments		<u>(43.1)</u>	<u>(25.5)</u>
Net decrease in the fund		<u>(98.8)</u>	<u>(78.6)</u>
Opening net assets		1,073.8	1,152.4
Closing net assets		<u>975.0</u>	<u>1,073.8</u>

The notes on pages 29 to 40 form part of these Financial Statements.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Statement of Net Assets Available for Benefits as at 31 March 2025

	Note	2025 £million	2024 £million
Investment assets			
Pooled investment vehicles	11	986.1	1,035.7
AVC investments	12	3.4	3.2
Cash	13	0.7	33.8
Other investment balances	13	0.1	0.3
		<u>990.3</u>	<u>1,073.0</u>
Investment liabilities			
Other investment balances	13	(16.2)	(1.1)
		<u>(16.2)</u>	<u>(1.1)</u>
Total net investments		<u>974.1</u>	<u>1,071.9</u>
Current assets	18	2.7	3.4
Current liabilities	19	(1.8)	(1.5)
Total net assets available for benefits		<u>975.0</u>	<u>1,073.8</u>

The Financial Statements summarise the transactions of the Group and deal with the net assets 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 Group year. The actuarial position of the Group, which takes into account such obligations, is dealt with in the Report on Actuarial Liabilities on pages 12 and 13 of the annual report and these Financial Statements should be read in conjunction with this report.

The Notes on pages 29 to 40 form part of these Financial Statements.

These Financial Statements on pages 27 to 40 were approved by the Group Trustees and signed on their behalf by



Peter McCormick
Chairman of the Group Trustees

Date : 1 September 2025

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Notes to the Financial Statements

1. Basis of preparation of the financial statements

The individual financial statements of the Northern Powergrid Group of the Electricity Supply Pension Scheme (the “Group”) 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 Electricity Supply Pension Scheme (the “Scheme”) is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by the Employers are normally eligible for tax relief and income and capital gains earned by the Group are generally tax exempt. The address for enquiries to the Group is Broadstone, 2 Rye Hill Office Park, Birmingham Road, Coventry, CV5 9AB. Alternatively, if Broadstone is unable to provide assistance, members should contact the Group Administrator and Secretary, Northern Powergrid, Lloyds Court, 78 Grey Street, Newcastle Upon Tyne, NE1 6AF. The address of the Scheme’s principal office is C/O Capita – ESPS Team, Highdown House, Yeoman Way, Worthing, West Sussex BN99 3HH.

The Group is a defined benefit (“DB”) scheme which is no longer open to new members, but existing members continue to accrue benefits.

3. Summary of material accounting policies

The material 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.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Notes to the Financial Statements

Contributions

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

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

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

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

Transfers to and from the Group

Transfer values represent the capital sums either receivable in respect of members from other pension plans or payable to pension plans 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.

Bulk transfers of members, where the trustees of the other pension schemes have agreed to accept liability prior to receipt, are accounted for in accordance with the agreement between the Group Trustees and the trustees of the other pension schemes.

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 are accounted for when the Group Trustees are notified of the members' decisions to leave the Group.

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 Group, any tax liability due is accounted for on the same basis as the event giving rise to the tax liability and is shown separately within Note 5.

Administrative and other expenses

Administrative expenses are accounted for on an accruals basis.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Notes to the Financial Statements

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.

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:

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

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.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Notes to the Financial Statements

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 specifically those which are classified as Level 3 investments.

4. Contributions

	2025 £million	2024 £million
Employer:		
Normal ¹	9.0	9.3
Other contributions:		
Rule 29 costs	0.1	0.1
Expenses	-	0.3
Employees:		
Normal	0.3	0.4
AVC	0.5	0.3
Rule 29 costs	0.1	-
	10.0	10.4

¹ Included within Normal Employer's contributions are SMART contributions of £0.9 million (2024: £0.9 million) that were met by the relevant employer rather than by the employee concerned under the salary sacrifice arrangement.

5. Benefits paid or payable

	2025 £million	2024 £million
Pensions	55.0	53.0
Commutations of pensions and lump sum retirement benefits	5.2	2.7
Purchase of annuities on retirement (AVCs)	0.3	0.4
Lump sum death benefits (in service)	-	0.2
Taxation where lifetime or annual allowance exceeded	-	0.7
	60.5	57.0

6. Payments to and on account of leavers

	2025 £million	2024 £million
Transfer values paid to other pension arrangements:		
Individual transfers	2.9	5.2
Individual transfers - AVCs	0.1	-
	3.0	5.2

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Notes to the Financial Statements

7. Administrative expenses

	2025	<i>2024</i>
	£million	<i>£million</i>
External providers and professional fees	1.0	<i>0.5</i>
Actuarial fees	1.0	<i>0.6</i>
Legal fees	0.1	<i>0.1</i>
Group Pension Team and other costs	0.1	<i>0.1</i>
	<u>2.2</u>	<i><u>1.3</u></i>

All administrative expenses of the Group not directly related to the investment management of the securities and property portfolios were charged against Group assets.

8. Investment income

	2025	<i>2024</i>
	£million	<i>£million</i>
Income from pooled investment vehicles	3.2	<i>3.6</i>
Interest on cash deposits	-	<i>0.7</i>
Other	0.2	<i>0.2</i>
	<u>3.4</u>	<i><u>4.5</u></i>

9. Reconciliation of net investments

	Value at 01/04/2024	Purchases	Sales proceeds	Change in market value	Value at 31/03/2025
	£million	£million	£million	£million	£million
Pooled investment vehicles	1,035.7	93.4	(99.9)	(43.1)	986.1
AVC investments	3.2	0.5	(0.4)	0.1	3.4
	<u>1,038.9</u>	<u>93.9</u>	<u>(100.3)</u>	<u>(43.0)</u>	989.5
Cash	33.8				0.7
Other investment balances	(0.8)				(16.1)
Total net investments	<u>1,071.9</u>				<u>974.1</u>

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Notes to the Financial Statements

Investment transaction costs

No transaction costs were incurred during the year (2024: *£nil*). Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. It has not been possible for the Group Trustees to quantify such indirect transaction costs.

10. Investment management expenses

	2025	<i>2024</i>
	£million	<i>£million</i>
Administration and management fees	3.4	<i>2.3</i>
Other advisory fees	0.1	<i>0.3</i>
	<u>3.5</u>	<i><u>2.6</u></i>

11. Pooled investment vehicles

	2025	<i>2024</i>
	£million	<i>£million</i>
Equities	74.1	<i>78.7</i>
Bonds	340.7	<i>297.5</i>
Property	104.6	<i>102.4</i>
Infrastructure funds	50.5	<i>53.2</i>
Liability driven investments*	325.8	<i>426.2</i>
Cash and other liquid assets	90.4	<i>77.7</i>
	<u>986.1</u>	<i><u>1,035.7</u></i>

*At 31 March 2025 and 31 March 2024 the Group held a bespoke Liability Driven Investment (LDI) portfolio. The portfolio has been included above and is specifically tailored for the Group's individual requirements and there are no other investors.

The LDI portfolio had the following investments:

	2025	<i>2024</i>
	£million	<i>£million</i>
Bonds	673.3	<i>763.6</i>
Swaps (net)	(11.7)	<i>(2.9)</i>
Repurchase and reverse repurchase agreements – net	(361.6)	<i>(362.2)</i>
Cash and other liquid assets	25.8	<i>27.7</i>
	<u>325.8</u>	<i><u>426.2</u></i>

Direct transaction costs of £4,856 (2024: £9,527) were incurred during the year on the sole investor arrangement.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Notes to the Financial Statements

12. AVC investments

The number of AVC accounts (including "frozen" accounts) as at 31 March 2025 was 102 (2024: 93). In some cases, members have two or more accounts.

The aggregate amount of AVC investments held in pooled investment vehicles is as follows:

	2025	<i>2024</i>
	£million	<i>£million</i>
Prudential	0.1	<i>0.1</i>
Legal & General Assurance Society Limited	3.3	<i>3.1</i>
	<u>3.4</u>	<i><u>3.2</u></i>

13. Cash and other net investment balances

	2025	<i>2024</i>
	£million	<i>£million</i>
Cash – sterling	0.4	<i>33.5</i>
Cash – foreign currency	0.3	<i>0.3</i>
Total cash	<u>0.7</u>	<i><u>33.8</u></i>
Other debtors	0.1	<i>-</i>
Amounts receivable from sale of investments	-	<i>0.3</i>
Amounts due to LGIM for advance on purchase of investments	(15.3)	<i>-</i>
Other creditors	<u>(0.9)</u>	<i><u>(1.1)</u></i>
	<u>(15.4)</u>	<i><u>33.0</u></i>

14. 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 Group 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 that 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.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Notes to the Financial Statements

The value of 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 as at 31 March 2025 or 31 March 2024.

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	2025 Total £million
Investment assets				
Pooled investment vehicles	-	811.8	174.3	986.1
Cash	0.6	0.1	-	0.7
AVC investments	-	3.4	-	3.4
Other investment balances	0.1	-	-	0.1
Investment liabilities				
Other investment balances	(16.2)	-	-	(16.2)
	(15.5)	815.3	174.3	974.1

Analysis for the prior year end is as follows:

	Level 1 £million	Level 2 £million	Level 3 £million	2024 Total £million
Investment assets				
Pooled investment vehicles	-	870.8	164.9	1,035.7
AVC investments	-	3.2	-	3.2
Cash	0.8	33.0	-	33.8
Other investment balances	0.3	-	-	0.3
Investment liabilities				
Other investment balances	(1.1)	-	-	(1.1)
	-	907.0	164.9	1,071.9

15. Investment risks

Financial Reporting Standard ("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 the 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

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Notes to the Financial Statements

- **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 the risks listed above because of the investments it makes in following the investment strategy agreed by the Group Trustees and supported by the Employer. The Group Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which are taking 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.

The following table summarises the extent to which the various classes of investments are affected by financial risk:

	Credit risk	Market risk			2025	2024
		Currency	Interest rate	Other price	£million	£million
Pooled investment vehicles	●	◐	◐	◐	986.1	1,035.7
AVC investments	●	○	○	●	3.4	3.2
Cash and other net investment balances	●	◐	◐	○	(15.4)	33.0
Total					974.1	1,071.9

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

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

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").

At the end of the year under review, the strategy was to hold:

- 73% of the Group's assets in investments which aim to match a proportion of the future liabilities of the Group. The assets held comprise the LDI portfolio, the Absolute Return Bond funds and cash. The LDI portfolio comprises primarily leveraged UK government bonds and interest rate and inflation swaps, the purpose of which is to hedge against the impact of changes in market expectations for interest rates and inflation on the Group's liabilities, whilst the Absolute Return Bond funds are used to supplement the LDI portfolio and achieve returns above cash.
- 27% in return seeking investments comprising UK and overseas equities, property, insurance linked securities and listed infrastructure.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Notes to the Financial Statements

The Group's equity allocation is managed on a passive basis, of which 35% is invested in UK equities. The Group Trustees have set a currency hedging ratio of 50% in respect of non-UK developed market currencies.

Credit risk

The Group is subject to credit risk because the Group has cash balances. The Group also invests in pooled investment vehicles and is, therefore, directly exposed to credit risk through these holdings. The Group is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

Cash is held within financial institutions which hold, at least investment grade credit ratings.

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 monitor any changes to the operating environment of the pooled manager on an ongoing basis.

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

Type of arrangement	2025 £m	2024 £m
Unit-linked insurance contracts	145.3	147.1
Open-ended investment companies	488.8	437.1
Other*	352.0	451.5
Total	986.1	1,035.7

*The Threadneedle and BlackRock LDI funds have been stated as 'other' because the funds are both authorised unit trusts in Ireland and Jersey respectively - they are not authorised in the UK.

Indirect credit risk arises in relation to underlying investments held in the fixed income pooled investment vehicles. This risk is mitigated by investing in funds which hold mainly investments with an investment grade credit rating, with a limit on the proportion of investments that are below investment grade.

Currency risk

The Group is subject to currency risk because some of the Group's investments are held in overseas markets via pooled investment vehicles (indirect exposure). The Group has indirect exposure to currencies of overseas equities, listed infrastructure and overseas corporate and government bonds. The Group currently operates a 50% currency hedge on overseas equities to mitigate some of the currency risk associated with these investments, whilst the listed infrastructure fund is fully hedged against currency movements and the currency risk of overseas corporate and government bonds is actively managed. These currency hedges operate within the pooled investment vehicles.

Interest rate risk

The Group is subject to interest rate risk because some of the Group's investments are held in cash, and the Group has exposure to bonds through the LDI portfolio and other pooled investment vehicles. If interest rates fall, the value of the bond 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 bond investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. At 31 March 2025 the Group's allocation to liability matching assets represented 69.7% of the total investment portfolio (31 March 2024: 69.9%).

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Notes to the Financial Statements

Other price risk

Other price risk arises principally in relation to the Group's return seeking portfolio which includes equities, insurance linked securities, property and listed infrastructure held in pooled vehicles. Other price risk also arises in relation to the Group's investment in Absolute Return Bond Funds. For the year under review, the Group set a target asset allocation of 27% of investments being held in return seeking investments. At 31 March 2025 the return seeking portfolio represented 30.3% of the total investment portfolio (31 March 2024: 30.1%).

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

16. Concentration of investments

Investments accounting for more than 5% of the net assets of the Group as at 31 March 2025 and 31 March 2024 were:

	2025 £million	2025 %	2024 £million	2024 %
BlackRock LDI Portfolio	325.8	33.4	426.2	39.7
BlackRock Absolute Return Bond Fund	170.0	17.4	146.8	13.7
Insight Bonds Plus Fund	170.6	17.5	150.7	14.0
CBREGI UK Property PAIF	78.3	8.0	77.1	7.2
Securis Non Life Fund Class C2 Master Series	69.7	7.1	-	-
Securis Non Life Fund Feeder SS C2	-	-	61.7	5.7
L&G (TA) Liquidity Fund	20.8	2.1	15.2	1.4
LGIM Infrastructure Equity	50.5	5.2	53.2	5.0

17. Employer-related investments

As at 31 March 2025, the Group had none of its assets (2024: £nil) invested either directly, or indirectly through pooled investment vehicles, in the Principal Employer or in any of the Participating Employers of the Group. The Group's investments, therefore, comply with legislative requirements. The Participating Employers of the Group are CalEnergy Resources Ltd, Integrated Utility Services Ltd, Northern Powergrid (Northeast) plc, Northern Powergrid (Yorkshire) plc and Vehicle Lease and Service Ltd.

18. Current assets

	2025 £million	2024 £million
Contributions due in respect of:		
Administrative expenses debtors and VAT recoverable	0.9	0.8
Cash balances	1.8	2.6
	<u>2.7</u>	<u>3.4</u>

All contributions due to the Group as at 31 March 2025 and 31 March 2024 relate to March 2025 and March 2024 respectively and were subsequently paid in full to the Group in accordance with the Schedule of Contributions.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Notes to the Financial Statements

19. Current liabilities

	2025	<i>2024</i>
	£million	<i>£million</i>
Benefits payable	1.0	<i>0.8</i>
Administrative expenses payable	0.8	<i>0.7</i>
	1.8	<i>1.5</i>

20. Related party transactions

Related party transactions and balances comprise:

Contributions and contributions receivable in respect of one Group Trustees (*2024: two*) and pensions paid in respect of seven Group Trustees (*2024: six*) that were paid in accordance with the Group's rules.

Independent Trustee fees of £45,950 (*2024: £49,730*) were paid in the year by the Employer. In addition, the Chair of the Group Trustees received a fee of £26,250 for the year (*2024: £17,220*) which was paid directly by the Employer on a monthly basis.

Employers and other related parties

Administrative services of £nil (*204: £nil*) provided by the Employer and recharged to the Group are accounted for within administrative expenses.

21. Contingent liabilities

In the opinion of the Group Trustees, the Group had no (*2024: none*) contingent liabilities entered into which are not provided for in these Financial Statements.

22. Subsequent events

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

Independent auditors' statement about contributions to the Group Trustees of Northern Powergrid Group of the Electricity Supply Pension Scheme

Statement about contributions

Opinion

In our opinion, the contributions required by the schedule of contributions for the Group year ended 31 March 2025 as reported in Northern Powergrid Group of the Electricity Supply Pension Scheme's summary of contributions have, in all material respects, been paid in accordance with the schedule of contributions certified by the Group actuary on 28 June 2023.

We have examined Northern Powergrid Group of the Electricity Supply Pension Scheme's summary of contributions for the Group year ended 31 March 2025 which is set out on the following page.

Basis for opinion

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

Responsibilities for the statement about contributions

Responsibilities of the Group Trustees in respect of contributions

As explained more fully in the statement of Group Trustees' responsibilities, the Group's Group Trustees are 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.

**Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Independent Auditors' Statement about Contributions**

Use of this report

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

7 September 2025

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Summary of Contributions

Group Trustees' Summary of Contributions required under the schedules in respect of the Group year ended 31 March 2025

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Group Trustees.

It sets out the Employer and Employee contributions required under the Schedules of Contributions certified by the Actuary on 28 June 2023 in respect of the Group year ended 31 March 2025. The Group Auditors' Statement about contributions is on pages 41 and 42.

Contributions required under the Schedules in respect of the year ended 31 March 2025:

	2025 £million
Employers' Contributions	
Normal	9.0
Employees' Contributions	
Normal	0.3
Total as reported on by the Group's auditors	9.3

Reconciliation of contributions required under the Schedules to contributions reported in the financial statements in respect of the year ended 31 March 2025:

	2025 £million
Contributions required under the schedules (as above)	9.3
Employer Rule 29 contributions	0.1
Employee Rule 29 contributions	0.1
Employee additional voluntary contributions	0.5
Total	10.0

Approved by and signed for and on behalf of the Group Trustees:



Peter McCormick
Chairman of the Group Trustees

Date : 1 September 2025

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Schedule of Contributions

Northern Powergrid Group of the Electricity Supply Pension Scheme Schedule of Contributions

Introduction

This schedule of contributions is required by Section 227 of the Pensions Act 2004. It comes into effect on the date of certification of this schedule by the Group's Scheme Actuary and covers a five year period. The Group Trustees are responsible for preparing a revised schedule no later than 30 June 2026 or such later date as may be provided for in overriding legislation.

Participating Employers

This schedule covers the contributions to the Group from the Principal Employer, currently Northern Electric plc, and from the other employers participating in the Group from time to time, which are currently CalEnergy Resources Limited, Integrated Utility Services Limited, Northern Powergrid (Northeast) plc, Vehicle Lease and Service Limited and Northern Powergrid (Yorkshire) plc.

Employer Contributions

The Principal and Participating Employers will contribute to the Group as follows:

Type	Period	Amount
Normal and Additional (future service)	The five year period commencing with the date of certification of this schedule by the Group's Scheme Actuary	To 30 June 2023: 49.1% of Salaries for members paying employee contributions
		From 1 July 2023: 46.1% of Salaries for members paying employee contributions
Expenses	The five year period commencing with the date of certification of this schedule by the Group's Scheme Actuary	To 30 June 2023: 6.3% of Salaries of all active members From 1 July 2023: nil

The Principal and Participating Employers will ensure that the Group Trustees receive these contributions within 19 days of the end of the calendar month to which the contributions relate subject to any arrangements to offset benefit payments made by the relevant employer from contributions.

The provisions of the Scheme applicable to the Group cover other employer contributions when members leave service or retire which are not determined at periodic actuarial valuations. These and the above contributions are appended to this schedule. The Principal and Participating Employers will ensure that the Group Trustees receive these other contributions in accordance with the time limits appropriate to each contribution type as set out in the appendix.

A Participating Employer may, from time to time, pay additional contributions to the Group as advised to the Group Trustees by the Principal Employer in writing.

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

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

The Participating Employers will ensure that the Group Trustees receive the contributions payable by their employees within 19 days of the end of the calendar month in which the contributions were deducted from the employees' salaries.

Where members participate in a non-contributory facility and salary conversion arrangement (SMART pensions), some or all of the contributions that would otherwise have been payable by active members will instead be paid by the Principal and Participating Employers. For the avoidance of doubt these are in addition to the contributions payable under the 'Employer Contributions' section.

Signature:	<i>Peter McCormick</i>	Name:	Peter McCormick
Capacity:	Chairman of the Group Trustees	Date:	28 June 2023

Signature:	Alex Jones	Name:	Alex Jones
Capacity:	Finance Director	Date:	28 June 2023

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Certification of Schedule of Contributions

Certification of schedule of contributions

Northern Powergrid Group of the Electricity Supply Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2022 to continue 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 28 June 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Group's liabilities by the purchase of annuities, if the Group were to be wound up.

Signature: *Philip Dennis*

Date: 28 June 2023

Name: Philip Dennis

Qualification: Fellow of the Institute and
Faculty of Actuaries

Address: 3 The Embankment
Sovereign Street
Leeds
LS1 4BJ

Name of employer: Aon Solutions UK Limited

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Names and Addresses of External Bodies

The Money and Pension Service

The Money and Pensions Service is available at any time to help members and beneficiaries with pension's questions and any difficulties they may have encountered and which they have failed to resolve with the trustees or administrators of schemes.

The Money and Pension Service can be contacted at 128 Cauldwell Street, Bedford, MK42 9AB.

Telephone: 01159 659570

Website for online contact: www.maps.org.uk

Pensions Ombudsman

The Pensions Ombudsman can investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The Pensions Ombudsman may be contacted either while a complaint is being reviewed under the dispute resolution procedure or if the complainant is not satisfied with the response received from the Group Trustees under the second stage of the procedure.

The Pensions Ombudsman can be contacted at 10 South Colonnade, Canary Wharf, London, E14 4PU.

Telephone: 0800 917 4487

E-mail: helpline@pensions-ombudsman.org.uk (early resolution)

E-mail: enquiries@pensions-ombudsman.org.uk

The Pensions Regulator

The Pensions Regulator has statutory objectives to protect members' benefits, to reduce the risk of calls on the Pension Protection Fund (PPF), to promote good administration of pension schemes, to maximise employers' compliance with their duties in relation to automatic enrolment, and to minimise any adverse impact on sustainable growth of an employer when exercising its functions under the Scheme Funding Legislation. The Pensions Regulator may intervene in the running of schemes where trustees, managers, employers or professional advisers have failed in their duties.

The Pensions Regulator can be contacted at Telecom House, 125-135 Preston Road, Brighton BN1 6AF.

Telephone: 0345 600 0707

E-mail: customersupport@tpr.gov.uk

Website: www.thepensionsregulator.gov.uk

**Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Names and Addresses of External Bodies**

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

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

The Pension Tracing Service can be contacted at The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU.

Telephone: 0800 731 0175

From outside the UK: +44 (0)191 218 7777

Website: www.gov.uk/find-pension-contact-details

Group information

The Member Guide, the actuarial valuation and accompanying documents, the annual actuarial reports and Statement of Investment Principles are available for inspection on the Group's website:

www.northernpowergridgroup-esps.co.uk

Any information relating to a member's own pension position, including estimates of transfer values, should be requested from the Broadstone Administration Team using the contact details on page 16.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Glossary of Terms

Listed below are brief explanations of terms used within the Report and Financial Statements that may not be familiar to all members.

Pension glossary

Commutation	The exchange of expected pension benefits for a cash lump sum.
Deficit funding	A single payment or a series of payments made by the Employer in order to make good the actuarial shortfall caused by projected pension liabilities being in excess of assets.
State Second Pension	Additional pension benefits purchased through National Insurance Contributions to enhance the Basic State Pension by those people not “Contracted Out” through membership of a private or company pension scheme. This was formerly known as the State Earnings Related Pension Scheme (SERPS) and was re-named from 6 April 2002.
State Graduated Pension	The State Graduated Pension Scheme, which commenced on 3 April 1961 and terminated on 5 April 1975 being replaced by SERPS.
Technical Provisions	The value placed on the liabilities of a scheme for the purposes of the actuarial valuation.
Transfer Values	Transfers of monies to or from another pension scheme, so that a member can augment their pension benefits.

Investment glossary

Hedging	A strategy designed to reduce investment risk using call options, put options, short-selling, or futures contracts. A hedge can help lock in profits. Its purpose is to reduce the volatility of a portfolio by reducing the risk of loss.
Side	A side pocket is a type of account utilised to differentiate illiquid assets from more liquid investments. Once an investment enters a side pocket account, only the current participants in the fund are entitled to a share of it. Future investors will not receive a share of the proceeds when/if the asset's returns become realised.
Pooled investment vehicles	A fund in which several investors participate. The assets are not held directly in the name of individual clients but form part of a “pool”. Unit trusts are a common example of a pooled investment vehicle. Investors hold units in the pooled fund. The value of individual units is determined by the value of the underlying assets of the fund.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Glossary of Terms

Below is a list of abbreviations and acronyms used within the Report and Financial Statements:

BlackRock	BlackRock Investment Management (UK) Limited
BNY Mellon	The Bank of New York Mellon
CBREGI	CB Richard Ellis Global Investors (UK Funds) Limited
CPI	Consumer Price Index
Credit Suisse	Credit Suisse Asset Management
DB	Defined Benefit
Employer	Northern Electric plc
EPTL	Electricity Pensions Trustee Limited
ESG	Environmental, Social and Governance
FRS 102	Financial Reporting Standard applicable in the UK and Republic of Ireland
GMP	Guaranteed Minimum Pensions
Group	Northern Powergrid Group of the Electricity Supply Pension Scheme
Group Trustees	Northern Powergrid Group Trustees
Insight	Insight Investment Management (Global) Limited
IPID	Investment Policy Implementation Document
ISAs (UK)	International Standards on Auditing (UK)
LGIM	Legal & General Investment Management
RPI	Retail Prices Index
Scheme	Electricity Supply Pension Scheme
Securis	Securis Investment Partners LLP
SIP	Statement of Investment Principles
SORP	Statement of Recommended Practice “Financial Reports of Pension Schemes” (Revised June 2018)
Threadneedle	Columbia Threadneedle Investments

Engagement Policy Implementation Statement (“EPIS”)

Northern Powergrid Group of the Electricity Supply Pension Scheme (the “Group”)

Group Year End – 31 March 2025

The purpose of the EPIS is for us, the Group Trustees of the Northern Powergrid Group of the Electricity Supply Pension Scheme, to explain what we have done during the year ending 31 March 2025 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Group’s investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, most of the Group’s investment managers were able to disclose adequate evidence of voting and/or engagement activity, and the activities completed by our managers align with our stewardship priorities and our voting policy has been implemented effectively in practice

Some managers as outlined later in the report, did not provide all of the requested engagement information. We will work with our investment adviser, Aon Investments Limited (“Aon”) and continue to engage with these investment managers to encourage improvements in their reporting and assess their stewardship activities at manager review meetings.

How voting and engagement policies have been followed

The Group is invested entirely in pooled funds and is, therefore, not a direct owner of the underlying assets. Consequently, we are limited to the extent to which we are able to influence voting and engagement directly. The Group Trustees, therefore, delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the relevant Investment Managers.

We reviewed the stewardship activity of the investment managers (ignoring those with immaterial holdings) carried out over the year to 31 March 2025 and in our view, most of the investment managers were able to disclose good evidence of voting and/or engagement activity. More information on the stewardship activity carried out by the Group's investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Group's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon. We received quarterly Environment Social and Governance ("ESG") ratings from Aon for the applicable 'buy-rated' funds in which the Group is invested.

During the year, we completed the Group's second report in response to the Task Force on Climate-related Financial Disclosures (TCFD) and reviewed our Responsible Investment policy. We completed a survey focused on evaluating the Group's approach to Responsible Investment and assessing managers across ESG themes and have potential areas for further consideration and training.

The Group Trustees receive an annual update from their investment adviser regarding the engagement approaches and active ownership practices of its appointed investment managers, along with receiving quarterly updates from the Group's appointed equity manager regarding the use of voting rights. We engage with our investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of our own policies are being actioned.

The Group's stewardship policy can be found in the SIP: [Public documents | Northern Powergrid Group – ESPS \(northernpowergridgroup-esps.co.uk\)](#)

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset

Our manager's voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Group's investments is an important factor in deciding whether an investment manager remains the right choice for the Group.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Group's equity-owning investment manager to responsibly exercise its voting rights.

Voting statistics

The table below shows the voting statistics for each of the Group's material funds with voting rights for the year to 31 March 2025.

Funds	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
L&G Asia Pacific (ex Japan) Developed Equity Index Fund (Hedged and Unhedged)	3,442	100.0%	25.3%	0.2%
L&G World Emerging Markets Equity Index Fund	34,789	99.9%	17.1%	2.5%
L&G Europe (ex UK) Equity Index Fund (Hedged and Unhedged)	8,539	100.0%	18.1%	0.4%
L&G Japan Equity Index Fund (Hedged and Unhedged)	5,970	100.0%	10.1%	0.0%
L&G North America Equity Index Fund (Hedged and Unhedged)	8,278	98.9%	35.9%	0.6%
L&G UK Equity Index Fund	10,134	100.0%	6.2%	0.0%
L&G World (ex UK) Developed Equity Index Fund (Hedged and Unhedged)	33,434	99.7%	21.8%	0.3%
L&G Infrastructure Equity MFG Fund	1,177	98.6%	26.4%	0.9%

Source: Investment manager. Please note that the 'abstain' votes noted above are a specific category of vote that has been cast, and are distinct from a non-vote.

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Engagement Policy Implementation Statement

The table below describes how the Group's equity manager, L&G uses proxy voting advisers.

Manager	Description of use of proxy voting adviser (in the manager's own words)
Legal & General Asset Management ("L&G")	L&G's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G, and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.

Source: Investment manager

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Group's investment manager, L&G to provide a selection of what it considers to be the most significant votes in relation to the Group's funds. A sample of these significant votes can be found in the appendix.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Engagement Policy Implementation Statement

Our investment managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Group's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e. is not necessarily specific to the funds invested in by the Group.

Funds	Number of engagements		Themes engaged on at a fund level
	Fund level	Firm level	
L&G Asia Pacific (ex Japan) Developed Equity Index Fund (Hedged and Unhedged)	242	4,399	Environment - Climate Impact Pledge; Climate Change; Climate Mitigation Social - Human Rights; Supply Chain Governance - Capital Management; Remuneration; Board Composition Other - Corporate Strategy
L&G World Emerging Markets Equity Index Fund	691	4,399	Environment - Climate Impact Pledge; Deforestation; Climate Change Social - Human Rights; Public Health; Nutrition Governance - Capital Management; L&G ESG Score
L&G Europe (ex UK) Equity Index Fund (Hedged and Unhedged)	366	4,399	Environment - Climate Impact Pledge; Climate Change; Climate Mitigation Social - Human Rights; Gender Diversity Governance - Capital Management; Remuneration; Mergers and Acquisitions Other - Corporate Strategy; Regulation
L&G Japan Equity Index Fund (Hedged and Unhedged)	177	4,399	Environment - Climate Impact Pledge; Climate Change; Climate Mitigation Social - Human Rights; Lobbying and Political Donations Governance - Capital Management; Board Composition
L&G North America Equity Index Fund (Hedged and Unhedged)	617	4,399	Environment - Climate Impact Pledge; Climate Change; Climate Mitigation Social - Human Rights; Gender Diversity Governance - Capital Management; Remuneration; Board Composition Other - Corporate Strategy
L&G UK Equity Index Fund	421	4,399	Environment - Climate Impact Pledge; Climate Change; Energy Social - Ethnic Diversity; Human Rights; Supply Chain Governance - Remuneration; Capital Management Other - Corporate Strategy; Company Disclosure and Transparency
L&G World (ex UK) Developed Equity Index Fund (Hedged and Unhedged)	1,644	4,399	Environment - Climate Impact Pledge; Climate Change; Climate Mitigation Social - Human Rights; Gender Diversity, Lobbying and Political Donations Governance - Capital Management; Remuneration; Board Composition Other - Corporate Strategy; Company Disclosure and Transparency
L&G Infrastructure Equity MFG Fund	122	4,399	Environment - Climate Impact Pledge; Climate Change; Pollution Social - Human Rights Governance - Capital Management; Remuneration Other - Corporate Strategy; Regulation

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Engagement Policy Implementation Statement

BlackRock Absolute Return Bond Fund	191	3,384	Environment - Climate Risk Management; Biodiversity Social - Social Risks and Opportunities; Human Capital Management Governance - Corporate Strategy; Remuneration; Board Composition and Effectiveness
Insight Bonds Plus Fund	76	1,922	Environment - Climate Change; Natural Resource Use/Impact Social - Human Capital Management Governance - Shareholder Rights Strategy, Financial & Reporting - Strategy/Purpose; Financial Performance; Reporting; Capital Allocation
Securis Non-Life Fund*	<i>Not provided</i>	>100	<i>Not provided</i>
CBRE Global Investors UK Property PAIF	<i>Not provided</i>	<i>Not provided</i>	Environment** - Climate Change
Threadneedle Property Unit Trust	<i>Not provided</i>	942	Environment** - Climate Change; Environmental Stewardship Social* - Labour Standards; Human and Labour Rights Governance* - Corporate Governance

*Source: Investment managers. * Securis did not provide fund-level information, noting that the firm-level information is also applicable at the fund level. **CBRE and Threadneedle did not provide fund level themes; themes provided are at a firm-level.*

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- L&G has provided a complete list of engagements for the invested funds, however, did not include as much detail as recommended in the best practice industry standard Investment Consultants Sustainability Working Group ("ICSWG") reporting guide. In addition, whilst L&G provided firm level information, the reporting methodology for the number of engagements is out of line with what we view as industry best practice and as compared to peers. The Group Trustees' investment advisor, Aon, is engaging with LGIM on this matter.
- BlackRock provided fund-level engagement information but not in the industry standard template. Aon is engaging with BlackRock on this matter.
- The engagement information we received from CBRE was limited. The manager noted that the firm and its property managers, on its behalf, are in regular communication with the tenants of directly owned real estate assets, rather than single engagement events.
- Columbia Threadneedle did not provide fund-level information. The manager stated that due to the fund being invested directly in real estate, it is unable to complete the industry-standard template.

The Group Trustees ensure that all managers provide specific information on engagement and wider ESG actions/themes at annual review meetings. From these and the data received, we are comfortable that our Stewardship policy is both appropriate and adhered to.

This report does not include commentary on the Group's investments liability driven investments, gilts and cash because of the limited materiality of stewardship associated with those asset classes.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Engagement Policy Implementation Statement

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Group's equity manager, L&G. We consider a significant vote to be one which the manager considers significant. Investment managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below in the investment manager's own words:

L&G Asia Pacific (ex-Japan) Developed Equity Index Fund (Hedged and Unhedged)	Company name	Woodside Energy Group Ltd.
	Date of vote	24 April 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.3
	Summary of the resolution	Resolution 2a: Elect Richard Goyder as Director
	How you voted?	Votes against resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an Annual General Meeting ("AGM") as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management. Additionally, despite the significant proportion of shareholder votes against the company's climate report at the 2022 AGM, we note that no material changes have been incorporated in the most recent climate transition plan, which we view as insufficiently robust, both in terms of disclosure and climate-related targets.
	Outcome of the vote	Pass
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	L&G will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be most significant?	Pre-declaration and High-Profile Meeting: This shareholder resolution is considered significant due to our vote against the re-election of Richard Goyder (Resolution 2a) is applied in line with our Climate Impact Pledge engagement escalation, whereby we vote against the (re-)election of the Chair of the Board at companies lagging our minimum expectations on climate change; for the oil and gas sector, these are set out in our net-zero sector guide. Thematic - Climate: L&G considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting companies in climate-critical sectors. More information on L&G's Climate Impact Pledge can be found here: https://www.L&G.com/uk/en/responsible-investing/climate-impact-pledge/
L&G World Emerging Markets Equity Index Fund	Company name	Anjoy Foods Group Co., Ltd.
	Date of vote	20 May 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.0
	Summary of the resolution	Resolution 14: Approve Environmental, Social and Corporate Governance ("ESG") Report
	How you voted?	Votes against resolution

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Engagement Policy Implementation Statement

L&G Europe (ex UK) Equity Index Fund (Hedged and Unhedged)	Where you voted against management, did you communicate your intent to the company ahead of the vote?	L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Deforestation Policy: A vote against is applied as the company is deemed to not meet minimum standards with regard to L&G's deforestation policy.
	Outcome of the vote	Pass
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	L&G will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be most significant?	Thematic - Nature: L&G considers this vote to be significant as it is applied under our engagement program on deforestation, targeting companies in high-risk sectors.
	Company name	Deutsche Bank AG
	Date of vote	16 May 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.4
	Summary of the resolution	Resolution 4: Approve Remuneration Policy
	How you voted?	Votes supporting resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Remuneration - Performance conditions: A vote in favour has been applied this year. L&G expect a sufficient proportion of the Long-Term Incentive to be subject to appropriate performance conditions that are aligned to the company's long-term strategy and measured over a period of at least 3 years. We have been engaging with the company regularly on its remuneration practices and are pleased the committee listened to investors in evolving its remuneration structures to ensure that, from 2024, all Long-Term Incentive Plan ("LTIP") awards are measured over a 3-year period and do not allow for vesting of incentive awards for below median relative performance.
	Outcome of the vote	Pass
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	L&G will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be most significant?	High Profile meeting: This resolution is considered significant as we overrode our custom vote policy on the basis of the engagement that we had with the company.
	Company name	NIPPON STEEL CORP.
L&G Japan Equity Index Fund (Hedged and Unhedged)	Date of vote	21 June 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.4

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Engagement Policy Implementation Statement

	Summary of the resolution	Resolution 7: Amend Articles to Introduce Executive Compensation System Linked to Greenhouse Gas Emission Reduction Target and Disclose How Compensation Policy Contributes to Achievement of the Target
	How you voted?	Votes supporting resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Shareholder Resolution - Remuneration - Performance conditions: A vote FOR is applied. We expect companies within sectors that can have a significant effect on climate change to link part of their pay to delivering on their climate mitigation goals. This is because we believe that linking GHG reduction targets to executive pay can act as a motivational incentive for the company to execute on its decarbonisation strategy.
	Outcome of the vote	<i>Not provided</i>
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	L&G will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be most significant?	Pre-declaration and High-Profile Meeting: This shareholder resolution is considered significant as L&G is clear in its expectations of Climate Transition Plans that companies should disclose credible, 1.5°C aligned short-, medium- and long-term emission reduction targets covering scope 1, 2 and material scope 3 emissions. The current disclosures published by Nippon Steel do not provide us with confidence that these expectations are met.
	Company name	Microsoft Corporation
	Date of vote	10 December 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	5.8
L&G North America Equity Index Fund (Hedged and Unhedged)	Summary of the resolution	Resolution 9: Report on AI Data Sourcing Accountability
	How you voted?	Votes supporting resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Shareholder Resolution - Governance: A vote FOR this resolution is warranted as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models.
	Outcome of the vote	Fail
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will	L&G will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Engagement Policy Implementation Statement

	you take in response to the outcome?	
	On which criteria have you assessed this vote to be most significant?	High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.
L&G UK Equity Index Fund	Company name	Unilever Plc
	Date of vote	01 May 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	4.2
	Summary of the resolution	Resolution 4: Approve Climate Transition Action Plan
	How you voted?	Votes supporting resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Climate change: A vote FOR the Climate Transition Action Plan ("CTAP") is applied as we understand it to meet L&G's minimum expectations. This includes the disclosure of scope 1, 2 and material scope 3 Greenhouse Gas ("GHG") emissions and short, medium and long-term GHG emissions reduction targets consistent with a 1.5°C Paris goal. Despite the SBTi recently removing their approval of the company's long-term scope 3 target, we note that the company has recently submitted near term 1.5 degree aligned scope 3 targets to the SBTi for validation and therefore at this stage believe the company's ambition level to be adequate. We therefore remain supportive of the net zero trajectory of the company at this stage.
	Outcome of the vote	Pass
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	L&G will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be most significant?	Thematic - Climate: L&G is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, L&G deem such votes to be significant, particularly when L&G votes against the transition plan.
L&G World (ex UK) Developed Equity Index Fund (Hedged and Unhedged)	Company name	Wells Fargo & Company
	Date of vote	30 April 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.3
	Summary of the resolution	Resolution 7: Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining Rights
	How you voted?	Votes supporting resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

Northern Powergrid Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2025
Engagement Policy Implementation Statement

L&G Infrastructure Equity MFG Fund	Rationale for the voting decision	Shareholder Resolution - Labour rights: A vote in favour is applied as L&G supports proposals that are set to improve human rights standards and employee policies because we consider this issue to be a material risk to companies.
	Outcome of the vote	Fail
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	L&G will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be most significant?	High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.
	Company name	National Grid Plc
	Date of vote	10 July 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	3.0
	Summary of the resolution	Resolution 17: Approve Climate Transition Plan
	How you voted?	Votes supporting resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Climate Change: L&G is voting in favour of the National Grid Climate Transition plan. We commend the company's efforts in committing to net-zero emissions across all scopes by 2050 and setting 1.5C-aligned near term science-based targets. We also appreciate the clarity provided in the 'Delivering for 2035 report' and look forward to seeing the results of National Grid's engagement with Science Based Targets Initiative ("SBTi") regarding the decarbonisation of heating.
	Outcome of the vote	Pass
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	L&G will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be most significant?	Thematic - Climate: L&G is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, L&G deem such votes to be significant, particularly when L&G votes against the transition plan.

Source: Investment manager