

# **EDS Retirement Plan**

## **Statement of Investment Principles – April 2024**

### **1. Introduction**

- 1.1 This is the Statement of Investment Principles for the EDS Retirement Plan (the “Plan”) made by DXC UK Trustee Limited (the “Trustee”), in accordance with section 35 of the Pensions Act 1995 (“the Act”), and subsequent legislation. It is subject to review by the Trustee at least once a year and more frequently as required, and in particular following formal actuarial valuations and investment strategy reviews.
- 1.2 In preparing this Statement the Trustee has consulted with both the principal employer to the Plan (the Sponsor, EntServ UK Limited) and its ultimate parent Company (DXC Technology) and has taken written advice from the Plan’s investment advisers.
- 1.3 The Trustee has established an Investment Committee (“the Investment Committee”), a delegated committee of the Trustee, which has a remit to assist the Trustee in determining and monitoring how the Plan’s assets are invested. Further details of the delegated powers of the Investment Committee are set out in the document “Investment Committee Terms of Reference”.

### **2. Objective**

- 2.1 The primary objective of the Plan is to provide, on a defined benefits basis, pension and lump sum benefits for members on their retirement, or benefits on death, before or after retirement, for their dependants. There are also defined contribution (DC) benefits arising from member and employer payments of Additional Voluntary Contributions (AVCs).

### **3. Investment Strategy**

- 3.1 The Trustee has agreed a Journey Plan for the Plan, taking into account an Integrated Risk Management (“IRM”) framework, having taken advice from its covenant, actuarial and investment advisers.

Underpinning the Journey Plan is the objective of ultimately removing all sponsor reliance by 2027. The investment strategy under the Journey Plan is targeting achieving a full buy-in by the end of 2027 (if not before). The investments include Return-Seeking assets alongside Protection assets (credit exposure and liability hedging) to deliver returns over this period in a risk-controlled way relative to how insurers would typically price buy-in contracts. The illiquid Return-Seeking assets are in the process of being liquidated and the proceeds are to be invested in more liquid alternatives to provide flexibility should the funding gap to a buy-in reduce.

- 3.2 The following table sets out the target investment strategy, the tolerance range around the target investment strategy and the liability hedging policy:

<b>Asset Allocation</b>	<b>2024</b>	<b>Return-Seeking/Protection</b>
<b>Illiquid and Restricted Liquidity Assets</b>	3.0% - 10.0%	Return-Seeking
<b>Liquid Return-Seeking Assets</b>	0% - 20.0%*	Return-Seeking
<b>Investment Grade Credit (physical or credit derivatives backed by gilts/cash also used for LDI)</b>	50% - 70%	Protection
<b>LDI / Cash (up to 10% of this will support structured equity)</b>	20.0% - 45.0%*	Protection
<b>Total</b>	<b>100.0%</b>	

\*Allocation will be built up over time as the Illiquid and Restricted Liquidity assets are redeemed. The proceeds will be invested in Liquid Return-Seeking assets and LDI/Cash. Illiquid and Restricted Liquidity assets include private equity, property, secured finance and opportunistic credit, all of which are being sold down over time.

Interest rate hedging target	c.100% of estimated solvency liabilities (composition of hedging considered from all relevant assets)
------------------------------	--

Inflation hedging target	c.100% of estimated solvency liabilities (composition of hedging considered from all relevant assets)
--------------------------	--

3.3 All aspects of the Plan's investment strategy will be kept under regular review by the Trustee.

3.4 To achieve its objectives, the Trustee has agreed the following:

i. **Choosing Investments**

The Trustee has appointed a number of investment managers (the "Managers") to manage the assets of the Plan. All Managers have been appointed in accordance with the requirements of Section 47 of the Pensions Act 1995. Managers are required to have regard to the need for diversification of investments.

After seeking appropriate investment advice, the Trustee has given each manager specific directions as to their respective investment benchmark, objectives and management guidelines, but the choice of individual investments has been delegated to the managers. In appointing several investment managers, the Trustee has considered the risk of underperformance of any single investment manager.

In adopting the above approach, the Trustee is satisfied that the investments of the Plan are suitably diversified as regards to sources of deficit risk, asset class, managers, geographic spread and the number of securities held.

ii. **Kinds of investment to be held**

The Plan may invest in quoted and unquoted securities of UK and overseas markets including equities, conventional and index-linked Government bonds, corporate bonds, hedge funds, property, gold, commodities, cash and pooled funds. Where permitted, under their investment guidelines, the investment managers may invest in derivatives including futures, swaps, and options for the purposes of efficient portfolio management, and gaining market exposure. The Trustee considers all these classes of investment to be suitable in the circumstances of the Plan.

iii. **Balance between different kinds of investments**

The investment managers hold a mix of investments, which reflects their views, relative to their respective benchmarks. Within any major market an investment manager is required to maintain a diversified portfolio of securities through direct investment or pooled vehicles.

iv. **Tactical Decision Taking**

The Trustee has the flexibility to take short-term tactical decisions from an investment strategy perspective, where it believes that there is a reasonable case to do so, having taken into account suitable investment advice and an IRM framework

The Trustee regularly monitors if any asset rebalancing action should be undertaken.

The Trustee believes that structured equity strategies can be appropriately used for risk management purposes.

v. **Risk**

In determining the Plan's long-term investment strategy, the Trustee regularly assesses the level of potential deficit risk relative to the liabilities, and the likelihood of the expected investment returns being achieved.

The Trustee recognises that the Plan is exposed to various investment risks including equity market risk, inflation risk, interest rate risk, currency risk, credit risk, illiquidity risk and manager risk. These risks introduce a degree of volatility which may mean that, in the short term, the actual return could be significantly above or below the evolving long-term target.

The Plan is also exposed to non-investment risks, including risk of the Sponsor covenant weakening, longevity risk and operational risk.

vi. **Expected return on investments**

The expected return on investments will be in line with the target investment strategy, as set out above.

vii. **Realisation of investments**

The Trustee regularly reviews the liquidity of the Plan's assets to ensure that it has sufficient cash available to meet outgoings as they fall due. The Trustee is comfortable in taking a modest degree of liquidity risk in the investment strategy where assets are expected to generate relatively secure income to help meet cash-flow requirements.

viii. **ESG, Stewardship and Climate Change**

The Trustee believes that good stewardship and environmental, social and governance ("ESG") factors may have a material impact on investment returns, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, including climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee's policy is that it has given appointed investment managers full discretion when evaluating ESG issues, including climate change, and in exercising voting rights and stewardship obligations attached to the Plan's relevant investments.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes when appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and engagement with managers on their ESG policies and integration into investment processes are raised.

The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in the future.

The Trustee does not explicitly consult member views when making decisions in relation to the selection, retention and realisation of investments.

Equity managers who are registered with one of the appropriate UK regulators (currently the Financial Conduct Authority ("FCA") or the Prudential Regulation Authority ("PRA")) are expected to report on their adherence to the UK Stewardship Code on an annual basis.

ix. **Additional Voluntary Contributions ("AVCs")**

The Trustee has made available a range of unit-linked funds for members of the Plan to invest their AVCs, having taken account of factors such as expected investment performance, charges and administrative efficiency. Members of the Plan also hold AVCs in with-profits investments.

#### **4. Manager Arrangement Policies**

##### **4.1 How the arrangements with the investment manager incentivise the Manager to align its investment strategy and decisions with the Trustee's policies**

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class they are selected to manage. As part of this, to maintain alignment of the investment manager's investment strategy and decisions with the Trustee's own policies, the Trustee undertakes due diligence ahead of investing, and on an ongoing basis, to ensure it is aware of the:

- underlying assets held and how they will allocate between them;
- risks associated with the underlying mix of assets and the steps the investment manager takes to mitigate them;
- expected return targeted by the investment managers and details around realisation of the investment; and
- impact of financial and non-financial factors, including but not limited to ESG factors and climate change, on the investment over the long term.

The Trustee will assess their impact against its own policies and (where no longer aligned) consider what action to take to ensure alignment. If the Trustee's monitoring process reveal that an investment manager's investment strategy is not aligned with the Trustee's policies, the Trustee will engage with the investment manager to discuss how alignment may be improved. If, following engagement with the investment manager, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the arrangements with the investment manager will be reviewed and may be terminated.

The Trustee will look to its investment adviser, where appropriate, for its forward-looking assessment of the investment managers' ability to outperform over a full market cycle. The investment adviser's views assist the Trustee in its ongoing monitoring of the investment managers.

The Trustee selects the Plan's investment managers with an expectation of a long-term appointment, although the legal terms of the contracts may provide for different durations according to asset class.

Where the Trustee invests in pooled investment vehicles, it accepts that it has no ability to specify the risk profile and return targets of the investment managers, but appropriate mandates will be selected (and be subject to ongoing review) to align with the Trustee's overall investment strategy.

When investing in a pooled investment fund, the Trustee reviews the suitability of investment objectives and guidelines to ensure that it is considered appropriate. Where segregated mandates are used, the Trustees may set explicit guidelines within the investment management agreement where it is appropriate to do so.

**4.2 How the arrangements incentivise the manager to make decisions based on assessments of medium to long-term performance of an issuer and to engage with the issuer of debt or equity in order to improve their performance in the medium to long-term**

As noted below, the Trustee appoints investment managers with an expectation of a long-term partnership. The focus of performance assessments is on longer-term outcomes so the Trustee would not ordinarily expect to terminate a manager's appointment based purely on short-term performance.

The Trustee meets with each investment manager as deemed appropriate, to discuss performance and other investment related matters (including integration of ESG and climate change into the investment process and voting and engagement activities). As part of this, the Trustee will challenge decisions that appear out of line with the Plan's stated objectives and/or policies.

In relation to segregated mandates, the Trustee monitors the extent to which investment managers:

- make decisions based on assessments about medium to long-term performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustee considers these matters in relation investment in pooled funds to the extent to which it is appropriate and proportionate to do so.

To assist with the processes outlined above, the Trustee consider its investment adviser's assessment of how each investment manager embeds ESG considerations into its investment process and explores how it aligns with its responsible investment policy.

Each investment manager is aware that its ongoing appointment is based on its success in delivering the mandate for which it is appointed over the long term, and remunerated as agreed. Consistent periods of underperformance could lead to arrangements being altered or the appointment of the investment manager being terminated.

**4.3 How the method (and time horizon) of the evaluation of the manager's performance and the remuneration for asset management are in line with the policy of the Trustee**

The Trustee receives reports on investment manager performance on a quarterly basis, which present performance information over a range of time periods. The Trustee reviews absolute performance, relative performance against a suitable index used as a benchmark, where relevant, and performance against the manager's stated target (over various time periods), on a net of fees basis. The Trustee's focus is primarily on long-term performance but short-term performance is also reviewed.

The majority of the managers are remunerated by way of a fee calculated as a percentage of assets (or market exposure) under management. The Trustee is also happy to consider paying a performance related fee where it believes it makes sense to do so.

#### 4.4 **How the Trustee monitors portfolio turnover costs and how they define and monitor it**

The Trustee will monitor portfolio turnover costs as part of its ongoing monitoring of the investment managers.

The Trustee will engage with a manager if portfolio turnover is higher than expected. This may be assessed by comparing portfolio turnover across the same asset class on a year-on-year basis, or relative to the manager's expected portfolio turnover range in the investment guidelines or prospectus.

#### 4.5 **Duration of arrangement with Managers**

As the Trustee is a long-term investor, it appoints investment managers with an expectation of a long-term partnership. The focus of performance assessments is on longer-term outcomes so the Trustee would not ordinarily expect to terminate a manager's appointment based purely on short-term performance. The legal terms will vary from manager to manager.

Where the Plan invests in an open-ended vehicle or holds a segregated mandate with a manager, the Trustee expects to retain the manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The manager appointed has been reviewed and the Trustee has decided to terminate the mandate.

For investment in a closed-ended vehicle with an investment manager, the Plan is invested for the lifetime of the strategy (which is disclosed to the Trustee at point of investment).

### 5. **Compliance with this Statement**

5.1 The Trustee, the investment managers and the Plan's investment advisers all have duties to perform to ensure compliance with this Statement. The duties of these parties to ensure compliance with this Statement are as follows:

- **The Trustee** will review this Statement every year on the advice of Mercer and will record compliance with it annually.
- The **investment managers**, will prepare regular reports to the Trustee including:
  - a valuation of all investments held for the Plan including a record of all transactions undertaken,

- performance of the Plan's assets against their respective benchmarks,
  - a review of actions undertaken on behalf of the Plan regarding areas such as corporate governance, socially responsible investment and disclosure of transaction costs.
- **The Plan's investment advisers** will provide appropriate advice to allow the Trustee to review and update this Statement annually (or more frequently, if required).