THUS Group plc Pension Scheme

Summary Funding Statement effective as at 31 December 2020

Introduction

It is an annual requirement for the Trustees to provide you with certain information relating to the THUS Group plc Pension Scheme (“the Scheme”). We hope that this information will be of interest to you. You are not required to take any action in relation to the information contained in this document. However, should you wish to speak to someone about any of the items mentioned below, please contact Aon.

Reference made to “Employers” in the remainder of this statement means in practice Vodafone Limited and Vodafone Group Services Limited.

Funding the Scheme

Every three years, the Scheme Actuary carries out a full actuarial valuation of the Scheme's assets and liabilities. Between each triennial valuation, the Scheme Actuary produces an approximate annual update of the Scheme’s funding position based on the assumptions used at the last full actuarial valuation.

The latest full actuarial valuation of the Scheme was carried out as at 31 December 2020. This showed the Scheme’s funding position to be as follows:

	£ million
Market value of assets held (including AVCs)	220.8
Target assets needed to provide benefits (Technical Provisions)	243.3
Shortfall of assets relative to target	(22.5)
Funding level	91%

Contributions to the Scheme

Following the valuation as at 31 December 2020, the Trustees and the Employers agreed a Recovery Plan to eliminate the disclosed shortfall of £22.5 million, after allowing for post-valuation experience to an agreed date of 16 January 2022. The Employers will pay an amount of £4.1 million per year for five years, payable by 30 April each year, with the first payment due by 30 April 2021 (paid in April 2021 as scheduled). These contributions, together with the allowance for post-valuation experience to 16 January 2022, are expected to eliminate the shortfall by 30 April 2025.

The Employers are also continuing to pay significant contributions to finance the cost of the benefits being earned by the active members, over and above the amounts paid by the members. Active members also contribute either 5% or 6% of their pensionable salary to the Scheme.

Developments since the previous summary funding statement

The funding level of the Scheme has decreased compared to the level in the previous summary funding statement at 31 December 2019 when the disclosed funding level was 94%. This is principally due to changes agreed as part of the 2020 valuation to the way certain underlying financial assumptions are set, the impact of which has more than offset the increase in the value of the Scheme’s assets over the period.

The Scheme’s finances and the contribution rates payable will be reviewed at future actuarial valuations. The next such valuation is scheduled for 31 December 2023, and the Scheme Actuary will continue to provide updates to the Trustees on an annual basis. We will report to you on the results of these valuations and updates when they become available.

Solvency position

The estimated amount needed at 31 December 2020, in addition to the existing assets, to ensure that all members' benefits could have been paid in full if the Scheme had wound up and purchased insurance contracts with a life assurance company (full solvency) was £124.6 million. This is the debt that would have been payable by the Employers had the Scheme been wound up at that date. The inclusion of this information does not imply that the Employers are thinking of winding up the Scheme.

Important: If you are thinking of leaving the Scheme for any reason, you should consult a professional advisor, such as an independent financial advisor, before taking any action. You can find a local IFA at www.unbiased.co.uk.

How the Scheme operates

How is my pension paid for?

The Employers pay contributions to the Scheme so that the Scheme can pay pensions to members when they retire. Active members also pay contributions to the Scheme through a salary sacrifice arrangement. The money to pay for members' pensions is held in a common fund. It is not held in separate funds for each individual.

How is the amount the Scheme needs worked out?

The Trustees obtain regular valuations of the benefits earned by members. Using this information and having taken actuarial advice, the rates of future contributions to be made to the Scheme in order to provide the benefits payable are established in agreement with the Employers.

The importance of the Employers' support

The Trustees' objective is to have enough money in the Scheme to pay pensions now and in the future. However, the success of the objective relies on the Employers continuing to support the Scheme because:

– the funding level can fluctuate, and when there is a funding shortfall, the Employers will usually need to put in more money;

– the target funding level may turn out not to be enough so that the Employers will need to put in more money.

However, it is important to note that whilst the Scheme remains ongoing, even though funding may temporarily be below target, benefits will continue to be paid in full.

What would happen if the Scheme started to wind up?

If the Scheme were to start to wind up, the Employers would be required to pay enough money into the Scheme to enable the members' benefits to be secured completely with an insurance company. It may be, however, that the Employers would not be able to pay this full amount.

If the Employers became insolvent, the *Pension Protection Fund* might be able to take over the Scheme and pay compensation to members. Further information and guidance is available on the Pension Protection Fund's website at www.pensionprotectionfund.org.uk. You can email the Pension Protection Fund at information@ppf.co.uk, or alternatively you can phone 0345 600 2541.

Why does the funding plan not call for full solvency at all times?

The full solvency position assumes that benefits will be secured by buying insurance policies. Insurers are obliged to take a very cautious view of the future and need to make a profit. By contrast, our funding plan assumes that the Employers will continue in business and will support the Scheme.

What is the Scheme invested in?

The Trustees review their investment policy on a regular basis and their current policy is to invest in a broad range of assets with a target allocation to the main asset classes as follows:

Equities	30%
Bonds	35%
Diversified Fund	30%
Property	5%

Looking after your data

Some personal data for Scheme members (such as date of birth and salary) is required for the running of the Scheme, including paying out the right benefits. The Trustees share your personal data with the Scheme's Administrator and certain other third parties involved in running the Scheme, for example, the Scheme Actuary, the Scheme's Legal Adviser and the Employers. With effect from 25 May 2018, the use of this data is regulated under the General Data Protection Regulation, which places certain responsibilities on those who exercise control over the data (known as "data controllers" under the General Data Protection Regulation). Data controllers would include the Trustees, and, in certain circumstances, professional advisers to the Scheme. These may also include the Scheme Actuary and Willis Towers Watson, who have provided further details at www.wtwco.com/personal-data as well as the Scheme Administrator. Details of the Scheme Administrator's data policy can be found at https://www.aon.com/unitedkingdom/products-and-services/human-capital-consulting/aon-hewitt-actuarial-services-privacy-statement.jsp.

Equalisation of Guaranteed Minimum Pensions

A High Court judgment in the Lloyds Trade Union case was announced on 26 October 2018, which may have an impact on your benefits from the Scheme. This relates to the equalisation of Guaranteed Minimum Pensions (GMPs) for men and women and applies to any GMPs earned from 17 May 1990 (the date of an earlier court case on equal treatment). If you are affected, you might be due a top-up on your pension, although for most affected members this is likely to be relatively small.

This Court judgment will have an effect on a number of members across the Scheme and working out how much, if anything, each of these members should get is a complex process, which could take several years to complete.

Additional documents available on request

If you want us to send you any of these documents please let us know.

The ***Statement of Funding Principles***. This sets out the assumptions and method the Trustees have adopted with the agreement of the Employers as part of the 2020 actuarial valuation.

The ***Statement of Investment Principles***. This explains how the Trustees invest the money paid into the Scheme.

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

The ***Annual Report and Accounts*** of the THUS Group plc Pension Scheme, which shows the Scheme's income and expenditure over each year.

The full report on the ***Actuarial Valuation*** following the Scheme Actuary's check of the Scheme's situation as at 31 December 2020.

Finally, it is a legal requirement that this statement confirms:

- whether or not the Scheme has been subject to any modifications or other interventions by The Pensions Regulator. No such regulatory interventions have been made.

– whether any payments have been made to the Employers out of Scheme funds since the previous summary funding statement was issued to members. No such payment has been made, and pensions legislation makes such payments unlikely in the future.

Please bear in mind that the figures in this statement are estimates of the Scheme's current funding levels based on current legislation and the provisions of the Scheme (which may be amended at any time). This statement does not confer any right to benefits.