Capita International Retirement Benefits Scheme

Statement of Investment Principles – September 2023

1. Introduction

1.1 This Statement of Investment Principles (the "Statement") sets down the Principles governing investment decisions in relation to the Capita International Retirement Benefits Scheme (the "Scheme") to meet the requirement of the Pensions Act 1995 as amended (the "Act") and subsequent legislation.

1.2 The Scheme is a Defined Benefit pension fund established for employees based in Ireland and has been approved as a 'cross-border' scheme by The UK Pensions Regulator.

1.3 The Scheme consists of two sections that provide benefits linked to final pay – the Republic of Ireland Section ("RIS") and the Capita Employee Benefits Section ("CEBS").

1.4 In preparing this Statement, the Trustees have obtained written advice from the Scheme's Actuary (Cartwright Group Ltd) and Investment Consultant, currently Mercer Limited. The Trustees believe that the Investment Consultant meets the requirement of the Pensions Act 1995. Where matters described in this Statement impact the Scheme's funding position, input has been obtained from the Scheme's Actuary.

1.5 The Trustees will seek to maintain a good working relationship with the Principal Employer, Capita Group Plc, and will discuss any proposed changes to this Statement with the Principal Employer. However, the Trustees' fiduciary obligations to Scheme members will take precedence over the Principal Employer's wishes, should these ever conflict.

1.6 The Trustees do not expect to make major revisions to the Statement frequently because it covers broad principles. The Trustees will review it periodically and without delay if there are relevant, material changes to the Scheme and/or Principal employer. These include for example, changes in the Scheme's liabilities and finances; the covenant of the Principal Employer or risk attitude of the Trustees.

2. Investment Objectives

2.1 The Trustees are responsible for setting investment objectives, establishing risk and return targets and setting the Scheme's strategic benchmark.

2.2 The investment objectives set by the Trustees for the Scheme are:

- The acquisition of suitable assets of appropriate liquidity which will generate income to meet, together with new contributions from the Principal Employer, the cost of the accrued and future benefits;
- To limit the risk of the assets failing to meet the liabilities over the long term, by considering the liability profile of the Scheme when setting the asset allocation policy.

2.3 To adhere to the provisions contained within the Scheme's Statement of Funding Principles.

3. Risk

3.1 The Trustees recognise that whilst increasing risk may increase potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's accruing liabilities as well as producing more short-term volatility in the Scheme's funding position. The Trustees have taken advice on the matter and (in light of the objectives noted previously) considered carefully the implications of adopting different levels of risk.

3.2 The Trustees' willingness to take investment risk is dependent on the continuing financial strength of the Principal Employer and its willingness to contribute appropriately to the Scheme. The financial strength of the Principal Employer and its perceived commitment to the Scheme is monitored by the Trustees.

3.3 The Trustees believe that the asset allocation policy should provide a "risk efficient" distribution of assets in light of the Scheme's liabilities. In addition, the Trustees also consider the risk arising from investing in specific asset class. The following risks have been taken into account by the Trustees in setting the asset allocation:

- *Interest rate risk* exists if the projected cash flow profile of the assets held differs from that of the projected liabilities.
- *Inflation risk* exists if the projected cash flows from the assets have different linkages to inflation from the projected liabilities.
- *Credit risk* reflects the possibility that the payments due under a bond might not be made by the issuer.
- *Currency risk* will arise through investment in non-Euro assets, given that the Scheme's liabilities are denominated in Euro, because changes in exchange rates will impact the relative value of the assets and liabilities.
- *Volatility risk* concerns the stability of the market value of assets such as equities and property, where the price achievable may be particularly affected by short term sentiment and is not certain until the point of sale.
- *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.
- *Liquidity risk* arises from holding assets that are not readily marketable and realisable.
- *Concentration risk* arises for example when a high proportion of the Scheme's assets are invested in securities, whether debt or equity, of the same or related issuers.
- *Geographical risk* arises*,* for example when a high proportion of the Scheme's assets are allocated to investments within a particular country.
- *Leverage risk* arises*,* for example when a significantly high proportion of the Scheme's assets' exposure is increased, through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means.
- *Duration risk* concerns the sensitivity of the Scheme's assets relative to the Scheme's liabilities to a change in interest rates.
- *Environmental, social and corporate governance ("ESG") risk* relates to these issues having a detrimental impact on financial returns.
- *Climate change risk* is a systemic risk. The returns of certain asset classes, sectors and companies may be significantly affected by climate change.

3.4 The Trustees will also consider the balance between active and passive management, in asset classes where passive management is a practicable option. In determining this balance, the Trustees will consider whether active management offers sufficient potential to outperform to justify the additional risks and fees relative to passive management.

3.5 The Trustees also note the relatively small size of the Scheme's assets and the limited range of investment options available given the nature of the Scheme's liabilities. The Trustees have adopted a pragmatic approach and seek to run the Scheme's investments in a cost effective manner whilst still aiming to meet the overarching objectives of the Scheme.

4. Investment strategy

4.1 In establishing an investment policy for the Scheme's assets, the Trustees have taken into account the risks and investment objectives identified previously. The Trustees believe that in light of the magnitude of the liabilities of the Scheme relative to the Principal Employer and the affordability, that a low risk strategy is most appropriate.

4.2 As such, the Scheme's strategic benchmark allocation for both sections of the Scheme is wholly invested in a euro denominated Liability Driven Investment ("LDI") fund, investing in nominal and inflation-linked core Eurozone government bonds (predominantly French, German and Dutch). The fund may also use derivatives to gain leveraged exposure to European nominal and real interest rates. Further, the Trustees believe that passive management offers the most efficient means of accessing this asset class.

4.3 It is the intention of the Trustees to allocate all future contributions to the LDI mandate.

5. Day to day management

5.1 The Trustees have delegated, based on advice from their Investment Consultant, the day to day management of assets to Mercer Limited ("Mercer"). The Trustees have taken steps to satisfy themselves that Mercer have appropriate knowledge and experience for managing the Scheme's investment.

5.2 For both sections, the Scheme's assets are 100% invested in the Mercer LDI Fund 1, the investment objective for which is to seek exposure to movements in European nominal and real interest rates. Key characteristics of the Fund are detailed below:

Benchmark	Performance Objective	Target Duration	Leverage Limit	Total Expense Ratio
Custom Benchmark*	To perform in line with the benchmark	c. 25 years	3x Net Asset Value of the Fund	0.20% p.a.*

* An approximate 50/50 split between nominal and real core European government bonds over the long term.

5.3 The Trustees regularly review the continuing suitability of the Scheme's investments, including the appointed manager and the balance between active and passive management, which may be adjusted from time to time.

6. Custody

6.1 The Custodian is responsible for the safekeeping of the Scheme's assets, including holdings in collective vehicles, and for performing the associated administrative duties. The Trustees accept that as they invest in a pooled fund, the manager is responsible for appointing a Custodian. However, the Trustees will only invest in collective investment vehicles where they are satisfied that appropriate procedures are in place for selecting and monitoring the Custodian(s) of the underlying assets.

7. Responsible Investment and Corporate Governance

7.1 The Trustees believe that environmental, social, and corporate governance (ESG) factors may have a 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 Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

7.2 The Trustees have delegated day to day management of the assets to Mercer who in turn delegates responsibility for the investment of the assets to a range of underlying investment managers. These investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

7.3 The United Nations' Sustainable Development Goals (SDGs) inform Mercer's long term investment beliefs and direct Mercer's and the Trustees thinking when it comes to converting systemic risks into transformational investment opportunities as outlined in Mercer's Sustainability Policy.

7.4 The Trustees consider how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers in the monitoring process.

7.5 The Trustees recognise the conflict of interest which may arise in the context of responsible investment. Mercer and MGIE make investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship. Sub-investment managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches.

7.6 The Trustees also note the limited scope for ESG themes to be incorporated in to the Scheme's current investment strategy given the exposure is to government bonds of developed European countries.

8. Monitoring the investment manager

8.1 In line with previous sections of this SIP, the Trustees has given full discretion to Mercer, the investment manager, to manage the Scheme investments consistent with the objectives outlined in section 2. Mercer, in turn, delegates responsibility for the investment of the assets to a range of underlying specialist investment managers. The relationship is outlined in the Investment Manager Agreement dated August 2015.

8.2 Mercer is responsible for the selection, appointment, removal and monitoring of the underlying investment managers. The underlying investment managers have full discretion to buy and sell investments on behalf of the Scheme. Underlying 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 Trustees look to Mercer for their forward-looking assessment of a underlying investment manager's ability to achieve their performance objective and this is the primary means of incentivising managers. This view will be based on the Mercer'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. Mercer's manager research ratings assist with due diligence and questioning managers and are used in decisions around selection, retention and realisation of underlying investment manager appointments.

8.3 The Trustees have taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to choose and combine the underlying investment managers and ensure that they are fit to manage the Scheme. Mercer is regulated by the Financial Conduct Authority. The Trustees will also consider the Investment Consultant assessment of how the underlying investment manager embeds ESG into its investment process and how this aligns with the Trustees responsible investment policy.

8.4 The Trustees review the performance of Mercer against the overall objectives, as part of the regular quarterly reporting and the Scheme's strategic investment objectives and the objectives they have set the consultant in response to the CMA's Final Order. The Trustees receives investment performance reports from Mercer on a quarterly basis, which present performance information over 3 months, 1 year and 3 years periods and since inception. The Trustees reviews absolute performance, relative performance against a suitable index used as a benchmark (over the relevant time period) on a net of fees basis. The Trustees' focus is primarily on long term performance but short term performance is also reviewed.

8.5 Details of all costs and expenses are included in the Fund Supplements, the Report & Accounts and within the Scheme's annualized, MiFID II compliant Personalised Cost & Charges statement. The Scheme's Personalised Cost & Charges statement also include details of the transaction costs incurred in the Mercer Funds. Additional Voluntary Contributions

8.6 Assets in respect of members' AVCs are invested in a range of investment options through an investment platform operated by Zurich Life Assurance. With the assistance of the Scheme's advisors, the AVC arrangements will be reviewed periodically to ensure that the investment profile of the funds available remains consistent with the objectives of the Trustees and the needs of the members.

8.7 In advising on the selection of an AVC provider, the Scheme's Investment Consultants have taken into consideration the number of members making AVC contributions, the cumulative size of the contributions, the fees paid to the provider and the strength of the providers business as a platform provider and administrator, among other factors.

9. Review of this Statement

The Trustees 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 Trustees reasonably believe 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.

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Trustee **Trustee**

For and on behalf of the Trustees of the Capita International Retirement Benefits Scheme.

Date: