

UNIVERSAL MUSIC GROUP PENSION SCHEME

YEAR ENDED 5 APRIL 2021

THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 6 APRIL 2020 – 5 APRIL 2021

What is this Statement for?

It's important that you can feel confident that your savings in the Universal Music Group Pension Scheme ("the Scheme") are being looked after and give good value. The Scheme provides both Defined Benefits ("DB") and Defined Contribution ("DC") benefits. DC benefits are provided either by the Scheme's DC Section, or through additional voluntary contributions ("AVCs") paid by members of the Scheme's DB Section. This Statement sets out how the Trustees have managed the DC benefits in the last year and what they aim to do in the coming year.

The Scheme is closed and the Trustees are in the process of transferring all DB and DC benefits to an insurer (Aviva). Members with DC benefits are those members that have chosen not to transfer their benefits to the Universal Music Master Trust (the Company's current pension provision) but instead transfer their benefits to Aviva (along with their DB entitlement) to retain the existing option for the way their tax-free lump sum is calculated and paid at retirement. There have been unexpected delays in finalising the transfer to Aviva, but the Trustees expected to be completed later in 2021, after which the Scheme will be wound up.

A copy of this Statement, together with other key Statements about how the Scheme is managed are available on request.

WHAT'S IN THIS STATEMENT?

We've included information on the following areas in this Statement:

1. How we manage your DC benefits – who the Trustees are and what guides our decision making;
2. Investment options – what we have done to check the performance and suitability of the Scheme's investment options for DC benefits, especially those used by members who don't want to make an investment choice (known as the "default arrangement");
3. Cost and charges – what costs and charges you have paid in the last year and how these might impact the size of a typical member's savings over time;
4. Value for Members - how the quality of the services (including the investment returns on your savings) which you pay for compare to other pension schemes;
5. Administration – how well the DC benefits have been administered including how promptly and accurately key transactions (such as the investment of your contributions) have been processed;
6. Trustee knowledge – what we as Trustees have done to maintain our level of knowledge and obtain the professional advice we need to look after the Scheme for you; and
7. Our plans for the next year – what key actions the Trustees aim to do in the coming year.

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WHAT WERE THE HIGHLIGHTS FROM THE LAST 12 MONTHS?

We can confirm to you that:

1. How we manage your DC Benefits

There have been no changes to the Trustees in the last year.

The Statement of Investment Principles, which sets out the Trustees' policies on how your contributions should be invested, was updated in September 2020 to reflect the latest guidance regarding Responsible Investment. The first implementation report describing how the Trustees have followed their policies set out in the Statement of Investment Principles was published in November 2020, with the next iteration due at the same time as this Statement.

At 5 April 2021 the Scheme had 36 members and held assets worth £3.9 million. The Trustees intend to transfer these remaining assets out of the Scheme, before 5 April 2022. The Scheme will subsequently be wound up.

2. Investment options

The Trustee monitor the performance of the investment options on a half-yearly basis. There have been no significant concerns over the year. We're satisfied that the default arrangement remains suitable for most members because it continues to broadly perform in line with the agreed objectives which are appropriate based on the imminent wind up of the Scheme.

There have been no changes to the investment options in the last year.

3. Cost and charges

You pay for investment charges while the Company pay for the Scheme's administration, communications and governance.

We monitored the costs and charges going out of members' pension pots during the last year:

The charges in the last year for the "default arrangement" were 0.100% to 0.310% of the amount invested (or put another way £1.00 to £3.10 for every £1,000 invested).

We have also looked at how the costs and charges taken out of a typical member's pension pot each year might affect its future size when they come to retire. Over a 15-year period, the current level of costs and charges for the default arrangement could reduce the size of a pension pot by £4,050 leaving £121,850 at age 65.

4. Value for Members

Each year we look at the costs and charges you pay as well as the range and quality of the services you pay for and see how they compare with similar pension schemes.

We found that the Scheme gave good value in the last year. Over the next year our main priority is to maintain value for you, in the transfer of remaining DC benefits out of the Scheme – see section 7 for more details.

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5. Administration

We check that the administration of the DC benefits is going smoothly and found that:

- The Scheme's administrator, Mercer, has confirmed that the core financial transactions were generally processed promptly and accurately (within the regulators requirements) for the year to 5 April 2021.
- The wider administration of the Scheme was completed within the service standards we agreed with Mercer – 95% of SLA's were met over the year.

6. Trustee knowledge

It's important that we, as Trustees, keep our knowledge of pension and investment matters up to date and have access to sound professional advice.

The Trustees are required to maintain their knowledge of pension matters and to ensure that they remain familiar with the prevailing scheme documents and legislative matters.

Overall, the Trustees believe that they have the right skills and expertise together with access to good quality professional advice so that they can run your Scheme properly.

7. Our plans for the next year

During the next year the Trustees aim to:

- Continue to regularly review funds and monitor performance before the Scheme is wound up; and
- Transfer the remaining assets in the Scheme, with the view to all assets having been transitioned out of the Scheme before 5 April 2022. The Scheme will subsequently be wound up.

The rest of this Statement goes into more detail - please read on if you want to find out more about how we have managed your Scheme in the last year. If you have any questions on its contents, please contact Kerry Merryweather, Secretary to the Trustees (E: kerry.merryweather@insidepensions.com, T: 01727 733150).

_____ Date: _____

Stephen Yandle

Signed by the Chair of the Board of the Trustees of the Universal Music Group Pension Scheme

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THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 6 APRIL 2020 – 5 APRIL 2021 (CONTINUED)

INTRODUCTION

Governance requirements apply to defined contribution ("DC") pension arrangements like the Scheme, to help members achieve a good outcome from their pension savings. The Trustees are required to produce a yearly statement describing how these governance requirements have been met.

This Statement covers the period from 6 April 2020 to 5 April 2021.

For the record

This Annual Statement regarding governance has been prepared in accordance with:

Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by subsequent Regulations.

1 How we manage your Scheme

At 5 April 2021, the Trustees of the Scheme were:

- Stephen Yandle (Chair)
- Stephen Greene
- Stephen Cuttell
- Michel Picot
- Andrea Giacomazzi

There were no changes to the Trustee Board throughout the Scheme year.

The Statement of Investment Principles, which sets out the Trustees' policies on how your contributions should be invested, was updated in September 2020 to reflect the latest guidance regarding Responsible Investment.

The first implementation report describing how the Trustees have followed their policies set out in the Statement of Investment Principles was published in November 2020, with the next iteration to be published alongside this Statement.

As at 5 April 2021 there were 36 members with assets of £3.9 million. The Trustees intend to transfer these remaining assets out of the Scheme before 5 April 2022. The Scheme will subsequently be wound up.

2 Investment options

Default arrangement

Members who do not make a choice regarding the investment of their funds are invested in the default arrangement.

The main investment principles governing the default arrangement are in outline:

- To maximise returns over the long term at an acceptable level of risk during the accumulation period;
- To manage downside risk in the protection period approaching retirement; and
- Provide diversification through a range of underlying investment managers and a wide range of asset types in a cost-effective pooled fund;

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The latest Statement of Investment Principles ("SIP"), which covers the Scheme's default arrangement, is appended to this Statement. Please note that the Statement of Investment Principles covers both the Defined Benefit and Defined Contribution sections of the Universal Music Group Pension Scheme. The principles guiding the design of the default arrangement are set out on pages 1, 2, 8 and 9.

The last full triennial review of the default arrangement was completed on 16 December 2016. Given the ambition to wind up the Scheme since 2018, the Trustees have not conducted an in depth triennial review of the investment options but continue to monitor the performance and suitability of the investment funds on a half-yearly basis. There were no issues with the performance of the default arrangement last year and the Trustees still believe it remains appropriate for the membership. The Trustees will continue to monitor the performance and appropriateness of the default arrangement ahead of the Scheme closure. This will be kept under review by the Trustees. The Trustees believe that the default arrangement remains appropriate for the majority of the Scheme's members because:

- The majority of the Scheme's members are expected to have broadly similar investment needs. The Trustees chose a lifestyle strategy targeting income drawdown at retirement as it reflects the option that is considered most likely to be appropriate for the majority of members, including members who:
 - are unable to decide how they wish to take their retirement benefits; or
 - wish to take a more flexible approach, perhaps taking their benefits in a combination of ways and at different points in time.
- It is believed that a significant proportion of the membership are either unengaged in or unable to decide where their pension pot should be invested;
- Its design continues to meet its principal investment options;
- The Trustees have taken into account the age and salary profile of members, the likely size of pension pots at retirement and the level of income that members are likely to need at retirement when designing the default option; and
- The default arrangement is compliant with relevant legislation, regulation and the Trust Deed.

Other investment options

The Trustees recognise that the default arrangement will not be suitable for the needs of every member and so the Scheme also offers members a choice of 7 alternate self-select funds (which were also available for those members paying AVCs). The main objectives of these investment options are:

- To cater for the likely needs of a wider range of members;
- To cater for members looking to take different benefits at retirement than those targeted by the default arrangement;
- To offer a wider range of asset classes, levels of risk and return and different investment approaches; and
- To support members who want to take a more active part in how their savings are invested.

The last full triennial review of the other investment options was completed on 16 December 2016. Given the ambition to wind up the Scheme since 2018, the Trustees have not conducted an in depth triennial review of the other investment options but continue to monitor the performance and suitability of the investment funds on a half-yearly basis.

There were no issues with the investment options last year. The Trustees will continue to monitor the performance and appropriateness of the investment options ahead of the Scheme closure.

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3 Costs and charges

The charges and transaction costs borne by members and / or the Company for the Scheme's services are:

Service	By members	Shared	By the Company
Investment management	Yes	-	-
Administration & Communications	-	-	Yes
Governance	-	-	Yes
Investment transactions*	Yes	-	-

**with exception to the funds transitioned to the Fidelity Master Trust which were covered by Fidelity and the Company*

The presentation of the charges and costs, together with the projections of the impact of charges and costs, have taken into account the statutory guidance issued by the Department for Work and Pensions.

Charges

The charges quoted in this Statement are the funds' Total Expense Ratios ("TERs"). The TER consists of a fund's Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE"). OCEs include, for example, the fund's custodian costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day.

Transaction costs

The funds' transaction costs are in addition to the funds' TERs and can arise when:

- The fund manager buys or sells part of a fund's portfolio of assets; or
- The platform provider or fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs can include: custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes).

Transaction costs are deducted before the funds' unit prices are calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance.

The Financial Conduct Authority ("FCA") requires fund managers and providers to calculate transaction costs using the "slippage method", which compares the value of assets immediately before and after a transaction has taken place. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission).

The transaction costs shown in this statement do not include any costs members may incur from buying or selling units in the provider's funds as a result of the fund manager's fund price moving from a "bid" to "offer" basis (or vice versa).

Member-borne charges and transaction costs

The charges and transaction costs have been supplied by the Scheme's investment managers: Legal & General Investment Management, Schroders and Aegon.

The Trustees are satisfied that they have obtained full information on charges and transaction costs.

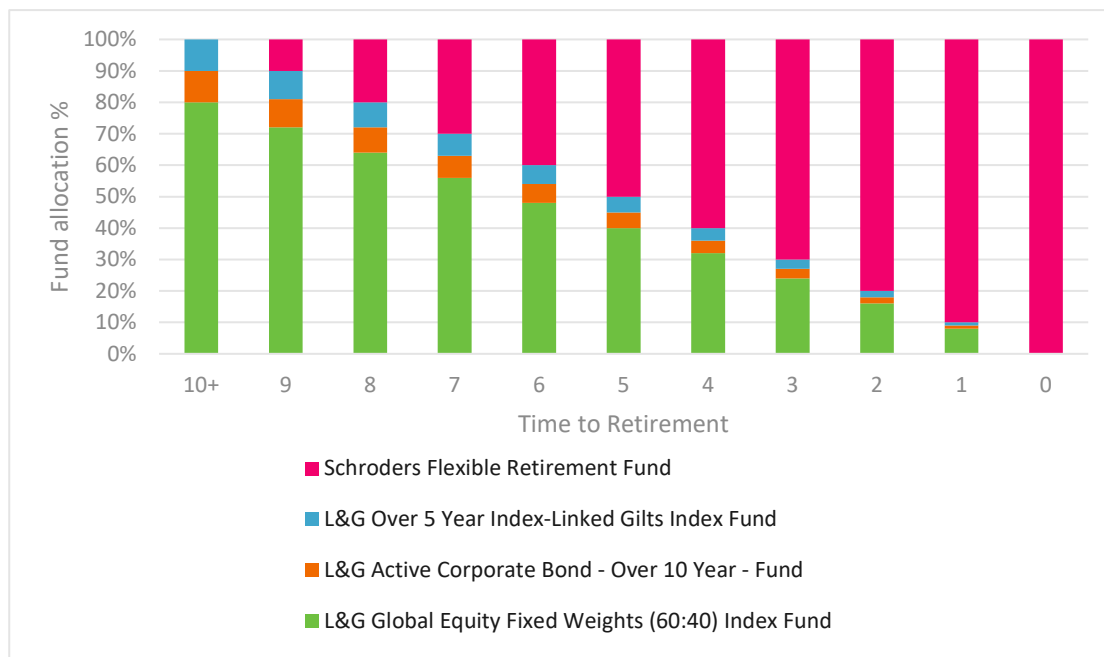
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Default arrangement charges and transaction costs

The default arrangement is a “lifestyle strategy” which invests contributions in funds according to how close members are to their selected retirement age and in which fund they are invested at that time. As a result, charges borne by each member can vary from one year to the next. The glidepath for the default arrangement is depicted below.



During the year covered by this Statement the member-borne charges for the default arrangement were in a range from 0.100% to 0.310% of the amount invested or, put another way, in a range from £1.00 to £3.10 per £1,000 invested.

The transaction costs borne by members in the default arrangement during the year were in a range from -0.015% to 0.025% of the amount invested or, put another way, from a saving of £0.15 to a cost of £0.25 per £1,000 invested.

The progression of charges over time for members in the default is:

Period to retirement	Charge	
	% p.a.	£ per £1,000
10+ years (when charges are at their lowest)	0.185%	£1.85
8 years	0.210%	£2.10
5 years	0.248%	£2.48
3 years	0.273%	£2.73
At retirement (when charges are at their highest)	0.310%	£3.10

Source: calculations from Hymans Robertson using data from LGIM and Schrodgers

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The average charge over 40 years would be 0.202% p.a.

The table in Appendix 2a gives the charges and transaction costs for each fund used by the default arrangement.

The member borne charges for the default arrangement were below the 0.75% p.a. charge cap during the year covered by this Statement.

Self-select funds charges and transaction costs

The level of charges for each self-select fund (including those used in the default arrangement) and the transaction costs over the period covered by this Statement are:

Fund	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
L&G Global Equity Fixed Weights (60:40) Index Fund	0.193%	£1.93	0.001%	£0.01
L&G Active Corporate Bond - Over 10 Year - Fund	0.211%	£2.11	-0.015%	-£0.15
L&G Over 5 Year Index-Linked Gilts Index Fund	0.100%	£1.00	0.025%	£0.25
Schroders Flexible Retirement Fund	0.310%	£3.10	0.000%	£0.00
Aegon BlackRock DC 70/30 Global Growth Fund	0.350%	£3.50	0.180%	£1.80
L&G Pre-Retirement Fund	0.151%	£1.51	0.037%	£0.37
L&G Cash Fund	0.125%	£1.25	-0.002%	-£0.02

Source: LGIM, Schroders, Aegon

The table in Appendix 2b gives more details on the charges and transaction costs for each self-select fund.

Members were previously able to pay AVCs into the same funds as those outlined in the self-select section above.

Impact of costs and charges - illustration of charges and transaction costs

The Trustees have asked the Scheme's adviser to illustrate the impact over time of the costs and charges borne by members. These illustrations show projected fund values in today's money before and after costs and charges for a typical member aged 50 up to retirement.

The tables in Appendix 3 to this Statement show these figures for:

- The default arrangement;
- the fund with the lowest annual member borne costs
- the fund with the highest annual member borne costs and highest expected risk; and
- the fund with the lowest expected risk

As an example, for a 50 year old member invested in the default arrangement, the level of charges and costs would reduce their projected pot value at retirement in today's money from £125,900 to £121,850 (a reduction of around 3%).

Appendix 3 also provides important notes of the assumptions used in calculating these illustrations. Please note that these illustrated values may not prove to be a good indication of how your own savings might grow.

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4 Value for Members

Each year, with the help of their advisers, the Trustees carry out an assessment of whether the charges and transaction costs for the default arrangement and other investment options, which are borne in full or in part by members, represent good Value for Members. Value is not simply about low cost – the Trustees also consider the quality and scope of provision compare against similar schemes and available external benchmarks.

Approach

The Trustees adopted the following approach to assessing Value for Members for the last year:

- Services – considered the investment, administration, communication services where members bear or share the costs;
- Outcomes – weighted each service according to its likely impact on outcomes for members at retirement;
- Comparison – the cost and quality of each service were compared against similar schemes and available external comparisons;
- Rating – each service was rated on the below basis.

VfM rating	Definition
Excellent	The Trustees consider the Scheme offers excellent value for members, providing services within a top 20% quality/cost range compared with typical options for similar schemes.
Good	The Trustees consider the Scheme offers good value for members, providing services at better quality/cost compared with typical options for similar schemes.
Average	The Trustees consider the Scheme offers average value for members, providing similar services at similar quality/cost compared with typical options for similar schemes.
Below average	The Trustees consider the Scheme offers below average value for members, providing similar services at higher cost or more limited services for similar cost compared with typical options for similar schemes.
Poor	The Trustees consider the Scheme offers poor value for members providing services, within the bottom 20% quality/cost range compared with typical options for similar schemes.

Results for the Year ending 5 April 2021

The Scheme gave GOOD Value for Members in the year ending 5 April 2021.

The Scheme's Value for Members was based 100% on the investment category (given this is the only area members bear the costs).

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The rationale for the rating of each service was in outline:

Service and weighting	Rating	Rationale
Investment 100%	GOOD	The Trustees remain satisfied the investment options are suitable for the Scheme's membership, particularly given the Scheme's forthcoming wind-up. Charges are significantly lower than, and transaction costs are comparable to, the average charge in the 2020 DWP pensions charge survey. Performance for all but one fund remains in line with their respective benchmarks (after fees). The Trustees and their DC investment advisor continues to monitor investment performance and suitability on a half yearly basis.

Additional Scheme benefits for DC members outside the value for members' assessment

In addition to investments, which are solely funded by Scheme members, the following services / benefits exist which are fully funded by the Company including;

- The Scheme's **management and ongoing governance** carried out by the Trustees - the Trustees provide effective, independent oversight and management of the Scheme to ensure regulatory compliance, security of assets and that members interests are considered appropriately in the Scheme;
- Quality **administration** support for the Scheme - ensuring the efficient processing of core financial transactions, good record keeping and that members' instructions are carried out within agreed service standards; and
- A range of **communications** to help inform members about their pension and the key choices available.

5 Administration

The Trustees appointed Mercer to administer the Scheme on their behalf.

The Trustees monitored core financial transactions during the year including:

- The receipt and investment of contributions (including inward transfers of funds). The Trustees note that the DC section of the Scheme has been closed to contributions since 1 April 2011;
- Switches between investment options; and
- Payments of benefits (including retirements and outward transfers of funds).

The Trustees have a service level agreement in place with Mercer, which covers the accuracy and timeliness of all core financial transactions such as:

- The investment of contributions;
- Switching investment options
- Providing quotations of benefits to members who are retiring or leaving the Scheme;
- Payments of benefits;
- Producing annual benefit statements; and
- Responding to ad hoc enquiries from members.

Mercer completed 95% of processes within their SLA.

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The Trustees understand that Mercer monitors its performance against these service levels by:

- Maintaining compliance with ISO 9001, ISO 22301 and ISO 27001;
- Monitoring daily transactions;
- Monitoring daily workflow items;
- Regular internal audits of administration procedures;
- Reviewing the level, causes and resolution of complaints

The Trustees monitored core financial transactions and administration service levels during the year by:

- Considering the reasons for and resolution of any breaches of service standards;
- Arranging reviews of data accuracy;
- Considering member feedback including any complaints.

Given the imminent closure of the Scheme, the Trustees have not conducted a detailed review of the administrator. The Trustees do, however, believe that the service levels compare favourably against other administrators and have no undue concerns.

The Scheme's administrators have confirmed to the Trustees that there are adequate internal controls to ensure that core financial transactions relating to the Scheme are processed promptly and accurately.

Overall, the Trustees are satisfied that during the year:

- Core financial transactions were generally processed accurately, promptly and efficiently;
- There have been no material administration errors in relation to processing core financial transactions; and
- The wider administration of the Scheme achieved, over the 12-month period, 95% adherence to service standards, against the target service levels of 95%.

Security of assets

The situation regarding the security of where pension contributions are invested is complex. It can vary from scheme to scheme and from fund to fund within each scheme. To-date there have only been a few instances where members of schemes such as ours have seen their benefits reduced as a result of a financial failure of a provider or fund manager.

The Trustees have reviewed the structure of the funds used within the default arrangement and other investment options. The Trustees believe that the current structures are appropriate for members when compared to other possible structures.

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6 Trustee knowledge

The Trustee is required to describe how the knowledge and understanding requirements of sections 247 and 248 of the Pensions Act 2004 have been met during the Scheme year and explain how the combined knowledge and understanding of the Trustees, together with the advice available to them, enables them to properly exercise their functions.

Section 247 and 248 of the Pensions Act 2004 require that each Trustee:

- Is conversant with the Scheme's trust deed and rules, the Scheme's SIP, and any other policy document relating to the Scheme's administration; and
- Has appropriate knowledge and understanding of pensions and trusts law as well as the funding of pension schemes and asset investment principles.

The Trustees current practices to maintain and develop their level of knowledge and understanding of matters relating to the Scheme (in accordance with sections 247 and 248 of the Pensions Act 2004) are:

- Ongoing training is provided to ensure that Trustees have a working knowledge of the Scheme's Trust Deed and Rules, the Scheme's Statement of Funding Principles and Statement of Investment Principles as well as the funding and investment concepts and principles relevant to the Scheme, policy documents in relation to administration of the Scheme and the law and legislation relating to pension schemes and trusts;
- Trustees are encouraged to undertake further study and qualifications which support their work as Trustees;
- The Trustees also receive updates from their advisers, relating to technical pensions, and legislative / regulatory, changes affecting defined contribution schemes in general;
- The Trustees have received focussed and in-depth training since Q1 2018 regarding DC transitions and Master Trusts; this was a highly relevant given the changes described earlier and ensured that the Trustees were fully aware of what was required, the considerations and ensured that they could make informed decisions throughout

The Trustees are satisfied they have the required knowledge of the Scheme documents to run the Scheme.

The Trustees, with the help of their advisers, review the Statement of Investment Principles (SIP) at least every three years. The last review of the SIP for the DC Section was carried out in September 2020. The Statement of Investment Principles for the DC Section was also last updated in September 2020.

Due to the Covid-19 pandemic, the wind-up of the Scheme has taken much longer than anticipated and has been delayed by the insurer. Therefore, no formal training was undertaken by the Board.

The Trustees have appointed suitably qualified and experienced actuaries, legal advisers, investment consultants and benefit consultants to provide advice on the operation of the Scheme in accordance with its Trust Deed and Rules, legislation and regulatory guidance.

The Trustees are happy with the advice received over the year from their advisers. Due to the imminent wind up of the Scheme, the Trustees have not formally reviewed the effectiveness of their advisors but continue to monitor their credentials and the quality of work provided on an adhoc basis.

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As a result of the advice, support and resource available to the Trustees, the Trustees are satisfied that during the last year they have:

- Taken effective steps to maintain and develop the Trustees knowledge and understanding; and
- Ensured the Trustees has had suitable advice available to them.

Therefore, the Trustees are satisfied that the combination of its knowledge and understanding together with access to suitable advice enabled them to properly exercise its duties during period covered by this Statement.

7 Our key actions and plans for the next year

In the coming year (or the earlier of the Scheme winding up), the Trustees intend to carry out the following:

- Transfer the remaining assets in the Scheme, with the view to all assets having been transitioned out of the Scheme before 5 April 2022. The Scheme will subsequently be wound up;
- Continue to regularly review funds and monitor performance;
- Communicate a summary of the results of this assessment in the Chair's Statement to inform members, which will be posted on-line; and
- Complete the annual Implementation Statement describing how they have followed the policies in the Scheme's Statement of Investment Principles over the Scheme year.

Missing information

The Trustees are satisfied that they have received all information requested from the Providers.

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Appendix 1: Statement of Investment Principles

Universal Music Group Pension Scheme (DC Section) Statement of Investment Principles – September 2020

Introduction

The Trustees of the Universal Music Group Pension Scheme (the "Scheme") have drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005 and subsequent amendments.

The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. In preparing this Statement the Trustees have consulted Universal Music Operations Limited (the "Company") on the Trustees' investment principles.

Following the bulk transfer of accrued pots to the Fidelity Master Trust in 2019, the remaining assets in the Defined Contribution (DC) Section of the Universal Music Group Pension Scheme relate to members with both defined benefit (DB) and DC benefits.

The remaining assets will either be secured with Aviva, to retain the link between the DB and DC benefits, and the transition will be effective before the end of the 2020 calendar year. The Trustee will be winding up the Scheme thereafter.

The remaining holdings invest in the default strategy and other funds in the self-select range.

No further contributions are being paid into the DC Section.

The level of pension benefit will depend on two factors:

- (i) The return on a member's accumulated fund over the period to their selected date of retirement
- (ii) The cost of turning the accumulated fund into pension benefit (i.e. cash, income drawdown or annuity purchase) at retirement.

Governance

The Trustees make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives
- Agree the level of risk consistent with meeting the objectives
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed

When making such decisions, and when appropriate, the Trustees take investment advice. The Trustees' investment consultants, Hymans Robertson, are qualified by their ability in and practical experience of financial matters and have the appropriate knowledge and experience to provide such advice.

Investment Objectives

The Trustees recognise that their ultimate objective is to best ensure that members of the Scheme are able to retire on a reasonable level of pension taking into account the contributions previously paid into their individual accounts and the timescale over which those contributions were paid. To this end, the Trustees have in place investment options that they believe will achieve maximum returns consistent with the level of security chosen by the member.

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THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 6 APRIL 2020 – 5 APRIL 2021 (CONTINUED)

Investment Strategy

The Trustees will offer a sufficient fund range to satisfy the risk and return combinations reasonable for most members.

To this end, the Trustees have in place a range of investment options that they believe will allow members to strike appropriate balances between long term needs for capital growth and shorter-term volatility of returns, especially in the period approaching retirement.

The Trustees offer a Lifestyle investment option. The Lifestyle investment option is an automated switch facility allowing members to pre-select an investment strategy, which will move their accrued funds into lower risk investments as retirement approaches.

The 10-year Lifestyle option is the default option for members who choose not to make an active investment choice.

The Trustees have selected a range of self-select funds (see Appendix) that members who do not want to follow the default lifestyle arrangement can opt into.

Investment Mandates

The Trustees have appointed Legal & General Investment Management (LGIM), BlackRock Investment Management (UK) Limited (BlackRock) and Schroder Investment Management Limited (Schroders) (the "Investment Managers") to manage the Defined Contribution assets of the Scheme. The Investment Managers are regulated under the Financial Services and Markets Act 2000. All decisions about the day-to-day management of the assets have been delegated to the Investment Managers via a written agreement, including the realisation of investments.

The details of the Defined Contribution investment arrangements are set out in the Appendix.

Conflicts of interest

The Trustees maintain a register of any conflicts of interest

In the event of an identifies conflict of interest, the Trustee will need to ensure that contributions for the default option and self-select options are invested in the sole interests of members and beneficiaries.

When appointing platform providers and choosing investment managers' funds, the Trustee will seek to establish that the platform provider and each underlying investment manager have appropriate policies in place to ensure that fund assets are being invested in the best long term financial interests of underlying investors.

Risk Management and Measurement

The Trustees are aware of and pay close attention to a range of risks inherent in investing the assets of the Scheme. The Trustees believe that the investment options offered to members provide for adequate choice and diversification both within and across different asset classes.

The Trustees recognise the risks that may arise from the lack of diversification of investments. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.

The documents governing the manager's appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.

The Trustees recognise that the use of active management involves a risk that the assets do not achieve the expected return. For this reason and to reduce management costs investments are predominantly passive. However, for corporate bonds they believe this risk may be outweighed by the potential gains from successful active management. Therefore, the Scheme offers a mixture of passive and active management which may be adjusted from time to time.

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Should there be a material change in the Scheme's circumstances, the Trustees will review whether the current risk profile remains appropriate.

Expected Return on Investments

The Trustees believe it is important to balance investment risks with the likely long term returns from different types of investment funds (taking the charges into account).

The expected returns on the principal asset classes and fund types within the DC Section are:

- Equities (i.e. company shares) – should achieve a strong positive return relative to inflation over the longer-term but tends to be the most volatile asset class over the shorter-term.
- Multi-Asset (e.g. investing in a mix of asset classes) – should deliver positive returns relative to inflation over the longer term, with lower short-term volatility than equities.
- Corporate Bonds (i.e. debt issued by companies) – should achieve a positive return relative to inflation over the longer-term which is lower than that for equities and property, but with a lower level of shorter-term volatility than equities or property.
- Fixed Interest Government Bonds (Gilts) – should deliver a positive return relative to inflation over the longer-term which is lower than that of equities, property and corporate bonds, but with a lower level of shorter-term volatility than equities, property and corporate bonds.
- Index-linked Government Bonds (Index-Linked Gilts) – should deliver a return in line with inflation over the longer-term, but with a lower level of shorter-term volatility than equities, property and corporate bonds.
- Cash (and cash-like instruments) – should deliver a positive return which may not always keep pace with inflation, (net of fees), while normally providing a minimal level of volatility and high degree (but not complete) of capital security.
- Long-dated Government Bonds (Gilts) and long-dated Corporate Bonds – values should move broadly in line with the financial factors influencing annuity rates.

The Trustees believe that both active and passive management have a place in defined contribution arrangements. Some asset classes or investment approaches (such as cash and diversified growth strategies) are only available as actively managed funds.

Types of funds used

The Trustees make available pooled funds through a direct contract with the investment managers. The Trustees have delegated the day-to-day investment decisions including the management of financially material considerations (see below) to the investment managers responsible for the various investment funds.

The Trustees expect that the fund managers will normally be able to sell assets within a reasonable timescale to meet withdrawals. There may, however, be occasions where the manager needs to impose restrictions on the timing of sales and purchases of funds in some market conditions to protect the interests of all investors in that fund. Nonetheless, the Trustees recognise that most members' pensions have a relatively long savings period, during which underlying assets which are less easily traded (such as property or infrastructure) can be managed to deliver good long-term returns while avoiding the impact of liquidity issues in the event of member withdrawals.

Overall the Trustees believe that the DC Section's investment options cater to members with varying risk and return requirements and appropriately manage the risks faced by most members.

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Corporate Governance

The Trustees wish to encourage best practice in terms of engagement and stewardship. The Trustees accept that by using pooled investment vehicles the day-to-day application of voting rights will be carried out by the investment managers. Therefore, the Trustees do not engage directly with companies in respect of its investments. However, the Trustees believe it is appropriate for the fund managers to actively engage with all key stakeholders and relevant person that can impact the financial performance of the entities they invest in – this may include corporate management, regulators, governance bodies and other interested persons about relevant matters in relation to investments. Relevant matters may include corporate behaviours, how to improve performance, considerations on capital structure and management of actual or potential conflicts of interest, and how to mitigate financial risks

However, given the wind-up of the Scheme in the short term, it may not be possible or meaningful to determine whether engagement activity will be delegated to the Trustees' investment advisers. Further details of what this monitoring would look like are outlined in the "Responsible Investment Stewardship" section of this Statement

Nevertheless, the Trustee expect the Scheme's underlying investment managers to adopt a voting policy that is in accordance with best industry practise.

Responsible Investment: Financially and non-financially material consideration

The Trustees recognise that financially material considerations, including environmental, social and governance (ESG) factors, affect risk and returns over the medium to long term but will have varying importance for different types of assets invested by the DC Section. As such these considerations take precedence in fulfilling the Trustees' primary objectives for the DC Section and translate to the development, selection, retention, realisation and monitoring of the investment options.

The Trustees would consider financially material considerations in the event they are required to make further investment decisions, but that none are anticipated to be made in the near future given the impending wind-up of the Scheme.

In passive mandates, the Trustees recognise that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal discretion to take account of factors that may be deemed to be financially material. The Trustees accept that the role of the passive manager is to deliver returns in line with the market and believe this approach is in line with the basis on which their current strategy has been set.

In active mandates, the Trustees recognise that the manager has freedom to exercise discretion as to the choice of assets held. The Trustees expect the manager to take into account all financially material factors in the selection of assets within their portfolios and to be able to demonstrate their approach when challenged.

Non-financially material factors are the views of members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the DC Section. The Trustees do not actively seek member views in reaching investment decisions – this is further justified by the wind-up of the Scheme.

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THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 6 APRIL 2020 – 5 APRIL 2021 (CONTINUED)

Responsible Investment: Stewardship

The Trustees recognise that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies.

The Trustees have adopted a policy of delegating voting decisions on stocks to their investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value.

The investment manager is expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where appropriate, the Trustees will engage with and seek further information from their investment manager on how portfolios may be affected by a particular issue.

When selecting investment managers, the Trustees' investment adviser assesses the ability of each investment manager in engaging with underlying companies in order to promote the long-term success of the investments.

When selecting, monitoring and de-selecting asset managers, engagement is factored into the decision-making process to the appropriate level for the specific asset class in question.

The Trustees do not engage directly, but believe it is sometimes appropriate for its investment manager to engage with key stakeholders, which may include corporate management, regulators and governance bodies, relating to their investments to improve corporate behaviour, performance and mitigate financial risks. The Trustees will review engagement activities undertaken by its investment manager where appropriate as part of its broader monitoring activity.

Manager incentives

Charges for each fund are determined prior to initial investment. These are based on commercial considerations and typically set on ad valorem basis.

When selecting fund, the Trustee will ask their investment advisor to consider the investment manager's fees and appropriateness of each fund's investment objectives and guidelines in relation to those fees. Ongoing assessment is carried out in the following ways:

- In accordance with the 2015 Regulations, the Trustee conduct an annual Value for Members assessment and will include peer comparisons;
- The Trustees monitor the investment managers' long term (at least 3 years) and short-term (e.g. quarterly) performance against appropriate benchmarks or targets. The investment adviser will provide a qualitative rating for each fund / manager that helps the Trustees determine whether to continue holding the fund / manager or whether to terminate the fund / manager. The Trustee and their investment adviser will place significantly more weight on the manager's long-term performance relative to benchmarks and targets – this incentivises the underlying managers to make decisions based on the longer term performance of the underlying securities that they invest in rather than focusing on shorter-term metrics. Focusing on short-term performance could also result in higher turnover, the mitigation of this risk is discussed in the next section of the Statement. The focus on longer term performance also incentivises the underlying managers to engage as shareholders and bondholders of the entities they invest in.
- The investment managers are expected to provide explanations for any significant divergence from a fund's objectives. The investment adviser will assess whether these explanations are appropriate.

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- If funds are not deemed to be providing good value, or if there is a material deviation from performance and risk targets or approach to portfolio management, the fund will be subject to review. This will involve engaging with providers and may ultimately lead to changing investment manager or changing the provider.

The Trustee believe that these steps are the most effective way of incentivising the fund managers to deliver Value for Members and investment management charges and investment performance are key considerations.

Portfolio turnover

The Trustee do not expect investment managers to take excessive short-term risk and will monitor each underlying investment manager's performance against their benchmarks and objectives on a short, medium- and long-term basis.

Whilst the Trustee expect performance to be delivered net of costs, including the cost of trading within the portfolio, the Trustee will monitor turnover costs incurred over the Scheme's reporting.

Where a fund has significantly under or outperformed its benchmark, the Trustee will seek to ascertain where necessary whether higher or lower than normal turnover has been a contributory factor. The Trustee will challenge the investment manager if there is a sudden change in portfolio turnover or if the level of turnover seems excessive relative to that manager's investment style and process.

The above process will be monitored where practicable given the impending wind-up of the Scheme.

Portfolio duration

The Trustees recognise the long-term nature of defined contribution pension investments and choose funds which are expected to deliver sustained returns over the Scheme member's investment horizons. However, the Trustee also recognise that the Scheme is winding up and so the Trustee will only carry out necessary due diligence on the underlying investment decision making processes of underlying managers to ensure the manager makes investment decisions over an appropriate time horizon aligned with the objectives within the investment strategy (where they do not conflict with the timeframe of the wind-up)

Compliance with Myners Principles

The Trustees believe that they comply with the spirit of the Myners Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principle where the Trustees believe this to be justified.

Employer Related Investments

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

Fee Structures

The Investment Managers are paid a management fee on the basis of assets under management. The investment consultant is paid on a project basis, which may be a fixed fee or based on time cost, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

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THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 6 APRIL 2020 – 5 APRIL 2021 (CONTINUED)

Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

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THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 6 APRIL 2020 – 5 APRIL 2021 (CONTINUED)

Appendix 1: Defined Contribution Investment Arrangements

Lifestyle Fund

The Universal Music Group Default Strategy invests in a range of funds during the accumulation period of the Default Lifestyle Strategy, with monies being gradually switched into bonds and cash as member retirement approaches. The accumulation period spans the time between when members join the Scheme up until 10 years from their normal retirement date when the protection period then starts.

Accumulation Period

During the accumulation period, funds are invested as follows:

Fund	Allocation
LGIM Global Equity Fixed Weights (60:40) Index Fund	80.0%
LGIM Active Corporate Bond – Over 10 Year-Fund	10.0%
LGIM Over 5 Year Index-Linked Gilt Index Fund	10.0%
Total	100.0%

The primary objective during the accumulation period is to maximise returns over the long term at an acceptable level of risk.

Protection Period

During the protection period (the 10 years leading up to normal retirement date), assets are gradually switched such that it targets a 'continued investment' approach in line with the view that the majority of the members will either take their DC benefits in a single or series of cash lump sums. At the normal retirement date, assets will be allocated to the following funds:

Fund	Asset Class	Allocation
Schroder Flexible Retirement Fund	Multi-Asset	100%
Total		100%

The Default Lifestyle Strategy has been designed to meet the perceived needs and characteristics of the majority of members.

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The table below shows how the fund allocations change when a member approaches the end of the accumulation period and during the protection period.

Lifestyle Strategy	Term to Retirement (Years)										
	11	10	9	8	7	6	5	4	3	2	1
Fund	Fund Allocations (%)										
LGIM Global Equity Fixed Weights (60:40) Index Fund	80	72	64	56	48	40	32	24	16	8	-
LGIM Active Corporate Bond – Over 10 Year-Fund	10	9	8	7	6	5	4	3	2	1	-
LGIM Over 5 Year Index-Linked Gilt Index Fund	10	9	8	7	6	5	4	3	2	1	-
Schroder Flexible Retirement Fund	-	10	20	30	40	50	60	70	80	90	100
Total	100	100	100	100	100	100	100	100	100	100	100

Self-Select Funds

The self-select funds are made available to members who want to control the decision on which individual funds to invest in over time. Members cannot combine the self-select funds with the lifestyle fund. However, members can create their own version of a lifestyle fund by using other combinations to those shown above.

The self-select funds offered are detailed below.

Asset Class (Approach)	Fund Name
Equities (active)	Aegon BlackRock DC 70:30 Global Growth
Equities (passive)	LGIM Global Equity Fixed Weights (60:40) Index Fund
Multi-Asset (active)	Schroder Flexible Retirement Fund
Fixed Interest Bonds (passive)	LGIM Pre-Retirement Fund
Corporate Bonds (active)	LGIM Active Corporate Bond – Over 10 Year Fund
Index-Linked Gilts (passive)	LGIM Over 5 Year Index-Linked Gilt Index Fund
Cash (passive)	LGIM Cash Fund

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Appendix 2: Table of funds and charges

2a Default arrangement

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the default arrangement were:

Fund	ISIN *	Charges **		Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
L&G Global Equity Fixed Weights (60:40) Index Fund	n/a	0.193%	£1.93	0.001%	£0.01
L&G Active Corporate Bond - Over 10 Year - Fund	n/a	0.211%	£2.11	-0.015%	-£0.15
L&G Over 5 Year Index-Linked Gilts Index Fund	n/a	0.100%	£1.00	0.025%	£0.25
Schroders Flexible Retirement Fund	GB00B7ZZBL55	0.310%	£3.10	0.000%	£0.00

Source: LGIM, Schroders

2b Self-select funds outside the default arrangement

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year for the self-select funds were:

Fund	ISIN *	Charges **		Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
L&G Global Equity Fixed Weights (60:40) Index Fund	n/a	0.193%	£1.93	0.001%	£0.01
L&G Active Corporate Bond - Over 10 Year - Fund	n/a	0.211%	£2.11	-0.015%	-£0.15
L&G Over 5 Year Index-Linked Gilts Index Fund	n/a	0.100%	£1.00	0.025%	£0.25
Schroders Flexible Retirement Fund	GB00B7ZZBL55	0.310%	£3.10	0.000%	£0.00
Aegon BlackRock DC 70/30 Global Growth Fund	GB0005928865	0.350%	£3.50	0.180%	£1.80
L&G Pre-Retirement Fund	n/a	0.151%	£1.51	0.037%	£0.37
L&G Cash Fund	n/a	0.125%	£1.25	-0.002%	-£0.02

Source: LGIM, Schroders, Aegon

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2c Additional Voluntary Contributions for members in the defined benefit section

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year for the AVC funds were:

Fund	ISIN *	Charges **		Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
L&G Global Equity Fixed Weights (60:40) Index Fund	n/a	0.193%	£1.93	0.001%	£0.01
L&G Active Corporate Bond - Over 10 Year - Fund	n/a	0.211%	£2.11	-0.015%	-£0.15
L&G Over 5 Year Index-Linked Gilts Index Fund	n/a	0.100%	£1.00	0.025%	£0.25
Schroders Flexible Retirement Fund	GB00B7ZZBL55	0.310%	£3.10	0.000%	£0.00
Aegon BlackRock DC 70/30 Global Growth Fund	GB0005928865	0.350%	£3.50	0.180%	£1.80
L&G Pre-Retirement Fund	n/a	0.151%	£1.51	0.037%	£0.37
L&G Cash Fund	n/a	0.125%	£1.25	-0.002%	-£0.02

Source: LGIM, Schroders, Aegon

* ISIN = the International Securities Identification Number unique to each fund.

Legal and General Investment Management (L&G) do not apply for ISIN numbers for their funds. They have provided the following explanation: "PMC investment funds are provided through an insurance policy and there is no UK statutory or regulatory requirement for us to register our funds. Our PMC Pooled Funds are managed internally and are not listed on any publicly traded exchange. Therefore, unique identifiers (e.g. ISINs/ SEDOL codes) for these funds do not exist."

** Charge = the funds' Total Expense Ratio ("TER"), which includes the funds' Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE").

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Appendix 3: Tables illustrating the impact of charges and costs

The following tables show the potential impact of the costs and charges borne by an average member (age 50) on projected values in today's money at several times up to retirement for a selection of funds. The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

3a For the default arrangement

Member age 50

Years to retirement	Before costs and charges £	After costs and charges are taken £
At retirement (age 65)	£125,900	£121,850
1	£126,900	£123,190
3	£128,210	£125,140
5	£128,570	£126,120
10	£125,360	£124,240
15	£120,000	£120,000

Source: Hymans Robertson using LGIM and Schroders costs and charges

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3b For a selection of the self select funds

Member age 50

Years to retirement	L&G Over 5 Year Index-Linked Gilts Index Fund (Fund with the lowest charges)		Aegon BlackRock DC 70/30 Global Growth Fund (High Risk Fund and Fund with the highest charges)		L&G Cash Fund (Low Risk Fund)	
	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £
At retirement (age 65)	£89,290	£87,580	£172,250	£159,660	£89,290	£87,710
1	£91,070	£89,430	£168,150	£156,650	£91,070	£89,560
3	£94,730	£93,270	£160,240	£150,800	£94,730	£93,380
5	£98,540	£97,270	£152,700	£145,160	£98,540	£97,370
10	£108,740	£108,040	£135,370	£131,980	£108,740	£108,090
15	£120,000	£120,000	£120,000	£120,000	£120,000	£120,000

Source: Hymans Robertson using LGIM and Aegon costs and charges

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Assumptions

The assumptions used in these calculations were:

- Average member is assumed to be age 50;
- The opening DC pot size is £120,000, in line with the average pot size of the remaining membership;
- No contributions are payable into the Scheme;
- An assumed inflation rate of 2.5% p.a.;
- The investment return allowing for inflation for each fund above was:

Fund	Return % p.a.
L&G Global Equity Fixed Weights (60:40) Index Fund	4.0%
L&G Active Corporate Bond – Over 10 Year – Fund	1.5%
L&G Over 5 Year Index-Linked Gilts Index Fund	0.5%
Schroders Flexible Retirement Fund	1.5%
Aegon BlackRock 70/30 Global Growth Fund	5.0%
L&G Cash Fund	0.5%

- The rate of increase in costs and charges is 0% p.a.;
- The assumptions as used in the Statutory Money Purchase Illustrations included with members' benefit statements have otherwise been used.

Please note that these illustrated values:

- Are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- The assumptions used may differ in the future to reflect changes in regulatory requirements or investment conditions;
- Will be affected by future, and as yet unknown, changes to the Scheme's investment options;
- Are not guaranteed;
- Depend upon how far members in the default lifestyle option are from retirement as the funds used change over time;
- May not prove to be a good indication of how your own savings might grow;
- Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.