Atos UK 2019 Pension Scheme

Statement of Investment Principles – October 2023

1. Introduction

1.1 This Statement of Investment Principles (the "Statement") sets down the Principles governing the Atos Pension Schemes Limited ("the Trustee") in relation to the investment of the Atos UK 2019 Pension Scheme (the "Scheme") in order to meet the requirement of the Pensions Act 1995 as amended (the "Act") and subsequent legislation including the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005, as amended.

1.2 The Scheme's Defined Benefit ("DB") and Defined Contribution ("DC") investment arrangements, based on the principles set out in this Statement, are detailed in a separate Investment Policy Implementation Document ("IPID").

1.3 In preparing this Statement, the Trustee has obtained written advice from the Scheme's Investment Consultant. The Trustee believes that the Investment Consultant meets the requirement of Section 35 (5) of the Pensions Act 1995. Where matters described in this Statement may affect the Scheme's funding policy, input has also been obtained from the Scheme Actuary. The Trustee will obtain similar advice whenever they review this Statement.

1.4 The Trustee will seek to maintain a good working relationship with the Principal Employer, Atos IT Services UK Limited, and will discuss any proposed changes to this Statement with the Principal Employer. However, the Trustee's fiduciary obligations to Scheme members will take precedence over the Principal Employer's wishes, should these ever conflict.

1.5 The Trustee's investment responsibilities are governed by the Scheme's Trust Deed and Rules and this Statement takes full account of its provisions. A copy of the Trust Deed and Rules is available for inspection by members, upon request. However, the Trustee retains ultimate power and responsibility for the Scheme's investment arrangements.

1.6 The Trustee strives to ensure that the investment policies and their implementation are in keeping with best practice.

1.7 The Trustee does not expect to revise this Statement frequently because it covers broad principles. The Trustee will review it at least annually, and without delay if there are relevant, material changes to the Scheme and/or the Principal Employer. These include, for example, changes in the Scheme's liabilities and finances, the covenant of the Principal Employer or the risk attitude of the Trustee.

2. Scheme governance

2.1 The Trustee is ultimately accountable for the investment of the Scheme's assets and for setting the investment objectives of the Scheme. The Trustee has established an Investment and Funding Committee ("IFC") to consider and take investment decisions on issues relating to the investment strategy and funding of the Scheme.

2.2 The IFC has been delegated responsibility for establishing and implementing the investment strategy in line with the Trustee's agreed investment objectives. This includes (but is not limited to) agreeing manager structure, monitoring performance and reviewing the ongoing effectiveness of the strategy. The Trustee has established a Terms of Reference which sets out the responsibilities delegated to the IFC in full.

2.3 The Scheme's Investment Consultant provides advice to the Trustee and IFC. The Investment Consultant's role encompasses, but is not limited to, providing assistance to the Trustee in formulating investment objectives, advice on investment strategy, advice on devising an appropriate investment manager structure and assisting in the selection and monitoring of investment managers.

2.4 The Investment Managers are responsible for the day-to-day management of the Scheme's assets in accordance with guidelines agreed with the Trustee, as set out in the Investment Management Agreements ("IMAs") or pooled fund prospectuses. The Investment Managers have discretion to buy, sell or retain individual securities in accordance with these guidelines. The Investment Managers report to the IFC regularly regarding their performance, which in turn reports back to the Trustee. Each of the investment managers' fees are related to the amount of assets managed within their portfolios. Minimum fees may also apply in some cases.

2.5 The Custodian is responsible for the safekeeping of the Scheme's assets, both individual securities and holdings in collective vehicles, and for performing the associated administrative duties such as trade settlement, dividend collection, corporate actions, tax reclamation and proxy voting. The Trustee will only invest in collective investment vehicles where they are satisfied that appropriate procedures are in place for selecting and monitoring the custodian(s) of the underlying assets. Custodian fees are a combination of a percentage of assets plus transaction related charges.

2.6 The Scheme Actuary performs a valuation of the Scheme at least every three years, in accordance with regulatory requirements. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities and agree an appropriate funding strategy for the Scheme. Full details of the current funding strategy and contributions payable will be found in the Statement of Funding Principles and Schedule of Contributions respectively.

Defined Benefit ("DB") Section

3. Investment Objectives

3.1 The Trustee has worked collaboratively with the Principal Employer to adopt a Pension Risk Management Framework ("PRMF") to guide the strategic asset allocation ("SAA") and risk management strategy of the Scheme. The PRMF sets out the key investment objectives of the Scheme, the metrics used to measure these objectives and the constraints within which the objectives will be targeted.

3.2 The agreed objectives and constraints include:

3.2.1 **Investment Objective:** To reach 100% full funding by 2034 on a Gilts + 0.5% basis. "Full funding" is defined as the point at which the value of the assets is equal to the accrued value of the liabilities on this basis.

3.2.2 **Risk Constraint:** The maximum loss the Scheme could face in a 1-year (1-in-20) downside scenario should be less than 8% on the Gilts+ 0.5% basis (as measured by Funding Ratio at Risk).

3.2.3 **Liquidity Constraint:** Sufficient cash/collateral should be maintained to cover collateral calls that could arise from the Scheme's derivative positions in a stressed scenario.

3.2.4 **Net-Zero Objective:** Targeting a net-zero carbon emissions portfolio, with an ambition to acheive this by 2035.

3.3 The asset return required to achieve the investment and funding objectives ("required return") is assessed on an ongoing basis against the expected return on the Scheme's assets. If expected return is below required return, the Trustee may adjust the strategic asset allocation to ensure that the Scheme remains on course to achieve its objective. Similarly, if expected return is above required return, the Trustee may reduce expected return and investment risk to enable the fund to progress on a less volatile path towards the funding objective.

3.4 Required return, expected return, risk and collateral requirements are calculated and reported to the Trustee on a quarterly basis by the Scheme's investment adviser.

3.5 The kind of investments and the balance between different kinds of investments is driven by the objectives and constraints from the Pension Risk Management Framework, which helps balance the risks and returns required to reach the investment objective. Furthermore, the Trustee has agreed an explicit Sustainable Investment Beliefs Statement which outlines the governance framework adopted by the Trustee to approach matters relating to sustainable investment. The Trustee aims to align with the Principal Employer by dedicating resource to considering how the Scheme could potentially achieve net-zero carbon emissions by 2035, by looking at the how the Scheme's investments and asset managers can help the Scheme move towards this target.

3.6 The primary investment objectives of the Scheme are as follows:

3.6.1 To ensure the assets of the Scheme, together with new contributions from the Principal Employer, are sufficient to meet the accrued liabilities of the Scheme.

3.6.2 To manage the risk of underperformance against the above objective and to reduce funding and potential recovery plan contribution uncertainty, by holding a diversified portfolio of assets and incorporating hedging of interest rates and inflation.

3.6.3 To ensure that the asset portfolio is sufficiently liquid to meet anticipated benefit outgo and collateral requirements.

3.7 The Trustee will consult with the Principal Employer as appropriate on proposed changes to the strategic asset allocation, for example, if the level of return required reduces as a result of favourable experience.

4. Risk

4.1 The Trustee recognises that, whilst increasing risk may increase potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's liabilities as well as producing more short-term volatility in the Scheme's funding position. The Trustee has taken advice from the Scheme's Investment Consultant on the matter and (in light of the objectives noted previously) considered carefully the implications of adopting different levels of risk.

4.2 The Trustee's willingness to take investment risk is dependent on the continuing financial strength of the Principal Employer and its willingness to contribute appropriately to the Scheme. The financial strength of the Principal Employer and its perceived commitment to the Scheme is monitored and the Trustee will reduce investment risk relative to the liabilities should either of these deteriorate.

4.3 In addition to targeting an appropriate overall level of investment risk, the Trustee seeks to spread risks across a range of different sources. The Trustee aims to take on those risks for which they expect to be rewarded over time, in the form of excess returns.

4.4 The Trustee believes that the asset allocation policy should provide an adequately diversified distribution of assets. In addition, the Trustee also considers the risk arising from investment in specific asset classes. The following financially material risks are taken into account by the Trustee:

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risks	Interest rate risk	This risk exists if the projected cash flow profile of the assets held differs from that of the projected liabilities.	The Trustee partially hedges the interest rate exposure of the liabilities via a Liability Driven Investment ("LDI") portfolio, which the IFC monitors at least quarterly.
	Inflation risk	The risk that the projected cash flows from the assets have different linkages to inflation from the projected liabilities.	The Trustee partially hedges the inflation exposure of the liabilities via a Liability Driven Investment portfolio, which the IFC monitors at least quarterly.
	Currency risk	This risk will arise through investment in non-Sterling assets where the currency exposure is not hedged back to Sterling because changes in exchange rates will impact the relative value of the assets and liabilities, given that the Scheme's liabilities are denominated in Sterling.	The Trustee does not hedge the currency exposures on the overseas equity portfolios. The private debt non-sterling exposures are partially currency hedged by the Scheme's LDI manager. The Trustee seeks to hedge 100% of the currency exposure of the other assets and has delegated this responsibility to the respective investment managers.
	Credit risk	This risk reflects the possibility that the payments due under a bond might not be made by the issuer, and similarly that the dividends and rental income expected from equity and property investments respectively might not be paid.	The Trustee invests in a range of credit instruments and has Scheme specific guidelines in place in respect of the buy and maintain mandate. These portfolios are monitored at least quarterly.
Liquidity risk		This risk arises from holding assets that are not readily marketable and realisable. The investment strategy of the Scheme has exposure to both liquid and illiquid assets.	The Trustee monitors the collateral sufficiency of the LDI portfolio at least quarterly, and the Scheme's LDI manager is required to notify the Trustee if the collateral sufficiency falls to certain levels.

Type of Risk	Risk	Description	How is the risk monitored and managed?
Volatility risk		This risk concerns the stability of the market value of assets such as equities and property, where the price achievable may be particularly affected by short term sentiment and is not certain until the point of sale.	The Trustee monitors this risk at least quarterly and will take this risk into account when implementing any strategic or manager changes.
Regulatory risk		This risk arises from investing in a market environment where the regulatory regime may change. This may be compounded by *political risk* in those environments subject to unstable regimes.	The Trustee monitors this risk at least quarterly.
Concentration risk		This risk arises for example when a high proportion of the Scheme's assets are invested in securities, whether debt or equity, of the same or related issuers.	The investment strategy of the Scheme is suitably diverse by asset class.
Counterparty risk		This risk arises from the possibility that a counterparty will not live up to its contractual obligations.	The investment strategy is suitably diverse by counterparty and the Trustee monitors the counterparty diversification of the LDI portfolio at least quarterly.
Derivative risk		This is the risk associated with investments in derivative contracts which are associated with market risk, control and monitoring risk, liquidity risk, leverage risk, legal risk and counterparty risk. Some of the investment managers employ derivatives for the purposes of efficient portfolio management and subject to agreed restrictions. The risks of using derivatives are largely the same as those of investing in the underlying asset categories.	The potential for inappropriate investment has been mitigated by the constraints and restrictions imposed by the Trustee on these managers using derivatives within their portfolio. The Trustee monitors the leverage of the LDI portfolio at least quarterly, and the Scheme's LDI manager is required to notify the Trustee if the collateral sufficiency falls to certain levels..

Type of Risk	Risk	Description	How is the risk monitored and managed?
	Active management risk	This risk arises where assets are managed on an active basis and the return achieved can be higher or lower than the respective performance benchmark.	The Trustee monitors the relative performance of active managers at least quarterly.
	Liability hedging liquidity risk	This risk arises where mark-to-market losses on derivative hedging instruments are unable to be met from the collateral assets specifically set aside to back the liability hedge. In this case, the Scheme may be required to sell other assets in order to meet the losses.	The Trustee monitors the collateral sufficiency of the LDI portfolio at least quarterly, and the Scheme's LDI manager is required to notify the Trustee if the collateral sufficiency falls to certain levels.
	Manager underperformance risk	This is the risk that adverse performance by the investment managers relative to their benchmark impacts the funding level leading to reduced security for members and increased contributions from the company.	The Trustee monitors the relative performance of all managers at least quarterly.
	Environmental, Social and Corporate Governance ("ESG") risk	This is the risk that ESG concerns have a financially material impact on the return of the DB Section's assets.	Section 13 of this Statement sets out the Trustee's Sustainable Investment Beliefs statement.
	Climate risk	This is the risk that the returns of certain asset classes and sectors may be significantly affected by climate change.	The Trustee takes climate risk into account in the selection, retention and realisation of the Scheme's investment managers. The Trustee receives climate-related reporting from its investment consultant on an annual basis which contains relevant climate metrics to allow the Trustee to better identify and assess climate-related risks on an ongoing basis.

4.5 The Trustee considers the balance between active and passive management, in asset classes where passive management is a practicable option. In determining this balance, the Trustee will consider whether active management offers sufficient potential to outperform to justify the additional risks and fees compared with passive management. The risks the Trustee will take into account include:

- Active risk in that the combination of assets held by an active manager will differ from the benchmark and may give rise to underperformance relative to passive management.
- Manager selection risk due to the potential for selecting (or failing to terminate in a timely manner) an active manager that fails to generate sufficient returns in excess of the benchmark to justify the active risk taken and the higher fees charged than for passive management.
- Tracking error risk in that a passive manager may not have the skills to track the benchmark index within an appropriate degree of accuracy.

4.6 The Trustee monitors the risk and return characteristics of the Scheme on a quarterly basis. On a quarterly basis, the Trustee monitors the volatility of the Scheme's funding level and sources thereof.

5. Expected return

5.1 The Trustee recognises that, depending on the prevailing level of funding, the Scheme requires a strategy to be implemented which is intended to produce a return consistent with that assumed in the actuarial valuation for funding purposes.

5.1.1 *Funding Objective:* Target sufficient returns to support the Technical Provisions and the recovery plan agreed as part of the triennial valuations.

5.2 *Investment Objective:* To reach 100% full funding by 2034 on a Gilts + 0.5% basis. "Full funding" is defined as the point at which the value of the assets is equal to the accrued value of the liabilities on this basis. In determining its long-term return objectives, the Trustee is mindful of the Principal Employer's ability and willingness to pay contributions and to underwrite investment risk.

6. Investment policy

6.1 In establishing an investment policy for the Scheme's DB assets, the Trustee has taken into account the risks and return objectives set out above. The Trustee will formally review its investment policy after each actuarial valuation of the Scheme, or more frequently if required or advised by their Investment Consultant.

6.2 The corporate bonds and LDI Portfolio (which incorporates index-linked Gilts and derivative instruments) contribute towards matching the interest rate and inflation risks inherent in the liabilities. The current target hedge ratios for the Scheme are equal to 97.5% of the funding ratio on a Technical Provisions basis for both interest rates and inflation.

6.3 The benchmark allocation and investment manager structure are set out in detail in the DB IPID.

6.4 To keep the asset distribution broadly in line with the benchmark allocation, the Trustee has established tolerance ranges. These seek to balance the risk of deviation from the strategic allocations against the cost of rebalancing. Cash flows are applied to keep the Scheme's assets within the intended ranges, although a rebalancing policy has been adopted should these prove to be insufficient. Further details of the current arrangements are in the DB IPID.

7. Investment Manager Policy

7.1 For segregated arrangements, the terms of the long-term relationship between the Trustee and its managers are set out in separate Investment Management Agreements (IMAs). These document the Trustee's expectations of their managers, alongside the investment guidelines they are required to operate under.

7.2 The investment guidelines are based on the policies set out in this document (the SIP). The Trustee shares its SIP with the managers periodically, with the aim of ensuring managers invest in line with the Trustee's policies.

7.3 When relevant, the Trustee requires its investment managers to invest with a medium-to long-term time horizon, and use any rights associated with the investment to drive better long-term outcomes. For some asset classes, the Trustee does not expect the respective asset managers to make decisions based on maximizing long-term performance. These may include investments that provide risk reduction through diversification or through hedging, consistent with the Trustee's strategic asset allocation.

7.4 For pooled arrangements, the Scheme's investments are managed according to standardised fund terms, which are reviewed by the Scheme's legal and investment advisors at the point of investment to ensure that they are aligned with the Scheme's long-term investment strategy and market best practice. These terms are reviewed at the point of investment and following any material changes notified by the manager.

7.5 Managers are paid an ad valorem fee for a defined set of services. The Trustee reviews the fees periodically to confirm they are in line with market practices, notably when the Trustee expects the manager to take an active ownership approach and consider both long-term ESG risk factors and opportunities to decarbonise the portfolio.

7.6 The Trustee reviews the portfolio transaction costs and managers' portfolio turnover ranges, where the data is disclosed and available. The Trustee will then determine whether the costs incurred were within reasonable expectations.

7.7 The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets where appropriate to that asset class. When assessing a manager's performance, the focus is on longer-term outcomes and is assessed over a medium to longer-term timeframe.

7.8 The Trustee would not expect to terminate a manager's appointment based purely on short-term performance. However, a manager's appointment could be terminated within a shorter timeframe than three years due to other factors such as a significant change in business structure or the investment team.

7.9 Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.

8. Day-to-day management of the assets

8.1 The Trustee employs investment managers, with whom day-to-day responsibility for the investment of the Scheme's assets rest. Details of the mandates set for the investment managers by the Trustee are set out in the DB IPID. The Trustee has entered into signed IMAs or pooled fund prospectuses ("Investment Documentation") with the investment managers, the terms of which are consistent with the principles in this Statement. The Investment Documentation provides important protections for the Scheme itself and for the Trustee. It also sets out the terms on which the assets are managed; the investment briefs, guidelines and restrictions under which the investment managers work.

8.2 Where assets are managed on a segregated basis, the Trustee is able to tailor the nature of the investment mandate and restrictions on how assets are managed to the Scheme's specific requirements. Details of the restrictions for the segregated mandates are detailed in the DB IPID.

8.3 The Trustee accepts that it is not possible to specify investment restrictions where assets are managed via pooled funds as the investment manager has discretion over the timing and realisation of investments. Nevertheless, notwithstanding how the assets are managed the Trustee will take appropriate legal and investment advice regarding the suitability of the investment management agreements and relevant investment vehicles.

8.4 The IFC meets each investment manager regularly to discuss their performance and any wider issues, in order to review the continued suitability of the appointed investment managers.

9. Additional Voluntary Contribution Assets ("AVCs")

9.1 There are three AVC options for members:

9.1.1 The 'Main Scheme AVC Option': Members' AVC benefits are invested in the DB Section of the Scheme (in line with the investment strategy set out in Section 6). Members receive a return on these AVCs based upon the returns achieved by the DB Section investments.

9.1.2 The 'AVC Option': Members' AVCs which are not otherwise invested in the Main Scheme AVC Option. These are held in arrangements via Equitable Life and Standard Life.

9.1.3 The 'Aegon AVC option', available only to former members of the Atos UK 2011 Pension Scheme. These are held in arrangements with Aegon.

9.2 With the assistance of the Scheme's consultants, the AVC arrangements will be reviewed periodically to ensure that the investment profile of the funds available remains consistent with the objectives of the Trustee and the needs of the members.

Defined Contribution ("DC") Section

10. Investment policy

10.1 The DC Section is closed to new entrants and future contributions.

10.2 There are three categories of DC benefits within the Scheme:

10.2.1 Members in the 'Sema Group Money Purchase Plan' have DC benefits invested in the DB assets of the Scheme (in line with the investment strategy set out in Section 6) and receive benefits based on the returns of the DB Section investments.

10.2.2 The Trustee offers members of the APF Money Purchase Plan and SEMA 'Personal Money Fund' sections a choice of investments in BlackRock funds available through the Aegon platform. All of the available investment funds are managed by BlackRock and have different investment objectives and characteristics. Further detail in relation these arrangements are provided below.

10.3 The Trustee regards its duty as making available a range of investment options sufficient to enable the remaining members to tailor their investment strategy to their own needs, recognising these may change during the course of the members' working lives.

11. Day-to-day management of the APF Money Purchase Plan and SEMA Personal Money Fund assets

11.1 All funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets. Therefore, assets should be realisable at short notice, based on member demand.

11.2 Members are able to choose the balance between the different kinds of investments. The balance will determine the expected return on member's assets and should be related to the member's own risk appetite and tolerances.

11.3 The assets are invested in BlackRock funds via the Aegon platform. The available Self Select fund range for current members of the 2019 Scheme is as follows:

APF Section Funds

Fund	Asset Class	Active/Passive
60/40 Global Equity Index	Equity	Passive
60/40 Global Growth	Equity	Active
70/30 Global Growth	Equity	Active
Cash	Cash	Active
World (Ex-UK) Equity Index	Equity	Passive
Pre-Retirement	Bonds	Active
UK Growth	Equity	Active
UK Equity Index	Equity	Passive

SEMA Section Funds

Fund	Asset Class	Active/Passive
70/30 Global Growth	Equity	Active
UK Growth	Equity	Active
World (ex UK) Equity Index	Equity	Passive
60/40 Global Equity Index	Equity	Passive
UK Equity Index	Equity	Passive
Pre-Retirement	Bonds	Active
Cash	Cash	Active
Index-linked Gilt	Bonds	Active

Fund	Asset Class	Active/Passive
30/70 Currency Hedged Global Equity Index	Equity	Passive
50/50 Global Growth	Equity	Active

Default Investment Option – Lifestyle Strategies

11.4 Lifestyle strategies are designed to meet the conflicting objectives of maximising the value of the member's assets at retirement and protecting the member's accumulated assets in the years approaching retirement.

11.5 The Lifestyle Strategies attempt to achieve these aims by varying the mix of assets over a member's working life.

11.6 For the APF Money Purchase Plan: the lifestyle strategy uses the BlackRock 60/40 Global Equity Index Tracker in the growth phase, transitioning to the BlackRock DC Pre-Retirement Fund over a 5-year period from age 60 to 65 (Normal Retirement Date).

11.7 For the SEMA PMF: the lifestyle strategy uses the BlackRock 70/30 Global Growth Fund in the growth phase, transitioning to a combination of the BlackRock DC Pre-Retirement Fund, BlackRock DC Index Linked Gilts Fund and BlackRock DC Cash Fund over either a 5-year ("Growth Lifestyle") or 10-year ("Stability Lifestyle") period prior to age 60 (Normal Retirement Date).

11.8 The Trustee recognises that these options are not a perfect match for an individual member's circumstances. In particular, they provide little protection for the risk facing members who are forced to retire early or at short notice and who have either not yet reached the switching stage or are only partially through the switching process. The Trustee will periodically review the options in light of new investment vehicles being introduced to the market.

11.9 The Trustee will periodically review the investment arrangements to ensure the fund range remains suitable.

12. Risk

12.1 The Trustee regards "risk" as the likelihood of failing to achieve the objectives set out above and seeks to minimise these risks, so far as is possible.

12.2 In arriving at the range of fund options and the production of the SIP, the Trustee has considered the following financially material risks:

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risks	Inflation risk	The risk that returns over the members' working lives does not keep pace with inflation.	The Trustee makes available a range of funds, across various asset classes, with the majority

	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	expected to keep pace with inflation. Members are able to set their own investment allocations, in line with their risk tolerances. Within active funds, management of many of these market risks is delegated to the investment manager.
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	
	Equity, property and other price risk	The risk that market movements lead to a substantial reduction in the value of a member's savings.	
Liquidity risk		The risk that the DC Section's assets cannot be realised at short notice in line with member demand.	The DC Section is invested in daily dealt and daily priced pooled funds.
Investment Manager risk		The risk that the appointed investment managers underperform the benchmark return, fail to carry out operational tasks, do not ensure safe-keeping of assets or breach agreed guidelines.	The Trustee regularly reviews the appropriateness of the level of the security of assets and ongoing monitoring of the performance of the investment managers.
Pension Conversion risk		The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	The Trustee makes available a Fund Select lifestyle option, which automatically switches member assets into investments whose value is expected to be less volatile relative to annuity prices as members approach retirement.
Environmental, Social and Corporate Governance ("ESG") risk		The risk that ESG concerns, including climate change, have a financially material impact on the return of the DC Section's assets.	The management of ESG related risks is delegated to investment managers. See Section 13 of this Statement for the Trustee's responsible investment and corporate governance statement.

12.3 The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

All Sections

13. Sustainable Investment Beliefs Statement

13.1 The Trustee has developed a Sustainable Investment Policy which outlines the governance framework adopted by the Trustee in 2020 to approach matters relating to sustainable investment. The Trustee believes that Environmental (including Climate Change risks), Social and Governance issues are complex, multifaceted and may impact the value of the Scheme's investments. The Trustee considers these risks to be of concern over the short, medium and long term, however regulatory and transition risks are clearly present now and the Trustee should factor this into its decision making.

13.2 Further to this, the Trustee aspires to align with the corporate sponsor by dedicating resource to considering how the Scheme could potentially achieve net-zero carbon emissions by 2035. The Trustee recognises that, at the current time, it is not obvious how to do this, but the Trustee will work with the Scheme's asset managers and advisors to move towards this target, and report on its progress on an annual basis. It may mean that the Trustee will have to consider new opportunities that they are not yet familiar with. The Trustee will have to dedicate significant time to ensure that they continue to understand the implications of their decisions. It will only take action when it is comfortable it is consistent with its fiduciary duty and in the best financial interests of members. Whilst the Trustee has not yet approached members to ask for their views on ESG issues, it may be appropriate to do so for some sections of the Scheme in the future.

13.3 The Trustee believes that by adopting this objective it is having a positive impact as part of the transition to a more sustainable, low carbon economy. The Trustee recognises that other investment opportunities may arise to be impactful, however the Trustee may not have the time or resources to access them and will rely on its advisors to provide appropriate opportunities for them to review.

13.4 Whenever the Trustee selects new investment managers, it must make itself comfortable that the managers can adequately manage ESG-related risks and invest in line with the Scheme's beliefs. Managers should be periodically reviewed and held to account. If the Trustee is not satisfied that managers are investing responsibly, the Trustee will engage with them to try to improve, but ultimately will terminate the mandate if improvements are not made.

13.5 Stewardship and effective engagement are important tools to achieving more sustainable outcomes. All of the Scheme's managers should exhibit good stewardship practices and the Trustee monitor them to ensure they do so. To inform its view of best practice, the Trustee will engage with its peers and other industry practitioners. The Trustee has an ambition to become a vocal, public leader in the field of responsible investment. The Trustee believes it is important to be transparent, continually learn from their practices and share their experiences with members and peers.

14. Stewardship Policy

14.1 This policy sets out how the Trustee practises effective stewardship as part of its fiduciary duty to act in the best financial interests of members. The Trustee understands good stewardship to be the responsible allocation, management, and oversight of capital to create long-term value for members, leading to sustainable benefits for the economy, the environment and society. The Trustee will aim to use its influence as an owner of assets to ensure that, as far as possible, best practices are reflected in terms of environmental, social and governance ("ESG") factors, and will hold the Scheme's investment managers to account for the effective use of their influence as owners of assets.

14.2 Resourcing Stewardship

The Trustee's approach to stewardship reflects its broad investment approach: its role is to hire investment managers and to hold them to account for delivery, rather than to invest itself. In a similar way, the Trustee carries out its stewardship through oversight and challenge of its investment managers rather than itself operating as a steward directly of the underlying assets in which the Scheme invests.

The role of the Trustee is to provide oversight of the investment managers, holding them to account for delivery. The Trustee hires appropriately skilled investment managers, sets clear expectations, assesses the quality of their performance, and holds them to account where deficiencies or areas for further improvement are identified.

14.3 Our Key Themes

The Trustee has decided to concentrate its stewardship efforts on a central theme, which was chosen based on its relevance to the Scheme and its members, the financial risks it presents, and the level of maturity and development of industry thinking that allows for easy integration into our approach. Given the systemic nature of climate change and the risks it poses to the Scheme and the global economy, it is considered the key theme for the Trustee to focus on. However, the Trustee recognises that a successful climate transition is dependent on the restoration of biodiversity and nature loss, as well as a just transition (i.e. seeking to ensure that the benefits of a transition to a green economy are shared across society, and supporting those who stand to be adversely effected by such a transition).

The Trustee's engagement with the Scheme's managers will focus on these areas. Engagement efforts will be more greatly weighted towards managers based on the size of the Scheme's holdings with them and how long these managers are expected to be held in the portfolio. Furthermore, the Trustee will attempt to use data as relevant to direct its engagement efforts into particular areas which are viewed to be most material for the Scheme and its members. For example, climate change and biodiversity are both broad areas with several underlying factors, and the Trustee will consider how data can be used to understand which underlying factors are most material for particular holdings, so that the Trustee's engagement can be focused on these areas as appropriate.

14.4 Significance of stewardship in appointment and monitoring of investment managers

It is the responsibility of the Trustee to lead engagements with investment managers. The Trustee will not appoint new investment managers that cannot demonstrate the standards to which existing investment managers are held. These expectations can be summarised as:

- Willingness to support our ambition on climate change and the interconnected challenges of biodiversity and a just transition. This requires using appropriate metrics and tools to enable the assessment of our portfolio in regards to these areas;
- Effective processes for and delivery of stewardship activity, alignment with leading standards, and evidence of positive engagement outcomes related to the key theme;
- Provision of tailored reporting on stewardship activities and outcomes;
- Embedding and maintaining an inclusive and supportive corporate culture;
- Managing conflicts of interest;
- Participation as appropriate in public policy debates and the development of best practices.

The Trustee expects its investment managers to provide specific evidence they have acted in accordance with these expectations which should provide the Trustee with enough insight to ascertain whether investment managers are practising effective stewardship that is best aligned with members' long-term interests. Where the Trustee identified deficiencies it will escalate accordingly, with the ultimate response being the removal of mandates where they believe it is in the interests of members to do so. The Trustee views incremental improvements by investment managers as the key success measure of its own stewardship activities.

14.5 **Engagement: Expectations and Process**

The Trustee expects investment managers to engage with issuers to preserve or increase the long-term value of their investments, while minimizing negative externalities on the environment and society, except for within LDI where the issuer is the UK government. The Trustee recognises that there is no universal approach to stewardship and instead encourages investment managers to prioritize stewardship opportunities and use the most appropriate and influential engagement strategies based on their detailed knowledge of a particular asset class, sector, geography, or specific company or other asset.

The Trustee expects investment managers to have strong policies and procedures in place for ESG, climate change, and stewardship. These policies and procedures are used to determine how underlying companies are monitored and engaged with, how progress is measured, and when escalation is necessary. The Trustee expects that these assessments and the progress of stewardship activities are tracked over time to ensure continuity of activity and to evaluate the effectiveness of stewardship delivery.

Leading direct engagement with issuers is a minimum expectation of the Trustee. Channels the Trustee expects its investment managers to use include letter writing, phone calls, participation and attendance at annual and other shareholder meetings, and focused engagement dialogues with both management teams and non-executive directors. The Trustee challenges its investment managers when it feels their engagements are not sufficiently focused on decision-makers such as management or board.

The Trustee expects manager engagement with companies to be underpinned by engagement on public policy matter where relevant and deemed beneficial to Scheme outcomes.

In order to drive corporate change, and where initial engagement has made little progress, the Trustee expects its investment managers to escalate engagement accordingly. Escalation can include voting against management, proposing shareholder resolutions, litigation, and ultimately divestment. The Trustee allows its investment managers discretion over the appropriate tools to deploy; however, it expects these to be communicated with issuers' management teams. Should there still be little progress made after escalation, the Trustee expects its investment managers to consider disinvestment as a final course of action. The Trustee requests that its investment managers provide engagement case studies to support its monitoring and oversight.

14.6 **Voting: Expectations and Process**

Investment managers are expected to have their own voting policies and the exercise of voting rights on the Scheme's behalf should form part of a wider engagement dialogue. If the Scheme's investment managers wish to vote contrary to management recommendations, the Trustee expects this is communicated and the investment managers' views expressed to the company.

Whereas voting responsibilities are outsourced to the Scheme's investment managers, the Trustee recognises that it has a fiduciary and regulatory responsibility to retain agency in the process. Investment manager oversight is the key mechanism for this, and the Trustee therefore holds its investment managers accountable not only for voting activity as a whole, but also how they have voted in significant votes. It is the Trustee's responsibility to define the significance of votes placed on their behalf, and to be transparent with stakeholders and beneficiaries regarding outcomes.

Significant votes have been defined as votes which meet one or more of the following criteria:

- Votes relating to the key stewardship theme;
- Votes relating to issues interconnected with the key stewardship theme, defined as biodiversity and nature-loss related resolutions or votes related to a just transition;
- Votes relating to an issuer to which the Scheme has a large £ exposure;
- Votes which may be inconsistent between investment managers; and

Votes identified due to potential controversy, driven by the size and public significance of a company, the nature of the resolution, and the weight of shareholder vote against management recommendation.

The Trustee will review the Stewardship Policy outlined above on an ongoing basis to ensure it continues to remain aligned with the Trustee's engagement and voting expectations and approach to practising Stewardship.

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Tegs Harding

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Chris P Martin

Trustee

For and on behalf of the Trustee of the Atos Pension Schemes Limited