

IBM I.T. Solutions Pension Scheme

Investment Policy Implementation Document


This document sets out the detailed day-to-day implementation of the investment policy of The IBM I.T. Solutions Pension Scheme ("the Scheme") as determined by the Scheme's Trustee and delegated to the Defined Benefit ("DB") and Defined Contribution ("DC") Investment Committees ("the ICs"). It should be read in conjunction with the Scheme's Statement of Investment Principles ("SIP"), which outlines the broader framework of the principles governing decisions about investment of the Scheme's assets.

Schedules

- Schedule A Current DB Investment Strategy
- Schedule B Day-to-Day Management of DB Assets
- Schedule C Additional Contributions (AVCs and ASCs)

This document is amended as necessary by the Trustee, to reflect any changes to the Scheme's investment arrangements.

August 2020



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SIGNED FOR THE TRUSTEE by M Griffiths, Pensions Trust Manager & Company Secretary

DATED 10.09.2020

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Schedule A

Current DB Investment Strategy

Asset Allocation Policy

The Trustee has set the asset allocation below as an interim target pending final discussions regarding the long-term strategic asset allocation which are expected to be concluded in the second half of 2020. The asset allocation will be set in order to meet the Scheme's objectives and control the investment risks identified in the SIP.

The Scheme's target investment strategy is kept under review periodically, with a full review expected alongside each triennial actuarial valuation.

Asset Class	Interim Target Allocation (%)
Growth Assets	18.9
Global and Emerging Market equities	8.5
UK property	6.0
Alternative credit	1.9
Alternative Beta strategies	2.5
Matching Assets	81.1
Global bonds	8.0
Liability matching assets	70.6
Cash	2.5
Total	100.0

The Scheme's actual asset allocation may differ from the target allocation primarily due to the impact of market movements and / or the time taken to implement changes or build up (or wind down) allocations to specific asset classes, for example UK property. The Trustee is comfortable with some level of divergence from the target allocation and will review such divergence from time to time to ensure that the asset allocation remains suitable for the Scheme, whilst still allowing the investment managers sufficient flexibility to seek out-performance against their benchmarks.

Rebalancing Policy

The IC will typically seek to rebalance back towards the target allocation should the rebalancing ranges outlined below be breached. Where the IC decides to deviate from this policy, for example where exceptional market conditions prevail, the reasons for such deviation will be documented. The rebalancing policy is currently being reviewed and will be updated as required.

Allocation	Rebalancing Range around Target Allocation*
Growth / Matching asset split	+/- 3%
Individual asset class (target allocation of more than 10%)	+/- 3%
Individual asset class (target allocation of 10% or less)	+/- 2%

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* Excluding UK property.

Currency Hedging Policy

In order to mitigate the increased risk associated with investing in overseas assets, a currency hedging program has been put in place. Overseas currency exposure across all investments is assessed periodically and the IC aims to set the currency hedge at a level which limits the overall unhedged currency exposure to a maximum of 10% of the Scheme's total assets.

Liability Hedging Policy

The Trustee has agreed to target a 95% interest rate and inflation liability hedge ratio on a gilts +0.5% p.a. basis. In order to achieve this, the Trustee allows the liability hedging ("LDI") manager to use leverage to achieve the desired level of hedging in a cost effective manner. The day-to-day monitoring of counterparty risk is delegated to the LDI manager but is subject to the limits on counterparty exposure and creditworthiness agreed between the Trustee and the LDI manager.

Schedule B

Day-to-Day Management of Assets

Details of the Scheme's current holdings, including the managers, vehicles, investment approach and benchmarks are set out in the table below.

Asset Class	Manager	Vehicle	Investment Approach	Benchmark/Index
UK equity		Pooled	Passive	FTSE All-Share
Global equity	L&G	Pooled	Passive	FTSE World ex UK Net Dividend
Emerging Market equity		Pooled	Passive	S&P/IFC Investible
UK Property	CBRE	Segregated	Active	MSCI/AREF UK QPFI All Balanced Funds
Reinsurance (Current holdings*)	Nephila	Pooled	Active	3mth (USD) LIBOR +3%
	Securis	Pooled	Active	
Alternative Credit	CQS	Pooled	Active	3mth (UK) LIBOR +5%
Alternative Beta	JP Morgan	Pooled	Active	3mth (UK) LIBOR
Global bonds	Northern Trust	Pooled	Active	Barclays Global Aggregate Customised (20% Treasuries/40% Corporates/40% Securitised)
LDI	Cardano	Segregated	Passive	Liability benchmark

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Cash	Northern Trust	Segregated	Passive	Unbenchmark
Currency overlay	Russell	Segregated	Passive	Currency overlay benchmark

** Current holdings are derived from historic investments in Reinsurance which have resulted in trailing investments due to side pockets from historic losses.*

The Trustee has considered and is comfortable with the guidelines and restrictions of each of the mandates in which the Scheme invests in.

Unless expressly agreed in writing by the Trustee, the investment managers of segregated assets are not permitted to borrow money (or to act as guarantors in respect of the obligations of another person) where the borrowing is liable to be repaid (or liability under a guarantee is liable to be satisfied) out of the assets of the Scheme; this does not preclude borrowing made only for the purpose of providing liquidity for the Scheme and on a temporary basis. Nor does it preclude investment in leveraged pooled funds, providing the Trustee is comfortable with the maximum leverage allowed under the strategy. Some short-term borrowing for settlement is also allowed, but is strictly limited and for the purpose of trade settlement only (which is standard practice in investment management).

Custodian

The Trustee has appointed Northern Trust as global custodian of the Scheme's segregated assets. For the Scheme's pooled fund investments, the Trustee has no direct ownership of the underlying assets within the pooled funds. The policies, proposal forms, prospectuses and related principles of operation set out the terms on which the assets are managed. The safekeeping of the assets within the pooled funds is performed on behalf of the representative investment managers by custodian banks specifically appointed to undertake this function and whose appointment is reviewed at regular intervals by the managers.

Performance Measurement

The Trustee uses the services of an independent performance measurement company (currently the Scheme's global custodian) to assess the managers' performance relative to the benchmark returns. The Trustee reviews this on a regular basis along with consideration versus outperformance targets.

Schedule C

Additional Contributions (AVCs and ASCs)

The Scheme's AVC and ASC arrangements are managed by Legal & General Investment Management Limited ("LGIM").

There are currently three Lifecycle investment strategies in place for members to choose from, targeting either cash (the current default strategy), income drawdown, or annuity. There is also a legacy Lifecycle investment strategy. Each member's circumstances are unique and as such, how

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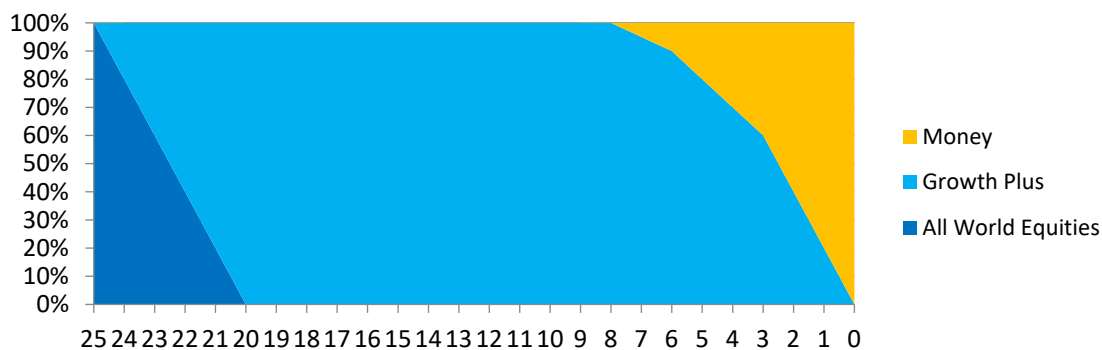
they will take their retirement benefits will differ depending on those circumstances. The legacy investment strategy is no longer open to new members. However, members close to retirement, and hybrid members, may remain invested in this strategy and can opt to increase their allocations.

Following a review of the Scheme's AVC/ASC arrangements in 2019, the Trustee is planning to introduce new Lifecycle strategies from the fourth quarter of 2020. Once the new Lifecycle arrangements are available, the current Lifecycle strategies will be closed to new members.

There is also a range of self-select Freestyle funds for members to choose and from the fourth quarter of 2020, the Trustee is planning to introduce a sustainable equity fund option to the fund range.

Lifecycle to Lump Sum 2020 (expected to be available from the fourth quarter of 2020)

The Lifecycle to Lump Sum 2020 strategy will be the new default investment strategy and is designed for members who will take their benefits via cash at retirement. There is a 100% allocation to the All World Equity Index Fund until 25 years to retirement. Then between 25-20 years from retirement, funds are progressively switched to the Growth Plus Fund. At 8 years to retirement, the Money Fund starts to be introduced targeting a final 100% allocation to the Money Fund at retirement. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.

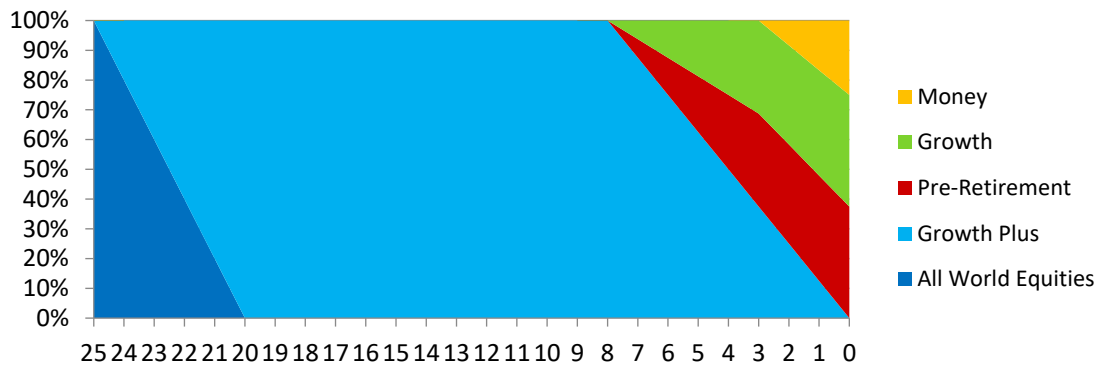


Lifecycle Balanced 2020 (expected to be available from the fourth quarter of 2020)

The Lifecycle Balanced 2020 strategy is designed to give members a 'balanced' investment strategy that incorporates a mixed annuity and drawdown target (in addition to the 25% cash target). There is a 100% allocation to the All World Equity Index Fund until 25 years to retirement, at which point funds are progressively switched to the Growth Plus Fund over the next 5 years. At 8 years to retirement, the Pre-Retirement and the Growth Funds are introduced. At 3 years to retirement the Money Fund is introduced with the final allocation being 37.5% to both the Pre-Retirement Fund and Growth Fund and 25% to the Money Fund. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.

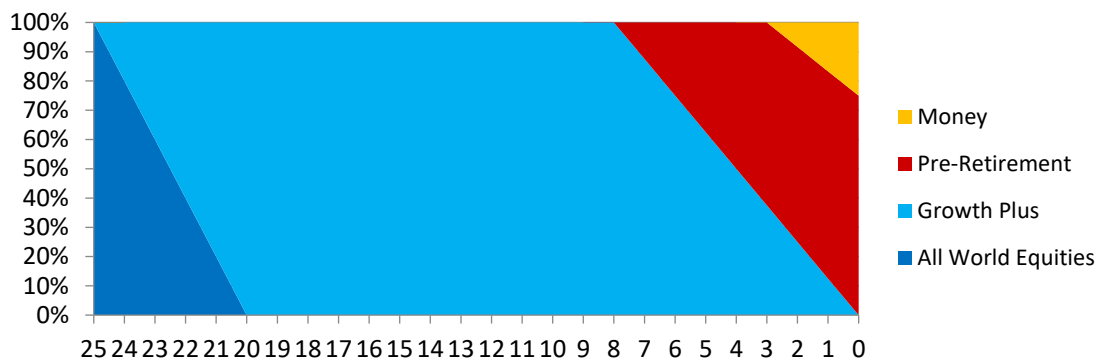
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Lifecycle to Annuity 2020 (expected to be available from the fourth quarter of 2020)

The Lifecycle to Annuity 2020 strategy is designed for members who intend to take 25% of their benefits as tax-free cash and use the remainder to purchase an annuity at retirement. There is a 100% allocation to the All World Equity Index Fund until 25 years to retirement. Then between 25-20 years from retirement funds are progressively switched to the Growth Plus Fund. The Pre-Retirement and Money Funds are introduced at 8 and 3 years to retirement respectively. At retirement, there is a 75% and 25% allocation to the Pre-Retirement Fund and Money Fund respectively. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.

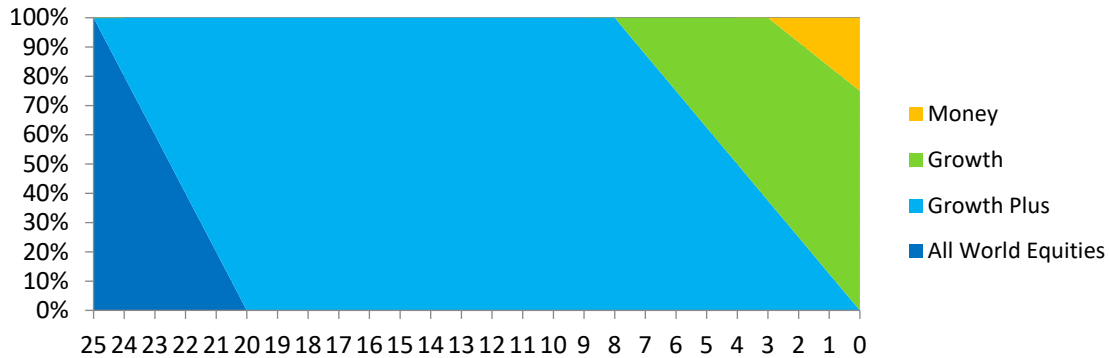


Lifecycle to Drawdown 2020 (expected to be available from the fourth quarter of 2020)

The Lifecycle to Drawdown 2020 strategy targets an allocation which aims to provide a suitable retirement position for members wishing to transfer into a flexi-access income drawdown product at retirement. There is a 100% allocation to the All World Equity Index Fund until 25 years to retirement. Then between 25-20 years from retirement funds are progressively switched to the Growth Plus Fund. At 8 and 3 years from retirement the Growth Fund and Money Fund start to be introduced, targeting final allocations of 75% and 25% respectively. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.

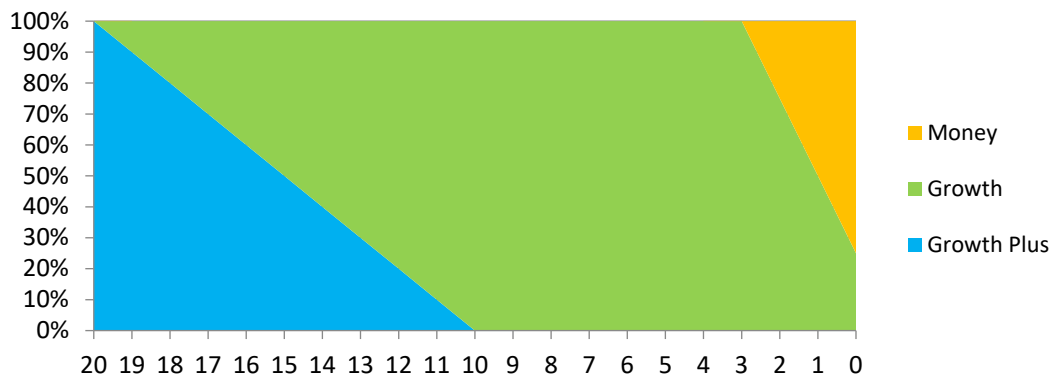
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Lifecycle to Lump Sum (Current Default Investment Strategy)*

The default Lifecycle strategy targets 100% cash at retirement. This aims to provide a suitable match for a member who is targeting taking cash as a lump sum at retirement. The strategy is 100% invested in the Growth Plus Fund, then between 20-10 years from retirement, the funds are progressively switched to the Growth Fund. From 3 years from retirement, funds are gradually switched to the Money Fund with a final allocation of 75% invested in the Money Fund and 25% in the Growth Fund. This strategy seeks to provide a compromise between additional returns from growth assets and the capital preserving characteristics of cash, particularly in the years immediately prior to retirement. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.

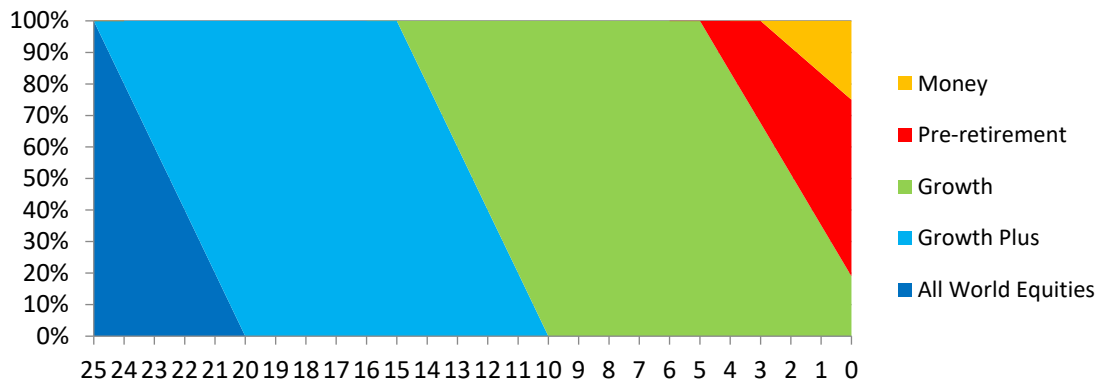


Lifecycle to Annuity*

The Lifecycle to Annuity strategy targets an allocation which aims to provide a suitable position for members wishing to purchase an annuity at retirement and take their tax-free pension commencement lump sum. There is a 100% allocation to the All World Equity Index Fund, then between 25-20 years from retirement, funds are switched to the Growth Plus Fund. At 15 years, the Growth Fund starts to be added and then at 5 and 3 years from retirement, the Pre-Retirement and the Money Funds are introduced with final targets on retirement of 19%, 56% and 25% respectively. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.

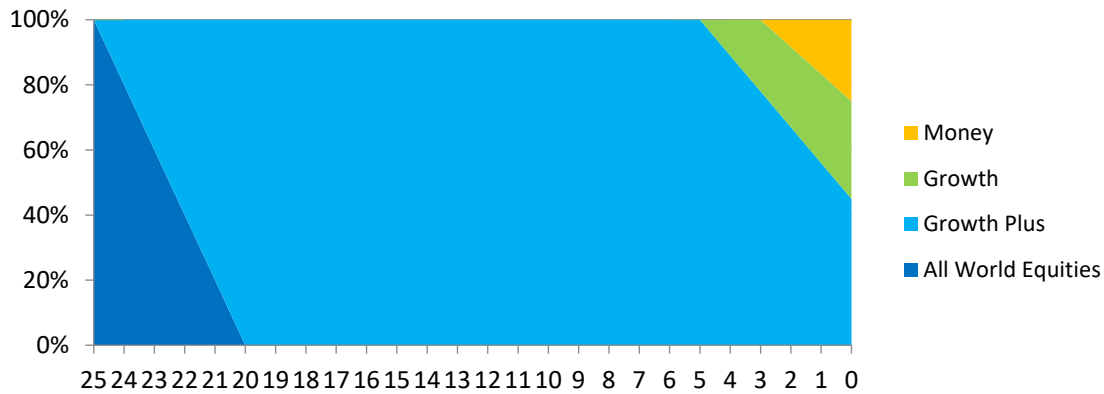
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Lifecycle to Drawdown*

The Lifecycle to Drawdown strategy targets an allocation which aims to provide a more suitable retirement position for members wishing to transfer into a flexi-access income drawdown product at retirement. The mix between different asset types is varied according to each member’s years to Target Retirement Date. The objective is to achieve growth through investment in the All World Equity Index Fund. Then between 25-20 years from retirement, funds are progressively switched to the Growth Plus Fund. At 5 and 3 years from retirement the Growth Fund and Money Funds start to be introduced targeting final allocations of 30% and 25% respectively, with the balance of 45% remaining invested in the Growth Plus Fund. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.

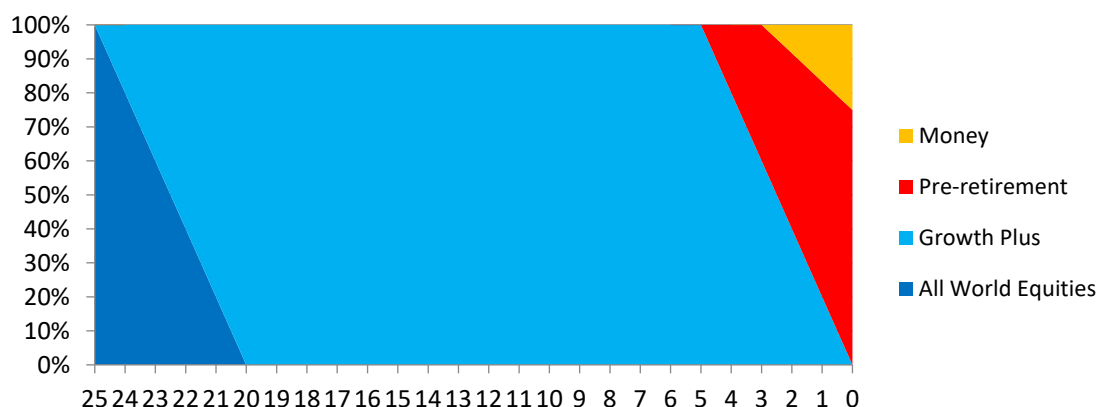


Lifecycle Plus 2012**

There is a 100% allocation to the All World Equity Index Fund until 25 years from retirement at which point funds are progressively switched to the Growth Plus Fund over the next 5 years. At 5 and 3 years from retirement, the Pre-Retirement and Money Funds are gradually introduced with final allocations of 75% and 25%, respectively. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.

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* Will be closed to new members once the new Lifecycle arrangements become available (expected to be the fourth quarter of 2020)

**Closed to new members.

Freestyle Fund Range

Some of the individual funds listed under the Freestyle Fund Range are used as building blocks for the Lifecycle investment strategies. Descriptions of the Freestyle Funds are shown below.

Manager	Fund	Description	Benchmark
LGIM	UK Equity Index	This fund invests in the shares of UK companies and aims to achieve a return that is consistent with the return of the FTSE All-Share Index.	FTSE All-Share Index
LGIM	World (ex-UK) Developed Equity Index	This fund invests in the shares of overseas companies (Europe, Japan, Far East, US and Canadian markets) according to market capitalisation weightings. It aims to achieve a return in line with the FTSE All-World Developed ex-UK index. In addition, there is a currency hedge of 50% of the fund to reduce the volatility associated with foreign exchange movements.	FTSE Developed World (ex UK) Index (50% GBP hedged)
LGIM	All World Equity	This fund invests in shares of companies across the globe (including emerging markets). The Fund aims to provide a return in line with the FTSE AW All World Index. 90% of the currency exposure to certain markets is hedged back to Sterling reducing the impact of currency movements.	FTSE All-World (90% GBP hedged)
LGIM	World Emerging Markets Equity Index	This fund aims to capture the returns of the world's emerging markets. It tracks the FTSE AW All-Emerging Markets Index. Currency exposure in the fund is not hedged.	FTSE Emerging Index
LGIM	Ethical Global Equity Index	This fund aims to capture the returns of the FTSE4Good Global Index and is aimed at investors who wish to take account of ethical, environment or social principles. 90% of the Developed Markets	FTSE4Good Global Equity (90% GBP hedged)

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		currency exposure is hedged back into sterling reducing the impact of currency movements.	
LGIM	Ethical UK Equity Index	This fund aims to capture the returns of the FTSE4Good UK Index and is aimed at investors who wish to take account of ethical, environmental or social principles.	FTSE4Good UK Equity Index
LGIM	Future World Fund**	<p>This fund invests in a diversified range of global equities and targets better risk-adjusted returns than a traditional index strategy, through factor based investing. It also incorporates a climate 'tilt' to address the investment risks associated with climate change, and seeks to raise the standards of companies that are critical to the transition to a low-carbon economy.. The fund aims to replicate the performance of the index and will ensure the fund has similar characteristics as the index whilst not necessarily holding all the constituents of the index.</p> <p>90% of the Developed Markets currency exposure is hedged back into sterling reducing the impact of currency movements.</p>	FTSE ALL-World ex CW Climate Balanced Factor Index
LGIM	Global Equity Fixed Weights (60:40) Index*	This fund aims to achieve the returns consistent with a 60% allocation to the FTSE All Share Index (UK) and 40% allocation to FTSE overseas regional Indexes. Specifically, the 40% overseas allocation is divided - 14% in FTSE Developed Europe (ex-UK), 14% in FTSE World North America, 7% in FTSE Japan and 5% in FTSE World Asia Pacific (ex-Japan). Currency exposure in the fund is not hedged.	Composite of 60/40 distribution between UK and overseas
LGIM	Global Equity (70:30) Index*	This fund aims to achieve the returns consistent with a 70% allocation to the FTSE All Share Index (UK) and 30% allocation to the FTSE AW All-World (ex-UK) Index. Currency exposure in the fund is not hedged.	Composite of 70/30 distribution between UK and overseas
LGIM	Infrastructure Equity	This fund aims to provide diversified exposure to global listed infrastructure markets and to produce a return broadly comparable to the MFG Core Infrastructure Index - GBP Hedged. All of the developed market currency exposure is hedged.	MFG Core Infrastructure (100% GBP hedged)
LGIM	Global Real Estate Equity	The investment objective of the fund is to track the performance of the FTSE EPRA/NAREIT Developed Real Estate Index – GBP Hedged (less withholding tax where applicable) to within +/- 1.0% p.a. for two years out of three. All of the developed market currency exposure is hedged.	FTSE EPRA/NAREIT Developed Real Estate Index (100% GBP hedged)
LGIM	Growth	<p>This fund tracks a composite index consisting of global equities, global real estate securities, infrastructure equity, emerging market debt, commodities, corporate and government bonds.</p> <p>Approximately 25% of the Fund invests in global equities and broadly tracks the FTSE All World Index</p>	Weighted composite Growth Fund benchmark (Approx. 15% unhedged currency exposure - hedge levels in line

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		with 90% of the developed currency exposure being hedged back into sterling. In addition, around 45% of the Fund is invested in corporate bonds, fixed interest and index-linked gilts with a further 7.5% being invested in emerging market debt (half of this also being sterling hedged). There is an additional 7.5% allocation to both global real estate securities and Infrastructure related investments with the developed currency exposure in these being hedged. Lastly, there is a 7.5% allocation to commodities. The Trustee keeps the asset allocation of this fund under review.	with underlying building blocks)
LGIM	Growth Plus / Growth Plus (formerly Consensus)*	<p>This fund tracks a composite index consisting of global equities, global real estate securities, infrastructure equity, emerging market debt, commodities, corporate and government bonds.</p> <p>Approximately 65% of the Fund invests in global equities and tracks the FTSE All World Index with 90% of the developed currency exposure being hedged back into sterling. In addition, around 5% of the Fund is invested in corporate bonds with a further 7.5% being invested in emerging market debt (half of this also being sterling hedged). There is also a 5% allocation to Infrastructure related investments and a 10% allocation to global real estate securities with the developed currency exposure in these being hedged. Lastly, there is a 7.5% allocation to commodities. The Trustee keeps the asset allocation of this fund under review.</p>	Weighted composite Growth Plus Fund benchmark (Approx. 22% unhedged currency exposure - hedge levels in line with underlying building blocks)
LGIM	Over 15 Year Gilts Index	This fund aims to capture the returns of the UK gilt market. It tracks the FTSE-A Government (Over 15 year) Index and invests in long-term gilts.	FTSE Actuaries UK Conventional Gilts Over 15 Years Index
LGIM	All Stocks Index Linked Gilts	This fund aims to capture the return of the UK index-linked gilt market. It tracks the FTSE A Government Index-Linked (All Stocks) Index and invests in both short and long-term index-linked gilts.	FTSE Index Linked
LGIM	Investment Grade Corporate Bond – All Stocks Index	This fund aims to capture the return of the iBoxx Sterling Non-Gilts Index and invests primarily in long-dated sterling-denominated investment grade corporate bonds.	Markit iBoxx £ Non-Gilts Index (All Stocks)
LGIM	Emerging Markets Debt	This fund provides exposure to the yields offered by Emerging Market Debt. The Fund is split equally between securities denominated in local currencies and securities denominated in USD with both elements tracking the JP Morgan Emerging Market Bond indices. Exposure to securities dominated in USD is hedged back to Sterling.	JPM EM Global Div. 50% Local / 50% USD hedged
LGIM	Pre-Retirement	This fund aims to invest in assets that reflect the investments underlying a typical traditional non-inflation linked pension annuity. This fund is following an annuity price aware strategy and given	Composite of gilts and corporate bond funds

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		that objective, the benchmark evolves over time as annuity price drives change. For reporting purposes benchmark comparison will be the target strategy which the Legal & General Strategic Investment & Risk Management (SIRM) team set and which the Legal & General Index Funds team manage against.	
LGIM	Pre-Retirement Inflation Linked	The fund aims to provide diversified exposure to sterling assets that reflect the broad characteristics of investments underlying the pricing of a typical inflation-linked annuity product.	A composite of gilts and corporate bonds
LGIM	Annuity Protection Index*	This fund aims to reflect the way that annuities are priced which reduces the impact on your pension if your retirement is at a time of high inflation. It invests 70% in the Over 5 Year Index-Linked Gilts Index Fund and 30% in the Over 15 Year Gilts Index Fund.	Composite of 70% Index Linked Gilts > 5 yrs / 30% Gilts > 15 yrs
LGIM	Money	This fund is actively managed and predominantly invests in a portfolio of high quality short term money market instruments. The Money Fund's returns are benchmarked against the 7-Day rolling LIBID rate.	7 Day rolling LIBID

* These Freestyle Funds are closed to new member elections. Members already invested in these funds may remain invested.

** Expected to be available from the fourth quarter of 2020.

With Profits Policies (closed to future contributions)

Aviva Life & Pensions UK Limited ("Aviva")	These funds are invested in the Companies' life funds, which may in turn be invested in a broad range of asset classes. Investment returns depend on the underlying investment performance, company specific and actuarial considerations. These policies are closed to new contributions.
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