ICL Group Pension Plan

Statement of Investment Principles – September 2019

1. Introduction

The Trustee Board of the ICL Group Pension Plan (“the Plan”), ICL Pension Trust Limited, in its capacity as Trustee of the Plan (“Plan 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 Plan’s investments. A separate document detailing the specifics of the Plan’s investment arrangements is available upon request.

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

2. Plan Details

The Plan operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. The Plan has two sections, a Defined Benefit section and a Defined Contribution section.

For the Defined Benefit section, investment is carried out through the medium of a Common Investment Fund (“CIF”) under which the assets of the Plan and the Fujitsu Comparable Pension Scheme (“the Scheme”) are pooled for investment purposes. The investment objectives set out in this Statement are therefore applied to the operation of the CIF as a whole.

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 also 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.

For the Defined Contribution section, investment is carried out through a unit-linked long-term insurance contract with FIL Life Insurance Limited (“FIL Life”). This contract provides access to a range of pooled investment vehicles operated by multiple investment management firms.

3. Fund Governance

The Plan 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 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 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 specifies details of the terms of delegation to the JIC by both the Plan 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 Plan 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 Plan 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 Plan, the Plan Trustee has obtained and considered the written advice of Momentum Investment Solutions & Consulting in their capacity as the outsourced Investment Executive, whom the Plan Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Plan Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

5. Defined Benefit Section

5.1 Investment Objective

The Plan Trustee's objective is to invest the Plan'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 Plan Trustee targets an expected return which would be sufficient to reach full funding by 28 February 2028 with a tolerable level of risk. Within this framework the Plan 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 Plan is exposed. The Plan 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 Plan Trustee has entered into a Memorandum of Understanding with the sponsor which covers matters such as the sponsor's investment risk tolerance.

5.2 Risk Management and Measurement

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

- The risk that there is a mismatch between the Plan's assets and its liabilities. The Plan Trustee recognises that whilst increasing risk relative to the Plan's liabilities increases potential returns over a long period, it also produces more short-term volatility in the Plan's funding position. The Plan 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 Plan 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 Plan Trustee. The Plan Trustee recognises that the use of active management involves such a risk. The Plan 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 risk that there is insufficient cashflow to meet ongoing requirements, including benefit payments and transfer values. An income sweep is in place whereby the income from the majority of mandates (where this is feasible to implement) is swept to the Plan's LDI arrangements to help meet ongoing cashflow requirements. In addition, the majority of assets are invested in bonds (and bond-like investments) that provide predictable cashflows which help to reduce the likelihood of having insufficient cashflow and becoming a forced seller of assets to meet ongoing requirements.

- 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 Plan. The managers are prevented from investing in asset classes outside of their mandate without the Plan Trustee's prior consent (which may be delegated to the JIC).

- Arrangements are in place to monitor the Plan's investments to help the Plan 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 Plan Trustee) meets regularly with the Plan'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 Plan Trustee) monitors the overall funding level of the Plan, to ensure the risks taken and returns achieved are consistent with those expected.

- The safe custody of the Plan's assets is delegated to professional custodians (either directly or via the use of pooled vehicles).

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

5.3 Portfolio Construction

The Plan Trustee has adopted the following control framework in structuring the Plan's investments subject to the overriding constraint that at the total Plan level the expected level of risk and return is consistent with meeting its investment objectives detailed in Section 5.1:

- 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 Plan 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, may be held as long as the Plan Trustee judges that the lack of liquidity will not prevent the Plan from achieving the investment objectives set out in Section 5.1.

- 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 Plan's liability hedging portfolio to reduce both the interest rate and inflation risk relative to the Plan'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 Plan's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event the Plan Trustee will ensure that the assets of the Plan are predominantly invested in regulated markets.

- The Plan shall not invest in securities issued by the Plan's Sponsoring Employer or affiliated companies (other than any such securities held within a pooled fund in which the Plan 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 Plan invests).

5.4 Investment Strategy

The Plan Trustee adopts an investment strategy which is consistent with the investment objectives set out in section 5.1.

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.

5.5 Day–to-Day Management of the Assets

The CIF Trustee delegates the day to day management of the Defined Benefit assets to a number of investment managers and delegates the monitoring of the managers to the JIC. The CIF Trustee has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Plan’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 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 5.1.

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.

5.6 Expected Return

The Plan 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.

5.7 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.

6. Defined Contribution Section

6.1 Investment Objectives

The Defined Contribution section's objectives are the acquisition of secure assets of appropriate liquidity, that will generate income and capital growth which will provide for each member’s retirement benefits.

The Plan Trustee recognises that members' investment needs change as they progress towards retirement age. Generally, younger members have a greater need for real growth to attempt to ensure their investment accounts keep pace with inflation and, if possible, salary escalation but are more able to tolerate short term fluctuations in value. Generally, older members require a greater level of predictability in the benefits that may be secured with their investment accounts.

The Plan Trustee therefore operates a 'lifestyle' strategy as the default investment option for members. This ‘lifestyle’ strategy is managed on a passive basis, where members' investments are initially allocated solely to equities. In the 25-year period leading up to a member’s normal retirement age (unless an alternative age has been selected), members’ investments are progressively switched into a multi-asset fund on an annual basis. Finally, over the five-year period leading up to a member’s retirement, investments are progressively switched from the multi-asset fund into a cash fund on a quarterly basis.

Recognising members' desires for a degree of choice in the Defined Contribution section, the Plan Trustee has also made available a range of passively managed funds for those members who do not wish to choose the 'lifestyle' strategy for all of their contributions. This range includes equity, bond and cash funds, as well as funds that invest in a combination of these asset classes.

6.2 Risk Management and Measurement

The Plan Trustee recognises that there are a number of risks facing members of the Plan and have taken these into consideration when determining the range of funds to offer to members. The fund range offers members sufficient choice across the risk/return spectrum to allow them to manage the risks they face within the Plan.

The main risks faced by members and how the Plan Trustee helps members manage them are listed below.

- Inflation risk – This refers to the risk of investments not keeping pace with inflation. The Plan Trustee offers equity based investments which are expected to achieve a real rate of return over both price inflation and earnings growth in the long term. In addition, an Index Linked Gilts fund is offered to maintain purchasing power for members looking for a low risk alternative to equities.

- Pre-retirement downturn risk – This refers to the risk of a downturn in the markets in the period leading up to retirement. This could lead to members losing all the gains built up over their working life. The Plan Trustee has therefore offered the aforementioned Lifestyle investment option and also offers a fixed-interest and index-linked gilt fund for members who do not wish to choose the 'lifestyle' approach for all of their contributions.

- Liquidity risk – This refers to the risk of members not being able to realise their investments. The Plan Trustee has invested in unitised pooled funds which are dealt daily and are kept separate from the assets of the employer.

The JIC (on behalf of the Plan) monitors these risks regularly.

6.3 Default Investment Option[1]

Typically, a proportion of members will actively choose the default investment option because they feel it is most appropriate for them. However, the vast majority of the Defined Contribution section’s members do not make an active investment decision and are invested in the default investment option.

The default investment option is a ‘lifestyle’ strategy. The 'lifestyle' strategy comprises a Global Equity fund, a Multi-Asset fund and a Cash fund with the following characteristics:

- Global Equity Fund: 30% UK equities, 70% Global equities (including 10% allocation to Emerging Markets) and overseas currency exposure (excluding Emerging Markets) hedged back to Sterling.

- Multi-Asset Fund comprising of Global equities, Corporate bonds, Government bonds and Alternative investments.

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[1] The DC Section has been closed to future contributions since 30 November 2011. The Plan has never been used as a qualifying scheme for automatic enrolment purposes. As a result, the Plan does not technically have a 'default arrangement' for the purposes of the 2005 Investment Regulations. However, the Trustee has, in any event, included in this Statement the additional information required by the Investment Regulations in relation to "default arrangements" in respect of the funds making up the ‘lifestyle’ Strategy.

- Cash Fund invested in short-dated money-market instruments.

Members' investments are switched between the three funds based on the number of years until retirement, as outlined in Section 6.1.

The aims of the default investment option

- Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- In designing the 'lifestyle' strategy, the Plan Trustee has explicitly considered the trade-off between risks (as noted in the previous section) and expected returns.
- Assets in the 'lifestyle' strategy are invested in the best interests of members and beneficiaries, taking into account the profile of members.
- Assets in the 'lifestyle' strategy are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- Assets are invested mainly on regulated markets (those that are not must be kept to prudent or negligible levels).

Policies in relation to the default option

The Plan Trustee believes that:

- The 'lifestyle' strategy's growth phase structure, that invests solely in equities, aims to provide real growth to members, albeit is subject to short-term fluctuations in value.
- As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Plan Trustee believes that it is appropriate for the 'lifestyle' strategy to reduce investment risk as the member approaches retirement.
- Investment risk starts to reduce in the 25-year period leading up to retirement by reducing the allocation to equities and investing in diversified return sources through a multi-asset fund. The aim in this phase is to provide real growth but with lower short-term fluctuations in value (relative to solely being invested in equities).
- Progressively switching members' investments into cash in the 5-year period leading up to retirement further reduces the likelihood of short-term fluctuations and gives members the flexibility on how to utilise their pot at retirement. Members also have the option of choosing their own investment strategy using a range of passively managed funds should the 'lifestyle' strategy not satisfy their requirements.

Taking into account the demographics of the Plan's membership and the Plan Trustee's views of how the membership will behave at retirement, the Trustees believe that the current 'lifestyle' strategy is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic, if sooner.

6.4 Day–to-Day Management of the Assets

Investment is carried out through a unit-linked long-term insurance contract with FIL Life. The Plan Trustee has taken steps to satisfy itself that the underlying managers have the appropriate knowledge and experience for managing members' investments and that they are carrying out their work competently.

Details of the appointed managers and funds available can be found in a separate document entitled "Investment Policy Implementation Document", which is available to members upon request.

7. Additional Voluntary Contributions ("AVCs")

The Plan has legacy AVC arrangements and previously provided a facility for members to pay AVCs into the Plan to enhance their benefits at retirement. Members are offered some choice of arrangements in which to invest their legacy AVC payments. These arrangements are invested with Equitable Life, Aviva and London Life in a variety of funds. Furthermore, members are also advised of their right to invest their legacy AVC payments externally to the Plan's AVC arrangements.

In the Defined Contribution section, AVCs are invested along with members' normal contributions in the investment option of their choice. Hence, the AVC arrangements for the Defined Contribution section are invested with that section's main assets through a unit-linked long-term insurance contract FIL Life.

8. Sustainable Investment, ESG and Stewardship

The Plan 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 Plan'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 Plan'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 JIC's policy is that day-to-day decisions relating to the selection, retention and realisation of Plan 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 the 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 policy is to delegate responsibility for the exercising of ownership rights (including voting rights) attached to investments to the investment managers. The JIC recognises the UK Stewardship Code as good practice and encourages its investment managers 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.

9. Monitoring

The appointment of the Defined Benefit Section and the Defined Contribution section investment managers will be reviewed by the CIF Trustee and the Plan 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 both sections' investment managers have been provided with a copy of this Statement and the CIF Trustee will monitor the extent to which the CIF's 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 Plan's and managers' performance against the benchmarks for the Defined Benefit section.

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 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.

10. Review of this Statement

The Plan 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 Plan 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
▪ Reviewing the investment objectives following the results of each actuarial review, in consultation with the Plan'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 Plan Trustee
▪ Undertake unitisation, valuation and administration duties on behalf of the CIF.	The CIF Trustee
▪ Reviewing the investment policy following the results of each actuarial review, in consultation with the Plan'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 and the investment manager arrangements of the Defined Contribution section, or other investment arrangements. ▪ Review investment manager guidelines and execute investment documents on behalf of the CIF. ▪ To receive regular information on all relevant investment issues, e.g. – 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 Plan Trustee's investment policies and strategies are implemented in a cost-effective manner. ▪ To report on a regular basis on the discharge of the above duties. ▪ Reviewing the investment arrangements of the Defined Contribution section.	The JIC

Duties and Responsibilities	Executed By
▪ 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 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
▪ 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
▪ Arranging and safekeeping of the assets of the Defined Benefit section of the Plan. ▪ Undertaking all appropriate administration relating to the Plan's assets normally undertaken by custodians. ▪ Processing all dividends and tax reclaims in timely manner. ▪ Providing a performance monitoring service.	The Custodian
▪ Assessing the funding position of the Plan in accordance with the Statement of Funding Principles and advising on the appropriate response to any shortfall.	The Plan Actuary
▪ Ensure there is sufficient cash available to meet benefit payments from the Defined Benefit section as and when they fall due. ▪ Transferring funds not required to meet benefit payments to the Plan'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