EE Pension Scheme (*the Scheme*)
Statement of Funding Principles (*SFP*)

Introduction	This statement sets out EE Pension Trustee Limited's (the Trustee's) policy for securing that the statutory funding objective (*SFO*) is met. The SFO is defined in section 222 of the Pensions Act 2004, which states that every scheme must have sufficient and appropriate assets to cover its technical provisions.
Technical provisions	The technical provisions are the amount that will be needed to pay the Scheme benefits that relate to service up to the valuation date, if the assumptions made are borne out in practice. The assumptions used to calculate the technical provisions are intended to provide a prudent estimate of the future experience of the Scheme, with an allowance for the future potential outperformance over gilts from continued investment in more risky asset sectors such as equities and property. There is an underlying assumption that the Scheme will continue with benefits being met from the Scheme as they fall due. The method and assumptions used to calculate the technical provisions as at 31 December 2018 are summarised in Appendices A and B.
EE Limited (the Employer) contributions	Employer contributions are assessed by calculating the amounts needed to eliminate any shortfall or surplus relative to the technical provisions and adjusting for an estimate of the amount of the expected out-performance of the Scheme's assets compared to the discount rate used for technical provisions. The other costs of running the Scheme can be paid from the Scheme's assets and reimbursed by the Employer or paid directly by the Employer. These costs include: • Life assurance premiums; • Administrative expenses; and • Any levies due to the Pension Protection Fund. The Employer will also pay contributions in respect of the Defined Contribution Section.

Dealing with shortfalls

Any shortfall in assets compared with technical provisions identified at an actuarial valuation will be eliminated over an appropriate and affordable period by the payment of additional contributions which may allow for some expected out-performance of the Scheme's assets compared to the discount rate in accordance with the recovery plan agreed between the Trustee and the Employer.

In determining the recovery period at any particular valuation, the following factors will be taken into account:

- The size of the funding shortfall;
- The business plans of the Employer;
- The Trustee's assessment of the financial covenant of the Employer; and
- Any contingent security offered by the Employer.

If future valuations reveal a shortfall smaller than expected, the payments under the original recovery plan will continue until the shortfall (assessed on a basis consistent with this statement) has been removed completely unless the Employer cannot reasonably afford such payments.

The assumptions to be used in the shortfall elimination calculations will be the same as those for calculating the technical provisions. In addition, some allowance may be made for the expected out-performance of the Scheme's assets compared to the discount rate.

Policy on discretionary benefits

The Trustee will not provide discretionary benefits unless the Employer pays additional contributions to finance them, which the Trustee decides are appropriate (after consulting the Scheme Actuary) or there is no shortfall relative to the technical provisions having regard to the discretionary benefits to be provided.

Interaction with investment strategy

The assets that most closely match the Scheme's liabilities are index-linked and fixed-interest gilts of appropriate term compared to the liabilities.

The Scheme is largely invested in growth assets such as equities that are expected, although not guaranteed, to produce a higher return than gilts. The Trustee understands that investing in growth assets reduces the expected contributions required from the Employer in the long-run.

An allowance for the extra return expected from the growth assets has been taken into account in setting the Scheme's technical provisions. If this extra return is not achieved over the long term, the shortfall will ultimately need to be met by increased contributions from the Employer.

Both the Employer and the Trustee appreciate that the contributions required can be volatile.

The Trustee regularly reviews the Scheme's investment strategy taking into account the funding position and liability profile. The Trustee will consult fully with the Employer before any changes are made to the investment strategy.

Risks

The Trustee and the Employer recognise that there are a number of risks inherent in the funding plan and that additional funding may be required at future valuations if the experience of the Scheme is not in line with the assumptions made. In addition to the investment risk detailed above, particular risks are:

Longevity risk
Future improvements in life expectancy may be greater than anticipated. In setting the Scheme's funding target, mortality assumptions are made based on the Scheme's membership profile and adjusted to make some allowance for future improvements in longevity. The mortality assumptions are reviewed as part of formal triennial actuarial valuations.

Discontinuance risk
The Trustee and the Employer recognise that the Scheme could be discontinued in accordance with Rule 13.1 of the Scheme's Constitutional Rules, dated 9 November 2015.

If the Scheme is discontinued, then the technical provisions may need to be revised to reflect the change in the Scheme's circumstances. There is a risk that the assets in the Scheme at that time may be insufficient to cover these revised technical provisions. In addition, there is a risk that the Employer may at that time be unable to meet its obligation to contribute to the Scheme. Furthermore, the capacity of the insurance market may be insufficient at that time to secure the liabilities externally, if the Trustee wished to do so.

Monitoring employer covenant

The Employer will present information to the Trustee regularly on the profitability, prospects and net assets of the Employer. In addition, the Employer will inform the Trustee of developments which have or could have a material adverse impact on the strength of the employer covenant.

The Trustee will review the need for further information on employer covenant such as an independent assessment regularly, and in particular, following any valuation which shows a shortfall against the technical provisions.

Frequency of valuations

The Scheme's first actuarial valuation to which this statement applies is being carried out as at 31 December 2018. Subsequent valuations will normally be carried out every three years.

The Trustee will also obtain an actuarial report on developments affecting the Scheme's funding level as at each intermediate anniversary of the valuation date. The actuarial reports will not normally lead to changes in the Employer contribution rate unless the Trustee and Employer agree upon such changes.

The Trustee may call for a full actuarial valuation when, after considering the actuary's advice, it becomes of the opinion that it is unsafe to rely on the results of the previous full valuation as a basis for future employer contributions. However, the Trustee will consult the Employer before doing so.

Signatures

This statement has been agreed by the Employer

Signed on behalf of EE Limited

Signature: Signature removed for security purposes

Name: Paul Rogers

Position:

Date: 20-Mar-2020

This statement was agreed by the Trustee after it has taken advice from the Scheme Actuary, Simon Head FIA.

Signed on behalf of EE Pension Trustee Limited.

Signature: Signature removed for security purposes

Name: Jonathan Clarke

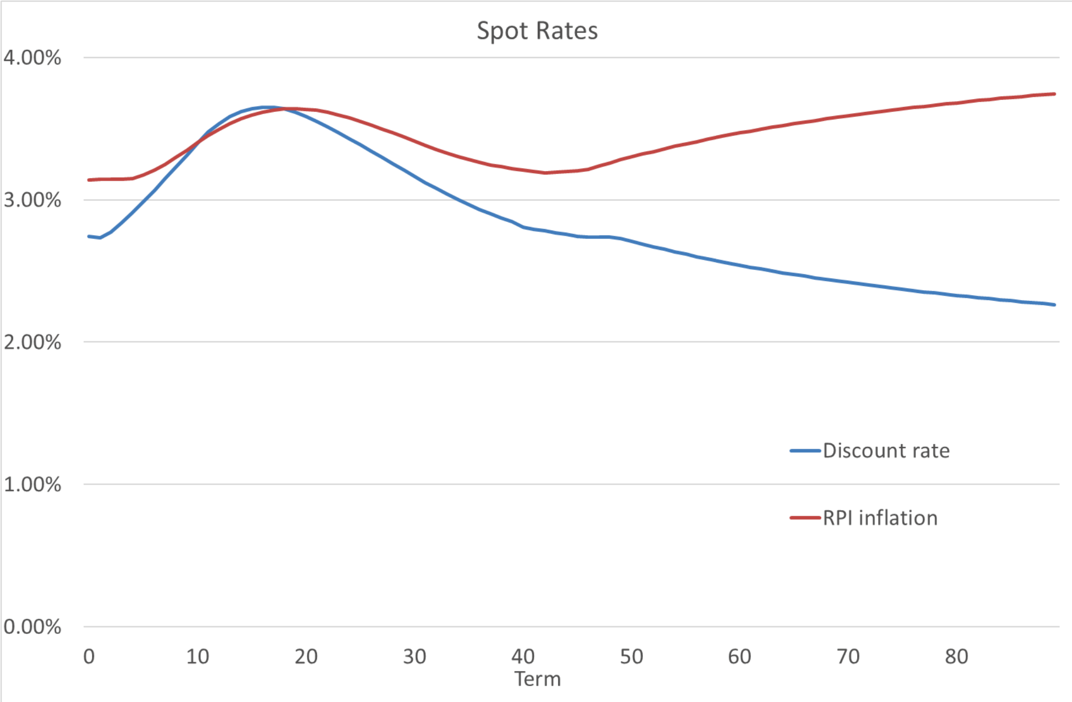
Position:

Date: 18-Mar-2020

Appendix A: Method and financial assumptions for determining the technical provisions and employer contributions for the valuation as at 31 December 2018

Method	The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.
Financial assumptions for technical provisions-approach	The approach to be used in determining the financial assumptions for calculating the technical provisions and the Employer's contributions is set out below. The assumptions vary depending on when the expected payment is made, i.e. they are "term dependent".
RPI inflation	This has been set as a yield curve structure derived from UK Government gilt yields appropriate to the date of each of the Scheme's expected future cash flows (extrapolated for cash flows beyond the longest available gilts).
CPI inflation	The assumption is derived at the valuation date by deducting 1.1% p.a. from the RPI inflation assumption.
Discount rate	This has been set as a yield curve structure derived from the yield on UK Government fixed interest gilts appropriate to the date of each of the Scheme's expected future cash flows (extrapolated for cash flows beyond the longest available gilts). The yield curve has been adjusted to make an allowance for the expected out-performance (above gilt returns) on the Scheme's assets as follows: ▪ Gilt curve + 2.0% p.a. until 31 December 2030; and ▪ Declining to gilt curve + 0.5% p.a. at 31 December 2040.
Increases in pensions in payment	This is built from the RPI and CPI inflation assumptions above and adjusted based on the interaction of inflation with any minimum and maximum annual pension increases (e.g. a 2.5%, 3% or 5% cap) derived from swap market data.

Revaluations of deferred pensions in excess of GMP	CPI inflation assumption (subject to review if there is a significant change in the level of this assumption).
Curves	The charts below show a pictorial representation of the spot curves



The table below shows the spot rates for the next 50 years for the financial assumptions used as at 31 December 2018.

Term	Discount rate (pa)	RPI Inflation (pa)	CPI Inflation (pa)	Pension increases in excess of GMP-Pre 2006 (pa)	Pension increases in excess of GMP-Post 2006 (pa)	Rate of pension increases on Post 88 GMPs (pa)
1	2.74%	3.14%	2.04%	3.27%	2.50%	2.10%
2	2.73%	3.14%	2.04%	3.22%	2.23%	1.99%
3	2.77%	3.14%	2.04%	3.12%	2.06%	1.84%
4	2.84%	3.14%	2.04%	3.08%	1.96%	1.79%
5	2.91%	3.15%	2.05%	3.08%	1.92%	1.78%
6	2.99%	3.17%	2.07%	3.12%	1.93%	1.81%
7	3.07%	3.21%	2.11%	3.16%	1.95%	1.85%
8	3.15%	3.25%	2.15%	3.21%	1.98%	1.89%
9	3.23%	3.30%	2.20%	3.26%	2.02%	1.94%
10	3.31%	3.35%	2.25%	3.31%	2.06%	1.99%
11	3.40%	3.40%	2.30%	3.37%	2.10%	2.04%
12	3.47%	3.45%	2.35%	3.43%	2.14%	2.09%
13	3.54%	3.50%	2.40%	3.48%	2.18%	2.14%
14	3.59%	3.54%	2.44%	3.53%	2.22%	2.18%
15	3.62%	3.57%	2.47%	3.57%	2.25%	2.22%
16	3.64%	3.60%	2.50%	3.61%	2.27%	2.25%
17	3.65%	3.62%	2.52%	3.64%	2.30%	2.28%
18	3.65%	3.63%	2.53%	3.66%	2.31%	2.29%
19	3.64%	3.64%	2.54%	3.68%	2.32%	2.31%
20	3.62%	3.64%	2.54%	3.69%	2.32%	2.31%
21	3.59%	3.64%	2.54%	3.69%	2.32%	2.32%
22	3.55%	3.63%	2.53%	3.69%	2.32%	2.32%
23	3.51%	3.61%	2.51%	3.69%	2.31%	2.31%
24	3.47%	3.60%	2.50%	3.68%	2.31%	2.30%
25	3.43%	3.58%	2.48%	3.67%	2.30%	2.29%
26	3.39%	3.55%	2.45%	3.65%	2.29%	2.27%
27	3.34%	3.53%	2.43%	3.63%	2.27%	2.26%
28	3.30%	3.50%	2.40%	3.61%	2.26%	2.24%
29	3.25%	3.47%	2.37%	3.59%	2.25%	2.23%
30	3.21%	3.44%	2.34%	3.57%	2.24%	2.21%
31	3.17%	3.41%	2.31%	3.55%	2.23%	2.19%
32	3.12%	3.38%	2.28%	3.54%	2.21%	2.17%
33	3.08%	3.35%	2.25%	3.52%	2.20%	2.16%
34	3.04%	3.33%	2.23%	3.50%	2.19%	2.14%
35	3.00%	3.30%	2.20%	3.49%	2.18%	2.13%
36	2.96%	3.28%	2.18%	3.47%	2.17%	2.11%
37	2.93%	3.26%	2.16%	3.46%	2.16%	2.10%
38	2.90%	3.25%	2.15%	3.45%	2.15%	2.09%
39	2.87%	3.23%	2.13%	3.44%	2.14%	2.08%
40	2.84%	3.22%	2.12%	3.43%	2.14%	2.08%
41	2.81%	3.21%	2.11%	3.43%	2.13%	2.07%
42	2.79%	3.20%	2.10%	3.42%	2.13%	2.07%
43	2.78%	3.19%	2.09%	3.42%	2.12%	2.06%
44	2.77%	3.19%	2.09%	3.43%	2.13%	2.07%
45	2.76%	3.20%	2.10%	3.44%	2.14%	2.08%
46	2.74%	3.21%	2.11%	3.45%	2.15%	2.09%
47	2.74%	3.21%	2.11%	3.46%	2.16%	2.10%
48	2.74%	3.24%	2.14%	3.49%	2.19%	2.13%
49	2.74%	3.26%	2.16%	3.52%	2.21%	2.15%
50	2.73%	3.28%	2.18%	3.54%	2.23%	2.18%

Additional assumptions for Employer contributions	In determining Employer contributions the same assumptions have been used as those for calculating the technical provisions together with the additional financial assumptions described below.
Expected return on assets	For the purposes of dealing with any shortfall in assets relative to the technical provisions, allowance has been made for the expected outperformance of the Scheme's assets compared to the discount rate. The assumption for the expected return on assets has been set as the discount rate curve plus an additional 1.5% p.a. until the end of the recovery period.
Expenses	The Employer meets the cost of lump-sum death benefit insurance premiums, expenses and any levies due to the Pension Protection Fund so no specific allowance has been made for expenses.

Appendix B:
Demographic Assumptions adopted for the valuation as at 31 December 2018

Mortality

- Pre-retirement - 70% of standard table AXC00
- Post-retirement - Standard S3PMA and S3PFA_M tables with:
  - 95% of the best estimate scaling factors (see table below)
  - An allowance for future improvements in line with CMI 2018 Core Projections with $S_k = 7.0$ and $A = 0.5$, assuming a long-term annual rate of improvement in mortality rates of 1.50% p.a.

Category	Sex	95% of best estimate scaling factor
Deferreds	Males	97%
	Females	103%
Pensioners and dependants	Males	87%
	Females	104%

Early retirements

All members are assumed to retire at their Normal Retirement Date except for ex-Cable and Wireless members who are assumed to retire at 62.

Commutation

Each member is assumed to commute 20% of their pension on retirement using commutation factors 10% higher than the current factors.

Family details

- A man is assumed to be three years older than his wife/partner.
- 80% of non-pensioners are assumed to be married or have a dependant at retirement or earlier death.
- 80% of pensioners are assumed to be married or have a dependant at the valuation date.

GMP equalization

A reserve of 0.06% of the liabilities is included in the technical provisions at the valuation date to allow for the estimated cost of GMP equalization.

Sample life expectancies

The assumed improvements in life expectancy are illustrated in the table below:

	Male life expectancy on reaching age 65	Female life expectancy on reaching age 65
Pensioner aged 65	23.4	23.7
Deferred member aged 45	24.2	25.6

Appendix C: Further information to meet requirement of Scheme Funding Regulations

Policy on reduction of cash equivalent transfer values	The Trustee will ask the Scheme Actuary to advise them at each valuation of the extent to which assets are sufficient to provide cash equivalent transfer values (CETVs) for all non-pensioners without adversely affecting the security of the benefits of other members and beneficiaries. Where coverage is less than 100%, the Trustee will take advice from the Scheme Actuary regarding whether to reduce CETVs and, if appropriate, the extent of such reduction. If at any other time, after obtaining advice from the Scheme Actuary, the Trustee are of the opinion that the payment of CETVs at a previously agreed level may adversely affect the security of the benefits of other members and beneficiaries, the Trustee will commission a report from the Scheme Actuary regarding whether and, if appropriate, the extent to which CETVs should be reduced.
Payments to the Employer	If a valuation discloses that the value of the Scheme's assets exceeds the value of its liabilities, the Trustee may (if the Employer agrees) reduce this surplus by paying it to the Employer (less tax) to the extent permitted under legislation.
Contributions to the scheme	Payments to the Scheme may be received from participating employers. The Trustee may accept payments from any third party on behalf of any participating employer.