Softlab Pension Plan

Statement of Investment Principles

February 2024

1. Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustee of the Softlab Pension Plan (the Plan). This statement sets down the principles governing decisions about investments for the Plan to meet the requirements of the Pensions Act 1995, as amended by the Pensions Act 2004, and subsequent legislation, in particular the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010, The Pension Protection Fund (Pensionable Service), the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustee has consulted NTT Data UK Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority.

1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4. The Trustee will review this statement at least every three years or if there is a significant change in the policy on any of the areas covered by the statement.

1.5. The investment powers of the Trustee are set out in Clause 18 of the Definitive Trust Deed & Rules, dated 14 February 2000. This statement is consistent with those powers.

2. Choosing Investments

2.1. The Trustee's policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustee considers the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

2.2. The day-to-day management of the Plan's assets is delegated to one or more fund managers. The Plan's fund managers are detailed in Appendix 1 to this Statement. The fund managers are authorised by either the Financial Conduct Authority or the Prudential Regulation Authority and are regulated by the Financial Conduct Authority. The fund managers are responsible for stock selection and the exercise of voting rights.

2.3. The Trustee reviews the appropriateness of the Plan's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the fund managers with respect to performance within any guidelines set. The Trustee will also consult the employer before amending the investment strategy.

3. Investment Objectives

3.1. The Trustee's main investment objectives are:

- to ensure that they can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Plan's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet the cost of current benefits which the Plan provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;

- to minimise the long-term costs of the Plan by maximising the return on the assets whilst having regard to the above objectives.

3.2. The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Plan's liabilities. The Trustee has obtained exposure to investments that they expect will meet the Plan's objectives as best as possible.

4. Kinds of investments to be held

4.1. The Plan can invest in a wide range of asset classes including:

- Equities;
- Bonds and credit;
- Cash;
- Property;
- Alternatives, including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives;
- Annuity policies.

4.2. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.

5. The balance between different kinds of investments

5.1. The Plan invests in assets that are expected to achieve the Plan's objectives. The allocation between different asset classes is contained within Appendix 2.

5.2. The Trustee considers the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendix 1 to this Statement.

5.3. From time to time the Plan may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate for any short term cashflow requirements or any other unexpected items.

5.4. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the Plan's asset allocation will be expected to change as the Plan's liability profile matures.

6. Risks

6.1. The Trustee has considered the following risks for the Plan with regard to its investment policy and the Plan's liabilities:

6.2. **Risk versus the liabilities** The Trustee will monitor and review the investment strategy with respect to the liabilities following each actuarial valuation. The investment strategy will be set with consideration of the appropriate level of risk required for the funding strategy as set out in the Plan's Statement of Funding Principles.

6.3. **Asset Allocation risk** The asset allocation is detailed in Appendix 2 to this Statement and is monitored on a regular basis by the Trustee.

6.4. **Fund manager risk** The Trustee monitors each of the Plan's fund managers' performance on a regular basis in addition to having meetings with each manager from time to time as necessary, usually on an annual basis. The Trustee has a written agreement with each fund manager, which contains a number of restrictions on how each fund manager may operate.

6.5. **Concentration risk** Each investment manager is expected to manage properly diversified portfolios and to spread assets across a number of individual shares and securities.

6.6. **Loss of investment** The risk of loss of investment by the investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). The Trustee also undertakes an annual review of the internal controls and processes of the investment manager.

6.7. **Liquidity risk** The Plan invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Plan's cash flow requirements. The Plan's administrators assess the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.

6.8. **Covenant risk** The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.

6.9. **Solvency and mismatching risk** is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustee is aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Plan's funding basis.

6.10. **Currency risk** The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.

7. Expected return on investments

7.1. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the fund managers.

7.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3. In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

7.4. Having established the investment strategy, the Trustee monitors the performance of each fund manager against an agreed benchmark as frequently as appropriate according to market conditions and the Plan's funding position. The Trustee meets the Plan's fund managers as frequently as is appropriate in order to review performance.

8. Realisation of investments

8.1. The Trustee has delegated the responsibility for buying and selling investments to the fund managers. The Trustee has considered the risk of liquidity as referred to above.

8.2. Ultimately, the investments will all have to be sold when the Plan's life comes to an end. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Plan accounts.

9. Environmental, Social and Governance considerations, the exercise of voting rights, engagement activities and non-financial matters

Policy on Environmental, Social and Governance ("ESG") considerations

9.1. The Trustee believes that ESG factors as well as climate risk are potentially financially material and therefore has a policy to consider these, alongside other factors, when selecting or reviewing the Plan's investments in order to avoid unexpected losses. The Trustee will be reliant on the information presented by the investment managers and their investment advisors regarding the extent to which an investment manager allows for ESG in making their investment decisions. Furthermore, an investment manager's excellence in this area will not take precedence over other factors, including (but not limited to) historical performance or fees.

9.2. As the investments are held in pooled funds, social, environmental and governance considerations are set by each of the investment managers. The Plan's investment manager will ultimately act in the best interests of the Plan's assets to maximise returns for a given level of risk. The Trustee will assess how this aligns with their own policies as set out in Appendix 1.

9.3. The Trustee has not imposed any restrictions relating to ESG issues on their investment managers and has not imposed any exclusions on their investment arrangements based on ESG factors.

Policy on stewardship

9.4. The Trustee believes that good stewardship and positive engagement can lead to improved governance and potentially better risk-adjusted investor returns. As an investor in pooled funds, the Trustee delegates the exercise of the rights (including voting rights) attaching to the Plan's investments to the investment managers, who are signatories to the UK Stewardship Code or equivalent. The Trustee expects the asset managers to take account of ESG factors and climate risk when exercising these rights and will monitor this through the annual Implementation Statement.

9.5. The Trustee also delegates the undertaking of engagement activities to the asset managers, which includes entering into discussions with company management in an attempt to influence behaviour. As part of this, the Trustee expects the Plan's active investment managers to assess and monitor developments in the capital structure for each of the companies in which the manager invests. This should include monitoring developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure. This expectation has been communicated to the Plan's asset managers.

9.6. In selecting and reviewing their investment managers, where appropriate, the Trustee will consider each investment manager's policies on engagement and how those policies have been implemented. If the Trustee finds that any asset manager is not engaging with the companies in which the manager invests in a suitable manner or is not taking sufficient account of ESG matters in its exercising of voting rights, it will engage with that asset manager with the help of the Plan's Investment Consultants.

9.7. The Plan's investment consultants, Barnett Waddingham LLP, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the asset manager recommendations they make are free from conflict of interest.

9.8. The Trustee expects all asset managers to have and comply with a conflict of interest policy in relation to their respective engagement and ongoing operations. In doing so the Trustee believes they have appropriately managed the potential for conflicts of interest in the appointment of the asset manager and conflicts of interest between the Trustee/asset manager and the companies in which the manager invests.

Policy for taking into account non-financial matters

9.9. When constructing the investment strategy and selecting investment managers, the Trustee does not prioritise non-financial matters.

10. Agreement

10.1. This statement was agreed by the Trustee, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the fund managers, the actuary and the Plan auditor upon request.

The Trustee of the Softlab Pension Plan

Appendix 1 Note on asset manager arrangements of the Plan as at February 2024 in relation to the current Statement of Investment Principles

Choosing investments

The Trustee has appointed the following fund managers to carry out the day-to-day investment of the fund:

- BNY Mellon Investment Management ("BNY Mellon"); and
- Legal & General Investment Management Limited ("LGIM").

The fund managers are authorised by either the Financial Conduct Authority or the Prudential Regulation Authority and are regulated by the Financial Conduct Authority. All of the Plan's investments are hosted on the LGIM Investment Only platform.

The Trustee has appointed Barnett Waddingham LLP to advise on investment matters.

The Trustee has AVC contracts with the Prudential Assurance Company and The Equitable Life Assurance Society for the receipt of members' Additional Voluntary Contributions. The arrangement is reviewed from time to time.

Kinds of investments to be held

The Trustee has considered all asset classes and has gained exposure to the following asset classes:

- Equities;
- Bonds and credit;
- Alternatives;
- Cash;
- Derivatives;
- Swaps.

Investment benchmarks and objectives

The investments in the Matching Plus LDI Funds intend to provide a degree of protection to the Plan against changes in interest rates and inflation.

The investments in the Absolute Return Bond Fund aim to provide positive investment returns in all market conditions over the medium to long term.

The investments in the Maturing Buy & Maintains Funds aim to provide cash flows which mature with a target duration in order to match those of a portion of the liabilities.

The investments in the Sterling Liquidity Fund aim to provide capital stability and a return in line with money market rates whilst providing daily access to liquidity.

The investments in the Future World Global Equity Index Funds (hedged and unhedged) aim to provide broad equity exposure.

The investments in the BNY Mellon Real Return Fund aim to add value by tactically moving between active equities, income, absolute return, multi-asset solutions, thematic and sustainable strategies.

The investment benchmarks and objectives for each fund are given below:

Asset class	Investment manager	Fund	Benchmark	Objective
LDI	LGIM	Matching Plus Leveraged and Unleveraged LDI Funds	n/a	To provide liability hedging against interest rate and inflation risk.
Buy and Maintain bonds	LGIM	Maturing Buy and Maintain Credit Funds (distributing share class)	n/a	To capture the credit risk premium and to preserve value over the course of the credit cycle. Income is distributed.
Absolute Return Bonds	LGIM	Absolute Return Bond Fund	ICE BofA SONIA 3-Month Constant Maturity Total Return Index	To exceed the benchmark by 1.50% p.a. over a rolling three year basis (before fees).
Sterling liquidity	LGIM	Sterling Liquidity Fund	SONIA	To provide diversified exposure and a competitive return in relation to the benchmark.
Global equities	LGIM	Future World Global Equity Index Fund	Solactive L&G ESG Global Markets Index	To track the performance of the index (less withholding tax where applicable) to within +/- 0.60% p.a. for two years out of three.
		Future World Global Equity Index Fund (GBP Hedged)	Solactive L&G ESG Global Markets Index - GBP Hedged	

Diversified Growth Funds	BNY Mellon	BNY Mellon Real Return Fund	SONIA (30-day compounded)	To outperform the benchmark by 4% p.a. (gross of fees) over 5 years, with a positive return over rolling 3 year time periods.

The performance of fund managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short term and long term performance.

Aligning the investment strategy and decisions of the asset manager with the Trustee's investment policies

When choosing an asset manager, the Trustee selects the manager that most closely aligns with their own investment strategy and policies, including their policy on ESG and climate risk.

The Trustee recognises that when investing in pooled funds there is limited scope to influence the asset manager's strategy and decisions but has resolved that:

- The performance of the Funds will be monitored relative to the stated investment objectives and philosophy, on which basis the manager has been appointed, to ensure the investment strategy and decisions continue to be in line with the Trustee's expectations.
- In the event that the asset manager ceases to invest in line with the Trustee's policies and expectations, including the management of ESG and climate related risks, their appointment will be reviewed.

Incentivising asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

In making investment decisions, the Trustee expects the Plan's active asset managers to assess the long-term financial and non-financial prospects of any investment. The Trustee believes that non-financial factors – such as ESG risk, climate risk and the engagement of asset managers with the companies in which they invest – may have a long-term impact on returns and therefore asset managers should take these into consideration when making decisions.

In order to encourage this, the Trustee has notified each manager of the following:

- The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the asset manager makes decisions based on an appropriate time horizon and will therefore focus on the performance of the asset managers over this timeframe. In particular, in the case of assets that are actively managed, the Trustee expects this to be sufficient to ensure an appropriate alignment of interests.
- The Trustee does not expect ESG considerations to be disregarded by the asset manager in an effort to achieve any short term targets.
- The Trustee expects asset managers to be voting and engaging on behalf of the Plan's holdings and the Trustee monitors this activity within the Implementation Statement in the Plan's Annual Report and Accounts.

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

Evaluation of asset manager's performance

From time to time the Trustee reviews each asset manager's performance on a net of fees basis. This is considered over 3-5 year periods, which is consistent with the Trustee's wider investment policies. This review reflects not only fund returns, but also whether the asset managers continue to invest in line with the Trustee's expectations in terms of their investment approach, philosophy and process. This includes the asset manager's approaches to ESG and climate risk.

Remuneration of asset manager

Details of the fee arrangements for each of the Plan's investment managers are summarised in the Trustee's Investment Manager Arrangements Summary document.

The Plan invests exclusively in pooled funds. In all cases, the asset manager's remuneration is linked to the value of the assets they manage on behalf of the Plan. Therefore, as the assets grow in value, due to successful investment by the asset manager, the manager receives more in fees and as values fall they receive less. The Trustee believes that this fee structure incentivises the manager to invest in a way that benefits the Plan; in particular, it enables the asset manager to focus on long-term performance.

The Trustee asks the Plan's Investment Consultant to assess whether the asset management fee is in line with the market when a manager is selected, and the appropriateness of the annual management charges are considered from time to time.

How the Trustee monitors portfolio turnover costs incurred by an asset manager, and how they define and monitor targeted portfolio turnover or turnover range

The Trustee acknowledges that portfolio turnover costs can impact on the performance of their investments. However, equally the Trustee believes that active managers can add value through turnover of investments.

When underperformance is identified, the level of turnover may be investigated with the asset manager concerned if it is felt this may have been a significant contributor to the underperformance. In these cases, the Trustee defines the target turnover with respect to the market conditions and peer group practices.

The duration of the arrangement with the asset manager

All of the Plan's investments are in open-ended pooled funds and as such there are no pre-agreed timeframes for investment. However, the Trustee's approach to investing means that these investments are expected to be held over a period of 3 years or more.

The suitability of the Plan's asset allocation and its ongoing alignment with the Trustee's investment aims, beliefs and constraints are assessed periodically as appropriate. As part of this review the ongoing appropriateness of the asset managers, and the specific funds used, is assessed.

Appendix 2 Note on investment policies of the Softlab Pension Plan as at February 2024 in relation to the current Statement of Investment Principles

The balance between different kinds of investment and rebalancing

The asset allocation is agreed after considering the Plan's liability profile, funding position, expected return of the various asset classes and the need for diversification. The Plan's asset strategy as at 31 December 2023 is shown below.

Investment manager	Fund	Strategic Allocation (%)
LGIM	LDI portfolio	40.0
	Maturing Buy and Maintain Credit Funds	25.0
	Absolute Return Bond Fund	10.0
	Sterling Liquidity Fund	<0.1
	Future World Global Equity Index Fund (50% GBP hedged)	12.5
BNY Mellon	BNY Mellon Real Return Fund	12.5

Rebalancing of assets and investment/disinvestment of cashflows

The Trustee recognises that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustee reviews the asset allocation on a regular basis and considers whether rebalancing is required.

LGIM will manage disinvestments in accordance with the Enhanced Service Agreement Light ("ESA").

Realisation of investments

Much of the Plan's cash flow requirements are expected to be met by the money received semi-annually, when a Buy & Maintain Fund matures, into the Trustee bank account. However, where this is insufficient the Trustee may disinvest some of its investments. LGIM will manage disinvestments in accordance with the ESA.