ICM Computer Group Pension and Assurance Scheme

Statement of Investment Principles – November 2024

Background

The Trustee of the ICM Computer Group Pension and Assurance Scheme ("the Scheme") has drawn up this Statement of Investment Principles ("the SIP") to comply with Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it). The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments and the Trustee believes that the investment policies and their implementation are in keeping with best practice, including the principles underlying the (Myners) Code of Best Practice for pension fund investment published in 2001 (as amended).

The Scheme was sectionalised into the ICM Section and the Allvotec Section in 2023 and de-sectionalised in 2024. The Trustee therefore considers investment strategies for each of the legacy sections separately. Both legacy sections operate for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. Unless stated otherwise, the general investment principles contained in the SIP for the Scheme apply to both sections.

Governance

The Trustee makes the key strategic decisions relating to the Scheme's investments, and to support the objectives of the Scheme's investment strategy, they have appointed Legal & General Investment Management (LGIM) as a Fiduciary Manager as of 2 January 2018, giving LGIM discretion over the implementation and day-to-day management of the Scheme's investments.

When making investment decisions, and when appropriate, the Trustee obtains and considers suitable advice from LGIM, in their role as Fiduciary Manager. LGIM are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience to provide such advice. The Trustee reviews LGIM's performance and the Scheme's risk profile on a quarterly basis. When deciding on the long term investment strategy and in preparing this Statement, the Trustee has consulted with the Scheme's sponsor. The ultimate power and responsibility for deciding investment policy lies solely with the Trustee. The details of the Trustee's investment strategy are reported in the Trustee Report and Accounts each year.

Investment Objectives

The Trustee is required to invest the Scheme's assets in the best interest of the members, and their main objectives with regard to investment policy are:

- The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet the cost of current and future benefits which the Scheme provides.
- To limit the risk of assets failing to meet the liabilities, both over the long term and on a medium-term basis.
- In addition, the following secondary objectives have been adopted:

Investment Strategy – Legacy ICM Section

The Trustee has set an investment objective to reduce the risk of a fall in the buy-out funding position in the short-term and to minimise the ultimate cost of transition to buy-out in the medium term. The Trustee has considered the risks associated with an investment objective of this nature and has taken into account the financial strength of the Scheme's sponsor and its ability and willingness to contribute appropriately to the Scheme. The Fiduciary Manager is tasked with reducing risk to the extent possible for the specified investment objective.

Whilst the asset mix will vary from time to time within the discretion of the Fiduciary Manager, the constraints in which the portfolio is managed are:

Asset allocation constraints	Minimum Allocation (% of Portfolio)	Maximum Allocation (% of Portfolio)
Liability matching corporate bonds	0%	100%
Liability-matching pooled gilt and leveraged LDI funds	0%	100%
Cash / Liquidity funds	0%	100%
Liability hedge constraints for matching assets	**Minimum**	**Maximum**
Interest rate exposure (PV01 as % of funded liabilities)	90%	110%
Inflation exposure (IE01 as % of funded liabilities)	90%	110%

Investment Strategy – Legacy Allvotec Section

The Allvotec Section was created to consolidate the asset portfolio with that of the ICM Section to support the efficient transaction of a bulk annuity contract covering the members of both sections, to the extent possible. As such, the Trustee has decided to hold funds for the Legacy Allvotec Section that have the aim of providing diversified exposure to assets that reflect the investments underlying a typical bulk annuity insurance policy. The funds invest in a range of underlying LGIM funds each having their own objective and benchmark. These funds cover a range of different asset classes including bonds, cash and liability matching investments.

The funds will be managed by the Fiduciary Manager on a buy and hold basis with cashflow management rules in place to reduce transaction costs to the extent possible. The proportions allocated to the funds have been agreed with reference to the Legacy Allvotec Section's liability sensitivities to interest rates and inflation as provided by the Scheme Actuary, and will be reviewed regularly in line with review of the overall investment strategy and in the event of significant changes to the membership profile.

Asset allocation constraints	Central Benchmark Allocation (% of Portfolio)
LGIM Buyout Aware Fixed Long Fund	9%
LGIM Buyout Aware Real Long Fund	83%
LGIM Sterling Liquidity Fund	8%

Management of the Assets

The assets are managed under a Fiduciary Management Agreement (“FMA”) by Legal & General Investment Management Ltd. ("LGIM"), an investment manager regulated by the Financial Conduct Authority ("FCA"). Where given discretion in the FMA to do so, as is the case for the Legacy ICM Section, this provides the Fiduciary Manager with discretion to invest the assets of the Scheme across its range of investment products in order to meet the strategic objectives. In doing so, it is tasked with maintaining the diversification, liability hedging and liquidity of the portfolio as a whole.

The safe custody of the Scheme’s assets is delegated to professional custodians via the use of pooled vehicles. These appointments are reviewed at regular intervals by Legal & General.

The Trustee monitors the Scheme’s asset allocation on a quarterly basis and review LGIM’s performance.

The Trustee’s policy is to evaluate its Fiduciary Manager by reference to the role it plays in helping to meet the objectives of the Scheme as set out in this statement, and the fees paid to the manager.

Duration of the arrangements

The Trustee plans to hold each of its investments for the long term but will keep this under review. Changes in investment strategy or change in the view of the fund manager can lead to the duration of the arrangement being shorter than expected.

Investment Risks

The Trustee recognises a number of risks involved in investment of the assets of the Scheme and also understand that this does not constitute an exhaustive list of the risks the Scheme faces.

Solvency risk and mismatching risk - The Trustee regularly reviews the asset allocation of the Scheme to ensure mismatching risk is considered and managed suitably. Solvency levels are monitored through ongoing triennial actuarial valuations.

Liquidity risk - The Trustee has adopted a strategy that makes due allowance of the need for liquidity of the Scheme's assets.

Concentration risk - where applicable, the Trustee has delegated to the Fiduciary Manager the task of ensuring that the risk of an adverse influence on investment values from the poor performance of a concentrated number of individual investments is reduced by diversification across asset classes, regions and securities.

Sponsor risk - The Trustee reviews the Sponsor covenant at each actuarial valuation or when there is an event that might lead to material changes in the Sponsor's covenant. The Trustee has considered the strength of the Sponsor covenant by taking into account a number of factors including the creditworthiness of the Sponsor and the size of the pension liability relative to the Sponsor’s balance sheet.

Leverage (derivatives) risk – In order to manage liability risk, the Trustee permits the use of derivative strategies by the Fiduciary Manager, to facilitate efficient portfolio management and to contribute to risk reduction. The Trustee delegates the management of derivative instruments to the Fiduciary Manager to ensure they are managed so as to avoid excessive risk exposure to a single counterparty and to other derivative operations.

Manager risk – The Trustee monitors the Fiduciary Manager's performance on a quarterly basis, and compares the investment returns with appropriate performance objectives.

Buyout price risk – The risk that the price an insurer will charge for a specific transaction can also change due to factors other than market conditions, which the asset portfolio will be unable to match. Examples of such factors include the insurer's own business positioning, the competitive landscape in the insurance market and regulatory change. An individual insurer's pricing basis for a specific transaction may also differ materially to the liability benchmark used for tracking purposes.

Realisation of Investments

The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Scheme's overall investments where possible. The responsibility for buying and selling investments has been delegated to the Fiduciary Manager in line with the respective investment objectives of the ICM Section and the Allvotec Section.

Responsible Investment and Corporate Governance

The Trustee believes that good stewardship and environmental (including climate change), social and governance ("ESG") issues may have a financially material impact on meeting the investment objective. The Trustee has given the Fiduciary Manager full discretion when evaluating the impact of ESG issues on meeting the investment objective and in exercising rights and stewardship obligations attached to the Scheme's investments.

The Trustee expects its investment managers, where appropriate, to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity in order to improve their performance in the medium to long-term. This should include but not be limited to the relevant matters set out in the relevant UK pensions investment regulations (e.g. performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance of the issuers of debt or equity) as relevant.

Similarly, the Scheme's voting rights are exercised by its Fiduciary Manager in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

The Trustee expects the Fiduciary Manager to demonstrate good stewardship practices, and will review how its investment managers are performing in this area by considering investment managers' disclosures on stewardship as provided to the Trustee, and discussing stewardship with investment managers at regular Trustee meetings.

The Fiduciary Manager's activities in this regard are monitored by the Trustee from time to time.

Additional Voluntary Contributions ('AVCs')

Member’s additional voluntary contributions are held in separate insured policies.

The Trustee reviews these arrangements from time to time to ensure that the investment performance achieved is acceptable and the investment profile and ESG policies of the AVC provider remains consistent with the objectives of the Trustee and the needs of the members.

The Trustee has delegated exercising rights and stewardship obligations attached to the AVC provider.

Fee Arrangements

LGIM are paid a management fee on the basis of assets under management. This fee includes the provision of both asset management and investment consulting services for the Fiduciary Management service.

The Trustee considers the fees agreed with its Fiduciary Manager incentivise the Manager to provide a high quality service that meets the objectives of the Scheme. The Trustee monitors its Fiduciary Manager and would consider terminating any appointment that appears to be acting contrary to this SIP.

The Trustee recognises that investment management generates portfolio turnover costs (the unavoidable costs of buying and selling securities in order to meet the investment objectives) which are reflected in performance of the Scheme’s assets. The Trustee expects its investment adviser to include the consideration of portfolio turnover costs as appropriate when providing advice on the Scheme’s investments (including the extent to which the Fiduciary Manager’s cost reporting reasonably represents a turnover range consistent with maintaining the target investment strategy).

Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. In consultation with the Scheme Sponsor, any change to this Statement will only be made after having obtained and considered the written advice of someone who the 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 scheme investments.