

## EE Pension Scheme

Scheme Registration Number: 10249705

Trustee's Annual Report and Financial Statements  
For the Year Ended 31 December 2020

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1

jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1

tony.gara@bt.com

BT

# Contents

Management and Advisers ..... 2

Trustee Report..... 4

    Scheme Management ..... 4

    Investment Matters ..... 10

    Implementation Statement ..... 15

    Compliance Matters..... 37

    DC Governance Statement ..... 38

    Statement of Trustee's Responsibilities ..... 48

Report on Actuarial Liabilities ..... 49

Actuary's Certification of the Schedule of Contributions ..... 50

Actuary's Certification of the Technical Provisions..... 51

    Contact for Further Information..... 52

Independent Auditor's Report..... 53

Independent Auditor's Statement about Contributions ..... 55

Fund Account ..... 57

Statement of Net Assets (available for benefits) ..... 58

Notes to the Financial Statements..... 59

Appendix – Statement of Investment Principles ..... 85

This report has been prepared by Capita Pension Solutions on the behalf of EE Pension Scheme

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Management and Advisers

**Trustee**

EE Pension Trustee Limited  
Trident Place  
Mosquito Way  
Hatfield  
Hertfordshire AL10 9BW

**Investment Consultants**

Aon Hewitt Limited (*Defined Benefit Section*)  
The Leadenhall Building  
122 Leadenhall Street  
London EC3V 4AN

**Mercer Limited (*Defined Contribution Section*)**

The Paragon  
Counterslip  
Bristol BS1 6BX

**Auditors**

Ernst & Young LLP  
The Paragon  
Counterslip  
Bristol BS1 6BX

**Benefits Administrator**

Capita Pension Solutions  
(*Defined Benefit Section*)  
145 Morrison Street  
Edinburgh EH3 8FJ

**Scottish Widows Limited (*Defined Contribution Section*)**

UK Life Centre  
Station Road  
Swindon SN1 1EL

**Scheme Actuary**

Simon Head  
Aon Hewitt Limited  
Prospect House  
Abbey View,  
St Albans AL1 2QU

**Trustee Directors**

JMRC Pensions Limited \* (*Chairman*)  
Roger Waymouth \*  
Carmel Codd\*\* (resigned 31 March 2021)  
Antony Gara\*\*  
Roger Eyre\*  
Rachel Willis\* (appointed 1 October 2020)  
Donna Breach\* (resigned 2 April 2020)  
\**Company Nominated*  
\*\* *Member Nominated*

**Employer Covenant Advisers**

Penfida Limited  
1 Carey Lane  
London EC2V 8AE

**Medical Advisers**

Health Management Limited  
Ash House  
The Broyle  
Ringmer BN8 5NN

**Legal Advisers**

Eversheds Sutherland  
One Wood Street,  
London EC2V 7WS

**Life Cover Insurers**

Ellipse  
58 Fenchurch Street  
London EC3M 4BE

**Bankers**

National Westminster Bank PLC (*Defined Benefit Section*)  
42 High Street  
Sheffield S1 1QG

**National Westminster Bank PLC (*Defined Contribution Section*)**

15 Bishopsgate  
London EC2P 2AP

**Lloyds Bank (*Defined Contribution Section*)**

10 Gresham Street  
London EC2V 7AE

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**Investment Managers  
(Defined Benefit Section)**

UBS Global Asset Management (UK) Limited  
21 Lombard Street  
London EC3V 9AH

Standard Life Investments  
1 George Street  
Edinburgh, EH2 2LL

PIMCO Europe Limited  
Nations House  
103 Wigmore Street  
London W1U 1QS

Insight Investment Management (Global) Ltd  
160 Queen Victoria Street  
London EC4V 4LA

Harris Associates (until 25 June 2020)  
111 S. Wacker Drive  
Suite 4600  
Chicago, IL 60606

Sands Capital Management LLC (until 25 June 2020)  
1101 Wilson Boulevard  
Suite 2300  
Arlington  
Virginia, 22209

Epoch Investment Partners Inc. (until 25 June 2020)  
399 Park Avenue  
New York  
NY 10022

Aviva Investors Jersey Unit Trusts  
Management Limited  
Lime Grove House  
Green Street  
St Helier  
Jersey JE1 2ST

Deutsche International Corporate Services (Ireland) Limited  
Pinnacle 2  
Eastpoint Business Park  
Dublin 3

M&G Real Estate (Luxembourg) S.A.  
34-38 Avenue De LA  
Liberté  
Luxembourg, 1930

Legal & General Investment Management Limited  
(effective 25 June 2020)  
One Coleman Street  
London EC2R 5AA

Chorus Capital Management Limited  
(effective 8 December 2020)  
34 Bruton Street  
London Q1J 6QX

Basalt Infrastructure Partners LLP  
(effective 22 December 2020)  
14-16 Bruton Place  
London Q1J 6LX

**(Defined Contribution Section)**

Utmost Life and Pensions Limited  
PO Box 175  
Walton Street  
Aylesbury  
Bucks HP21 7YN

Scottish Widows Limited  
(formerly Zurich Assurance Limited)  
UK Life Centre  
Station Road  
Swindon  
Wiltshire SN1 1EL

**Investment Managers and administrators  
(AVC Investments)**

Utmost Life and Pensions Limited  
PO Box 175  
Walton Street  
Aylesbury  
Bucks HP21 7YN

Fidelity International  
Windmill Court  
Millfield Lane  
Lower Kingswood  
Tadworth  
Surrey KT20 6BP

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Trustee Report

EE Pension Trustee Limited (the "Trustee") has pleasure in presenting the annual report and audited financial statements for the year ended 31 December 2020.

The statement of trustee responsibilities, summary of contributions, audit opinion and statement about contributions are made with reference to the fund account and statement of net assets for the Scheme as a whole.

### Scheme Management

The EE Pension Scheme ('the Scheme') is a Hybrid Scheme, with a Defined Benefit Section and a Defined Contribution Section, established to provide benefits for the employees of EE Limited and Mobile Broadband Network Limited (together 'the Employers') and their dependants.

The Scheme is governed by the Constitutional Rules and the Final Salary Rules, both made under a Deed of 24 July 2007. The Scheme is registered for tax purposes with Her Majesty's Revenue and Customs (HMRC) in accordance with the Finance Act 2004. Consolidated Rules were executed 9 November 2015.

The Scheme is established as a Trust under English Law.

The current Trustee to the Scheme is EE Pension Trustee Limited ('the Trustee') and is the Scheme administrator for the purposes of the Finance Act 2004. In accordance with the Constitutional Rules the Principal Employer, EE Limited, has the power to appoint and remove the Trustee. As the Trustee is the sole Trustee to the Scheme, the appointment and removal of Trustee Directors is made in accordance with the requirements of the Pensions Act 2004 with regard to member nominated trustee directors.

The Principal Employer is EE Limited and Mobile Broadband Network Limited is the participating employer.

The names of the professional advisers to the Trustee and other individuals and organisations who acted for or were retained by the Trustee during the year are listed on pages 2 and 3.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1

jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1

tony.gara@bt.com

BT

Pensions in payment and deferred pensions under the Scheme are increased each year at the rates specified in the Scheme rules, subject to any legal requirements to increase pensions. The cost of doing so is met by the Scheme. At 1 January 2020 pensioners were granted a 1.7% increase on their post 1988 GMP, a 2.4% increase on their excess pension accrued prior to 6 April 2006 and a 2.4% increase on their pension accrued since 6 April 2006, with pensioners who retired during the previous 12 months receiving proportionate increases.

Deferred pensions receive statutory increases each year, with deferred pensions for that element of such deferred pension accruing after 5 April 2009 receiving a maximum increase of 2.5% per annum during deferment.

#### Membership and Beneficiaries – Defined Benefit Section

	<b>Deferreds (including suspended members)</b>	<b>Pensioners</b>	<b>Totals</b>
At 1 January 2020	7,617	958	8,575
Prior year adjustment	(3)	4	1
At 1 January – as amended	<b>7,614</b>	<b>962</b>	<b>8,576</b>
<b>Leavers</b>			
Commuted	(10)	(1)	(11)
Transfers out	(26)	-	(26)
Retirements	(79)	93	14
Deaths	(4)	(12)	(16)
Suspended	-	(1)	(1)
Child pension ended	-	(1)	(1)
<b>31 December 2020</b>	<b>7,495</b>	<b>1,040</b>	<b>8,535</b>

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**Membership and Beneficiaries – Defined Contribution section**

	Actives	Deferreds (including suspended members)	Totals
At 1 January 2020	9,209	19,684	28,893
Prior year adjustment	-	7	7
At 1 January – as amended	<b>9,209</b>	<b>19,691</b>	<b>28,900</b>
Members deferring benefits	(1,745)	1,745	-
New entrants	1,842	-	1,842
Rejoiner	(401)	412	11
Deferred to Active	86	(86)	-
<b>Leavers</b>			
Refunds and Not Taken Up	(31)	(53)	(84)
Transfers out	(8)	(583)	(591)
Retirements	-	(7)	(7)
Deaths	(1)	(36)	(37)
Uncrystallised Fund Pension Lump Sum	(2)	(110)	(112)
<b>31 December 2020</b>	<b>8,949</b>	<b>20,973</b>	<b>29,922</b>

On retirement members of the Defined Contribution Section can choose to purchase an annuity, or with the consent of the Trustee, take a lump sum or mixture of both.

Prior year adjustments relate to the late notification of movements advised to the Scheme administrators.

As at 31 December 2020 the accumulated fund stood at £1,724,487,000 (2019: £1,585,703,000). The audited financial statements, which appear on pages 57 to 84, record the financial transactions of the Scheme during the year.

The financial statements have been prepared and audited in compliance with regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

A coronavirus disease, COVID-19, began to spread globally in early 2020 and has been declared a pandemic by the World Health Organization. Its emergence and reactions to it have already had a profound effect on both the domestic and global economies and financial markets. The short- and long-term impacts of the COVID-19 pandemic, and the true extent of such impacts, are by their very nature uncertain and will be determined by many factors, including the effectiveness of government and other health measures to contain and prevent the spread of the virus and the effectiveness of economic stimulus, emergency relief, and other government programs, initiatives and actions implemented or taken to mitigate the economic, financial and other disruptions caused by the COVID-19 pandemic.

The COVID-19 pandemic may impact the insurance, market, credit, liquidity and operational risks to which the Scheme is exposed. The Trustee is working with the Scheme's important outsource providers to ensure continuity of services during the COVID-19 pandemic. To supplement the Trustees' regular review process for the Scheme's investment portfolio, the Trustee is assessing and monitoring the impact that the COVID-19 pandemic as part of the Funding & Investment sub-committee.

**Jonathan Clarke**E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com**tony gara**E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

Throughout 2020 efforts were made across the globe to produce vaccines to combat COVID-19. At the beginning of 2021 the UK government amongst others began their rollout of a COVID-19 vaccine. Although the results of these vaccine rollouts are promising, there still remains considerable uncertainty as to how long the COVID-19 pandemic will last and as to the extent and duration of the economic, financial and other disruptions caused by the pandemic. Consequently, there remains considerable uncertainty relating to precisely how the COVID-19 pandemic will impact the insurance, market, credit, liquidity and operational risks to which the Scheme is exposed and whether or to what extent any such impact will be temporary or lasting. These activities are subject to supervision and oversight by the Trustee.

The Trustee will continue to monitor the impact of COVID-19 on the financial position through the usual governance mechanisms, including the Trustee's regular oversight through the Funding & Investment sub-committee. Prior to COVID-19 the Trustee started working with their investment advisor to review the investment strategy for the scheme, this was in relation to the imminent signing off of the 2018 valuation in March 2020. In the immediate future, the Trustee is working hard to continue to look after the members financial needs during the COVID-19 pandemic.

On 31 January 2020, the World Health Organization declared the outbreak of a new coronavirus a global emergency. The virus has now spread to many parts of the world including the UK. The situation is evolving, and the Trustee will continue to monitor any potential impact on the Scheme and the members, and they will follow all official advice to limit any impact. The Scheme suppliers have initiated contingency procedures to ensure that services continue to be available to the Trustee and the members throughout this period of uncertainty. All suppliers have successfully implemented services from home or offices where the Government's strict distancing protocols are adhered to.

The Trustee is responsible for making a formal assessment as to whether the 'going concern' basis is appropriate for preparing these financial statements the Trustee has carefully assessed the long-term prospects of the Scheme taking into account our current position, the main risks faced and the measures in place to monitor and manage these risks. The Trustee believes there is a reasonable expectation that the Scheme will continue to operate successfully. This expectation is based on an understanding and analysis of our long-term risks and the associated risk management processes.

In addition, the Trustee is continuing to engage with their investment advisor to implement the agreed long term strategy which includes the target of when the Scheme will become fully funded. The employer plays an essential role in communication which has supported the country during the pandemic, so has remained operational. The employer continues to meet the increased funding to the Scheme which were formally agreed in 2020 and payments have been made in line with the Schedule of Contributions. The Scheme continues to pay all member benefits in full.

All cash equivalent transfer values paid by the Scheme on behalf of members who have left the Scheme have been calculated and verified as prescribed in Section 97 of the Pension Schemes Act 1993. Discretionary benefits are not included in the calculation of transfer values. No transfers were reduced to less than their cash equivalent value.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT



On 26 October 2018 the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit schemes. The Trustee is aware that the issue will affect the Scheme and has estimated that the total GMP equalisation liability is immaterial and therefore no provision has been included within these financial statements.

The High Court has since determined that Trustee owe a duty to a transferring member to make a transfer payment which reflected the member's right to equalised benefits. Where the initial transfer payment was inadequate on this basis the Trustee is under an obligation to make a top-up payment to the receiving scheme on behalf of the transferred member.

The Trustee is reviewing, with their advisers, the implication of these rulings in the context of the Scheme rules and the value of any liability. On completion of the review the Trustee will put together a plan for correcting past benefits as well as inequalities in benefits coming into payment.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1

jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1

tony.gara@bt.com

BT

During the year ended 31 December 2020 the contributions payable to the Scheme by the Employers under the Schedules of Contributions dated 21 March 2017 and 20 March 2020 were as follows:

	<b>Defined Benefit Section 2020 £'000</b>	<b>Defined Contribution Section 2020 £'000</b>
<b>Contributions paid under the Schedules of Contributions</b>		
Employer normal contributions	-	19,869
Deficit funding contributions	41,458	-
Employee normal contributions	-	1,012
<b>Contributions payable under the Schedules (as reported on by the Scheme Auditor)</b>	<b>41,458</b>	<b>20,881</b>
<b>Contributions paid not under the Schedules of Contributions</b>		
Employee additional voluntary contributions	-	434
<b>Contributions receivable per Fund Account</b>	<b>41,458</b>	<b>21,315</b>

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Investment Matters

### Overview

Responsibility for the administration and management of the Scheme's assets is vested in the Trustee which is responsible for the overall investment policies of the Scheme and is partially delegated by the Investment Committee which acts in accordance with its Terms of Reference.

### Investment managers

The names of those who have managed the Scheme's investments during the year are listed on page 3. The Trustee has delegated the day-to-day management of investment to its appointed fund managers. A written agreement between the Trustee and each manager sets out the terms on which the manager will act.

The Scheme made a series of new investments over the year. The Scheme redeemed all its holdings from Epoch, Sands and Harris, investing the redemption proceeds with Legal & General Investment Management Limited ("LGIM"). Between the redemption from Epoch, Sands and Harris and the investment in LGIM, the equity exposure was obtained via a Synthetic Equity mandate, managed by Insight, the Scheme's LDI manager. The Insight Synthetic Equity mandate obtained equity exposure from 25 June 2020 to 1 December 2020. The Scheme then invested £220,000,000 in the LGIM Developed Balanced Factor Equity Index Fund on 1 December 2020.

As part of the Scheme's aim to increase the allocation to illiquid opportunities, the Trustee committed to two new illiquid mandates. The Scheme committed £40,000,000 to the Chorus Capital Credit Fund IV ("Chorus"), a bank capital relief manager, and committed \$40,000,000 (c. £30,000,000.00) to the Basalt Infrastructure Partners Fund III ("Basalt"), an infrastructure manager. Chorus called £21,165,830 of capital on 23 December 2020, and Basalt did not call any capital in 2020.

### Investment principles

In accordance with Section 35 of the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles which includes the Trustee's policy relating to ethical investment and the exercise of the rights attaching to investments. Any member may request a copy. This Statement may change from time to time according to advice received from the investment manager or consultants. The Statement of Investment Principles is included in the Appendix on page 85. Details of the Trustee's policy in respect of financially material considerations – including environmental, social and governance matters, how investment managers are remunerated and voting behaviours are disclosed in the Statement of Investment Principles and the Implementation Statements.

### Departures from investment principles

To the best of its knowledge, the Trustee can report that there has not been any departure from the SIP by the Scheme's investment managers during the year ended 31 December 2020.

### Custodial arrangement

The Scheme holds its defined benefit section investments in the form of units in pooled vehicles and via a segregated arrangement with Insight. Custody of Scheme assets is arranged by the providers.

The Scheme also holds individual insurance policies in respect of the defined benefit AVC investments, custody of which is arranged by the providers of those policies.

The Scheme holds its defined contribution section investments in the form of units in pooled vehicles, and custody of Scheme assets is arranged by Scottish Widows Limited.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**Employer-related investments**

There were no directly held employer related investments either during the Scheme year or at the year end. The Trustee considers that any indirect holdings are unlikely to exceed 5% at any time in the Scheme year. The Schemes investments comply with restrictions prescribed by regulations made under section 40(2) of the Pensions Act 1995.

**Asset allocation**

The table below details the Scheme asset allocation for the Defined Benefit Section, along with the benchmark asset allocation as at the start and end of 2020.

<b>Investment Fund</b>	<b>Allocation</b>	<b>Illustrative Ranges</b>	<b>31 December 2019</b>	<b>31 December 2020</b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Illiquid alternatives	<b>35.0</b>	<b>30.0 – 40.0</b>	<b>24.8</b>	<b>25.0</b>
Global Equities	<b>25.0</b>	<b>20.0 – 30.0</b>	<b>24.2</b>	<b>22.8</b>
Absolute Return	<b>10.0</b>	<b>5.0 – 15.0</b>	<b>24.9</b>	<b>19.5</b>
Fixed Interest Bonds (1)	<b>30.0</b>	<b>25.0 – 35.0</b>	<b>25.9</b>	<b>31.5</b>
Index-Linked Bonds (1)	<b>0.0</b>	<b>0.0 -10.0</b>	<b>0.2</b>	<b>1.2</b>
Cash in Trustee Bank Account	<b>0.0</b>	<b>0.0 -10.0</b>	<b>0.2</b>	<b>1.2</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Note: (1) Fixed and index-linked bond investments may include gilts, investment grade and higher yield corporate bonds and debt, cash and money-market investments and other cash-like collateral for supporting as required, interest and inflation swaps or other agreed derivative contracts.

The benchmark allocation represents a target asset allocation which is monitored by the Trustee against the allocation and illustrative ranges set out in the Statement of Investment Principles. The Trustee is in the process of funding an investment in illiquid alternatives, which is expected to be completed by Q3 2022 based on the current set of funds. However, owing to the nature of these assets (and the speed at which monies can be invested) this can lead to a deviation from the benchmark allocation.

**Jonathan Clarke**E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com**tony gara**E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**Asset allocation (continued)**

The table below details the Defined Contribution Section investments as at 31 December 2020:

	2020		2019	
	£,000	%	£,000	%
Annuity Retirement	3,917	0.54	1,613	0.23
Cash and Money Market	2,303	0.31	2,532	0.38
Cash Retirement	1,133	0.15	583	0.08
Growth	522,231	71.34	496,772	72.18
High Growth	2,117	0.29	1,846	0.27
Asia Pacific (ex-Japan) Equity	4,006	0.55	3,922	0.57
Pre-Retirement	41	0.01	21	-
Shariah	1,999	0.27	1,282	0.19
Property	1,841	0.25	2,338	0.34
Emerging Markets Equity	2,178	0.30	2,000	0.29
European (ex UK) Equity	1,117	0.15	1,164	0.17
Fixed Interest Gilt	4,656	0.64	4,404	0.64
Global Equity (60/40)	10,370	1.42	12,376	1.80
Index Linked Gilt	321	0.04	301	0.04
Japanese Equity	1,844	0.25	1,852	0.27
Moderate Growth	1,199	0.16	1,108	0.16
UK Equity	25,010	3.42	30,456	4.43
US Equity	3,076	0.42	2,368	0.34
Overseas Equity	26,912	3.68	25,427	3.69
Defensive	2,022	0.28	2,219	0.32
Diversified Growth	6,072	0.84	6,517	0.96
Diversified Retirement	100	0.01	525	0.08
Drawdown Retirement	1,502	0.21	564	0.08
Target Annuity 2020 Retirement	-	-	4,785	0.70
Target Annuity 2021 Retirement	1,427	0.19	722	0.10
Target Annuity 2022 Retirement	1,510	0.21	1,390	0.20
Target Annuity 2023 Retirement	416	0.06	542	0.08
Target Annuity 2024 Retirement	169	0.02	110	0.02
Target Annuity 2027 Retirement	26	-	23	-
Target Annuity 2028 Retirement	90	0.01	-	-
UK Corporate Bond	542	0.07	660	0.10
Ethical	4,924	0.67	5,738	0.83
Target Drawdown 2020 Retirement	-	-	1,339	0.19
Target Drawdown 2021 Retirement	5,928	0.81	6,028	0.88
Target Drawdown 2022 Retirement	10,489	1.43	8,785	1.28
Target Drawdown 2023 Retirement	8,456	1.16	7,310	1.06
Target Drawdown 2024 Retirement	11,695	1.60	11,096	1.61
Target Drawdown 2025 Retirement	11,091	1.52	10,026	1.46
Target Drawdown 2026 Retirement	11,342	1.55	11,354	1.65
Target Drawdown 2027 Retirement	16,217	2.22	15,263	2.22
Target Drawdown 2028 Retirement	17,080	2.33	-	-
Target Cash 2020 Retirement	-	-	76	0.01
Target Cash 2021 Retirement	786	0.11	-	-
Target Cash 2022 Retirement	254	0.03	-	-
Target Cash 2023 Retirement	823	0.11	-	-

**Jonathan Clarke**E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com**tony gara**E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**Asset allocation (continued)**

Target Cash 2024 Retirement	500	0.07	-	-
Target Cash 2025 Retirement	877	0.12	715	0.10
Target Cash 2026 Retirement	390	0.05	-	-
Target Cash 2027 Retirement	312	0.04	-	-
Target Cash 2028 Retirement	621	0.08	-	-
	<b>731,932</b>	<b>100.0</b>	<b>688,152</b>	<b>100.0</b>

**Development of the investment strategy**

Over the year to 31 December 2020, the Scheme completed the transition from a pooled, active LDI solution with Insight to a passive, segregated mandate. As a result, the Scheme now holds investments in a number of bond and derivative instruments, for the purpose of liability matching, which it has not held previously.

As at 31 December 2020, the Scheme targeted a hedge ratio of 46% on interest rate risk and 51% of inflation risk.

Approximately 41.3% of the target interest rate exposure was achieved through the use of swap contracts and the remainder through fixed and index-linked gilt holdings (including repurchase agreements). This is based on Insight's analysis of the portfolio.

Approximately 43.5% of the target inflation exposure was achieved through the use of swap contracts and the remainder through index-linked gilt holdings (including repurchase agreements). This is based on Insight's analysis of the portfolio.

**Review of investment performance**

The Scheme's annual, 3 year and 5 year returns for the Defined Benefit Section are set out in the table below, along with the benchmark returns over the same period.

Note: The Scheme return is an asset-weighted return using the actual performance of the fund managers. The liability benchmark is calculated using the estimated values of the Scheme's liabilities.

	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	3 Year (% p.a.)	5 Year (% p.a.)
Scheme Return (%)	25.6	7.9	-2.5	9.2	11.9	6.0	10.1
Benchmark Return (%)	29.5	5.9	-2.1	10.6	12.5	6.8	10.8
Liability Benchmark (%) <sup>1</sup>	28.7	4.4	-0.8	12.5	18.4	9.8	12.2

<sup>1</sup> Annual figures for the 2016 liability benchmark performance have been restated following the sign off of the valuation as at 31 December 2015.

**Jonathan Clarke**E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com**tony gara**E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**Review of investment performance (continued)**

Overall the Scheme achieved a positive return of 11.9% over the year ending 31 December 2020. The returns for 2020 are broken down into quarterly returns as follows:

	<b>Q1 2020</b> (%)	<b>Q2 2020</b> (%)	<b>Q3 2020</b> (%)	<b>Q4 2020</b> (%)	<b>1 Year</b> (%)
Scheme Return (%)	<b>-4.1</b>	<b>12.4</b>	<b>0.0</b>	<b>3.8</b>	<b>11.9</b>
Liability Benchmark (%)	<b>6.3</b>	<b>12.6</b>	<b>-2.7</b>	<b>1.7</b>	<b>18.4</b>

The Scheme's annual and since inception returns for the Defined Contribution Section, are set out in the table below, along with the benchmark returns over the same period. The Growth performance reflects the default option which relates to the majority of member investments. Members are notified directly on their individual investment performance.

	<b>Q4 2020</b> (%)	<b>1 Year</b> (%)	<b>Since inception *</b> (% p.a.)
Growth 3 1			
Scheme return (%)	<b>8.3</b>	<b>4.9</b>	<b>11.0</b>
Benchmark return (%)	<b>1.0</b>	<b>4.3</b>	<b>4.5</b>
High Growth 3 1			
Scheme return (%)	<b>9.6</b>	<b>5.4</b>	<b>11.6</b>
Benchmark return (%)	<b>1.1</b>	<b>4.8</b>	<b>5.0</b>

- \* date of inception 24 October 2012.

**Jonathan Clarke**E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com**tony gara**E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## EEPS Implementation Statement

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations ("the Regulations"). The Regulations amongst other things require that the Trustee outlines how it has ensured that the stewardship policies and objectives set out in its Statement of Investment Principles ("SIP") have been adhered to over the course of the year.

### Introduction

This document sets out the actions undertaken by the Trustee of the EE Pension Scheme (the "Scheme"), its service providers, including the investment adviser and the investment managers; to implement the policies as set out in the SIP. This document includes voting and engagement information that has been gathered from the investment managers on behalf of the Trustee.

The report covers activities over the period 1 January 2020 to 31 December 2020.

The report only covers objectives and policies that apply to the DB section of the pension scheme.

### Changes to the SIP over the year to 31 December 2020

The SIP was updated in September 2020 to take account of new regulations which came into effect from 1 October 2019, requiring the Trustee to include a number of policies relating to Responsible Investment, Stewardship (e.g. voting and engagement) and non-financial factors such as members' views.

As a part of the updated requirements for the SIP the Trustee will be committed to a number of new actions. These actions and ways to meet them are outlined below.

### Meeting the objectives and policies as set out in the SIP that apply to DB section alone

The Trustee along with its advisors have considered how to best meet a number of new actions required by the new SIP guidelines:

- *Regularly monitor the extent to which the investment strategy and decisions of asset managers are aligned with Trustee policies*
  - Aon will continue to monitor the asset managers and report to the Trustee via the quarterly report and in person at meetings
  - In the event of poor long-term performance, the Trustee along with its advisors will review the mandate
- *Share the SIP with the Scheme's asset managers and ask them to report back on the alignment between their policies and the Scheme's*
  - Aon will share the SIP with the Scheme's asset managers for their awareness of the Scheme's expectations
  - Aon will gather responses and raise any material concerns with the Trustee
- *When assessing investment managers, both at initial appointment and on an ongoing basis, the Trustee ensures appropriate governing documentation is in place and sets clear expectations with investment managers*
  - The Trustee along with its advisors will review governing documentation associated with any new investment to ensure consistency with Trustee policies and look to amend governing documentation where necessary

15

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT



**EEPS Implementation Statement (continued)**

- Set clear expectations as per the previous "action" upon appointment
- *The Trustee receives annual stewardship reports on the monitoring and engagement activities carried out by their asset managers, which supports the Trustee in determining the extent to which the Scheme's stewardship policy has been followed throughout the year.*
  - Aon to collate annual stewardship reports containing details of activities of each manager, for example voting records
  - These voting records are outlined below in the Voting and Engagement section
- *The Trustee collects annual cost transparency reports covering all of its investments and ask that the investment manager provides this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each pooled fund.*
  - The Trustee along with its advisors will gather cost data for the Scheme's asset managers, including turnover costs

**The Scheme's stewardship policy**

The relevant extract of the SIP (as at Scheme financial year-end 31 December 2020) covering the Scheme's voting and engagement policy is as follows:

*"As part of its delegated responsibilities, the Trustee expects the Scheme's investment managers to:*

- *Where appropriate, engage with relevant parties, such as investee companies, with the aim to protect and enhance the value of assets; and*
- *Exercise the Trustee's voting rights in relation to the Scheme's assets.*

*with an aim to protect and enhance the long term value of Scheme assets.*

*The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from its investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.*

*The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its asset managers, which supports the Trustee in determining the extent to which the Scheme's stewardship policy has been followed throughout the year.*

*From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest. In practice, based on the current strategy and fund structures, the Trustee delegates this to the asset managers."*

Throughout this Statement, the Trustee reviews how the actions of the Scheme's investment managers have aligned with the expectations and principles set out in the SIP.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**EEPS Implementation Statement (continued)****Scheme activity over the year in relation to the stewardship policy****Training**

Over the year, the Funding & Investment Sub Committee (F&ISC, a subset of the wider Trustee) received responsible investment (RI) related updates from with its Investment Consultant, which provided the F&ISC with details of the evolving regulatory requirements and the importance of stewardship activity and appropriate consideration of ESG factors in investment decision making.

**Ongoing monitoring**

The Trustee ensures the Investment Consultant's manager research monitoring incorporates the managers' ESG practices and takes advice from their investment adviser with regards to any significant concerns. The Trustee expects the managers to exercise their voting rights wherever possible and to promote positive change in the funds and companies in which they invest on the Scheme's behalf.

The Trustee receives regular investment updates from its Investment Consultant, including on matters relating to responsible investment. The Trustee's ongoing monitoring takes different forms, including investment performance monitoring, risk monitoring, ad-hoc market updates and annual investment risk disclosures.

In November 2019, the Trustee put in place a set of objectives for their investment advisers for the 2020 calendar year covering the delivery of strategic investment advice, compliance, monitoring and service standards. The Trustee expects their investment adviser to keep the Trustee informed on the performance of the investment managers including the reporting of engagement and stewardship activity.

**Investment performance monitoring**

The Trustee receives, typically on a quarterly basis, monitoring reports from its Investment Consultant outlining the valuation of all investments held, the performance of these investments and any significant transactions made during the quarter. Investment returns are compared against appropriate performance objectives to monitor the relative performance of these investments. The asset allocation is also monitored and compared to the strategic asset allocation for the Scheme.

**Investment risk disclosures**

The Trustee reports on the risks associated with its investments annually in the investment risk disclosure report which accompanies the annual report and accounts. In this report, the Trustee monitors the risks associated within the Scheme's defined benefit investments, concentrating on market risks, credit risk, interest rate risk, inflation risk and others.

**Voting and Engagement – Equities**

The Scheme currently invests in the LGIM Developed Balanced Equity Multi Factor Index Fund.

The Trustee considers a significant vote broadly as a vote which the respective manager deems most significant to the Scheme, or a vote where more than 15% of votes were cast against management.

**LGIM - Developed Balanced Equity Multi Factor Index Fund****Voting Approach**

While LGIM use ISS to electronically vote clients' shares, all voting decisions are made by the LGIM Stewardship team and are not outsourced. They have put in place a voting policy with specific instructions to ensure votes are cast in accordance with LGIMs position on ESG. Each member of the Stewardship team is

**Jonathan Clarke**E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com**tony gara**E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**EEPS Implementation Statement (continued)**

allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company, and that the stewardship approach flows smoothly throughout the engagement and voting process.

LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

Summary Voting Statistics

The following table outlines the voting data provided by LGIM for the fund invested in by the Scheme. LGIM have provided data for the year to 31 December 2020 at a fund level.

	1 January 2020 – 31 December 2020
% of resolutions voted on	99.74%
% of resolutions abstained	0.13%
% of resolutions voted against management	17.70%

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

However, LGIM have reported that there were no significant votes made in relation to the securities held by the LGIM Developed Balanced Factor Equity Index Fund over the year to 31 December 2020. This seems to be a reporting anomaly, given there were 18,115 resolutions that the fund was eligible to vote on over the year. The investment adviser, on behalf of the Trustee will raise this feedback with LGIM to better understand the reasons and encourage more disclosure or stewardship activity as appropriate.

LGIM have started producing quarterly stewardship reports at a firm level, which cover various examples of voting and engagement activity. The following is an example of a firm level significant vote.

Voting example: The Procter and Gamble Company

An example of a significant vote at a firm level is LGIM voting in favour of a resolution at The Procter and Gamble Company (P&G) on 13 October 2020 to report on effort to eliminate deforestation.

The issue is that P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**EEPS Implementation Statement (continued)**

illegal deforestation. Palm oil and forest pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. More detail on this significant vote and others can be found here: [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/cg-quarterly-report.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/cg-quarterly-report.pdf)

Engagement Approach

LGIM does not outsource its engagement activities. It has a six-step approach to engagement activities which includes:

1. Identifying the most material issues and focus on specific ESG themes they are able to address.
2. Identify and set long-term goals for the engagement, which often may take many years to occur.
3. Formulate an engagement strategy, including prioritising engagement in companies where they have the biggest holdings, which poses the greatest risk and opportunities to market performance.
4. Track progress of the engagement activity to assist evaluation of stewardship approaches and performance.
5. Regularly reviewing the progress, impact and success of engagement and amend the engagement strategy if required.
6. Consistent and regular reporting to clients on the engagement outcomes and detailing case studies.

LGIM's engagement policy aims to encourage companies to adopt sustainable business models. Engagement at LGIM covers governance in its broadest sense looking at all material issues including regulation, listing rules, mergers and acquisitions, corporate strategy, and capital and financial management. LGIM's top five engagement topics with companies are on climate change, remuneration, diversity, board composition and strategy.

LGIM is currently working on reporting developments that should allow it to provide more targeted strategy level engagement information.

However, this is not due to be available before 2021. As a result, LGIM is unable to provide information about engagement at an individual fund level and therefore provided the following information at the aggregate firm level.

**Engagement – Fixed Income**

The Scheme invests in a number of Fixed Income funds:

Manager	Fund Name
PIMCO	Diversified Income Fund
Insight	High Grade Asset Backed Securities Fund
	Bonds Plus 400 Fund

While the Trustee acknowledge the ability to engage and influence companies may be less direct then in comparison to equity holdings; from the information received, it is encouraging that the managers are aware and active in their role as a steward of capital.

**Jonathan Clarke**  
 E-signed 2021-07-01 11:41AM GMT+1  
 jmr.clarke@icloud.com

**tony gara**  
 E-signed 2021-07-01 04:39PM GMT+1  
 tony.gara@bt.com  
 BT

**EEPS Implementation Statement (continued)**

The following examples of practices and case studies demonstrate some of the engagement activity being carried out on behalf of the Scheme over the year.

**PIMCO – Diversified Income Fund**

At the firm level, on an annual basis, PIMCO's team of over 65 credit analysts conduct more than 5,000 meetings and calls with company management teams. In addition to discussing financial matters, PIMCO also focus on strategic issues that relate to ESG risks and sustainable business management practices.

***Engagement Example***

In 2020, PIMCO engaged with Sumitomo Mitsui, a Japanese banking and financial services institution. The issuer's green bond reporting was not fully aligned with industry best practices and PIMCO believed their lending policy could be improved along ESG lines. Therefore, PIMCO engaged with the company on their Green bond program, environmental impact method and reporting to align to industry best practices. In addition, PIMCO discussed their view on potential improvement in their lending policies, commitment to align to the Paris Agreement, and linking ESG metrics to management performance review.

As a result, the company published a sustainability report and initiated further green bond issuance recently.

**Insight**

An engagement example relevant to the Bonds Plus 400 Fund is where Insight engaged with Pfizer in June 2020 on the company's product safety and anti-corruption policies as Pfizer was faced with price fixing allegations. Insight sought to gain information on internal processes regarding manufacturing safety, governance structure and board oversight of quality as well as on training and policies on anti-trust. An issue outstanding on this ongoing engagement is regarding incorporating ESG factors into the company's board compensation.

An engagement example in relation to the High Grade Asset Backed Securities Fund is where Insight engaged with La Trobe Financial over its residential mortgage-backed securities in Q4 2020. An assessment of the originator indicated that it has strong governance and social scores but are disappointing with regards to providing information on environmental risks. Insight has engaged with them on providing information on environmental metrics and stress tests to incorporate climate change factors into their origination process. There are also some areas that can be improved on the origination and servicing side such as the way origination teams are compensated and the setting of fee incentives for the services collection process. Insight would also like to see the complaints independently reviewed away from the service function and continues to engage with the company on this.

Insight produce a detailed annual report on responsible investment covering examples of their collaboration, engagement and ESG integration. More information can be found here: <https://www.insightinvestment.com/globalassets/documents/responsible-investment/responsible-investment-reports/uk-responsible-horizons-report-2020.pdf>

**Engagement – Alternatives**

The Scheme invests in a number of other strategies such as property and private credit.

While the Trustee acknowledges the ability to engage and influence companies through property and private debt holding investments may be limited in comparison to pure equity holdings, the Trustee is encouraged from the information received that the applicable managers are generally aware of ESG risks and opportunities and their role as a steward of capital.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**EEPS Implementation Statement (continued)**

The following policies and examples demonstrate the positive engagement activity of managers on behalf of the Scheme.

**Aviva Investors Global Services Ltd – Realm Multi Sector Fund**

The Realm Multi Sector Fund is a Fund of Funds and aims to provide investors with access to a diversified pool of secure income assets by investing across all of the Aviva Investors Realm strategies: Ground Rents, Commercial Assets, Social Housing and the Lime Property Fund, as well as our Infrastructure Income Fund.

There exists engagement with counterparties on ESG issues. In Real Estate, the fund management team work with their sustainability partner, Carbon Credentials, who deliver a customer engagement programme for the portfolio with the aim of improving the sustainability performance as well as improving overall customer satisfaction. Collaboration with Aviva's occupier customers can lead to a more joined-up approach on ESG issues. Each provider has defined operations, maintenance and reporting requirements appropriate to their role and this will be regularly reviewed by the asset managers.

In addition, community engagement programmes are developed on a property by property basis and depend on the property type and location. The objectives of these programmes are to engage with the local community and ensure that social value is delivered by the sustainable management of their assets, or to avoid adverse effects on the community.

**M&G Investments – UK Property Fund**

The portfolio is composed of real estate properties, comprising of 24 direct properties, 3 investments in third-party property funds and 2 investments in Joint Venture properties.

M&G's approach to Responsible Property Investment (RPI) enables them to continue to deliver strong returns to their investors in the long term and support creation of positive environmental and social outcomes. The RPI policy covers all M&G Real Estate's assets under management, regardless of property type or location. M&G state it enables them to adapt and respond to the challenges and opportunities posed by various issues, such as rising energy and resource costs, greater legislative demands and stronger tenant and investor requirements.

Within UK portfolios specifically, all property managers have sustainability issues incorporated into their contracts requirements including Service Level Agreements, Key Performance Indicators and targets relating to sustainability issues. These are monitored closely by M&G through quarterly update meetings at which performance is reviewed and assessed. The assessment of their Service Level Agreements feeds overall contract performance review. Key Performance Indicators, Service Level Agreements and targets are revised as necessary and all are reviewed at least annually to ensure they remain fit for purpose.

**Hayfin Capital Management**

Hayfin is a signatory to the UN-supported Principles of Responsible Investment (PRI), committed to integrating ESG factors into their investment processes. As a signatory, Hayfin commit to the following:

- incorporating ESG issues into investment analysis and decision-making processes;
- incorporating ESG into ownership policies and practices;
- seeking appropriate disclosure on ESG by entities in which they invest;
- promoting acceptance and implementation of the Principles within the investment industry;
- working together to enhance their effectiveness in implementing the Principles; and
- reporting on their activities and progress towards implementing the Principles.

Hayfin is also a member of the Alternative Credit Council (ACC), a global body that represents asset management firms in the private credit and direct lending space. The ACC represents over 100 firms that

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**EEPS Implementation Statement (continued)**

collectively manage \$350bn of private credit assets. ACC members participate in industry level discussions on regulatory and policy matters, support the organisation's wider advocacy and education efforts, and assist with research conducted by the ACC with a view to strengthening the sector's sustainability and wider economic and financial benefits.

The ACC is an affiliate of the Alternative Investment Management Association (AIMA), which in 2017 contributed to an industry-wide initiative coordinated by the UN PRI to develop a standardised questionnaire for the due diligence of responsible investment practices.

**Summary**

The Trustee are of the opinion that, from the evidence reviewed, the managers are exercising their respective voting and engagement duties, where applicable, to a satisfactory level consistent with the Trustee's stewardship policy.

However, the Trustee note there is still room for improvement in the quality of disclosures available and expect to see this improve over time with more specific examples across all asset classes.

Whilst the Trustee acknowledges that stewardship may be less applicable to certain asset classes, particularly alternatives, it expects to see RI policies and processes formalised and developed over time and will continue to monitor progress on this front.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1

jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1

tony.gara@bt.com

BT

## Annual Statement of Investment Principles Implementation Statement

This Statement, prepared by the Trustee of the Scheme ("the Trustee"), sets out how, and the extent to which, the Statement of Investment Principles ("SIP") has been followed during the year to 31 December 2020 ("the Scheme year"). This statement covers the DC Section of the Scheme and should be read in conjunction with the Defined Contribution Section of the Scheme's SIP.

In addition, this statement also describes any reviews and changes to the SIP during the Scheme year and set out details of voting behaviour that has been carried out, on behalf of the Trustee, by the investment managers during the Scheme year.

The Trustee believe it is important to consider the policies in place in the context of the investment objectives they have set. The objective of the Scheme included in the DC Section of the SIP is as follows:

"The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances. The Trustee's objective is therefore to make available a range of investment options for this purpose.

For members who do not wish to take an active role in investment decisions, the Trustee offers a **default option** ("Do it for me") which includes lifestyling arrangements to de-risk investments to an asset allocation designed to be appropriate for a typical member who intends to access their benefits via income drawdown at retirement. More details regarding the default option are available in Appendix B of this Statement."

The DC Section of the Scheme has a delegated investment arrangement in place. The DC Section invests in a range of funds on the Scottish Widows insurance platform. These funds are made available through the Trustee's arrangement with Mercer Workplace Savings ("MWS"). Members are able to access funds managed by Mercer Global Investments Europe Limited ('MGIE') BlackRock, LGIM and HSBC. MGIE operates on a manager of managers basis, appointing underlying fund managers to its funds under management. MGIE have discretion on the allocations to the underlying fund managers and the selection of those managers.

The Trustee has ultimate oversight responsibility of this delegated arrangement and monitors this arrangement regularly and the performance of the funds on a quarterly basis.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT



## EEPS Implementation Statement (continued)

The Trustee reviewed and amended the Scheme's SIP once during the Scheme year.

The revision related to three items. Firstly, there was the addition of a new default fund, the Utmost Life Secure Cash Fund. At the start of 2020, DB Members with AVC assets previously held in the Equitable Life With Profits Fund were transferred into the Utmost Life Secure Cash Fund without members' consent. This occurred as part of the transfer of the Equitable Life Assurance Society's UK ("Equitable Life") policies to Utmost Life and Pensions Limited.

The Secure Cash Fund was being used as a temporary measure following the transfer from Equitable Life to Utmost Life. The funds held with Utmost have now been transferred to Scottish Widows.

Secondly, revisions related to the new requirements for the SIP to include the Trustee's policy in relation to their arrangements with their delegated investment manager and the investment manager of externally managed fund, requiring the inclusion of:

1. How the arrangement incentivises the delegated investment manager and investment manager of the externally managed fund to align their investment strategy and decisions with the Trustee's policies.
2. How that arrangement incentivises the delegated investment manager and investment manager of the externally managed fund to make decisions based on assessments of medium to long term financial and non-financial performance of an issuer of debt / equity and to engage with issuers to improve performance in the medium to long term.
3. How the method (and time horizon) of the evaluation of the delegated investment manager's and external investment manager's performance and the remuneration for asset management are in line with the Trustee's policies.
4. How the Trustee monitors portfolio turnover costs and how they define and monitor targeted portfolio turnover or turnover range.
5. The duration of the arrangement with the delegated investment manager and investment manager of the externally managed fund.

In addition to the above, there was an amendment to the Responsible Investment and Corporate Governance (Voting and Engagement) section of the SIP.

The information provided in the following table highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP. The SIP sets out the policies referenced below.

In summary, it is the Trustee's view that the policies in the SIP have been followed during the Scheme year to 31 December 2020.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

EEPS Implementation Statement (continued)

1	Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2020
	Securing compliance with the legal requirements about choosing investments	DC Section 2 Investment Policies	<p>The Trustee has established a Funding &amp; Investment Committee which meets regularly to monitor the controls and processes in place in connection with the Scheme's investments. The Scheme's investment advisors attended all Funding &amp; Investment Meetings during the year and provided updates on Scheme performance.</p>
			<p>Historically members were able to invest in a With Profits Fund managed by Equitable Life. In January 2020, the Scheme's Equitable Life With Profits Fund holdings for DC members were transitioned to Ulmost into their Secure Cash Fund. Subsequently, these legacy DC assets were moved out of the Secure Cash Fund and transitioned into the Drawdown Lifestyle in the Scheme's DC arrangement with Scottish Widows and MWS. Investment advice relating to this transfer was provided in April 2020. Assets transferred to the Scottish Widows DC Scheme in Q3 2020.</p>
			<p>Additionally, DB Members with AVC benefits who held policies with Equitable Life, were also transitioned to the Ulmost Secure Cash Fund. The Trustee conducted a comparison of the options available to these AVC members, with Fidelity AVC and the Scottish Widows DC arrangements compared. The Trustee agreed that these AVC members at Ulmost should transfer to an arrangement that mirrors the Scheme's Scottish Widows DC arrangement, with the exception that the Cash Lifestyle is used as the default strategy.</p>
			<p>The Trustee was required to set up a new AVC policy with Scottish Widows. During this period, the monies held in the Secure Cash Fund were transferred to the Ulmost Money Market Fund. The Trustee took suitability advice relating to the AVC transfers in August and October 2020.</p>
			<p>Implementation for the AVC switch to occurred in April 2021. Additionally, in 2021, the Trustee conducted a review of the Fidelity AVC and Scottish Widows AVC arrangements for the wider AVC population.</p>
			<p>In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of a suitability qualified investment advisor. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).</p>
2	Kinds of investments to be held	DC Section 2. Investment Policies	<p>Within the Scottish Widows DC Platform, there have been no changes during the Scheme year on the kinds of investments held and the balance between investments in the Scheme.</p>
			<p>As noted above, members in a With Profits Fund managed by Equitable Life were ultimately moved to the Scottish Widows platform with the Cash Lifestyle set as the default during 2020.</p>
3	The balance between different kinds of investments	DC Section 2. Investment Policies	<p>The arrangements in place are consistent with the policies in the SIP. The last formal Trustee review of the DC investment arrangements was undertaken in June 2019. The purpose of the review was to consider whether the default investment strategy of the Scheme, which is a lifestyle which targets drawdown, remains appropriate for the DC Section. The review concluded that the lifestyle remained appropriate.</p>
			<p>The MWS arrangement in place is a delegated investment arrangement. The delegated investment manager regularly monitors the arrangements in place and produces a more formal reviews annually. A review was produced in May 2020 that reviewed the ongoing suitability of the strategies and funds used. However, no changes as a result of this review required updates to the SIP.</p>
			<p>Over the course of 2020 and early 2021, the Trustee have formally reviewed their AVC options, leading a consolidation of the AVCs from Ulmost and Fidelity into Scottish Widows and MWS which are currently being implemented in 2021.</p>

**Jonathan Clarke**  
 E-signed 2021-07-01 11:41AM GMT+1  
 jmr.clarke@icloud.com

**tony gara**  
 E-signed 2021-07-01 04:39PM GMT+1  
 tony.gara@bt.com  
 BT

EEPS Implementation Statement (continued)

4	Risks including the ways in which risks are to be measured and managed	DC Section 3 Risk	<p>There were no material changes to this policy during the Scheme year. As detailed in the risk table in the SIP, the Trustee considers both quantitative and qualitative measures for risks when deciding investment policies: strategic asset allocation, the choice of delegated investment manager / fund managers / funds asset classes.</p> <p>The Trustee has delegated to the Funding &amp; Investment Committee responsibility for assessing (in conjunction with investment consultant) the performance delivered by the delegated investment arrangements and their ongoing suitability for the Scheme's membership. The Committee reviewed the measurement of these risks on a quarterly basis during the year as part of their regularly investment performance monitoring. The investment performance monitoring reports were provided by the Scheme's investment consultant. Any issues identified / discussed with the Committee were raised and discussed with the Trustee however no issues warranted a change in investments / managers.</p> <p>The Trustee discussed the heightened market volatility under the Covid-19 pandemic and actions to mitigate this risk including additional monitoring of the Scheme's largest investments.</p>
5	Expected return on investments	DC Section 2 Investment Policies	<p>There was no change to this policy during the Scheme year. The investment performance was reviewed by the Funding &amp; Investment Committee on a quarterly basis. Any issues identified / discussed with the Committee were raised and discussed however no issues warranted a change in investments / managers. The Trustee discussed the heightened market volatility under the Covid-19 pandemic and actions to mitigate this risk including additional monitoring on the Scheme's main investments.</p>
6	Realisation of investments	DC Section 7 Implementation and Engagement Policy	<p>The investment performance reports provided during the year included how each fund or strategy were delivering against their specific mandates. No changes during the year to the liquidity of the funds used by the Fund. All assets are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets and therefore should be realisable at short notice based on member demand.</p>
7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	DC Section 3 Risk	<p>However in March 2020 the Mercer UK Active Property Fund was suspended and no assets could be invested into/disinvested from the Fund. The suspension was lifted before the Fund year-end.</p> <p>There were no material updates to this policy during the year. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level, (depending on their need to fund future benefits by investments of the Scheme). This will be dependent on the member's age and when they expect to retire.</p>
8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	DC Section 2 Investment Policies	<p>The investment performance report is reviewed by the Trustee on a quarterly basis – this includes ratings (both general and specific ESG) from the investment advisers. All of the managers remained highly rated during the year. The investment performance report also includes how each investment manager is delivering against their specific mandates.</p> <p>No changes during the year to this policy and the policy reflects current practice. Non-financial matters such as member and beneficiary ethical views and views in relation to social and environmental impact and their present and future quality of life are not explicitly taken into account in the selection, retention and realisation of investments. However the Trustee does make available an Ethical Fund and a Shariah Fund which consider the views of members and their non-financial concerns.</p>
9	The exercise of the rights (including voting rights) attaching to the investments	DC Section 7	<p>New policy added in September 2020 and reflects current practice.</p>
10	Undertaking engagement activities in respect of the investments (including the methods by which and the circumstances under which Trustee would monitor and engage with relevant persons about relevant matters)	Implementation and Engagement Policy	<p>The Trustee does not use the direct services of a proxy voter. The delegated investment manager and underlying fund managers have discretion over exercising voting rights and stewardship obligations. The delegated investment manager has a responsible investment framework in place and reviews the underlying investment managers and funds in line with this framework on an annual basis.</p> <p>The Trustee has requested key voting activities from MWS during the Scheme year in order to consider this, and the information received is summarised in the Engagement Policy Statement that follows.</p>
			<p>The Trustee annually receives and review MWS and BlackRock Stewardship policies.</p>

**Jonathan Clarke**  
 E-signed 2021-07-01 11:41AM GMT+1  
 jmr.clarke@icloud.com

**tony gara**  
 E-signed 2021-07-01 04:39PM GMT+1  
 tony.gara@bt.com  
 BT

EEPS Implementation Statement (continued)

<p>11 How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies</p>	<p>DC Section 7 Implementation and Engagement Policy</p>	<p>New policy added in September 2020 and reflects current practice As the Trustee invests in pooled investment vehicles they accept that they have no ability to influence delegated investment manager and investment managers to align their decisions with the Trustee policies set out in this Statement. However appropriate mandates are selected to align with the overall investment strategy. When considering the switch for members invested in Equitable Life's With Profits Fund in 2019 critical yield analysis was undertaken which took into consideration members age profiles</p> <p>The Trustee had a meeting with MWS to challenge performance after a difficult Q1 2021. Additional reporting was put in place as a result of this meeting to help the Trustee monitor the performance of the Mercer Growth Fund</p>
<p>12 How the 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</p>	<p>DC Section 7 Implementation and Engagement Policy</p>	<p>New policy added in September 2020 and reflects current practice A full DC provider review is scheduled for 2021 The Trustee had a meeting with MWS to challenge performance after a difficult Q1 2021. Additional reporting was put in place as a result of this meeting to help the Trustee monitor the performance of the Mercer Growth Fund</p>
<p>13 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 Trustee's policies</p>	<p>DC Section 7 Implementation and Engagement Policy</p>	<p>New policy added in September 2020 and reflects current practice The Trustee has reviewed both short term and longer term investment performance on a quarterly basis during the year. The Scheme investment advisers will be benchmarking the investment management fees paid by members in 2021</p>
<p>14 How the Trustee monitors portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range</p>	<p>DC Section 7 Implementation and Engagement Policy</p>	<p>New policy added in September 2020 and reflects current practice Transaction costs where available, will be included in the value for member's assessment for the year to 31 December 2020</p> <p>The Trustee do note a number of challenges in assessing these costs</p> <ul style="list-style-type: none"> <li>• No industry-wide benchmarks for transaction costs exist</li> <li>• The methodology can lead to some unexpected results most notably "negative" transaction costs</li> <li>• No industry-wide benchmarks for transaction costs exist and</li> <li>• Explicit elements of the overall transaction costs are already taken into account when investment returns are reporting, so any assessment must also be mindful of the return side of the costs</li> </ul> <p>There is little flexibility for the Trustee to impact transaction costs as they invest in pooled funds. While the transaction costs provided appear to be reflective of costs expected of various asset classes and markets that the Scheme invests in, there is not as yet any "industry standard" or universe to compare these to. As such any comments around transaction costs at this stage can only be viewed as speculative. However, the Trustee will continue to monitor transaction costs on an annual basis and developments on assessing these costs for value</p>
<p>15 The duration of the arrangement with the asset manager</p>	<p>DC Section 7 Implementation and Engagement Policy</p>	<p>New policy added in September 2020 and reflects current practice.</p>

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**EEPS Implementation Statement (continued)****Engagement Policy Statement**

Section 4 of the DC Section of the SIP sets out the Trustee's policy on ESG factors, stewardship and climate change. The Trustee believes that environmental, social and corporate governance ("ESG") factors have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues particularly climate change, present risks and opportunities that increasingly require explicit consideration

The Trustee considers how ESG, climate change and stewardship is integrated within Mercer's investment processes and those of the underlying managers in the monitoring process.

**Voting Activity during the Scheme year**

The Trustee has delegated their voting rights to the investment managers. The SIP states:

*The Trustee and the Delegated Investment Manager expect investment managers to incorporate the consideration of medium to long term financial performance longer term factors, such as ESG factors, into their decision making process where appropriate. The extent to which this is so will be considered during the selection, retention and realisation of manager appointments, undertaken by the Delegated Investment Manager. Voting and engagement activity should be used by investment managers to discuss and improve the medium to long term performance of an issuer of debt or equity.*

It is the Trustee's view that the policy has been followed during the Scheme year. The MWS Statement with regards to Climate change management reporting, including stewardship policy, is available at: <https://investment-solutions.mercer.com/content/dam/mercer-supdomains/delegated-solutions/CorporatePolicies/Mercer%20Workplace%20Savings%20-%20TCFD%20Statement%20-%20April%202020.pdf>

Over the prior 12 months, the Trustee has not actively challenged the delegated investment manager or the investment manager of the externally managed fund on their voting activity. The Trustee does not use the direct services of a proxy voter.

The majority of voting activity will arise in public equity funds. However, voting opportunities may arise in other asset classes such as certain bonds, property, private equity and multi-asset funds. However, the Trustee has reported voting information with respect to all funds that hold equity and reported on the significant votes with respect to the main investment options used by the Scheme.

The Scheme invests in the following daily dealt and daily priced pooled funds as detailed below. The funds highlighted in bold hold equities

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1

jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1

tony.gara@bt.com

BT

EEPS Implementation Statement (continued)

Investment option	Investment Strategy	Fund Name
Default	Growth Phase	<b>Mercer Growth Fund</b>
Default	Mercer SmartPath Drawdown	Target Drawdown 2021 Fund Target Drawdown 2022 Fund Target Drawdown 2023 Fund Target Drawdown 2024 Fund Target Drawdown 2025 Fund Target Drawdown 2026 Fund Target Drawdown 2027 Fund Target Drawdown 2028 Fund Drawdown Retirement Fund
Lifestyle	Growth Phase	<b>Mercer Growth Fund</b>
Lifestyle	Mercer SmartPath Annuity	Target Annuity 2021 Fund Target Annuity 2022 Fund Target Annuity 2023 Fund Target Annuity 2024 Fund Target Annuity 2025 Fund Target Annuity 2026 Fund Target Annuity 2027 Fund Target Annuity 2028 Fund Annuity Retirement Fund
Lifestyle	Mercer SmartPath Cash	Target Cash 2021 Fund Target Cash 2022 Fund Target Cash 2023 Fund Target Cash 2024 Fund Target Cash 2025 Fund Target Cash 2026 Fund Target Cash 2027 Fund Target Cash 2028 Fund Cash Retirement Fund

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## EEPS Implementation Statement (continued)

Investment option	Investment Strategy	Fund Name
Self-Select Funds		Mercer Defensive Fund Mercer Diversified Retirement Fund Mercer Growth Fund Mercer High Growth Fund Mercer Moderate Growth Fund Cash and Money Market Fund Mercer Diversified Growth Fund BlackRock Emerging Markets Equity Fund Mercer Ethical Fund Mercer European ex-UK Equity Fund BlackRock Fixed Interest Gilt Fund BlackRock Global Equity (60/40) Fund BlackRock Index-Linked Gilt Fund Mercer Japanese Equity Fund BlackRock Overseas Equity Fund BlackRock Pacific Rim ex-Japan Equity Fund LGIM Pre-Retirement 1 LGIM Property Fund HSBC Shariah Fund BlackRock UK Corporate Bond Fund BlackRock UK Equity Fund BlackRock US Equity Fund Mercer Global Listed Infrastructure CS1

## Overview of MGIE approach to voting and engagement

MGIE's policy on consulting with clients before voting

The legal right to vote belongs to the relevant fund, as the owner of the securities. The voting activity is delegated to the external underlying investment managers – as appointed by MGIE, as the investment manager for the investment vehicles in which clients are invested. MGIE expects underlying investment managers to comply with its Engagement Policy and will seek to ensure that obligations under this Engagement Policy are discharged by the underlying investment managers. The Engagement Policy is available here: <https://investment-solutions.mercer.com/global/all/en/investment-solutions-home/corporate-policies.html>

MGIE's process for deciding how to vote

MGIE has developed adequate and effective strategies for determining when and how any voting rights in funds are to be exercised, to the exclusive benefit of the fund and its investors. MGIE has put in place a policy covering each fund to ensure the exercise of voting rights are in accordance with the investment objective and policy of the fund. Mercer will provide a report on an annual basis which provides an overview of underlying investment manager engagement processes, significant votes, use of proxy advisers and engagement examples.

MGIE's proxy voting services

**Jonathan Clarke**  
 E-signed 2021-07-01 11:41AM GMT+1  
 jmr.clarke@lcloud.com

**tony gara**  
 E-signed 2021-07-01 04:39PM GMT+1  
 tony.gara@bt.com  
 BT

**EEPS Implementation Statement (continued)**

An overview on the use of any proxy voting services by underlying investment managers will be provided by Mercer on an annual basis going forward.

**MGIE's Processes for determining the most significant votes**

MGIE determine significant votes based on its Engagement Priorities, as set out in the Beliefs, Materiality and Impact (BMI) Framework in the MGIE Sustainable Investment Policy, which is available at: <https://investment-solutions.mercer.com/content/dam/mercer-subsidiaries-delegated-solutions/CorporatePolicies/Mercer%20DISE%20Sustainable%20Investment%20Policy.pdf>

The significant votes outlined are votes relating to shareholder resolutions with a specific focus on Climate Change, Modern Slavery and Diversity (i.e. the engagement priority areas in the BMI framework). When there are a large number of votes in any one fund relating to these priority areas / themes we consider the size of the holding within the fund.

**MGIE's policy with respect to conflicts of interest**

MGIE applies an effective written conflicts of interest policy and has put in place procedures and measures for the prevention or management of conflicts of interest including where such conflicts may arise due to how it engages with the companies it invests in. A conflicts of interest policy is published here: <https://investment-solutions.mercer.com/global/all-en/mercer-investment-solutions-home/corporate-policies.html#>

MGIE operates on a manager of managers basis, appointing underlying investment managers to its funds under management, and does not hold only securities directly on behalf of clients. The underlying investment managers manage the voting processes, therefore there is no conflict of interest involving MGIE as the investment manager.

**MGIE's additional comments with respect to voting activities or processes**

MGIE accepts that underlying investment managers may have detailed knowledge of both the governance and the operations of the investee companies and has therefore enabled underlying investment managers to vote based on their own proxy-voting execution policy.

Source: MWS

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
[jmr.clarke@icloud.com](mailto:jmr.clarke@icloud.com)

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
[tony.gara@bt.com](mailto:tony.gara@bt.com)  
BT



EEPS Implementation Statement (continued)

Fund	Mercer Defensive	Mercer Moderate Growth	Mercer Growth	Mercer High Growth	BlackRock Passive Overseas Equity	BlackRock UK Equity	BlackRock Global Equity (60/40) Fund*	BlackRock US Equity Fund*
Total DC Scheme Allocation at 31 December 2020	0.3%	0.2%	71.3%	0.3%	3.7%	3.4%	1.4%	0.4%
Number of meetings eligible to vote at over year to 31 December 2020	2,421	8,223	8,223	8,223	2,287	1,168	-	-
Number of resolutions eligible to vote on over year to 31 December 2020	25,647	87,558	87,558	87,558	27,008	15,522	-	-
Percentage of resolutions voted on where eligible	98.0%	95.7%	95.7%	95.7%	94.0%	97.1%	-	-
Of the resolutions voted on, percentage voted with management	84.6%	82.1%	82.1%	82.1%	93.9%	94.4%	-	-
Of the resolutions voted on, percentage voted against management	13.6%	17.1%	17.1%	17.1%	6.1%	5.6%	-	-
Of the resolutions voted on, percentage abstained	1.6%	0.9%	0.9%	0.9%	0.4%	1.9%	-	-

Source: VWS, BlackRock

\*At the time of writing, the Trustee has not been provided with voting disclosures relating to these funds. This is an evolving area and it is expected that reporting from managers will increase.

Fund	Mercer Japanese Equity Fund*	BlackRock Emerging Markets Equity Fund	Ethical Fund*	Mercer European ex-UK Equity Fund*	BlackRock Pacific Rim ex-Japan Equity Fund*	HSBC Shariah Fund	Mercer Global Listed Infrastructure CS1
Total DC Scheme Allocation at 31 December 2020	0.3%	0.3%	0.7%	0.2%	0.5%	0.3%	0.0%
Number of meetings eligible to vote at over year to 31 December 2020	-	2,312	-	-	-	180	38
Number of resolutions eligible to vote on over year to 31 December 2020	-	23,112	-	-	-	1,085	680
Percentage of resolutions voted on where eligible	-	97.5%	-	-	-	97.0%	100%
Of the resolutions voted on, percentage voted with management	-	87.5%	-	-	-	87.4%	87.0%
Of the resolutions voted on, percentage voted against management	-	9.3%	-	-	-	12.6%	10.7%
Of the resolutions voted on, percentage abstained	-	3.1%	-	-	-	0.0%	2.3%

Source: M&G, BlackRock

\*At the time of writing, the Trustee has not been provided with voting disclosures relating to these funds. This is an evolving area and it is expected that reporting from managers will increase.

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**EEPS Implementation Statement (continued)**

Significant votes undertaken in the M&GIE funds for the 12 months to 31 December 2020

The following 10 votes have been reported as the most significant votes with respect to the Scheme over the year to 31 December 2020 as these mostly relate to the funds used in the default strategy, where the majority of members' assets are invested.

**Significant vote #1**

Funds that vote is relevant to	Mercer Growth Fund, Mercer Diversified Growth Fund, Mercer Moderate Growth Fund and Mercer High Growth Fund
Company	IA Financial Corp
Date	24/04/2020
Resolution	Shareholder Proposal Regarding Climate Risk Report
Vote	For
Outcome	Approved
Criteria for vote	Shareholder Resolution - climate change

**Significant vote #2**

Funds that vote is relevant to	Mercer Growth Fund, Mercer Diversified Growth Fund, Mercer Moderate Growth Fund and Mercer High Growth Fund
Company	RIO Tinto Ltd
Date	21/04/2020
Resolution	Shareholder Proposal Regarding Paris-Aligned Greenhouse Gas Emissions Reduction Targets
Vote	For
Outcome	Approved
Criteria for vote	Shareholder Resolution - climate change

**Significant vote #3**

Funds that vote is relevant to	Mercer Growth Fund, Mercer Diversified Growth Fund, Mercer Moderate Growth Fund and Mercer High Growth Fund
Company	Delta Air Lines, Inc.
Date	04/06/2020
Resolution	Shareholder Proposal Regarding Lobbying Activity Alignment with the Paris Agreement
Vote	For
Outcome	Approved

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## EEPS Implementation Statement (continued)

**Significant vote #3**

Criteria for vote Shareholder Resolution - climate change

**Significant vote #4**

Funds that vote is relevant to Mercer Growth Fund, Mercer Diversified Growth Fund, Mercer Moderate Growth Fund and Mercer High Growth Fund

Company Intel Corp.

Date 29/04/2020

Resolution Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report

Vote For

Outcome Approved

Criteria for vote Shareholder Resolution - Diversity

**Significant vote #5**

Funds that vote is relevant to Mercer Growth Fund, Mercer Diversified Growth Fund, Mercer Moderate Growth Fund and Mercer High Growth Fund

Company Aena S.M.E. S.A.

Date 16/10/2020

Resolution Shareholder Proposal Regarding Amending the Bylaws Concerning the Presentation of Climate Transition Reporting

Vote For

Outcome Approved

Criteria for vote Shareholder Resolution - climate change

**Significant vote #6**

Funds that vote is relevant to Mercer Growth Fund, Mercer Diversified Growth Fund, Mercer Moderate Growth Fund and Mercer High Growth Fund

Company Union Pacific Corp.

Date 05/05/2020

Resolution Shareholder Proposal Regarding Report on Plans to Reduce Total Contribution to Climate Change

Vote For

Outcome Approved

Criteria for vote Shareholder Resolution - climate change

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1

jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1

tony.gara@bt.com

BT

## EEPS Implementation Statement (continued)

**Significant vote #7**

Funds that vote is relevant to	Mercer Growth Fund, Mercer Diversified Growth Fund, Mercer Moderate Growth Fund and Mercer High Growth Fund
Company	Beach Energy Limited
Date	10/11/2020
Resolution	Shareholder Proposal Regarding Phase Out of Oil and Gas
Vote	For
Outcome	Approved
Criteria for vote	Shareholder Resolution - climate change

**Significant vote #8**

Funds that vote is relevant to	Mercer Growth Fund, Mercer Diversified Growth Fund, Mercer Moderate Growth Fund and Mercer High Growth Fund
Company	Barclays plc
Date	30/04/2020
Resolution	Shareholder Proposal Regarding Climate Change Strategy
Vote	For
Outcome	Approved
Criteria for vote	Shareholder Resolution - climate change

**Significant vote #9**

Funds that vote is relevant to	Mercer Growth Fund, Mercer Diversified Growth Fund, Mercer Moderate Growth Fund and Mercer High Growth Fund
Company	JPMorgan Chase & Co.
Date	07/05/2020
Resolution	Shareholder Proposal Regarding Aligning GHG Reductions with Paris Agreement
Vote	For
Outcome	Approved
Criteria for vote	Shareholder Resolution - climate change

**Significant vote #10**

Funds that vote is relevant to	Mercer Growth Fund, Mercer Diversified Growth Fund, Mercer Moderate Growth Fund and Mercer High Growth Fund
Company	Amazon.com Inc

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@lcloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

EEPS Implementation Statement (continued)

Significant vote #10	
Date	21/05/2020
Resolution	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report
Vote	For
Outcome	Approved
Criteria for vote	Shareholder Resolution - Diversity

interior and exterior lighting design, paving, etc. & details shown shall be in full compliance with the current building regulations, including but not limited to, fire, structural, drainage, etc.

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Trustee's Report (continued)

### Compliance Matters

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with Schedule 3 of The Occupational Pension Schemes (Disclosure of Information) Regulations 1996 or voluntarily by the Trustee. The information deals with matters of administrative routine.

#### Transfer Values

Transfer values are calculated and verified as required under the provisions of the Pensions Act 1993.

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

The Money and Pensions Service (MaPS) brings together three respected financial guidance bodies: The Pensions Advisory Service (TPAS), the Money Advice Service and Pension Wise providing information to the public on matters relating to workplace and personal pensions.

Address 120 Holborn, London, EC1N 2TD

Telephone: 0115 965 9570

TPAS is available to assist members and beneficiaries of the Scheme in connection with difficulties which they have failed to resolve with the Trustee or Administrator of the Scheme. TPAS dispute resolution service has been brought under The Pensions Ombudsman (TPO) from 1 April 2018. Following the merger, TPO is available for people to access all pensions dispute resolution services, both pre and post-IDRP complaints, in one place.

#### Pensions Ombudsman

The Pensions Ombudsman will assist members and beneficiaries of the Scheme in connection with difficulties which they have failed to resolve with the Trustee or Administrator of the Scheme and may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme and can be contacted at 1<sup>st</sup> Floor, 10 South Colonnade, Canary Wharf, London, E14 4PU.

Telephone: 0800 917 4487 Early resolution email: [helpline@pensions-ombudsman.org.uk](mailto:helpline@pensions-ombudsman.org.uk)

Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)

The Pensions Regulator is able to intervene in the running of schemes where Trustees, Employers or Professional Advisers have failed in their duties.

The Pensions Regulator may be contacted at Napier House, Trafalgar Place, Brighton, BN1 4DW.

Telephone: 0345 600 7060

#### Pension Tracing

A pension tracing service is carried out by the Department for Work and Pensions. The Pension Tracing Service can be contacted at The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU.

Telephone: 0800 731 0193

The data provided by members on their application forms is processed using computers. The use of such data is registered under the applicable Data Protection Legislation for the purposes of pensions administration by the Trustee and of personnel/employee administration by the company.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1

[jmr.clarke@icloud.com](mailto:jmr.clarke@icloud.com)

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1

[tony.gara@bt.com](mailto:tony.gara@bt.com)

BT

## Trustee's Report (continued)

### DC Governance Statement

## Chair's Annual Governance Statement for the Period 1 January 2020 to 31 December 2020

Under legislation set out in Regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the 'Administration Regulations'), as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Corporate Trustee (the 'Trustee') of the EE Pension Scheme (the 'Scheme') is required to prepare a statement (the 'Statement') on governance for inclusion in the Trustee's annual report.

This document sets out the Statement covering the period 1 January 2020 to 31 December 2020.

In accordance with the Administration Regulations, the Trustee has appended the latest copy of the Statement of Investment Principles (the 'SIP') prepared for the Scheme in compliance with Section 35 of the Pensions Act 1995 (the '1995 Act') and Regulation 2 / Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the 'Investment Regulations').

The current default arrangement for DC members in all sections of the Scheme is a "Target Retirement Fund" which switches investments to an asset allocation designed to be appropriate for a typical member who intends to access their benefits via income drawdown at retirement. This is known as a Target Drawdown Strategy.

Members who intend to withdraw their retirement benefits in other ways have the option of switching to alternative lifestyle strategies prior to retirement or even choosing their own investment strategy from the range of fund choices available.

Members are supported by clear communications regarding the aims of the default and the alternative investment options available.

The default funds are reviewed annually by Mercer Workplace Savings who manage the funds. The Trustee undertook a review of the default investment strategy in June 2019. Based on the demographic profile of the membership and industry trends, the Trustees decided to maintain the default strategy as Target Drawdown Strategy. There was no review undertaken during the Scheme year.

The Trustee has implemented three different Target Retirement Fund strategies, each aimed to be appropriate for a member taking their benefits at retirement as one of three ways:

- Drawdown (Target Drawdown Strategy)
- 75% Annuity purchase, 25% Cash (Target Annuity Strategy)
- 100% Cash (Target Cash Strategy)

Each of these strategies is split into two phases: the Growth phase and the Pre-Retirement Phase. Please see the SIP for further details in relation to the Scheme's default investment option, this covers the aims and objectives in relation to the default investment arrangement as well as policies in relation to matters such as risk and diversification.

The Trustee will keep the investment arrangements under regular review and will amend them as appropriate based on analysis of the likely requirements of the typical Scheme member.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Trustee's Report (continued)

As required by the Administration Regulations, the Trustee must ensure that core financial transactions are processed promptly and accurately.

The Trustee Benefit Committee meets quarterly to monitor the Scheme's administration and management. Included in this are reviewing the Administrator reports to ensure the prompt and accurate processing of financial transactions, including core transactions such as the payment and investment of contributions, the transfer of member assets into and out of the Scheme and the payment of benefits on retirement.

The Scheme's Risk Register outlines the main risks to Scheme members and these are monitored and reviewed on a regular basis.

The Trustee has delegated the administration of Scheme member records to Fidelity, Scottish Widows and Utmost Life and Pension (formerly Equitable Life) (Utmost Life) and has agreed minimum timescales with Scottish Widows for all services, including core financial functions. The administration reports produced by Scottish Widows are reviewed at each quarterly Trustee meeting by the Trustee Directors. The Trustee also receives Management Information from Fidelity and Utmost Life for review.

The Schedule of Contributions/Payment Schedule sets out timescales for the Company to remit monthly contributions to the Scheme. However, agreed practice provides for payment of contributions on much shorter timescales, usually within 10 working days.

The Trustee has delegated the day to day investment management of the DC assets to a range of professional investment managers who are accessed through the Scottish Widows investment platform and Fidelity and Utmost Life, with whom the Trustee holds a long-term insurance policies.

The requirements of regulation 24 of the Regulations have been met and core financial transactions have been processed promptly and accurately by:

- Appointing a professional third party administrator, currently Scottish Widows
- Having in place Service Level Agreements (SLAs) with the administrator which cover all core administration processes, including payments of benefits in respect of members and the transfers of assets into and out of the Scheme.
- Monitoring SLAs on a quarterly basis as part of the review of management information provided by the administrator. The administrator also attends Trustee and operational meetings where appropriate
- Maintaining a Scheme Payment schedule and ensuring robust procedures for the payment and investment of Scheme contributions.
- Obtaining an AAF internal controls audit report from the administrator each year.
- Maintaining close working links between the in-house Human Resource and Payroll teams, along with the administrator.
- Monitoring the quality of Scheme membership data held by the administrator on an ongoing basis.
- Maintaining and monitoring a Risk Register which includes risks in relation to core financial transactions
- Appointing a professional firm, Ernst and Young, to undertake an annual audit.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT



As required by the Administration Regulations, the Trustee is required to report on the charges and transactions costs for the investments used in the default arrangement and their assessment of the extent to which the charges and costs represent good value for members.

The total charges payable (quoted in the following tables as TER – Total Expense Ratio) under the default and alternative lifestyle strategies (will vary depending on the stage that each member has reached in the default arrangement's growth and de-risking process). The table overleaf shows the TER of the funds as they currently stand. The TER includes the fees charged by the underlying manager, the platform charge from Scottish Widows and the fee for Mercer Intermediary Services. Note that expenses are a function of the size of the fund and will change over time.

All of the funds used in the default strategy have TERS that fall below the charge cap of 0.75% p.a.

**“Do it for me”**

**Default – Target Drawdown**

Investment Phase	Fund	TER (% pa)	Transaction Cost (% pa)
<b>Growth:</b>	Mercer Growth Fund	0.42	0.0008
<b>De-risking:</b>	Target Drawdown Series	0.31 – 0.42	0.0008 – 0.0010

*TER correct as at December 2020*

**“Help me do it”**

**Target Annuity**

Investment Phase	Fund	TER (% pa)	Transaction Cost (% pa)
<b>Growth:</b>	Mercer Growth Fund	0.42	0.0008
<b>De-risking:</b>	Target Annuity Series	0.31 – 0.42	0.0001 – 0.0031

*TER correct as at December 2020*

**Target Cash**

Investment Phase	Fund	TER (% pa)	Transaction Cost (% pa)
<b>Growth:</b>	Mercer Growth Fund	0.42	0.0008
<b>De-risking:</b>	Target Cash Series	0.33 – 0.42	0.0001 – 0.00109

*TER correct as at December 2020*

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Trustee's Report (continued)

**"Leave me to it"**

The following table provides information on the charges for the self-select investment options as they currently stand, including those funds used in the default, as well as the Target Retirement strategies:

Fund	TER (% pa)	Transaction Cost (% pa)
Growth	0.42	0.0008
High Growth	0.44	0.0007
Moderate Growth	0.44	0.0005
Defensive	0.40	0.0001
Cash and Money Market	0.33	0.0001
Global Equity (60:40) Fund	0.26	-0.0001
UK Equity Fund	0.27	0.0000
Overseas Equity Fund	0.27	0.0000
US Equity Fund	0.26	0.0000
European (ex-UK) Equity Fund	0.29	0.0000
Japanese Equity Fund	0.29	0.0000
Asia Pacific (ex-Japan) Equity Fund	0.26	0.0003
Emerging Markets Equity Fund	0.48	0.0000
Diversified Growth Fund	0.53	0.0021
Diversified Retirement Fund	0.49	0.0012
Pre-Retirement Fund	0.31	0.0000
Property Fund	0.97	0.0000
Ethical Fund	0.93	0.0012
Shariah Fund	0.54	0.0002
Index-Linked Gilts Fund	0.27	0.0000
Fixed-Interest Gilts Fund	0.27	-0.0004
UK Corporate Fund	0.28	0.0000

*TER correct as at December 2020*

*\*At the time of writing, we did not have access to the Fidelity or Utmost transaction costs. These costs have been requested and will be presented within the next Chair Statement.*

In relation to transaction costs, we note that when buying and selling investments, transaction costs can be incurred. Transaction costs are not explicitly deducted from a fund but are captured in its investment performance (in other words, the higher the transaction costs, and the lower the returns produced by a fund). The Financial Conduct Authority has provided guidance (in Policy Statement 17/20) to investment managers regarding calculations and disclosures of transaction costs. Due to the way in which transaction costs are required to be calculated, they can be negative or positive in nature; a negative figure is effectively a gain (on average) from trading activity, whilst a positive figure is effectively a cost from trading activity.

Historically, members were able to invest in a With Profits fund managed by Equitable Life Assurance Society ("Equitable Life") now Utmost Life and Pension ("Utmost"). In 2018, Equitable Life announced its intention to close and as part of their closure proposal, investments were moved to Utmost on 1<sup>st</sup> January 2020. As part of the closure, investments held in the Equitable Life With Profits Fund were disinvested and received a material "Uplift". The "Uplift" was in exchange for the loss of the With Profits Fund's guarantees. In October 2020, following advice from Mercer, the Trustee agreed to transfer these assets under the Utmost policy to Scottish Widows. The Trustee also holds an AVC policy with Fidelity. The Trustee's Fidelity policy is comprised of nine unit linked funds.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Trustee's Report (continued)

### DC Governance Statement (continued)

#### Reporting Costs and Charges

In accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustee has prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance provided has been considered when providing these examples.

The below illustration has taken into account the following elements:

- Savings pot size;
- Contributions;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

To make this representative of the membership, for active members the Trustee has based the illustration on a starting pot size of £9,000, salary of £20,000, contribution level of 10.5% and an age of 34. For deferred members, a starting pot of £18,000 and age of 39 no additional contributions are assumed. We have also assumed an annual inflation of 2.5% per annum.

#### Active Members

Year End	Projected Pot sizes in Today's Money							
	Most Popular fund: Drawdown Lifestyle Strategy		Most expensive fund: Mercer Global Listed Infrastructure		Cheapest fund & Highest expected return: Pacific Rim ex-Japan Equity		Lowest expected return: Cash and Money Market	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£11 274	£11 222	£11 431	£11 272	£11 406	£11 377	£10 934	£10 897
2	£13 586	£13 470	£13 941	£13 586	£13 885	£13 818	£12 835	£12 754
3	£15 936	£15 746	£16 533	£15 941	£16 437	£16 326	£14 702	£14 573
5	£20 755	£20 380	£21 972	£20 781	£21 775	£21 550	£18 340	£18 098
10	£33 526	£32 460	£37 195	£33 672	£36 584	£35 910	£26 897	£26 291
15	£47 400	£45 284	£55 058	£47 775	£53 752	£52 343	£34 735	£33 669
20	£62 471	£58 897	£76 019	£63 206	£73 655	£71 147	£41 915	£40 312
25	£78 569	£72 914	£100 617	£80 090	£96 727	£92 663	£48 493	£46 295
30	£92 981	£84 608	£129 481	£98 563	£123 475	£117 284	£54 519	£51 682
31	£95 108	£86 204	£135 829	£102 461	£129 315	£122 619	£55 662	£52 693

#### Notes:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £9,000 and future contributions of 10.5%.
3. The starting salary is assumed to be £20,000 with an assumed increase of 2.5% per year.
4. Values are estimates and are not guaranteed.
5. The projected growth rate for each fund are as follows:
  - A. Drawdown Lifestyle Strategy (Default Fund): between 1.67% and 0.02% p.a. gross expected real return above inflation
  - B. Pacific Rim ex-Japan Fund (Cheapest and Highest Growth Fund): 3.00% p.a. gross expected real return above inflation

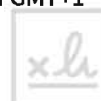
**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com



**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT



## Trustee's Report (continued)

## DC Governance Statement (continued)

## Reporting Costs and Charges (continued)

- C. Mercer Global Listed Infrastructure (Most Expensive Fund): 3.25% p.a. gross expected real return above inflation
- D. Cash & Money Market Fund (Lowest Growth Fund): -1.74% p.a. gross expected real return below inflation

6. The Transaction Costs relate to the actual transaction costs incurred in the Scheme year.

## Deferred Members

Year End	Projected Pot sizes in Today's Money							
	Most Popular fund: Drawdown Lifestyle Strategy		Most expensive fund: Mercer Global Listed Infrastructure		Cheapest fund & Highest expected return: Pacific Rim ex-Japan Equity		Lowest expected return: Cash and Money Market	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£18 301	£18 216	£18 585	£18 327	£18 540	£18 492	£17 687	£17 627
2	£18 606	£18 435	£19 189	£18 660	£19 096	£18 997	£17 380	£17 261
3	£18 917	£18 657	£19 813	£18 998	£19 669	£19 516	£17 078	£16 903
5	£19 555	£19 108	£21 122	£19 694	£20 867	£20 597	£16 489	£16 209
10	£21 244	£20 285	£24 786	£21 548	£24 190	£23 569	£15 105	£14 596
15	£23 079	£21 534	£29 086	£23 577	£28 043	£26 969	£13 838	£13 144
20	£24 981	£22 720	£34 131	£25 796	£32 510	£30 861	£12 676	£11 836
25	£26 151	£23 080	£40 051	£28 224	£37 688	£35 313	£11 613	£10 659
26	£26 157	£22 944	£41 354	£28 736	£38 819	£36 278	£11 411	£10 437

## Notes:

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
- The starting pot size is assumed to be £18,000 and no further contributions are assumed.
- The starting salary is assumed to be £0.
- Values are estimates and are not guaranteed.
- The projected growth rate for each fund are as follows:
  - Drawdown Lifestyle Strategy (Default Fund): between 1.67% and 0.02% p.a. gross expected real return above inflation
  - Pacific Rim ex-Japan Fund (Cheapest and Highest Growth Fund): 3.00% p.a. gross expected real return above inflation
  - Mercer Global Listed Infrastructure (Most Expensive Fund): 3.25% p.a. gross expected real return above inflation
  - Cash & Money Market Fund (Lowest Growth Fund): -1.74% p.a. gross expected real return below inflation
- The Transaction Costs relate to the actual transaction costs incurred in the Scheme year.

Jonathan Clarke

E-signed 2021-07-01 11:41AM GMT+1

jmr.clarke@icloud.com

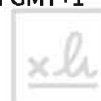


tony gara

E-signed 2021-07-01 04:39PM GMT+1

tony.gara@bt.com

BT



## Trustee's Report (continued)

## DC Governance Statement (continued)

## Reporting Costs and Charges (continued)

Due to the diverse Scheme demographics, a further illustration is set out below to reflect the position for younger members of the Scheme.

This is based on a member age of 22, using a starting pot size of £1,000 and assumes an overall contribution level of 10.2%. An assumed starting salary of £14,000 has been used, with a 2.50% salary increase per year.

Projected Pot sizes in Today's Money									
Year End	Most Popular fund: Drawdown Lifestyle Strategy		Most expensive fund: Mercer Global Listed Infrastructure		Cheapest fund & Highest expected return: Pacific Rim ex-Japan Equity		Lowest expected return: Cash and Money Market		
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	
1	£2 450	£2 439	£2 476	£2 442	£2 472	£2 465	£2 394	£2 386	
2	£3 924	£3 895	£4 000	£3 909	£3 988	£3 971	£3 763	£3 742	
3	£5 423	£5 368	£5 574	£5 404	£5 550	£5 518	£5 109	£5 071	
10	£16 640	£16 191	£18 118	£16 653	£17 874	£17 594	£13 896	£13 631	
15	£25 488	£24 495	£28 963	£25 601	£28 376	£27 728	£19 544	£19 020	
20	£35 099	£33 310	£41 690	£35 391	£40 551	£39 323	£24 719	£23 873	
25	£45 541	£42 668	£56 624	£46 103	£54 665	£52 591	£29 459	£28 244	
30	£56 884	£52 603	£74 148	£57 823	£71 027	£67 773	£33 801	£32 179	
35	£69 160	£63 093	£94 712	£70 647	£89 995	£85 147	£37 778	£35 723	
40	£81 104	£72 557	£118 844	£84 677	£111 984	£105 026	£41 422	£38 914	
41	£83 111	£74 046	£124 151	£87 638	£116 785	£109 334	£42 114	£39 513	
42	£84 884	£75 320	£129 630	£90 652	£121 731	£113 759	£42 793	£40 100	
43	£86 325	£76 290	£135 288	£93 722	£126 825	£118 306	£43 460	£40 674	

## Notes:

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
- The starting pot size is assumed to be £1,000 and future contributions of 10.2% have been assumed.
- The starting salary is assumed to be £14,000 with an assumed increase of 2.5% per year.
- Values are estimates and are not guaranteed.
- The projected growth rate for each fund are as follows:
  - Drawdown Lifestyle Strategy (Default Fund): between 1.67% and 0.02% p.a. gross expected real return above inflation
  - Pacific Rim ex-Japan Fund (Cheapest and Highest Growth Fund): 3.00% p.a. gross expected real return above inflation
  - Mercer Global Listed Infrastructure (Most Expensive Fund): 3.25% p.a. gross expected real return above inflation
  - Cash & Money Market Fund (Lowest Growth Fund): -1.74% p.a. gross expected real return below inflation
- The Transaction Costs relate to the actual transaction costs incurred in the Scheme year.

Jonathan Clarke

E-signed 2021-07-01 11:41AM GMT+1

jmr.clarke@icloud.com



tony gara

E-signed 2021-07-01 04:39PM GMT+1

tony.gara@bt.com

BT



## Trustee's Report (continued)

### Value for Money

In accordance with regulation 25(1)(b), the Trustee is required to undertake a review of the charges and transaction costs incurred by members in order to ascertain whether or not they represent good value for members, relative to peers and alternative arrangements that are available. The Trustee are completing a detailed review of their provisions in 2021. The below summary represents the results of the previous assessment, which will be updated to reflect the 2021 assessment, once completed.

The Trustee has previously conducted a Value for Money Assessment in order to assess value for money, incorporating consideration of:

- Investment charges for the default and self-select options – compliance with the charge cap limits
- Transaction costs – information not available for this report
- Net performance
- Other Scheme features
- Scheme governance
- Investment design and range
- Investment manager and platform provider ratings
- Administration

The Trustee has assessed the extent to which the charges set out above represent good value for members and has concluded, following receipt of a report from its independent DC adviser, that the Scheme offers **good** value for money relative to peers and alternative arrangements that are available.

The reasons underpinning this conclusion include:

- Charges for the Scheme's default investment arrangement are competitive and below the charge cap of 0.75% per annum;
- Charges on funds have been assessed by Mercer as comparing favourably with those of peer funds;
- The funds used by the Scheme are highly rated by Mercer as having good prospects of achieving their risk and return objectives (by assessing risk and return objectives, members are able to identify which managers have achieved capital growth over a designated period of time);
- The performance of the Scheme's funds is monitored frequently, and over the last three years generally compare favourably relative to their benchmarks. Where this has not been the case the Trustee applies a watching brief.

In their regular duties, the Trustee endeavours to maintain a good quality Scheme, with members having access to appropriate investment arrangements; the administration being delivered in line with agreed targets and regular communications to aid member understanding of their benefits.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Trustee's Report (continued)

### Value for Money (continued)

#### Trustee knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004, requires individual trustee to have appropriate knowledge and understanding of the law relating to pensions and trusts and the investment of the assets. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the Trustee to exercise the function in question.

The Trustee has undertaken the following:

- The Trustee has worked through the trustee knowledge and understanding requirements set by The Pensions Regulator ("TPR") and keep up to date with ongoing developments.
- The Trustee maintains a programme of Trustee training which includes training delivered as part of Trustee's meetings as well as structured training events and webinars where required for specific events.
- The Trustee maintains a training log to record training which shows that the Trustee attended specific training events such as Valuation training.
- The Trustee Directors are an experienced board and review their train programme at least annually, taking into account the balance and variety of expertise amongst the Trustee.
- The Trustee regularly receives email bulletins and updates from their advisers on the latest developments affecting defined benefit and defined contribution pension schemes.
- The Trustee has paid due consideration to TPR's DC Code of Practice No.13 and undertook an assessment of the Scheme in relation to the Code in June 2017 following publication of the revised DC Code of Practice by TPR.

The Trustee will also review and assess, on an ongoing basis, whether the systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator's Code of Practice 13.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Trustee's Report (continued)

**Chair's declaration**

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustee to the best of my knowledge.

I confirm that the above Statement has been produced by the Trustee to the best of its knowledge.

Signature:   
Jonathan Clarke (Jul 1, 2021 11:41 GMT+1)

Name: Jonathan Clarke

Position: **Chair of Trustee Directors of the EE Pension Scheme**

Date: 01/07/2021

**Appendix**

Statement of Investment Principles effective September 2020

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1

jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1

tony.gara@bt.com

BT



## Trustee's Report (continued)

### Statement of Trustee's Responsibilities

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

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme 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 the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report. The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustee is responsible under pensions legislation for securing that a payment schedule is prepared, maintained and from time to time revised showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the payment schedule. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Report on Actuarial Liabilities

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

The most recent full actuarial valuation of the Scheme was carried out as at 31 December 2018. This showed that on that date:

The value of the Technical Provisions was: £923.4 million

The value of the assets at that date was: £762.1 million

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

### Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method with a 3 year central period to calculate the cost of future benefit accrual.

### Significant actuarial assumptions

**Discount interest rate:** Gilt yield curve plus 2.0% p.a. until 31 December 2032. Declining to a gilt yield curve plus 0.5% p.a. at 31 December 2042 and a gilt yield curve plus 0.3% p.a. after 31 December 2052.

**Retail Price Inflation:** RPI swap markets.

**Consumer Price Inflation:** RPI inflation curve less 1.1% p.a.

**Pension Increases:** LPI curves based on RPI inflation assumption adjusted with allowance for caps and floors and with the aim of approximately reflecting the cost of hedging these increases using LPI-linked swaps.

**Pensionable salary increases:** RPI inflation curve plus an age related scale for promotional increases.

**Post-retirement mortality assumption – base table:** standard 'SAPS S3 All' table with CMI 2018 improvements.

**Post-retirement mortality assumption – future improvements:** CMI 2018 core projections with long-term improvement rate of 1.5% p.a.

**Withdrawal:** Allowance is made for withdrawals from service using an age related scale until 30 June 2014, when the Final Salary Section of the Scheme closed to future accrual.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Actuary's Certification of the Schedule of Contributions

**Name of Scheme:** EE Pension Scheme

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 December 2018 to be met by the end of the period specified in the recovery plan dated 23 March 2020.
2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 23 March 2020.

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

**Signature:** *S Head*

**Scheme Actuary:** Simon Head

**Date of signing:** 23 March 2020

**Name of Employer:** Aon Hewitt Limited

**Address:** Verulam Point  
Station Way  
St Albans  
AL1 5HE

**Qualification:** Fellow of the Institute and Faculty of Actuaries

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

**Name of Scheme:** EE Pension Scheme

## Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 December 2018 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the Statement of Funding Principles dated 23 March 2020.

**Signature:** *S Head*

**Scheme Actuary:** Simon Head

**Date of signing:** 23 March 2020

**Name of Employer:** Aon Hewitt Limited

**Address:** Verulam Point  
Station Way  
St Albans  
AL1 5HE

**Qualification:** Fellow of the Institute and Faculty of Actuaries

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

### Trustee's Report (continued)

### Contact for Further Information

Enquiries about individual member's defined benefit section benefits should be addressed to:

Capita  
2<sup>nd</sup> Floor  
145 Morrison Street  
Edinburgh EH3 8FJ

Email: [ee.help@capita.co.uk](mailto:ee.help@capita.co.uk)

General enquiries for defined contribution section members should be addressed to:

EE Pension Trustee Limited  
Capricorn  
2620 The Quadrant  
Aztec West  
Bristol  
BS32 4TE

Telephone: 01707 318810


Email: [hr.reward@ee.co.uk](mailto:hr.reward@ee.co.uk)

Enquiries about individual member's benefits in defined contribution section should be addressed to:

Telephone: 0800 3899160

Email: [eeserviceteam@scottishwidows.co.uk](mailto:eeserviceteam@scottishwidows.co.uk)

**Signed on behalf of the EE Pension Scheme by:**

  
Jonathan Clarke (Jul 1, 2021 11:41 GMT+1)

Date: 01/07/2021

**Director**  
**EE Pension Trustee Limited**  
Jonathan Clarke

  
.....

Date: 01/07/2021

**Director**  
**EE Pension Trustee Limited**  
tony gara

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
[jmr.clarke@icloud.com](mailto:jmr.clarke@icloud.com)

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
[tony.gara@bt.com](mailto:tony.gara@bt.com)  
BT

# Independent Auditor's Report to the Trustee of the EE Pension Scheme

We have audited the financial statements of the EE Pension Scheme for the year ended 31 December 2020 which comprise the Fund Account, the Statement of Net Assets and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2020, 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; 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, made under the Pensions Act 1995.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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 Scheme's ability to continue as a going concern for a period of 12 months from when the Scheme's annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

The other information comprises the information included in the annual report, other than the financial statements, our auditor's report thereon and our auditor's statement about contributions. The Trustee is responsible for the other information contained within the annual report.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

As explained more fully in the Trustee's responsibilities statement set out on page 48, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements the Trustee is responsible for assessing the Scheme'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 Trustee either intends to wind up the Scheme or to cease operations, or has no realistic alternative but to do so.

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 auditor's 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 irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Trustee.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scheme and determined that the most significant related to pensions legislation and the financial reporting framework. These are the Pensions Act 1995 and 2004 (and regulations made thereunder), FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (Financial Reports of Pension Schemes).
- We understood how the Scheme is complying with these legal and regulatory frameworks by making enquiries of the Trustee. We corroborated our enquiries through our review of the Trustees' meeting minutes.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Independent Auditor's Report to the Trustee of the EE Pension Scheme (continued)

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We assessed the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Scheme has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. In our assessment, we also considered the risk of management override of controls. Our audit procedures included testing manual journals on a sample basis, including assessment of segregation of duties, extending sample sizes and involving specialists as appropriate. The procedures were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the Trustee for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of Trustees' minutes.
- The Scheme is required to comply with UK pensions regulations. As such, the we have considered the experience and expertise of the engagement team to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Scheme with these regulations as part of our audit procedures, including the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.



Ernst & Young LLP

Statutory Auditor

Bristol

Date: 5 July 2021

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1

[jmr.clarke@icloud.com](mailto:jmr.clarke@icloud.com)



**tony gara**

E-signed 2021-07-01 04:39PM GMT+1

[tony.gara@bt.com](mailto:tony.gara@bt.com)

BT





# Independent Auditor's Statement about Contributions to the Trustee of the EE Pension Scheme

We have examined the summary of contributions to the EE Pension Scheme for the scheme year ended 31 December 2020 which is set out in the Trustee's Report on page 9.

In our opinion contributions for the scheme year ended 31 December 2020 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the scheme actuary on 21 March 2017 and 23 March 2020.

## Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions on page 9 have in all material respects been paid at least in accordance with the schedules of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedules of contributions.

## Respective responsibilities of Trustee and the auditor

As described more fully in the Statement of Trustee's Responsibilities on page 48, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a Statement about Contributions paid under the schedule of contributions and to report our opinion to you.

## Use of our statement

This statement is made solely to the Scheme's Trustee as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our work, for this statement, or the opinions we have formed.



Ernst & Young LLP  
Statutory Auditor  
Bristol

Date: 5 July 2021

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com



**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT



## Fund Account

## For the year ended 31 December 2020

	Note	Defined benefit section 2020 £'000	Defined contribution section 2020 £'000	Total 2020 £'000	Total 2019 £'000
<b>Contributions and benefits</b>					
Employer contributions		41,458	19,869	61,327	40,514
Employee contributions		-	1,446	1,446	632
<b>Total contributions</b>	5	<b>41,458</b>	<b>21,315</b>	<b>62,773</b>	41,146
Transfers in	6	-	471	471	542
Other income	7	-	994	994	1,700
		<b>41,458</b>	<b>22,780</b>	<b>64,238</b>	43,388
Benefits paid or payable	8	(7,903)	(6,102)	(14,005)	(12,462)
Payment to and on account of leavers	9	(6,538)	(38,602)	(45,140)	(41,171)
Administration expenses	10	(21)	(26)	(47)	(133)
Other payments	11	-	-	-	(4)
		<b>(14,462)</b>	<b>(44,730)</b>	<b>(59,192)</b>	(53,770)
<b>Net additions / (withdrawals) from dealings with Members</b>		<b>26,996</b>	<b>(21,950)</b>	<b>5,046</b>	(10,382)
<b>Returns on investments</b>					
Investment income	12	8,103	2	8,105	7,110
Change in market value of investments	13	87,377	39,515	126,892	190,473
Investment management expenses	14	(1,259)	-	(1,259)	(1,726)
<b>Net returns on investments</b>		<b>94,221</b>	<b>39,517</b>	<b>133,738</b>	195,857
<b>Net increase in the fund during the year</b>		<b>121,217</b>	<b>17,567</b>	<b>138,784</b>	185,475
<b>Net assets of the Scheme at start of year</b>		868,455	717,248	1,585,703	1,400,228
<b>Net assets of the Scheme at end of year</b>		<b>989,672</b>	<b>734,815</b>	<b>1,724,487</b>	1,585,703

The accompanying notes on pages 59 to 84 are an integral part of these financial statements.

Jonathan Clarke

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

tony gara

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT


## Statement of Net Assets as at 31 December 2020 (available for benefits)

	Note	Defined benefit section 2020 £'000	Defined contribution section 2020 £'000	Total 2020 £'000	Total 2019 £'000
<b>Investment assets:</b>					
Pooled investment vehicles	16	706,566	731,931	1,438,497	1,372,502
Bonds	13	337,519	-	337,519	250,791
Insurance policies	17	-	-	-	25,635
AVC investments	18	9,901	-	9,901	9,907
Cash and other		699	972	1,671	8,740
Derivatives	19	115,148	-	115,148	67,356
Amounts receivable under repurchase agreements	20	-	-	-	15,350
		<b>1,169,833</b>	<b>732,903</b>	<b>1,902,736</b>	<b>1,750,281</b>
<b>Investment liabilities:</b>					
Derivatives	19	(66,282)	-	(66,282)	(50,125)
Amounts due under repurchase agreements	20	(129,451)	-	(129,451)	(120,424)
		<b>(195,733)</b>	<b>-</b>	<b>(195,733)</b>	<b>(170,549)</b>
<b>Total net investments</b>	<b>13</b>	<b>974,100</b>	<b>732,903</b>	<b>1,707,003</b>	<b>1,579,732</b>
<b>Current assets</b>	<b>23</b>	<b>15,902</b>	<b>3,379</b>	<b>19,281</b>	<b>7,449</b>
<b>Current liabilities</b>	<b>24</b>	<b>(330)</b>	<b>(1,467)</b>	<b>(1,797)</b>	<b>(1,478)</b>
<b>Net assets of the Scheme at end of year</b>		<b>989,672</b>	<b>734,815</b>	<b>1,724,487</b>	<b>1,585,703</b>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the defined benefit section, is dealt with in the Report on Actuarial Liabilities on page 49 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 59 to 84 form an integral part of these financial statements.

These financial statements were approved by the Trustee on 29 June 2021.

Signed on behalf of the Trustee:  Jonathan Clarke (Jul 1, 2021 11:41 GMT+1).....

## Notes to the Financial Statements

### Identification of the financial statements

The EE Pension Scheme, registration number 10249705 is a trust scheme established under English Law, administered under a Definitive Trust Deed and Rules. The address for enquiries to the Scheme is included in the Trustee Report.

### Basis of preparation

The individual financial statements of EE Pension Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (“FRS102”) and the guidance set out in the Statement of Recommended Practice “Financial Reports of Pension Schemes” (revised June 2018) (“the SORP”).

The financial statements have been prepared on a going concern basis.

### Accounting policies

The principal accounting policies of the Scheme are as follows:

#### Contributions

Employee contributions, including AVCs, are accounted for by the Trustee when they are deducted from pay by the Employer, except for the first contribution due where the employee has been auto-enrolled by the Employer in which case it is accounted for when received by the Scheme.

Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as the employees’ contributions, in accordance with the Schedule of Contributions in force during the year.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are payable.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the employer and Trustee.

#### Payments to members

Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving or notification of death.

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

#### Transfers to and from other schemes

Individual transfers in or out of the Scheme are accounted for when member liability is accepted or, discharged which is normally when the transfer amount is paid or received.

#### Expenses

Administrative expenses are borne by the Employer, other than those shown in note 10. Investment manager expenses are accounted for on an accruals basis.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

### 3. Accounting policies (continued)

#### Investment income

Income from cash and short term deposits is accounted for on an accruals basis.

Income from pooled investment vehicles which distribute income is accounted for when declared by the fund manager.

Investment income, which is not distributed, arising from the underlying investment of pooled investment vehicles is reinvested within the pooled investment vehicles reflected in the unit price. It is reported within the change in market value.

Income from fixed interest and index linked securities is accounted for on an accruals basis and reflects interest bought and sold on investment purchases and sales.

#### Investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Investments are included at fair value as described below:

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

The fair value of the interest rate swaps and inflation swaps is calculated using pricing models populated with market observable inputs. Swaps contracts are valued on a single-price basis due to the absence of a bid and offer spread. Realised gains and losses on closed contracts and unrealised gains and losses on open contracts are included in change in market value. Net receipts or payments on swap contracts are either reported in investment income (where the economic purpose relates to income) or change in market value (where the economic purpose relates to assets or liabilities).

With profit insurance policies are reported at the policy value provided by the insurance company based on the cumulative reversionary bonuses declared and the current terminal bonus.

Repurchase agreements are accounted for as follows:

Repurchase agreements (repo) - the Scheme continues to recognise and value the securities that are delivered out as collateral and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

Fixed interest securities are stated at their clean prices. Accrued interest is excluded from the market value of fixed income securities and is included in investment income receivable.

#### Presentation currency

The Scheme's presentational and functional currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Notes to the Financial Statements (continued)

		<b>Defined benefit section 2019 £'000</b>	<b>Defined contribution section 2019 £'000</b>	<b>Total 2019 £'000</b>
<b>Contributions and benefits</b>				
Employer contributions		22,500	18,014	40,514
Employee contributions		-	632	632
<b>Total contributions</b>	<b>5</b>	<b>22,500</b>	<b>18,646</b>	<b>41,146</b>
Transfers in	6	-	542	542
Other income	7	-	1,700	1,700
		<b>22,500</b>	<b>20,888</b>	<b>43,388</b>
Benefits paid or payable	8	(7,325)	(5,137)	(12,462)
Payment to and on account of leavers	9	(5,887)	(35,284)	(41,171)
Administration expenses	10	(32)	(101)	(133)
Other payments	11	-	(4)	(4)
		<b>(13,244)</b>	<b>(40,526)</b>	<b>(53,770)</b>
<b>Net additions / (withdrawals) from dealings with Members</b>		<b>9,256</b>	<b>(19,638)</b>	<b>(10,382)</b>
<b>Returns on investments</b>				
Investment income	12	7,098	12	7,110
Change in market value of investments	13	82,872	107,601	190,473
Investment management expenses	14	(1,726)	-	(1,726)
<b>Net returns on investments</b>		<b>88,244</b>	<b>107,613</b>	<b>195,857</b>
<b>Net increase in the fund during the year</b>		<b>97,500</b>	<b>87,975</b>	<b>185,475</b>
<b>Net assets of the Scheme at start of year</b>		<b>770,955</b>	<b>629,273</b>	<b>1,400,228</b>
<b>Net assets of the Scheme at end of year</b>		<b>868,455</b>	<b>717,248</b>	<b>1,585,703</b>

Jonathan Clarke

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

tony gara

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Notes to the Financial Statements (continued)

	Note	Defined benefit section 2019 £'000	Defined contribution section 2019 £'000	Total 2019 £'000
<b>Investment assets:</b>				
Pooled investment vehicles	16	684,350	688,152	1,372,502
Bonds	13	250,791	-	250,791
Insurance policies	17	-	25,635	25,635
AVC investments	18	9,907	-	9,907
Cash and other		7,299	1,441	8,740
Derivatives	19	67,356	-	67,356
Amounts receivable under repurchase agreements	20	15,350	-	15,350
		<b>1,035,053</b>	<b>715,228</b>	<b>1,750,281</b>
<b>Investment liabilities:</b>				
Cash and other		-	-	-
Derivatives	19	(50,125)	-	(50,125)
Amounts due under repurchase agreements	20	(120,424)	-	(120,424)
		<b>(170,549)</b>	<b>-</b>	<b>(170,549)</b>
<b>Total net investments</b>	13	<b>864,504</b>	<b>715,228</b>	<b>1,579,732</b>
<b>Current assets</b>	23	<b>4,258</b>	<b>3,191</b>	<b>7,449</b>
<b>Current liabilities</b>	24	<b>(307)</b>	<b>(1,171)</b>	<b>(1,478)</b>
<b>Net assets of the Scheme at end of year</b>		<b>868,455</b>	<b>717,248</b>	<b>1,585,703</b>

Jonathan Clarke

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

tony gara

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**Contributions**

	<b>2020</b> <b>Defined</b> <b>benefit</b> <b>section</b> <b>£'000</b>	<b>2020</b> <b>Defined</b> <b>contribution</b> <b>section</b> <b>£'000</b>	<b>2020</b>  <b>Total</b>  <b>£'000</b>
<b>Employer contributions</b>			
Normal	-	19,869	19,869
Deficit funding	41,458	-	41,458
	<b>41,458</b>	<b>19,869</b>	<b>61,327</b>
<b>Employee contributions</b>			
Normal	-	1,012	1,012
Additional voluntary contributions	-	434	434
	<b>-</b>	<b>1,446</b>	<b>1,446</b>
	<b>41,458</b>	<b>21,315</b>	<b>62,773</b>
	<b>2019</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
<b>Employer contributions</b>			
Normal	-	18,014	18,014
Deficit funding	22,500	-	22,500
	<b>22,500</b>	<b>18,014</b>	<b>40,514</b>
<b>Employee contributions</b>			
Normal	-	397	397
Additional voluntary contributions	-	235	235
	<b>-</b>	<b>632</b>	<b>632</b>
	<b>22,500</b>	<b>18,646</b>	<b>41,146</b>

Deficit contributions are being paid in accordance with the Schedule of Contributions to cover the shortfall of the Scheme as determined by the actuarial valuation of the Scheme as at 31 December 2018. For the period 1 April 2018 to 31 December 2020, £1,875,000 per month will be paid by the Employer into the Scheme. For the period 1 January 2020 to 31 July 2022 £3,333,333 per month will be paid by the Employer into the Scheme.

Member normal contributions represent contributions from members not participating in the salary sacrifice arrangement.

Employer normal contributions include notional contributions in respect of Salary Sacrifice members.

**Jonathan Clarke**E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com**tony gara**E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT



## Notes to the Financial Statements (continued)

## Transfers in

	<b>2020</b> <b>Defined</b> <b>benefit</b> <b>section</b> <b>£'000</b>	<b>2020</b> <b>Defined</b> <b>contribution</b> <b>section</b> <b>£'000</b>	<b>2020</b>  <b>Total</b>  <b>£'000</b>
Individual transfers in from other schemes	-	471	471

	<b>2019</b>	<b>2019</b>	<b>2019</b>
Individual transfers in from other schemes	-	542	542

## Other income

	<b>2020</b> <b>Defined</b> <b>benefit</b> <b>section</b> <b>£'000</b>	<b>2020</b> <b>Defined</b> <b>contribution</b> <b>section</b> <b>£'000</b>	<b>2020</b>  <b>Total</b>  <b>£'000</b>
Other income	-	89	89
Claims on life assurance policies	-	905	905
	-	<b>994</b>	<b>994</b>

	<b>2019</b>	<b>2019</b>	<b>2019</b>
Other income	-	26	26
Claims on life assurance policies	-	1,674	1,674
	-	<b>1,700</b>	<b>1,700</b>

**Jonathan Clarke**E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com**tony gara**E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Notes to the Financial Statements (continued)

**Benefits paid or payable**

	<b>2020</b>	<b>2020</b>	<b>2020</b>
	<b>Defined</b>	<b>Defined</b>	<b>Total</b>
	<b>benefit</b>	<b>contribution</b>	<b>Total</b>
	<b>section</b>	<b>section</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Payment of pensions	5,722	-	5,722
Commutations and lump sum retirement benefits	2,017	3,130	5,147
Lump sum death benefits	164	2,827	2,991
Taxation where lifetime or annual allowance exceeded	-	145	145
	<b>7,903</b>	<b>6,102</b>	<b>14,005</b>
	<b>2019</b>	<b>2019</b>	<b>2019</b>
Payment of pensions	5,191	-	5,191
Commutations and lump sum retirement benefits	2,097	2,827	4,924
Lump sum death benefits	37	2,310	2,347
Taxation where lifetime or annual allowance exceeded	-	-	-
	<b>7,325</b>	<b>5,137</b>	<b>12,462</b>

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

**Jonathan Clarke**E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com**tony gara**E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Notes to the Financial Statements (continued)

**Payments to and on account of leavers**

	<b>2020 Defined benefit section £'000</b>	<b>2020 Defined contribution section £'000</b>	<b>2020 Total £'000</b>
Refunds to members leaving service	-	3	3
Pension sharing on divorce	598	-	598
Individual transfers to other schemes	5,838	37,264	43,102
Charges deducted by way of cancellation of member units	-	1,094	1,094
Employer trustee reserve refund	-	51	51
Purchase of annuities	102	190	292
State Scheme premiums	-	-	-
	<b>6,538</b>	<b>38,602</b>	<b>45,140</b>
	<b>2019</b>	<b>2019</b>	<b>2019</b>
Refunds to members leaving service	-	5	5
Pension sharing on divorce	305	-	305
Individual transfers to other schemes	5,479	32,690	38,169
Charges deducted by way of cancellation of member units	-	1,073	1,073
Employer trustee reserve refund	-	1,300	1,300
Purchase of annuities	98	216	314
State Scheme premiums	5	-	5
	<b>5,887</b>	<b>35,284</b>	<b>41,171</b>

**Administration expenses**

	<b>2020 Defined benefit section £'000</b>	<b>2020 Defined contribution section £'000</b>	<b>2020 Total £'000</b>
Bank charges and other expenses	-	-	-
Trustee Directors fees	21	26	47
Audit fees	-	-	-
	<b>21</b>	<b>26</b>	<b>47</b>
	<b>2019</b>	<b>2019</b>	<b>2019</b>
Bank charges and other expenses	1	46	47
Trustee Directors fees	31	21	52
Audit fees	-	34	34
	<b>32</b>	<b>101</b>	<b>133</b>

The participating employers are required to meet PPF levies, life assurance premiums and other scheme expenses as they fall due. The audit fees will be paid by the principal employer rather than the Scheme.

**Jonathan Clarke**E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com**tony gara**E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**Other payments**

	<b>2020</b> <b>Defined</b> <b>benefit</b> <b>section</b> <b>£'000</b>	<b>2020</b> <b>Defined</b> <b>contribution</b> <b>section</b> <b>£'000</b>	<b>2020</b>  <b>Total</b>  <b>£'000</b>
Other payments	-	-	-
	<b>2019</b>	<b>2019</b>	<b>2019</b>
Other payments	-	4	4

**Investment income**

	<b>2020</b> <b>Defined</b> <b>benefit</b> <b>section</b> <b>£'000</b>	<b>2020</b> <b>Defined</b> <b>contribution</b> <b>section</b> <b>£'000</b>	<b>2020</b>  <b>Total</b>  <b>£'000</b>
Interest on cash deposits	2	2	4
Income from pooled investment vehicles	6,210	-	6,210
Interest on liquidity funds	108	-	108
Income from derivatives	49	-	49
Repurchase agreements	(331)	-	(331)
Fixed income	2,065	-	2,065
	<b>8,103</b>	<b>2</b>	<b>8,105</b>
	<b>2019</b>	<b>2019</b>	<b>2019</b>
Interest on cash deposits	8	12	20
Income from pooled investment vehicles	6,079	-	6,079
Interest on liquidity funds	75	-	75
Income from derivatives	4	-	4
Repurchase agreements	(839)	-	(839)
Fixed income	1,771	-	1,771
	<b>7,098</b>	<b>12</b>	<b>7,110</b>

**Jonathan Clarke**E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com**tony gara**E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Notes to the Financial Statements (continued)

## Reconciliation of investments

	Value at 1 January 2020	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value £'000	Value at 31 December 2020 £'000
<b>Defined Benefit Section</b>					
Pooled investment vehicles	684,350	895,952	(871,292)	(2,444)	706,566
Derivatives	17,231	7,567	(26,703)	50,771	48,866
Bonds	250,791	68,158	(20,105)	38,675	337,519
AVC investments	9,907	-	(381)	375	9,901
	962,279	971,677	(918,481)	87,377	1,102,852
Repurchase agreements	(105,074)				(129,451)
Cash deposits	37				35
Other – amount due to broker	7,262				664
	864,504				974,100
<b>Defined Contribution Section</b>					
Insurance policies	25,635	-	(33,808)	8,173	-
Pooled investment vehicles	688,152	90,906	(78,469)	31,342	731,931
	713,787	90,906	(112,277)	39,515	731,931
Cash deposits	1,441				972
	715,228				732,903

The companies managing the pooled investment vehicles of the Defined Benefit Section are registered in the United Kingdom with the exception of Sands Capital Management LLC, Harris Associates and Epoch Investment (all registered in the United States).

	2020 £'000	2019 £'000
<b>Pooled Investment Vehicles Managed Funds</b>		
UBS Global Asset Management Property Fund	34,565	35,831
PIMCO Corporate Bonds	98,259	99,486
Harris Global Equity Fund	-	68,193
Epoch Global Equity Fund	-	67,097
Sands Capital Growth Fund	-	71,993
Insight LDI Portfolio	141,655	166,708
Hayfin Direct Lending II Fund	22,038	26,239
Hayfin Direct Lending III Fund	23,318	10,355
Chorus Capital Credit Fund IV	21,633	-
	341,468	545,902
<b>Unitised Funds</b>		
Standard Life Investment Property Fund	56,313	56,510
Aviva REaLM Multi Sector Unit Trust	57,210	58,079
M&G UK Residential Property Fund	29,083	23,859
LGIM Factor Equities Index Fund	222,492	-
	706,566	684,350

Jonathan Clarke

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

tony gara

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**13. Reconciliation of investments****Concentration of Investments**

The following investments account for more than 5% of the Scheme's defined benefit assets as at 31 December 2020:

	2020	2019
	%	%
PIMCO Corporate Bonds	10.1	11.5
Harris Global Equity Fund	-	7.9
Epoch Global Equity Fund	-	7.7
Sands Capital Growth Fund	-	8.3
Standard Life Investments Property Fund	5.8	6.5
Insight LDI Solutions Bonds Plus S	3.4	6.4
Aviva REaLM Multi Sector Unit Trust	5.9	6.7
Insight Liquidity Fund Plus	-	5.3
Insight High Grade Abs Fund Class S	6.1	6.1
LGIM Factor Equities Index Fund	22.8	-

**Transaction costs**

Transaction costs are included in the cost of purchases and sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty. There were no direct transaction costs during the year.

In addition to the direct transaction costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. The amount of indirect costs is not separately provided to the Scheme.

**Defined Contribution Section**

For the Defined Contribution Section, investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. All Defined Contribution section investments are allocated to members.

The companies operating the pooled investment vehicles of the Defined Contribution Section are all registered in the United Kingdom.

**Investment management expenses**

	2020 Defined benefit section £'000	2020 Defined contribution section £'000	2020 Total £'000
Management charges	1,259	-	1,259
	2019	2019	2019
Management charges	1,726	-	1,726

Management charges relate to investment managers who are remunerated through direct deduction from the investments.

**Taxation**

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

**Jonathan Clarke**E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com**tony gara**E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Notes to the Financial Statements (continued)

**Pooled investment vehicles**

The Scheme's investments in pooled investment vehicles at the year end comprised:

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
<b>Defined Benefit Section</b>		
Equity	222,492	207,283
Private equity	66,989	36,595
Cash	49,378	52,821
Hedge funds	247,746	213,372
Property	119,961	174,279
	<b>706,566</b>	<b>684,350</b>
	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
<b>Defined Contribution Section</b>		
Equity	189,517	171,091
Bonds	5,519	5,365
Cash	3,436	3,115
Diversified growth	531,619	506,243
Property	1,841	2,338
	<b>731,932</b>	<b>688,152</b>

**Insurance policies**

The Scheme held insurance policies at the year end as follows:

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
With profits policy – Utmost Life and Pensions Limited	-	25,635

**AVC investments**

The Trustee holds assets invested separately from the Defined Benefit Section investments in the form of individual insurance policies securing additional benefits on a money purchase basis for those members who have paid additional voluntary contributions or waived bonus in return for an employer contribution, or who have transferred benefits from other pension schemes into the Scheme and the benefits are to be provided by the Trustee on a money purchase basis. Members participating in this arrangement each receive an annual statement made up to 31 December confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Utmost Life and Pensions Limited	200	92
Fidelity UK Insurance Limited	9,701	9,815
	<b>9,901</b>	<b>9,907</b>

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Notes to the Financial Statements (continued)

## 19. Derivatives

**Objectives and policies**

Under the terms of their Investment Management Agreements, the Trustee has authorised the use of derivatives by its investment managers in the course of implementing the investment strategy.

The main objectives for the use of derivatives and the policies followed during the year are summarised as follows:

**Swaps** – The Trustee's aim is to match as far as possible the assets held within the LDI portfolio to a portion of the Scheme's long term liabilities, in particular in relation to their sensitivities to interest rate and inflation movements. The Trustee entered into interest rate and inflation swaps that extend the duration of the assets to better match the long-term liabilities of the Scheme.

	2020 Assets £'000	2020 Liabilities £'000	2019 Assets £'000	2019 Liabilities £'000
OTC Swaps	115,148	(66,282)	67,356	(50,125)

A summary of the Scheme's outstanding derivative contracts at the year end aggregated by key characteristics is set out below:

Period of Contract	Nature of Swap	Notional Principal £'000	2020 Asset £'000	2020 Liability £'000
0-10 Yrs	Pay Fixed (3.24% to 3.44%) for UKRPI	4,399	-	(211)
11-20 Yrs	Pay Fixed (3.24% to 3.38%) for UKRPI	7,896	-	(593)
21-30 Yrs	Pay Fixed (3.17% to 3.63%) for UKRPI	16,443	-	(3,823)
31-40 Yrs	Pay Fixed (3.17% to 3.70%) for UKRPI	13,501	21	(5,486)
41-50 Yrs	Pay Fixed (2.87% to 3.59%) for UKRPI	19,656	278	(8,301)
51-60 Yrs	Pay Fixed (2.76% to 3.60%) for UKRPI	14,116	81	(16,922)
			<b>380</b>	<b>(35,336)</b>
21-30 Yrs	Pay UKRPI for Fixed (3.17% to 3.63%)	3,600	733	-
41-50 Yrs	Pay UKRPI for Fixed (2.87% to 3.59%)	9,952	987	(6)
			<b>1,720</b>	<b>(6)</b>
<b>Total Inflation Rate Swaps</b>			<b>2,100</b>	<b>(35,342)</b>

Jonathan Clarke

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

tony gara

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT



## Notes to the Financial Statements (continued)

## Objectives and policies (continued)

Period of Contract	Nature of Swap	Notional Principal £'000	2020 Asset £'000	2020 Liability £'000
11-20 Yrs	Pay Fixed (Zero Coupon) for Floating (3mth LIBOR)	1,234	-	(375)
21-30 Yrs	Pay Fixed (Zero Coupon) for Floating (3mth LIBOR)	9,557	-	(4,944)
31-40 Yrs	Pay Fixed (Zero Coupon) for Floating (3mth LIBOR)	18,111	-	(6,009)
41-50 Yrs	Pay Fixed (Zero Coupon) for Floating (3mth LIBOR)	76,246	-	(18,259)
			-	<b>(29,857)</b>

Period of Contract	Nature of Swap	Notional Principal £'000	2020 Asset £'000	2020 Liability £'000
0-10 Yrs	Pay Floating (3mth LIBOR) for Fixed (Zero Coupon)	11,070	977	-
11-20 Yrs	Pay Floating (3mth LIBOR) for Fixed (Zero Coupon)	40,730	5,674	(89)
21-30 Yrs	Pay Floating (3mth LIBOR) for Fixed (Zero Coupon)	70,242	18,749	(76)
31-40 Yrs	Pay Floating (3mth LIBOR) for Fixed (Zero Coupon)	46,136	25,807	-
41-50 Yrs	Pay Floating (3mth LIBOR) for Fixed (Zero Coupon)	109,421	48,763	(918)
51-60 Yrs	Pay Floating (3mth LIBOR) for Fixed (Zero Coupon)	46,668	13,078	-
			<b>113,048</b>	<b>(1,083)</b>

## Total Interest Rate Swaps

	<b>113,048</b>	<b>(30,940)</b>
--	----------------	-----------------

	2020 Asset £'000	2020 Liability £'000
<b>In summary:</b>		
Total Interest Rate Swaps	113,048	(30,940)
Total Inflation Rate Swaps	2,100	(35,342)
<b>Net Derivative Asset/(Liability)</b>	<b>115,148</b>	<b>(66,282)</b>

Jonathan Clarke

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

tony gara

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Notes to the Financial Statements (continued)

At the year end, within other investments assets and liabilities, amounts payable under repurchase agreements amounted to £129,451,000 (2019: £120,424,000) and amount receivable under repurchase agreements amounted to £nil (2019: £15,350,000).

**21. Fair value determination**

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

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the assessment dates.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (ie developed) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy levels as follows:

As at 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Defined Benefit Section</b>				
Pooled investment vehicles	49,378	255,865	401,323	706,566
Bonds	337,519	-	-	337,519
AVC investments	-	-	9,901	9,901
Cash deposits	35	-	-	35
Derivatives	-	-	48,866	48,866
Repurchase agreements	-	-	(129,451)	(129,451)
Other	664	-	-	664
	<b>387,596</b>	<b>255,865</b>	<b>330,639</b>	<b>974,100</b>
<b>Defined Contribution Section</b>				
Pooled investment vehicles	-	731,931	-	731,931
Insurance policies	-	-	-	-
Cash deposits	972	-	-	972
	<b>972</b>	<b>731,931</b>	<b>-</b>	<b>732,903</b>

**Jonathan Clarke**E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com**tony gara**E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Notes to the Financial Statements (continued)

## 21. Fair value determination (continued)

As at 31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Defined Benefit Section</b>				
Pooled investment vehicles	213,842	220,541	249,967	684,350
AVC investments	250,791	-	-	250,791
Cash deposits	-	-	9,907	9,907
Derivatives	37	-	-	37
Repurchase agreements	-	-	(105,074)	(105,074)
Other	222	-	7,040	7,262
	464,892	220,541	179,071	864,504
<b>Defined Contribution Section</b>				
Pooled investment vehicles	-	688,152	-	688,152
Insurance policies	-	-	25,635	25,635
Cash deposits	1,441	-	-	1,441
	1,441	688,152	25,635	715,228

Property funds held with UBS, Standard Life, Aviva and M&G have been reclassified from level 2 to level 3 in the fair value hierarchy due to the impact of Covid-19 on the valuation of property assets.

## 22. Investment risk disclosures

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.

- **Currency risk:** this is the risk that the fair value of 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 of future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value of 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 Trustee determines their investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

Jonathan Clarke

E-signed 2021-07-01 11:41AM GMT+1

jmr.clarke@icloud.com

tony gara

E-signed 2021-07-01 04:39PM GMT+1

tony.gara@bt.com

BT

## Notes to the Financial Statements (continued)

The following table summarises the extent to which the various classes of investments are affected by the aforementioned financial risks. This does not include the legacy insurance policies nor AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

Global Equity	Credit risk	Market risk			2020 £'000	2019 £'000
		Currency	Interest rate	Other Price		
Harris Global All Cap Equity	○	●	○	●	-	68,193
Epoch Global Shareholder Yield	○	●	○	●	-	67,097
Sands Global Growth	○	●	○	●	-	71,993
LGIM Factor Equities Index Fund	○	●	○	●	222,492	-
<b>Absolute Return</b>						
PIMCO Diversified Income	●	○	○	●	98,259	99,486
Insight Bonds Plus 400	●	○	○	●	33,372	55,700
Insight High Grade Abs	●	○	○	●	58,905	58,186
<b>Illiquid Alternatives</b>						
UBS Triton Property	○	○	○	●	34,565	35,831
Standard Life Property	○	○	○	●	56,312	56,510
Aviva REaLM Multi Sector Unit Trust	○	○	○	●	57,210	58,079
Hayfin Direct Lending Fund II	●	○	○	●	22,038	26,239
Hayfin Direct Lending Fund III	●	○	○	●	23,318	10,355
M&G UK Residential Property	●	○	○	●	29,083	23,859
Chorus Capital Credit Fund IV	●	●	○	●	21,633	-
Basalt Infrastructure Partners Fund III	●	●	○	●	-	-
<b>LDI and Cash</b>						
Insight Liquidity Funds	●	○	○	○	49,413	52,859
Bonds	●	○	●	●	337,519	250,791
Derivatives	●	○	●	●	48,866	17,231
Repurchase agreements	●	○	●	●	-129,451	-105,074
<b>Total DB section investments</b>					<b>963,534</b>	<b>847,335</b>

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

Further information on the Trustee's approach to risk management, credit and market risk is set out below.

Jonathan Clarke

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

tony gara

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Notes to the Financial Statements (continued)

### Defined Benefit Section

#### Investment Strategy

The primary objective of the Scheme's Defined Benefit investment strategy is to ensure long-term returns which meet the long-term future obligations of the Scheme.

The overall return objective has been determined by the Trustee after an assessment of the liabilities and associated risks of the Scheme and consultation with the Employer and is as follows:

"To implement an investment strategy which targets an expected return over fixed interest gilts of at least 2.0% per annum (net of fees) until 31 December 2032, declining to 0.5% ahead of fixed interest gilts at 31 December 2042, declining to 0.3% ahead of fixed interest gilts after 31 December 2052".

The Trustee has ten investment managers employed to manage the Scheme's assets for its defined benefits in line with the Scheme benchmark. The managers appointed to manage the Scheme's predominately 'return seeking' assets are Legal & General Investment Management Limited ("LGIM"), UBS Asset Management ("UBS"), Pacific Investment Management Company ("PIMCO"), Aviva Investors Jersey Unit Trusts Management Limited ("Aviva"), Deutsche International Corporate Services (Ireland) Limited ("Hayfin"), Standard Life Investments ("Standard Life"), M&G Investments ("M&G"), Chorus Capital Management Limited ("Chorus") and Basalt Infrastructure Partners LLP ("Basalt").

The manager appointed to manage the Scheme's predominately 'risk reducing' assets is Insight Investment Management ("Insight"). Over the year to 31 December 2020, the Scheme transitioned its "risk reducing assets" from a pooled solution with Insight to a segregated solution, to provide increase cost efficiencies and flexibility. There was no change made to the interest rate or inflation hedging exposure as part of this transition as this was an implementation change only.

The Scheme does not hold EE Limited shares nor makes loans to EE Ltd or any of its subsidiaries; any holding that the Scheme has (if any) in the parent company is indirect, that is, as a result of investing in pooled funds which may include shares of British Telecommunications plc.

The defined benefit investment managers are remunerated on an 'ad valorem' (percentage of fund) basis with the exception of Insight who are remunerated on a base fee plus performance related fee basis.

The revised investment strategy implemented in 2020 is as follows:

- 25% Global Equities
- 35% Illiquid alternatives
- 30% Fixed-Interest and Index-Linked Bonds
- 10% Absolute Return Bonds and Hedge Fund Assets

The Trustee may review and adopt a higher or lower overall return objective from time to time, after consultation with the sponsoring employer. Factors the Trustee will take into account in its consideration of the overall return objective include the Scheme's funding level, the Trustee's tolerance to risk and the Trustee's assessment of the employers covenant to the Scheme.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Notes to the Financial Statements (continued)

**Credit risk**

A summary of the exposures to credit risk is given in the following table. The notes below explain how risk is managed and mitigated.

	<b>31 December 2020 £'000</b>	<b>31 December 2019 £'000</b>
Funds which invest in bonds/derivatives (direct and indirect risk)	592,956	489,632
Other funds (direct risk only)	370,579	357,703
<b>Total</b>	<b>963,535</b>	<b>847,336</b>

The Scheme is subject to credit risk because the Scheme directly invests in bonds, repurchase agreements and OTC derivatives. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the units it holds in the pooled investment vehicles. The Scheme is also indirectly exposed to credit risks arising on the debt instruments held by the pooled investment vehicles.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC derivatives is reduced by collateral arrangements. At the year end the Scheme held collateral of approximately £15.3m in respect of OTC derivatives.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the investment manager, the regulatory environments in which the investment managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee relies on advice from their investment consultant pertaining to the operational strength of all existing and new pooled investment managers and on an on-going basis monitors any changes to the regulatory and operating environment of the pooled manager.

Indirect credit risk is mitigated by employing skilled investment managers the Trustee believe to be qualified to manage exposures to different types of counterparty, whether bond holdings or derivative instruments. The Trustee manages the associated credit risk by ensuring that it appoints investment managers who diversify their portfolio to minimise the impact of default by any one issuer.

The Scheme is also subject to credit risk because the Scheme holds cash balances. These cash balances are small and balances held are typically only sufficient to cover the working capital requirements of the Scheme over an agreed time period. Credit risk arising on cash is mitigated in this instance by holding cash within financial institutions which are at least investment grade credit rated.

**Currency risk**

The Scheme is subject to indirect currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles. The Trustee does not set limits to overseas currency exposure.

The Scheme's investments made through segregated vehicles are not subject to currency risk.

**Jonathan Clarke**E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com**tony gara**E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Notes to the Financial Statements (continued)

**Interest rate risk**

The Scheme is subject to indirect interest rate risk because some of the Scheme's investments are held in leveraged bonds and indirect interest rate swaps held through pooled investment vehicles.

The Scheme is subject to interest rate risk because some of the scheme's investments are held in bonds, interest rate swaps, repurchase agreements, and cash. The Scheme's physical allocation to these assets, in total is 30%.

Under this strategy, if interest rates fall then the value of the LDI portfolio will typically rise to help match some of the increase in the actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise the LDI portfolio will typically fall in value, as will actuarial liabilities, because of an increase in the discount rate. As at 31 December 2020, the LDI portfolio represented 31.8% of the total investment portfolio (2019: 25.6%).

The exposure to interest rate risk arising from the underlying investments in the Insight Segregated LDI portfolio held by the Scheme was £262.4m (2019: £214.6m).

**Other price risk**

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes equities held in pooled vehicles, hedge funds, absolute return strategies and property investments.

The Scheme manages this exposure to overall price movements by diversifying its return seeking assets by geography, asset class, issuer and manager. The Trustee has set a benchmark of 70% of assets in return seeking investments. As at 31 December 2020, these assets held a value of £657.1 (2019: £677.8m).

All investments are subject to idiosyncratic price risks that arise from factors peculiar to the asset class or individual investment in addition to credit risk, currency risk and interest rate risk.

**Legal nature of the pooled arrangements**

	<b>31 December 2020 £'000</b>	<b>31 December 2019 £'000</b>
Open ended investment company	186,247	181,531
Unit linked insurance contracts	362,748	352,446
Unregulated collective investment scheme	57,210	58,079
Limited partnerships	66,989	36,594
Qualifying investor alternative investment fund	33,372	55,700
<b>Total</b>	<b>706,566</b>	<b>684,350</b>

**Jonathan Clarke**E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com**tony gara**E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**Defined Contribution Section****The Default Option – “Do it for me”**

The Trustee makes available a range of strategies that automatically de-risk member’s investments as they approach retirement, these are known as the “Do it for me” range. The Trustee has delegated the investment strategy to their investment advisers, Mercer.

The Trustee has implemented three different strategies, each aimed to be appropriate for a member taking their benefits at retirement as one of three ways:

- 75% Drawdown, 25% Cash (Target Drawdown strategy)
- 75% Annuity purchase, 25% cash (Target Annuity strategy)
- 100% Cash (Target Cash strategy)

The strategies above are implemented via a range of Target Retirement Funds that automatically de-risk members’ assets as they approach retirement.

For members who do not wish to take an active role in investment decisions the Trustee has selected the Target Drawdown strategy above as the default option.

**Investment Strategy**

The Trustee believes that assets in the default investment option are invested in the best interests of members and beneficiaries, taking into account the profile of members.

The Target Drawdown Path is implemented using a range of pooled funds managed by the Trustee’s chosen investment managers. The Trustee delegates the selection, retention and realisation of investments within these pooled funds to the chosen investment managers. The investment managers also have discretion to incorporate social, environmental and ethical considerations in exercising their delegated responsibilities. Any investment in derivative instruments (either directly or within the underlying pooled funds) contributes to risk reduction or efficient portfolio management.

The Target Drawdown Path adopts an age based de-risking approach to manage risk throughout a member’s lifetime in the Scheme. As a member’s pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that it is appropriate to utilise an automatic de-risking approach to reduce investment risk as the member approaches retirement. The reduction of investment risk in the run up to retirement is expected to reduce the chance of market shocks producing unfavourable outcomes for members at retirement.

If the member is more than eight years away from their expected retirement date contributions will be invested in the Growth Fund. The Growth Fund invests in a diversified range of assets (equities, fixed income securities and non-traditional assets) with the objective of providing growth whilst mitigating inflation erosion and downside risk.

- Eight years before their target retirement date (or Normal Retirement Date if no target has been specified) members will have their holdings transferred into a Target Retirement Fund based on expected date of retirement. The Target Retirement Fund aims to gradually move assets to investments more suitable for targeting cash (25%) and income drawdown (75%) as members approach retirement.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT



## Notes to the Financial Statements (continued)

- Within the Target Drawdown Path, units across the underlying pooled funds are bought and sold according to the lifestyle matrix set out in the Investment Policy Implementation Document "IPID" that accompanies the Statement of Investment Principles "SIP". Specific details on the pooled funds held within the target Drawdown Path are also set out in the IPID.

Taking into account the demographics of the Scheme's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the current default strategy is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic, if sooner.

### **Main Assets**

The Scheme's investment platform is provided under contract with Scottish Widows Limited and Mercer Workplace Savings, both of whom are regulated by the Financial Conduct Authority (the "FCA").

The safe custody of the Scheme's assets is delegated to professional custodians, as appointed by the governing bodies of the respective pooled funds.

### **Buying and Selling Investments**

The investment manager has responsibility for buying and selling the underlying assets. All of the pooled funds used are daily dealt. The investment managers have discretion in the timing of realisation of investments and in considerations relating to liquidity of those investments within parameters stipulated in the relevant appointment documentation. The day to day activities which the investment manager carries out for us are governed by the arrangements between them and Scottish Widows Limited, which are reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

### **Risks**

In designing the default option, the Trustee has explicitly considered the trade-off between risk and expected returns. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members. In particular, when reviewing the investment strategy of the default investment option, the Trustee considers risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From the qualitative perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option.

### **Credit risk**

The Defined Contribution Section (DC section) is subject to direct credit risk in relation to Scottish Widows Limited through its holding in unit linked funds provided by Scottish Widows Limited.

The Scheme's holdings in pooled investment vehicles are not rated by credit rating agencies. The Trustee manages and monitors the credit risk arising from its pooled investment arrangements by considering the nature of the arrangement, the legal structure and regulatory environment. In the event of default by Scottish Widows Limited the Scheme is protected by the Financial Services Compensation Scheme and may be able to make a claim of 100% of its policy value, although noting that compensation is not guaranteed.

The DC Section is also subject to indirect credit risk arising from the underlying investments held in the white labelled funds, as noted in the table below.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Notes to the Financial Statements (continued)

**Market risk**

Further, the Scheme's DC section is subject to indirect foreign exchange risk, interest rate and other price risk arising from the underlying financial instruments held in the funds made available to members follows:

Fund	Credit risk	Foreign exchange risk	Interest rate risk	Other price risk
High Growth	√	√	√	√
Growth	√	√	√	√
Moderate Growth	√	√	√	√
Defensive	√	√	√	√
Cash and Money Market	√	-	√	-
Annuity Retirement	√	-	√	-
	√	√	√	√
Diversified Retirement	√	√	√	√
	√	√	√	√
Global Equity (60:40)	-	√	-	√
UK Equity	-	-	-	√
Overseas Equity	-	√	-	√
European (ex-UK) Equity	-	√	-	√
US Equity	-	√	-	√
Japanese Equity	-	√	-	√
Asia Pacific (ex Japan) Equity	-	√	-	√
Emerging Markets Equity	-	√	-	√
Diversified Growth	√	√	√	√
Fixed Interest Gilt	√	-	√	-
Index Linked Gilt	√	-	√	-
UK Corporate Bond	√	-	√	-
Property	-	√	√	√
Ethical	-	√	√	√
Shariah	-	√	-	√
Drawdown Retirement	√	√	√	√
Cash Retirement	√	-	√	-
	√	√	√	√

The analysis of these risks set out above is at Scheme level. Member level risk exposures will be dependent on the funds invested in by members.

The Trustee has selected the above funds and has considered the indirect risks in the context of the investment strategy described in the Trustee's Report.

**Compliance with this statement**

The Trustee, Scottish Widows Limited and Mercer each have duties to perform to ensure compliance with this Statement. These are:

Scottish Widows Limited will provide full information in respect of transactions in units in the underlying funds and valuations of the units held by the Scheme from time to time as required by the Trustee.

Mercer will provide the advice needed to allow the investment consultant to review and update this Statement at least every three years (or more frequently if required).

**Jonathan Clarke**E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com**tony gara**E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Notes to the Financial Statements (continued)

## 23. Current assets

	2020 Defined benefit section £'000	2020 Defined contribution section £'000	2020 Total £'000
Contributions due from employer in respect of:			
Normal	-	1,652	1,652
Employee	-	136	136
Deficit contributions	3,333	-	3,333
Other debtors and prepayments	424	-	424
Cash balances	12,145	1,591	13,736
	<u>15,902</u>	<u>3,379</u>	<u>19,281</u>
Allocated to members		3,074	
Not allocated to members – cash balances		305	
		<u>3,379</u>	
	<b>2019</b>	<b>2019</b>	<b>2019</b>
Contributions due from employer in respect of:			
Normal	-	1,571	1,571
Employee	-	74	74
Deficit contributions	1,875	-	1,875
Other debtors and prepayments	404	54	458
Cash balances	1,979	1,492	3,471
	<u>4,258</u>	<u>3,191</u>	<u>7,449</u>
Allocated to members		2,928	
Not allocated to members – cash balances		263	
		<u>3,191</u>	

**Jonathan Clarke**E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com**tony gara**E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Notes to the Financial Statements (continued)

## 24. Current liabilities

	2020 Defined benefit section £'000	2020 Defined contribution section £'000	2020 Total £'000
Unpaid benefits	102	1,467	1,569
Other creditors	228	-	228
	<u>330</u>	<u>1,467</u>	<u>1,797</u>
Allocated to members		1,467	
Not allocated to members - other creditors		-	
		<u>1,467</u>	
	<b>2019</b>	<b>2019</b>	<b>2019</b>
Unpaid benefits	83	1,171	1,254
Other creditors	224	-	224
	<u>307</u>	<u>1,171</u>	<u>1,478</u>
Allocated to members		1,171	
Not allocated to members - other creditors		-	
		<u>1,171</u>	

## 25. Commitment to invest

The Scheme has made a commitment to invest £30 million in M&G Real Estate (Luxembourg) SA, who were appointed as Investment Managers on 27 March 2017. The commitments will be called upon as and when investments are made. As at 31 December 2020 £30 million had been invested.

The Scheme, in the prior year, made a commitment to a new fund with existing manager Deutsche International Corporate Services (Ireland) Limited ("Hayfin"). Hayfin were first appointed as Investment Managers 18 January 2017, with the Scheme investing in the Direct Lending Fund (DLF) II. The total commitment to the DLF II was £30m and to date £21.1m has been paid. The Scheme committed £30m on 25 April 2019 to the Direct Lending Fund (DLF) III and £22.7m has been paid.

The Scheme made a commitment to a new fund with Chorus Capital who were appointed during the current year. The total commitment to the Capital Credit Fund IV was £40m and to date £21.2m has been paid

The Scheme made a commitment to Basalt Infrastructures who were appointed during the current year. A commitment of \$40,000,000 has been made but no amount has been invested to date.

Jonathan Clarke

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

tony gara

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

**26. Related party transactions****Defined Benefit Section**

Related parties of the EE Pension Scheme are as follows:

- Participating employers
- EE Pension Trustee Limited

A list of participating employers is provided on page 4 of this Report. All transactions between the Scheme and the participating employers are disclosed in the accounts.

All of the Scheme's administration expenses, other than for money purchase investment funds, and those disclosed in note 10 were borne by the Employers directly.

The Trustee is shown on page 2 of this Report.

The Trustee is not aware of any other additional related party transactions that require disclosure in the accounts.

All Trustee Directors, except for JMRC Pensions Limited who is the independent Trustee, and Roger Waymouth, who took a transfer value in 2017, as listed on page 2 of this report are members of the Scheme, either the DB Scheme or the DC Scheme.

The Principal Employer, EE Limited, provides secretarial services to the Trustee and bears these costs and certain other costs of the Scheme itself but the costs borne are not reflected in these financial statements.

During the year the Scheme paid Trustee fees of £21,000 (2019: £31,000). At the year end £nil (2019: £6,000) was unpaid.

**Defined Contribution Section**

The Scheme has received contributions in respect of one Trustee Director who is a contributing member of the Scheme. Their contributions have been paid in accordance with the Schedule of Contributions.

The Principal Employer, EE Limited, provides secretarial services to the Trustee and bears these costs and certain other costs of the Scheme itself but the costs borne are not reflected in these financial statements.

All of the above transactions were made in accordance with the Scheme Rules.

During the year the Scheme paid Trustee fees of £26,000 (2019: £21,000).

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

## Appendix

# Statement of Investment Principles

### *Defined Benefit Section (other than Money Purchase benefits)*

#### 1. INVESTMENT OBJECTIVE

The Trustee aims to invest the assets of the Defined Benefit section (i.e. other than money purchase benefits of the Defined Benefit section) of the Scheme prudently to ensure that the benefits promised to members are provided. In setting investment strategy for the Defined Benefit section of the Scheme, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Defined Benefit section's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return (and hence necessitates the taking of a higher level of risk) than the lowest risk strategy while maintaining a prudent approach to meeting the Defined Benefit section's liabilities.

The Trustee recognises that targeting outperformance of the Defined Benefit section's liabilities requires the adoption of an asset mix that will perform differently from the liabilities. This implies that the funding level will be subject to volatility. The Trustee will measure and monitor this volatility using Value at Risk (VaR). The Trustee will aim to keep the VaR within an acceptable range determined by the Trustee after consultation with the Employer.

The absolute level of VaR depends on a number of factors, such as asset allocation but also prevailing market conditions and the assumptions used to calculate it. In addition, the Trustee's risk tolerance will vary over time with certain factors such as sponsor covenant, funding level and liability profile.

The overall return objective has been determined by the Trustee after an assessment of the Defined Benefit section's liabilities and associated risks of the Defined Benefit section of the Scheme and consultation with the Employer and is based on the Actuarial Valuation date of 31 December 2018, as follows:

**"To implement an investment strategy which targets an expected return over fixed interest gilts of at least 2.0% per annum (net of fees) until 31 December 2030, declining to 0.5% ahead of fixed interest gilts at 31 December 2040"**

The Trustee monitors the funding position and associated risks on a number of actuarial bases including the ongoing funding basis (technical provisions) and a 'self-sufficiency' type actuarial basis using gilt yield curves to discount future expected Defined Benefit section liability cashflows.

The Trustee may review and adopt a higher or lower overall return objective from time to time after consultation with the Employer. Factors that the Trustee will take into account in its consideration of the overall return objective include the Defined Benefit section's funding level, the Trustee's tolerance to risk and the Trustee's assessment of the Employer's covenant to the Scheme.

\*Value at Risk estimates the possible downside risk (using the funding level) and is specified as a monetary amount. Based upon a set of economic assumptions there is a 99% chance in any one year that the funding level could fall by at least that amount.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1

jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1

tony.gara@bt.com

BT

## 2. STRATEGY

In order to meet the investment objective for the Defined Benefit section of the Scheme as stated above, the Trustee invests in a range of different asset classes, some predominantly return seeking assets such as equities and some predominantly risk reducing or diversifying asset classes such as index-linked gilts, corporate bonds and real estate.

The overall allocation to different asset classes may vary over time, depending on a number of factors, including market conditions and decisions taken by the fund managers and Trustee in the light of views about the relative outlook for different asset classes.

The current asset allocation strategy, as detailed within Appendix A, was determined with regard to the actuarial characteristics of the Defined Benefit section of the Scheme, in particular the strength of the funding position, the assumptions used to assess the funding position, the Defined Benefit section liability profile and the Employer's covenant.

The Trustee's policy is to make the assumption that riskier assets such as equities will outperform lower risk assets such as gilts over the long term. However, the Trustee recognises the potential volatility in the returns on riskier assets, particularly relative to the Defined Benefit section's liabilities. When choosing the Defined Benefit section's asset allocation strategy, the Trustee considered written advice from its investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes
- The risks and rewards of a range of alternative asset allocation strategies
- The suitability of each asset class
- The need for appropriate diversification

In addition, the Trustee also consulted with the Employer when setting this strategy.

The Trustee's policy is for the investments of the Scheme to be sufficiently liquid to enable disinvestment of assets to meet liabilities of the Scheme as they arise.

## 3. RISK

The Trustee recognises that the key risk to the Defined Benefit section of the Scheme is that it has insufficient assets to make provisions for 100% of the Defined Benefit section's liabilities ('funding risk'). The Trustee has identified a number of risks which have the potential to cause deterioration in the Defined Benefit section of the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ('mismatching risk'): The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Defined Benefit section's immediate liabilities ('cash flow risk'): The Trustee and its advisers will manage the Defined Benefit section of the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustee ('manager risk'): This risk is considered by the Trustee and its advisers.

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

both upon the initial appointment of the fund managers and on an ongoing basis thereafter

- The failure to spread investment risk ('risk of lack of diversification'): The Trustee and its advisers considered this risk when setting the Defined Benefit section of the Scheme's investment strategy.
- The possibility of failure of the Defined Benefit section of the Scheme's sponsoring Employer ('covenant risk'): The Trustee and its advisers considered this risk when setting the Defined Benefit section's investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ('operational risk'): The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Scheme's liabilities and implemented it using a range of fund managers, the Trustee's policy is to monitor where possible these risks quarterly. The Trustee receives quarterly reports showing

- Actual funding level versus the Scheme specific funding objective
- Performance versus the Scheme investment objective
- Performance of individual fund managers versus its respective targets
- Any significant issues with the fund managers that may impact its ability to meet the performance targets set by the Trustee

To manage risk, the Trustee conducts a risk assessment (which feeds into the Scheme's risk register) and, where appropriate, discusses the quarterly reports with fund managers.

#### 4. IMPLEMENTATION

Aon Solutions UK Limited ("Aon") has been selected as investment adviser to the Trustee in respect of the Defined Benefit section of the Scheme, which includes the Funding and Investment Sub Committee (F&ISC) of the Trustee. It operates under an agreement to provide a service which ensures the Full Board of the Trustee and the F&ISC are fully briefed to take decisions themselves and to monitor those they delegate. Aon is paid on a fixed fee basis for specific items of work it undertakes for the Defined Benefit section of the Scheme although time cost basis and performance related fees may be negotiated by the Trustee for certain projects. This structure has been chosen to ensure that cost-effective, independent advice is received.

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustee recognises that 'financial material considerations' over the time needed to fund future benefits by the investments of the Scheme include environmental, social and governance factors including climate change and believes that bad performance in these areas can negatively impact the value of investments held if not understood and evaluated properly. The Trustee

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT



acknowledges that consideration of these factors may also offer investment opportunities. The Trustee considers this risk by taking advice from its investment adviser when selecting managers and when monitoring their performance.

The Trustee has delegated all day-to-day decisions about the Defined Benefit section investments that fall within each mandate, including the realisation of investments, to a range of carefully selected and monitored fund managers through written contracts. When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018. The managers' duties also include taking into account environmental, social and governance considerations in the selection, retention and realisation of investments as appropriate.

#### Arrangements with asset managers

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies. This includes monitoring the extent to which asset managers:

- Make decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity and
- Engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment adviser. Some of the detailed monitoring is often delegated to the F&ISC. This typically includes updates from the investment adviser on various items, including the investment strategy, performance and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives. The Trustee would not typically seek to terminate an investment manager on the ground of short-term performance alone.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its asset managers, which supports the Trustee in annually assessing asset managers and determining the extent to which the Scheme's stewardship policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with the Scheme's asset managers and request that the asset managers review and confirm whether their approach is in alignment with the Trustee's policies.

Before appointment of a new asset manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies.

The Trustee believes that having appropriate governing documentation setting clear expectations to the asset managers by other means, such as sharing the policies set out in this SIP, and regular monitoring of asset managers' performance and investment strategy, is in most cases sufficient to incentivise the asset managers to have an investment strategy and make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term performance.

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

The Trustee does not seek to incentivise asset managers to take into account non-financial performance as it is not the Trustee's policy to take into account non-financial factors (see below)

Where asset managers are considered to make decisions that are not in line with the Trustee's policies, expectations or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with asset managers, although the continued appointment for all asset managers will be reviewed periodically and at least every three years.

#### **Stewardship – Voting and Engagement**

As part of its delegated responsibilities, the Trustee expects the Scheme's investment managers to

- Where appropriate, engage with relevant parties, such as investee companies, and
- Exercise the Trustee's voting rights in relation to the Scheme's assets

with an aim to protect and enhance the long term value of Scheme assets

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from its investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its asset managers, which supports the Trustees in determining the extent to which the Scheme's stewardship policy has been followed throughout the year.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with relevant persons, including an issuer of debt or equity, an investment manager, other stakeholders or another holder of debt or equity. The Trustee may engage on relevant matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest. In practice, based on the current strategy and fund structures, the Trustee delegates this to the asset managers.

#### **Members' Views and Non-Financial Factors**

In setting and implementing the Scheme's investment strategy, the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to environmental, social and governance considerations, or other factors such as present and future quality of life matters and ethical considerations (defined as "non-financial factors").

The Trustee has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Defined Benefit section of the Scheme's investments and that they are carrying out their work competently. The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. Each of the appointed managers has been set a specific benchmark and performance objective by the Trustee which is monitored in detail by the Trustee on a quarterly basis.

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

Details of the appointed managers can be found in a separate document produced by the Trustee entitled 'Summary of Investment Arrangements for the Defined Benefit section of the Scheme', which is available to members upon request.

#### Costs and Transparency

The Trustee is aware of the importance of monitoring its asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred by the asset manager that can increase the overall cost incurred by their investments.

The Trustee collects annual cost transparency reports covering all of its investments and asks that the investment manager provides this data in line with the appropriate Cost Transparency Initiative (CTI) template for each pooled fund. This allows the Trustee to understand exactly what the Scheme is paying the asset manager. The Trustee works with its investment adviser and asset manager to understand these costs in more detail where required.

The Trustee acknowledges that portfolio turnover costs (that is transaction costs associated with the buying and selling of assets within the investment manager's mandates) are a necessary cost in order to generate investment returns and that the level of these costs varies across asset classes and pooled funds. A high level of transaction costs is acceptable so long as it is consistent with the asset class characteristics, manager's style and historic trends. The Trustee regularly monitors and discusses with its investment adviser portfolio turnover costs and turnover ranges (the minimum and maximum frequency within which the assets of the Scheme are expected to be bought or sold). Where the Trustee monitoring identifies a lack of consistency, the mandate may be reviewed.

The Trustee is supported in its cost transparency monitoring activity, by its investment adviser.

The Pension Protection Fund (Pensionable Services) and Occupational Pension Schemes (Enforcement and Disclosure) Amendment and Modification Regulations 2018

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

### Defined Contribution Section and Money Purchase benefits within the Defined Benefit Section

Ongoing contributions into the Defined Contribution ('DC') Section, AVCs, historic bonus sacrifices, and some transfer values brought into the DC Section of the Scheme are invested in a range of pooled investment vehicles selected by the Trustee.

The members choose within the constraints of, and subject to, the Trust Deed and Rules and the restrictions from time to time imposed by the Trustee, how their assets are invested.

The Trustee's policy is to offer a range of pooled investment vehicles providing different investment risk and reward profiles to meet a range of different objectives of the different members of the Scheme with regard to:

- the differing ages
- members' attitudes to risk
- the differing expectations as to time of retirement, and
- the options available to members as to the way in which their benefits from their money purchase investments are to be taken.

#### 1. INVESTMENT OBJECTIVE

The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances. The Trustee's objective is therefore to make available a range of investment options for this purpose.

For members who do not wish to take an active role in investment decisions, the Trustee offers a **default option** 'Do it for me' which includes lifestyle arrangements to de-risk investments to an asset allocation designed to be appropriate for a typical member who intends to access their benefits via income drawdown at retirement. More details regarding the default option are available in Appendix E of this Statement.

#### 2. INVESTMENT POLICIES

For the DC Section of the Scheme the Trustee has contracted with Scottish Widows Limited ('Scottish Widows') to deliver investment management services through their investment platform. The DC Section's investment platform is provided under contract with Scottish Widows and Mercer Workplace Savings (MWS), both of whom are regulated by the Financial Conduct Authority. Mercer has been selected as the Delegated Investment Manager.

The Trustee makes available a range of funds and lifestyle strategy options for the DC Section of the Scheme which they believe provide appropriate strategic choices for members' different saving objectives, risk profiles and time horizons. Members themselves determine the fund(s) in which they choose to invest. Further detail on the fund range offered to members is included in the Investment Policy Implementation Document ('IPID').

The investment choices for the DC Section includes developed market equities, emerging market equities, real estate, money market investments, gilts, index-linked gilts, corporate

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@lcloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

bonds, diversified growth funds and pre-retirement funds. Both active and passive management options are offered to members, depending on asset class.

Members who do not indicate a preference are invested in the default option which is a lifestyle strategy designed for members intending to take their benefits at retirement via income draw-down. Members' assets are de-risked as they approach retirement via the use of target date funds. More information on the default strategy is included in Appendix B.

In addition, two alternative lifestyle strategies are available to members that reflect the alternative ways in which members might take their benefits at retirement (Annuity or Cash). Assets will be switched into investments which seek to more closely match how the member wishes to access their pension savings as they approach retirement.

Four risk profiled funds have also been made available to members, which are multi-asset funds targeting different risk and return objectives in order to provide members with a choice from lower risk to higher risk funds. The Delegated Investment Manager is responsible for making decisions on asset allocation, selection, appointment, removal and monitoring of underlying external investment managers in these risk profiled funds. This decision making responsibility also applies to all standalone MWS funds.

Members determine the balance between the different kinds of investments they hold. This balance will determine the expected return on member's assets and should be related to the member's own risk appetite and tolerances.

The Trustee undertakes to review the DC Section's delegated fund choices offered to members and the delegated investment manager arrangements on a regular basis, in considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of a suitability qualified investment advisor. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

All funds are daily dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on member demand.

Non-financial matters, such as member and beneficiary ethical views and views in relation to social and environmental impact and their present and future quality of life are not explicitly taken into account in the selection, retention and realisation of investments. However, the Trustee does make available an Ethical Fund and a Shariah Fund which consider the views of members and their non-financial concerns.

**RISK MANAGEMENT AND MEASUREMENT**

The Trustee has considered investment risk for the DC Section of the Scheme from a number of perspectives. The below list is not exhaustive but covers the main risks that the Trustee considers and how they are managed and measured.

Type of Risk	Risk	Description	How is the risk monitored and managed?
--------------	------	-------------	--

**Jonathan Clarke**  
 E-signed 2021-07-01 11:41AM GMT+1  
 jmr.clarke@icloud.com

**tony gara**  
 E-signed 2021-07-01 04:39PM GMT+1  
 tony.gara@bt.com  
 BT

Market risks	Inflation risk	The risk that the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate pension.	The Trustee makes available a range of funds across various asset classes, with the majority expected to keep pace with inflation.
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	Members are able to set their own investment allocations in line with their risk tolerances.
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	Within active funds, management of many of these market risks is delegated to the investment manager.
	Equity, property and other price risk	The risk that investment market movements lead to a substantial reduction in the anticipated level of the benefit.	
Environmental, Social and Corporate Governance risk	The risk that environmental, social or corporate governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets.	The management of ESG related risks is delegated to investment managers.  See Section 4 below for the Trustee's responsible investment and corporate governance statement.  The Trustee reviews the Mercer Stewardship Monitoring Report on an annual basis.	
Investment Manager risk	The risk that the investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.	The Trustee regularly reviews performance of investment funds.  The management of this risk is outsourced to the delegated investment manager.	
Liquidity risk	The risk that the Scheme's assets cannot be realised at short notice in line with member demand.	The Scheme is invested in daily dealt and daily priced pooled funds.	

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

<p>Pension Conversion risk</p>	<p>The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement</p>	<p>The Trustee makes available three lifestyle strategies for DC members</p> <p>Lifestyle strategies automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age</p>
--------------------------------	--	--

The above items listed in Sections 2 and 3 of this Statement take into account what the Trustee considers financially material considerations which includes (but is not limited to) environmental, social and governance considerations (including but not limited to climate change). The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level (depending on their need to fund future benefits by investments of the Scheme). This will be dependent on the member's age and when they expect to retire.

**4. RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE (VOTING AND ENGAGEMENT)**

The Trustee believes that environmental, social and corporate governance ("ESG") factors have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration.

The Trustee has delegated day to day management of the assets to Mercer who in turn delegates responsibility for the investment of the assets to a range of underlying investment managers. These investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The managers' stewardship activities include engaging with relevant persons (including issuers of debt or equity, investment managers, other stakeholders or other holders of debt or equity relevant matters) on relevant matters such as performance, strategy, risk, ESG factors, corporate governance, capital structure and management of potential conflicts of interest.

The Trustee considers how ESG, climate change and stewardship is integrated within Mercer's investment processes and those of the underlying managers in the monitoring process. The Trustee believes that Mercer has the necessary expertise and framework in place to effectively manage and monitor investments in line with these areas, and this is implemented through their four pillar framework: integration, stewardship, thematic investment and screening. Where Mercer is the manager the funds for the Scheme incorporate these four pillars as far as is practical. Mercer is expected to provide reporting on a regular basis, at least annually, on ESG integration, progress, stewardship monitoring.

**Jonathan Clarke**  
 E-signed 2021-07-01 11:41AM GMT+1  
 jmr.clarke@icloud.com

**tony gara**  
 E-signed 2021-07-01 04:39PM GMT+1  
 tony.gara@bt.com  
 BT

results and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios

5. OTHER INVESTMENTS

Historically members were able to invest in a With Profits Fund managed by Equitable Life Assurance Society ("Equitable Life"). This is now closed to new investment however, some DB members with AVC members still have a holding in this fund. In January 2020, the Scheme's Equitable Life With Profits Fund holdings for DC members were transitioned to Utmost Life and Pensions Limited ("Utmost") into their Secure Cash Fund. The legacy DC assets were moved out of the Secure Cash Fund and transitioned into the Scheme's DC arrangement. The legacy DB AVC members who remain at Utmost had their funds transferred to the Money Market Fund and the Trustee is currently reviewing their AVC arrangements.

As members were transferred to the Money Market Fund without consent, this fund represents a default fund, and therefore more information is included in the Default Appendix B.

The Trustee also has an AVC policy with Fidelity.

6. INVESTMENT RESTRICTIONS

The Trustee recognises that it is not possible to specify investment restrictions where assets are managed via pooled funds. For the DC section, it is noted that this is particularly true given that it is Scottish Widows Limited, the Scheme's investment platform provider that has the direct relationship with the third parties offering the funds (and not the Trustee).

7. IMPLEMENTATION AND ENGAGEMENT POLICY

The below table sets out the Trustee's approach to implementation and engagement. The list below is not exhaustive, but covers the main areas considered by the Trustee.

Policy statement	Trustee's Approach
<p><b>How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustee's policies</b></p>	<p>The Delegated Investment Manager appoints underlying investment managers and the Trustee appoints investment managers of externally managed funds based on their capabilities and, therefore, the perceived likelihood of achieving the expected return and risk characteristics required. Mercer's manager research rating reflects Mercer's forward-looking assessment of a manager's ability to meet or exceed their objectives.</p> <p>As the Trustee invests in pooled investment vehicles, they accept that they have limited ability to influence investment managers to align their decisions with the Trustee policies set out in this Statement. However, appropriate mandates have been selected to align with the Trustee's overall investment strategy.</p>

**Jonathan Clarke**  
 E-signed 2021-07-01 11:41AM GMT+1  
 jmr.clarke@lcloud.com

**tony gara**  
 E-signed 2021-07-01 04:39PM GMT+1  
 tony.gara@bt.com  
 BT



	<p>The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Delegated Investment Manager is dissatisfied then they will look to replace the manager. If the Trustee is dissatisfied (for example if an underlying investment manager's investment strategy or decisions are not consistent with the Trustee's policies) the Trustee may remove the fund from the fund range thus incentivising the investment manager to remain aligned with the Trustee's objectives.</p> <p>If the investment objective for a particular manager's fund changes the Delegated Investment Manager will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives</p>
<p><b>How the 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</b></p>	<p>The Trustee and the Delegated Investment Manager expect investment managers to incorporate the consideration of medium to long term financial performance, into their decision making process where appropriate. The extent to which this is so will be considered during the selection, retention and realisation of manager appointments, undertaken by the Delegated Investment Manager. Voting and engagement activity should be used by investment managers to discuss and improve the medium to long term performance of an issuer of debt or equity.</p> <p>The Delegated Investment Manager engages with investment managers on this activity and if dissatisfied will look to replace the manager. If the Trustee is dissatisfied (for example if an underlying investment manager is not making decisions based on medium to long term financial assessments, or is not using engagement activity to improve performance); the Trustee may remove the fund from the fund range, thus incentivising the investment manager to remain aligned with the Trustee's objectives</p> <p>The Trustee does not seek to incentivise investment managers to incorporate non-financial performance into decision making as the Trustee's policy is that non-financial matters should not explicitly be taken into account in the selection, retention and realisation of investments (see above).</p>
<p><b>How the method (and time horizon) of the evaluation of the asset manager's performance and the</b></p>	<p>The Trustee's focus is on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The</p>

**Jonathan Clarke**  
 E-signed 2021-07-01 11:41AM GMT+1  
 jmr.clarke@icloud.com

**tony gara**  
 E-signed 2021-07-01 04:39PM GMT+1  
 tony.gara@bt.com  
 BT

<p>remuneration for asset management services are in line with the trustee's policies</p>	<p>Trustee reviews both absolute and relative performance against a portfolio or underlying investment manager's benchmarks on a quarterly basis, including assessments of both shorter and longer time horizons and against the Trustee's policies and objectives</p> <p>The remuneration for investment managers used by the Scheme is based on assets under management, the levels of these fees are reviewed annually as part of the annual value for money assessment to ensure they continue to represent value for members. If performance is not satisfactory, or is not in accordance with the Trustee's policies, the Trustee will ask the Delegated Investment Manager to provide additional rationale, and if not satisfied with this, may request further action be taken, including a review of fees.</p> <p>The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over three months, one year, three years, five years, and since inception. The Trustee's review the absolute performance, relative performance against a suitable index used as the benchmark, and against the underlying manager's stated target performance over the relevant time period, on a net of fees basis. Whilst the Trustee's focus is on long-term performance in accordance with the Trustee's policies, they also take shorter-term performance into account.</p> <p>The underlying managers are appointed by the Delegated Investment Manager, who review if the manager is meeting its stated performance objective and if any changes have been made.</p>
<p>How the trustee monitors portfolio turnover costs incurred by the asset manager.</p>	<p>Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members' assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustee will monitor industry developments in how to assess these costs and incorporate this in future value for members' assessments. Importantly, performance is reviewed net of portfolio turnover costs.</p>
<p>How the trustee defines and monitor targeted portfolio turnover or turnover range.</p>	<p>The Trustee does not currently define or monitor target portfolio turnover or turnover ranges for funds since this information is not currently routinely provided by underlying fund managers.</p> <p>The Trustee may review its approach to monitoring portfolio turnover in due course if the information is provided by underlying fund managers.</p>

Jonathan Clarke  
 E-signed 2021-07-01 11:41AM GMT+1  
 jmr.clarke@icloud.com

tony gara  
 E-signed 2021-07-01 04:39PM GMT+1  
 tony.gara@bt.com  
 BT

**How the trustee defines and monitors the duration of the arrangement with the asset manager.**

The Trustee is a long term investor, all funds are open ended and therefore there is no set duration for manager appointments. The Delegated Investment Manager is responsible for the selection, appointment, monitoring and removal of the underlying investment managers. The Trustee is responsible for the selection, appointment and removal of the externally managed funds.

The Trustee may also choose to remove a fund from the fund range, if no longer considered appropriate, and the fund range reviewed on at least a triennial basis. The funds in use are also looked at on an annual basis through the Mercer SmartPath review.

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

*Defined Benefit and Defined Contribution / AVC Section***1. GOVERNANCE**

The Trustee is responsible for the investment of the Scheme's assets. The Full Board of the Trustee takes some decisions itself and delegates others to the Funding and Investment Sub Committee (the 'F&ISC'). When deciding which decisions to take itself and which to delegate, the Full Board of the Trustee has taken into account whether the F&ISC has the appropriate training and access to expert advice in order to take an informed decision.

The Trustee has a clearly defined governance structure which includes an agreed Terms of Reference for the F&ISC and also documents governing the services provided by the investment adviser, custodians and fund managers. The delegatory duties and powers of the F&ISC are as provided for within the F&ISC Terms of Reference as amended from time to time.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments**.

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs and other monies invested on a money purchase basis. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee or, to the extent delegated, by the fund managers; against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustee will monitor the Defined Contribution Section of the Scheme against the Pension Regulators' DC Code of Practice, to ensure that the scheme adheres to the best governance.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1

jmr.clarke@icloud.com

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1

tony.gara@bt.com

BT

practices. Through the services of Mercers Workplace Savings, the investment related quality features such as clear investment objectives, a suitable default strategy on-going review of investment options and performance and the transparency of costs are already in place.

The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

Fund managers are remunerated on an ad valorem basis, a performance related basis or a mixture of the two. The level of remuneration paid to fund managers is reviewed regularly by the Trustee against market rates and the Trustee's policies to ensure the fund managers interests are aligned with those of the Scheme. In addition, fund managers pay commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs.

The Trustee's agreement with each fund manager is, in the case of pooled fund investments, a tri-partite agreement between the Trustee, the manager, the Delegated Investment Manager and the custodian. In the case of segregated investments the Trustee will have separate agreements with the fund manager and a custodian. The custodians are responsible for the safekeeping of the underlying assets and perform the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions.

The Trustee will review this SIP at least every three years and as soon as practicable following a significant change in investment strategy. The Trustee will take investment advice and consult with the Employer over any changes to the SIP.

#### *Appendix A – Strategy for the Defined Benefit section of the Scheme*

The overall return objective for the Defined Benefit section of the Scheme has been determined by the Trustee after an assessment of the Defined Benefit section liabilities and associated risks of the Defined Benefit section of the Scheme and consultation with the Employer and is, as at August 2020, as follows:

**"To implement an investment strategy which targets an expected return over fixed interest gilts of at least 2.0% per annum (net of fees) until 31 December 2030, declining to 0.5% ahead of fixed interest gilts at 31 December 2040"**

The one year Value at Risk (VaR95) (as at 31 March 2020) for the Defined Benefit section strategy is estimated to be approximately £207.0m. The Trustee will monitor the VaR95 and aim to ensure that it remains below 25% of the Scheme's liabilities as calculated on the Scheme's technical provisions basis (equating to about £302.7m as at 31 March 2020).

The Defined Benefit section of the Scheme's investment portfolio is notionally split into four sub-sections from return seeking riskier assets such as equities to risk reducing lower expected return assets such as index-linked gilts. Certain assets such as property and corporate bonds have characteristics that are a mixture between pure return seeking and risk reducing assets.

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

The Defined Benefit section strategy is split approximately as follows together with illustrative ranges within which the Trustee expects to maintain the allocations to each broad asset class over the long term

Asset Class	Central Strategic Weighting A <sub>2</sub>	Illustrative Ranges <sup>2a</sup>
<b>Equities</b>	25.0	20.0 - 30.0
<b>Absolute Return</b>	10.0	5.0 - 15.0
<b>Illiquid Alternatives</b>	35.0	30.0 - 40.0
<b>Fixed-Interest Bonds / Swaps</b>	30.0	25.0 - 35.0
<b>Index-Linked Bonds / Swaps</b>		
<b>Cash</b>	0.0	0.0 - 10.0

<sup>2a</sup> Note: The actual asset allocation for the Defined Benefit section will depend on the actual returns of the asset classes and the overall performance of the Defined Benefit section. The actual asset allocation will be subject to the Trustee's discretion and will be subject to the Trustee's risk management strategy.

The Trustee may also invest in other (predominantly return seeking) alternative assets, for example private equity, hedge funds and absolute return funds, infrastructure and commodities from time to time. If the Trustee does revise its asset allocation for the Defined Benefit section strategy to include investment in such other assets, it will share its revised asset allocation strategy with the Employer.

The Trustee may also invest in other (predominantly risk reducing) assets, for example insurance products and/or assets expected to give some protection against increases in the liabilities due to improvements in longevity, or changes in interest rates or inflation.

The Trustee will monitor the actual asset allocation for the Defined Benefit section versus the central strategic weights set out in the table above. The Trustee recognises that from time to time the actual asset allocation may deviate from the central strategic weight due to market movements or due to medium term views on the relative attractiveness of different asset classes.

If it is considered that the mix has deviated too far from the central strategic weighting for too long a period, the Trustee will consider whether to rebalance back towards the central strategic weightings, taking into account current market conditions, medium term market views, and any changes to the Trustee's risk tolerance, and any changes to the funding position or liability profile of the Defined Benefit section of the Scheme.

<sup>2</sup> The one-year VaR<sub>99.5</sub> means there is a one in twenty (5%) chance that the portfolio will drop by more than £201.0m in one year's time.

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

*Appendix B – EE Pension Scheme (‘the Scheme’)*

*Statement of Investment Principles - Default Option*

For members who do not wish to take an active role in investment decisions, the Trustee offers a **default option** which is a lifestyling arrangement, de-risking investments to an asset allocation designed to be appropriate for a typical member who intends to access their benefits via income drawdown at retirement. Referred to as the Target Drawdown Path.

This Appendix of the SIP should be read in conjunction with ‘Defined Contribution Section and Money Purchase benefits within the Defined Benefit Section’.

**1. AIMS AND OBJECTIVES**

The aims of the default option are detailed below:

- To generate returns in excess of inflation during the ‘growth’ phase of the strategy whilst managing downside risk.
- To provide a strategy that reduces investment risk for members as they approach retirement.
- To offer to members a mix of assets at retirement that is broadly appropriate for an individual planning to take their benefits as cash.

**2. INVESTMENT POLICIES**

The Target Drawdown Path is implemented using a range of pooled funds managed by the Trustee’s chosen investment managers. The Trustee delegates the selection, retention and realisation of investments within these pooled funds to the chosen investment managers.

Assets in the default arrangement are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member’s portfolio as a whole. All funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore the Trustee expects these to be realisable at short notice, based on member demand.

A range of asset classes are included within the default arrangement, including developed market equities, emerging market equities, small capitalisation equities, low volatility equities, real estate, money market investments, gilts, index-linked gilts, corporate bonds, diversified growth funds and pre-retirement funds. Both active and passive management funds are utilised, depending on asset class.

The Target Drawdown Path adopts a lifestyle approach to manage risk throughout a member’s lifetime in the Scheme. As a member’s pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that it is appropriate to reduce investment risk as the member approaches retirement, this is expected to reduce the chance of market shocks producing unfavourable outcomes for members at retirement. The Trustee has delegated the investment strategy to Mercer, the asset allocation is consistent with the expected amount of risk that is appropriate given the age of the member and when they expect to retire.

- If the member is more than eight years from their expected retirement date contributions will be invested in a fund which holds a diversified range of assets (equities, bonds and non-traditional Assets) with the objective of providing growth whilst mitigating inflation erosion and downside risk.

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@lcloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

- Eight years before their target retirement date (or Normal Retirement Date if no target has been specified) members will have their holdings transferred into a target date fund based on expected date of retirement. The target date fund aims to gradually move assets to investments more suitable for targeting cash and variable income (drawdown) as members approach retirement.
- Within the Target Drawdown Path, units across the underlying pooled funds are bought and sold according to the lifestyle matrix set out in the IPiD. Specific details on the pooled funds within the Target Drawdown Path are also set out in the IPiD.

The Trustee's policy for its arrangements with delegated investment managers is the same as those set out in Sections (6) Investment Restrictions and (7) Implementation and Engagement Policy in the Defined Contribution Section above.

Non-financial matters, such as member and beneficiary ethical views and views in relation to social and environmental impact and their present and future quality of life are not explicitly taken into account in the selection, retention and realisation of investments within the default investment option.

3. RISK

In designing the default option, the Trustee has explicitly considered the trade-off between risk and expected returns. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members. In particular, when reviewing the investment strategy of the default investment option, the Trustee considers risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustee also considers risk in terms of the misalignment of investments with the retirement benefits targeted by the default investment option.

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risks	Inflation risk	The risk that the investment return over members' working lives will not keep pace with inflation and does not therefore secure an adequate pension.	The Trustee monitors the performance of the growth phase against inflation.  The strategy for the default option is set with the intention of diversifying these risks to reach a level of risk deemed appropriate.
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	The strategy is outsourced to the delegated investment manager.  Within active funds management of many of these market risks is

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT



Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	delegated to the investment manager.
Equity property and other price risk	The risk that investment market movements lead to a substantial reduction in the anticipated level of the benefit.	
Environmental, Social and Corporate Governance risk	The risk that environmental, social or corporate governance concerns including climate change, have a financially material impact on the return of the Scheme's assets.	The management of ESG related risks is delegated to investment managers  See Section 4 in the DC Section of this SIP for the Trustee's responsible investment and corporate governance statement.  The Trustee reviews the Mercer Stewardship Monitoring Report on an annual basis.
Investment Manager risk	The risk that the investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines	The Trustee regularly reviews performance of investment funds.  The management of this risk is outsourced to the delegated investment manager
Liquidity risk	The risk that the Scheme's assets cannot be realised at short notice in line with member demand.	The Scheme is invested in daily dealt and daily priced pooled funds
Pension Conversion risk	The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement	The default option is a lifestyle strategy which automatically switch member assets into investments whose value is expected to be less volatile relative to variable income/drawdown as they approach retirement age  As part of the triennial default strategy review the Trustee ensures the default destination remains appropriate

The above items in Sections 2 and 3 of this Appendix, take into account what the Trustee considers 'financially material considerations' which includes (but is not limited to):

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

environmental, social and governance considerations (including but not limited to climate change). The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level, depending on their need to fund future benefits by investments of the Scheme. This will be dependent on the member's age and when they expect to retire. It is partly for this reason that the default investment option is a lifestyle strategy.

#### 4. MEMBERS INTERESTS

The Trustee's policy for the default arrangement in relation to the exercise of rights attaching to investments and the undertaking of engagement activities in respect of investments is the same as those set out in Section (4) 'Responsible Investment and Corporate Governance (Voting and Engagement)' in the Defined Contribution Section above.

Taking into account the demographics of the Scheme's membership and the Trustee's view of how the membership will behave at retirement, the Trustee believes that the current default strategy (including the policies referred to in this SIP) is appropriate to ensure that assets are invested in the best interests of members and beneficiaries invested in the default option. The Trustee will continue to review this over time, at least triennially, or after significant changes to the Scheme's investment policy or demographic profile, if sooner.

**Jonathan Clarke**

E-signed 2021-07-01 11:41AM GMT+1

[jmr.clarke@icloud.com](mailto:jmr.clarke@icloud.com)

**tony gara**

E-signed 2021-07-01 04:39PM GMT+1

[tony.gara@bt.com](mailto:tony.gara@bt.com)

BT

**Appendix C – Default Fund Information****Utmost Life Money Market Fund**

At the start of 2020, DB Members with AVC assets previously held in the Equitable Life With Profits Fund were transferred into the Utmost Life Secure Cash Fund without members consent. This occurred as part of the transfer of the Equitable Life Assurance Society's UK policies to Utmost Life and Pensions Limited.

The Secure Cash Fund was being used as a temporary measure following the transfer from Equitable Life to Utmost Life. These funds are currently held in the Utmost Life Money Market Fund as of August 2020 while the Trustee review the AVC arrangements.

Trustee policies that are not explicitly mentioned in this Appendix are as outlined in the main SIP. In line with regulatory requirements, the Trustee will continue to review the following over time:

**Aims, Objectives and Policies**

The aims, objectives and policies of the fund utilised within the default investment strategy are considered in more detail below. The Trustee has focussed on what it considers to be financially material considerations. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

**Utmost Life Money Market Fund**

The Trustee sees the Utmost Life Money Market Fund as an appropriate interim investment before the transfer to an appropriate arrangement.

The fund's investment objective is to preserve capital whilst aiming to provide a return in line with prevailing short term money market rates. The fund invests in the short term deposits. The Trustee notes that the Utmost Life Money Market Fund value is unlikely to keep pace with inflation.

**Risk**

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risks	Inflation risk	The risk that the investment return over members' working lives will not keep pace with inflation and do not secure adequate retirement benefits	This fund invests in short term deposits  The Trustee is aware that this fund is unlikely to keep pace with inflation
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate	
	Credit risk	The risk that the issuer of a financial asset such as a bond fails to make the contractual payments due	
	Equity property and other price risk	The risk that investment market movements lead to a substantial reduction in the anticipated level of the benefit	
Environmental and Corporate Governance risk	Social	The risk that environmental social or corporate governance concerns, including climate change have a financially material impact on the return of the Scheme's assets	The management of this risk is outsourced to the delegated investment manager

**Jonathan Clarke**  
 E-signed 2021-07-01 11:41AM GMT+1  
 jmr.clarke@icloud.com

**tony gara**  
 E-signed 2021-07-01 04:39PM GMT+1  
 tony.gara@bt.com  
 BT

Type of Risk	Risk	Description	How is the risk monitored and managed?
Investment Manager risk		The risk that the investment manager underperforms its objectives, fails to carry out operational tasks does not ensure safe-keeping of assets or breaches agreed guidelines	The management of this risk is outsourced to the delegated investment manager
Liquidity risk		The risk that the Scheme's assets cannot be realised at short notice in line with member demand	The Scheme is invested in daily dealt and daily priced pooled fund
Pension Conversion risk		The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement	This default option is a temporary alternative default for a self-select fund. This temporary default is not expected to impact any individual retirement strategy

#### Members Interests

The Utmost Life Money Market Fund is designed to meet its objective as outlined above

**Jonathan Clarke**  
E-signed 2021-07-01 11:41AM GMT+1  
jmr.clarke@icloud.com

**tony gara**  
E-signed 2021-07-01 04:39PM GMT+1  
tony.gara@bt.com  
BT