

Fujitsu Comparable Pension Scheme

Statement of Investment Principles – September 2021

1. Introduction

The Trustee Board of the Fujitsu Comparable Pension Scheme (“the Scheme”), Fujitsu Comparable Pension Trust Limited, the “Scheme Trustee”, has drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 1995 (“the Act”) and subsequent legislation. The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments. A separate document detailing the specifics of the Scheme’s investment arrangements is available upon request.

In preparing this Statement the Scheme Trustee has consulted the Sponsoring Company (“Fujitsu Services Limited”) to ascertain whether there are any material issues of which the Scheme Trustee should be aware in agreeing the Scheme’s investment arrangements. However, the ultimate power and responsibility for deciding investment policy lies with the Scheme Trustee.

2. Scheme Details

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

Investment is carried out through the medium of a Common Investment Fund (“CIF”) under which the assets of the ICL Group Pension Plan (“the Plan”) and the Scheme are pooled for investment purposes.

The assets of the CIF are subdivided between the Plan and the Scheme via a unitisation process. Each participating plan has secured a number of units and the value of assets for each plan is determined as the product of unit price and the number of units held.

ICL Pension Trust Limited is Trustee of the CIF, the “CIF Trustee”. Further details on the responsibilities of the CIF Trustee are outlined in the Section below and in the Appendix to this document.

3. Fund Governance

The Scheme Trustee is responsible for the overall investment arrangements and has delegated specific responsibilities to a Joint Investment Committee (JIC). The JIC shall consist of up to four members. The directors of each of the Plan Trustee and the Scheme Trustee may select and appoint up to two members of the JIC from their number. The Plan Trustee and the Scheme Trustee may agree to select and appoint (and subsequently remove) an individual, who is not a director of either of those Trustees, as a fifth (or additional) member of the JIC. In addition, a representative of the Sponsoring Company also attends JIC meetings in a non-voting capacity.

The CIF Trustee is responsible for the CIF and also delegates certain responsibilities to the JIC. The Terms of Reference for the JIC specify details of the terms of delegation to the JIC by both the Scheme Trustee and the CIF Trustee. The JIC delegates a number of pre-defined activities to the Investment Executive.

The duties and responsibilities of each party mentioned in this Statement including the JIC are detailed in the Appendix.

The Scheme Trustee is satisfied that (taking into account the experience of its professional advisors) it has sufficient expertise, information and resources to carry out its role effectively.

The JIC (as a delegate of the Scheme Trustee) has a documented business plan which covers investment and other issues. This sets out the CIF's expected activities and aspirations for the year and is updated regularly.

4. Process For Choosing Investments

The process for choosing investments is as follows:

- Identify appropriate investment objectives;
- Agree the level of risk and expected return consistent with meeting the objectives set; and
- Construct a portfolio of investments that is expected to meet the return objective (net of all costs) given the targeted level of risk.

In considering the appropriate investments for the Scheme, the Scheme Trustee has obtained and considered the written advice of Momentum Investment Solutions and Consulting in their capacity as the outsourced Investment Executive, whom the Scheme Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Scheme Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

5. Investment Objective

The Scheme Trustee's objective is to invest the Scheme's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. In order to achieve this objective, the Scheme Trustee targets an expected return which would be sufficient to reach full funding by 31 October 2025 with a tolerable level of risk. Within this framework the Scheme Trustee has agreed specific financial objectives to help guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed. The Scheme Trustee's financial objective is to target an expected return that is sufficient to support the requirements of the Technical Provisions and the current Deficit Recovery Plan.

The Scheme Trustee has entered into a Memorandum of Understanding with the sponsor which covers matters such as the sponsor's investment risk tolerance.

6. Risk Management and Measurement

There are various risks to which the Scheme is exposed. In establishing the investment objectives, the Scheme Trustee has considered the following risks:

- The risk that there is a mismatch between the Scheme's assets and its liabilities. The Scheme Trustee recognises that whilst increasing risk relative to the Scheme's liabilities increases potential returns over a long period, it also produces more short-term volatility in the Scheme's funding position. The Scheme Trustee has taken advice on the matter and (in light of the objectives noted previously) considered carefully the implications of adopting different levels of risk.
- The risks that may arise from a lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Scheme Trustee aims to ensure the asset allocation policy in place results in an adequately diversified portfolio.
- The risk that the day to day management of the assets will not achieve the rate of investment return expected by the Scheme Trustee. The Scheme Trustee recognises that the use of active management involves such a risk. The Scheme Trustee attaches a high degree of significance to this risk and ensures that, where appropriate, diversified manager structures are in place to reduce this risk, provided that any associated increase in costs is justified by the risk reduction achieved.
- The risk associated with the non-Sterling denominated assets (in this case overseas equities and overseas bonds) fluctuating in value due to currency movements. To protect against this risk currency hedging is employed.
- The documents governing the manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme. The managers are prevented from investing in asset classes outside of their mandate without the prior consent of the JIC (as a delegate of the Scheme Trustee).
- Arrangements are in place to monitor the Scheme's investments to help the Scheme Trustee check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the JIC (as a delegate of the Scheme Trustee) meets regularly with the Scheme's managers and receives regular reports from all the investment managers and the Investment Executive. As part of the quarterly monitoring the JIC (as a delegate of the Scheme Trustee) monitors the overall funding level of the Scheme, to ensure the risks taken and returns achieved are consistent with those expected.
- The safe custody of the Scheme's assets is delegated to professional custodians (either directly or via the use of pooled vehicles).

Should there be a material change in the Scheme's circumstances, the Scheme Trustee will review whether and to what extent the investment arrangements should be altered; in particular whether the current risk profile remains appropriate.

7. Portfolio Construction

The Scheme Trustee has adopted the following control framework in structuring the Scheme's investments subject to the overriding constraint that at the total Scheme level the expected level of risk and return is consistent with meeting its investment objectives detailed in Section 5:

- To help diversify manager-specific risk, multiple manager appointments within a single asset class are preferred where practical and subject to appropriate cost benefit analysis.
- At the total Scheme level and within individual manager appointments, investments should be broadly diversified to ensure there is not a concentration of investment with any one issuer. This restriction does not apply to investment in UK Government debt.
- Illiquid investments, such as property and infrastructure, may be held as long as the Scheme Trustee judge that the lack of liquidity will not prevent the Scheme from achieving the investment objectives set out in Section 5.
- Investment in derivatives is permitted either directly or within pooled funds as long as they contribute to a reduction in risk or facilitate efficient portfolio management. Derivatives are used in the Scheme's liability hedging portfolio to reduce both the interest rate and inflation risk relative to the Scheme's liabilities.
- Investment may be made in securities that are not traded on regulated markets. Recognising the risks (in particular liquidity and counterparty exposure) such investments will normally only be made with the purpose of reducing the Scheme's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event the JIC (as a delegate of the Scheme Trustee) will ensure that the assets of the Scheme are predominantly invested in regulated markets.
- The Scheme shall not invest in securities issued by the Scheme's Sponsoring Employer or affiliated companies (other than any such securities held within a pooled fund in which the Scheme invests).
- No appointed investment manager shall invest in the securities issued by the relevant manager's company or any affiliated companies (other than any such securities held within a pooled fund in which the Scheme invests).

8. Investment Strategy

The Scheme Trustee adopts an investment strategy which is consistent with the investment objectives set out in section 5.

A detailed description of the investment policy can be found in a separate document produced by the CIF Trustee entitled "Investment Policy Implementation Document", which is available to members upon request.

9. **Day-to-Day Management of the Assets**

The JIC (as a delegate of the CIF Trustee) delegates the day to day management of the assets to a number of investment managers and is responsible for the monitoring of the managers. The JIC (as a delegate of the CIF Trustee) has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Scheme's investments and that they are carrying out their work competently.

The JIC (on behalf of the CIF Trustee) regularly reviews the continuing suitability of the Scheme's investments, including the appointed managers and the balance between active and passive management, which may be adjusted from time to time. However, any such adjustments would be done with the aim of ensuring the overall level of expected return and risk is consistent with meeting its investment objectives as set out in Section 5.

The JIC monitors the performance of the appointed managers against the investment strategies and objectives of the Scheme on a quarterly basis, and formally meets with each manager at least annually.

The JIC seek long-term, ongoing partnerships with their investment managers to incentivise medium to long-term financial performance. The JIC does not set duration expectations for its partnerships but monitors their suitability on an ongoing basis. Some of the Scheme's investments are invested in strategies where there is a duration expectation due to the fixed term nature of the underlying investment and/or investment vehicle. The JIC monitor the suitability of these arrangements on an ongoing basis and any decision to increase (or reduce) the allocation to these fixed term investments would be based on an assessment of their ongoing suitability.

To incentivise medium to long-term financial performance, the JIC assesses investment manager performance in absolute terms and relative to the benchmark over various periods including 3-year, 5-year and since inception of the mandate. It heavily biases its review of ongoing suitability of the investment manager on the assessment of the future performance expectations and the portfolio's role in supporting the overall investment objectives.

To incentivise the medium to long-term non-financial performance of its investments, the JIC monitor the stewardship and engagement activities for each of its investment managers on an annual basis. The JIC expects its investment managers to directly engage with the debt or equity issuers to improve the issuer's performance on a medium to long-term basis. The quality of each investment manager's approach forms part of the assessment of its ongoing suitability.

Managers are incentivised by the fees received for managing the Scheme's assets and equally from the risk of termination of their mandate should they not perform. If there is a consistent lack of alignment, managers will be required to account for this to the JIC.

The JIC also requires each of the investment managers to conform to the Scheme's Statement of Investment Principles. It formally confirms their compliance annually.

The JIC undertake the governance and reporting requirements relating to climate related risks and the Task Force on Climate-Related Financial Disclosures (“TCFD”).

The JIC reviews the turnover and ongoing investment costs on an annual basis and has appointed a specialist provider to report on these costs using current industry standard templates. This includes the costs of buying and selling securities and the frequency of trading relative to expectations for the mandate. Where an investment manager is unable to provide the information using the current industry standard template, information in the format provided by the investment manager is reviewed. Based on the guidance from the Investment Executive, each portfolio has an expected investment turnover range. Deviations from that range are reviewed with the investment manager.

Details of the appointed managers can be found in the “Investment Policy Implementation Document”.

The CIF employs a global custodian (“the Custodian”). The Custodian’s responsibilities are defined in its agreement.

10. Expected Return

The Scheme Trustee expects the investment policy to generate a return, over the long term, that is sufficient to support the assumptions underpinning the current Deficit Recovery Plan. It is recognised that over the short-term performance may deviate from the long-term target.

11. Realisation of Investments

The investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.

12. Additional Voluntary Contributions (“AVCs”)

The Scheme provides a facility for members to pay AVCs into the Scheme to enhance their benefits at retirement. Members are offered some choice of arrangements in which to invest their AVC payments with Aviva. Some legacy AVC arrangements are held with Utmost. Furthermore, members are also advised of their right to invest externally to the Scheme’s AVC arrangements.

13. Sustainable Investment, ESG and Stewardship

The Scheme Trustee and the JIC take account of all financially material risks and opportunities in consultation with their advisers. All risks and opportunities are considered for materiality and impact within a risk management framework, which takes account of the Scheme’s investment time horizon and objectives. As part of those considerations the Trustee and the JIC take account of the Sponsor’s business and the Scheme’s maturing liability profile. The Trustee and the JIC consider sustainable investment issues, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, and effective stewardship, in the context of this broader risk management framework.

The Scheme Trustee and the JIC believe that integrating sustainable investment into its processes and decision making should lead to better outcomes for Scheme members, including by helping to manage regulatory and reputational risks. In particular:

- The Scheme can best implement its sustainable investment policy through its investment managers and advisers, and will therefore closely review, monitor and challenge their activities in this area.
- The Scheme should look to manage risks and exploit opportunities, particularly through ESG integration, effective stewardship, identifying attractive sustainability themes, and understanding the real world impact of its investments.
- Climate change poses material financial risks to the Scheme and therefore should be subject to specific attention and risk management.
- The Scheme prefers a collaborative approach, leveraging its efforts through engagement, working with its investment managers, advisers, and Sponsor.

The JIC's policy is that day-to-day decisions relating to the selection, retention and realisation of Scheme assets is left to the discretion of its investment managers, noting the JIC's increased ability to influence and control terms of these arrangements for assets invested in segregated accounts versus those held in pooled vehicles. The JIC expects the investment managers to consider ESG issues and explores these issues with its managers to understand how they exercise these duties in practice and receives reports on how these issues are addressed. When considering the appointment of new managers, and reviewing existing managers, the JIC, together with its Investment Executive, looks to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement where relevant.

The JIC's policy is to delegate responsibility for the exercising of ownership rights (including voting rights) attached to investments to the investment managers. The JIC's policy for undertaking engagement activities in respect of investments (on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest) is also delegated to the investment managers. If a concern is identified, this will be reported to the JIC and will be considered on a case by case basis. The JIC recognises the UK Stewardship Code as good practice and its policy is to encourage its investment managers and other stakeholders to comply with the UK Stewardship Code (or equivalent relevant code) or explain where they do not adhere to this policy.

It is the Trustee's policy at this time not to consider non-financial matters, but it continues to keep this under review.

14. Monitoring & Reporting

The appointment of the investment managers will be reviewed by the JIC (as a delegate of the CIF Trustee) and Scheme Trustee respectively from time to time, based on the results of their monitoring of performance and process, and of compliance with the requirements in the Pensions Act concerning diversification and suitability, where relevant. The CIF Trustee and investment managers have been provided with a copy of this Statement and the JIC (as a delegate of the CIF Trustee) will monitor the extent to which the investment managers give effect to the policies set out in it.

The Custodian is used as an external independent performance monitoring agency to consider the Scheme's and managers' performance against the benchmarks.

The JIC (as a delegate of the CIF Trustee), hold regular meetings with the investment managers to satisfy themselves that they continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the CIF.

The JIC (as a delegate of the CIF Trustee) believes that custodian services are a vital part of the management of the CIF's assets and recognise the importance of monitoring the custodial arrangements.

The Scheme Trustee will provide an implementation statement within its annual report signed after 1 October 2020. The implementation statement will set out how it has acted on the principles within this Statement and will provide details of the stewardship, engagement and voting undertaken with regards to the Scheme's investments.

15. Review of this Statement

The Scheme Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Scheme Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension plan investments.

Appendix

Division of Duties and Responsibilities

Duties and Responsibilities	Executed By
<ul style="list-style-type: none"> ▪ Reviewing the investment objectives following the results of each actuarial review, in consultation with the Scheme's Actuary and the Investment Executive, and recommendations made by the JIC. ▪ Reviewing regularly the content of this Statement and modifying it if deemed appropriate. 	The Scheme Trustee
<ul style="list-style-type: none"> ▪ Undertake unitisation, valuation, and administration duties on behalf of the CIF. 	The JIC
<ul style="list-style-type: none"> ▪ Reviewing the investment policy following the results of each actuarial review, in consultation with the Scheme's Actuary and the Investment Executive. ▪ To ensure that the CIF's investments are correctly and appropriately managed, in accordance with the agreements with the respective investment managers and the Statement for each participating arrangement. ▪ Appointing and reviewing the managers of the CIF. ▪ Review investment manager guidelines and execute investment documents on behalf of the CIF. ▪ To receive regular information on all relevant investment issues, e.g. <ul style="list-style-type: none"> – Quarterly Investment Managers' Reports – Consolidated Investment Reports – Funds held by Pensions Department ▪ To hold regular meetings with the investment managers to the CIF. ▪ To undertake reviews of the investment managers to the CIF (on behalf of the CIF Trustee), as appropriate. ▪ To ensure the Scheme Trustee's investment policies and strategies are implemented in a cost-effective manner. ▪ To ensure that sustainable investment issues, such as ESG, climate change (TCFD) and stewardship are reviewed and monitored across the investment mandates. ▪ To report on a regular basis on the discharge of the above duties. 	The JIC

Duties and Responsibilities	Executed By
<ul style="list-style-type: none"> ▪ Perform asset liability modelling exercises, as required. ▪ Advise on the strategic framework. ▪ Advise on the selection of the Investment Managers. ▪ Monitor the Investment Managers, providing both qualitative and quantitative input to the JIC. ▪ Perform the pre-defined activities that have been delegated to the Investment Executive by the JIC. These activities include: cash flow management; documentation reviews; and business as usual items. ▪ Advise on the implementation of mandates. ▪ Advise on the Statement. 	The Investment Executive
<ul style="list-style-type: none"> ▪ At their discretion, but within any applicable guidelines, deciding on and implementing changes in the asset mix and selecting securities within each asset class having regard to the need for diversification of investments so far as is appropriate and to the suitability of the investments. ▪ Providing the Investment Executive with quarterly statements of the assets along with a quarterly report on the results of the past investment strategy and the recommended future policy. ▪ Investing cash in a suitable manner consistent with the Agreements as agreed between the Trustee and the investment managers. 	The Investment Managers
<ul style="list-style-type: none"> ▪ Arranging safekeeping of the assets of the Scheme. ▪ Undertaking all appropriate administration relating to the Scheme's assets normally undertaken by custodians. ▪ Processing all dividends and tax reclaims in timely manner. ▪ Providing a performance monitoring service. 	The Custodian
<ul style="list-style-type: none"> ▪ Assessing the funding position of the Scheme in accordance with the Statement of Funding Principles and advising on the appropriate response to any shortfall. 	The Scheme Actuary
<ul style="list-style-type: none"> ▪ Ensure there is sufficient cash available to meet benefit payments from the Scheme as and when they fall due. ▪ Transferring funds not required to meet benefit payments to the Scheme's manager(s) according to the Trustee's instructions. ▪ Investing cash balances required to meet benefit payments in a suitable low risk manner consistent with the Trustee's guidelines. 	The Internal Administrator