EE Pension Scheme

Scheme Registration Number: 10249705

Trustee's Annual Report and Financial Statements For the Year Ended 31 December 2021

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Director

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Contents

Management and Advisers

Trustee*
EE Pension Trustee Limited
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Mosquito Way
Hatfield
Hertfordshire AL10 9BW

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One Braham
Braham Street
London E1 8EE

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 Limited
(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* (resigned 24 September 2021)
Rachel Willis*
Joseph Ward** (appointed 2 August 2021)
****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

Custodian
The Northern Trust Company
(appointed 21 September 2021)
50 Bank Street
London E14 5NT

Management and Advisers (continued)

Investment Managers
(Defined Benefit Section)

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

Abrdn (formerly 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

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
One Coleman Street
London EC2R 5AA

Chorus Capital Management Limited
34 Bruton Street
London Q1J 6QX

Basalt Infrastructure Partners LLP
14-16 Bruton Place
London Q1J 6LX

I Squared Capital
(effective 30 June 2021)
600 Brickell Ave Penthouse
Miami, FL
33121, United States

Kohlberg Kravis Roberts & Co. Partners LLP
(effective 30 June 2021)
30 Hudson Yards
New York, NY
10001, United States

(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
(until 12 April 2021)
PO Box 175, Walton Street
Aylesbury, Bucks HP21 7YN

Fidelity International (until 12 July 2021)
Windmill Court, Millfield Lane
Lower Kingswood, Tadworth
Surrey KT20 6BP

Scottish Widows Workplace Savings
(effective 12 April 2021)
Barnwood 1, Barnett Way
Gloucester GL14 3RL

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 2021.

The Statement of Trustee's Responsibilities, Summary of Contributions, Auditor's Opinions 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

Constitution of the Scheme

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.

Appointment of Trustee

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.

Principal and Participating Employers

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

Scheme Advisers

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.

Trustee's Report – Scheme Management (continued)

Pension Increases

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 2021 pensioners were granted a 0.5% increase on their post 1988 GMP, a 1.1% increase on their excess pension accrued prior to 6 April 2006 and a 1.1% 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.

Scheme Membership

Membership and Beneficiaries – Defined Benefit Section

	Deferreds (including suspended members)	Pensioners	Totals
At 1 January 2021	7,495	1,040	8,535
Prior year adjustment *	-	4	4
At 1 January – as amended	**7,495**	**1,044**	**8,539**
Leavers			
Commuted	(4)	-	(4)
Transfers out	(26)	-	(26)
Retirements	(80)	91	11
Deaths	(4)	(10)	(14)
Suspended	-	(1)	(1)
Child pension ended	-	(3)	(3)
31 December 2021	**7,381**	**1,121**	**8,502**

* Prior year adjustments relate to the late notification of member movements from the prior year.

Scheme Membership (continued)

Membership and Beneficiaries – Defined Contribution section

	Actives	Deferreds (including suspended members)	Totals
At 1 January 2021	8,949	20,973	29,922
Prior year adjustment	-	1	1
At 1 January – as amended	**8,949**	**20,974**	**29,923**
Members deferring benefits	(2,568)	2,568	-
New entrants	1,852	-	1,852
Leavers			
Refunds and Not Taken Up	(26)	(37)	(63)
Transfers out	(6)	(702)	(708)
Retirements	-	(3)	(3)
Deaths	(13)	(26)	(39)
Uncrystallised Fund Pension Lump Sum	(3)	(114)	(117)
31 December 2021	**8,185**	**22,660**	**30,845**

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.

Review of the Financial Development of the Scheme

As at 31 December 2021 the accumulated fund stood at £1,874,481,000 (2020: £1,724,487,000). The audited financial statements, which appear on pages 60 to 87, 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.

Trustee's Report – Scheme Management (continued)

COVID-19 Statement

Covid-19 was still a factor throughout 2021, though thanks to a successful vaccine roll-out and the gradual relaxing of restrictions the economy had largely started to recover. Temporary measures taken to ease the effects of lockdowns and staffing problems were now either being lifted or adopted into business-as-usual practices and policies which allowed the Scheme to continue operating through different and unprecedented times.

Separate global issues such as problems with gas and oil supplies and the continuing reaction to Brexit have created challenges that have started to outweigh the effects of Covid-19, but the Trustee continues to monitor the situation closely and is ready to adapt where appropriate.

Going Concern

As the country continues to open up and employees returned to offices, the Trustee's suppliers have now begun incorporating more flexible working practices into their business-as-usual activity. Suppliers are reporting no major issues and the Trustee continue to monitor their performance throughout the year.

Markets have been disrupted by several global issues over the past 2 years, and this will likely continue into the next scheme year. Despite this, thanks to better market performance following the relaxing of Covid restrictions throughout 2021 the Scheme's funding position has improved over this reporting period, and the Trustee is optimistic it will return to at least its pre-pandemic funding level when the results for the triennial actuarial valuation at 31 December 2021 are announced.

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 for a period of twelve months from the date of approval of these financial statements. 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 agreed funding to the Scheme which was 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.

Transfer values

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.

Trustee's Report – Scheme Management (continued)

GMP Equalisation

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 the Trustee owes 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.

Conflict in Ukraine

The current uncertainty, and the associated sanctions against Russia and Russian individuals, has led to volatility in investment markets. How those events might develop, the scale of those developments and the wider impacts are hard to predict, though a period of heightened uncertainty seems inevitable. The amount of exposure to Russia is regarded as trivial to the scheme. The Trustee has not identified any further material risks to the Scheme or employer covenant because of Russian Sanctions although the Trustee will continue to closely monitor the situation.

Trustee's Report – Scheme Management (continued)

Summary of Contributions

During the year ended 31 December 2021 the contributions payable to the Scheme by the Employers, under the Scheme Rules and the Schedule of Contributions dated 20 March 2020, were as follows:

	Defined Benefit Section 2021 £'000	Defined Contribution Section 2021 £'000
Contributions paid under the Schedule of Contributions		
Employer normal contributions	-	19,586
Deficit funding contributions	40,000	-
Employee normal contributions	-	1,387
Contributions payable under the Schedule (as reported on by the Scheme Auditor)	**40,000**	**20,973**
Contributions paid not under the Schedule of Contributions		
Employee additional voluntary contributions	-	605
Contributions receivable per Fund Account	**40,000**	**21,578**

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.

As part of the Scheme's aim to increase the allocation to illiquid opportunities, the Trustee committed to two new illiquid mandates over the reporting year. The Scheme committed $49,000,000 to I Squared Capital Global Infrastructure Fund III ("ISQ") and there was one capital call made by the fund over the year. The Scheme also committed $49,000,000 to Kohlberg Kravis Roberts & Co. Partners Diversified Core Infrastructure Fund ("KKR"), but no capital calls were received before year end.

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, and the statement is published online. 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 88. 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 2021.

Custodial arrangement

The Trustee has appointed Northern Trust as the custodian of the Scheme's investments.

The Custodian is responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the Custodian's nominee company, in line with common practice for pension scheme investments.

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.

Trustee's Report – Investment Matters (continued)

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 2021.

Investment Fund	Allocation (%)	Illustrative Ranges (%)	31 December 2021 (%)	31 December 2020 (%)
Illiquid alternatives	**35.0**	**30.0 – 40.0**	**27.1**	**25.0**
Global Equities	**25.0**	**20.0 – 30.0**	**25.1**	**22.8**
Absolute Return	**10.0**	**5.0 – 15.0**	**17.3**	**19.5**
Fixed Interest Bonds (1) Index-Linked Bonds (1)	**30.0**	**25.0 – 35.0**	**29.6**	**31.5**
Cash in Trustee Bank Account	**0.0**	**0.0 -10.0**	**0.9**	**1.2**
Total	**100.0**	**100.0**	**100.0**	**100.0**

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 Q4 2022 based on the current set of funds and expected capital drawdown projections. The funding of these capital drawdowns will act as a natural time to rebalance the Absolute Return assets down towards the strategic target. 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.

Trustee's Report – Investment Matters (continued)

Asset allocation (continued)

The table below details the Defined Contribution Section investments as at 31 December 2021:

	2021 £,000	%	2020 £,000	%
Annuity Retirement	2,654	0.34	3,917	0.54
Cash and Money Market	1,.372	0.18	2,303	0.31
Cash Retirement	653	0.08	1,133	0.15
Growth	551,838	70.59	522,231	71.34
High Growth	2,416	0.31	2,117	0.29
Asia Pacific (ex-Japan) Equity	3,980	0.51	4,006	0.55
Pre-Retirement	16	-	41	0.01
Shariah	2,276	0.29	1,999	0.27
Property	2,174	0.28	1,841	0.25
Emerging Markets Equity	2,078	0.27	2,178	0.30
European (ex UK) Equity	1,046	0.13	1,117	0.15
Fixed Interest Gilt	3,875	0.50	4,656	0.64
Global Equity (60/40)	11,418	1.46	10,370	1.42
Index Linked Gilt	312	0.04	321	0.04
Japanese Equity	1,793	0.23	1,844	0.25
Moderate Growth	1,175	0.15	1,199	0.16
UK Equity	27,050	3.46	25,010	3.42
US Equity	3,231	0.41	3,076	0.42
Overseas Equity	30,575	3.691	26,912	3.68
Defensive	1,887	0.24	2,022	0.28
Diversified Growth	6,512	0.84	6,072	0.84
Diversified Retirement	204	0.03	100	0.01
Drawdown Retirement	4,080	0.52	1,502	0.21
Target Annuity 2021 Retirement	-	-	1,427	0.19
Target Annuity 2022 Retirement	857	0.11	1,510	0.21
Target Annuity 2023 Retirement	544	0.07	416	0.06
Target Annuity 2024 Retirement	877	0.11	169	0.02
Target Annuity 2027 Retirement	209	0.03	26	-
Target Annuity 2028 Retirement	97	0.01	90	0.01
UK Corporate Bond	505	0.06	542	0.07
Ethical	5,777	0.74	4,924	0.67
Target Drawdown 2021 Retirement	-	-	5,928	0.81
Target Drawdown 2022 Retirement	8,509	1.09	10,489	1.43
Target Drawdown 2023 Retirement	10,002	1.28	8,456	1.16
Target Drawdown 2024 Retirement	13,054	1.67	11,695	1.60
Target Drawdown 2025 Retirement	11,626	1.49	11,091	1.52
Target Drawdown 2026 Retirement	13,566	1.74	11,342	1.55
Target Drawdown 2027 Retirement	15,720	2.01	16,217	2.22
Target Drawdown 2028 Retirement	15,596	2.00	17,080	2.33
Target Cash 2021 Retirement	-	-	786	0.11
Target Cash 2022 Retirement	474	0.06	254	0.03
Target Cash 2023 Retirement	648	0.08	823	0.11
Target Cash 2024 Retirement	498	0.06	500	0.07
Target Cash 2025 Retirement	118	0.02	877	0.12
Target Cash 2026 Retirement	387	0.05	390	0.05

Asset allocation (continued)

Target Cash 2027 Retirement	380	0.05	390	0.05
Target Cash 2028 Retirement	558	0.07	621	0.08
SW Mercer Global Listed Infrastructure	8	-	-	-
SW Target Annuity 2029 Retirement	30	-	-	-
SW Target Cash 2029 Retirement	371	0.05	-	-
SW Target Drawdown 2029 Retirement	18,598	2.38	-	-
	781,624	**100.00**	**731,932**	**100.0**

Development of the investment strategy

Over the year to 31 December 2021, the Scheme increased the target hedge ratio in a series of tranches to 60% on both interest rate risk and inflation risk.

Approximately 31.2% 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 36.2% 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.

	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	3 Year (% p.a.)	5 Year (% p.a.)
Scheme Return (%)	**7.9**	**-2.5**	**9.2**	**11.9**	**8.6**	**9.9**	**6.9**
Benchmark Return (%)	**5.9**	**-2.1**	**10.6**	**12.5**	**10.3**	**11.2**	**7.3**
Liability Benchmark (%) [1]	**4.4**	**-0.8**	**11.8**	**17.7**	**1.4**	**10.1**	**6.7**

[1] Annual figures for the 2019 and 2020 liability benchmark performance have been restated following the sign off of the valuation as at 31 December 2018.

Review of investment performance (continued)

Overall the Scheme achieved a positive return of 8.6% over the year ending 31 December 2021. The returns for 2021 are broken down into quarterly returns as follows:

	Q1 2021 (%)	Q2 2021 (%)	Q3 2021 (%)	Q4 2021 (%)	1 Year (%)
Scheme Return (%)	**-3.8**	**4.9**	**1.0**	**6.6**	**8.6**
Liability Benchmark (%)	**-9.4**	**3.7**	**1.8**	**6.0**	**1.4**

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.

	Q4 2021 (%)	1 Year (%)	Since inception * (% p.a.)
Growth 3 1			
Scheme return (%)	**3.5**	**11.4**	**9.3**
Benchmark return (%)	**1.0**	**4.0**	**4.5**
High Growth 3 1			
Scheme return (%)	**3.9**	**14.2**	**9.6**
Benchmark return (%)	**1.1**	**4.5**	**5.0**

* date of inception 24 October 2012.

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Director

EEPS Implementation Statement

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations amongst other things require that the Trustee produces an annual Implementation Statement which outlines the following:

- A summary of the changes made to the Statement of Investment Principles ("SIP") over the Scheme year;
- Evidence on how the Trustee has fulfilled the objectives and policies included in the SIP over the Scheme year;
- Describe the voting behaviour by, or on behalf of the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the scheme year and state any use of the services of a proxy voter during that year.

This document sets out the details, as outlined above. This Implementation Statement for the EE Pension Scheme (the "Scheme") has been prepared by the Trustee of the Scheme (the "Trustee") and covers the Scheme year, 1 January 2021 to 31 December 2021. The report only covers objectives and policies that apply to the DB section of the pension scheme.

Summary

Overall, the Trustee is of the opinion that, from the evidence reviewed, the stewardship carried out on behalf of the Scheme is adequate. The Trustee notes examples of the willingness and ability of PIMCO and Insight to engage proactively where appropriate.

Having said that, the Trustee recognises that it has a responsibility as a large institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Scheme invests in. Accordingly, the Trustee continues to expect improvements over time, for example, fund level examples of engagement from Legal and General Investment Management in line with the increasing expectations on investment managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

Changes to the SIP over the year to 31 December 2021

Aon conducted a review of the SIP and it was found compliant with current regulation. There were no further updates to strategy, other than those following the 2020 strategy review, and hence no updates were made to the SIP.

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

The Trustee outlines in the SIP several key objectives and policies. The relevant sections are noted in *blue* in this report, together with an explanation of how these objectives and policies have been met and adhered to over the course of the year.

EEPS Implementation Statement (continued)

1. Investment Objective

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 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.

– Through its quarterly investment monitoring report the Trustee receives updates on the funding level of the Scheme, the performance of the Scheme's assets and how future expected returns and risk (VaR) compare to those stated in the investment objective.

2. Strategy

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.*

– The current investment strategy set out in the SIP was set following a detailed review and advice from the Trustee's investment adviser, Aon, and following consultation with the Employer regarding the change of investment strategy.

3. Risk

Due to the complex and interrelated nature of these (the Scheme's) risks, the Trustee considers the majority of 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.

– Please refer to "Investment Objective" and "Implementation" for further details on how risks within the Scheme are monitored and reported. In addition to the regular monitoring, the Trustee reviews the risk within the investment strategy as part of the investment strategy review carried out triennially alongside the actuarial valuation.

4. Implementation

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.

– Over the year the Trustee committed to three new illiquid mandates as a part of its long term goal of increasing the allocations to Illiquid Alternatives. These included Basalt, KKR and ISQ.

The Trustee took the following into consideration when making the decision:

- Utilisation of its investment adviser's manager research team to conduct necessary due diligence
- The return and overall risk of the investment
- The overall liquidity of the Scheme

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.

– 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, assessment of fund managers, performance and longer-term positioning of the portfolio.

Investment performance monitoring

– The Trustee receives, typically on a quarterly basis, monitoring reports from its investment adviser 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. The asset allocation is also monitored and compared to the strategic asset allocation for the Scheme.

– Within this report, the Trustee receives an overview of each "buy" rated manager produced by Aon's manager research team giving a quarterly update on the rating of the manager. This includes an ESG rating for equity and fixed income managers where available.

– Aon continues to monitor the asset managers and report to the Trustee via the quarterly report, in person at meetings and through regular correspondence outside of meetings.

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.

– Over the year the Trustee committed to three new illiquid mandates as a part of its long term goal of increasing the allocations to Illiquid Alternatives. These included Basalt, KKR and ISQ. All investment managers confirmed their ability to meet the obligations as set out in the SIP.

– Aon will share the SIP with future Scheme's asset managers for their awareness of the Scheme's expectations and gather responses and raise any material concerns with the Trustee.

EEPS Implementation Statement (continued)

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.

– 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.

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.

– Aon collates 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.

Cost and Transparency

The Trustee is aware of the importance of monitoring its asset manager's 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.

– Over the year the Trustee received the ClearGlass cost and transparency report for 2020. The statement provided a consolidated summary of all the investment costs incurred in having assets invested with the Scheme's investment managers over 2020. A breakdown of the costs into their various component parts was also provided, including the costs of buying and selling assets (transaction costs) incurred by the underlying managers. The Trustee reviewed the cost data and Aon provided some context in respect of other Schemes; the Trustee concluded that no action was required in this instance. Should the Trustee discover cost data that is out of line with its expectations, it will take appropriate action.

– The Trustee along with its advisors will continue to gather cost data for the Scheme's asset managers, including turnover costs, annually. An additional cost benchmarking exercise will be discussed when the 2021 data is collated and presented.

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The Scheme's stewardship policy

The relevant extract of the SIP (as at Scheme financial year-end 31 December 2021) 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; 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."

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.

Voting and Engagement – Equity

The Scheme currently invests in the Legal and General Investment Management ("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.

Voting statistics

The voting statistics for the Developed Balanced Equity Multi Factor Index Fund over the reporting period can be found below.

	Number of resolutions eligible to vote on over the period	% of resolutions voted on for which the fund was eligible	Of the resolutions on which the fund voted, % that were voted against management	Of the resolutions on which the fund voted, % that were abstained from
Legal and General Investment Management ("LGIM")				
Developed Balanced Equity Multi Factor Index Fund	10,329	99.9%	19.1%	0.1%

Voting policy

LGIM makes use of third-party provider Institutional Shareholder Services ("ISS")'s proxy voting platform to electronically vote and augment its own research and proprietary ESG assessment tools; it does not outsource any of its strategic decisions. LGIM has put in place a custom voting policy with specific instructions that apply to all markets globally, which seeks to uphold what it considers to be minimum best practice standards all companies should observe. LGIM retains the ability to override any voting decisions based on the voting policy if appropriate, for example, if engagements with the company have provided additional information.

Voting example – Target

In June 2021, LGIM voted against a resolution to elect Target Corporation's Chief Executive Officer ("CEO"), Brian C. Cornell, to be its Director as well. It is LGIM's policy to advocate for the separation of CEO and board chair roles. Due to risk management and oversight reasons, LGIM believes these two roles to be substantially different and therefore requiring distinct skills and experiences.

Since 2015 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 it has been voting against all combined board chair/CEO roles. Furthermore, LGIM has published a guide for boards on the separation of chair and CEO roles and has reinforced its position on leadership structures across all stewardship activities.

The outcome of the resolution was that 93.7% of shareholders were in favour of the resolution, whereas LGIM voted against the resolution. LGIM considers this vote to be significant as it is an example of how it applied and escalated its voting policy on the topic of combined board chair and CEO role.

Engagement policy

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhance the power of engagement,
4. Public Policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

More information can be found in LGIM's engagement policy LGIM's Engagement Policy 2020

Engagement example

In 2021, a firm level example of ongoing LGIM engagement with investee companies is on the theme of anti-microbial resistance ("AMR"). LGIM states the overuse and inappropriate use of many antimicrobials in human activities are often linked to the uncontrolled release and disposal of antimicrobial agents which can last for prolonged periods of time. This includes antibiotics in water systems, like clean water and sewage. Notably, the current water sanitation and management systems have not been designed to address AMR concerns.

LGIM has reached out to 20 water utility companies through an open letter to understand if these investee companies are aware of this issue, specifically if they have plans to introduce effective monitoring systems to detect agents such as antibiotic-resistant bacteria and genes. In addition, it has hosted meetings with some of the companies, and discovered low awareness of AMR in most countries. The manager believes this is due to lack of regulatory requirements and/ or little perception of potential business risks to the individual company.

Following continued engagements, LGIM found several investee companies considering AMR. In particular, one utility company is seeking to understand what happens to emerging contaminants in the wastewater treatment process. As part of this research it has implemented a programme that will analyse the results to try to understand what improvements in their systems would be required to address it.

Through the series of engagement, LGIM stresses it is important to promote a more enhanced and standardised approach to AMR through influencing the regulatory landscape. As part of such, it is also working with its peers within the Investor Action on AMR initiative[1].

[1] Investor Action on Antimicrobial Resistance (amrinvestoraction.org)

Engagement – Fixed Income

The Scheme has material investments in the following Fixed Income funds:

PIMCO	Diversified Income Fund
Insight Investment Management	High Grade Asset Backed Securities Fund Bond Plus 400 Fund

Whilst voting rights are not applicable to non-equity mandates, the Trustee recognises that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and therefore a vested interest on the part of debt issuers is to ensure that institutional investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be naturally limited in comparison to equities, downside risk mitigation and credit quality is a critical part of investment decision-making.

The following examples demonstrate some of the engagement activity carried out by the Scheme's fixed income managers over the reporting year.

PIMCO Diversified Income Fund

<u>Engagement</u>

PIMCO believes its size, scale and history as a fixed income manager gives it an influential platform to engage with issuers and drive positive change. PIMCO believes engagement is an essential tool for delivering impact for investors and can be a direct way for PIMCO to contribute to positive changes that may benefit all stakeholders, including investors, employees, society and the environment.

PIMCO aims to have an industry-leading engagement program among fixed income investment managers. By investing across a diverse asset class and group of issuers – including corporates, municipalities, sovereigns and others – PIMCO believes it is ideally positioned to drive meaningful change.

PIMCO's credit research analysts engage regularly with the issuers they cover. Topics of discussion with company management teams include corporate strategy, leverage and balance sheet management, as well as sustainability- related topics like climate change targets and environmental plans, human capital management, and board qualifications and composition.

Further detail on PIMCO's policy can be found here: https://www.pimco.co.uk/en-gb/our-firm/policy-statements

<u>Engagement example</u>

In 2021, PIMCO engaged with the West African Development Bank regarding an emerging market impact-oriented sustainability bond. The bank gives itself a target of investing 25% of its total financing budget into projects that have environmental benefits. This engagement demonstrates PIMCO's willingness and capacity to leverage the full scale of its international credit analysts and ability to work collaboratively with issuers to encourage long term value creation and positive change.

PIMCO notes that the Diversified Income Fund (the "Fund") is not an ESG focused fund and so engagement is not a key objective of this fund, however it does benefit from firm-wide engagement (including PIMCO's ESG focused strategies) to the extent it holds overlapping securities. Over the 2021 reporting period, PIMCO engaged with 312 issuers, amounting to 63% of entities within the Fund and 57% of total portfolio weighting. The outcome of the engagement resulted in a sustainability bond being issued by the West African Development Bank with an emphasis on high impact projects, primarily aimed towards refinancing social projects that increase access to basic services in West Africa.

Insight Investment Management ("Insight")

Engagement Policy

Pro-active engagement with issuers is a key part of Insight's credit analysis and monitoring and complements its approach to responsible investment. Given the size and depth of its credit analyst resource, one of the key inputs into Insight's ESG analysis is the direct information which it receives from companies via engagements that take place.

As a matter of policy, all Insight's credit analysts regularly meet with issuers to discuss ESG-related and non-ESG related issues. Each analyst identifies the engagement issues relevant for each specific issuer. Insight will then use ESG ratings and its proprietary carbon model to engage so-called 'laggard' companies. Meetings with company management provide the opportunity to raise these issues. Where meetings with management is not possible, or additional action is deemed appropriate in order to further the interests of its clients, Insight may consider raising the issue(s) with the company's broker or, if appropriate, the chairman. Further to this if Insight does not receive a response from the issuer regarding engagement, then it will lead on a wider collaborative iinitiative, via the PRI[2] or by engaging with other investors, to achieve greater influence over the issuer.

Additionally, as a global investment manager, the company plays an important role in financial markets. Insight therefore believes that it must take proactive steps in ensuring the long-term sustainability of markets – which are in its clients' long-term interests, as well as that of wider society.

Long-term initiatives include:

- Active engagement with other industry members to ensure Insight's clients' rights and considerations are fully represented, including:
  - Joining the Working Group on Sterling Risk-Free Rates.
  - Participation in climate change related collaborative engagements as an active member of the Climate Action 100+ initiative.
  - Collaborating with peers on a range of issues, such as credit risk and ratings with the PRI initiative.
  - Encouraging issuers to submit their carbon emissions to CDP (formerly Carbon Disclosures Project) .
- Development of new sources of repo liquidity - a key issue for pension funds seeking to manage risk efficiently and effectively.

[2] PRI | Home (unpri.org)PRI | Home (unpri.org)

EEPS Implementation Statement (continued)

- Challenging the pressure on derivatives users, including pension funds, to post only cash as variation margin on their derivatives transactions - a key issue for pension funds seeking to manage risk effectively over the long term.
- Supporting the transition to a low carbon economy by investing in 43 green bonds, and encouraging banks to consider green bond issuance, and through Insight's Advisory Council role with the Green and Social Bond Principles.

These engagements inform the overall credit analyst views of the companies and provide a platform not only for both increased transparency around ESG issues, but also ongoing engagement to change company behaviour, where appropriate.

Insight High Grade Asset Backed Securities Fund

Engagement Example – Together Financial Services

In Q2 of 2021, Insight engaged with a Financial Services company, Together. Its analyst had a one-to-one meeting with the senior management at Together to discuss the company's responses to Insight's ESG template. The two areas of weakness identified were environmental issues and social impact. Regarding environmental issues, the senior management had not taken the time to monitor risks or stress test the company for future risks. Together do not incorporate any climate risks within its loans beyond standard business practice.

Regarding social impact Insight would like to see Together doing more on ensuring borrowers have flexible terms when a change in circumstances arises. The policies regarding third-party services need to be better governed with complaints independently evaluated. Insight scores companies on its ESG rating where a one represents the best possible score and a five represents the worst possible score. Insight views Together as a well-managed business from an ESG perspective and has rated it 3 overall.

Insight Bond Plus 400 Fund

In Q3 of 2021, Insight engaged with Transport for London ("TFL") regarding the company's ESG trajectory. It engaged with TFL to discuss TFL's overall carbon transition plans and its overall ESG strategy. Insight started the discussion by asking about TFL's transition plans for its bus fleet. TFL has the largest bus fleet in the world and is targeting a fully electric fleet by 2037. Insight asked the reason for the long transition period preferring a more aggressive programme to move to electric. The rationale behind the later transition is that it costs £1bn to scrap the current bus fleet earlier. TFL also pointed out it is already trialling hybrid buses and electric buses. Insight asked TFL about the Greater London Authority's plans on improving air quality and the disclosed information about their plan to invest in renewables on their own sites such as through solar generation on roof tops. TFL also has plans to use the heat on tube networks to deliver heating solutions.

The engagement confirmed that TFL is making convincing strides to transition to a lower carbon footprint. Overall, Insight was pleased with the transition plans and the governance framework to ensure they are met. TFL has been issued a one ESG rating with top scores for Environmental and Governance.

Engagement – Alternatives

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

While the Trustee acknowledges the ability to engage and influence companies through property, private debt holding and infrastructure 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 of their role as stewards of capital. Given the limited ability to engage and influence only a subsection of the Scheme's investment managers engagement data is shown within the statement. Those not shown are listed below:

- UBS – Triton Property Fund
- Standard Life – Pooled Property Fund
- Chorus Capital – Credit Fund IV
- Basalt – Infrastructure Partners III
- KKR – Diversified Core Infrastructure Fund
- ISQ – Global Infrastructure Fund III

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

Aviva Investors Global Services Ltd (“Aviva”) - 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. As the Realm Multi Sector Fund is a fund of funds, it does not carry out any engagement activity directly.

Engagement policy

At present Aviva does not report at entity, fund or mandate level on engagement. This is because:

- Where real assets managers invest in companies, the companies are not listed and so don’t operate a traditional listed company voting system.
- Where real assets managers invest directly, the manager’s staff make decisions about how the asset is managed, so there is no ‘company’ to engage with.
- Where real assets managers invest in private debt, the opportunity to engage with counterparties concerns only the management of the secured asset, and not the general management of the borrowing company itself.

Aviva believes engagement in real assets is via structured interaction on environmental and social issues with the occupier, sponsor or counterparty. The engagement should be carried out through the transaction process, or through ongoing investment management if possible.

Aviva's team engage by:

1) Including ESG covenants in its transactions to mandate positive change from its sponsors over the lifetime of the loan; and

2) Providing financial incentives to encourage positive behaviours such as reducing energy use or installing renewable energy equipment.

Engagement Example

At a firm level, Aviva believes efforts to decarbonise the real estate sector must involve a greater level of cooperation between landlords and tenants to improve the sustainable occupancy and management of buildings. During a lease regear Aviva expanded the lease term for a major retailer to seven years and provided a three-month rent-free incentive, worth approximately £275,000. This financial incentive was linked with the requirement to improve the Energy Performance Certificate ("EPC") rating of the warehouse asset from a D to a B or higher. Reducing emissions generated by its assets is essential for Aviva to meet its net zero 2040 targets.

Increasing the EPC rating through installing energy-efficient technology helps reduce energy consumption and associated emissions, creating a future proofed asset whilst reducing costs for occupiers.

M&G Investments ("M&G") - UK Residential Property Fund

Engagement policy

M&G developed its engagement process, adopting the Sustainable Accounting Standards Board ("SASB") framework to structure its research and engagement activity, allowing it to incorporate ESG factors into the investment process for its holdings at all stages. Since 2019 M&G has created a question databank of over 600 sector-specific ESG questions. These highlight key material risks and themes as identified by both SASB and its own internal experience of the effects of ESG factors on credit and equity positions. This includes 250 climate related questions and incorporates the Transition Pathway Initiative ("TPI") and World Economic Forum ("WEF") Climate Governance guidelines to further build its capability to identify financially material risks on a sector-by-sector basis.

This helps steer M&G's analysts towards asking the right questions of investee companies dependent on their sector and ensures that when there is a potentially material risk, M&G is able to identify and act on it in an efficient way.

Previously, M&G only reported on engagement from an equities perspective, but the Corporate Finance and Stewardship team has more recently begun working closely with M&G's Fixed Income teams to understand their engagement activities, participate in ESG-related engagements and help to coordinate engagements across asset classes where appropriate.

Hayfin Capital Management ("Hayfin")- Direct Lending

Engagement policy

Hayfin is an active member of several collaborative initiatives. In addition to being a signatory to the UN PRI since 2018 and a supporter of the Task Force on Climate-Related Financial Disclosures ("TCFD") since 2021, Hayfin has, over the last 12-months, engaged with other investors and stakeholders to drive change. Hayfin recognises that collaboration on specific issues can be more effective in amplifying that change. Some of the issues Hayfin has focused on include the lack of ESG data available to lenders and the evolution towards carbon neutrality, specifically for the maritime industry.

Summary

The Trustee is 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 notes 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.

Annual Statement of Investment Principles Implementation Statement

EE Pension Scheme ('the Scheme') – DC Section

Introduction

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 2021 ("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 sets out details of voting behaviour that has been carried out, on behalf of the Trustee, by the investment managers during the Scheme year.

Investment objectives of the Scheme

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 options are available in Appendix B (DC Members) and Appendix C (AVCs) of this Statement."*

Investment Structure

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, BMO, LGIM and HSBC. MGIE operates on a 'manager of managers' basis, appointing underlying fund managers to its funds under management. MGIE has 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.

Review of the SIP

The Trustee reviewed and amended the Scheme's SIP once during the Scheme year to reflect the latest AVC arrangements.

- For the legacy DB AVC members invested in the Utmost Money Market Fund, these members were transferred into a new AVC arrangement, which mirrors the Scheme's DC arrangement with Scottish Widows.
- The Trustee also held an AVC policy with Fidelity. Following a review by the Trustee in January 2021, members' AVC assets invested under this policy were subsequently transferred to the Scheme's AVC arrangements with Scottish Widows.
- Removed the wording on the legacy Utmost Life arrangements which were removed in 2020.
- The AVC arrangements with Scottish Widows are now the sole AVC policy.

Assessment of how the policies in the SIP have been followed for the year to 31 December 2021

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 2021.

EEPS Implementation Statement (continued)

	Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2021
1	Securing compliance with the legal requirements about choosing investments	DC Section 2. Investment Policies	The Trustee has established a Funding & Investment Comm processes in place in connection with the Scheme's investm Funding & Investment Meetings during the year and provide Over the year to 31 December 2021, the following changes • For the legacy DB AVC members invested in the Utm into a new AVC arrangement, which mirrors the Schem • The Trustee also held an AVC policy with Fidelity. Fo AVC assets invested under this policy were subsequ Scottish Widows. • The AVC arrangements with Scottish Widows are now In considering appropriate investments for the Scheme, the of a suitably-qualified investment advisor. The advice receiv opinion, consistent with the requirements of Section 36 of th
2	Kinds of investments to be held	DC Section 2. Investment Policies	Within the Scottish Widows DC Platform, there have been n investments held and the balance between investments in th As noted above, the AVC arrangements with Scottish Widow suitability of the funds is assessed quarterly through perform The arrangements in place are consistent with the policies i

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EEPS Implementation Statement (continued)

	Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2021
3	The balance between different kinds of investments	DC Section 2. Investment Policies	The last formal Trustee review of the DC investment arrang the review was to consider whether the default investment s targets drawdown, remains appropriate for the DC Section. appropriate. The MWS arrangement in place is a delegated investment a regularly monitors the arrangements in place and produces in May 2020 that reviewed the ongoing suitability of the stra result of this review required updates to the SIP.
4	Risks, including the ways in which risks are to be measured and managed	DC Section Section 3. Risk	There were no material changes to this policy during the Sc As detailed in the risk table in the SIP, the Trustee consider when deciding investment policies, strategic asset allocatio managers / funds / asset classes. The Trustee has delegated to the Funding & Investment Co with investment consultant) the performance delivered by th ongoing suitability for the Scheme's membership. The Com quarterly basis during the year as part of their regularly inve performance monitoring reports were provided by the Schem discussed with the Committee were raised and discussed w in investments / managers. The Trustee is comfortable with the manager ratings applie monitor the ratings and any significant developments at eac In member-facing communications, the Trustee highlights a investing in any particular funds.

EEPS Implementation Statement (continued)

	Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2021
5	Expected return on investments	DC Section 2. Investment Policies	There was no change to this policy during the Schem reviewed by the Funding & Investment Committee or discussed with the Committee were raised and discu investments / managers. Investment performance reports are provided on a qu fund or strategy were delivering against their specific an ongoing basis – including additional monitoring of heightened market volatility under the Covid-19 pand
6	Realisation of investments	DC Section 7. Implementation and Engagement Policy	There were no changes during the year to the liquidit are daily-dealt pooled investment arrangements, with and therefore should be realisable at short notice in r The funds used by the Scheme are accessed via an investm insurance policy issued by Scottish Widows. The investme are managed by various investment managers. The select pooled funds are managed by the respective investment There were no liquidity issues over the year.
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 Section 3. Risk	There were no material updates to this policy during The Trustee believes the appropriate time horizon ov be viewed at a member level (depending on their nee Scheme). This will be dependent on the member's ag The investment performance report is reviewed by th ratings (both general and specific ESG) from the inve highly rated during the year. The investment perform investment manager is delivering against their specif

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EEPS Implementation Statement (continued)

	Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2021
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	No changes during the year to this policy and the pol Non-financial matters, such as member and benefici environmental impact, and their present and future q in the selection, retention and realisation of investme an Ethical Fund and a Shariah Fund, which consider concerns.
9	The exercise of the rights (including voting rights) attaching to the investments	DC Section 7. Implementation and Engagement Policy	The Trustee does not use the direct services of a pro and underlying fund managers have discretion over e obligations. The delegated investment manager has reviews the underlying investment managers and fun basis. The Trustee has requested key voting activities from consider this, and the information received is summa follows. The Trustee annually receives and reviews MWS's S
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)		
11	How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies	DC Section 7. Implementation and Engagement Policy	As the Trustee invests in pooled investment vehicles delegated investment manager and investment mana policies set out in this Statement. However, appropri overall investment strategy. The Trustee reviewed the performance of the Plan 2021. A change in fund objectives occurred once in 2021 d (London Interbank Offered Rate) to SONIA (Sterling fund used by the Scheme, following the discontinuan reviewed the continued suitability of affected funds a LIBOR and SONIA are sufficiently minor that no actio

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EEPS Implementation Statement (continued)

	Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2021
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	DC Section 7. Implementation and Engagement Policy	At regular monitoring meetings, the Trustee receives the recent period.
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	DC Section 7. Implementation and Engagement Policy	The Trustee has reviewed both short term and longe basis during the year and informally intra-meeting. T 2021. In 2021, the Scheme benchmarked the investment n successfully negotiated a reduction in the Mercer Gr implemented in 2022.
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	DC Section 7. Implementation and Engagement Policy	The Trustee considers the levels transaction cos assessment, last carried out as at 31 December 202 costs and charges disclosures mandated by regulati As the Scheme invests through pooled funds, the Tr ranges for funds. However, they will engage with an turnover is higher than expected.
15	The duration of the arrangement with the asset manager	DC Section 7. Implementation and Engagement Policy	The Trustee reviewed the performance of the Schen 2021.

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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-subdomains/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, though voting opportunities may arise in other asset classes such as certain bonds, property, private equity and multi-asset funds. For the purposes of this statement, 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 daily dealt and daily priced pooled funds detailed below. The funds highlighted in bold hold equities:

EEPS Implementation Statement (continued)

Investment option	Investment Strategy	Fund Name
Default	Growth Phase	**Mercer Growth Fund**
Default	Mercer SmartPath Drawdown	**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
		Target Drawdown 2029 Fund
		Drawdown Retirement Fund
Lifestyle	Growth Phase	**Mercer Growth Fund**
Lifestyle	Mercer SmartPath Annuity	**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
		Target Annuity 2029 Fund
		Annuity Retirement Fund
Lifestyle	Mercer SmartPath Cash	**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
		Target Cash 2029 Fund
		Cash Retirement Fund

EEPS Implementation Statement (continued)

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

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.

EEPS Implementation Statement (continued)

MGIE's proxy voting services

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-subdomains/delegated-solutions/CorporatePolicies/Mercer%20DSE%20Sustainable%20 Investment%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/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

Trustee's Report – Investment Matters (continued)

EEPS Implementation Statement (continued)

Fund	Mercer Defensive	Mercer Moderate Growth	Mercer Growth	Mercer High Growth	Overseas Equity Fund	UK Equity	Global Equity (60:40)	US Equity
Total DC Scheme Allocation at 31 December 2021	0.2%	0.2%	70.6%	0.3%	3.9%	3.5%	1.5%	0.4%
Number of meetings eligible to vote at over year to 31 December 2021	2,202	11,005	11,005	11,005	2,191	1,195	2,605	607
Number of resolutions eligible to vote on over year to 31 December 2021	26,178	111,475	111,475	111,475	26,821	15,457	32,220	7,399
Of the resolutions voted on, percentage voted with management	87.1%	83.1%	83.1%	83.1%	89.4%	92.0%	92.8%	95.3%
Of the resolutions voted on, percentage voted against management	11.3%	15.7%	15.7%	15.7%	9.6%	6.1%	7.2%	4.7%
Of the resolutions voted on, percentage abstained	1.6%	1.2%	1.2%	1.2%	0.8%	2.0%	0.4%	0.1%

Source: MWS, BlackRock.

Trustee's Report – Investment Matters (continued)

EEPS Implementation Statement (continued)

Fund	Japanese Equity	Emerging Markets Equity	Ethical Fund	European (ex-UK) Equity	Asia Pacific (ex-Japan) Equity	Shariah Fund	Global Listed Infrastructure	Diversified Growth	Diversified Retirement
Total DC Scheme Allocation at 31 December 2021	0.2%	0.3%	0.7%	0.1%	0.5%	0.3%	0.0%	0.8%	0.0%
Number of meetings eligible to vote at over year to 31 December 2021	506	2,815	1,133	413	454	108	27	11,005	3,580
Number of resolutions eligible to vote on over year to 31 December 2021	5,938	24,750	7,447	6,495	3,228	1,650	356	111,475	44.474
Of the resolutions voted on, percentage voted with management	97.5%	82.3%	79.5%	85.0%	88.1%	89.0%	87.3%	83.1%	84.1%
Of the resolutions voted on, percentage voted against management	2.5%	15.1%	19.7%	14.0%	11.7%	11.0%	9.4%	15.7%	14.7%
Of the resolutions voted on, percentage abstained	-	2.6%	0.8%	1.0%	0.2%	-	3.3%	1.2%	1.2%

Source: MWS, BlackRock.

Sample of significant votes undertaken in the MGIE funds for the 12 months to 31 December 2021

Managers have provided examples of significant votes across the funds previously noted as containing equity. Given the volume of voting activity across the funds, for the purpose of this statement, we have disclosed significant voting activity of 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
Company	Microsoft Corporation
Date	30/11/2021
Resolution	Shareholder Proposal Regarding Implementation of the Fair Chance Business Pledge
Vote	For
Outcome	Approved

Significant vote #2	
Funds that vote is relevant to	Mercer Growth Fund
Company	Apple Inc
Date	23/02/2021
Resolution	Shareholder Proposal Regarding Improvements in Executive Compensation Program
Vote	Against
Outcome	Approved

Significant vote #3	
Funds that vote is relevant to	Mercer Growth Fund
Company	Alphabet Inc
Date	02/06/2021
Resolution	Shareholder Proposal Regarding Human Rights/Civil Rights Expertise on Board
Vote	For
Outcome	Approved

EEPS Implementation Statement (continued)

Significant vote #4	
Funds that vote is relevant to	Mercer Growth Fund
Company	Amazon
Date	26/05/2021
Resolution	Elect Jeff Bezos
Vote	Against
Outcome	Approved

Significant vote #5	
Funds that vote is relevant to	Mercer Growth Fund
Company	Microsoft Corporation
Date	30/11/2021
Resolution	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report
Vote	For
Outcome	Approved

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.

MoneyHelper

The Money and Pensions Service (MaPS) was created in 2019 as a single body to bring together the services previously delivered by 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. With effect from 30 June 2021 MaPS has been re-branded as MoneyHelper but still offers all the same services.

Website: https://www.moneyhelper.org.uk

Telephone: 0800 011 3797

Email: pensions.enquiries@moneyhelper.org.uk

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 1st Floor, 10 South Colonnade, Canary Wharf, London, E14 4PU.

Telephone: 0800 917 4487

Email: enquiries@pensions-ombudsman.org.uk

Pensions Regulator

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: 0870 606 3636

Website: www.thepensionsregulator.gov.uk

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

Regulation under the applicable Data Protection Legislation

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.

DC Governance Statement

Chair's Annual Governance Statement for the Period 1 January 2021 to 31 December 2021

Annual statement regarding governance

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.

As Chair of Trustee, it is my pleasure to report to you on how the Trustee has embedded these standards over the period 1 January 2021 to 31 December 2021 (the 'Scheme year').

I am required by pensions regulations to provide you with this annual statement which explains what steps have been taken, during the year, by the Trustee Board, to meet certain DC governance standards. Pensions regulations set out the areas where information must be included in this Statement and this is set out below and covered in detail in the rest of this Statement.

Details of the default arrangements;

- Review of the default arrangements;
- Other lifecycle funds available;
- Processing financial transactions;
- Net return on investments;
- Charges and transaction costs;
- Impact of charges and transaction costs;
- Value for members assessment; and
- Trustee knowledge and understanding.

This Statement does not contain advice in respect of actions that members should take and is not intended to be used for that purpose. If members need advice, a list of local independent financial advisers can be obtained on-line via the Financial Conduct Authority website https://www.fca.org.uk/consumers/finding-adviser

This Statement, along with a copy of the Scheme's latest Statement of Investment Principles (the 'SIP'), is readily available on the website https://pensioninformation.aon.com/ee.

The default arrangement

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 Defined Contribution (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.

DC Governance Statement (continued)

The default arrangement (continued)

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 ("MWS") 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.

Requirements for processing financial transactions

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 toan investment platform, Scottish Widows, 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 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 that are accessed through the Scottish Widows investment platform, with whom the Trustee holds a long-term insurance policy.

Requirements for processing financial transactions (continued)

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 (see Appendix 2). 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. No significant issues were reported in relation to Core Financial Transactions during the Scheme year to 31 December 2021.
- 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.

Net return on investments

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') introduce new requirements for trustees of 'relevant' occupational pension schemes.

From 1 October 2021, trustees of all relevant pension schemes, regardless of asset size, are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges.

The tables below set out annualised net performance for the 1 and 5 year periods for the lifestyle arrangements (for age 25, 45, and 55) and for the self-select fund range.

Lifestyles

Lifestyle strategies – Target Drawdown Strategy / Target Annuity Strategy / Target Cash Strategy*	Annualised returns to December 2021 (%)	
Age of member	**1 year**	**5 years**
25, 45, 55	11.4	7.9

Source: Scottish Widows and Mercer.
**As the growth phase is equal between lifestyles, the expected returns are assumed to be the equal as well. Performance has been calculated based on a fixed weighted average of underlying fund performance in the lifestyle, with the weightings as at the ages shown.*

Self-Select Funds

Self-select funds	Annualised returns to December 2021 (%)	
	1 year	5 years
High Growth	14.2	8.9
Growth	11.4	7.9
Moderate Growth	8.5	6.9
Defensive	2.3	3.6
Cash and Money Market	-0.1	0.3
Global Equity (60:40) Fund	16.2	7.7
UK Equity Fund	17.1	5.4
Overseas Equity Fund	23.2	13.7
European (ex-UK) Equity Fund	16.1	10.2
US Equity Fund	29.6	16.3
Japanese Equity Fund	1.2	6.6
Asia Pacific (ex-Japan) Equity Fund	2.4	7.8
Emerging Markets Equity Fund	-1.9	7.6
Diversified Growth Fund	9.9	6.5
Diversified Retirement Fund	7.2	5.3
Pre-Retirement Fund	-4.9	3.8
Property Fund	26.7	6.3
Ethical Fund	21.7	9.7
Shariah Fund	27.2	18.5
Index-Linked Gilt Fund	4.9	5.0
Fixed Interest Gilt Fund	-6.5	4.1
UK Corporate Bond Fund	-3.0	3.3
Global Listed Infrastructre Fund	13.5	-

Source: Scottish Widows and Mercer.

Performance shown net of all charges and transaction costs. Performance of standalone self-select options is independent of age, therefore performance is shown in a different format to the lifestyle performance on the previous page

DC Governance Statement (continued)

Charges and transactions costs

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. The TER consist primarily of management fees and additional variable expenses that the investment manager incurs in operating the fund, such as fees to auditors, custodians and accountants and other operational expenses. It does not include costs incurred when the fund is traded. These costs are called Transaction Costs and cover those costs that the fund manager incurs as a result of the trading necessary to manage the investments within the Scheme. This can incorporate a range of costs including broker fees, transaction taxes, custody fees and implicit costs of executing transactions.

The following table provides information on the member-borne charges for all investment options available in the Scheme. All of the funds used in the default strategy have TERs that fall below the charge cap of 0.75% p.a[1].

We note that since the Scheme year end, the following changes have been agreed:

- The Trustee has negotiated a fee reduction for the Growth Fund (the default), the target date funds (the default drawdown, annuity and cash) and the risk-profiled funds (Defensive, Moderate Growth, High Growth) of 0.04% p.a.
- The Trustee has decided to replace the underlying fund within the Emerging Markets Fund with a passive index fund following the same investment strategy - this is expected to reduce the TER of the Emerging Markets Fund by 0.11% p.a.

These changes are expected to be implemented during Q2 2022. The tables below do not reflect these changes; they set out fund TERs as at the Scheme year end (31 December 2021).

"Do it for me"

Default – Target Drawdown

Investment Phase	Fund	TER (% pa)	Transaction Cost (% pa)
Growth:	Mercer Growth Fund	0.38	0.2260
De-risking:	Target Drawdown Series	0.39 – 0.50	0.0139 – 0.2260

TER data and transaction costs as at 31 December 2021.

[1] The default arrangement within pension schemes used to meet automatic enrolment duties ('qualifying schemes') are subject to a cap on the charges which may be borne by scheme members of 0.75% p.a.

"Help me do it"

Target Annuity

Investment Phase	Fund	TER (% pa)	Transaction Cost (% pa)
Growth:	Mercer Growth Fund	0.38	0.2260
De-risking:	Target Annuity Series	0.23 – 0.38	0.0130 – 0.2260

TER data and transaction costs as at 31 December 2021.

Target Cash

Investment Phase	Fund	TER (% pa)	Transaction Cost (% pa)
Growth:	Mercer Growth Fund	0.38	0.2260
De-risking:	Target Cash Series	0.29 – 0.38	0.0150 – 0.2260

TER data and transaction costs as at 31 December 2021.

"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	0.38	0.2260
High Growth	0.41	0.2360
Moderate Growth	0.41	0.1270
Defensive	0.42	0.0650
Cash and Money Market	0.33	0.0150
Global Equity (60:40) Fund	0.27	0.0250
UK Equity Fund	0.27	0.0580
Overseas Equity Fund	0.27	0.0170
US Equity Fund	0.26	0.0570
European (ex-UK) Equity Fund	0.30	0.0000
Japanese Equity Fund	0.29	0.0000
Pacific Rim (ex-Japan) Equity Fund	0.26	0.0030
Emerging Markets Equity Fund	0.48	-0.0090
Diversified Growth Fund	0.52	0.2170
Diversified Retirement Fund	0.49	0.1770
Pre-Retirement Fund	0.31	0.0120
Property Fund	0.95	0.0000
Ethical Fund	0.95	0.2530
Shariah Fund	0.54	0.0280
Index-Linked Gilts Fund	0.28	0.0090
Fixed-Interest Gilts Fund	0.28	0.0030
UK Corporate Bond Fund	0.29	0.0350
Global Listed Infrastructure Fund	1.16	0.2900

TER data and transaction costs as at 31 December 2021.

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.

DC Governance Statement (continued)

For historic AVC assets invested in the Utmost Money Market Fund, invested members were transferred into a new AVC arrangement, which mirrors the Scheme's DC arrangement with Scottish Widows. The Trustee also held an AVC policy with Fidelity. Following a review by the Trustee in January 2021, members' AVC assets invested under this policy were subsequently transferred to the Scheme's AVC arrangements with Scottish Widows. The AVC arrangements with Scottish Widows are now the sole AVC policy.

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 £12,000, salary of £20,000, contribution level of 10.6% 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

Projected Pot sizes in Today's Money						
	Most popular fund: Default - Drawdown Lifestyle Strategy		Most expensive fund: Global Listed Infrastructure		Least expensive fund: Asia Pacific (ex-Japan) Equity	
Year End	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	£ 14,316	£ 14,247	£ 14,468	£ 14,275	£ 14,444	£ 14,407
2	£ 16,668	£ 16,518	£ 17,002	£ 16,580	£ 16,949	£ 16,869
3	£ 19,055	£ 18,811	£ 19,604	£ 18,915	£ 19,517	£ 19,385
4	£ 21,478	£ 21,129	£ 22,276	£ 21,281	£ 22,150	£ 21,958
9	£ 34,157	£ 33,076	£ 36,749	£ 33,585	£ 36,331	£ 35,711
14	£ 47,825	£ 45,647	£ 53,270	£ 46,719	£ 52,375	£ 51,074
19	£ 62,561	£ 58,877	£ 72,130	£ 60,739	£ 70,528	£ 68,236
24	£ 78,284	£ 72,496	£ 93,658	£ 75,705	£ 91,067	£ 87,407
29	£ 92,215	£ 84,055	£ 118,233	£ 91,680	£ 114,304	£ 108,822
30	£ 94,322	£ 85,629	£ 123,550	£ 95,002	£ 119,306	£ 113,396
31	£ 96,442	£ 87,749	£ 129,010	£ 98,368	£ 124,433	£ 118,074

Reporting Costs and Charges (continued)

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 £12,000 and future contributions of 10.6%.
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 1.51% and -0.01% p.a. gross expected real return above inflation
   B. Pacific Rim ex-Japan Fund (Least Expensive Growth Fund): 2.50% p.a. gross expected real return above inflation
   C. Mercer Global Listed Infrastructure (Most Expensive Fund): 2.68% p.a. gross expected real return above inflation
6. The Transaction Costs relate to the average transaction costs incurred in the Scheme years ending 31/12/19, 31/12/20 and 31/12/21. Where these were negative these have been reflected as zero as negative costs are not assumed to persist over longer time frames.

Deferred Members

Projected Pot sizes in Today's Money						
	Most popular fund: Default - Drawdown Lifestyle Strategy		Most expensive fund: Global Listed Infrastructure		Least expensive fund: Asia Pacific (ex-Japan) Equity	
Year end	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	£ 16,242	£ 16,164	£ 16,429	£ 16,210	£ 16,400	£ 16,358
2	£ 16,488	£ 16,330	£ 16,870	£ 16,423	£ 16,810	£ 16,724
3	£ 16,738	£ 16,497	£ 17,322	£ 16,639	£ 17,230	£ 17,099
4	£ 16,992	£ 16,666	£ 17,787	£ 16,858	£ 17,661	£ 17,482
9	£ 18,318	£ 17,538	£ 20,304	£ 17,995	£ 19,982	£ 19,528
14	£ 19,748	£ 18,455	£ 23,177	£ 19,209	£ 22,608	£ 21,814
19	£ 21,245	£ 19,338	£ 26,457	£ 20,504	£ 25,578	£ 24,367
24	£ 22,104	£ 19,595	£ 30,201	£ 21,887	£ 28,940	£ 27,219
25	£ 22,101	£ 19,471	£ 31,012	£ 22,175	£ 29,663	£ 27,829
26	£ 22,099	£ 19,368	£ 31,843	£ 22,466	£ 30,405	£ 28,452

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 £16,000 and no further contributions are assumed.
3. The starting salary is assumed to be £0.
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 1.51% and -0.01% p.a. gross expected real return above inflation
   B. Mercer Global Listed Infrastructure (Most Expensive Fund): 2.68% p.a. gross expected real return above inflation
   C. Asia Pacific (ex-Japan) Fund (Least Expensive Fund): 2.50% p.a. gross expected real return below inflation
6. The Transaction Costs relate to the average transaction costs incurred in the Scheme years ending 31/12/19, 31/12/20 and 31/12/21. Where these were negative these have been reflected as zero as negative costs are not assumed to persist over longer time frames.

Reporting Costs and Charges (continued)

Young Members

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 23, using a starting pot size of £830 and assumes an overall contribution level of 10.0%. An assumed starting salary of £15,000 has been used, with a 2.50% salary increase per year.

Projected Pot sizes in Today's Money						
	Most popular fund: Default - Drawdown Lifestyle Strategy		Most expensive fund: Global Listed Infrastructure		Least expensive fund: Asia Pacific (ex-Japan) Equity	
Year end	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	£ 2,376	£ 2,364	£ 2,393	£ 2,361	£ 2,391	£ 2,385
2	£ 3,945	£ 3,914	£ 3,999	£ 3,913	£ 3,990	£ 3,974
3	£ 5,537	£ 5,480	£ 5,647	£ 5,485	£ 5,630	£ 5,599
10	£ 17,383	£ 16,899	£ 18,493	£ 17,083	£ 18,314	£ 18,038
15	£ 26,642	£ 25,569	£ 29,240	£ 26,041	£ 28,815	£ 28,181
20	£ 36,622	£ 34,692	£ 41,508	£ 35,603	£ 40,695	£ 39,511
25	£ 47,382	£ 44,293	£ 55,512	£ 45,810	£ 54,137	£ 52,168
30	£ 58,983	£ 54,396	£ 71,498	£ 56,705	£ 69,345	£ 66,306
35	£ 71,340	£ 64,757	£ 89,746	£ 68,336	£ 86,552	£ 82,099
40	£ 81,956	£ 73,227	£ 110,577	£ 80,750	£ 106,020	£ 99,740
41	£ 83,466	£ 74,276	£ 115,084	£ 83,332	£ 110,210	£ 103,509
42	£ 84,981	£ 75,396	£ 119,712	£ 85,948	£ 114,505	£ 107,362

Notes:

7. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
8. The starting pot size is assumed to be £830 and future contributions of 10.0% have been assumed.
9. The starting salary is assumed to be £15,000 with an assumed increase of 2.5% per year.
10. Values are estimates and are not guaranteed.
11. The projected growth rate for each fund are as follows:
    A. Drawdown Lifestyle Strategy (Default Fund): between 1.51% and -0.01% p.a. gross expected real return above inflation
    B. Pacific Rim ex-Japan Fund (Least Expensive Fund): 2.50% p.a. gross expected real return above inflation
    C. Mercer Global Listed Infrastructure (Most Expensive Fund): 2.68% p.a. gross expected real return above inflation
12. The Transaction Costs relate to the average transaction costs incurred in the Scheme years ending 31/12/19, 31/12/20 and 31/12/21. Where these were negative these have been reflected as zero as negative costs are not assumed to persist over longer time frames.

Value for Members

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 below summary represents the results of the latest assessment. In 2021, the Trustee negotiated a reduction in charges in the default arrangement of 4 bps (0.04%) p.a., these charges will be implemented during 2022.

The Trustee has previously conducted a Value for Members 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 members 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[2];
- 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.

[2] The default arrangement within pension schemes used to meet automatic enrolment duties ('qualifying schemes') are subject to a cap on the charges which may be borne by scheme members of 0.75% p.a.

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 ESG 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 TPR's DC Code of Practice No.13. The Trustee notes that TPR intends to publish a new consolidated Code of Practice in 2022, and preparations are currently being made to ensure compliance with this new code based on draft guidance released so far.

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 19, 2022 15:09 GMT+1)

Name: Jonathan Clarke

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

Date: 19/07/2022

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.

Defined benefit schemes

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.

Money purchase schemes

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.

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.

Contact for Further Information

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

Capita
2nd Floor
145 Morrison Street
Edinburgh EH3 8FJ

Email: ee.helpline@capita.co.uk

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

EE Pension Trustee Limited
One Braham
Braham Street
London
E1 8EE

Email: pensions@bt.com

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

Telephone: 0800 3899160

Email: eeserviceteam@scottishwidows.co.uk

Signed on behalf of the EE Pension Scheme by:

Jonathan Clarke (Jul 19, 2022 15:09 GMT+1)
.... **Date:** 19/07/2022 ....

Director
EE Pension Trustee Limited

Actuary's Certification of the Schedule of Contributions

Name of Scheme: **EE Pension Scheme**

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2018 to be met by the end of the period specified in the recovery plan dated 23 March 2020.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 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 (Jul 19, 2022 15:09 GMT+1)
.... **Date:** 19/07/2022 ....

Director
EE Pension Trustee Limited

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

Opinion

We have audited the financial statements of the EE Pension Scheme for the year ended 31 December 2021 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 FRS 102 '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 2021, 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.

Basis for opinion

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's 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.

Other information

The other information comprises the information included in the Trustee's Annual Report and Financial Statements, 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.

Other information (continued)

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.

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 51, 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

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

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 considered the extent to which a material misstatement of the financial statements might arise as a result of non-compliance.

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

- 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 Trustee's meeting minutes.
- 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. In our assessment, we also considered the risk of management override of controls. Our audit procedures included verifying cash balances and investment balances to independent confirmations, testing manual journals on a sample basis and also those journals where there is an increased risk of override, and an assessment of segregation of duties. 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 Trustee's minutes.
- The Scheme is required to comply with UK pensions regulations. As such, 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.

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: 20 July 2022

Jonathan Clarke
E-signed 2022-07-19 03:09PM GMT+1
jmr.clarke@icloud.com
Director

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 2021 which is set out in the Trustee's Report on page 9.

In our opinion contributions for the scheme year ended 31 December 2021 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 schedule of contributions certified by the scheme actuary on 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 explained more fully in the Statement of Trustee's Responsibilities, 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: 20 July 2022

Fund Account

For the year ended 31 December 2021

	Note	Defined benefit section 2021 £'000	Defined contribution section 2021 £'000	Total 2021 £'000	Total 2020 £'000
Contributions and benefits					
Employer contributions		40,000	19,586	59,586	61,327
Employee contributions		-	1,992	1,992	1,446
Total contributions	5	**40,000**	**21,578**	**61,578**	62,773
Transfers in	6	-	828	828	471
Other income	7	-	950	950	994
		40,000	**23,356**	**63,356**	64,238
Benefits paid or payable	8	(8,683)	(5,042)	(13,725)	(14,005)
Payments to and on account of leavers	9	(5,926)	(51,103)	(57,029)	(45,140)
Administration expenses	10	(26)	(26)	(52)	(47)
Other payments	11	-	(1)	(1)	-
		(14,635)	**(56,172)**	**(70,807)**	(59,192)
Net additions/(withdrawals) from dealings with Members		**25,365**	**(32,816)**	**(7,451)**	5,046
Returns on investments					
Investment income	12	12,745	-	12,745	8,105
Change in market value of investments	13	66,873	81,658	148,531	126,892
Investment management expenses	15	(3,831)	-	(3,831)	(1,259)
Net returns on investments		**75,787**	**81,658**	**157,445**	133,738
Net increase in the fund during the year		**101,152**	**48,842**	**149,994**	138,784
Net assets of the Scheme at start of year		989,672	734,815	1,724,487	1,585,703
Net assets of the Scheme at end of year		**1,090,824**	**783,657**	**1,874,481**	1,724,487

The accompanying notes on pages 62 to 87 are an integral part of these financial statements.

Jonathan Clarke
E-signed 2022-07-19 03:09PM GMT+1
jmr.clarke@icloud.com
Director

Statement of Net Assets (available for benefits)

As at 31 December 2021

	Note	Defined benefit section 2021 £'000	Defined contribution section 2021 £'000	Total 2021 £'000	Total 2020 £'000
Investment assets:					
Pooled investment vehicles	17	752,878	781,624	1,534,502	1,438,497
Bonds	13	501,048	-	501,048	337,519
AVC investments	18	10,439	-	10,439	9,901
Cash and other	13	8,229	289	8,518	1,671
Derivatives	19	73,303	-	73,303	115,148
		1,345,897	**781,913**	**2,127,810**	1,902,736
Investment liabilities:					
Derivatives	19	(36,831)	-	(36,831)	(66,282)
Amounts due under repurchase agreements	20	(224,604)	-	(224,604)	(129,451)
		(261,435)	**-**	**(261,435)**	(195,733)
Total net investments		**1,084,462**	**781,913**	**1,866,375**	1,707,003
Current assets	23	**6,684**	**2,631**	**9,315**	19,281
Current liabilities	24	**(322)**	**(887)**	**(1,209)**	(1,797)
Net assets of the Scheme at end of year		**1,090,824**	**783,657**	**1,874,481**	1,724,487

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 52 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 62 to 87 form an integral part of these financial statements.

These financial statements were approved by the Trustee on 28 June 2022.

Signed on behalf of the Trustee: Jonathan Clarke (Jul 19, 2022 15:09 GMT+1) ....

Notes to the Financial Statements

1. 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.

2. 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 ("FRS 102") 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.

3. 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.

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

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.

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.

4. Comparative disclosures for the Fund Account and Statement of Net Assets

Fund Account

	Note	Defined benefit section 2020 £'000	Defined contribution section 2020 £'000	Total 2020 £'000
Contributions and benefits				
Employer contributions		41,458	19,869	61,327
Employee contributions		-	1,446	1,446
Total contributions	5	**41,458**	**21,315**	**62,773**
Transfers in	6	-	471	471
Other income	7	-	994	994
		41,458	**22,780**	**64,238**
Benefits paid or payable	8	(7,903)	(6,102)	(14,005)
Payment to and on account of leavers	9	(6,538)	(38,602)	(45,140)
Administration expenses	10	(21)	(26)	(47)
Other payments	11	-	-	-
		(14,462)	**(44,730)**	**(59,192)**
Net additions / (withdrawals) from dealings with Members		**26,996**	**(21,950)**	**5,046**
Returns on investments				
Investment income	12	8,103	2	8,105
Change in market value of investments	13	87,377	39,515	126,892
Investment management expenses	15	(1,259)	-	(1,259)
Net returns on investments		**94,221**	**39,517**	**133,738**
Net increase in the fund during the year		**121,217**	**17,567**	**138,784**
Net assets of the Scheme at start of year		868,455	717,248	1,585,703
Net assets of the Scheme at end of year		**989,672**	**734,815**	**1,724,487**

4. Comparative disclosures for the Fund Account and Statement of Net Assets (continued)

Statement of Net Assets (available for benefits)

	Note	Defined benefit section 2020 £'000	Defined contribution section 2020 £'000	Total 2020 £'000
Investment assets:				
Pooled investment vehicles	17	706,566	731,931	1,438,497
Bonds	13	337,519	-	337,519
AVC investments	18	9,901	-	9,901
Cash and other	13	699	972	1,671
Derivatives	19	115,148	-	115,148
		1,169,833	**732,903**	**1,902,736**
Investment liabilities:				
Derivatives	19	(66,282)	-	(66,282)
Amounts due under repurchase Agreements	20	(129,451)	-	(129,451)
		(195,733)	**-**	**(195,733)**
Total net investments		**974,100**	**732,903**	**1,707,003**
Current assets	23	**15,902**	**3,379**	**19,281**
Current liabilities	24	**(330)**	**(1,467)**	**(1,797)**
Net assets of the Scheme at end of year		**989,672**	**734,815**	**1,724,487**

5. Contributions

	2021 Defined benefit section £'000	2021 Defined contribution section £'000	2021 Total £'000
Employer contributions			
Normal	-	19,586	19,586
Deficit funding	40,000	-	40,000
	40,000	**19,586**	**59,586**
Employee contributions			
Normal	-	1,387	1,387
Additional voluntary contributions	-	605	605
	-	**1,992**	**1,992**
	40,000	**21,578**	**61,578**

	2020 £'000	2020 £'000	2020 £'000
Employer contributions			
Normal	-	19,869	19,869
Deficit funding	41,458	-	41,458
	41,458	19,869	61,327
Employee contributions			
Normal	-	1,012	1,012
Additional voluntary contributions	-	434	434
	-	1,446	1,446
	41,458	21,315	62,773

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 was 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.

Employee 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.

6. Transfers in

	2021 Defined benefit section £'000	2021 Defined contribution section £'000	2021 Total £'000
Individual transfers in from other schemes	**-**	**828**	**828**

	2020 £'000	2020 £'000	2020 £'000
Individual transfers in from other schemes	-	471	471

7. Other income

	2021 Defined benefit section £'000	2021 Defined contribution section £'000	2021 Total £'000
Other income	-	137	137
Claims on life assurance policies	-	813	813
	-	**950**	**950**

	2020 £'000	2020 £'000	2020 £'000
Other income	-	89	89
Claims on life assurance policies	-	905	905
	-	994	994

8. Benefits paid or payable

	2021 Defined benefit section £'000	2021 Defined contribution section £'000	2021 Total £'000
Pensions	6,214	-	6,214
Commutations and lump sum retirement benefits	2,271	2,989	5,260
Lump sum death benefits	198	2,053	2,251
Taxation where lifetime or annual allowance exceeded	-	-	-
	8,683	**5,042**	**13,725**

	2020 £'000	2020 £'000	2020 £'000
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
	7,903	6,102	14,005

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.

9. Payments to and on account of leavers

	2021 Defined benefit section £'000	2021 Defined contribution section £'000	2021 Total £'000
Refunds to members leaving service	-	2	2
Pension sharing on divorce	-	-	-
Individual transfers to other schemes	5,897	49,591	55,488
Charges deducted by way of cancellation of member units	-	1,331	1,331
Employer trustee reserve refund	-	55	55
Purchase of annuities	29	124	153
	5,926	**51,103**	**57,029**

	2020 £'000	2020 £'000	2020 £'000
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
	6,538	38,602	45,140

10. Administration expenses

	2021 Defined benefit section £'000	2021 Defined contribution section £'000	2021 Total £'000
Trustee Directors fees	**26**	**26**	**52**

	2020 £'000	2020 £'000	2020 £'000
Trustee Directors fees	21	26	47

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

11. Other payments

	2021 Defined benefit section £'000	2021 Defined contribution section £'000	2021 Total £'000
Other payments	**-**	**1**	**1**

	2020 £'000	2020 £'000	2020 £'000
Other payments	-	-	-

12. Investment income

	2021 Defined benefit section £'000	2021 Defined contribution section £'000	2021 Total £'000
Interest on cash deposits	-	-	-
Income from pooled investment vehicles	9,780	-	9,780
Interest on liquidity funds	2	-	2
Profit/(Loss) on foreign exchange	(14)	-	(14)
Income from derivatives	126	-	126
Repurchase agreements	(256)	-	(256)
Fixed income	3,107	-	3,107
	12,745	**-**	**12,745**

	2020 £'000	2020 £'000	2020 £'000
Interest on cash deposits	2	2	4
Income from pooled investment vehicles	6,210	-	6,210
Interest on liquidity funds	108	-	108
Profit/(Loss) on foreign exchange	-	-	-
Income from derivatives	49	-	49
Repurchase agreements	(331)	-	(331)
Fixed income	2,065	-	2,065
	8,103	2	8,105

13. Reconciliation of investments held at the beginning and end of the year

	Value at 1 January 2021 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value £'000	Value at 31 December 2021 £'000
Defined Benefit Section					
Pooled investment vehicles	706,566	211,121	(238,286)	73,477	752,878
Derivatives	48,866	-	(9,209)	(3,185)	36,472
Bonds	337,519	199,324	(31,300)	(4,495)	501,048
AVC investments	9,901	10,464	(11,002)	1,076	10,439
	1,102,852	420,909	(289,,797)	66,873	1,300,837
Repurchase agreements	(129,451)				(224,604)
Cash deposits	35				7,169
Other – amount due to broker	664				1,060
	974,100				**1,084,462**
Defined Contribution Section					
Pooled investment vehicles	731,931	74,266	(106,231)	81,658	781,624
	731,931				781,624
Cash deposits	972				289
	732,903				**781,913**

The companies managing the pooled investment vehicles of the Defined Benefit Section are registered in the United Kingdom.

	2021 £'000	2020 £'000
Pooled Investment Vehicles Managed Funds		
UBS Global Asset Management Property Fund	39,914	34,565
PIMCO Corporate Bonds	100,467	98,259
Insight LDI Portfolio	89,504	141,655
Hayfin Direct Lending II Fund	14,806	22,038
Hayfin Direct Lending III Fund	27,306	23,318
Basalt Infrastructure Partners Fund III	10,635	-
ISQ Capital Global Infrastructure Fund III	2,202	-
Chorus Capital Credit Fund IV	39,584	21,633
	324,418	341,468
Unitised Funds		
Standard Life Investment Property Fund	70,335	56,313
Aviva REaLM Multi Sector Unit Trust	57,668	57,210
M&G UK Residential Property Fund	29,824	29,083
LGIM Factor Equities Index Fund	270,633	222,492
	752,878	706,566

13. **Reconciliation of investments held at the beginning and end of the year (continued)**

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.

14. **Concentration of investments**

The following investments account for more than 5% of the Scheme's defined benefit assets as at 31 December 2021:

	2021 %	2020 %
PIMCO Corporate Bonds	**9.3**	10.1
Standard Life Investments Property Fund	**6.5**	5.8
Aviva REaLM Multi Sector Unit Trust	**5.3**	5.9
Insight High Grade Abs Fund Class S	**6.2**	6.1
LGIM Factor Equities Index Fund	**25.0**	22.8

15. **Investment management expenses**

	2021 Defined benefit section £'000	2021 Defined contribution section £'000	2021 Total £'000
Management charges	**3,831**	**-**	**3,831**
	2020 £'000	**2020 £'000**	**2020 £'000**
Management charges	1,259	-	1,259

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

16. **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.

17. Pooled investment vehicles

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

	2021 £'000	2020 £'000
Defined Benefit Section		
Equities	270,633	222,492
Illiquid credit	81,697	66,989
Cash	3,791	49,378
Hedge funds	243,848	247,746
Property	140,073	119,961
Infrastructure	12,836	-
	752,878	706,566

	2021 £'000	2020 £'000
Defined Contribution Section		
Equities	210,784	189,516
Bonds	4,692	5,519
Cash	2,025	3,436
Diversified growth	561,941	531,619
Infrastructure	8	-
Property	2,174	1,841
	781,624	731,931

18. 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:

	2021 £'000	2020 £'000
Utmost Life and Pensions Limited	-	200
Scottish Widows	10,439	-
Fidelity UK Insurance Limited	-	9,701
	10,439	9,901

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.

	2021 Assets £'000	2021 Liabilities £'000	2020 Assets £'000	2020 Liabilities £'000
OTC Swaps	73,303	(36,831)	115,148	(66,282)

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

(i) Swaps

Inflation Rate Swaps

Period of Contract	Nature of Swap	Notional Principal £'000	2021 Asset £'000	2021 Liability £'000
0-10 Yrs	Pay Fixed (3.24% to 3.44%) for UKRPI	4,399	82	-
11-20 Yrs	Pay Fixed (3.24% to 3.38%) for UKRPI	7,896	748	(22)
21-30 Yrs	Pay Fixed (3.17% to 3.63%) for UKRPI	16,443	461	(676)
31-40 Yrs	Pay Fixed (3.17% to 3.70%) for UKRPI	13,501	725	(984)
41-50 Yrs	Pay Fixed (2.87% to 3.59%) for UKRPI	19,656	5,356	(1,503)
51-60 Yrs	Pay Fixed (2.76% to 3.60%) for UKRPI	14,116	587	(3,963)
			7,959	**(7,148)**
21-30 Yrs	Pay UKRPI for Fixed (3.17% to 3.63%)	3,600	161	-
41-50 Yrs	Pay UKRPI for Fixed (2.87% to 3.59%)	9,952	-	(4,386)
			161	**(4,386)**
Total Inflation Rate Swaps			**8,120**	**(11,534)**

19. Derivatives (continued)

Objectives and policies (continued)

(i) Swaps (continued)

Interest Rate Swaps

Period of Contract	Nature of Swap	Notional Principal £'000	2021 Asset £'000	2021 Liability £'000
11-20 Yrs	Pay Fixed (Zero Coupon) for Floating (3mth LIBOR)	1,234	-	(327)
21-30 Yrs	Pay Fixed (Zero Coupon) for Floating (3mth LIBOR)	9,557	-	(4,242)
31-40 Yrs	Pay Fixed (Zero Coupon) for Floating (3mth LIBOR)	18,111	23	(4,174)
41-50 Yrs	Pay Fixed (Zero Coupon) for Floating (3mth LIBOR)	76,292	3,976	(8,881)
			3,999	**(17,624)**

Period of Contract	Nature of Swap	Notional Principal £'000	2021 Asset £'000	2021 Liability £'000
0-10 Yrs	Pay Floating (3mth LIBOR) for Fixed (Zero Coupon)	11,070	770	-
11-20 Yrs	Pay Floating (3mth LIBOR) for Fixed (Zero Coupon)	40,730	3,852	(526)
21-30 Yrs	Pay Floating (3mth LIBOR) for Fixed (Zero Coupon)	72,074	10,450	(2,798)
31-40 Yrs	Pay Floating (3mth LIBOR) for Fixed (Zero Coupon)	46,253	18,078	(372)
41-50 Yrs	Pay Floating (3mth LIBOR) for Fixed (Zero Coupon)	112,967	25,302	(3,469)
51-60 Yrs	Pay Floating (3mth LIBOR) for Fixed (Zero Coupon)	46,668	2,732	(508)
			61,184	**(7,673)**
Total Interest Rate Swaps			**65,183**	**(25,297)**

	2021 Asset £'000	2021 Liability £'000
In summary:		
Total Interest Rate Swaps	65,183	(25,297)
Total Inflation Rate Swaps	8,120	(11,534)
Net Derivative Asset/(Liability)	**73,303**	**(36,831)**

20. Repurchase agreements

At the year end, within other investments assets and liabilities, amounts payable under repurchase agreements amounted to £224,604,000 (2020: £129,451,000) and amount receivable under repurchase agreements amounted to £nil (2020: £Nil).

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 2021	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Defined Benefit Section				
Pooled investment vehicles	3,791	487,290	261,797	752,878
Bonds	501,048	-	-	501,048
AVC investments	-	10,439	-	10,439
Cash deposits	7,169	-	-	7,169
Derivatives	-	-	36,472	36,472
Repurchase agreements	-	-	(224,604)	(224,604)
Other	1,060	-	-	1,060
	513,068	**497,729**	**73,665**	**1,084,462**
Defined Contribution Section				
Pooled investment vehicles	-	781,624	-	781,624
Cash deposits	289	-	-	289
	289	**781,624**	**-**	**781,913**

During the year the Scheme changed its AVC providers from Utmost Life and Pensions Limited and Fidelity International to Scottish Widows Workplace Savings. Scottish Widows Workplace Savings have consequently classified these investments as Level 2. Under the previous providers these were shown as Level 3.

21. Fair value determination (continued)

As at 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Defined Benefit Section				
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
	387,596	255,865	330,639	974,100
Defined Contribution Section				
Pooled investment vehicles	-	731,931	-	731,931
Cash deposits	972	-	-	972
	972	731,931	-	732,903

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.

22. **Investment risk disclosures (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: Currency	Market risk: Interest rate	Market risk: Other Price	2021 £'000	2020 £'000
LGIM Factor Equities Index Fund	○	●	○	●	270,633	222,492
Absolute Return						
PIMCO Diversified Income	●	◐	○	●	100,467	98,259
Insight Bonds Plus 400	●	◐	◐	●	18,917	33,372
Insight High Grade Abs	●	◐	◐	●	66,796	58,905
Illiquid Alternatives						
UBS Triton Property	○	○	○	●	39,914	34,565
Standard Life Property	○	○	○	●	70,335	56,312
Aviva REaLM Multi Sector Unit Trust	○	○	○	●	57,668	57,210
Hayfin Direct Lending Fund II	●	○	○	●	14,806	22,038
Hayfin Direct Lending Fund III	●	○	○	●	27,306	23,318
M&G UK Residential Property	●	○	○	●	29,824	29,083
Chorus Capital Credit Fund IV	●	●	○	●	39,585	21,633
Basalt Infrastructure Partners Fund III	●	●	○	●	10,635	-
ISQ Global Infrastructure Fund III	●	●	○	●	2,202	-
KKR Diversified Core Infrastructure Fund	●	●	○	●	-	-
LDI and Cash						
Insight Liquidity Funds	●	○	○	○	3,825	49,413
Northern Trust Liquidity Funds	●	○	○	○	7,134	-
Bonds	●	○	●	●	501,048	337,519
Derivatives	●	○	●	●	36,472	48,866
Repurchase agreements	●	○	●	●	-224,604	-129,451
Total DB section investments					**1,072,963**	963,534

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

22. Investment risk disclosures (continued)

Defined Benefit Section

Investment Strategy

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

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 twelve 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"), Basalt Infrastructure Partners LLP ("Basalt"), I Squared Capital ("ISQ") and Kohlberg Kravis Roberts & Co. Partners LLP ("KKR").

The manager appointed to manage the Scheme's predominately 'risk reducing' assets is Insight Investment Management ("Insight"). Over the year to 31 December 2021, the Scheme increased the target hedge ratio in a series of tranches to 60% on both interest rate risk and inflation risk.

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 Trustee continued transitioning to the revised investment strategy in 2021, which 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.

22. Investment risk disclosures (continued)

Defined Benefit Section (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.

	31 December 2021 £'000	31 December 2020 £'000
Funds which invest in bonds/derivatives (direct and indirect risk)	692,081	592,956
Other funds (direct risk only)	380,882	370,579
Total	**1,072,963**	963,535

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 £33.8m 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.

22. Investment risk disclosures (continued)

Defined Benefit Section (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 2021, the LDI portfolio represented 29.5% of the total investment portfolio (2020: 31.8%).

The exposure to interest rate risk arising from the underlying investments in the Insight Segregated LDI portfolio held by the Scheme was £312.9m (2020: £262.4m).

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 2021, these assets held a value of £748.7m (2020: £657.1m).

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

	31 December 2021 £'000	31 December 2020 £'000
Open ended investment company	200,878	186,247
Unit linked insurance contracts	380,882	362,748
Unregulated collective investment scheme	57,668	57,210
Limited partnerships	94,533	66,989
Qualifying investor alternative investment fund	18,917	33,372
Total	**752,878**	706,566

22. Investment risk disclosures (continued)

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.

22. Investment risk disclosures (continued)

Defined Contribution Section (continued)

Investment Strategy (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.

22. Investment risk disclosures (continued)

Defined Contribution Section (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	√	-	√	-
Target Annuity 2018-2025 Retirement	√	√	√	√
Diversified Retirement	√	√	√	√
Target Drawdown 2018-2026 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	√	-	√	-
Target Cash 2020 – 2025 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).

23. Current assets

	2021 Defined benefit section £'000	2021 Defined contribution section £'000	2021 Total £'000
Contributions due from employer in respect of:			
Normal	-	1,527	1,527
Employee	-	175	175
Deficit contributions	3,333	-	3,333
Other debtors and prepayments	464	-	464
Cash balances	2,887	929	3,816
	6,684	**2,631**	**9,315**
Allocated to members		2,492	
Not allocated to members – cash balances		139	
		2,631	

	2020 £'000	2020 £'000	2020 £'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
	15,902	3,379	19,281
Allocated to members		3,074	
Not allocated to members – cash balances		305	
		3,379	

24. Current liabilities

	2021 Defined benefit section £'000	2021 Defined contribution section £'000	2021 Total £'000
Unpaid benefits	21	886	907
Other creditors	301	1	302
	322	**887**	**1,209**
Allocated to members		887	
Not allocated to members - other creditors		-	
		887	

	2020 £'000	2020 £'000	2020 £'000
Unpaid benefits	102	1,467	1,569
Other creditors	228	-	228
	330	1,467	1,797
Allocated to members		1,467	
Not allocated to members - other creditors		-	
		1,467	

25. Commitment to invest

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 £30 million and to date £14.9 million has been paid. The Scheme committed £30 million on 25 April 2019 to the Direct Lending Fund (DLF) III and to date £25.9 million has been paid.

The Scheme made a commitment to a new fund with Chorus Capital who were appointed during the prior year. The total commitment to the Capital Credit Fund IV was £40 million and to date £39.9 million has been paid.

The Scheme made a commitment to Basalt Infrastructures who were appointed during the current year. A commitment of $40 million has been made and to date £10.7 million has been invested.

The Scheme made a commitment to I Squared Capital who were appointed during the current year of $49 million and to date £2.8 million has been invested.

The Scheme made a commitment to a new fund with KKR who were appointed during the year. The total commitment to the fund was £36.2 million and as at the year end no funds had been invested.

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 defined benefit section paid Trustee fees of £26,000 (2020: £21,000). At the year end £nil (2020: £Nil) 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 defined contribution section paid Trustee fees of £26,000 (2020: £26,000).

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)[1]. 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.

[1] Value at Risk estimates the possible downside risk facing the funding level and is specified as a monetary amount. Based upon a set of economic assumptions there is a 5% chance in any one year that the funding level could fall by at least this amount.

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

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 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.

Appendix

Statement of Investment Principles (continued)

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"[1]).

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.

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 manager's 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 ask 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.

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

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 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.

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 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 drawdown. 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?

Appendix

Statement of Investment Principles (continued)

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. Members are able to set their own investment allocations, in line with their risk tolerances. Within active funds management of many of these market risks is delegated to the investment manager.
	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, 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.

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 Trustee makes available three lifestyle strategies for DC members. 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.

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 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
How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustee's policies	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. 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.

	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. 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.
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	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. 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. 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).
How the method (and time horizon) of the evaluation of the asset manager's performance and the	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

remuneration for asset management services are in line with the trustee's policies	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. 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. 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. 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.
How the trustee monitors portfolio turnover costs incurred by the asset manager.	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.
How the trustee defines and monitor targeted portfolio turnover or turnover range.	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. The Trustee may review its approach to monitoring portfolio turnover in due course if the information is provided by underlying fund managers.

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.

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 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 £201.0m[1]. 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.

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 %	Illustrative Ranges %
Equities	25.0	20.0 - 30.0
Absolute Return	10.0	5.0 - 15.0
Illiquid Alternatives	35.0	30.0 - 40.0
Fixed-Interest Bonds[1] / Swaps	30.0	25.0 - 35.0
Index-Linked Bonds[1] / Swaps		
Cash	0.0	0.0 – 10.0

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, agreed derivative contracts.

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.

[1] The one-year VaR95 means there is a one in twenty (5%) chance that the deficit will worsen by more than £201.0m in one year's time.

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.

- 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 (mis)alignment 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. The strategy is outsourced to the delegated investment manager. Within active funds management of many of these market risks is
	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.	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) 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.

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.

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, 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 this risk is outsourced to the delegated investment manager.

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.

Appendix

Administrator SLA performance

A table is provided below showing the SLA performance each quarter against the scheme's targets. Where a target was not met the Trustee requested the administrator's explanation and rectification plans, and continues to monitor the SLA levels into the following quarter.

Average performance against SLA in quarter				
Service Level Agreement – Target 97% across all SLAs unless otherwise stated	***Q1***	***Q2***	***Q3***	***Q4***
SLA2 – Website available to users between 0800 and 1730 on Business Days	100%	100%	100%	100%
SLA3 – Policy documentation made available to members online within 2 Business Days, or 5 Business Days for hard copies	100%	100%	100%	100%
SLA4 – Process and allocate regular contributions within 2 Business Days of receipt of contribution schedule and payment.	100%	100%	100%	100%
SLA5 – Investment transactions instructions implemented within 3 Business Days of receipt of instruction.	N/A	100%	100%	N/A
SLA6 – Response to non-complex general queries within 5 Business Days of receipt of enquiry.	95.28%	97.68%	94.58%	92.06%
SLA7 – Processing of payments within 5 Business days of receipt of completed forms and required documentation (or from retirement date).	94.79%	95.46%	85.37%	94.58%
SLA8 – Confirmation of allocation of transferred assets as at date of receipt of payment and required documentation within 5 Business days of receipt	100%	100%	100%	100%
SLA9 – Complaints upheld are no more than 0.01% of all complaints across Mercer Platform each month (target 0.01% or less)	0.013%	0.01%	0.01%	0.017%
SLA10 – Answer all calls made to Mercer helpline between 0800 and 1730 on Business Days	93.95%	96.10%	97.28%	98.06%

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