THE TELEFÓNICA UK PENSION PLAN MEMBER NEWSLETTER

FEBRUARY 2022

JOINT VENTURE, CLIMATE CHANGE & PANDEMIC: WHAT DOES IT ALL MEAN FOR MY PENSION?

Whatever your perspective, the last couple of years have been unprecedented, and that is certainly true for this pension scheme. Our sponsor entering a new Joint Venture (JV), a pandemic and the consequences of climate change to name just three of the big challenges we have faced.

The question I have been asked most frequently in the last year is: *What does the new JV mean for my pension?* The answer in brief, whether you are a pensioner or a deferred member, is that your accrued benefits built up in the Plan are not affected.

However, the transaction did provide an opportunity for the Trustee to negotiate with the Company as part of the scheduled valuation process that happens every three years. As a result, the Company agreed to pay a total of £425m into the Plan which means that the Plan should now reach self-sufficiency by the end of 2022, seven years earlier than previously planned.

This has been one of the Trustee's strategic targets, because it provides more certainty that future member benefits will be paid in full. More details can be found in the Summary Funding Statement article in this newsletter on page 11.

The other question I am often asked is: *What are we doing about climate change?* Pensions are rightly in the vanguard of ESG: We are after all, investing in our members' future.

The Trustee started tackling the ESG (Environmental, Social and Governance) agenda three years ago, addressing not just climate change but the wider social aspects too. We are signatories to the UN PRI (Principles for Responsible Investment) and are leading the industry in helping define a set of standard metrics to enable pension schemes to compare different investment products from an ESG perspective.

Most importantly, we are taking action to tilt our investments to take account of ESG and climate change. We don't invest in equities, so don't hold shares in oil companies or tobacco stocks for example. But we do invest in corporate bonds and we have recently made the decision to move

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> “Pensions are rightly in the vanguard of ESG: We are after all, investing in our members’ future”

those investments to a new provider where our portfolio will achieve an immediate 50% reduction in carbon emissions and a target temperature alignment of 1.5° by 2030, which is consistent with net zero by 2050.

You can find out more in an article by the investment adviser to the Trustee on page 7.

Finally, the Trustee sadly has to deal with the death of our members. The last couple of years has taught us that unplanned events can happen to any of us. Shockingly, only 25% of our members have completed an Expression of Wish form that informs us who you wish any death benefits to be paid to. A personal plea from me: If you haven’t already done so, please do so now. Visit the Plan information section of the new Plan website at **https://Telefonicapensionplan.lcp.uk.com/information** to get a copy of the form.

Anthony Soothill

Chair, Telefonica UK Pension Plan Trustee

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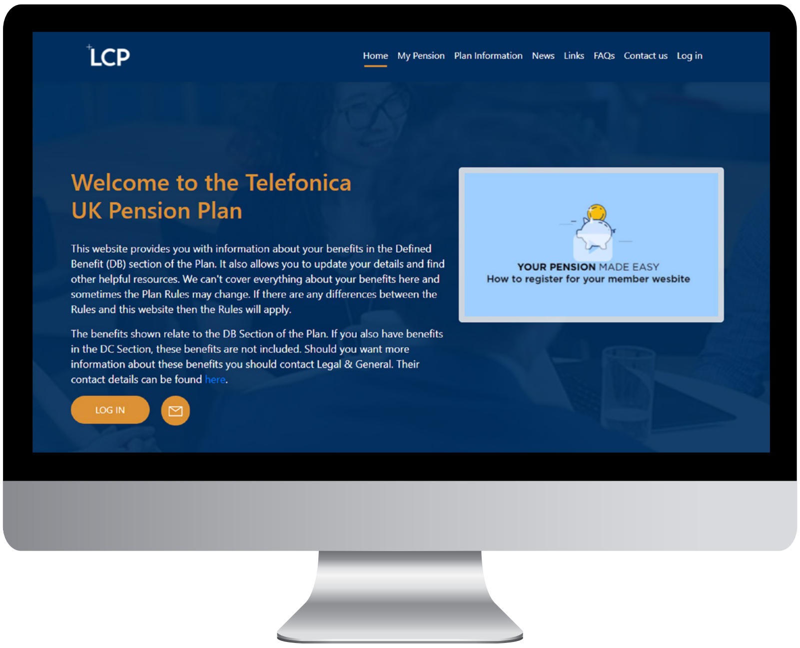
INTRODUCING YOUR NEW PLAN WEBSITE

THE DEFINED BENEFIT SECTION

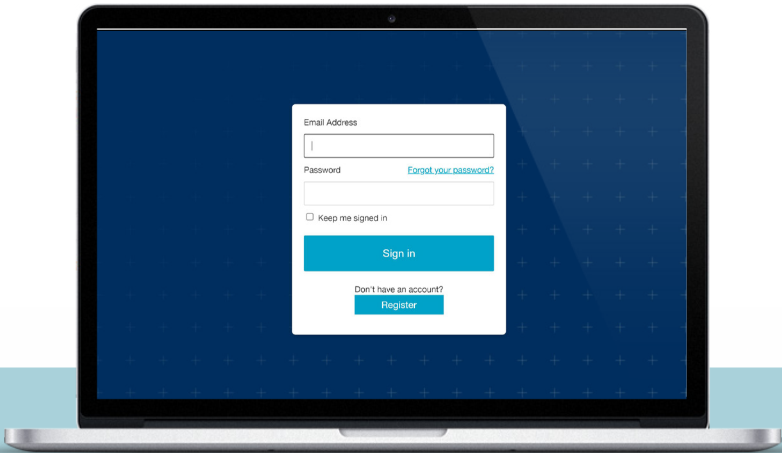


We have a new website!

It's the place to visit for any information you need about the Defined Benefit (DB) Section of the Plan.

On the site you will find important documents, such as the Plan booklet. You can also log in to see personalised information about your membership, including the pension you have built up in the Plan (or your pension in payment if you are a pensioner).

https://Telefonicapensionplan.lcp.uk.com/



HOW TO LOG IN

1. The first time you visit the website, go to the **Log in** tab at the top of the page and click on **Register**. Follow the instructions to set up your account.
2. Following this, when you click on **Log in** you just need to enter your email address and password to access the personalised information.
3. If you are having difficulty accessing the site, contact the Plan's administrator LCP at TelefonicaAdmin@lcp.uk.com or by calling 0800 731 2638 and select option 3 followed by option 2.

HOW TO FIND A LOST USERNAME OR PASSWORD

If you lose your password you can click on the **Forgot your password?** link on the login page to reset it. If that doesn't work, contact the Plan's administrator using the details above.

WHAT'S ON THE WEBSITE?

General information

- Important Plan documents, including:
  - Your new Plan booklet (see below)
  - The Plan's latest Statement of Investment Principles and Implementation Statement
  - The latest Summary Funding Statement (see page 11)
- A video explaining how to register for the website

Personalised information (after you log in)

- For **members** who haven't started drawing their pension yet, this includes:
  - The pension you have built up in the Plan
  - An estimate of your 'transfer value', which is the current value of your pension if you choose to transfer it to a different arrangement
  - Your pension options when you choose to retire
  - The ability to model how taking a cash lump sum and/or taking early retirement would affect your annual pension
- For **pensioner members** this includes:
  - Your current pension in payment
  - Monthly payslips
- **All members** will also be able to see:
  - Personal communications sent by the Plan administrator, LCP
  - Generic communications from the Trustee
  - The latest wider pensions industry news
  - FAQs covering a variety of commonly asked questions

Members can also send secure messages to the Plan administrator through the website, use the website to view and update your details and complete a new Expression of Wish form.

NEW DB SECTION PLAN BOOKLET

The new booklet is a guide to your benefits from the DB Section of the Plan. You can find a copy on the website under the Plan Information tab at **https://Telefonicapensionplan.lcp.uk.com/information**

The booklet includes information about:

- How your benefits were calculated when you were a contributing member;
- What happens to the pension you have built up before you retire;
- Details about when you can retire;
- What happens to your pension when you do retire;
- Any death benefits that you are entitled to; and
- Details of who to contact for help or further information.

MEMBERS WITH DEFINED CONTRIBUTION (DC) BENEFITS

Some members will have both DB and DC benefits. These members should refer to the relevant DC website for information about their DC benefits:

Members of the new Mastertrust with Legal & General (the Telefónica UK Pension Scheme) **https://www.legalandgeneral.com/workplace/t/telefonica**

Members with protected benefits who remained in the DC section of the Plan (the Telefonica UK Pension Plan) **https://www.legalandgeneral.com/workplace/t/Telefonica-wpt**

NEWS FROM THE PLAN

DC MEMBERS MOVE TO LEGAL & GENERAL

In 2020 the Company proposed to move the Defined Contribution (DC) section of the Plan to a new pension scheme within the Legal & General Mastertrust, a move that the Trustee supported, as it provided access to a high-quality range of investment options with strong ESG credentials at a cost significantly lower than could be achieved with a standalone scheme.

The new L&G Mastertrust went live for all future contributions in December 2020 and the Trustee was asked to consider moving the DC Section member benefits accrued prior to that date across to the L&G Mastertrust. The Trustee agreed to do this for the majority of DC Section members. However, for a minority of members with specific protected pension rights, such as early retirement from age 50, protected cash or AVCs, their funds accrued to December 2020 stayed in the Telefónica UK Pension Plan to protect those rights.

The Trustee also managed to secure access to the same range of investment options and the same costs as the Mastertrust for those members with protected rights, by transferring the administration of their accrued benefits to L&G while remaining within the DC Section of the Plan. This means those members will get all the same advantages whilst retaining their protected rights, although they will have two DC 'pots' with L&G, one for past (protected savings) in the DC Section of the Plan and one for future (L&G Mastertrust) savings. If you are one of those impacted by these protected pension rights you will have had this communicated to you.

The Plan Trustee was delighted to have achieved this great result for our members.

ESG AND THE PLAN'S INVESTMENTS

George Fowler - Isio

Investment Adviser to the Trustee

It's hardly possible to read the news without seeing an article about climate change or a company whose share price has been hurt on the back of some scandal or another. Reflecting this, I am proud to have helped the Telefónica UK Pension Plan to develop a positive plan for dealing with environmental, social and governance ('ESG') issues when investing the pension scheme's assets. The Trustee's view is that, by tilting the scheme's investments to companies that better manage ESG issues, this will lead to better returns and less risk for members. This is a win win for members, the Company and society in general.

ESG (Environmental, Social and Governance)
An umbrella term that encompasses a wide range of environmental, social and governance factors that are considered when selecting investments.

Equities
Equities are shares in companies. By investing in equities, it gives the purchaser part-ownership of a company, and hence a share of its profits.

The DB Section of the Plan doesn't invest in stocks and shares (equities) at all. Instead, it lends money to a range of companies in order to achieve a return.

One of the DB Section's biggest investments is in corporate bonds. In early 2022, the Trustee will make changes to these investments in order to achieve an immediate 50% reduction in carbon emissions, consistent with targeting net zero emissions by 2050. The corporate bonds that the Plan invests in will also align with the UN Sustainable Development Goals, which means the Plan won't lend money to: a) companies with poor human rights records; b) companies that violate the UN Global Compact; c) companies in the tobacco, controversial weapons and thermal coal sectors.

Corporate bonds
Corporate bonds are issued to investors by companies. An investor normally expects to receive a series of regular interest payments plus a final lump sum payment at the end of the term.

Green gilts
Gilts are bonds issued by the UK government. The proceeds of green gilts are used to fund new and existing projects with specific environmental benefits such as renewable energy projects.

The DB Section's other biggest investment is a portfolio that aims to mimic how the Actuary calculates the Plan's liabilities (the money needed to pay members' benefits). The Trustee has made changes to this portfolio to allow investment in green gilts and also to invest in an environmentally aware cash fund. In addition, for some of the more complex investments the Trustee has put an 'ESG screen' in place. Examples of some of the names the Trustee has screened out and now doesn't invest in include Royal Dutch Shell, Boeing, Lockheed Martin and British American Tobacco.

As well as changing how the Plan invests, as Anthony referenced in his introduction, the Trustee also wants to take actions that set an example to other pension schemes in how ESG issues can be considered, such as being a signatory of the UN Principles of Responsible Investment.

All of these changes above are driven by the Trustee's core belief that considering ESG in every investment decision they take will lead to better returns and better management of risk over the long-term. I know I personally feel proud that the Trustee is now one of the leading pension schemes in the UK when it comes to consideration of ESG and I believe this will be a real benefit to you the members. The exciting thing is this is just the start of the journey…

ABOUT THE GUARANTEED MINIMUM PENSION

What is a Guaranteed Minimum Pension?
A Guaranteed Minimum Pension (GMP) is a minimum amount of pension that has to be paid by pension schemes that 'contracted out' of the additional state pension (part of the old two-tier State Pension before it changed to a flat rate in 2016). Members of contracted out schemes didn't build up additional state pension and paid reduced National Insurance contributions as a result. To find out more, visit **https://www.plsa.co.uk/Policy-and-Research-Defined-Benefit-GMPs**

If you were a member of the BT Pension Scheme prior to 6 April 1997 and transferred your BTPS benefits into the Plan, you will have a GMP. The BTPS was 'contracted out' of the additional state pension and so the Plan has to provide a minimum amount of benefits in lieu of it for that period of service.

What is equalisation?
You may have heard in the press about the Lloyds Bank case in the High Court that ruled that GMPs must be 'equalised' for men and women. This has to do with the fact that GMP is payable at different ages for men and women and therefore builds up differently. The equalisation ruling applies for GMPs built up between 17 May 1990 and 5 April 1997.

GMP equalisation is a process of adjusting some members' benefits to address the effect of unequal GMPs. Pension schemes who contracted out are required to backdate adjustments to benefits and provide interest on these backdated amounts.

There are many ways schemes can achieve equalised benefits and the Trustee and Telefónica are currently looking into different options for equalising the Plan's GMP benefits. The Trustee will keep members updated on its progress.

The good news is that no members' benefits will be reduced as a result of this exercise. Should it be established at some point in the future that your benefits in the Plan are due an adjustment, you will be contacted to explain the position.

PROTECT YOURSELF AGAINST PENSION SCAMS

Pension scams are a significant threat in the UK and they can be hard to spot, so it's important for you to know what to look out for. In the worst cases, scams could result in a person **losing their life's savings** and, in some cases, being forced to **pay large tax charges** to HM Revenue & Customs.

How to spot a scam

Some common tactics used by scammers include:

- A cold call, text message, website pop up, or door salesmen offering a 'free pension review', unrealistic or guaranteed investment returns or claims of a 'loophole'
- A claim that you can access your pension before age 55, with no mention of the tax charge that can arise
- Paperwork delivered to your door by courier that requires immediate signature
- A proposal to put your money into unusual, high-risk investments such as overseas property and hotels or renewable energy bonds
- Transfers of your money overseas

When making decisions about your pension, remember:

1. Never be rushed or pressured into making a decision
2. Check that anyone offering you advice is authorised by the Financial Conduct Authority: register.fca.org.uk
3. Make sure you fully understand what is being offered and what options are available to you. MoneyHelper provides free, impartial information and guidance at: www.moneyhelper.org.uk
4. If you have any concerns that what is being offered is fraudulent, you are advised to report it to Action Fraud at www.actionfraud.police.uk/fraud-az-pension-liberation-scam

You can read more about pension scams at www.fca.org.uk/publication/documents/pension-scams-leaflet.pdf

What the industry is doing to help

The Government introduced a ban on pension cold calling in 2019 to curb the rise in pension scams. If you receive an unexpected call from anyone wishing to sell you a pension product or asking you to investigate a transfer, **you should hang up right away**.

In November 2021, the Pensions Regulator introduced new regulations that are designed to give trustees more powers to stop suspicious transfers. The regulations introduced new checks and a system of red and amber flags. For a transfer to take place, no red flags must be present, and if any amber flags are present the member must take pension transfer scams guidance from the Money and Pensions Service before being able to proceed.

Despite these measures, however, it's still really important to be aware of the risks and to carry out your own checks.

ARE YOU RETIREMENT READY?

Preparing for retirement may feel daunting, but there are some simple things you can do to get started. Here, we have included five important steps to help you plan for your retirement.

STEP 1

Keep track of all your benefits

Over your working life, you may build up retirement benefits with more than one employer. As pension providers change, it can be hard to keep track of all your benefits. If you have misplaced some of your pensions, it is worth checking the Pension Tracing Service who can help you trace the contact details for all your pensions.

Just visit **www.gov.uk/find-pension-contact-details** or call the Pensions Tracing Service on 0800 731 0193.

STEP 2

Find out about your State Pension

State benefits changed in April 2016. It is important to find out when you can claim your State Pension and how much State Pension you will receive. You can find out your State Pension Age by visiting www.gov.uk/state-pension-age and you can check how much State Pension you could get at www.gov.uk/check-state-pension

STEP 3

Decide how much you will need for retirement

It can be hard to imagine your life after work and how much income you might need. Some helpful questions to consider are:

- How long do you want to keep working? The younger you are when you take your benefits, the longer your money will need to last. This is likely to mean accepting a lower starting retirement income.
- How will you spend your retirement? What might your monthly costs be in retirement?
- How long will you need an income? Will you spend more when you are younger? Will you need income certainty as you get older?
- Who else do you need to support financially? Will you want to pass anything on to loved ones?

The Pensions and Lifetime Savings Association (PLSA) has created the Retirement Living Standards designed to help you picture what kind of lifestyle you could have in retirement. You can review these at **www.retirementlivingstandards.org.uk**

There are also lots of calculators that can work out how much you might need in retirement. A good place to start is MoneyHelper's Pension Calculator at **www.moneyhelper.org.uk/en/pensions-and-retirement/pensions-basics/pension-calculator**

STEP 4

Understand how much you have built-up so far

You can start to understand how much you have built-up by requesting a benefit statement from each of your pension providers.

Many pension schemes now provide online access to information, so it is worth contacting all your pension providers to check if they offer it too. This will make it easier to keep track of all your benefits.

STEP 5

Think about how you want to draw different benefits

If you have benefits from several different schemes, these might come into payment at different ages, and they may offer a range of other protections and benefits for your family and dependants. It is important to think about all your benefits carefully and whether you would like to take them at different times or consolidate them.

2021 SUMMARY FUNDING STATEMENT

An important part of running the Plan is keeping track of how well it is funded, in order to make sure there is enough money to pay all the benefits that have been promised to members. The Plan's Actuary, Bart Huby from LCP, carries out regular reviews of the Plan's funding position and supports the Trustee in agreeing with the Company how much should be paid into the Plan.

The Trustee then reports the findings to the Plan's membership in a formal document, called a Summary Funding Statement, which can be seen below.

We are pleased to give members an update for 2021 on how the funding of the final salary or defined benefit (DB) section of the Telefónica UK Pension Plan is going[1].

We carry out a detailed review of the Plan's funding position regularly, normally every three years, based on calculations carried out by the Plan's Actuary – this is called a valuation. Then annually the Actuary provides an approximate update on progress.

This statement for the Plan is based on the following information:

- the most recent valuation of the Plan, carried out as at 30 September 2020; and
- the subsequent approximate annual funding update, carried out as at 30 September 2021.

We provide a statement like this each time we receive an update on the funding of the Plan.

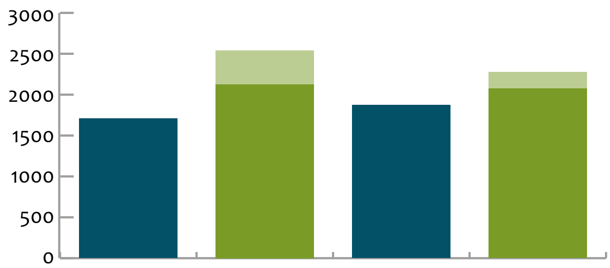
SUMMARY

- As part of the 2020 valuation, the Trustee agreed with the Company to move to a more conservative and lower-risk funding target, which aims to reach Self-Sufficiency or 'low reliance' by the end of 2022, nearly seven years earlier than for the previous valuation in 2017. This approach has been adopted for the figures in this statement.
- On this more conservative basis, the funding level of the Plan as at 30 September 2020 was 80.4%, lower than the 90.3% level shown as at 30 September 2019 in the previous Summary Funding Statement we issued. However, on a like-for-like basis with the funding target adopted for the 2020 valuation, the funding level in September 2019 would have been 81.5% - so in reality there was only a small deterioration in the funding level over the 2019/20 year.
- In the latest 2020 valuation, the Trustee and Company agreed the Company should pay an additional £425m into the Plan by the end of 2022, representing more than the entire deficit of £415.7m at 30 September 2020.
- As a result, £155m had been received by 30 September 2021, raising the funding level of the Plan back up to 90.3%, now on the much more conservative and lower-risk basis.
- Of the remainder of the deficit payments, £57.5m has subsequently been received and the final £212.5m is payable by the end of 2022, when it is projected that the funding level will reach 100% and self-sufficiency be achieved, seven years earlier than previously targeted.
- This means the Plan is now better funded than at any point in its history and by the end of 2022 should have a 'low reliance' on the Company going forward, providing more certainty that future member benefits will be paid in full.

FUNDING POSITION OF THE PLAN

As part of the 2020 valuation, we agreed a funding target with the Principal Employer of the Plan, Telefónica UK Ltd ('the Company').

The funding position of the Plan at the valuation date and a year later is shown below:



	30/09/2020	30/09/2021
Asset value	£1,708.4m	£1,872.3m
Technical provisions	£2,124.1m	£2,074.3m
(Deficit) / Surplus	(£415.7m)	(202.0m)
Funding level	**80.4%**	**90.3%**

The **'Asset value'** is the market value of the investments held by the Plan, including where available any cash and net current assets.

'Technical provisions' is the term used for the target amount of assets that the Trustee is aiming to hold now to be able to pay all Plan benefits in the future, taking into account anticipated future investment returns.

1 Please note that this statement relates to the defined benefit sections of the Plan (Sections 2, 2A, 3 and 3A). For these sections, there is one common fund, so each member's pension is not an individual account. (This statement does not cover the defined contribution sections of the Plan, Sections 1, 1A and 1B, in which each member has an individual account.)

The **'Deficit'** is therefore the current shortfall against this target.

As part of the 2020 valuation, the Trustee and Company agreed the contributions the Company should pay to the Plan to cover the shortfall of £415.7m at 30 September 2020. These were £55m in 2020, £157.5m in 2021 and £212.5m by the end of 2022 – i.e. a total of £425m.

The basis and contributions agreed by the Trustee with the Company for the 2020 valuation are aimed at reaching a funding position by the end of 2022 such that the Plan will be 'self-sufficient' at that time. By this we mean that the Trustee would then be able to continue running the Plan indefinitely with a low-risk investment strategy and low reliance on the Company needing to pay any further contributions to enable the Plan to pay all member benefits in full.

We'll review this funding situation when we next undertake a valuation of the Plan, due no later than 30 September 2023.

CHANGES SINCE THE LAST SUMMARY FUNDING STATEMENT

The previous Summary Funding Statement showed a funding level of 90.3% at 30 September 2019, with assets of £1,714m against a Technical provisions funding target of £1,899m, and so a deficit of £185m. This calculation was made using the Technical provisions basis agreed for the previous full valuation carried out at 30 September 2017.

However, the Technical provisions funding basis used for the 2017 valuation was significantly less conservative than the basis the Trustee subsequently agreed with Company for the 2020 valuation. In particular it was targeting reaching self-sufficiency for the Plan by September 2029, so leaving it reliant on the Company being able to provide further contributions should, for example, the Plan's investments underperform expectations any time during the period up to 2029.

The 2020 valuation agreement in effect reduced the self-sufficiency target date by nearly seven years, from September 2029 to December 2022, resulting in a higher funding target and higher Company contributions being required in the short term, along with significantly less reliance on further Company support being required in the medium to long term.

Restating the funding position in the 2019 Summary Funding Statement so as to be consistent with the Technical provisions basis for the 2020 valuation, this shows a funding level of 81.5% at 30 September 2019, with assets of £1,714m against a Technical provisions funding target of £2,104m, and so a deficit of £390m – so giving the following development of the funding position since then.

	30/09/2019 (restated)	30/09/2020	30/09/2021
Asset value	£1,714.0m	£1,708.4m	£1,872.3m
Technical provisions	£2,104.0m	£2,124.1m	£2,074.4m
(Deficit) / Surplus	(£390.0m)	(£415.7m)	(£202.0m)
Funding level	81.5%	80.4%	90.3%

This shows that the Technical provisions funding level on a like-for-like basis decreased slightly, from 81.5% in 2019 to 80.4% in 2020 (due primarily to adverse market conditions during that year), but then increased significantly to 90.3% in 2021. The key reason for the improvement since September 2020 has been the payment of £155m into the Plan by the Company over the year, while there have also been further improvements from market movements and good asset returns.

HOW THE PLAN WORKS

How is my pension paid for?

The Company pays contributions to the Plan so that it can pay pensions to Plan members when they retire. The money to pay for members' pensions in the Defined Benefits section is held in a common fund, not in individual member accounts.

How do we work out how much the Plan needs?

The Plan's actuary carries out regular funding checks using statistics to make financial projections for the Plan. These assessments – called valuations – are passed on to us, so we can continue to calculate what money will be needed.

This calculation can be done in one of two ways:

- Ongoing valuation

  Here we assume that the Plan will continue to operate on an ongoing basis, so we work out how much money will be needed to make payments when they're due. This requires us to make a number of assumptions about the future: for example, how long people will live, what inflation will be, and what returns the Plan will be able to earn on its investments.

- Solvency valuation

  This is an even more conservative approach. The bottom line is it asks the question 'what if we had to pay everything off now?' It involves estimating how much it would have cost to purchase policies from an insurance company to meet the 'accrued' benefits (i.e. all the benefits that have built up to date). This usually requires the Plan to have a higher level of funding.

We're currently funding the Plan using the **ongoing valuation** approach, with a target of fully funding the Plan on a 'self-sufficiency' basis by 31 December 2022 (as noted earlier, this self-sufficiency target date was brought forward in the 2020 valuation – for the previous valuation it had been 30 September 2029). Based on that assessment we decide with Telefónica UK Ltd what the Company needs to pay towards the Plan's benefits.

These contributions may go up or down following each valuation.

Why is it important for the Company to support the plan?

As Trustees, our objective is to make sure there's enough money in the Plan to pay pensions now and in the future. To do this, we need the support of the Company, because:

- the funding level can fluctuate due for example to investment returns, and may lead to a shortfall
- the target funding level could turn out not to be enough.

In either case, the Company will need to put in more money.

What if the Plan started to wind up?

For as long as the Plan remains ongoing, benefits will continue to be paid in full, even if funding were to fall temporarily below target. However, if the Plan were to wind up, you might not get the full amount of pension you have built up. This is because of the large sums of money that would be needed to pay for all the members' benefits at once. At the most recent valuation date of 30 September 2020, this amount was estimated to be £2,608m. The fund was short of this amount by £900m at that date. For the funding update at 30 September 2021, it was estimated that the buyout shortfall had reduced to around £680m.

If the Plan were to start to wind up, the Company is required to pay enough into the Plan to secure the members' benefits completely with an insurance company. It may be, however, that the Company would not be able to pay this full amount, for example because of insolvency. In this case, the Pension Protection Fund might be able to take over the Plan and pay compensation to members.

For more information and guidance in this area please visit the Pension Protection Fund's website at **www.pensionprotectionfund.org.uk** or write to them at: 12 Dingwall Road, Croydon, Surrey, CR0 2NA

Why isn't the Plan funded for full solvency at all times?

Being funded for 'full solvency' – the scenario where all the members' benefits could be paid for at once – is a position which assumes that benefits will be secured by buying insurance policies. Insurers, however, are obliged to take a cautious view of the future and need to make a profit. Therefore the costs of securing pensions in this way, including administration costs, would be much higher. By contrast, our funding arrangements assume that the Company will continue in business and support the Plan, so we keep our costs at a more affordable rate.

Where can I get more information?

If you have any questions, or would like to get more information, please get in touch. There's a list of documents for further reading at the end of this statement. If you'd like us to send you any of them, let us know by contacting the Plan's administrator in any of the following ways:

Write:
Telefónica UK Pension Plan Admin Team
Lane Clark & Peacock LLP
St Paul's House, St Paul's Hill, Winchester
Hampshire, SO22 5AB

Call: My HR 0800 731 2638 and select option 3
Email: TelefonicaAdmin@lcp.uk.com
In addition, you can find more information about the Plan at **https://telefonicapensionplan.lcp.uk.com/**

Is there anything else I need to know?

In a funding statement such as this, we're required to let you know the Company hasn't taken any money out of the Plan since the last Summary Funding Statement. We're happy to confirm this is the case.

If you're thinking of leaving the Plan for any reason, we suggest you consider consulting a financial advisor before taking any action.

Finally, please keep in touch by telling us if you change your address. This way we can make sure you stay fully up to date. If you change addresses, let the Plan's administrator know at the above address or email.

The Trustee of the Telefónica UK Pension Plan,
December 2021

WHERE TO FIND EXTRA INFORMATION IF YOU NEED IT

If you'd like to read any of this information, get in touch with the Plan's administrator using the details on the previous page.

The Statement of Investment Principles
This explains how the Trustee invests the money paid into the Plan.

The Schedule of Contributions
This shows how much money is being paid into the Plan.

The Annual Report and Accounts of the Plan
This shows the Plan's income and expenditure up to 30 September of each year.

The full report on the Actuarial Valuation
This follows the actuary's check of the Plan's funding situation, given at 30 September 2020.

The latest Annual Actuarial Report
This provides an approximate update on the funding position, given at 30 September 2021.

The Statement of Funding Principles
This sets out the Plan's funding plan as agreed by the Trustee and the Company for actuarial valuations.

The Telefónica UK Pension Plan website
https://telefonicapensionplan.lcp.uk.com/

WHO LOOKS AFTER THE PLAN?

You might not realise, but there are a lot of people working behind the scenes to keep the Plan running. You hear from the Trustee, as we are ultimately responsible for managing the Plan and make the key decisions about how it operates. We also appoint experts to advise or help in some areas such as investment and administration, and we work with them throughout the year to make sure that the Plan is run in the best interests of members.

Below, we explain the roles of the Trustee and some of our main advisers.

THE TRUSTEE

The Plan is run by a Trustee company, **Telefónica UK Pension Trustee Limited**. The company is the legal owner of the assets of the Plan (essentially the money held in the Plan), which means that as Trustee Directors it is our job to look after and manage the assets on behalf of members. Some of us are nominated by members, some are nominated by the Company, and we also have a professional independent Trustee on the Board.

We meet regularly to discuss and make decisions about the Plan, and we undertake training throughout the year to make sure that we are up to speed on the latest developments in pensions.

The current Trustee Directors of the company are:

Anthony Soothill – Chair, Company Nominated Director
Capital Cranfield Pension Trustees Ltd – represented by Martine Trouard-Riolle
Jeannie Drake – Member Nominated Director
Amanda Stokes-Waters – Member Nominated Director
Mark Leonard – Company Nominated Director

THE PLAN ACTUARY

Bart Huby FIA, Lane Clark & Peacock LLP
The Actuary is appointed by the Trustee and is responsible for carrying out reviews of the Plan's funding level, the results of which you can see in the Summary Funding Statement on page 11. Among other roles, the Actuary also calculates the basis for reducing or increasing pensions for members that choose early or late retirement, and calculates the 'transfer value' of pensions for members who wish to transfer out of the Plan on a basis set by the Trustee.

THE INVESTMENT ADVISER

Isio LLP
Making sure that the assets are invested wisely is a specialist task, and the Trustee appoints an investment adviser with the necessary expertise in this complex area. The investment adviser monitors and advises on the Plan's investments, carrying out reviews of investment managers and helping to research and recommend new investment managers where needed.

THE PLAN ADMINISTRATOR

Lane Clark & Peacock LLP (LCP)
Along with the Trustee, the Plan administrator is the other 'face' of the Plan, as this is who you will speak to if you have any questions about your membership. They are appointed by the Trustee, and arrange payment of pensions, respond to queries from members and keep records up to date. They also look after the new website. The Trustee monitors the administrator to ensure that members are receiving the best possible service, and that all activity is carried out in a timely manner.

See the next page for an update from LCP covering in particular the launch of the new member website.

We also have five different investment managers that manage the Plan's investments for us, as well as a legal adviser, a secretary to the Trustee, a covenant adviser and an auditor. A full list of our advisers is in our Annual Report and Accounts on the Plan website.

HELP AND INFORMATION

YOUR PLAN ADMINISTRATOR, LCP

Jamie Gateshill, Senior Administrator
I'm part of a team of experts from LCP, your Plan administrators for members in the DB Section, and we're on hand to answer any questions you have about your membership.

Following recent changes in the Plan, such as the transfer of most DC Section members to a new Mastertrust scheme with Legal & General, and the joint venture between O2 and Virgin Media, we thought it was the perfect opportunity to make some changes ourselves to make it easier for members to find the information you need.

We set up the new Plan website so that everything about the DB Section of the Plan is now in one place – personalised information about the Plan, key documents, and any important communications from us or from the Trustee. We hope that you find the website helpful and simple to use.

You can still contact us in the same ways as before (see the details on this page), and we will be happy to help.

CONTACT US

You can contact the Plan administrator, LCP by:

Email
TelefonicaAdmin@lcp.uk.com

Phone
0800 731 2638 and select option 3 followed by option 2 to reach us.
Please note that our telephone lines are open between 9am and 5pm, from Monday to Friday (excluding Bank Holidays).

Post
Telefónica UK Pension Plan Admin Team
Lane Clark & Peacock LLP
St Paul's House, St Paul's Hill
Winchester, Hampshire, SO22 5AB

In addition, you can find more information about the Plan at **https://Telefonicapensionplan.lcp.uk.com/**

MONEYHELPER

www.moneyhelper.org.uk

MoneyHelper is a government-run website that offers free, impartial guidance about pensions and other finances.

People aged 50 and over with Defined Contribution pensions can also book an appointment with the Pension Wise service through the MoneyHelper website to discuss options for their pension.

ACTION NEEDED – COMPLETE YOUR EXPRESSION OF WISH FORM

By completing an expression of wish form, you are telling the Trustee who should receive any death benefits. It's really important to keep the form up to date, just in case the worst should happen.

As mentioned in the introduction, just 25% of members have completed their expression of wish form. The Trustee has discretion to allocate any lump sum death benefits payable – this way they are free of inheritance tax. Without a form, the Trustee won't know who to pay any benefits to, so please do take five minutes to complete a form by visiting the Plan Information section of the website: **https://Telefonicapensionplan.lcp.uk.com/information**

Please also let us know if your contact details have changed, to make sure you keep receiving important information about your pension. You can do this via the website or by calling the Plan administrator using the details above.