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Statement of Investment Principles

Logica Defined Benefit Pension Plan

January 2022

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Section 1: Introduction

Pensions Acts

- 1.1 Under the Pensions Act 1995, as amended by the Pensions Act 2004, trustees of most schemes are required to prepare a statement of the principles governing investment decisions. The Logica Defined Benefit Pension Plan (the Plan) appears to be exempt from this requirement owing to the relatively small number of members. However, the Trustee of the Plan considers it best practice to maintain a Statement describing the investment policy pursued. This document contains that Statement.
- 1.2 Before preparing this Statement, the Trustee has consulted the Employer and the Trustee will consult the Employer before revising this Statement. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.
- 1.3 Before preparing this Statement, the Trustee has sought written advice from the Plan's Investment Consultant and has consulted the Plan Actuary. The written advice considered the issues set out in Section 36 of the Pensions Act 1995, the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this Statement. The Trustee will review this Statement, in consultation with the Investment Consultant and Plan Actuary, every three years and without delay after any significant change in investment policy, or where the Trustee considers a review is needed for other reasons. The Trustee will refer to this Statement where necessary to ensure that it exercises its powers of investment so as to give effect to the principles set out in it as far as reasonable.
- 1.4 When choosing investments, the Trustee and investment managers (to the extent delegated) have had regard to the requirements of the Pensions Act concerning diversification of investments and suitability of investments taking into consideration the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005. The Trustee will consider these requirements on any review of this Statement or any change in its investment policy.

Plan details

- 1.5 The Plan operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries.

Financial Services & Markets Act

- 1.6 In accordance with the Financial Services & Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager or managers, which may include an insurance company or companies. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Plan competently.



Section 2: Division of Responsibilities

Trustee

2.1 The Trustee's responsibilities include:

- a. Determining the overall mission and objectives of the Plan and agreeing investment beliefs.
- b. Setting a long-term funding target and investment Journey Plan (if deemed appropriate).
- c. Agreeing an expected return target and the level of investment risk that can be taken in seeking to achieve this target return.
- d. Agreeing the asset allocation structure of the portfolio
- e. Determining how the asset allocation strategy should be implemented including the selection of investment managers.
- f. Implementing any changes agreed by the Trustee and determining how cashflows into or out of the Plan should be allocated.
- g. Monitoring the investment arrangements, including the performance of the investment manager.
- h. Maintaining the Statement of Investment Principles.

Investment Manager

2.2 The Investment Manager's responsibilities include:

- a. Within any guidelines given by the Trustee, managing the changes in the asset mix and selecting securities within each asset class.
- b. Informing the Trustee of any changes in the internal performance objectives and guidelines of any pooled fund used by the Plan as and when they occur.
- c. Having regard to the need for diversification of investments so far as appropriate and to the suitability of investments.
- d. Giving effect to the principles contained in the Statement as far as reasonably practicable.

Investment Consultant

2.3 The Investment Consultant's responsibilities include:

- a. Participating with the Trustee, or Investment Sub-Committee, as appropriate, in reviews of this Statement of Investment Principles in consultation with the Plan Actuary.
- b. Undertaking project work as required including reviews of investment policy and investment managers.
- c. Advising on the selection of new managers.



Plan Actuary

2.4 The Plan Actuary's investment related responsibilities include:

- a. Liaising with the Investment Consultant on the suitability of the Plan's investment strategy given the financial characteristics of the Plan.
- b. Assessing the position of the Plan relative to its Statutory Funding Objective and advising on the appropriate response to any shortfall or surplus.
- c. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.



Section 3: Objectives and Long-Term Policy

Objectives

- 3.1 The Trustee's longer term objective is to achieve a level of funding which will allow it to remove the large majority of investment risk from the Plan and to be largely self-sufficient from the Employer.
- 3.2 To achieve this objective, the Trustee has formulated a Journey Plan for the Plan which is described as follows:
 - The long term measure of the liabilities is based on a discount rate of gilts + 0.5% p.a. (self-sufficiency basis)
 - The aim is to maintain the surplus on both a self-sufficiency and buy-out valuation basis.
- 3.3 The Trustee is also mindful of the following, which align with the achievement of the objective:
 - a. The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from members and the Employer, the cost of current and future benefits which the Plan provides.
 - b. To limit the risk of the assets failing to meet the liabilities, both over the long term and on a shorter-term basis.
 - c. To minimise the long-term costs of the Plan by maximising the return on the assets whilst having regard to the objective shown above.

Policy

- 3.4 The Trustee's policy is to seek to achieve the objectives through investing in a suitable mixture of equities and bonds. It recognises that the returns on equities, while expected to be greater over the long term than those on bonds, are likely to be more volatile. A mixture across asset classes should nevertheless provide the level of returns required by the Plan to meet its liabilities at an acceptable level of risk for the Trustee and an acceptable level of cost to the Employer.
- 3.5 In November 2021, the Trustee carried out an investment strategy review of the Plan following the triennial actuarial valuation. This review assisted the Trustee in establishing a policy of investing 10% of the Plan's assets in equities and 90% in gilts. The policy will be reviewed periodically, usually in conjunction with each actuarial valuation



- 3.6 The Trustee considers the following asset allocation and control ranges likely to achieve the objectives above and these have been adopted as the benchmark and control ranges for the Plan.

Asset class	Asset allocation %	Control ranges % +/-
Global equities	10.0	
Overseas equity (GBP hedged)	5.0	5.0
Overseas equity	5.0	5.0
Fixed Interest gilts	32.0	5.0
Index Linked gilts	58.0	10.0

- 3.7 The Trustee currently considers that investments in the pooled funds shown in 4.4 are likely to achieve the objectives and have been adopted as investment vehicles for the Plan's assets.

Diversification

- 3.8 The Trustee has considered the need for adequate diversification of investments in adopting the benchmark above for the Plan's assets.

Suitability

- 3.9 The Trustee has taken advice from both the Plan Actuary and the Investment Consultant to ensure that the benchmark specified above is suitable for the Plan given its liability profile.

Liquidity

- 3.10 The Trustee, together with the Plan's administrators, will ensure that it holds sufficient cash to meet the likely benefit expenditure from time to time. The Trustee's policy is that there should be sufficient investments in liquid or readily realisable assets to meet unexpected cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Plan's overall investment policy where possible.

Additional Voluntary Contributions (AVCs)

- 3.11 The Plan provides a facility for members to pay AVCs into the Plan to enhance their benefits at retirement. Benefits can be accrued as AVC payments within a separate vehicle or as additional years within the main Plan. For separate vehicles, members are offered a range of funds in which to invest their AVC payments. The Trustee's objective is to provide a range of funds which will provide a suitable long-term return for members, consistent with members' reasonable expectations. For additional years AVCs, member's contributions are invested within the main Plan in line with the objectives and long-term policy specified in sections 3.1 to 3.5.

Rights attaching to investments

- 3.12 The Trustee's policy is to invest the Plan's assets in pooled arrangements. The responsibility for the exercising of rights (including voting rights) attaching to the underlying investments within pooled funds is delegated to the Investment Manager.



Scheme specific funding requirement

- 3.13 The Pensions Act 2004 requires that, with effect from the completion of the first formal actuarial valuation after 22 September 2005, the Trustee maintains a Statement of Funding Principles, stating the methods and assumptions used in calculating the amount required to make provision for the Plan's liabilities, and the manner and period in which any shortfall will be remedied. The Trustee will consult the Plan Actuary and the Employer when deciding upon the appropriate response to any shortfall.
- 3.14 The Trustee will review the Plan's investment policy in the light of actuarial valuations and certificates and schedules of contributions produced in order to comply with the Pensions Act 2004.

Expected return on investments

- 3.15 The following table outlines the expected return and volatility for all asset classes in which the Plan invests. These are taken from the Investment Consultant's Global Asset Model as of 30 September 2021:

Asset Class	10-year median real returns % pa	Volatility of returns % pa
UK equities	3.8	13.5
Global equities ex-UK (hedged)	4.1	13.8
Global equities ex-UK (unhedged)	4.2	14.4
Emerging market equities (unhedged)	4.5	20.0
Long index-linked gilts	-1.2	9.7
Long gilts	-0.9	11.7

Note – real returns are estimated versus long term Consumer Price Inflation.



Section 4: Investment Manager Arrangements

Manager structure

- 4.1 BlackRock Advisors (UK) Limited (BlackRock) is currently the sole Investment Manager for the Plan. It is employed as an index-tracking investment manager.
- 4.2 The Trustee's policy is to regularly obtain advice on whether the respective BlackRock pooled funds as shown in 4.4 are satisfactory as required by Section 36 of the Pensions Act 1995

Objectives

- 4.3 Whilst the Trustee is not involved in the Investment Manager's day to day operation and therefore cannot directly influence attainment of objectives, it will assess performance and review the Investment Manager's appointment on a regular basis. A measurable objective for each fund has been developed for the Investment Manager consistent with the achievement of the Plan's longer term objectives:
- To achieve a return in line with the benchmarks of the funds in which the Plan invests on a rolling three year basis.
- 4.4 The benchmark indices are shown in the table below:

Fund/Asset class	Benchmark index
Aquila Life Currency Hedged Overseas Equity Index Fund	Composite of: 33.3% FTSE US Index – GBP hedged, 33.3% FTSE Developed Europe ex-UK Index – GBP hedged, 16.7% FTSE Japan Index – GBP hedged and 16.7% FTSE Developed Pacific Rim ex-Japan Index – GBP hedged
Aquila Life Overseas Equity Fixed Benchmark Fund	Composite of: 33.3% FTSE US Index, 33.3% FTSE Developed Europe ex-UK Index, 16.7%, FTSE Japan Index and 1 6.7% FTSE Developed Pacific Rim ex-Japan Index
Aquila Life All Stocks UK Gilt Index Fund	FTSE UK Gilts All Stocks Index
Aquila Life All Stocks UK Index-linked Gilt Index Fund	FTSE UK Gilts All Stocks Index-linked

Manager monitoring

- 4.5 The appointment of the Investment Manager will be reviewed by the Trustee from time to time, based on the results of their monitoring of performance and process and of the Investment Manager's compliance with the requirements in the Pensions Act 1995 concerning diversification and suitability where relevant. The Investment Manager has been provided with a copy of this Statement and the Trustee will monitor the extent to which the Investment Manager gives effect to the policies set out in it via the regular quarterly reports tabled at each Trustee meeting. The Trustee will undertake a more formal review at least every three years after each actuarial valuation.



Section 5: Risk Management Arrangements

5.1 The Trustee recognises a number of risks involved in the investment of the assets of the Plan:

- Solvency risk and mismatching risk:
 - are measured through regular investment strategy reviews, ongoing triennial actuarial valuations and regular assessment of the development of the liabilities relative to the current and alternative investment policies.
 - are managed through the choice of the benchmark set out in Section 3.6, in addition to assessing the progress of the actual growth of the liabilities relative to the selected investment policy.
- Manager risk:
 - is measured by the expected deviation of the prospective return, as set out in the Investment Manager's objectives, relative to the investment policy.
 - is managed through the use of passive management, the ongoing monitoring of the Investment Manager's actual deviation of returns relative to the fund's benchmark.
- Liquidity risk:
 - is measured by the level of cashflow required by the Plan over a specified period.
 - is managed by the Plan's administrators who monitor the level of cash held in order to limit the impact of the cash flow requirements on the investment policy as set out in Section 3.10.
- Political risk:
 - is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
 - is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.
- Sponsor risk:
 - is measured by the level of ability and willingness of the Employer to support the continuation of the Plan and to make good any current or future deficit.
 - is managed by assessing the interaction between the Plan and the Employer's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to number of metrics reflecting the financial strength of the Employer.

5.2 The Trustee continues to monitor these risks.



Section 6: Corporate Governance & ESG

6.1 In June 2018, the Department for Work and Pensions (DWP) responded to the Law Commission's report on pension funds and social investment and published a consultation on changes to the SIP requirements. The aims were to make it clear that trustee should take into account long-term financial risks and to strengthen requirements around stewardship activities and responding to members' ethical investment concerns. More specifically the regulation states that trustee need to set out the following within their Statement of Investment Principles:

- How they take account of financially material considerations, including but not limited to, those arising from Environmental, Social and Governance (ESG) considerations including climate change
- Policies on stewardship including engagement and exercise of voting rights

6.2 The Trustee believe that good stewardship and ESG issues may have a material impact on investment returns. Selection, retention and realisation of the Plan's investments are delegated to the Investment Manager managing the investment vehicles that the Plan owns.

Implementation Code

6.3 On 6 June 2019, the Government introduced further regulations which extend the disclosure requirements for trustees of defined benefit (DB) schemes in relation to their Statement of Investment Principles (SIP) and annual reports. The June 2019 regulations have been introduced to implement certain requirements of the EU Shareholder Rights Directive regarding disclosure and stewardship requirements.

6.4 The Trustee has the following policies in relation to the investment management arrangements for the Plan.

How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.

As the Plan is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective.

How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.

The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements.

The Plan's Investment Advisor monitors the investment managers' engagement and voting activity as part of their monitoring process.

The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.



How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies.

The Trustee reviews the performance of all of the Plan's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.

The Trustee evaluates performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.

Investment manager fees are reviewed to make sure the correct amounts have been charged and that they remain competitive.

The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.

The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.

The duration of the Plan's arrangements with the investment managers

The duration of the arrangements is considered in the context of the type of fund the Plan invests in.

As the Plan invests in open ended funds, the duration is flexible and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.

6.5 The investment manager has a mandate to track the benchmark of each fund. In keeping with market practice, the investment manager is remunerated on a set percentage of the assets under management.

6.6 The investment manager is BlackRock and the selected funds and fee scales are set out below:

Fund	Annual Management Charge (p.a.)
Aquila Life Ccy Hedged O'seas equity s1	0.10%
Aquila Life O/S Fixed B'mark Equity s1	0.10%
Aquila Life All Stock UK Gilt index s1	0.10%
Aquila Life All Stocks UK ILG index s1	0.10%

Note: The fees above are based on minimum fund sizes and the average fee are subject to discounts once certain minimum investment amounts are achieved.



Policy

- 6.7 The Trustee has selected BlackRock for the manager of their investment in passively managed vehicles. BlackRock is the world's largest asset manager with \$9.5 trillion in assets under management as of October 2021 and operates globally with 70 offices in 30 countries. It is stated in BlackRock's latest Report and Accounts that 65% of BlackRock's assets are passively managed, which makes the group one of the largest index managers in the world.
- 6.8 The Trustee obtained the following statement from the Investment Manager regarding ESG and Corporate Governance and believe that an investment in the BlackRock index funds to be in best financial interests of the Plan's members:



Section 7: Monitoring

- 7.1 The Trustee, with support from the Plan's Investment Consultant, will monitor the performance of the Investment Manager and funds on regular basis.
- 7.2 The Trustee will monitor compliance with the Statement of Investment Principles on a regular basis. The Statement will be reviewed in response to any material changes to any aspects of the investment arrangements detailed above or circumstances which would have a bearing on the Statement. Such reviews will occur at least every three years or to coincide with the Actuarial Valuation. Any such review will again be based on appropriate written, investment advice and will be in consultation with the Employer.

Statement last reviewed: January 2022



Appendix 1 - BLACKROCK ESG STATEMENT

As long-term investors on behalf of our clients, accounting for environmental, social, and governance (ESG) risks and opportunities helps us provide sustainable value to our clients. In his 2021 letter to CEOs, Chairman and CEO Larry Fink refers to the historic investment opportunity presented to our clients by the climate transition and how we are at the beginning of a **long but accelerating transition**, in which sustainability has become a critical factor in determining companies' long-term value.

This document details our firm-wide commitment to integrate ESG information into our investment processes, and outlines the foundation, ownership, and oversight mechanisms which underpin our approach. **ESG integration is the practice of incorporating material ESG information into investment decisions with the objective of improving the long-term financial outcomes of our clients' portfolios, consistent with our clients' objectives. We are doing this across all our active portfolios in both public and private markets seeking to enhance risk-adjusted returns. In index portfolios, we engage with companies on ESG issues to enhance long-term value for our clients.**

This Statement applies to all of BlackRock's investment divisions and investment teams and is reviewed at least annually to reflect changes within our business. Given the breadth of our investment platform, this statement is written to cover the full spectrum of investment styles and asset classes at BlackRock. To supplement this Statement, each investment team has its own ESG integration approach. Tailored descriptions of team practices are available upon request.

As a large asset manager, we recognize our responsibility to contribute to a resilient financial market system. We aspire to be an industry leader in how we incorporate sustainability into our investment research and management, our **stewardship** of clients' assets, our sustainable investment solutions, and the operations of our own business. More detailed information about these efforts is included in our **approach to sustainability** on [blackrock.com](https://www.blackrock.com).

BlackRock's approach to ESG integration

At BlackRock, we have always focused on helping our clients try to reach their long-term investment goals by providing resilient and well-constructed portfolios. Our investment conviction is that sustainability- and climate-integrated portfolios can provide better risk-adjusted returns to investors over the long-term, and that sustainability-related data provides an increasingly important set of tools to identify unpriced risks and opportunities within portfolios. BlackRock's active investors are responsible for integrating material sustainability-related insights, consistent with their existing investment process, with the objective of improving long-term risk-adjusted returns. BlackRock's firm-wide investment process is structured to identify ESG risks and opportunities alongside traditional measures within our active investment processes.

ESG integration is part of both our active investment process and index investment processes and oversight. BlackRock has a consistent framework for ESG integration that also permits a diversity of approaches across different investment teams and strategies. ESG considerations that are material will vary by client objectives, investment style, sector, and market trends. Sustainability measures help inform the due diligence, portfolio construction, and monitoring processes of our active and alternatives platforms, as well as our approach to risk management. In our index investments business, we work with index providers to expand and improve the universe of sustainable indexes, and our investment stewardship processes encourage the companies in which our clients are invested to manage and disclose material sustainability risks effectively.



We structure our ESG integration efforts around three main themes: **investment processes, material insights, and transparency**: these pillars drive ESG integration at BlackRock, and we support them by equipping our employees with useful ESG data, tools, and education.

Investment processes

ESG integration is a core part of the investment process, and as with all other components of the investment process, is the responsibility of our investment teams. In 2020, BlackRock raised the bar for how investment teams will accomplish this. All active funds and advisory strategies are expected to fully integrate ESG, meaning that:

- 1) Each strategy has a description of how ESG fits into its investment process.
- 2) Portfolio managers are accountable for managing exposure to material ESG risks. and
- 3) Investment teams are able to provide evidence of how ESG considerations inform investment decisions in each portfolio.

BlackRock's Risk and Quantitative Analysis team (RQA) reviews ESG risk alongside traditional investment risks with the investment teams in regular portfolio reviews.

Material insights

For our public market strategies, we are continuously expanding access to high quality ESG data sources through Aladdin, our core risk management and investment technology platform. Today, BlackRock's investors have access to two broad third party data sets across core Aladdin tools and over 10 unique ESG data providers across different parts of our research environment. This data ranges from broad ESG scores and rankings to indicators of physical climate risk, reputational risk or employee sentiment

In addition to third party data, we have developed proprietary measurement tools to deepen our investors' understanding of material ESG risks. For example, our **Carbon Beta** tool allows us to stress test equity issuers and portfolios for different carbon pricing scenarios. Our proprietary materiality-based ESG assessment capability leverages a research-based quantitative/qualitative methodology to provide a backward- and forward-looking assessment of material ESG key performance indicators. We built these for Aladdin, to allow all portfolio managers at BlackRock to use in their ESG investment analyses.

For our private market strategies, we continue to develop and evolve proprietary tools to underpin investment team ESG due diligence so that they remain robust. These tools are tailored by asset class and by industry.

The goal of our ESG integration process is to make our investors the most informed investors in the industry. We leverage material ESG data as well as the combined experience of our investment teams to efficiently and effectively identify investment opportunities and investment risks. We use our history as a firm founded on the principle of thorough and thoughtful risk management and our Aladdin platform to achieve an integrated ESG risk management system.

Transparency

Investors at BlackRock believe well-managed companies balance business-relevant ESG issues alongside traditional financial objectives. Consistent with this expectation, we strive to provide market-leading transparency for how we incorporate ESG in our investment products.



We disclose ESG integration practices in fund documentation and disclose our firm's approach to ESG integration through comparable industry relevant reporting frameworks, such as the Principles for Responsible Investment (**PRI**). For greatest transparency, these reports are publicly available on our **website**.

With respect to transparency in all BlackRock products, we want investors to be able to access clear information on the sustainability risks associated with their investments. For example, we provide data on our website for all iShares funds, displaying ESG scores and carbon footprints, among other measurements, where available. In 2021 we have extended this practice to BlackRock mutual funds, including adding disclosures on exposure to sustainability characteristics. We will make this information available to all our clients in order to help investors choose the best investment option for their portfolio.

Oversight and governance

The Investment Sub-Committee of BlackRock's Global Executive Committee (GEC) oversees investment process consistency across the firm's investment groups. Members of the Sub-Committee include the global heads or sponsors of all of BlackRock's major investment verticals: ETFs and Index Investments, Active Equities, Multi-Asset Strategies, Global Fixed Income, BlackRock Alternative Investors, Trading & Liquidity Strategies (Cash Management), and Client Portfolio Solutions.

In partnership with the GEC Investment Sub-Committee, the Sustainable Investing Team sets standards and procedures to drive a consistent approach across the firm. The Sustainable Investing Team, in partnership with investment platform leadership, coordinates the firm-wide approach to incorporating ESG into all investment processes, developing the firm's sustainable investment procedures, and seeking to ensure consistency and quality in the firm's sustainable investment products and solutions. BlackRock Sustainable Investing reports on ESG integration progress to the GEC Investment Sub-Committee at least annually.

Investment platform leadership, including heads of sustainable and responsible investing within BlackRock's seven investment divisions, oversees ESG integration into the investment processes for each business, including determining appropriate methodologies for underlying investment teams. RQA is responsible for developing a framework for evaluating investment, counterparty, and operational risk and conducts regular reviews with portfolio managers using that framework to ensure that ESG risks are considered relative to the potential investment and expected rewards.

BlackRock Sustainable Investing, RQA, the BlackRock Investment Stewardship team, and individuals across BlackRock's technology and analytics platform work together to advance ESG research and tools to support ESG integration efforts.

