DXC Pension Plan

Defined Benefit Assets - Statement of Investment Principles

December 2023

1. Introduction

DXC Pension Trustee Limited as the Trustee of the DXC Pension Plan ("the Plan") has drawn up this Statement of Investment Principles ("the SIP") for the defined benefit assets to comply with the requirements of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005, as amended. The Plan has a number of defined benefit Sections, specifically:

- The CSC Section;
- The LPC Section;
- The Xchanging LPSO Section; the Xchanging LCO Section and the Xchanging Non-Marine Section, collectively the "Xchanging Sections".

The contents of this SIP apply to all defined benefit Sections unless otherwise specified.

In preparing this SIP, the Trustee has obtained written advice from the Plan's Investment Consultant ("Mercer") and the Trustee believes the Investment Consultant meets the requirements of Section 35(5) of the Pensions Act 1995. Where matters described in this SIP may affect the Plan's funding policy, input has also been obtained from the Plan Actuary.

The Trustee in preparing this SIP has also consulted the Sponsoring Company ("the Company").

The Trustee's investment responsibilities are governed by the Plan's Trust Deed. A copy of the relevant clauses, of which this SIP takes full regard, is available for inspection on request.

The Trustee is a corporate Trustee board and is charged to act in the best interest of the underlying Plan members and beneficiaries. The Trustee has established an Investment Committee ("the Investment Committee"), a delegated committee of the Trustee, which has a remit to assist the Trustee in determining and monitoring how the Plan's assets are invested.

The SIP documents the general principles underlying the Plan's investment policy.

2. Investment Beliefs, Objectives and Risk

2.1 Investment Beliefs and Objectives

The Trustee's investment objectives guide it in the strategic management of the Plan's assets.

The Trustee's primary objective is to ensure that the assets of the Plan are sufficient to meet its obligations to beneficiaries. The most objective measure of the Plan's ability to pay members' benefits is the ratio of assets to the liabilities measured on a 'low risk' basis. The Trustee's primary aim can, therefore, be translated into a desire to avoid deterioration of the low risk funding level.

The Trustee also recognises the importance of ensuring that the assets of the Plan are managed in a manner which is acceptable to the Company. The Trustee is able to take into account the Company's views because the Trustee is confident in the Company's ability and preparedness to underwrite the Plan's obligations to beneficiaries.

The Trustee recognises that a portfolio of bonds is the strategy which will best protect against changes in the value of the Plan's liabilities. However, this is an ongoing pension scheme with the support of the Company, and the Trustee feels that at times holding a portion of Plan assets in investments which are expected to outperform the liabilities is appropriate in an attempt to improve the ongoing and low risk positions and reduce the reliance on Company contributions. The Trustee recognises that holding growth investments is likely to bring increased volatility of Company contribution requirements in return for an expected reduction in costs in the long-term.

The Trustee recognises that a well-diversified portfolio which invests in a range of different asset classes can help reduce volatility as different asset classes will exhibit different performance patterns over time. In recognition of the benefits that diversification can bring, the Trustee has taken measures to increase the diversification of the Plan's assets.

The Trustee and Company have considered the potential upside of investment in growth assets and believe that the benefits currently outweigh the risks, given the expected funding position on a low risk and buy-out basis and the continued support of the Company, but are looking to reduce investment risk as the funding position of the Plan improves.

CSC Section & LPC Sections ("the Sections")

The Trustee has, therefore, in consultation with the Company and having considered written advice from Mercer, agreed to adopt long term targets for funding the Sections such that once met:

- The likelihood of cash calls on the Company are materially reduced;
- The dependency on the covenant of the Company will be reduced;
- The investments will be substantially de-risked and managed closely in line with the liabilities; and
- Other material risks (e.g. longevity) are potentially hedged if appropriate.

The long term target for these purposes is defined as 100% funded on a Gilts+0.5% p.a. discount rate. However, for the purposes of making investment decisions, the Trustee has set a long term target to be funded on a buy-out basis, and also monitor the funding position on the low risk basis of gilts + 0.25%.

A de-risking journey plan has been designed to ultimately secure a buy-in with an insurance provider.

A gradual transition to a portfolio comprising government bonds, derivatives and corporate bonds is to be achieved through funding level review points set to capture positive market events and corresponding funding level improvements, such that the Sections reach their targets. Further details on the de-risking journey plan is set out in the Appendix.

Any decisions that the Trustee makes to reduce investment risk to the Sections' assets will take into account the Statutory Funding Objective and will ensure that the probability of meeting this objective is not reduced below 50% as a result of any de-risking activity. The Trustee also acknowledges that gradually de-risking over time still requires some investment in non-gilt assets to achieve a return above "risk-free" gilts and that the strategies continue to rely on being underwritten by the Company.

Xchanging Sections

The Trustee agreed a long term target and associated low risk funding basis for the Xchanging Sections in 2022. The Trustee's agreed to adopt a low-risk strategy of bonds and buy-and-maintain credit. The objectives are as follows:

- The Trustee pays regard to the sponsoring company's interests on the size and incidence of employers' contribution payments.

- The Sections are targeting being funded on a buy-out basis.

2.2 Risk

The Trustee recognises that, with the development of modern financial instruments, it would be possible to select investments that produce cash flows similar to the estimated liability cash flows. 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 investment return than the matching assets would provide whilst maintaining a prudent approach to meeting the Plan's liabilities.

The Trustee has considered the following risks over the Plan's anticipated lifetime and believes they are acceptable, based upon the procedures and controls already in place:

- The risk of deterioration in the Plan's funding level. The Trustee understands that a strategy with a high proportion of assets invested in equity and other growth assets can lead to substantial falls in the Plan's funding level;

- The risk of a shortfall of assets relative to the liabilities as determined if the Plan were to wind up. In establishing the investment strategy this risk is taken into account;

- The risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustee. The Trustee therefore undertakes a rigorous manager selection exercise before appointing an active manager or investing Plan assets in an open-end management investment company and regularly monitors the performance of its investment managers;

- The risk that the use of leverage will amplify market movements. The Trustee is cognisant of this risk and takes it into account when setting investment strategy.

The Trustee also considers the following risks when setting investment strategy:

- Credit Risk - the risk that payments due to bond investors might not be made.

- Currency Risk - the risk that the value of overseas asset changes, relative to sterling based liabilities, are subject to exchange rate fluctuations.

- Interest Rate Risk - the risk that arises to the value of a bond investment, or bond type investment, from an adverse movement in interest rates.

- Inflation Risk – the risk that arises to the value of an investment from adverse movements in inflation or market-implied inflation.

- Counterparty Risk – the risk that the other party in a contract does not meet its contractual obligations.

- Illiquidity Risk – the risk that an investment cannot be quickly converted into cash at a predictable price.

- Pricing Risk – the risk that there is no readily available market for the Plan's assets, making them difficult to value.

- Legal and Regulatory Risk – the risk that laws and regulations in certain jurisdictions, particularly those relating to non-domestic investment and taxation, may be subject to change or evolving interpretation.

- Environmental, Social and Governance ("ESG") Risk – the risk that ESG issues, including climate change, may have substantive impacts on the global economy and subsequently investment returns.

The Trustee acknowledges that these risks can be financially material to the Plan. While it is impossible to eliminate risk without making a significant sacrifice to the desired investment return, the Trustee seeks to monitor and mitigate risk by:

- Maintaining a diversified portfolio of assets, the appropriateness of which is reviewed on an ongoing basis;

- Seeking to hedge a proportion of the Plan's interest rate and inflation risk. The Trustee monitors the implementation of the interest rate and inflation hedging of all sections of the Plan at least quarterly and reviews the appropriateness of the target hedge ratios periodically.

- Seeking to hedge a proportion of the Plan's currency risk;

- Where appropriate, using collateral to mitigate counterparty risk. Collateral sufficiency and counterparty exposure is monitored on an ongoing basis and reviewed at least quarterly for the CSC Section by the Trustee;

- Investing the majority of Plan assets in quoted markets such that they are readily realisable;

- Delegating the safe custody of the Plan's assets to professional custodians. The selection and monitoring of custodians is delegated to the investment managers;

- Adopting a cautious approach in those instances where there is a lack of risk transparency in the underlying investment;

- Monitoring the ongoing funding level of all sections of the Plan, with a view to altering the investment objective and/or strategy should there be a significant change in the financial health of the section.

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

The Trustee also takes into consideration non-financial matters when setting the investment objectives and strategy, but members' views on 'non-financial matters' (where 'non-financial matters' includes members' ethical views separate from financial considerations) are not explicitly taken into account in the selection, retention and realisation of investments.

3. Investment Strategy

In establishing the investment strategy for the Plan the Trustee has considered a wide range of assets classes. From this the Trustee has determined, based on advice from Mercer, an asset allocation for the Plan, as set out below.

CSC Section

As noted in Section 2.1, the Trustee has agreed a de-risking journey plan with the Company, which seeks to de-risk the CSC Section over time. This journey plan will see the percentage of assets allocated to higher risk assets reduce, with a commensurate increase in LDI and credit. The target interest rate and inflation hedge ratios will also rise. Further detail is set out in the Appendix.

The corresponding target strategic asset allocation for the CSC Section, based on the current funding level and journey plan, is set out below.

Asset Class	**Target Asset Allocation (%)***
Passive Global Equity	7.0
Opportunistic Credit/Liquid Growth Fixed Income	7.0
Total Equity & High Growth	**14.0**
Private Markets**	10.4
Multi-Asset Credit (“MAC”)***	6.4
High Lease-to-Value (“HLV”)*** UK Property	6.8
Secured Finance***	5.9
Total Cashflow Generative Assets	**29.5**
Liability-Driven Investment (“LDI”) & Buy & Maintain Credit****	56.5
Total Protection Assets	**56.5**
Total	**100.0**

* Actual asset allocation is expected to deviate from the target asset allocations due to illiquid holdings and market movements.

** Private Markets allocation includes an allocation to Global High Yield as a Liquid Proxy used to help meet drawdowns.

***Cashflow generative assets are in the process of being sold into liquid assets with the proceeds to be invested in credit.

**** The allocations between LDI and Buy & Maintain Credit will vary over time depending on collateral requirements. The target allocation to credit is 40% this will be built up over time as the illiquid assets are redeemed.

The target interest rate and inflation hedge ratios are 100% of liabilities on an estimated buy-out basis. . The implementation of the hedge ratios and the above strategy is delegated to the Investment Committee, taking into account the funding level, liquidity and collateral sufficiency.

Given the strong funding position the more illiquid assets are in the process of being redeemed, they will either be replaced with liquid alternatives with similar risk/return characteristics or used to de-risk and invested in credit if the journey plan is supportive.

The Trustee believes that for some asset classes, active asset managers have the skill and judgement to increase returns on a net of fees basis, compared to passive investing. All mandates (with the exception of the passive equity and LDI portfolios) are actively managed.

The Buy & Maintain Credit and LDI Portfolio (which incorporates gilts and derivative instruments) contribute towards matching the interest rate risks inherent in the liabilities.

Future inflation risk (and particularly the risk of deterioration in the funding position due to an increase in market-implied inflation) is primarily covered by investments in real assets held within the LDI Portfolio. The 2021 Actuarial Valuation documents also reference an inflation funding mechanism to provide additional Company support (if needed) for any unhedged exposure. This is not included for ongoing investment planning purposes but will be considered as part of funding discussions.

To keep the asset distribution broadly in line with the target allocation, the Trustee has established tolerance ranges which prompt consideration of rebalancing. These seek to balance the risk of deviation from the target allocations against the cost of rebalancing. In some instances, rebalancing takes place automatically.

The liability hedge ratio for both interest rates and inflation is reviewed by Mercer no less frequently than quarterly and if it has deviated significantly from the target (and there is available collateral) it will be rebalanced towards target, as set out in the Investment Guidelines with Mercer.

LPC Section:

The current asset allocation is set out below. The Section followed a journey plan which has now been completed.

Asset Class	Asset Allocation (%)
Multi Asset Credit	12.0
Total Cashflow Generative Assets*	**12.0**
Liability-Driven Investment (“LDI”) & Buy & Maintain Credit**	88.0
Total Protection Assets	**88.0**
Total	**100.0**

* Cashflow generative assets are in the process of being sold with the proceeds invested in credit and LDI . The target allocation to credit is 40%.

** The asset allocation between LDI & Buy & Maintain Credit will fluctuate with market conditions. LDI allocation includes an allocation to UK Cash. Mercer monitors the asset allocation within the LDI portfolio versus rebalancing ranges as set out in the Investment Guidelines.

The Trustee has set target interest rate and inflation hedge ratios for the LPC Section. The target interest rate and inflation hedge ratios are 100% of liabilities on an estimated buy-out basis. The liability hedge ratio for both interest rates and inflation is reviewed by Mercer no less frequently than quarterly and if it has deviated significantly from the target (and there is available collateral) it will be rebalanced towards target, as set out in the Investment Guidelines with Mercer.

Xchanging Sections:

Asset Class	Asset Allocation (%)
Buy & Maintain Credit	50.0
Liability-Driven Investment ("LDI")*	50.0
Total	**100.0**

*LDI allocation includes an allocation to UK Cash.

For the Xchanging Sections, the Trustee has set target interest rate and inflation hedge ratios of 100% of liabilities, where the liabilities are based on an estimate of the buyout basis.

4. Day-to-Day Management of the Assets

The Trustee delegates the day-to-day management of the Plan's assets to a number of investment managers.

The Trustee has entered into signed IMAs or pooled fund prospectuses ("Investment Documentation") with the investment managers, the terms of which are consistent with the principles in the Statement. The Investment Documentation provides important protections for the Plan itself and for the Trustee. It also sets out the terms on which the assets are managed; the investment briefs, guidelines and restrictions under which the investment managers work.

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

The Trustee regularly reviews the suitability of these arrangements and of the appointed managers. Following a review, the Trustee may from time to time make adjustments to the asset mix and manager line-up.

For some asset classes the engagement, monitoring and termination (if necessary) of investment managers is delegated to Mercer.

5. Additional Voluntary Contribution ('AVC') arrangements

The Plan permits Members to provide additional benefits for themselves by paying AVCs.

Members of the CSC Section have the option of a number of funds with LGIM and SEI. Members of the LPC Section have the option of a number of funds with Prudential and ReAssure

The AVC arrangements will be reviewed periodically to ensure that the operating instructions, guidelines and restrictions remain appropriate.

6. Responsible Investment and Corporate Governance

The Trustee believes that environmental, social and corporate governance ("ESG") factors may have a material impact on investment risk and return outcomes. The Trustee also recognises that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit consideration. Details on how these are considered are set out in separately in the Trustee's ESG Beliefs Statement in Appendix 2. The Trustee has taken into account the expected lifetime of the Plan when considering how to integrate these issues into the investment decision making process.

Having considered its fiduciary duty, the Trustee has delegated the evaluation of ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations (including engagement activities) attached to the investments, to the appointed investment managers in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and the UK Stewardship Code.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes when appointing new managers and monitoring existing managers. These issues are monitored by the Trustee, which takes advice from Mercer's assessment of how the fund managers incorporate ESG into their investment processes. Monitoring is undertaken on a regular basis and is documented at least annually to assess the effectiveness of applied approaches.

The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

Over 2021, the Trustee carried out a tender exercise for a dedicated ESG advisor and Mercer were appointed to provide ongoing advice on ESG issues.

7. Investment Manager Appointment, Engagement and Monitoring

Aligning manager appointments with investment strategy

Mercer is responsible for the selection, appointment, removal and monitoring of the underlying investment managers in the Mercer Funds. The relationship with Mercer is outlined in the Engagement Letter dated March 2017 and subsequent amendments.

The other investment managers are appointed by the Trustee based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and desired risk characteristics. The Trustee utilises Mercer's manager research ratings in decisions around the selection, retention and realisation of manager appointments. These ratings are based on Mercer's assessment of the manager's idea generation, portfolio construction, implementation and business management.

If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

Some mandates are actively managed and the managers are incentivised through performance targets (an appointment will be reviewed following periods of sustained underperformance). The Trustee will review the appropriateness of using actively managed funds as part of the wider monitoring of the Plan's managers.

The majority of the Plan's investments are made through pooled investment vehicles, and as such the Trustee accepts that it has no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

With respect to the LDI portfolio of the CSC Section, the manager has been appointed to manage the assets in line with a specific benchmark based on the underlying liabilities of the CSC Section. Following a review in August 2022, the LPC and Xchanging Sections also now have discretionary LDI portfolios held with Mercer which are in line with specific benchmarks based on their respective underlying liabilities.

The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustee is dissatisfied, then it will look to replace the manager.

Evaluating investment manager performance

The Trustee receives investment manager performance reports from the managers and Mercer on a quarterly basis, which present performance information over 3 month, 1 year, 3 years and since inception periods. The Trustee reviews absolute performance, relative performance against a suitable index used as a benchmark, where relevant, and against the manager's stated performance target (over the relevant time period), on a net of fees basis. The Trustee's focus is primarily on long term performance but short term performance is also reviewed.

If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee may ask the manager to review their fees instead of terminating the appointment.

Portfolio turnover costs

The Trustee receives MiFID II reporting from their investment managers and Mercer (where applicable).

The Trustee asks the investment managers to include portfolio turnover and turnover costs in their presentations and reports where applicable. The Trustee will engage with a manager if portfolio turnover is higher than expected. This is assessed by comparing portfolio turnover across the same asset class on a year-on-year basis, or relative to the manager's specified portfolio turnover range in the investment guidelines or prospectus. The Trustee does not explicitly monitor portfolio turnover costs across the whole portfolio but this is considered by Mercer and forms part of their research views.

Manager turnover

The Trustee is a long term investor and is not looking to change the investment arrangements on a frequent basis.

For open-ended funds, 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;

- The manager appointment has been reviewed and the Trustee is no longer comfortable that the manager can deliver the mandate;

For closed-ended funds (private markets), the Plan is invested for the lifetime of the fund. At the time of appointment, the Trustee receives an indication of the expected investment duration of their funds

8. Investment Manager and Adviser Fee Structures

Fees payable to the investment managers and Mercer are provided to the Investment Committee on a regular basis through the performance reporting.

9. Compliance with this SIP and Review of this SIP

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

December 2023

Signed on behalf of DXC Pension Trustee Limited

Name: Andrew Haslam

Date: 15th December 2023

APPENDIX 1

CSC Section Journey Plan

The Trustee has agreed to the following de-risking plan. The Company will be consulted before any further de-risking of the asset allocation or liability hedging is under-taken. The areas in grey highlight will be dependent on any redemptions in advance of buy-out activity. This will be discussed with the Company prior to the sales.

Funding Level Review Point		101.2%	103.1%	105.0%
Equity & High Growth	**14.0%**	**7.5%**	**0.0%**	**0.0%**
Private Markets	10.0%	10.0%	10.0%	2.0%
Multi-Asset Credit	5.0%			
Secured Finance	5.0%			
HLV Property	5.0%			
Cashflow Generative Assets**	**25.0%**	**10.0%**	**10.0%**	**2.0%**
Protection Assets (LDI & Buy & Maintain Credit)*	**61.0%**	**82.5%**	**90.0%**	**98.0%**
Total Liability Hedge Ratio – Interest Rates	**100%**			
Total Liability Hedge Ratio – Inflation	**100%**			

* The allocations between LDI and Buy & Maintain Credit will vary over time depending on collateral requirements and as redemptions are placed from the illiquid assets. The intention is to increase the allocation to 40%.

**These assets may be sold ahead of plan and replaced with liquid alternatives

APPENDIX 2

Environmental, Social and Governance ("ESG") Investment Beliefs Statement

This Statement has been prepared by the Trustee of the DXC Pension Plan ("the Plan"). It sets out the Trustee's investment beliefs on ESG factors and sustainability, based on the principles detailed in the Statement of Investment Principles, and documents how the Trustee plans to integrate these beliefs into the Plan's investment strategies and monitoring processes.

This Statement is expected to evolve over time in line with regulatory and other relevant developments.

Belief Statement	Implication for investment monitoring and strategy
ESG factors can have a material impact on investment risks and returns and contribute to our ability to meet investment objectives.	The Trustee will: • Set clear expectations with managers and advisers on how ESG considerations are incorporated into investment activities/advice. • Use Mercer's ESG ratings to monitor any changes in the managers' approaches to ESG integration on a quarterly basis and document this in the quarterly risk and performance reporting. • On an annual basis, undertake a more in depth assessment of the appointed manager strategies for ESG integration and review the ESG ratings against Mercer's Global Investment Manager Database. • When appointing new managers, take ESG ratings into account in the assessment process.
Stewardship, exercised through voting and engagement, can help to create and preserve long term value in listed equities.	The Trustee will: • Where relevant, assess the appointed listed equity manager strategies for their approach to stewardship (voting and engagement) by monitoring policies against the UK Stewardship Code principles and seeking reporting from managers on voting and engagement activity on an annual basis. • The Trustee notes that Mercer has an established Sustainable Investment Policy with specified expectations in respect of stewardship activity and disclosure for its funds. The sub-investment managers in the Mercer listed equity funds are monitored against this policy on an annual basis. The Trustee will review Mercer's report on an annual basis. • Consider signing the UK Stewardship Code.
Long-term sustainability issues, particularly climate change, present risks and opportunities that require explicit consideration	The Trustee will: • Undertake scenario analysis at a portfolio level to better understand the potential risk and return implications. • Consider climate change in manager selection and strategy decisions.