
VIRGIN MEDIA LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Stakeholder Interaction - Section 172(1) Statement

We understand the importance of regular constructive two-way discussions with our stakeholders on how we create value and the delivery of our strategy and success. This is balanced against the needs of the business as we face industry-wide and macroeconomic challenges.

This statement explains how the Board has acted in good faith in the interest of the shareholders, whilst having regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006. This includes our obligation to have regard to the long-term sustainability and our stakeholders when taking principal decisions of strategic importance which are significant to any of our key stakeholders.

In discharging our responsibilities a governance framework has been put in place which includes procedures to support the assessment of those matters necessary for us to make informed decisions in our delivery of the long-term success and sustainability of the Company and the Group as a whole.

The Company's key stakeholders are integral to the key stakeholders of the operating businesses in the Group. For administrative efficiencies, key stakeholder engagements are conducted at operational level led by members of the Executive Management Team as Executive Sponsors which also include the directors (Executives).

Some examples of how we considered matters of concern to our key stakeholders including the outcomes are detailed below:

Customers

Our customer base comprises of both consumer and business customers. Customer satisfaction is essential to our long-term success and putting our customers first is, and will always be, a foundational strategic priority for the organisation. Our large customer bases have broad needs and expectations, and the business remains increasingly focused on meeting and exceeding as many of them as possible as the household economic outlook continues to prove challenging.

Topic	How we engage and monitor	Outcomes
Championing and prioritising Customer Fairness.	<p>How we engage: We stay as close to our customers through an extensive primary insight calendar, ensuring we understand and meet their needs, by: Continually interacting with all customer types with different product holdings, at different lifecycle stages. Customer focus groups; to identify customer pain-points and make improvements.</p> <p>How we monitor: Analyse customer journeys through customer journey measurement framework. Customer insight from NPS, Social Media communities. Customer segmentation embedded across the organisation.</p>	<p>Free connectivity to people experiencing data poverty via the National Databank. We have committed over 60 million GB of O2 data to it and people can be given a free O2 Prepaid sim card and up to 12 months of vouchers that provide 20GB a month of data, free calls and free texts.</p> <p>Financial support (discount or change of tariff to lower cost to help the stay connected) to any customer who inform us of the financial struggles.</p>

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People

Our people are core to the continuing success of our business and the wellbeing of our people is important to us. Further details of our People strategy can be found in the Our Employees section on page 4.

Topics	How we engage and monitor	Outcomes
Integrating as one team. Employee retention and commitment. Diversity, Equity and Inclusion. Wellbeing.	How we engage: Quarterly live streams lead by the CEO and the Executives including Questions and Answers session. Workplace, an interactive social platform two-way communication. Executives tour across the country and corporate sites. The focus was to have a dialogue on the cost-of-living with employees. How we monitor: Pulse surveys with a wide range of questions to understand the views and perceptions of employees.	Harmonised DE&I strategy “All in” focused on increasing DE&I awareness across the business. A family friend policy. One-off cost of living support package for employees earning £35,000 and below.

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Suppliers

We rely on a number of partners for important aspects of our operations, in particular the provision of products and services to our customers. The Board and Executives recognise that effective management of suppliers is important to the business reputation and long-term success of the company.

We take a zero-tolerance approach to modern slavery and human trafficking in our operations. During the year, we have undertaken modern slavery risk management reviews with high-risk suppliers: our annual Modern Slavery statement details our due diligence activities on this issue. Details of our Modern Slavery Statement can be found <https://news.virginmediaio2.co.uk>.

Topics	How we engage and monitor	Outcomes
Supply continuity and protecting service quality against a volatile geopolitical background.	How we engage: Dialogue with selected suppliers to understand any exposure and impacts of the pandemic and the Ukraine conflict on their ability to deliver services to us and how any impact would be managed.	We shared our ESG goals and the strategy expectation with our suppliers.
Alignment with our ESG strategy, decarbonisation goals and our supply chain sustainability standards.	How we monitor: Vendor Management Programmes with dedicated relationship leads.	Integrated ESG goals into our procurement process and established and implemented carbon reduction programmes for significant supply chain emission sources both at a product and supplier level.
Regulatory compliance, in particular Telecoms Security Act.	Formal reviews. Suppliers samples: to understand and address any gaps that may exist about the requirements of the Telecoms Security Act.	Despite an unusual year of disruptive events impacting the supply chain we have been able to successfully work with our supplier partners to adapt and have maintained supply and customers service quality.

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Our Risk**Risk Management**

Our approach is to support the business to identify and realise opportunities which deliver value creation and preservation, to aid our employees to effectively manage risks, and ultimately to help improve the Company and Group's position. Risk is managed at the Group level and the entities adopt the Risk Management framework. Risk management helps us to strike the optimal balance of how much uncertainty to accept whilst seeking value generation for all our stakeholders by:

- a. Aiding alignment of risk appetite and strategy
- b. Enhancing risk response decisions
- c. Reducing operational surprises and losses
- d. Identifying and managing multiple and cross-enterprise risks
- e. Helping seize opportunities
- f. Improving deployment of capital

There are operational thresholds in place to escalate and drive enhanced oversight of risks in accordance with the risk appetite of each business area.

Governance and Reporting

Our risk management model is aligned to both Committee of Sponsoring Organizations of the Treadway Commission (COSO) and ISO31000 guidelines and is integrated into the management of our strategy, objectives, operations, and transformational activities. Additionally, executive management has established a culture of accountability for risk, embedding risk management into the responsibilities of all employees. Our risk governance model enables aligned risk oversight across operational divisions, delivering an enterprise-level view to senior management with focus on significant and emerging risks facing the business.

For administrative efficiency the oversight of risk management is overseen at group level with the Virgin Media O2 Board having overall oversight of the Group's Risk Management program adopted by the Company.

This responsibility has been delegated to the Audit Committee, which performs the following Risk Management oversight functions:

- a. Ensures that management has established an appropriate risk management program
- b. Obtains periodic updates relevant risks included in the Company's risks register
- c. Obtains periodic updates from management (at least twice annually) to review the adequacy of mitigation plans to address key risks in the underlying risk register
- d. Reports to the Board significant risks that are either not sufficiently mitigated or where mitigation plans have not been executed on a timely basis

Risks are housed in the risk register and categorised into three profiles to ensure appropriate oversight and proportionate focus on risks in accordance with the risk appetite of each business area. The risk profiles are based on the likelihood of their occurrence and the potential impact on the Company and Group. Controls and action plans to mitigate the risks are also tagged to the risks and monitored. The Priority risks are reported quarterly to shareholders via the Audit Committee and to the Executive Management Team quarterly; the Enhanced Oversight risks are reviewed by the Wider Leadership teams at agreed frequencies; Locally Managed risks have local proportionate oversight by the accountable business area with escalation as appropriate.

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Principal risks and Uncertainties

All risks in our framework are linked to one of 10 principal risk categories, through which all risks are linked, reported, and managed. These categories and our enterprise-wide approach collectively ensure we undertake aligned micro- and macro-analysis of our business, the external environments, and the markets in which we operate to identify and manage applicable risks. This enables management to effectively direct their focus to material risks, helping us to deliver our purpose of Reimagining Connectivity, live our values of Brave, Real, Together, and fulfil our mission of Upgrading the UK.

Our risks

The section below details our Risk Categories, example risks, and how we are monitoring and managing them. Respective context of specific risks and how we are monitoring and managing them is provided:

Principal Risk Categories	Why this is important and what we consider	How we manage it	Year-on-Year Trend	Example risks in this category
Financial	<p>Why this is important: Planning for and managing adverse movements in financial variables, so that we continue to meet our financial commitments.</p> <p>What we consider:</p> <ul style="list-style-type: none"> a. The economic environment and financial market conditions regarding Interest rates, inflation, foreign exchange rates, taxes and access to capital markets. b. Asset impairment. c. Counterparty risk. d. Changes in and compliance with accounting standards. e. Our pension schemes and related funding commitments. f. Our cash generation, liquidity, ability to pay dividends, and ability to refinance debt. g. Creating sustainable value for stakeholders. 	<ul style="list-style-type: none"> a. Regularly reviewing actual and forecast cash flow performance. b. Performing regular viability assessments and conducting scenario analyses. c. Shareholders agreement for Treasury Services agrees shareholder responsibilities for management of capital markets activity which includes lender relationship management. d. Undertaking treasury risk management processes with Executive committee and Audit committee oversight. e. Hedging and buying forward energy to limit our exposures. 	<p>Increased: Due to rise in cost of energy, inflationary pressures, and potential increased financing costs.</p>	<ul style="list-style-type: none"> a. Various Treasury-related risks due to current financial variables and the structure of our financial vehicles. b. Increased energy cost exposures. c. Increased pensions funding risk caused by current economic factors. <p>Emerging risks:</p> <ul style="list-style-type: none"> a. Shifting economic policies from governments, financial conditions and capital markets may present new or increased risk exposures over the coming months.

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Transformational	<p>Why this is important: Successful design and delivery of change programmes is key for our business given the ever-evolving market we operate in. The execution of our transformation will realise the anticipated strategic and commercial benefits. This is in addition to our continuous operational improvement as we deliver a customer-first mentality, efficiencies, and Compliance by design.</p> <p>What we consider:</p> <ul style="list-style-type: none"> a. Design and delivery of our customer-first mentality and ever improving customer experience. b. Prioritisation of transformational activities as we deliver our strategy and value creation for our stakeholders. c. Synergy and efficiency opportunities in our operations. d. Compliance by Design. e. Resilience, security and capacity across our operations and systems and their timely modernisation. 	<ul style="list-style-type: none"> a. Prioritisation of change programmes, including a review of risk, through our Investment Committee. b. Robust governance: change programmes are regularly reviewed by the senior leadership team and EMT at steering committees. c. Monthly tracking of OKRs and KPIs impacted by transformation. d. Post-implementation reviews to understand impact and ensure lessons are documented for future transformation. 	<p>Stable: Following the merger we initiated integration plans, including our own transformation, for which its delivery has continued through the year.</p>	<ul style="list-style-type: none"> a. Transformational delays causing impacts to our integration, synergy or commercial goals. b. Significant operational and customer disruption caused by a failed/delayed launch. <p>Emerging risks: The speed and complexity of change across the Telecoms market and related technologies, combined with the scale, costs and time to respond and deliver our own change initiatives will continue to present new and evolving risks in this space.</p>
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Security and Privacy	<p>Why this is important: When Virgin Media O2 customers use our products and services, they expect and trust that the information they share is suitably used and protected. We appreciate and respect this at Virgin Media O2 and reflect this in our data governance and security practices. Virgin Media O2 must be able to provide services, prevent the loss of data to ensure consumer information remains confidential, system integrity is maintained and personal data is available to each consumer.</p> <p>What we consider:</p> <ul style="list-style-type: none"> a. General Data Protection Regulation (GDPR) and other applicable regulations. b. Codes of practice and guidance published by the Information Commissioner's Office. c. The ever-evolving security landscape, security threats and our security posture. d. New business initiatives and the associated potential security risk implications. 	<ul style="list-style-type: none"> a. Our Security function ensures our data is protected from external and internal threats: i. Our Security risk approach defines the security specific risk management requirements, security risk appetite, security risk ownership model and risk categorisation. ii. Enhanced the security risk reporting to generate business discussions on the security risk profile at Security Council meetings. b. Our Digital Security function performs security architecture and engineering; performs posture management; delivers security products; and advises on digital risks, controls, and compliance; enabling us to accelerate growth securely as we digitalise our business and customer channels. c. Our Data Protection Office advises across the business on our privacy obligations and monitors compliance. d. Our Digital Privacy Management function verifies our use of data complies with our obligations and internal policies. e. Our internal audit team and external advisors assess the effectiveness of our programs and controls. 	<p>Stable:</p> <p>We continue to adapt our privacy practices and security posture to manage and protect customer's data which has resulted in a stable risk exposure trend over 2022.</p>	<ul style="list-style-type: none"> a. A direct or indirect data breach. b. Unintentional non-compliance with associated regulations (see Legal, Regulatory and Compliance section). <p>Emerging risks:</p> <ul style="list-style-type: none"> a. Security threats due to geopolitical activities.
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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Legal, Regulatory and Compliance	<p>Why this is important: We are subject to many different regulations and all applicable laws in order to deliver positive customer journeys and outcomes. Additionally, in going about providing our products and services we have contractual and Intellectual Property obligations to adhere to.</p> <p>What we consider:</p> <ul style="list-style-type: none"> a. Current applicable laws and regulations relating to our market, customers, technology, people, and divisions b. Emerging and evolving laws and regulations c. Contractual performance and litigation 	<ul style="list-style-type: none"> a. We continue to work with our regulators on compliance with regulations, laws, corporate governance obligations and to protect Virgin Media O2 from penalties, sanctions and loss of licenses. b. We contribute to consultations by Government and our regulators to influence the direction and content of legislation and regulation as it is developed. c. An internal team of lawyers, supported by external legal counsel, drafts contracts to protect the Company and Group, including actively negotiating terms and securing the right protections for the business. d. Litigation and contractual disputes are managed by an internal team of lawyers who protect the Company and Group's assets and interests and limits exposure to risk and liability. Specialist external resource is also used where required. e. We require employees to take regular compliance training, whether through electronic training modules or bespoke training requirements, as appropriate. 	<p>Stable: No material changes in regulatory position.</p>	<ul style="list-style-type: none"> a. Unintentional non-compliance with a U.K. Telecoms regulation or applicable piece of legislation. b. Litigation risks arising from contractual relationships with third parties. <p>Emerging risks:</p> <ul style="list-style-type: none"> a. Telecoms Security Regulations: We are working closely with regulator to define the basis for compliance with new regulations made under the Telecoms Security Act 2021.
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Market Dynamics	<p>Why this is important: The U.K. Telecoms sector remains a highly competitive environment with many factors driving change. It is therefore key that Virgin Media O2 suitably adapts its strategy, brand and offerings to remain relevant and competitive considering these ever-changing variables.</p> <p>What we consider:</p> <ul style="list-style-type: none"> a. Emerging technologies b. Economic environment c. Competitor activity and positioning (such as pricing, speed and convergence) d. Customer behaviours and preferences e. Our business model, unique assets and capabilities 	<p>In a competitive and fast-changing operating environment, having a clear strategy is key to ensuring the organisation remains focused on the most important activities.</p> <ul style="list-style-type: none"> a. Our corporate and business Strategy teams monitor risk from competitors' evolving strategies. 'State of the sector' report produced quarterly and shared with our EMT. b. Robust governance with regular JV board, Audit Committee, EMT and Senior Leadership Team steering committees on strategic topics. c. Monthly tracking of OKRs to measure and report against strategy execution d. Sales and marketing teams monitor and report on competitor trading and campaign activity reporting back to the EMT. e. Insight teams track and report on changing customer attitudes and behaviours. 	<p>Increased: Possible further consolidation of the U.K. Telecoms sector presents new uncertainty.</p>	<ul style="list-style-type: none"> a. Reduced demand on certain TV propositions due to IP-TV competition. b. Risk of competitor inorganic activity due to mergers and acquisitions in the Telecoms market. <p>Emerging risks:</p> <ul style="list-style-type: none"> a. The current inflationary environment which has led to an increased cost of living presents new and exacerbates existing Market Dynamics risks.
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Supply Chain	<p>Why this is important:</p> <ol style="list-style-type: none"> 1. We rely on our partners for important aspects of our operations, in particular the provision of products and services to our customers. Like most large operators our delivery is underpinned by a global supply chain. 2. To deliver customer value and a great customer experience we must carefully manage our supply chain across many elements including quality, risk, and sustainability. <p>What we consider:</p> <ol style="list-style-type: none"> a. The capability of suppliers to deliver the products and services we need and the value they bring to our business and our customers. b. How well suppliers uphold our business values and align with our ESG goals. c. The risk inherent in trading with specific suppliers. 	<ol style="list-style-type: none"> a. We contractually commit suppliers to our supplier code of conduct, with defined sustainability requirements and integrated ESG goals. b. We use Vendor Management Programmes, including risk-based due diligence and monitoring of financial stability. c. We run formal business continuity forums to track, understand and manage the impact of the Ukraine conflict. d. We run Modern Slavery Risk management reviews with suppliers operating in at risk sectors. e. We work with our shareholders to gain Supply Chain intelligence and expertise. f. We engaged with a sample group of suppliers to understand and address any gaps that may exist with regards to the requirements of the Telecoms Security Act. 	<p>Increased:</p> <p>Over the course of this year we have seen post-pandemic, geopolitical and economic factors each present new or increased Supply Chain risk.</p>	<ol style="list-style-type: none"> a. Supply disruption for example silicon and microchips. b. Supplier shortage and reliance. c. Supplier resilience concerns (financial and operational). <p>Emerging risks:</p> <ol style="list-style-type: none"> a. Energy supply over the winter continues to be an evolving variable. b. Ukraine war potentially causing supply chain disruptions, rising costs, and materials and equipment shortages.
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Economic and Political	<p>Why this is important: Economic and political factors present a dynamic set of challenges and risks for us to consider. We are resilient but not immune to negative changes in the economic environment or political activities with the potential to disrupt the U.K. Telecoms sector.</p> <p>What we consider:</p> <p>a. Changes to the legislative and policy environment driven by the government and economic motivations that impacts areas in which Virgin Media O2 and its supply chain operates.</p> <p>b. Changes in the global and U.K. economy and financial markets such as: inflation; economic growth or recession; increased cost of living; pressure on labour market (for example supply of network engineers); interest rates and energy costs.</p>	<p>We are actively monitoring the evolving economic and political environments to determine how they could impact our operations and performance:</p> <p>a. We pro-actively engage the respective government departments and parliament to understand the political and policy environment.</p> <p>b. We provide input into the respective consultation and draft legislation including supporting evidence to support our position.</p> <p>c. Individual divisions consider the specific economic drivers affecting their areas and adjust their risks, budgetary commitments, and forecasting as required.</p>	<p>Increased: We have seen new and increased risk exposures in 2022 as a direct and indirect result of political and economic root causes in the national and international environments.</p>	<p>a. Economic factors affecting customers appetite for either our products and services.</p> <p>b. Political factors affecting U.K. energy supply, in-turn affecting our network service continuity.</p>
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ESG	<p>Why this is important: Our principal ESG risk is Climate Change. For details regarding ESG risks associated with our Supply Chain and People, see separate entries in this table.</p> <p>We are collectively facing a climate emergency: Earth is warming at an unprecedented rate and the effects are already being felt across the globe. We know that climate change has the potential to impact our business over the short, medium and long-term and have taken steps to understand the possible impacts and consequences of both physical and transitional climate-related risks, as well as considering any climate-related opportunities that may arise for our business. Assessing the likelihood and impact of a range of risks, and integrating them into how we plan and make decisions, helps us future proof our business.</p> <p>What we consider:</p> <ul style="list-style-type: none"> a. Climate-related regulation. b. Extreme weather events impacting service and infrastructure. 	<p>Virgin Media O2 is committed to achieving net zero carbon emissions across its entire value chain by 2040. In addition, we're helping the U.K. to transition to net zero faster – empowering our customers and the U.K. to avoid 20 million tonnes of carbon entering Earth's atmosphere through our products and services.</p> <p>We have worked with best practice expert organisations such as The Carbon Trust, the Science-Based Target Initiative and The Climate Pledge to ensure our actions are aligned with the latest climate science.</p>	<p>Increased: Due to increased extreme weather events in the U.K. and the effect on our infrastructure and operations.</p>	<ul style="list-style-type: none"> a. Risk to Virgin Media O2 assets, offerings, and supply chain due to climate change. b. For further details relating to physical and transitional climate-related risks, please refer to the Taskforce on Climate-Related Financial Disclosure statement in this report.
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People	<p>Why this is important: We are brave, real and together we are reimagining how we attract, develop and excite an inclusive, empowered and high performing Teams. Maintaining and increasing the skills our people are developing is a critical enabler in achieving our medium and long-term growth plan in a sustainable way across our Work, Workforce and Workplace. We aim to attract, retain, train, and inspire our People.</p> <p>What we consider:</p> <ul style="list-style-type: none"> • Hiring needs of the business (including succession planning). • Training needs. • Providing competitive benefits to our people. • The diversity of our workforce including equal opportunities. • Greater workplace trends, including benefits and pay. • Employment legislation. 	<p>We manage our growth plan via our People Strategy:</p> <p>Work: Re-designing the work and job architecture and enable the future operating model through implementing the required changes.</p> <p>Workforce: Build and nurture adaptability, innovation and tenacity in our workforce and grow the next generation of leaders.</p> <p>Workplace: Enable a high-performance culture and facilitate innovation, inclusion, and productivity through the alignment of physical and digital workplaces to embody our new ways of working.</p>	<p>Stable: The emerging risks have not increased in risk through the year. despite recent a squeezed labour supply and inflationary pressures on the cost of living and therefore wages.</p>	<p>Emerging risks:</p> <p>a. Increased salaries due to inflationary pressures.</p> <p>b. Decreased productivity due to the loss of talent, smaller pool of skilled people and challenge to attract the level of talent required in order to maximise productivity.</p>
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Technology	<p>Why this is important: Customers have an ever increasing demand for our services and products and our technology underpins their experiences. In order to continue to improve our customers experience it is key our offering, networks and systems keep pace with demand and expectations to deliver a high quality of customer experience.</p> <p>What we consider:</p> <ol style="list-style-type: none"> Aging technologies Technology maintenance Technology protection, including security Capacity Technology evolution 	<ul style="list-style-type: none"> We have an annual targeted programme of technology refresh to address obsolescence and any associated or developing security risks. We have a number of ongoing projects, focusing on resilience, obsolescence, replacement, and transformation, that improved our network and services for customers. Our Digital Technology and Security functions design and build secure digital platforms that are optimised to meeting the needs of our customers. 	<p>Stable: Alongside our rollout we have continued to invest in our future capability, innovation and improving our capacity, continuity, and resilience.</p>	<p>Service impact due to:</p> <ol style="list-style-type: none"> Capacity constraints Components nearing end of life and support Recovery of system(s) and network element (s) is incomplete in the event of a disaster <p>Emerging risks: (N/A)</p>
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This report was approved by the board on and signed on its behalf by:



E Medina Malo
Director

Date: 22 June 2023