

# Unisys Pension Scheme

## Statement of Investment Principles – September 2020

### 1. Introduction

- 1.1 This Statement of Investment Principles (the “Statement”) has been prepared by Unisys Pension Scheme Trustee Limited (the “Trustee”) in its capacity as the Trustee of the Unisys Pension Scheme (the “Scheme”). It sets out the principles that govern the Trustee’s decisions about the investment of the Scheme’s assets. The Trustee will refer to this Statement when making investment decisions, to ensure that they are consistent with these principles.
- 1.2 The Scheme’s investment arrangements, based on the principles set out in this Statement, are detailed in the Investment Policy Implementation Document (“IPID”) which is available to Scheme members upon request. This Statement is designed to meet the requirements of the Pensions Act 1995 (“the Act”) and the Occupational Pension Schemes (Investment) Regulations 2005, as amended from time to time, and subsequent legislation. The Trustee may also maintain and refer from time to time to statements recording the Trustee’s investment beliefs and long term investment strategy.
- 1.3 In preparing this Statement, the Trustee has obtained written advice from the Scheme’s Investment Consultant. The advice received and arrangements implemented are, in the Trustee’s opinion, consistent with the requirements of Section 36 of the Act (as amended). 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 this Statement is reviewed.
- 1.4 The Trustee’s investment powers are set out within the Scheme’s governing documentation and relevant legislation. The Trustee notes that, according to the law, it has ultimate power and responsibility for the Scheme’s investment arrangements.
- 1.5 Before revising this Statement or making any change to the Scheme’s investment strategy which, although not requiring a revision to this Statement is nevertheless significant, the Trustee will consult with the Principal Employer, Unisys Limited (the “Company”) acting for itself and on behalf of the other employers under the Scheme.
- 1.6 The Trustee believes that its investment policies and their implementation are in keeping with best practice, including the ‘investment guidance for defined benefit pension schemes’ published by the Pensions Regulator in March 2017 and subsequently updated.
- 1.7 The Trustee will review the Statement at least once every three years, and without delay if there are relevant, material changes to the Scheme and/or the Company. These include changes in the Scheme’s liabilities and finances and in the attitude to risk of the Trustee and/or the Company.

### 2. Scheme Governance

- 2.1 The Trustee is responsible for the investment of the Scheme’s assets. The Trustee has established an Investment and Funding Committee (the “Committee”) to focus on investment and funding related matters. The Committee consists of representatives from the Trustee and the Company and may include other Unisys individuals with appropriate financial experience. The Trustee has appointed a firm of professional consultants (the “Investment Consultant”) to provide

relevant advice to the Committee and the Trustee. The Trustee also takes advice as appropriate from the Scheme Actuary and other professional advisers.

- 2.2 The Trustee delegates some aspects of the Scheme's investment arrangements to the Committee and to third party service providers, in order to manage the Scheme's affairs effectively. The Committee maintains a business plan for the Scheme that sets out the investment activities planned for the next year and beyond.
- 2.3 The Trustee retains direct responsibility for setting investment objectives; establishing risk and return targets; setting the Scheme's strategic benchmark and investment manager structure; and selecting investment managers and investing in pooled funds. In some cases, the Trustee makes these decisions after considering recommendations from the Committee. The Committee implements them under delegated powers by retaining and monitoring investment managers and other service providers.
- 2.4 The Investment Managers are directly, or in the case of pooled funds, indirectly, responsible for day-to-day management of the Scheme's assets in accordance with guidelines and restrictions agreed with the Trustee (or approved by the Trustee in the case of pooled funds). The Investment Managers have discretion to buy, sell or retain individual securities in accordance with these guidelines and restrictions. The Investment Managers report to the Committee regularly regarding their performance. In addition, quarterly investment performance reports are provided by the Scheme's investment consultant, which include further analysis of return and risk for each Investment Manager's portfolio and for the assets in aggregate.
- 2.5 The Scheme's assets are invested in a range of pooled funds. The underlying Custodians are appointed by the investment managers. The Custodians are responsible for the safekeeping of the pooled funds' assets and for performing the associated administrative duties such as trade settlement, dividend collection, corporate actions, tax reclamation and proxy voting.
- 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.
- 2.7 The Scheme's governance arrangements are described in more detail in the IPID. This includes: a summary of the Investment Consultant's key responsibilities; and a listing of the Scheme's current Investment Managers, including a description of their mandates and benchmarks.
- 2.8 Fees for the Investment Consultant are determined on either fixed quotes for core services and particular projects or are on a time-cost basis.
- 2.9 The Investment Managers' fees are typically based on assets under management, but for certain mandates may be based on the amount of assets committed and/or may include performance-related fees.

### **3. Investment Objectives**

- 3.1 The Trustee's primary investment objective is to invest the Scheme's assets in such a manner that members' benefit entitlements can be paid as and when they fall due. The Trustee's current objective is to achieve a level of return which, when compared to changes in the value of the liabilities, is expected in conjunction with the deficit recovery plan, to improve the Scheme's funding position.
- 3.2 The risk adopted to generate such a level of return will reflect the Trustee's and the Company's tolerance to risk and will take account of the Scheme's liability profile and financial position. The

Trustee has set an objective of reducing risk as far as practicable, whilst achieving the target level of return, in order to reduce the likelihood of requiring additional deficit contributions beyond those agreed as part of the current deficit recovery plan.

3.3 In order to achieve these objectives, the Trustee has agreed the following investment metrics and criteria for use when setting the Scheme's investment strategy:

3.3.1 To target an average return on assets of c.2.5% p.a. in excess of the return on the liabilities (with gilt returns being used as a proxy for the return on the liabilities).

3.3.2 To reduce investment risk as far as practicable. For this purpose, risk will generally be measured by the potential increase in the Technical Provisions deficit over a one-year period in the worst 5% of scenarios produced by an asset-liability model (known as the "1-year 95<sup>th</sup> percentile Value at Risk"). Where practicable, the Trustee will also seek to invest in assets which offer a good degree of capital security.

3.3.3 To generate income to help meet the Scheme's benefit payments and other cash outflows.

3.3.4 To ensure there is sufficient liquidity within the Scheme's assets to meet any remaining cash outflows, once Company contributions and investment income have been exhausted.

3.4 The Trustee will assess the progress of the Scheme's funding level over time with a view to taking appropriate steps to reduce risk and target return when appropriate to lock in improvements to the funding level.

#### **4. Risk and Return Targets**

4.1 The Trustee recognises that, with the development of modern financial instruments, it may be possible to select investments that are similar to the estimated liability cash flows and thereby reduce downside risk to the funding position. However, in order to meet the long-term funding objective within a level of contributions that the Company has indicated it is willing to make, the Trustee has agreed to take investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the Scheme's liabilities.

4.2 Before deciding to take investment risk relative to the liabilities, the Trustee receives advice from the Investment Consultant and the Scheme Actuary, and holds discussions with the Company. In particular, the following possible consequences have been considered:

4.2.1 The assets might not achieve the excess return relative to the liabilities anticipated over the longer term. This would result in deterioration in the Scheme's financial position and consequently require higher contributions from the Company than are currently expected.

4.2.2 The Scheme's funding level (ratio of assets to liabilities) will be more volatile over the short term than if investment risk had not been taken. This may result in a lower funding level in the event of discontinuance of the Scheme.

4.2.3 This volatility in the funding level may have an impact on the Company's contribution rate, typically set at successive actuarial valuations.

4.3 The Trustee's willingness to take investment risk is dependent on the continuing financial strength of the Company and its willingness and perceived ability to contribute appropriately to the Scheme. The financial strength of the Company and its commitment to the Scheme are

reviewed periodically (at least once every three years in conjunction with the triennial actuarial valuation in addition to the quarterly reports that the Trustee receives from the Company on its financial performance). The Trustee may reduce investment risk relative to the liabilities should either of these deteriorate.

4.4 The degree of investment risk that the Trustee is willing to take also depends on the financial health of the Scheme and the Scheme's liability profile. The Trustee will monitor these with a view to altering (in consultation with the Company) the investment objectives, risk tolerance and/or return target should there be a significant change in either.

4.5 Asset/liability studies are conducted periodically to help assess and control asset/liability risk.

## **5. Financially Material Considerations, Risk Management and Risk Measurement**

The Trustee has considered the following risks which it believes may be financially material to the Scheme over its anticipated lifetime. These considerations are taken into account in the selection, retention and realisation of investments. The Trustee acknowledges that it is not possible to monitor all the risks listed below at all times. However, the Trustee seeks to take on those investment risks which are expected to be rewarded over time, in the form of excess returns, in a diversified manner. The resulting combination of assets and investment management approaches has been selected to be consistent with the investment objective, risk tolerance and return target detailed above.

### **5.1 *Funding level and mismatching risk***

The Trustee pays close regard to the risks which may arise through a mismatch between the Scheme's assets and its liabilities. The Trustee's willingness to take investment risk is dependent on the continuing financial strength and support of the Company. Therefore, a key risk is the failure of the Company to be able or willing to support the Scheme. As a result, the Trustee monitors the Scheme's funding position through regular funding updates, the use of the online funding level monitoring tool "PFaroe" and ongoing triennial actuarial valuations, with appropriate action to prevent value deterioration of the funding position. The Trustee also receives regular updates from the Company on its financial performance.

### **5.2 *Diversification of risks***

The Trustee recognises the *concentration risk* that may arise from a lack of diversification of investments. Therefore, in addition to targeting an appropriate overall level of investment risk, the Trustee seeks to diversify the Scheme's investments by asset class, region, investment style and investment manager. The Trustee believes that diversification limits the impact of any single risk.

### **5.3 *Interest rate risk***

Interest rate risk exists if the cash flow profile of the Scheme's assets differs from that of the projected liabilities. The Trustee seeks to manage and monitor this risk via a Liability Driven Investment ("LDI") portfolio, which aims to partially match the interest rate sensitivity of the Scheme's estimated liabilities.

### **5.4 *Inflation risk***

Inflation risk exists if the assets and projected liabilities have different linkages to inflation. The Trustee seeks to manage and monitor this risk via a Liability Driven Investment ("LDI") portfolio, which aims to partially match the inflation sensitivity of the Scheme's estimated liabilities.

#### 5.5 *Credit risk*

Credit risk reflects the possibility that the payments due from a bond held in the portfolio might not be made by the issuer or that the capital is not repaid when the bond matures. Credit risk is managed by investing in UK government bonds, where the risk is considered minimal, and in a UK corporate bond fund which can only invest in investment grade corporate bonds. Credit risk may also arise from allocations to diversified growth funds, an absolute return bond fund and an unconstrained bond fund however the Trustee is comfortable with the risk taken given the Scheme's long term investment horizon and the expected return and diversification benefit that this exposure offers.

#### 5.6 *Currency risk*

Currency risk will arise through investment in non-Sterling assets, given that the Scheme's liabilities are denominated in Sterling, as changes in exchange rates will impact the value of the assets relative to the liabilities. Currency risk is considered by the Trustee for each asset class and mandate and is hedged as appropriate for each mandate. The Trustee has not set a currency hedging target at a total Scheme level as, due to the nature of the Trustee's currency hedging policy, the overall currency hedge ratio will depend on the Scheme's underlying asset allocation.

#### 5.7 *Equity risk and volatility risk*

Equities, whether public or private, represent an ownership stake in a company. The value of this stake is determined by the buyer and seller of the stake and there is no certain value to this investment (unlike the payments contracted under a bond, subject to credit and currency risk). A periodic payment, in the form of a dividend, might be made to an equity holder although the timing and amount of this is uncertain. The uncertainty of the return from equities relative to the liabilities is captured in the form of the *equity risk*. The equity risk may be broken down into the *credit risk* of the underlying company, and the *volatility risk* associated with the stability of the price of the equity, as well as currency risk for equities denominated in currencies other than Sterling. The Scheme's exposure to equity risk is considered as part of the overall investment strategy.

#### 5.8 *Risks of investing in alternative asset classes*

By investing in these assets the Scheme's reliance on equity risk to provide a return in excess of the liabilities can be reduced, and as the returns are expected to have a low correlation with equity returns an allocation would be expected to reduce the overall volatility of the Scheme's returns. However, investing in alternative asset classes may introduce other risks, for example lack of liquidity and transparency, a higher use of leverage, higher transaction costs and management fees and a greater reliance on manager skill. The Trustee will consider any specific risks in detail before making an investment in any alternative asset classes, and will consult with the Company as appropriate.

#### 5.9 *Active management risks*

For some asset classes, the Trustee has chosen to employ active management. The Trustee believes that skills exist in the active management community and that those skills can be identified. However, it is recognised that it is more difficult to add value via active management within some asset classes than others. In addition, it is recognised that identifying good managers is not an exact science and there is always the risk that any chosen manager underperforms a given benchmark. As such, the Trustee does not believe it prudent to rely entirely on active managers. This is reflected in the manager structure adopted.

Where the Trustee has chosen to employ active management, the Trustee has selected investment managers whom it believes have the skill and judgement to add value net of fees. Active management gives rise to *active risk*, examples of which are:

- Active management within an asset category, defined as holding a combination of securities that differs from the asset class benchmark.
- Active management across asset categories which arises when the combination of asset categories held differs from that of the benchmark (e.g. absolute return strategies).
- Skill-based investment strategies (e.g. market-neutral and arbitrage strategies) which are usually largely made up of active risk.
- Manager selection risk, which arises due to the potential for selecting an active manager that underperforms its benchmark net of management and transaction fees.

#### 5.10 *Risks associated with derivatives*

Some of the investment managers may, from time to time and subject to agreed restrictions, make investments in derivative instruments. Where derivative investments are allowed it is expected that they will contribute to a reduction in risk or facilitate efficient portfolio management (including the reduction of costs or the generation of additional capital or income with an acceptable level of risk).

The risks of using derivatives are largely the same as those of investing in the underlying asset categories. Additionally:

- Leverage may be introduced if the economic exposure arising from investing in a derivative is greater than the capital committed to the investment.
- *Administrative risk* may also be present depending on the terms of the contract governing the derivative.
- *Counterparty risk* is similar to credit risk and reflects the possibility that the counterparty to the derivative transaction may not live up to its contractual obligations.
- Short-term derivative contracts, for example gilt repurchase agreements, introduce *roll risk*, as regular “rolling” of positions is required in order to maintain the desired exposure on an ongoing basis. This creates greater uncertainty in terms of maintaining the exposure created and the future costs of doing so, although it does allow greater flexibility.

Examples of where derivatives may be used are the hedging of foreign currency exposure which arises as a result of the Scheme’s investments in overseas equities and the hedging of interest rate and inflation risk. The Trustee will consult with the Company prior to utilising derivative-based strategies.

#### 5.11 *Regulatory and political risk*

Across all of the Scheme’s investments, the Trustee is aware of the potential for regulatory and political risks. Regulatory 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.

5.12 *Liquidity risk*

The Trustee recognises that there is *liquidity risk* in holding assets that are not readily marketable and realisable. Given the Trustee's long-term investment horizon, the Trustee believes that a degree of liquidity risk is acceptable as it is expected to be rewarded. Currently only a small proportion of the Scheme's assets are invested in illiquid investments. The remainder are realisable at short notice.

5.13 *Risks arising from Environmental, Social and Corporate Governance ("ESG") issues, including climate change and stewardship*

The Trustee believes that these factors present threats but also opportunities over certain timeframes. Section 8 provides dedicated comments on the Trustee's approach.

5.14 The Trustee has noted the Company's Investment Policy Guidelines and believes that the processes in place are sufficient to manage:

- *Fiduciary risk* - the risk resulting from a failure to have and/or to implement effective decision making policies and procedures. Fiduciary risk is controlled by having developed a solid decision-making framework and having clearly defined roles and responsibilities.
- *Asset/liability risk* - the risk that the Scheme's funded status will be impaired because investment returns do not keep pace with increases in liabilities. Asset/liability risk is controlled by having a clear asset allocation policy set after consideration of the Scheme's liabilities and by carrying out periodic asset-liability studies.
- *Asset allocation and capital markets risk* - the risk that realised asset and liability returns will be different than those considered in the asset liability analysis or other asset allocation study. This risk is controlled by having an approved rebalancing policy and by the Committee monitoring asset allocation and asset class structure.
- *Implementation risk* - the investment risk associated with employing active management. Implementation risk is controlled by ensuring diversification is employed, that Investment Managers have written guidelines, that appropriate monitoring processes are in place and by using passive management, where appropriate, to reduce implementation risk.
- *Operational risk* - the risks associated with the operation of running the Scheme. To control operational risks, it is the Trustee's policy to have written Investment Consultant and Investment Manager agreements (including fee agreements) in place and for annual audits of the Scheme's financial statements to be conducted.

5.15 In addition, as of 31 March 2016, the Trustee is required to provide narrative disclosures on the credit and market risks arising from its investment arrangements in the Trustee Annual Report and Accounts. These risks are defined as follows:

- *Credit risk*: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- *Market risk*: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:
  - *Currency risk*: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

- *Interest rate risk*: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- *Other price risk*: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

## 6. Strategic Investment Benchmark

- 6.1 The Trustee has established a strategic investment benchmark for the Scheme, based on advice from the Scheme's Investment Consultant and taking into account the risks, and potential returns identified above. This is an asset class distribution for the Scheme's investments. Full details of the Scheme's current benchmark are set out in the IPID. The following table provides a summary:

Asset Class	Proportion of Total Unisys Assets %
Global equity	25.0
Alternative assets <sup>1</sup>	30.0
Global bonds	15.0
Liability matching assets <sup>2</sup>	30.0

<sup>1</sup> Alternative assets include diversified growth funds and private debt.

<sup>2</sup> Liability matching assets include Liability Driven Investments (LDI) and sterling corporate bonds.

For practical purposes, the Trustee may choose to apply an element of discretion to the rebalancing ranges shown above, after taking into account the Company's Investment Policy Guidelines.

- 6.2 The equity allocation comprises of UK, overseas and low volatility equity allocations. The Trustee's policy is for the overseas equity exposure to include allocations to both developed and emerging markets. Regional developed overseas currency exposures are to be 50% hedged into Sterling.
- 6.3 The bond allocation comprises passively managed corporate bonds and actively managed unconstrained and absolute return mandates.
- 6.4 The alternative assets allocation comprises investments in diversified growth funds which aim to provide equity-like returns with a reduced level of risk and greater diversification amongst the underlying assets, and an investment in a senior private debt fund, which aims to benefit from the illiquidity and complexity premia offered by private market investments.
- 6.5 The LDI allocation comprises investments in cash, bonds and derivatives and is expected to match more closely the liabilities of the Scheme and hence reduce the impact of future changes in interest and inflation rates.



## **7. Investment Manager Arrangements**

- 7.1 Day-to-day management of the assets is delegated to professional Investment Managers who are all regulated by the Financial Conduct Authority (the “FCA”) or are otherwise appropriately regulated. Details of the Investment Managers are listed in the IPID which will be updated from time to time as required.
- 7.2 The Investment Managers have discretionary power to buy and sell investments on behalf of the Scheme or the relevant pooled funds, subject to agreed or approved constraints. They have been selected for their expertise in different specialisations and each manages investments for the Scheme or the relevant pooled fund to a specific mandate or by reference to a specific benchmark, as detailed in the IPID.

### Alignment with the Trustee's Policies

- 7.3 In line with sections 3 and 4, Investment Managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for. The Trustee’s objectives when considering the selection of Investment Managers include:
- To select a combination of investment products that together (though not necessarily individually) would generate the maximum net of fees added value over the increase in the value of the Scheme’s liabilities, given the Trustee’s tolerance for risk.
  - To employ appropriately rated Investment Managers, according to the Investment Consultant’s research.
  - To minimise potential transition costs by retaining the incumbent managers where possible, but allowing for the fact that the cost of making a change may be outweighed by superior future risk-adjusted performance.
- 7.4 The Trustee looks to its Investment Consultant for their forward-looking assessment of a manager’s ability to outperform over a full market cycle, for mandates where outperformance is the objective. This view will be based on the Investment Consultant’s assessment of the manager’s idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in. The Investment Consultant’s manager research ratings assist with due diligence and questioning managers during presentations to the Committee and are used in decisions around selection, retention and realisation of manager appointments.
- 7.5 For passively managed mandates, or those where outperformance is not the primary goal, the Trustee will seek guidance from the Investment Consultant in relation to their forward-looking assessment of the manager’s ability to achieve the stated mandate objectives.
- 7.6 The precise terms of the agreement between the Investment Managers and the Trustee differs between the Investment Managers depending on the nature of their mandates. Further specific details can be found in the IPID and in the relevant Investment Manager appointment or fund documentation.
- 7.7 The Trustee accepts that it is not possible to specify investment restrictions where assets are managed via pooled arrangements through Investment Managers. Nevertheless, notwithstanding how the assets are managed, the Trustee will take appropriate legal and investment advice regarding the suitability of the investment management arrangements and relevant investment vehicles.

### Incentivisation and Medium/Long-Term Decision Making

- 7.8 Investment Managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Committee is dissatisfied, then it will look to replace the manager.
- 7.9 The Investment Managers are therefore incentivised both to achieve the objectives set for them, which are consistent with the Trustee's policies and objectives, and to ensure that they remain capable of doing so on a rolling time period basis. This encourages the Investment Managers to take a suitably long-term view when assessing the performance prospects of, and engaging with, the equity and debt issuers in which they invest or seek to invest.

### Evaluation and Remuneration

- 7.10 The Committee will assess the continuing suitability of the Scheme's Investment Managers and their relevant pooled funds and will meet each investment manager when required in order to discuss their performance, activity and wider issues. The Investment Consultant provides help in monitoring the Investment Managers on a quarterly basis, both in the form of written reports and attendance at meetings.
- 7.11 As part of this monitoring process, the Committee examines the risks being run by each of the Investment Managers. In particular, the Committee reviews the achieved variation in returns between each Investment Manager's portfolio and its benchmark, over short and longer period timeframes and estimates of expected future variation. These figures are checked for consistency with the Investment Managers' agreed performance objectives. The Committee's focus is on long-term performance but it will consider a review if there are significant short-term performance concerns.
- 7.12 Outside the regular reporting cycle, the Investment Consultant will also inform the Committee of any significant change in the investment environment which may have an impact on the Scheme's investment approach, or its Investment Managers.
- 7.13 The Committee will review the appointment of any Investment Manager for any reasons the Committee considers to be appropriate. These may include, but will not be limited to:
- Breach of investment guidelines.
  - A downgrade in the Investment Consultant's research rating for the Investment Manager
  - Changes to the investment management process, personnel or business management of the Investment Manager.
  - Changes to the investment management process that result in the Investment Manager no longer being suitable for the mandate for which they were appointed.
  - Investment performance which does not meet the desired level of post-fee return and/or is inconsistent with the Investment Manager's stated investment process.
- 7.14 The Investment Managers are remunerated by way of a fee calculated as a percentage of assets under management or committed.

### Portfolio Turnover Costs

- 7.15 The Trustee does not currently monitor portfolio turnover costs and has no set portfolio turnover targets; rather the Trustee assesses investment performance net of the impact of the costs of such activities.
- 7.16 Turnover costs arise from a) “ongoing” transactions within an Investment Manager’s portfolio and b) “cashflow” costs incurred when investing in, or realising assets from, a mandate.
- 7.17 The Trustee seeks to minimise cashflow costs by receiving income from mandates where possible and consistent with overall policy. The Trustee monitors the costs of implementing strategic change via its Investment Consultant.

### Duration of the Arrangements

- 7.18 The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.
- 7.19 For open-ended funds in which the Scheme invests, there is no set duration for the manager appointments. The Trustee will retain an investment manager unless:
- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager, or;
  - The manager appointment has been reviewed and the Trustee has decided to terminate the mandate.
- 7.20 For closed-ended funds, namely the allocation to private debt, the Scheme is invested in a manager’s fund for the lifetime of the fund. At the time of appointment, the Investment Manager provided an indication of the expected investment duration of the fund and has the discretion to extend the lifetime of the fund in line with the Investment Management Agreement. In order to maintain a strategic allocation to the asset class, further private funds may be invested in with similar characteristics.

## **8. Responsible Investment and Stewardship**

- 8.1 The Trustee believes that environmental, social and corporate governance (“ESG”) factors have a financially material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long term sustainability issues, including climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustee will take into account the expected lifetime of the Scheme when considering how to integrate these issues into the investment decision making process.
- 8.2 The Trustee will consider, amongst other factors, how ESG, climate change and stewardship are integrated within investment processes in the selection, retention and realisation of investments.
- 8.3 The Trustee will consider the ESG credentials of investment managers in the selection of investment managers, making use of the investment advisor’s ESG ratings.
- 8.4 The Trustee has given the appointed investment managers full discretion when evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the Scheme’s investments. This includes undertaking engagement activities, in accordance with their own ESG and stewardship policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

- 8.5 The Trustee has not set any ESG related investment restrictions on the appointed investment managers, but may consider this in future.
- 8.6 The Trustee will review the ESG credentials of their managers on a regular basis using the Investment Consultant's ESG ratings.
- 8.7 Non-financial matters are not currently taken into account in the selection, retention and realisation of investments. For this purpose, non-financial matters means the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental factors.
- 8.8 The Trustee does not consider the ESG policies of existing annuity providers and AVC providers as these contracts are a small proportion of total assets.

**9. Realisation of investments**

- 9.1 In general, the investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments. The Scheme is cash flow negative (i.e. cash outflows typically exceed cash inflows) and the Trustee has therefore implemented cash flow and rebalancing policies accordingly. Further detail can be found in the IPID.

**10. Additional Voluntary Contribution Assets ("AVCs")**

- 10.1 Assets in respect of members' AVCs are invested in a range of investment options. With the assistance of the Scheme's Investment Consultant, the AVC arrangements are 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. More information on the AVC providers is detailed in the IPID.

**On Behalf of the Unisys Pension Scheme Trustee Limited**

**Signed:** A R Cooper

**Date:** 25 September 2020

**Name:** Alan Roger Cooper

For and on behalf of Pi Consulting (Trustee Services) Ltd

**Signed:** G L Fraser

**Date:** 25 September 2020

**Name:** Garrick Lindsay Fraser