EE Pension Scheme

Scheme Registration Number: 10249705

Trustee's Annual Report and Financial Statements
For the Year Ended 31 December 2023

Contents

Management and Advisers

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

Investment Consultants
Aon Investments Limited *(Defined Benefit Section)*
(to 1 April 2023)
The Leadenhall Building
122 Leadenhall Street
London EC3V 4AN

Brightwell Pensions (BT Pension Scheme Management Limited)
(Defined Benefit Section) (appointed 31 March 2023)
One America Square
17 Crosswall
London EC3N 2LB

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
Mark Lewis (appointed 22 July 2024)
Simon Head (resigned 19 July 2024)
Aon Hewitt Limited
Prospect House, Abbey View,
St Albans AL1 2QU

Fiduciary Manager
Brightwell Pensions
(appointed 31 March 2023)
One America Square
17 Crosswall
London EC3N 2LB

Trustee Directors
JMRC Pensions Limited * *(Chairman)*
Roger Waymouth *
Antony Gara**
Rachel Willis* *(resigned 30 September 2023)*
Mitesh Kholia* (appointed 1 February 2024)
Joseph Ward**
Christopher Gray **
***** *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 *(to 1 August 2023)*
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
50 Bank Street
London E14 5NT

Management and Advisers (continued)

Investment Managers

(Defined Benefit Section)

UBS Global Asset Management (UK) Limited
5 Broadgate
London EC2M 2QS

Abrdn (ceased 10 January 2023)
1 George Street
Edinburgh, EH2 2LL

PIMCO Europe Limited
11 Baker Street
London W1U 3AH

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

Hayfin Capital Management
One Eagle Place
London SW1 6AF

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

Chorus Capital Management Limited
34 Bruton Street
London Q1J 6QX

Basalt Infrastructure Partners LLP
25 Golden Square
London W1F 9LU

I Squared Capital
600 Brickell Ave Penthouse
Miami, FL
33121, United States

Kohlberg Kravis Roberts & Co. Partners LLP
30 Hudson Yards
New York, NY
10001, United States

(Defined Contribution Section)

Scottish Widows Limited
UK Life Centre
Station Road
Swindon
Wiltshire SN1 1EL

Investment Managers and administrators (AVC Investments)

Scottish Widows Workplace Savings
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 2023.

The Statement of Trustee's Responsibilities, Summary of Contributions, Auditor's Report 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.

Change of Actuary

Simon Head resigned as Scheme Actuary on 19 July 2024, and in his resignation statement advised "I declare that I know of no circumstances connected with my resignation which, in my opinion, significantly affect the interests of the members or prospective members of, or beneficiaries under, the Scheme".

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 2023 pensioners were granted a 3.0% increase on their post 1988 GMP, a 5.0% increase on their excess pension accrued prior to 6 April 2006 and a 2.5% 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

	Deferred (including suspended members)	Pensioners	Totals
At 1 January 2023	7,276	1,181	8,457
Prior year adjustment *	(6)	12	6
At 1 January – as amended	**7,270**	**1,193**	**8,463**
Leavers			
Commuted	(6)	(1)	(7)
Transfers out	(5)	-	(5)
Retirements	(111)	138	27
Deaths	(8)	(17)	(25)
Suspended	-	(1)	(1)
Child pension ended	-	(2)	(2)
31 December 2023	**7,140**	**1,310**	**8,450**

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

Membership and Beneficiaries – Defined Contribution Section

	Actives	Deferred (including suspended members)	Totals
At 1 January 2023	7,732	24,490	32,222
Members deferring benefits	(10,007)	10,007	-
New entrants	2,334	-	2,334
Leavers			
Refunds and Not Taken Up	(42)	(87)	(129)
Transfers out	(1)	(1,218)	(1,219)
Retirements	-	(10)	(10)
Deaths	(8)	(28)	(36)
Uncrystallised Fund Pension Lump Sum	(8)	(209)	(217)
31 December 2023	**-**	**32,945**	**32,945**

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. The Defined Contribution Section was closed to future accrual on 31 July 2023, so effective 1 August 2023 all remaining active members in the DC section became deferred.

Trustee's Report – Scheme Management (continued)

Review of the Financial Development of the Scheme

As at 31 December 2023 the accumulated fund stood at £1,488,411,000 (2022: £1,433,259,000). The audited financial statements, which appear on pages 64 to 92, 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.

Going Concern

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 and has remained operational throughout various difficult market conditions in the past few years. The employer continues to meet the agreed funding to the Scheme which was formally agreed in 2023 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.

Capita Cyber Incident

The Trustee was formally advised by the scheme's administrator, Capita Pension Solutions Limited ('CPSL), on 17 May 2023 that Capita plc ('Capita') identified a cyber incident which resulted in unauthorised access to its IT systems, which Capita confirmed to the Trustee included member data that had been exfiltrated by an external third party.

Upon initial discovery, Capita had interrupted and restricted the cyber-incident promptly on 31 March 2023.

Capita investigated that incident and that investigation found that a third party, unauthorised by Capita, got access to Capita's IT systems on 22 March 2023.

Since that date, CPSL has advised the Trustee that it has employed internal and third-party advisors to establish what data had been exfiltrated during this incident, although it confirmed that it's HartLink pension administration platforms were not affected.

CPSL wrote to the Trustee on 17 May 2023 that pensioner data including name, member ID number, NINO, pension amount, tax code, tax paid, date of birth and date of retirement, had been exfiltrated during the cyber breach. A further update on 3 June 2023 confirmed address and bank details for some pensioners had also been accessed.

The Trustee has reported this breach to the Information Commissioners Office (ICO) and TPR on 19 May 2023 and an update was provided to both ICO and TPR on 6 June 2023. The Trustee has been advised that Capita has made appropriate notifications to all relevant regulators and authorities, including the ICO.

Capita Cyber Incident (continued)

On 3 February 2024, ICO confirmed that the incident did not meet the requirements for regulatory activity against the Trustee and as such no further action is being taken. Following a further independent audit of the data accessed by Kroll, Capita informed the Trustee that a further 1,113 deferred and pensioner members of the Scheme had data involved in the original data incident but had not been informed, as well as 107 members for whom additional data items had been identified as being accessed who had been informed of the incident but not the specific items now identified. The Trustee has updated the ICO and TPR on 22 April 2024, and Capita wrote to impacted members on 24 May 2024 to advise them of the new information. As this all relates to the original data incident, the Trustee does not expect the ICO to re-open the case.

The incident has not resulted in any financial impact on the Scheme nor on members' benefits at this time. However, the Trustee is aware that there is a possibility that some of the exfiltrated data could be used at a future date to create fraudulent transactions resulting in loss to members and claims on the Scheme, although there are identity and verification controls in place at Capita. Whilst it is hoped that this possibility is remote, the Trustee continues to work closely with its legal and other advisers, and with Capita, to mitigate any further risk resulting from the cyber incident and to ensure that the Scheme members affected are protected as far as possible.

Capita has taken extensive steps to recover and secure the data contained within the impacted servers, and also has no evidence that information resulting from this incident is available for sale on the dark web or otherwise. Capita has also appointed, since the earliest days of this incident, a third-party specialist adviser who continues to monitor the dark web to confirm that data compromised as a result of this incident is not being circulated or available for sale online.

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 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 its, 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. The Trustee is aware that these issues 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.

Section 37 (Virgin Media case on changes to contracted out schemes)

Following the judgement in the Virgin Media Limited v NTL Pension Trustees II Limited case, the Trustee reviewed changes made to the Scheme in conjunction with its legal advisor and is satisifed that where required a section 37 confirmation was received from the actuary. The Trustee is not aware of any further impact on the Scheme.

Future changes

The sponsor of the EE Pension Scheme informed the Trustee of its proposal to close the DC section to future build-up of benefits and use a different pension arrangement for future pension contributions. The sponsor entered a 60-day consultation period with its workforce on 25 April 2023 which ended on 24 June 2023. The outcome was that the DC section closed to future build up of benefits from 1 August 2023.

Following this outcome, the Trustee engaged with the sponsor on a bulk transfer exercise for active members of the EE Pension Scheme at 1 August 2023 and those who had previously TUPE'd from EE Limited to BT plc who retained benefits in the DC section and remained employed within BT Group, to transfer their EEPS benefits to the main BT pension arrangement. This began in November 2023 and completed in March 2024.

Summary of Contributions

During the year ended 31 December 2023 the contributions payable to the Scheme by the Employers, under the Scheme Rules and the Schedules of Contributions dated 23 March 2020 and 28 March 2023, were as follows:

	Defined Benefit Section 2023 £'000	Defined Contribution Section 2023 £'000
Contributions paid under the Schedules of Contributions		
Employer normal contributions	-	11,462
Deficit funding contributions	28,333	-
Employee normal contributions	-	808
Contributions payable under the Schedules (as reported on by the Scheme Auditor)	**28,333**	**12,270**
Contributions paid not under the Schedules of Contributions		
Employee additional voluntary contributions	-	421
Contributions receivable per Fund Account	**28,333**	**12,691**

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.

Fiduciary Investment Manager

The Trustee has selected Brightwell Pensions (“Brightwell”) as its fiduciary manager who are delegated the day-to-day management of investment portfolio. A written agreement between the Trustee and Brightwell sets out the terms on which the fiduciary manager will act.

During the year, the main investment activity was in relation to liability hedging. Following a rise in government bond yields over the year, the Scheme raised its interest rate and inflation hedge ratios in order to lock-in the funding improvement and reduce future funding volatility.

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 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 93. 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. The Statement of Investment Principles was revised in December 2023.

Departures from investment principles

To the best of its knowledge, the Trustee can report that there has not been any departure from the SIP during the year ended 31 December 2023. Whilst at calendar year end, the asset allocation was slightly outside the illustrative ranges shown on the following page, this was temporary and moved back within the range in early January 2024.

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 Scottish Widows.

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. Any indirect holdings will not exceed 5% at any time in the Scheme year. The Scheme's 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 2023.

Investment Fund	Allocation (%)	Illustrative Ranges (%)	31 December 2023[2] (%)	31 December 2022 (%)
Illiquid alternatives	**35.0**	**30.0 – 40.0**	**32.9**	**39.0**
Equities	**15.0**	**10.0 - 20.0**	**0.6**	**-**
Absolute Return	**10.0**	**5.0 – 15.0**	**6.8**	**6.7**
LDI	**40.0**	**35.0 – 45.0**	**55.9**	**51.9**
Cash in Trustee Bank Account[1]	**0.0**	**0.0 – 10.0**	**3.8**	**2.4**
Total	**100.0**	**100.0**	**100.0**	**100.0**

Note:

1 Includes cash in the Northern Trust Cash Account.

2 Allocations shown reference capital weights but do not reflect the economic exposure of derivatives (see note 19 to the financial statements). As a result of this and large interest rate moves in December that impacted the LDI portfolio as of 31 December 2023 weights were out-with the illustrative ranges. During early January 2024, the allocation economic exposures fell back within the illustrative ranges.

The benchmark allocation range represents the guidelines which Brightwell manage in accordance with the Fiduciary Management Agreement with the Trustee and as set out in the Statement of Investment Principles. The actual asset allocation as at 31 December 2023 was out of line with target, as detailed in Note 2 above.

Trustee's Report – Investment Matters (continued)

Asset allocation (continued)

The table below details the Defined Contribution Section investments as at 31 December 2023:

	2023		2022	
	£,000	%	£,000	%
Annuity Retirement	2,168	0.31	2,049	0.29
Cash and Money Market	936	0.13	1,388	0.20
Cash Retirement	1,780	0.26	1,162	0.17
Growth	483,174	69.00	486,850	69.85
High Growth	1,986	0.28	2,197	0.32
Asia Pacific (ex-Japan) Equity	3,786	0.54	3,757	0.54
Pre-Retirement	-	-	12	-
Shariah	2,119	0.30	1,876	0.27
Property	1,569	0.23	1,810	0.26
Emerging Markets Equity	1,625	0.23	1,770	0.25
European (ex UK) Equity	1,331	0.19	842	0.12
Fixed Interest Gilt	1,708	0.24	2,175	0.31
Global Equity (60/40)	11,557	1.65	10,510	1.51
Index Linked Gilt	93	0.01	195	0.03
Japanese Equity	1,738	0.25	1,532	0.22
Moderate Growth	838	0.12	1,012	0.15
UK Equity	23,517	3.36	25,111	3.60
US Equity	2,847	0.41	2,880	0.41
Overseas Equity	27,809	3.97	25,529	3.66
Defensive	1,366	0.20	1,579	0.23
Diversified Growth	5,315	0.76	5,769	0.84
Diversified Retirement	98	0.01	97	0.01
Drawdown Retirement	8,963	1.28	7,412	1.06
Target Annuity 2023 Retirement	-	-	548	0.08
Target Annuity 2024 Retirement	-	-	322	0.05
Target Annuity 2025 Retirement	294	0.04	162	0.02
Target Annuity 2027 Retirement	149	0.02	172	0.02
Target Annuity 2028 Retirement	18	-	17	-
Target Annuity 2029 Retirement	3	-	27	-
Target Annuity 2030 Retirement	17	-	18	-
Target Annuity 2031 Retirement	70	0.01	-	-
UK Corporate Bond	373	0.05	441	0.06
Ethical	4,682	0.67	4,618	0.66
Target Drawdown 2023 Retirement	-	-	8,159	1.17
Target Drawdown 2024 Retirement	10,026	1.43	11,149	1.60
Target Drawdown 2025 Retirement	10,035	1.43	9,445	1.36
Target Drawdown 2026 Retirement	12,946	1.85	12,299	1.76
Target Drawdown 2027 Retirement	10,423	1.49	12,870	1.85
Target Drawdown 2028 Retirement	13,425	1.92	14,499	2.08
Target Drawdown 2029 Retirement	15,106	2.16	15,164	2.18
Target Drawdown 2030 Retirement	15,508	2.22	16,186	2.32
Target Drawdown 2031 Retirement	17,847	2.55	-	-
Target Cash 2023 Retirement	-	-	636	0.09
Target Cash 2024 Retirement	446	0.06	524	0.08
Target Cash 2025 Retirement	107	0.02	108	0.02
Target Cash 2026 Retirement	355	0.05	334	0.05
Target Cash 2027 Retirement	359	0.05	303	0.04

Asset allocation (continued)

	2023 £,000	%	2022 £,000	%
Target Cash 2028 Retirement	629	0.09	556	0.08
Target Cash 2029 Retirement	305	0.04	294	0.04
Target Cash 2030 Retirement	358	0.05	332	0.05
Target Cash 2031 Retirement	443	0.06	-	-
SW Mercer Global Listed Infrastructure	-	-	196	0.03
	700,247	**100.00**	**696,893**	**100.00**

Development of the investment strategy

Over the course of 2023 Brightwell has worked with Insight, the Scheme's Liability Driven Investment (LDI) manager, and Aon Actuarial to update the LDI cash flows in line with the new 2021 liability cash flows. In addition, following approval by the EE Pension Scheme (EEPS) Funding and Investment Committee during 2023, Brightwell instructed Insight to bring forward the implementation of LDI hedge ratio target increases. As at 31 December 2023, the Scheme hedged approximately 80% of interest rate and inflation risk (2022 : 65%). The effect of this is to provide better security to Scheme member benefits by better aligning investments with pension payments and protecting them against interest rate and inflation rises.

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.

	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	3 Year (% p.a.)	5 Year (% p.a.)
Scheme Return (%)	**9.2**	**11.9**	**8.6**	**-33.9**	**4.1**	**-8.8**	**-1.5**
Benchmark Return (%)	**10.6**	**12.5**	**10.3**	**-35.1**	**9.2**	**-7.7**	**-0.4**
Liability Benchmark (%) [1]	**11.8**	**17.7**	**1.4**	**-46.5**	**-0.2**	**-18.5**	**-7.3**

[1] Annual figures for the 2019, 2020 and 2021 liability benchmark performance have been restated following the sign off of the Triennial actuarial valuation as at 31 December 2018.

Review of investment performance (continued)

Overall the Scheme achieved a positive return of 4.1% over the year ending 31 December 2023. The returns for 2023 are broken down into quarterly returns as follows:

	Q1 2023 (%)	Q2 2023 (%)	Q3 2023 (%)	Q4 2023 (%)	1 Year (%)
Scheme Return (%)	**3.3**	**-5.4**	**-4.0**	**11.0**	**4.1**
Liability Benchmark (%)	**4.8**	**-9.2**	**-8.5**	**14.6**	**-0.2**

The Scheme's annual and three and five year returns 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.

Defined Contribution Section	Q4 2023 %	B/mark %	1 Year %	B'mark %	3 Years %	B'mark %	5 Years %	B'mark %	Inception %	B'mark %	Inception Date
Growth Fund	6.4	2.3	7.4	8.9	3.0	6.1	6.1	5.5	7.4	4.9	24 Oct 2012
High Growth Fund	6.5	2.4	8.7	9.4	4.1	6.6	7.1	6.0	7.7	5.4	24 Oct 2012
Moderate Growth Fund	5.9	2.1	6.2	7.9	1.5	5.1	5.0	4.5	6.7	4.4	24 Oct 2012
Defensive Fund	6.3	1.6	5.3	5.8	-1.3	3.1	1.7	2.4	3.6	1.9	24 Oct 2012
Cash and Money Market Fund	1.3	1.3	4.6	4.6	1.9	1.9	1.3	1.3	0.8	0.0	24 Oct 2012
Drawdown Retirement	5.1	1.3	6.3	4.7	1.6	2.0	3.3	1.4	3.3	1.1	30 Jun 2016
Target Drawdown 2024*	5.2	--	6.3	--	2.0	--	4.8	--	6.4	--	31 Mar 2016
Target Drawdown 2025*	5.6	--	6.6	--	2.1	--	5.1	--	4.2	--	31 Mar 2017
Target Drawdown 2026*	6.4	--	7.1	--	2.3	--	5.4	--	4.8	--	29 Mar 2018
Target Drawdown 2027*	6.4	--	7.1	--	2.5	--	--	--	4.2	--	29 Mar 2019
Target Drawdown 2028*	6.5	--	7.3	--	2.7	--	--	--	8.2	--	31 Mar 2020
Target Drawdown 2029*	6.4	--	7.2	--	--	--	--	--	2.1	--	31 Mar 2021
Target Drawdown 2030*	6.4	--	7.3	--	--	--	--	--	0.6	--	31 Mar 2022
Target Drawdown 2031*	6.5	--	--	--	--	--	--	--	4.8	--	31 Mar 2023
Annuity Retirement	8.5	8.5	6.8	4.1	-7.2	-7.0	-1.1	-1.7	2.0	1.6	24 Oct 2012
Target Annuity 2024*	8.0	--	5.3	--	-6.3	--	0.4	--	0.7	--	30 Jun 2017
Target Annuity 2025*	8.3	--	5.7	--	-5.4	--	1.0	--	1.0	--	31 Dec 2018
Target Annuity 2026*	8.5	--	5.9	--	-4.0	--	1.9	--	1.9	--	31 Dec 2018
Target Annuity 2027*	8.7	--	6.5	--	-2.2	--	--	--	1.4	--	29 Mar 2019
Target Annuity 2028*	8.3	--	6.8	--	-0.4	--	--	--	5.6	--	31 Mar 2020
Target Annuity 2029*	7.8	--	7.2	--	--	--	--	--	0.4	--	31 Mar 2021
Target Annuity 2030*	7.3	--	7.3	--	--	--	--	--	0.0	--	31 Mar 2022
Target Annuity 2031*	6.8	--	--	--	--	--	--	--	5.1	--	31 Mar 2023

Review of investment performance (continued)

Defined Contribution Section	Q4 2023 %	B/mark %	1 Year %	B'mark %	3 Years %	B'mark %	5 Years %	B'mark %	Inception %	B'mark %	Inception Date
Cash Retirement	1.3	1.3	4.5	4.6	1.9	1.9	1.3	1.3	1.0	0.9	31 Mar 2016
Target Cash 2024*	1.4	--	4.5	--	0.5	--	4.0	--	4.0	--	31 Dec 2018
Target Cash 2025*	2.8	--	5.2	--	-0.2	--	3.9	--	3.9	--	31 Dec 2018
Target Cash 2026*	4.1	--	5.9	--	-0.7	--	3.7	--	3.7	--	31 Dec 2018
Target Cash 2027*	5.5	--	6.6	--	-0.1	--	--	--	5.4	--	31 Mar 2020
Target Cash 2028*	6.7	--	7.6	--	1.2	--	--	--	3.9	--	30 Jun 2020
Target Cash 2029*	6.6	--	7.6	--	--	--	--	--	1.4	--	31 Mar 2021
Target Cash 2030*	6.5	--	7.6	--	--	--	--	--	0.5	--	31 Mar 2022
Target Cash 2031*	6.5	--	--	--	--	--	--	--	5.0	--	31 Mar 2023
Global Equity (60:40) Fund	4.4	4.7	10.5	10.7	8.0	8.1	8.3	8.6	8.6	8.4	24 Oct 2012
UK Equity Fund	2.2	2.3	6.5	6.5	7.4	7.8	6.0	6.4	6.6	6.8	24 Oct 2012
Overseas Equity Fund	7.6	7.6	18.5	18.5	9.6	9.8	13.4	13.2	13.3	12.8	24 Oct 2012
European (ex-UK) Equity Fund	7.9	7.9	15.4	15.2	7.4	7.6	10.4	10.5	10.0	9.4	24 Oct 2012
US Equity Fund	8.0	8.0	21.5	21.6	11.7	11.8	15.6	15.5	15.8	15.3	24 Oct 2012
Japanese Equity Fund	4.1	3.4	15.1	12.7	3.0	3.3	7.1	7.0	10.0	9.8	24 Oct 2012
Asia Pacific (ex-Japan) Equity Fund	7.3	7.4	4.3	4.4	1.6 *	1.7	6.3	6.4	6.7	6.8	24 Oct 2012
Emerging Markets Equity Fund	3.7	3.3	2.8	3.6	-3.4	-2.8	3.2	3.7	4.4	4.5	24 Oct 2012
Diversified Growth Fund	5.8	1.3	8.2	4.7	3.0	2.1	5.2	1.4	6.8	0.8	24 Oct 2012
Diversified Retirement Fund	6.5	1.3	6.9	4.7	1.5	2.1	3.9	1.4	5.3	1.1	31 Dec 2015
Fixed Interest Gilt Fund	14.4	14.3	1.5	1.7	-17.3	-17.6	-6.5	-6.7	0.5	0.6	24 Oct 2012
Index-Linked Gilt Fund	10.1	10.2	0.1	0.0	-13.4	-13.5	-5.3	-5.4	2.2	2.3	24 Oct 2012
UK Corporate Bond Fund	7.7	7.7	8.7	8.8	-4.7	-4.7	0.4	0.4	2.6	2.6	24 Oct 2012
Property Fund	6.7	-1.2	-1.7	-1.4	4.5	2.1	2.8	1.3	5.7	--	24 Oct 2012
Ethical Fund	6.2	3.2	8.7	7.9	4.7	8.6	6.0	6.6	8.1	6.8	24 Oct 2012
Shariah Fund	6.4	6.4	27.3	27.5	11.0	11.3	16.6	17.1	16.6	15.1	24 Oct 2012

All data provided by Scottish Widows. Fund returns shown net of investment management related fees:

For periods over one year the figures in the table above have been annualised.

**Due to the lifestyle nature of these funds, there is no benchmark assigned for this strategy, therefore no total benchmark can be shown.*

Scheme Year End – 31 December 2023

The purpose of the Implementation Statement is for us, the Trustee of the EE Pension Scheme, to explain what we have done during the year ending 31 December 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles ("SIP"). It includes:

1. A summary of any review and changes made to the SIP over the year
2. How our policies in the SIP have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services

Our conclusion

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

In our view, most of the Scheme's fiduciary manager and the material underlying investment managers were able to disclose adequate evidence of voting and/or engagement activity, and this activity was in line with our expectations. Several of the underlying managers, as outlined below, did not provide the requested engagement information, and the information provided by others was limited. This is something that the Scheme's new fiduciary manager will prioritise improving in the year ahead.

Changes to the SIP during the year

The Scheme's latest SIP can be found here:

EE Pension Scheme (aon.com)

During December 2023 the SIP was updated. The changes made primarily relate to the replacement of Aon in May 2023 as investment advisor, by Brightwell as investment advisor and fiduciary manager. Brightwell will review the SIP going forward. Where this statement references future activity, we have replaced Aon with "The investment advisor". The SIP was also updated to bring forward the planned increases to the Scheme's interest rate and inflation hedge ratio's, as detailed on page 16. There were no other significant changes to the SIP.

What is stewardship?

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

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ

How the policies in the SIP have been followed

In the table below we set out what we have done during the year to meet the policies in the SIP.

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 2021, 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) compared to those stated in the investment objective.

Strategy

When choosing the Defined Benefit section's asset allocation strategy the Trustee considered written advice from its investment advisers and fiduciary manager, 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 at the time, Aon, and following consultation with the Employer.

- During the year the Trustee approved bringing forward the planned increases to the Scheme's interest rate and inflation hedge ratio's. This follows the improvements to Scheme funding and will reduce the future volatility of funding, effectively locking in the improvements.
- In May, Brightwell were appointed Fiduciary Manager of EEPS, taking over from Aon who were the previous investment advisor to the Scheme.
- There was significantly less portfolio activity during 2023 than was experienced during late 2022 which was characterised by the gilt crisis. Other than changes to the interest rate and inflation hedge ratios outlined above, the overall risk complexion of the Scheme's portfolio remained consistent through the year. The most notable evolution was with the illiquid alternatives allocation where there was a modest reduction in property exposure and offsetting increase in infrastructure.

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.
Implementation	*The Trustee has delegated all day-to-day decisions about the Defined Benefit section investments to its fiduciary manager Brightwell.* *Arrangements with the fiduciary manager* *The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the fiduciary manager are aligned with the Trustee's policies.* The Trustee monitors its fiduciary manager through regular quarterly updates and reporting provided to the EEPS F&ISC. This typically includes updates from the fiduciary manager 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 fiduciary manager outlining the valuation of all investments held, the performance of these investments and any significant activity 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. *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.* The fiduciary manager will share the SIP with future underlying Scheme's asset managers for their awareness of the Scheme's expectations.

Stewardship – Voting and Engagement	*As part of its delegated responsibilities, the Trustee expects the Scheme's fiduciary manager and in-turn their selected 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 fiduciary manager collates annual stewardship reports containing details of activities of each relevant manager. 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 total investment 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 fiduciary manager and underlying asset manager that can increase the overall cost incurred by their investments.* The Trustee along with its advisors and fiduciary manager will continue to gather cost data for the Scheme's asset managers, including turnover costs, annually.

Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

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

In prior years we have provided statistics on the voting activity of the Scheme's equity managers however there are currently no allocations to listed equities in the portfolio following the divestments in 2022. As such, listed share voting activity is no longer relevant but should the Scheme invest in the asset class going forward, the manager's voting activity will be detailed.

Why is voting important?

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

Source: UN PRI

Our managers' engagement activity

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

The table below shows some of the engagement activity carried out by the Scheme's material managers over the year. Some of the engagement information provided is at a firm level i.e. is not necessarily specific to the fund invested in by the Scheme

Funds	Number of engagements		Key themes engaged on at a firm-level
	Fund specific	Firm level	
PIMCO Diversified Income Fund (UK DB PLD) (V)[1]	>4000	1370 (2022)	Air Pollution, Greenhouse Gas Emissions, Waste, Water, Land Use, Biodiversity, Physical risks, Governance, Social issues, Human labour rights, Product Innovation, Human Capital Management
Insight High Grade ABS Fund (formerly LIBOR Plus)	40	1178 (2022)	Climate change, Natural resource use/impact (e.g. water, biodiversity), Human capital management (e.g. inclusion & diversity, employee terms, safety), Board effectiveness - Independence or Oversight, Board effectiveness – Other, Leadership - Chair/CEO, Capital allocation, Financial performance, Strategy/purpose, Risk management (e.g. operational risks, cyber/information security, product risks) and others
UBS Global Asset Management Triton	0	373 (2023)	Climate change, Pollution, Waste, Human and labour rights (e.g. supply chain rights, community relations), Physical risk exposure and mitigation, Transition plans, Human capital management (e.g. inclusion & diversity, employee terms, safety), Remuneration, and others
Basalt Infrastructure Partners III	Not provided	120	Climate change, Human capital management (e.g. inclusion & diversity, employee terms, safety), Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Diversity Strategy, Reporting (e.g. audit, accounting, sustainability reporting), Financial performance, Strategy, Risk management (e.g. operational risks, cyber/information security, product risks) and others
KKR Global Infrastructure Partners	Not tracked	>4	Energy transition, Climate risk and action, Supply chain resilience, Education
Aviva Investors - REaLM Multi Sector Fund	Not provided	>500	Not provided
M&G Investments - UK Residential Property Fund	Not provided	Not provided	Climate, Diversity & Inclusion, Biodiversity
Hayfin Direct Lending Fund II & Fund III	Not provided	Not provided	Not provided
Chorus Capital Credit Fund IV	Not provided	Not provided	Not provided
I Squared Capital - Global Infrastructure Fund III	Not provided	Not provided	Not provided

Source: Manager(s)

Data limitations

At the time of writing, the following manager(s) did not provide all the information we requested:

- Aviva Investors, M&G Investments, Hayfin Capital Management, Chorus Capital, and I Squared Capital did not provide any requested engagement information as of the time of writing.
- PIMCO noted that they would provide engagement information for the requested period but have not provided this as of the time of writing.
- LGIM and KKR did provide fund level engagement reporting but not in the ICSWG industry standard.
- LGIM did not provide firm level engagement information.
- UBS and Basalt did not provide fund specific engagement information.

We will engage with the managers above to encourage improvements in reporting.

This report does not include commentary on the Scheme's liability driven investments and/or cash, gilts etc because of the limited materiality of stewardship to these asset classes. Further this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Scheme's assets that are held as AVCs.

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 2023 ("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.

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 believes it is important to consider the policies in place in the context of the investment objectives it has 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.

Investment Structure (continued)

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 the Scheme's SIP during the Scheme year but no changes were made. The latest SIP can be found at: https://pensioninformation.aon.com/ee

Assessment of how the policies in the SIP have been followed for the year to 31 December 2023

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 2023.

	Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2023
1	Securing compliance with the legal requirements about choosing investments	DC Section 2. Investment Policies	The Trustee has established a Funding & Investment Committee which meets regularly to monitor the controls and processes in place in connection with the Scheme's investments. The Scheme's investment advisors attended all Funding & Investment Committee Meetings during the year and provided updates on Scheme performance. Over the year to 31 December 2023, the following investment changes were made following the MWS annual review of the Mercer funds being discussed at the September 2022 meeting: - Drawdown glidepath (used within the default investment strategy): The glidepath allocation changed to target 90% Mercer Diversified Retirement and 10% Mercer Cash Retirement at retirement, compared to the previous 75% Mercer Diversified Retirement and 25% Mercer Cash Retirement target. This change was implemented to the Target Drawdown funds that will mature from 2026 onwards. This change was implemented over Q1 2023. - Mercer Growth Fund (used within the default investment strategy): The exposure to credit, multi-factor and low volatility equity was reduced, while the allocation to inflation sensitive assets increased. Additionally, within the defensive asset allocation, a small allocation to cash, global index linked government bonds and gold was added to the fund. This change was implemented in late March 2023. - Mercer Diversified Retirement Fund (used within the default investment strategy): The multi-factor equity allocation was removed and reallocated to low volatility and sustainable global equity with a small reduction in the overall equity allocation. Credit exposure was reduced and replaced with a higher allocation in cash and bonds. The allocation to inflation sensitive assets was increased. This change was implemented over H1 2023.

	Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2023
			Over the year to 31 December 2023, the following investment changes were agreed following the MWS annual review of the Mercer funds being discussed at the September 2023 meeting: - For the Cash glidepath only, it was agreed that the allocation the BlackRock All Stocks Corporate Bond Fund would be replaced with the Mercer Diversified Retirement Fund in the final 8 years to retirement for greater diversification and less interest rate sensitivity. This change is expected to happen in 2024. In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of a suitably 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).
2	Kinds of investments to be held	DC Section 2. Investment Policies	There were no changes to this policy over the Scheme Year. The arrangements in place are consistent with the policies in the SIP and these policies were considered and adhered to as part of the investment strategy changes made.
3	The balance between different kinds of investments	DC Section 2. Investment Policies	The default investment option was reviewed in September 2022 to consider whether it remains appropriate for members invested in the DC Section. The Trustee agreed to amend at-retirement position changing from 75% Mercer Diversified Return Fund (DRF)/25% Cash Fund to 90% Mercer DRF/10% Cash Fund. These changes were implemented during the Scheme year. The next review is due to be completed by September 2025. The MWS arrangement in place is a delegated investment arrangement. MWS regularly monitors the arrangements in place and produces a more formal review

	Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2023
			annually. A review was produced in September 2023 that considered the ongoing suitability of the strategies and funds used.
4	Risks, including the ways in which risks are to be measured and managed	DC Section Section 3. Risk Management and Measurement	There were no changes to this policy during the Scheme year. As detailed in the risk table in the SIP, the Trustee considers both quantitative and qualitative measures for risks when deciding investment policies, strategic asset allocation and the choice of delegated investment manager / fund managers / funds / asset classes. Environmental, Social and Governance ("ESG") risk was also managed throughout the year, with considerations given to the climate-related disclosures as requested by the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations. During the Scheme year, analysis was carried out for the TCFD report for the Scheme with the year ending 31 December 2023. The Trustee also reviews the quarterly investment reports, which monitor the volatility of the investment strategy. The Trustee has delegated to the Funding & Investment Committee responsibility for assessing (in conjunction with the investment advisor) the performance delivered by the delegated investment arrangements and their ongoing suitability for the Scheme's membership. The Committee reviewed the measurement of these risks on a quarterly basis during the year as part of their regular investment performance monitoring. The investment performance monitoring reports were provided by the Scheme's investment advisor. Any issues identified / discussed with the Committee were raised and discussed with the Trustee, however no issues warranted a change in investments / managers. The Trustee is comfortable with the manager ratings applied by the investment advisor and continues to closely monitor the ratings and any significant developments at each of the underlying investment managers.

	Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2023
			In member-facing communications, the Trustee highlights a number of risks that a member may face as a result of investing in any particular funds.
5	Expected return on investments	DC Section 2. Investment Policies	There was no change to this policy during the Scheme year. The investment performance was reviewed by the Funding & Investment Committee on a quarterly basis. Any issues identified / discussed with the Committee were raised and discussed, however no issues warranted a change in investments / managers.
6	Realisation of investments	DC Section 7. Implementation and Engagement Policy	There were no changes during the year to the liquidity of the funds used by the Scheme. All assets are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice in response to member demand. The funds used by the Scheme are accessed via an investment platform and are held through a long-term insurance policy issued by Scottish Widows. The investment funds are blended investment vehicles that are managed by various investment managers. The selection, retention and realisation of assets within the pooled funds are managed by the respective investment managers in line with the mandates of the funds. 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 Management and Measurement	There were no updates to this policy during the year. The investment performance report is reviewed by the Trustee on a quarterly basis – this includes ratings (both general and specific ESG) from the investment advisers. All of the managers remained highly rated during the year. The investment performance report also includes detail on how each investment manager is delivering against their specific mandates.
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 were made to this policy during the Scheme year and the policy reflects current practice. Non-financial matters, such as member and beneficiary ethical views, 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

	Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2023
			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.
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 proxy voter. The delegated investment manager and underlying fund managers have discretion over exercising voting rights and stewardship obligations. The delegated investment manager has a responsible investment framework in place and reviews the underlying investment managers and funds in line with this framework on an annual basis. The Trustee has requested key voting activities from MWS during the Scheme year in order to consider this, and the information received is summarised in the Engagement Policy Statement that follows.
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)	DC Section 7. Implementation and Engagement Policy	There we no changes made to the stewardship policies over the Scheme year. The voting records of the investment managers are summarised in the voting activity summary that follows. No direct action was needed or taken in relation to challenging managers on their voting activity. Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 updated guidance was produced which is effective for all scheme year ends on or after 1 October 2022. The updated guidance requires trustees to include a description of what they believe to be a significant vote within the Implementation Statement. The voting information should also include details explaining why each vote has been categorised as most significant, what the vote was, and why the manager voted in the way it did.

	Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2023
			The Trustee has considered what the Scheme's stewardship priorities should be as a result of the new requirements introduced this year in relation to 'significant votes' and has decided the following ESG factors should have most focus: - Environmental: Climate change with a focus on low carbon transition and physical damages resilience. - Governance: Diversity, equity and inclusion in terms of governance and decision making.
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 it accepts it has very limited ability to influence the delegated investment manager and investment managers to align their decisions with the Trustee policies set out in this Statement. However, appropriate mandates are selected to align with the overall investment strategy. The Trustee reviewed the performance of the Plan's funds quarterly. There were no concerns over 2023.
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 information on investment decisions taken over 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 longer term investment performance on a quarterly basis during the year and informally intra-meeting. Growth phase returns are reviewed against price inflation and volatility of growth phase returns is reviewed against that of global equity markets. Over the 1 year period to 31 December 2023, the Mercer Growth fund underperformed its target, having returned 7.4% p.a., net of investment fees, against

	Requirement	Section of the SIP where the policy can be found	In the year to 31 December 2023
			its cash plus 8.9% p.a. target. However we note that the fund has outperformed over 5 years and since inception (Oct 2012). The fund achieved these returns with substantially lower levels of volatility compared to global equities as measured by the MSCI World Index. The Trustee continues to monitor the fund on an ongoing basis.
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 level of transaction costs as part of its annual Value for Members assessment, last carried out as at 31 December 2023 and by publishing this information as part of the costs and charges disclosures mandated by regulations governing the Chair's Statement. As the Scheme invests through pooled funds, the Trustee is unable to define target portfolio turnover ranges for funds. However, it will engage with an underlying investment manager if portfolio turnover is higher than expected. No managers were challenged over the year regarding transaction costs.
15	The duration of the arrangement with the asset manager	DC Section 7. Implementation and Engagement Policy	The Trustee reviewed the performance of the Scheme's funds quarterly. There were no concerns over 2023.

Engagement Policy Statement

Section 4 of the DC Section of the SIP sets out the Trustee’s policy on Environmental, Social, and Governance (“ESG”) factors, stewardship and climate change. The Trustee believes that 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 (MWS) investment processes and those of the underlying managers in the monitoring process.

Voting Activity during the Scheme year

The Trustee has delegated its 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:

Trustee’s Report – Implementation Statement (continued)

Investment option	Investment Strategy	Fund Name
Default	Growth Phase	Mercer Growth Fund
Default	Mercer SmartPath Drawdown	Target Drawdown 2024 Fund Target Drawdown 2025 Fund Target Drawdown 2026 Fund Target Drawdown 2027 Fund Target Drawdown 2028 Fund Target Drawdown 2029 Fund Target Drawdown 2030 Fund Target Drawdown 2031 Fund Drawdown Retirement Fund
Lifestyle	Growth Phase	Mercer Growth Fund
Lifestyle	Mercer SmartPath Annuity	Target Annuity 2024 Fund Target Annuity 2025 Fund Target Annuity 2026 Fund Target Annuity 2027 Fund Target Annuity 2028 Fund Target Annuity 2029 Fund Target Annuity 2030 Fund Target Annuity 2031 Fund Annuity Retirement Fund
Lifestyle	Mercer SmartPath Cash	Target Cash 2024 Fund Target Cash 2025 Fund Target Cash 2026 Fund Target Cash 2027 Fund Target Cash 2028 Fund Target Cash 2029 Fund Target Cash 2030 Fund Target Cash 2031 Fund Cash Retirement Fund

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

Overview of MGIE approach to voting and engagement

MGIE's policy on consulting with clients before voting

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

MGIE's process for deciding how to vote

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

MGIE's proxy voting services

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 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

Voting activity during the Scheme year

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DC Section of the Scheme. Funds where voting is not applicable (i.e. non-equity funds) are not included in the list below.

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 2023	0.2%	0.1%	69.0%	0.3%	4.0%	3.4%	1.7%	0.4%
Number of meetings eligible to vote at over year to 31 December 2023	3,961	10,642	10,865	10,865	1,615	642	2,431	572
Number of resolutions eligible to vote on over year to 31 December 2023	35,791	116,563	119,752	119,752	18,755	9,974	33,484	7,564
Of the resolutions voted on, percentage voted with management	82.1%	84.0%	84.0%	84.0%	81.1%	97.1%	95.0%	97.3%
Of the resolutions voted on, percentage voted against management	16.7%	15.4%	15.3%	15.3%	18.9%	2.9%	5.0%	2.7%
Of the resolutions voted on, percentage abstained	1.2%	0.6%	0.6%	0.6%	0%	0%	0%	0%

Source: MWS, BlackRock. Figures may not sum due to rounding.

Fund	Japanese Equity	Emerging Markets Equity	Ethical Fund	European (ex-UK) Equity	Asia Pacific (ex-Japan) Equity	Shariah Fund	Diversified Growth	Diversified Retirement
Total DC Scheme Allocation at 31 December 2023	0.2%	0.2%	0.7%	0.2%	0.5%	0.3%	0.8%	0.0%
Number of meetings eligible to vote at over year to 31 December 2023	501	2,809	5,080	457	455	107	10,865	6,148
Number of resolutions eligible to vote on over year to 31 December 2023	5,880	22,321	52,639	8,581	3,107	1,726	119,752	69,558
Of the resolutions voted on, percentage voted with management	96.3%	81.7%	80.3%	89.0%	89.7%	76.8%	84.0%	83.8%
Of the resolutions voted on, percentage voted against management	3.7%	16.9%	19.3%	10.0%	10.3%	23.2%	15.3%	15.3%
Of the resolutions voted on, percentage abstained	0%	1.5%	0.4%	1.0%	0%	0%	0.6%	0.9%

Source: MWS and BlackRock as at 31 December 2023. Figures may not sum due to rounding.

Sample of significant votes undertaken in the MGIE funds for the 12 months to 31 December 2023

Examples of Significant Votes

To ensure voting behaviour is consistent with the Schemes' investment objectives and stewardship priorities, the Trustee has classified 'significant votes' as those which consider any one of the following factors with relevant (but not exhaustive) examples:

- Environmental – climate change, low carbon transition & physical damage resilience
- Governance – Inclusive, diverse decision making etc.

The Trustee has reviewed voting records from the managers in each of their priorities listed above.

The information in this section has been provided directly by the investment managers. The Trustee has considered this information and disclosed the votes that they deem to be most significant. A "significant vote" is defined as one that is linked to the Plan's stewardship priorities/themes, as set out above.

The Trustee has weighted this analysis towards the funds used in the default strategy, where the majority of members' assets are invested and companies that have the largest holdings within those funds (i.e. significant holdings). Particular focus is placed on the Mercer Growth Fund as it represents c.69% of total Scheme assets (as at 31 December 2023).

Mercer Growth Fund and Mercer Diversified Retirement Fund

Company:	Apple Inc	Microsoft Corporation	Shell Plc	Public Storage
Date:	10/03/2023	07/12/2023	23/05/2023	02/05/2023
Approx. size of Fund holding at date of vote	Growth: 0.42% DRF: 0.34%	Growth: 0.57% DRF: 0.42%	Growth: 0.24% DRF: 0.12%	Growth: 0.25% DRF: 0.14%
Resolutions:	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Shareholder Proposal Regarding Report on Climate Risk In Employee Retirement Options	Approval of Energy Transition Progress	Shareholder Proposal Regarding GHG Targets and Alignment with Paris Agreement
Manager Vote: **(Manager name)**	For (MGIE)	Against (MGIE)	FOR (MGIE)	For (MGIE)
Rationale:	A vote FOR is applied as the manager's policy dictates they will support proposals that seek the disclosure of the median pay gap.	A vote AGAINST this resolution is warranted. The company's retirement plan is managed by a management-level committee and employees who are looking for more climate-risk-free investments are offered a self-directed option.	A vote FOR is applied in recognition of the delivery to date against the Company's Energy Transition Strategy.	A vote FOR is applied as the manager expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.
Outcome:	Not passed	Not passed	Not passed	Not passed
Priority Area	Governance - diversity	Environmental - climate change	Environmental - climate change	Environmental - climate change

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.

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.

MoneyHelper

MoneyHelper (formerly The Money and Pensions Service (MaPS)) was created in 2019 as a single body providing information to the public on matters relating to workplace and personal pensions.

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 Telecom House, 125-135 Preston Road, Brighton, BN1 6AF.

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.

Compliance Matters (continued)

General Code of Practice

The Pensions Regulator (TPR) long-awaited General Code of Practice was laid before Parliament on 10 January 2024 and came into force on 28 March 2024. The code consolidates and replaces 10 of TPR's existing codes of practice on the governance and administration of pension schemes.

Central to the Code are the Regulator's expectations as to the features of a well-run scheme and how the governing body (those in charge of pension schemes) should comply with their legal duties. Governing bodies will need to have in place an Effective system of governance (ESOG), which is a collection of internal controls and procedures in relation to running a pension scheme. The code sets out TPR's expectations of how occupation pension schemes should be managed and the policies, practices and procedures that should be in place, which includes the obligation to conduct an Own Risk Assessment (ORA).

While the ORA is a new provision, TPR anticipates that many of the stipulations are already being adhered to by schemes. The Trustee is working with their advisers to identify any gaps and assess what actions need to be taken to ensure compliance with the General Code.

Taskforce for Climate Related Financial Disclosures (TCFD)

The Pension Schemes Act 2021 introduced legislation requiring trustees of occupation pension schemes to ensure that there are effective governance arrangements in place with respect to the effects of climate change. These regulations set out how schemes should review their exposure to climate change risk and determine how their investments might contributions to climate change. Further, the regulation requires that trustees must develop a strategy and target for managing the scheme's exposure to climate-related risk. For schemes in scope of the regulators, trustees are required to document their compliance with the regulations in an annual disclosure called a Taskforce for Climate Related Financial Disclosures ("TCFD") report.

If asset are over £1bn, the Trustees need to produce and publish a TCFD document. As the combined assets of the Scheme (DB & DC) are over £1bn, the Trustee has produced and published a TCFD report which is accessible on the Trustee's website: EE Pension Scheme (aon.com).

DC Governance Statement

Chair's Annual Governance Statement for the Period 1 January 2023 to 31 December 2023

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 the Chair of the Trustee, it is my pleasure to report to you on how the Trustee has embedded these standards over the period 1 January 2023 to 31 December 2023 (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, to meet 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, in December 2022, 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 triennial review of the default investment strategy in September 2022, with the following changes implemented throughout 2023:

- Based on the demographic profile of the membership and industry trends, the Trustee decided to maintain the default strategy as Target Drawdown Strategy. However, the glidepath allocation changed to target 90% Mercer Diversified Retirement and 10% Mercer Cash Retirement at retirement, compared to the previous 75% Mercer Diversified Retirement and 25% Mercer Cash Retirement target. This change was implemented to the Target Drawdown funds that will mature from 2026 onwards. This change was implemented over Q1 2023.
- Mercer Growth fund (used within the default investment strategy): The exposure to credit, multi-factor and low volatility equity was reduced, while the allocation to inflation sensitive assets increased. Additionally, within the defensive asset allocation, a small allocation to cash, global index linked government bonds and gold was added to the fund. This change was implemented in late March 2023.
- Mercer Diversified Retirement Fund (used within the default investment strategy): The multi-factor equity allocation was removed and reallocated to low volatility and sustainable global equity with a small reduction in the overall equity allocation. Credit exposure was reduced and replaced with a higher allocation in cash and bonds. The allocation to inflation sensitive assets was increased. This change was implemented over H1 2023.

Over the year to 31 December 2023, the following investment changes were agreed following the MWS annual review of the Mercer funds being discussed at the September 2023 meeting:

- For the Cash glidepath only, it was agreed that the allocation to the BlackRock All Stocks Corporate Bond Fund would be replaced with the Mercer DRF in the final 8 years to retirement for greater diversification and less interest rate sensitivity. This change is expected to happen in 2024.

The next triennial default investment strategy review will be due in September 2025.

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.

DC Governance Statement (continued)

Requirements for processing financial transactions (continued)

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

The Trustee has delegated the administration of Scheme member records to an 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 sets out timescales for the Company to remit monthly contributions to the Scheme, although the Scheme closed to new contributions from 1 August 2023 and so the last contributions made were on 2 August 2023 in respect of deductions from July pay. Agreed practice provided for payment of contributions on much shorter timescales than the Schedule of Contributions, 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.

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.
- Until the scheme closed on 1 August 2023, maintaining 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 2023.
- 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.

Performance based fees

There are currently no performance-based fees being charged for the DC Section of the Scheme.

DC Governance Statement (continued)

Asset allocation of default arrangements

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023 ("the 2023 Regulations") introduced new requirements for trustees and managers of certain occupational pension schemes.

For the first scheme year that ends after 1 October 2023, trustees or managers of relevant occupational pension schemes, are required to disclose their full asset allocations of investments for their default arrangements. We set out this information below for members aged 25, 45 and 55:

Target Drawdown *(current default)*	**Percentage allocation – average 25 years (%)**	**Percentage allocation – average 45 years (%)**	**Percentage allocation – average 55 years (%)**	**Percentage allocation – average 65 years (%)**
Cash	0.94%	0.94%	0.94%	25.89%
Other Bonds	0.26%	0.26%	0.26%	0.19%
Corporate Bonds	9.40%	9.40%	9.40%	17.77%
Government Bonds	15.69%	15.69%	15.69%	25.68%
Listed Equities	67.43%	67.43%	67.43%	26.70%
Private Equity	0.00%	0.00%	0.00%	0.00%
Infrastructure	0.00%	0.00%	0.00%	0.00%
Property/Real Estate	0.00%	0.00%	0.00%	0.00%
Private Debt/Credit	0.00%	0.00%	0.00%	0.00%
Other	6.28%	6.28%	6.28%	3.76%

Source: MWS as at 31 December 2023

**Note: Other refers to assets that are not considered to be part of any of the asset classes described above e.g. systematic macro, gold.*

***Note: Other bonds includes Absolute Return Fixed Income.*

DC Governance Statement (continued)

Asset allocation of default arrangements (continued)

Target Annuity *(legacy default)*	**Percentage allocation – average 25 years (%)**	**Percentage allocation – average 45 years (%)**	**Percentage allocation – average 55 years (%)**	**Percentage allocation – average 65 years (%)**
Cash	0.94%	0.94%	0.94%	25.00%
Other Bonds	0.26%	0.26%	0.26%	0.00%
Corporate Bonds	9.40%	9.40%	9.40%	47.93%
Government Bonds	15.69%	15.69%	15.69%	27.08%
Listed Equities	67.43%	67.43%	67.43%	0.00%
Private Equity	0.00%	0.00%	0.00%	0.00%
Infrastructure	0.00%	0.00%	0.00%	0.00%
Property/Real Estate	0.00%	0.00%	0.00%	0.00%
Private Debt/Credit	0.00%	0.00%	0.00%	0.00%
Other	6.28%	6.28%	6.28%	0.00%

Source: MWS as at 31 December 2023

**Note: Other refers to assets that are not considered to be part of any of the asset classes described above e.g. systematic macro, gold.*

***Note: Other bonds includes Absolute Return Fixed Income.*

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.

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 2023 (%)	
Age of member	**1 year**	**5 years**
25, 45, 55	7.4%	6.1%

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 2023 (%)	
	1 year	**5 years**
High Growth	8.7%	7.1%
Growth	7.4%	6.1%
Moderate Growth	6.2%	5.0%
Defensive	5.3%	1.7%
Cash and Money Market	4.6%	1.3%
Global Equity (60:40) Fund	10.5%	8.3%
UK Equity Fund	6.5%	6.0%
Overseas Equity Fund	18.5%	13.4%
European (ex-UK) Equity Fund	15.4%	10.4%
US Equity Fund	21.5%	15.6%
Japanese Equity Fund	15.1%	7.1%
Asia Pacific (ex-Japan) Equity Fund	4.3%	6.3%
Emerging Markets Equity Fund	2.8%	3.2%
Diversified Growth Fund	8.2%	5.2%
Pre-Retirement Fund	7.4%	-10.3%
Annuity Retirement Fund	6.8%	-1.1%
Property Fund	-1.7%	2.8%
Ethical Fund	8.7%	6.0%
Shariah Fund	27.3%	16.6%
Index-Linked Gilt Fund	0.1%	-5.3%
Fixed Interest Gilt Fund	1.5%	-6.5%
UK Corporate Bond Fund	8.7%	0.4%

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].

"Do it for me"

Default – Target Drawdown

Investment Phase	Fund	TER (% pa)	Transaction Cost (% pa)
Growth:	Mercer Growth Fund	0.38	0.113
De-risking:	Target Drawdown Series	0.44 – 0.51	0.0962 – 0.119

TER data and transaction costs as at 31 December 2023.

"Help me do it"

Target Annuity

Investment Phase	Fund	TER (% pa)	Transaction Cost (% pa)
Growth:	Mercer Growth Fund	0.38	0.113
De-risking:	Target Annuity Series	0.31 – 0.42	0.004 – 0.113

TER data and transaction costs as at 31 December 2023.

Target Cash

Investment Phase	Fund	TER (% pa)	Transaction Cost (% pa)
Growth:	Mercer Growth Fund	0.38	0.113
De-risking:	Target Cash Series	0.33 – 0.43	0.015 – 0.113

TER data and transaction costs as at 31 December 2023.

"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	0.113
High Growth	0.42	0.086
Moderate Growth	0.42	0.125

[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.

Fund	TER (% pa)	Transaction Cost (% pa)
Defensive	0.42	0.148
Cash and Money Market	0.33	0.015
Global Equity (60:40) Fund	0.26	0.000
UK Equity Fund	0.28	0.081
Overseas Equity Fund	0.27	0.010
US Equity Fund	0.26	0.022
European (ex-UK) Equity Fund	0.29	0.014
Japanese Equity Fund	0.29	0.031
Asia Pac (ex-Japan) Equity Fund	0.26	0.000
Emerging Markets Equity Fund	0.44	0.000
Diversified Growth Fund	0.51	0.183
Diversified Retirement Fund	0.48	0.123
Annuity Targeting Fund	0.31	0.000
Property Fund	0.97	0.000
Ethical Fund	0.87	0.000
Shariah Fund	0.54	0.030
Index-Linked Gilts Fund	0.28	0.149
Fixed-Interest Gilts Fund	0.28	0.029
UK Corporate Bond Fund	0.28	0.052

TER data and transaction costs as at 31 December 2023.

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 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.

The AVC arrangements with Scottish Widows are now the sole AVC policy and mirror the range of funds offered in the DC Section.

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 £14,000, salary of £24,000, contribution level of 10.7% and an age of 35. For deferred members, a starting pot of £20,000, age of 35 and 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: Ethical		Least expensive fund: Asia Pacific (ex-Japan) Equity	
Age	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
36	1	£ 16,959	£ 16,874	£ 17,289	£ 17,090	£ 17,244	£ 17,199
37	2	£ 19,996	£ 19,809	£ 20,737	£ 20,290	£ 20,633	£ 20,533
38	3	£ 23,112	£ 22,806	£ 24,350	£ 23,606	£ 24,175	£ 24,008
39	4	£ 26,310	£ 25,866	£ 28,136	£ 27,040	£ 27,877	£ 27,630
44	9	£ 43,603	£ 42,162	£ 49,978	£ 46,154	£ 49,038	£ 48,171
49	14	£ 63,285	£ 60,251	£ 77,592	£ 68,955	£ 75,409	£ 73,438
54	19	£ 85,687	£ 80,330	£ 112,505	£ 96,154	£ 108,273	£ 104,517
59	24	£ 108,627	£ 100,018	£ 156,646	£ 128,600	£ 149,226	£ 142,747
64	29	£ 125,565	£ 113,851	£ 212,453	£ 167,306	£ 200,261	£ 189,773
65	30	£ 128,126	£ 116,413	£ 225,273	£ 175,901	£ 211,887	£ 200,404

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 £14,000 and future contributions of 10.7%.
3. The starting salary is assumed to be £24,000 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): c.0.4%-2.5% p.a. gross expected real return above inflation (depending on member's age within the strategy)

   B. Pacific Rim ex-Japan Fund (Least Expensive Fund i.e. TER and average transaction cost): 4.50% p.a. gross expected real return above inflation

   C. Ethical (Most Expensive Fund i.e. TER and average transaction cost): 4.50% 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, 31/12/21, 31/12/22 and 31/12/23. 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: Ethical		Least expensive fund: Asia Pacific (ex-Japan) Equity	
Age	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
40	1	£ 20,524	£ 20,422	£ 20,960	£ 20,718	£ 20,900	£ 20,846
41	2	£ 21,063	£ 20,853	£ 21,967	£ 21,462	£ 21,841	£ 21,727
42	3	£ 21,615	£ 21,293	£ 23,022	£ 22,233	£ 22,823	£ 22,646
43	4	£ 22,182	£ 21,742	£ 24,128	£ 23,031	£ 23,850	£ 23,603
48	9	£ 25,247	£ 24,134	£ 30,505	£ 27,474	£ 29,722	£ 29,034
53	14	£ 28,736	£ 26,789	£ 38,568	£ 32,774	£ 37,039	£ 35,713
58	19	£ 32,706	£ 29,736	£ 48,761	£ 39,096	£ 46,157	£ 43,930
63	24	£ 37,285	£ 32,979	£ 61,650	£ 46,638	£ 57,520	£ 54,036
65	26	£ 39,211	£ 34,226	£ 67,713	£ 50,048	£ 62,814	£ 58,703

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 £20,000 and no further contributions are assumed.
3. Values are estimates and are not guaranteed.
4. The projected growth rate for each fund are as follows:
   A. Drawdown Lifestyle Strategy (Default Fund): c.0.4%-2.5% p.a. gross expected real return above inflation (depending on member's age within the strategy)
   B. Pacific Rim ex-Japan Fund (Least Expensive Fund i.e. TER and average transaction cost): 4.50% p.a. gross expected real return above inflation
   C. Ethical (Most Expensive Fund i.e. TER and average transaction cost): 4.50% p.a. gross expected real return above inflation
5. The Transaction Costs relate to the average transaction costs incurred in the Scheme years ending 31/12/19, 31/12/20, 31/12/21, 31/12/22 and 31/12/23. Where these were negative these have been reflected as zero as negative costs are not assumed to persist over longer time frames.

DC Governance Statement (continued)

Reporting Costs and Charges (continued)

<u>Young Members</u>

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

For young active members, this is based on a member age of 24, using a starting pot size of £910 and assumes an overall contribution level of 9.8%. An assumed starting salary of £12,000 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: Ethical		Least expensive fund: Asia Pacific (ex-Japan) Equity	
Age	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
25	1	£ 2,124	£ 2,113	£ 2,155	£ 2,130	£ 2,151	£ 2,145
26	2	£ 3,370	£ 3,342	£ 3,461	£ 3,395	£ 3,448	£ 3,433
27	3	£ 4,648	£ 4,597	£ 4,828	£ 4,704	£ 4,803	£ 4,775
28	4	£ 5,960	£ 5,878	£ 6,262	£ 6,061	£ 6,219	£ 6,174
33	9	£ 13,054	£ 12,700	£ 14,531	£ 13,611	£ 14,316	£ 14,107
38	14	£ 21,129	£ 20,273	£ 24,985	£ 22,618	£ 24,405	£ 23,865
43	19	£ 30,319	£ 28,679	£ 38,203	£ 33,362	£ 36,978	£ 35,869
48	24	£ 40,842	£ 37,976	£ 54,914	£ 46,179	£ 52,647	£ 50,633
53	29	£ 51,918	£ 47,551	£ 76,042	£ 61,468	£ 72,173	£ 68,795
54	30	£ 53,094	£ 48,727	£ 80,896	£ 64,863	£ 76,621	£ 72,901
55	31	£ 54,270	£ 49,903	£ 85,982	£ 68,380	£ 81,269	£ 77,180

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 £910 and assumes future contributions of 9.8%.
3. Values are estimates and are not guaranteed.
4. The projected growth rate for each fund are as follows:
   a. Drawdown Lifestyle Strategy (Default Fund): c.0.4%-2.5% p.a. gross expected real return above inflation (depending on member's age within the strategy)
   b. Pacific Rim ex-Japan Fund (Least Expensive Fund i.e. TER and average transaction cost): 4.50% p.a. gross expected real return above inflation
   c. Ethical (Most Expensive Fund i.e. TER and average transaction cost): 4.50% p.a. gross expected real return above inflation
5. The Transaction Costs relate to the average transaction costs incurred in the Scheme years ending 31/12/19, 31/12/20, 31/12/21, 31/12/22 and 31/12/23. 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 summary below represents the results of the latest assessment.

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
- 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 **reasonable to 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 generally 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 we are generally comfortable with the performance of their funds relative to their benchmarks. We note the majority of funds used within the default have underperformed their targets over the period which was mainly driven by the market volatility and uncertainty during 2022 and consequently in 2023. However, the majority of funds remain highly rated.

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 directors to have appropriate knowledge and understanding of the law relating to pensions and trusts and the investment of the assets. The level of knowledge and understanding required is appropriate for the purposes of enabling the Trustee to exercise the responsibilities and duties relevant to their role and memberships on sub-committees.

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 GMP Equalisation, Dashboards and ESG training.
- The Trustee Directors are an experienced board and review their training 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.
- In accordance with the Pension Regulators General code the Trustees are assessing their existing processes and will make any changes that are required.

The Trustee has also reviewed and assessed, 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 has also reviewed their current systems, processes, and controls against TPR's requirements for an Effective Scheme of Governance as set out in the General Code. This includes a gap analysis of the current position versus the General Code and working with the scheme's legal advisers and investment consultants to review current policies and draft any new policies as required.

Potential future changes

The sponsor of the EE Pension Scheme informed the Trustee of its proposal to close the DC section to future build-up of benefits and use a different pension arrangement for future pension contributions. The sponsor entered a 60-day consultation period with its workforce on 25 April 2023 which ended on 24 June 2023. The outcome was that the DC section closed to future build up of benefits from 1 August 2023.

Following this outcome, the Trustee engaged with the sponsor on a bulk transfer exercise for active members of the EE Pension Scheme at 1 August 2023 and those who had previously TUPE'd from EE Limited to BT plc who retained benefits in the DC section and remained employed within BT Group, to transfer their EEPS benefits to the main BT pension arrangement. This began in November 2023 and completed in March 2024.

DC Governance Statement (continued)

Potential future changes (continued)

Further to this, the Trustee agreed in September 2023 to appoint XPS to conduct a review of the Master Trust market, with the intention to transfer all remaining assets in the DC section to a preferred master trust solution. This was due to the following reasons:

- Deferred members may get better value for money, products and services in a larger master trust arrangement compared to the existing single employer trust.
- The widening of governance requirements for DC schemes would be better handled by a master trust compared to the current arrangement

A sub-committee was set up with delegated authority from the board to review and recommend a preferred supplier with the advice of XPS. An RFP was issued in January 2024 to a shortlist of preferred master trust suppliers. Following a thorough selection process, Legal & General were selected as the preferred master trust supplier at the March 2024 board meeting. Transition planning is underway and the Trustee is in discussion with both Scottish Widows and Legal & General to set a transfer date and arrange the necessary member communication activities.

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: ____________________________________

Name: ____________________________________

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

Date: ____________________________________

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 2021. This showed that on that date:

The value of the Technical Provisions was:	£1,297.9 million
The value of the assets at that date was:	£1,080.4 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 market pricing by Aon plus 2.0% p.a. until 31 December 2030. Declining to a gilt market pricing plus 0.5% p.a. at 31 December 2040.

Retail Price inflation: Gilt market pricing by Aon.

Consumer Price inflation: RPI inflation Aon's best-estimate of the future long-term different between RPI and CPI, which at 31 December 2021 was 0.9% p.a. up to 2030 and 0.1% p.a. thereafter.

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.

***Post-retirement mortality assumption* – base table:** standard 'SAPS S3 All' table with CMI 2021 improvements.

***Post-retirement mortality assumption* – future improvements:** CMI 2021 core projections with long-term improvement rate of 1.5% p.a.

The next actuarial valuation is due as at 31 December 2024.

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: workplacersavings@scottishwidows.co.uk

Approval of the Trustee's Report

Signed on behalf of the EE Pension Scheme by:

.... **Date:** ....

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 2021 to be met by the end of the period specified in the recovery plan dated 28 March 2023.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 28 March 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the 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: 28 March 202**3**
Name of Employer: Aon Solutions UK 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 2021 is made in accordance with regulations under section 222 of the Pensions Act 2004.

The calculation uses a method and assumptions determined by the trustees of the Scheme and set out in the Statement of Funding Principles dated 28 March 2023.

Signature: *S Head*

Scheme Actuary: Simon Head

Date of signing: 28 March 2023

Name of Employer: Aon Solutions UK Limited

Address: Verulam Point
Station Way
St Albans
AL1 5HE

Qualification: Fellow of the Institute and Faculty of Actuaries

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 2023 which comprise the Fund Account, The Statement of Net Assets (available for benefits) and the related notes 1 to 30, 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 2023, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 this give rise to 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 55, 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.

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

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

- We 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. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk including obtaining the Trustee's assessment of the risk of material misstatement, review of legal correspondence and complaints logs. 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 it's awareness of any non-compliance of laws or regulations, inspecting correspondence with the ICO and 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
Reading

Date: 2024

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 2023 which is set out in the Trustee’s Report on page 8.

In our opinion contributions for the Scheme year ended 31 December 2023 as reported in the summary of contributions and payable under the schedules of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the Scheme actuary on 23 March 2020 and 28 March 2023.

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 8 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
Reading

Date: 2024

Fund Account

For the year ended 31 December 2023

	Note	Defined benefit section 2023 £'000	Defined contribution section 2023 £'000	Total 2023 £'000	Total 2022 £'000
Contributions and benefits					
Employer contributions		28,333	11,462	39,795	39,815
Employee contributions		-	1,229	1,229	2,098
Total contributions	5	**28,333**	**12,691**	**41,024**	41,913
Transfers in	6	-	778	778	781
Other income	7	-	1,314	1,314	929
		28,333	**14,783**	**43,116**	43,623
Benefits paid or payable	8	(11,599)	(7,227)	(18,826)	(14,461)
Payments to and on account of leavers	9	(619)	(58,013)	(58,632)	(41,666)
Administrative expenses	10	(51)	(25)	(76)	(56)
Other payments	11	-	-	-	(2)
		(12,269)	**(65,265)**	**(77,534)**	(56,185)
Net additions/(withdrawals) from dealings with members		**16,064**	**(50,482)**	**(34,418)**	(12,562)
Returns on investments					
Investment income	12	21,089	13	21,102	11,595
Change in market value of investments	13	16,706	52,697	69,403	(436,521)
Investment management expenses	15	(935)	-	(935)	(3,734)
Net returns on investments		**36,860**	**52,710**	**89,570**	(428,660)
Net increase/(decrease) in the fund during the year		**52,924**	**2,228**	**55,152**	(441,222)
Interfund transfer		(10)	**10**	**-**	-
Net assets of the Scheme at start of year		**734,181**	**699,078**	**1,433,259**	1,874,481
Net assets of the Scheme at end of year		**787,095**	**701,316**	**1,488,411**	1,433,259

The accompanying notes on pages 66 to 92 are an integral part of these financial statements.

Statement of Net Assets (available for benefits)

As at 31 December 2023

	Note	Defined benefit section 2023 £'000	Defined contribution section 2023 £'000	Total 2023 £'000	Total 2022 £'000
Investment assets:					
Pooled investment vehicles	17	325,309	700,247	1,025,556	1,244,478
Bonds	13	487,055	-	487,055	295,996
AVC investments	18	9,137	-	9,137	9,147
Cash and other	13	29,901	1,102	31,003	18,105
Derivatives	19	163,916	-	163,916	59,423
		1,015,318	**701,349**	**1,716,667**	1,627,149
Investment liabilities:					
Derivatives	19	(182,118)	-	(182,118)	(117,052)
Amounts due under repurchase agreements	20	(50,324)	-	(50,324)	(79,333)
		(232,442)	**-**	**(232,442)**	(196,385)
Total net investments		**782,876**	**701,349**	**1,484,225**	1,430,764
Current assets	23	**4,724**	**700**	**5,424**	3,872
Current liabilities	24	**(505)**	**(733)**	**(1,238)**	(1,377)
Net assets of the Scheme at end of year		**787,095**	**701,316**	**1,488,411**	1,433,259

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

The notes on pages 66 to 92 form an integral part of these financial statements.

These financial statements were approved by the Trustee on

Signed on behalf of the Trustee: …..

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 the 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 Schedules of Contributions in force during the year.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedules 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.

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 purposes relates to assets or liabilities).

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 and index linked 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 2022 £'000	Defined contribution section 2022 £'000	Total 2022 £'000
Contributions and benefits				
Employer contributions		20,000	19,815	39,815
Employee contributions		-	2,098	2,098
Total contributions	5	20,000	21,913	41,913
Transfers in	6	-	781	781
Other income	7	-	929	929
		20,000	23,623	43,623
Benefits paid or payable	8	(9,154)	(5,307)	(14,461)
Payment to and on account of leavers	9	(5,667)	(35,999)	(41,666)
Administrative expenses	10	(28)	(28)	(56)
Other payments	11	-	(2)	(2)
		(14,849)	(41,336)	(56,185)
Net additions / (withdrawals) from dealings with members		5,151	(17,713)	(12,562)
Returns on investments				
Investment income	12	11,592	3	11,595
Change in market value of investments	13	(369,652)	(66,869)	(436,521)
Investment management expenses	15	(3,734)	-	(3,734)
Net returns on investments		(361,794)	(66,866)	(428,660)
Net decrease in the fund during the year		(356,643)	(84,579)	(441,222)
Net assets of the Scheme at start of year		1,090,824	783,657	1,874,481
Net assets of the Scheme at end of year		734,181	699,078	1,433,259

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

Statement of Net Assets (available for benefits)

	Note	Defined benefit section 2022 £'000	Defined contribution section 2022 £'000	Total 2022 £'000
Investment assets:				
Pooled investment vehicles	17	547,585	696,893	1,244,478
Bonds	13	295,996	-	295,996
AVC investments	18	9,147	-	9,147
Cash and other	13	17,628	477	18,105
Derivatives	19	59,423	-	59,423
		929,779	697,370	1,627,149
Investment liabilities:				
Derivatives	19	(117,052)	-	(117,052)
Amounts due under repurchase agreements	20	(79,333)	-	(79,333)
		(196,385)	-	(196,385)
Total net investments		733,394	697,370	1,430,764
Current assets	23	1,085	2,787	3,872
Current liabilities	24	(298)	(1,079)	(1,377)
Net assets of the Scheme at end of year		734,181	699,078	1,433,259

5. Contributions

	2023 Defined benefit section £'000	2023 Defined contribution section £'000	2023 Total £'000
Employer contributions			
Normal	-	11,462	11,462
Deficit funding	28,333	-	28,333
	28,333	**11,462**	**39,795**
Employee contributions			
Normal	-	808	808
Additional voluntary contributions	-	421	421
	-	**1,229**	**1,229**
	28,333	**12,691**	**41,024**
	2022 £'000	**2022 £'000**	**2022 £'000**
Employer contributions			
Normal	-	19,815	19,815
Deficit funding	20,000	-	20,000
	20,000	19,815	39,815
Employee contributions			
Normal	-	1,422	1,422
Additional voluntary contributions	-	676	676
	-	2,098	2,098
	20,000	21,913	41,913

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 2021. Deficit funding contributions for the current year were payable at the rate of £1,666,667 per month, commencing 1 August 2022 until 31 July 2025. Back payments relating to the period between 1 August 2022 and 28 March 2023 were paid 21 April 2023.

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.

The defined contribution section closed to future accrual on 1 August 2023.

6. Transfers in

	2023 Defined benefit section £'000	2023 Defined contribution section £'000	2023 Total £'000
Individual transfers in from other schemes	**-**	**778**	**778**

	2022 £'000	2022 £'000	2022 £'000
Individual transfers in from other schemes	-	781	781

7. Other income

	2023 Defined benefit section £'000	2023 Defined contribution section £'000	2023 Total £'000
Other income	-	53	53
Claims on life assurance policies	-	1,261	1,261
	-	**1,314**	**1,314**

	2022 £'000	2022 £'000	2022 £'000
Other income	-	53	53
Claims on life assurance policies	-	876	876
	-	929	929

8. Benefits paid or payable

	2023 Defined benefit section £'000	2023 Defined contribution section £'000	2023 Total £'000
Pensions	7,636	-	7,636
Commutations and lump sum retirement benefits	3,650	5,013	8,663
Lump sum death benefits	313	2,214	2,527
	11,599	**7,227**	**18,826**

	2022 £'000	2022 £'000	2022 £'000
Pensions	6,743	-	6,743
Commutations and lump sum retirement benefits	2,377	2,816	5,193
Lump sum death benefits	34	2,490	2,524
Taxation where lifetime or annual allowance exceeded	-	1	1
	9,154	5,307	14,461

9. Payments to and on account of leavers

	2023 Defined benefit section £'000	2023 Defined contribution section £'000	2023 Total £'000
Refunds to members leaving service	-	3	3
Pension sharing on divorce	169	-	169
Individual transfers to other schemes	450	56,622	57,072
Charges deducted by way of cancellation of member units	-	1,131	1,131
Employer trustee reserve refund	-	50	50
Purchase of annuities	-	207	207
	619	**58,013**	**58,632**

	2022 £'000	2022 £'000	2022 £'000
Refunds to members leaving service	-	3	3
Pension sharing on divorce	946	-	946
Individual transfers to other schemes	4,721	34,529	39,250
Charges deducted by way of cancellation of member units	-	1,234	1,234
Employer trustee reserve refund	-	59	59
Purchase of annuities	-	174	174
	5,667	35,999	41,666

Following the closure of the DC section of the scheme, many deferred members who remained employed within the sponsor's group chose to transfer their EEPS benefits to the BT Group scheme, the BT Retirement Saving Scheme with Standard Life. This has led to increased transfer activity in 2023 compared with 2022. There has also been a general trend of increased transfer activity throughout 2023.

10. Administrative expenses

	2023 Defined benefit section £'000	2023 Defined contribution section £'000	2023 Total £'000
Trustee Directors fees	**51**	**25**	**76**
	2022 £'000	**2022 £'000**	**2022 £'000**
Trustee Directors fees	28	28	56

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.

11. Other payments

	2023 Defined benefit section £'000	2023 Defined contribution section £'000	2023 Total £'000
Other payments	**-**	**-**	**-**
	2022 £'000	**2022 £'000**	**2022 £'000**
Other payments	-	2	2

12. Investment income

	2023 Defined benefit section £'000	2023 Defined contribution section £'000	2023 Total £'000
Interest on cash deposits	42	13	55
Income from pooled investment vehicles	13,395	-	13,395
Interest on liquidity funds	3,576	-	3,576
Profit/(Loss) on foreign exchange	(17)	-	(17)
Income from derivatives	(277)	-	(277)
Repurchase agreements	(654)	-	(654)
Income from bonds	5,024	-	5,024
	21,089	**13**	**21,102**

	2022 £'000	2022 £'000	2022 £'000
Interest on cash deposits	1	3	4
Income from pooled investment vehicles	7,235	-	7,235
Interest on liquidity funds	1,653	-	1,653
Profit/(Loss) on foreign exchange	(105)	-	(105)
Income from derivatives	987	-	987
Repurchase agreements	(1,967)	-	(1,967)
Income from bonds	3,788	-	3,788
	11,592	3	11,595

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

	Value at 1 January 2023 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value £'000	Value at 31 December 2023 £'000
Defined Benefit Section					
Pooled investment vehicles	547,585	164,669	(382,672)	(4,273)	325,309
Derivatives	(57,629)	43,770	(10,680)	6,337	(18,202)
Bonds	295,996	219,333	(42,259)	13,985	487,055
AVC investments	9,147	-	(667)	657	9,137
	795,099	**427,772**	**(436,278)**	**16,706**	803,299
Repurchase agreements	(79,333)				(50,324)
Cash deposits	16,455				27,034
Other – amount due from broker	1,173				2,867
	733,394				**782,876**
Defined Contribution Section					
Pooled investment vehicles	696,893	**61,249**	**(110,592)**	**52,697**	700,247
	696,893				700,247
Cash deposits	477				1,102
	697,370				**701,349**

The companies managing the pooled investment vehicles of the Defined Benefit Section are detailed below.

	2023 £'000	2022 £'000
Pooled Investment Vehicles Managed Funds		
UBS Global Asset Management Property Fund	34,689	36,692
PIMCO Corporate Bonds	48,746	44,880
Insight LDI Portfolio	21,826	219,561
Hayfin Direct Lending II Fund	5,767	10,924
Hayfin Direct Lending III Fund	26,404	29,448
Basalt Infrastructure Partners Fund III	29,575	23,294
ISQ Capital Global Infrastructure Fund III	16,846	4,605
Chorus Capital Credit Fund IV	25,029	40,454
KKR Diversified Core Infrastructure Fund	39,824	39,044
	248,706	448,902
Unitised Funds		
Standard Life Investment Property Fund	-	15,274
Aviva REaLM Multi Sector Unit Trust	46,437	52,621
M&G UK Residential Property Fund	30,166	30,788
	325,309	547,585

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 net assets as at 31 December 2023:

	2023 %	2022 %
Mercer Growth Fund	**32.5**	34.0

15. Investment management expenses

	2023 Defined benefit section £'000	2023 Defined contribution section £'000	2023 Total £'000
Management charges	**935**	**-**	**935**
	2022 £'000	**2022 £'000**	**2022 £'000**
Management charges	3,734	-	3,734

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:

	2023 £'000	2022 £'000
Defined Benefit Section		
Illiquid credit	57,200	80,827
Cash	2,297	215,870
Hedge funds	114,711	101,192
Property	64,855	82,754
Infrastructure	86,246	66,942
	325,309	547,585

	2023 £'000	2022 £'000
Defined Contribution Section		
Equities	202,475	193,698
Bonds	2,174	2,811
Cash	2,716	2,550
Diversified growth	491,313	495,828
Infrastructure	-	196
Property	1,569	1,810
	700,247	696,893

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:

	2023 £'000	2022 £'000
Scottish Widows	**9,137**	9,147

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.

	2023 Assets £'000	2023 Liabilities £'000	2022 Assets £'000	2022 Liabilities £'000
OTC Swaps	163,916	(182,118)	59,423	(117,052)

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	2023 Asset £'000	2023 Liability £'000
0-10 Yrs	Pay Fixed (3.24% to 3.38%) for UKRPI	4,944	-	(135)
11-20 Yrs	Pay Fixed (3.24% to 3.38%) for UKRPI	9,601	983	(182)
21-30 Yrs	Pay Fixed (3.17% to 3.63%) for UKRPI	16,443	1,804	(11)
31-40 Yrs	Pay Fixed (3.17% to 3.70%) for UKRPI	13,501	946	(157)
41-50 Yrs	Pay Fixed (2.87% to 3.59%) for UKRPI	18,108	2,560	(349)
51-60 Yrs	Pay Fixed (2.76% to 3.60%) for UKRPI	13,769	576	(921)
			6,869	**(1,755)**
21-30 Yrs	Pay UKRPI for Fixed (3.17% to 3.63%)	3,600	-	(400)
41-50 Yrs	Pay UKRPI for Fixed (2.87% to 3.59%)	9,952	-	(2,187)
			-	**(2,587)**
Total Inflation Rate Swaps			**6,869**	**(4,342)**

19. Derivatives (continued)

Objectives and policies (continued)

(i) Swaps (continued)

Interest Rate Swaps

Period of Contract	Nature of Swap	Notional Principal £'000	2023 Asset £'000	2023 Liability £'000
0-10 Yrs	Pay Fixed (Zero Coupon) for Floating (3mth LIBOR)	11,238	-	(863)
11-20 Yrs	Pay Fixed (Zero Coupon) for Floating (3mth LIBOR)	28,819	-	(3,277)
31-40 Yrs	Pay Fixed (Zero Coupon) for Floating (3mth LIBOR)	11,026	3,392	(112)
41-50 Yrs	Pay Fixed (Zero Coupon) for Floating (3mth LIBOR)	56,717	31,411	(576)
			34,803	**(4,828)**

Period of Contract	Nature of Swap	Notional Principal £'000	2023 Asset £'000	2023 Liability £'000
11-20 Yrs	Pay Floating (3mth LIBOR) for Fixed (Zero Coupon)	20,761	1,670	(2,215)
21-30 Yrs	Pay Floating (3mth LIBOR) for Fixed (Zero Coupon)	50,677	7,011	(6,753)
31-40 Yrs	Pay Floating (3mth LIBOR) for Fixed (Zero Coupon)	25,143	3,217	(4,583)
41-50 Yrs	Pay Floating (3mth LIBOR) for Fixed (Zero Coupon)	74,157	2,079	(29,442)
51-60 Yrs	Pay Floating (3mth LIBOR) for Fixed (Zero Coupon)	44,180	-	(26,605)
			13,977	**(69,598)**
Total Interest Rate Swaps			**48,780**	**(74,426)**

Equity Return Swaps

0-10 Yrs	9,576	108,267	(103,350)
Total Equity Return Swaps		**108,267**	**(103,350)**

	2023 Asset £'000	2023 Liability £'000
In summary:		
Total Interest Rate Swaps	48,780	(74,426)
Total Inflation Rate Swaps	6,869	(4,342)
Other Swaps	108,267	(103,350)
Net Derivative Asset/(Liability)	**163,916**	**(182,118)**

20. Repurchase agreements

At the year end, within other investments assets and liabilities, amounts payable under repurchase agreements amounted to £50,324,000 (2022: £79,333,000) and amount receivable under repurchase agreements amounted to £nil (2022: £Nil). Total collateral held by the Scheme's LDI manager at year end was £443M.

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 2023	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Defined Benefit Section				
Pooled investment vehicles	2,297	68,275	254,737	325,309
Bonds	487,055	-	-	487,055
AVC investments	-	9,137	-	9,137
Cash deposits	27,034	-	-	27,034
Derivatives	-	(18,202)	-	(18,202)
Repurchase agreements	(50,324)	-	-	(50,324)
Other	2,867	-	-	2,867
	468,929	**59,210**	**254,737**	**782,876**
Defined Contribution Section				
Pooled investment vehicles	-	700,247	-	700,247
Cash deposits	1,102	-	-	1,102
	1,102	**700,247**	**-**	**701,349**

21. Fair value determination (continued)

As at 31 December 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Defined Benefit Section				
Pooled investment vehicles	215,870	135,375	196,340	547,585
Bonds	295,996	-	-	295,996
AVC investments	-	9,147	-	9,147
Cash deposits	16,455	-	-	16,455
Derivatives	-	-	(57,629)	(57,629)
Repurchase agreements	-	-	(79,333)	(79,333)
Other	1,173	-	-	1,173
	529,494	144,522	59,378	733,394
Defined Contribution Section				
Pooled investment vehicles	-	696,893	-	696,893
Cash deposits	477	-	-	477
	477	696,893	-	697,370

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 direct financial risks. This does not include the AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

		Market risk			2023 £'000	2022 £'000
	Credit risk	**Currency**	**Interest rate**	**Other Price**		
Absolute Return						
PIMCO Diversified Income	●	◐	○	●	48,746	44,880
Insight High Grade ABS	●	◐	◐	●	19,529	3,691
Illiquid Alternatives						
UBS Triton Property	●	○	○	●	34,689	36,692
Standard Life Property	●	○	○	●	-	15,274
Aviva REaLM Multi Sector Unit Trust	●	○	○	●	46,437	52,621
Hayfin Direct Lending Fund II	●	○	○	●	5,767	10,924
Hayfin Direct Lending Fund III	●	○	○	●	26,404	29,448
M&G UK Residential Property	●	○	○	●	30,166	30,788
Chorus Capital Credit Fund IV	●	●	○	●	25,029	40,454
Basalt Infrastructure Partners Fund III	●	●	○	●	29,575	23,294
ISQ Global Infrastructure Fund III	●	●	○	●	16,846	4,605
KKR Diversified Core Infrastructure Fund	●	●	○	●	39,824	39,044
LDI and Cash						
Insight Liquidity Funds	●	○	○	●	2,334	224,281
Northern Trust Liquidity Funds	●	○	○	●	26,997	8,044
Bonds	●	○	●	●	487,055	295,996
Derivatives	●	○	●	●	(18,202)	(57,629)
Repurchase agreements	●	○	●	●	(50,324)	(79,333)
Total DB section investments					**770,872**	723,074

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 2030, declining 0.5% ahead of fixed interest gilts at 31 December 2040”.

The Trustee had eleven investment managers employed, during the year, 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 Insight Investment Management (“Insight”), 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 2023, the Scheme increased the target hedge ratio in a series of tranches to 80% 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 2023, which is as follows:

- 15% Global Equities
- 35% Illiquid alternatives
- 10% Absolute Return
- 40% LDI

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 2023 £'000	31 December 2022 £'000
Funds which invest in bonds/derivatives (direct and indirect risk)	736,183	671,108
Other funds (direct risk only)	34,689	51,966
Total	**770,872**	723,074

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 total collateral of approximately £443m.

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 believes 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 55%.

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 2023, the LDI portfolio represented 54.7% of the total investment portfolio (2022: 53.1%).

The exposure to interest rate risk arising from the underlying investments in the Insight Segregated LDI portfolio held by the Scheme was £418.5m (2022: £159.0m).

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 60% of assets in return seeking investments. As at 31 December 2023, these assets held a value of £321.1m (2022: £330.5m).

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 2023 £'000	**31 December 2022 £'000**
Open ended investment company	100,737	295,229
Unit linked insurance contracts	34,689	51,966
Unregulated collective investment scheme	46,437	52,621
Limited partnerships	143,446	147,769
Total	**325,309**	547,585

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 2023-2031 Retirement	√	√	√	√
Diversified Retirement	√	√	√	√
Target Drawdown 2023-2031 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 2023 – 2031 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

	2023 Defined benefit section £'000	2023 Defined contribution section £'000	2023 Total £'000
Contributions due from employer in respect of:			
Normal	-	-	-
Employee	-	-	-
Deficit contributions	1,667	-	1,667
Other debtors and prepayments	588	-	588
Cash balances	2,469	700	3,169
	4,724	**700**	**5,424**
Allocated to members		643	
Not allocated to members – cash balances		57	
		700	

	2022 £'000	2022 £'000	2022 £'000
Contributions due from employer in respect of:			
Normal	-	1,605	1,605
Employee	-	176	176
Deficit contributions	-	-	-
Other debtors and prepayments	513	-	513
Cash balances	572	1,006	1,578
	1,085	2,787	3,872
Allocated to members		2,673	
Not allocated to members – cash balances		114	
		2,787	

24. Current liabilities

	2023 Defined benefit section £'000	2023 Defined contribution section £'000	2023 Total £'000
Unpaid benefits	243	732	975
Other creditors	262	1	263
	505	**733**	**1,238**
Allocated to members		733	
Not allocated to members - other creditors		-	
		733	

	2022 £'000	2022 £'000	2022 £'000
Unpaid benefits	54	1,078	1,132
Other creditors	244	1	245
	298	1,079	1,377
Allocated to members		1,079	
Not allocated to members - other creditors		-	
		1,079	

25. Commitment to invest

The Scheme, in prior years, has made commitments 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 £30 million has been paid. The Scheme committed £30 million on 25 April 2019 to the Direct Lending Fund (DLF) III and to date £24.6 million has been paid.

The Scheme made a commitment to a new fund with Chorus Capital who were appointed in 2020. 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 in 2020. A commitment of $40 million has been made and to date $32.9 million has been invested.

The Scheme made a commitment to I Squared Capital who were appointed in 2021 of $49 million and to date $19.1 million has been invested.

The Scheme made a commitment to KKR who were appointed in 2021 of $49 million and to date $49 million has 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 Section or the DC Section.

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 £51,000 (2022: £28,000). At the year end £16,000 (2022: £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 Schedules 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 £25,000 (2022: £28,000).

27. Capita Cyber Incident

The Trustee was formally advised by the Scheme's administrator, Capita Pension Solutions Limited ('CPSL'), on 17 May 2023 that Capita plc ('Capita') identified a cyber incident which resulted in unauthorised access to its IT systems, which Capita confirmed to the Trustee included member data that had been exfiltrated by an external 3rd party.

The incident has not caused any financial impact on the Scheme or on members' benefits. The Trustee continues to work closely with its legal and other advisers, and with Capita, to mitigate any further risk resulting from the cyber incident and to ensure that the Scheme members affected are protected as far as possible.

Further details are disclosed in the Trustee's Report on page 6.

28. Subsequent events

Members of the DC section of the Scheme who were still employed by the sponsor and other employers within the BT Group were offered participation in a bulk transfer exercise to move their DC Scheme benefits into the BT Retirement Saving Scheme (BTRSS) with Standard Life. This is the scheme provided by the BT Group for its employees. The transfer was performed in 2 tranches. The first for those who were members of the DC section on date of closure, the second for employees who previously TUPE'd from EE Limited to BT Group employers but retained benefits in the Scheme. More detail on each tranche is provided below:

Tranche 1 – Communications were sent to former Scheme members at 31 July 2023 on 13 November 2023 and the offer closed on 11 December 2023. 2,162 members elected to transfer their DC benefits to the BTRSS, representing £38,584,965.36 of assets. The transition took place on 30 January 2024 and was completed on 22 February 2024.

Tranche 2 – Communications were sent to former EE employees who had previously TUPE'd to BT Group employers but retained their DC benefits in the Scheme on 28 November 2023 and the offer closed to this tranche on 10 January 2024. 1,225 members elected to transfer in this tranche, representing £57,352,964.12 of assets. The transition took place on 21 February 2024 and the process completed on 22 March 2024.

In total, 3,387 members transferred their assets to the BTRSS representing a total of £95,937,929.48 of assets.

29. 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 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 its, 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. The Trustee is aware that these issues 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.

30. Employer-related investments

There were no directly held employer related investments either during the Scheme year or at the year end. Any indirect holdings will not exceed 5% at any time in the Scheme year. The Scheme's investments comply with restrictions prescribed by regulations made under section 40(2) of the Pensions Act 1995.

Notes to the Financial Statements (continued)