Annual Trustee Report and Financial Statements for the year ended 31 December 2023

DXC UK Pension Scheme (the “Scheme”) – DXC Section DB Tier and 1994 Section

SIP Implementation Statement for the year ended 31 December 2023

Contents

Section 1

Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year running from 1 January 2023 to 31 December 2023 (the "Scheme Year"). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

The statement is based on, and should be read in conjunction with, the relevant versions of the SIP that were in place for the Scheme Year. For the Defined Benefit ("DB") Sections, these were the SIP dated May 2022 (covering the period between 1 May 2022 and 28 March 2023), March 2023 (covering the period between 29 March 2023 and 30 September 2023) and the SIP dated October 2023 (covering the period between 1 October 2023 to 31 December 2023). There are also Additional Voluntary Contributions ("AVCs") but these are not considered to be significant relative to the DB Sections.

Section 2 of this statement sets out the investment objectives of the Scheme and changes which have been made to the SIP during the Scheme Year. It also sets out how, and the extent to which, the policies in the DB Sections of the SIP have been followed. **The Trustee can confirm that all policies in the SIP have been followed in the Scheme Year.**

A copy of the latest SIP for the DB Sections is available at https://edspensions.co.uk/library/sips

Section 3 includes information on the engagement and voting activities of the Trustee and underlying investment managers within each Section of the Scheme.

Section 2

Statement of Investment Principles

Investment Objectives of the Scheme

DB Sections

The Trustee believes it is important to consider the policies in place in the context of the objectives they have set.

The primary objective of the Scheme is to provide, on a defined benefits basis, pension and lump sum benefits for members on their retirement, or benefits on death, before or after retirement, for their dependents.

There are also AVCs but these are not considered to be significant relative to the DB Sections.

Review of the SIP

DB Sections

During the Scheme Year, the Trustee reviewed and amended the Scheme's SIP, taking formal advice from its Investment Consultant (Mercer Limited ("Mercer")). The SIP was reviewed a number of times, the main changes are summarised below:

Date	Summary of changes
Q1 2023 (March 2023)	The changes have been made to coincide with the segregation of the assets of the Scheme into three Sections as per the Company proposal. The key changes were: 1. Legacy Section to hold the insurance contracts and surplus assets. 2. 1994 Section to hold assets for the active members (plus one deferred) and GMP liabilities. These were invested in bond assets and cash and hedged 110% of the interest rate and inflation risk associated with the accrued and prospective liabilities on a buy-out basis. 3. DXC Section to not hold any assets at that stage.
Q4 2023 (October 2023)	The changes have been made to coincide with the name change of the Scheme (from EDS 1994 Pension Scheme to DXC UK Pension Scheme) and transfer of the Rebus Section of the DXC Pension Plan to the DXC Section of the DXC UK Pension Plan. Furthermore, the Legacy Section full wind up was confirmed in this SIP as the surplus assets had been transferred to the DXC Section. Additionally, it was amended to state that the interest rate and inflation hedging target for the 1994 Section is used to stabilise the prevailing estimated funding level of accrued and prospective liabilities on the solvency basis.

Assessment of how the policies in the SIP have been followed for the Scheme Year

The information provided in this section highlights the work undertaken by the Trustee during the Scheme Year and how this driven long-term value for beneficiaries where relevant and sets out how this work followed the Trustee's policies in the SIP in force during the Scheme Year relating to the DB Sections of the Scheme.

In summary, it is the Trustee's view that the policies in the SIP have been followed during the Scheme Year.

Investment Mandates

Securing compliance with the legal requirements about choosing investments

Policy

As required by legislation, the Trustee consults a suitably qualified person when making investment selections by obtaining written advice from its Investment Consultant. The policy is detailed in Section 1.4, 3.8 and 5 of the SIP, which applies to the DB Sections of the Scheme.

DB

How has this policy been met over the Scheme Year?

The Scheme's investment advisors attended all Trustee and Investment Committee meetings during the Scheme Year. The investment advisors provided updates on fund performance and, where required, appropriateness of the funds used, as well as advice on asset allocation and investment risks.

Over the Scheme Year, the Trustee received formal written advice regarding the termination of the Scheme's Liability Driven Investment (LDI) mandate with Schroders and the appointment of Insight to manage the mandate. Additionally, the Trustee received formal written advice relating to the appointment of Insight to manage a buy & maintain credit mandate.

Legal and investment advice was received ahead of the transfer of the Rebus Section of the DXC Pension Plan to the DXC Section of the DXC UK Pension Plan.

The buy-in policy was converted to a buy-out policy in March 2023 with Pension Insurance Corporation.

Realisation of Investments

Policy

The Trustee's policy is to regularly review the liquidity of the Scheme's assets to ensure that it has sufficient cash available to meet outgoings as they fall due. The Trustee is comfortable in taking a modest degree of liquidity risk in the investment strategy where assets are expected to generate relatively secure income to help meet cash-flow requirements. The policy is detailed in Section 3.8 vii of the SIP, which applies to the DB Sections of the Scheme.

DB

How has this policy been met over the Scheme Year?

The Trustee invests the assets of the Scheme in a number of pooled and segregated portfolios. The investment managers have discretion over the investment of the assets, subject to the restrictions set out in their respective investment management agreements or pooled fund guidelines, which define the funds' liquidity requirements and dealing frequency. The Trustee regularly reviews the expected cashflow requirements of the Scheme.

Where required, disinvestments were sourced from the LDI and Cash portfolios throughout the year to meet cashflow requirements, including pensioner payments. Cashflow is generated from private market assets that are returning capital, which is held in the LDI and Cash portfolios initially. All assets invested in cash are invested through a pooled fund, apart from the cash held in the Trustee bank account and the custodial account.

The buy-in policy was converted to a buy-out policy in March 2023 with Pension Insurance Corporation. It is no longer part of the Scheme's assets

Environmental, Social and Governance (“ESG”)

Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments

Policy

The Scheme’s SIP outlines that the Trustee’s beliefs on ESG factors may have a material impact on investment returns, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee does not explicitly consult member views when making decisions in relation to the selection, retention and realisation of investments. Further details are provided in Section 3.8 viii of the SIP. The Trustee keeps its policies under regular review.

DB

How has this policy been met over the Scheme Year?

A number of the key investment risks identified in the SIP were measured and managed as part of reviewing investment performance at Trustee and ISC meetings. In particular, the Scheme’s exposure to liability risks, such as interest rates and inflation.

The Trustee continues to build up its understanding of ESG factors, stewardship, climate change and ethical investing. The Trustee has also sought the views of the Sponsor as part of developing their policy on ESG and engagement. The Trustee’s policy is that it has given appointed investment managers full discretion when evaluating ESG issues, including climate change, and in exercising voting rights and stewardship obligations attached to the Scheme’s relevant investments.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes when appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and engagement with managers on their ESG policies and integration into investment processes are raised.

The Pension Schemes Act 2021 introduced legislation requiring specified pension schemes to ensure there is effective governance with respect to the effects of climate change. Occupational pension schemes with £1 billion or more in assets are required to have in place effective governance, strategy, risk management, and accompanying metrics and targets for the assessment and management of climate risks and opportunities from 1 October 2022, aligned with the Task Force on Climate-related Disclosures (“TCFD”) framework.

A TCFD Report was produced for the Scheme Year 1 January 2022 – 31 December 2022. Due to the buy-out completed in 2023, the Scheme’s assets are now less than £1 billion and a second annual TCFD report was not produced for the 2023 Scheme Year.

Voting and Engagement Disclosures

The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).

Policy

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments to the investment managers. The Trustee has delegated their voting rights to the investment managers. Investment managers are expected to provide voting summary reporting on a regular basis, at least annually. The voting policies of each manager have been considered by the Trustee before investing and the Trustee deems each policy to be consistent with their investment beliefs.

Further details are set out in Section 3.8 viii and 4.2 of the SIP, which applies to the DB Sections of the Scheme. In addition, it is the Trustee's policy to obtain reporting on voting and engagement and to periodically review the reports to ensure the policies are being met.

DB
How has this policy been met over the Scheme Year?
During the year, there were no changes to the voting process, however the Scheme had no exposure to listed equities over 2023. The Scheme's investment managers are primarily fixed income based or privately held where it is not possible to have voting activity. The Trustee has requested key engagement activities from its investment managers during the Scheme Year to provide disclosure on the approach to stewardship. The information received is summarised in the Voting and Engagement Activity section that follows.

Monitoring the Investment Managers

Incentivising asset managers to align their investment strategies and decisions with the Trustee’s policies

Policy

The Trustee’s policy is set out in Section 4.1 of the SIP, which applies to the DB Sections of the Scheme.

DB
How has this policy been met over the Scheme Year? There were no changes to the Trustee’s policy on incentivising investment managers to align their investment strategies and decisions with the Trustee’s policies during the Scheme Year. The Scheme’s appointed investment managers are compensated with a fee based on the total assets under management. If an investment manager is not meeting performance objectives or targets, or the investment objectives for a mandate have changed, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee’s wider investment objectives. The Trustee met with the appointed managers during the Scheme Year to review performance and alignment to the investment strategy. The Trustee replaced the Scheme’s LDI manager during the Scheme Year.

Evaluation of asset managers' performance and remuneration for asset management services

Policy

The Trustee's policy is set out in Section 4.3 of the SIP, which applies to the DB Sections of the Scheme.

DB

How has this policy been met over the Scheme Year?

To evaluate performance in respect of the investment managers, the Trustee received and discussed investment performance reports on a quarterly basis. The reports presented performance information and commentary in respect of the Scheme's investments. Such reports have information covering fund performance over a range of time periods for the investment managers and the total Scheme. The Trustee reviewed the absolute performance, the relative performance against a suitable index used as the benchmark, and/or against the manager's stated target performance (over the relevant time period) on a net of fees basis.

In addition, the Trustee monitored the investment and ESG ratings assigned to each manager by Mercer on a quarterly basis.

Monitoring portfolio turnover costs

Policy

The Trustee's policy is set out in Section 4.4 of the SIP, which applies to the DB Sections of the Scheme.

DB

How has this policy been met over the Scheme Year?

There were no changes to the Trustee's policy on portfolio turnover costs during the Scheme Year. As noted in the SIP, the Trustee has monitored portfolio turnover costs as part of its ongoing monitoring of the investment managers. The Trustee will engage with a manager if portfolio turnover is higher than expected. This may be assessed by comparing portfolio turnover across the same asset class on a year-on-year basis, or relative to the manager's expected portfolio turnover range in the investment guidelines or prospectus.

The duration of the arrangements with asset managers

Policy

The Trustee is a long-term investor and does not seek to change the investment arrangements on a frequent basis. Further details of the Trustee's policy are set out in Section 4.5 of the SIP, which applies to the DB Sections of the Scheme.

DB

How has this policy been met over the Scheme Year?

There were no changes to the Trustee's policy on the duration of arrangements during the Scheme Year as set out in the SIP.

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 Investment Committee, acting on behalf of the Trustee, is dissatisfied, then they will look to replace the manager.

The Trustee is a long-term investor. For open-ended funds, there is no set duration for the manager appointments, but there is usually regular liquidity to sell the assets quickly if needed.

The private equity and private debt mandates are in closed-ended funds and the Scheme is invested in these assets for the lifetime of each individual fund. At the time of appointment, the investment managers provided an indication of the expected investment duration of their funds and have the discretion to extend the lifetime of the fund in line with the contractual documentation. During the Scheme Year Coller Capital contacted the Trustee to seek consent to a further one-year extension to the life of Coller Private Equity mandate, which the Trustee granted. The mandate was initially set to expire in July 2024, and will now last until July 2025.

Strategic Asset Allocation

Kinds of investments to be held, the balance between different kinds of investments and expected return on investments

Policy

The Trustee's policy on the kinds of investments to be held and the balance between different kinds of investments can be found under the following sections of the SIP:

- Investment Strategy (SIP Sections 3.4, 3.5 and 3.6)
- Objectives and Policy (SIP Section 3.8, ii.)

DB

How has this policy been met over the Scheme Year?

The Scheme's investment arrangements were reviewed in the Scheme Year, following which a number of changes were agreed. In particular, the following was agreed:

- A full redemption from the Schroders Liability Driven Investment (LDI) mandate was agreed in order to appoint Insight as the new LDI manager.
- The MGIE Multi Asset Credit Fund was fully redeemed in December 2023, proceeds from the fund (c.£21.6m) were transferred to the Trustee Bank Account.
- The M&G Property Fund was implemented as part of the transfer of the Rebus Section of the DXC Pension Plan to the DXC Section of the DXC UK Pension Plan.
- The Trustee approved an investment strategy for one of the DB Sections (DXC Section – DB Tier). The strategy consists of Protection Assets (50% credit and 50% LDI) and Surplus Assets (a mixture of illiquid assets and cash assets). There is also a currency hedging policy to hedge the overseas currency risk of some of the illiquid assets. The aim is to be fully funded on a buy-out basis and to have sufficient liquid assets to pay contributions for the Defined Contribution Tier of this Section.

The investment strategy was assessed to have an expected return and risk profile sufficient to achieve the funding objective applicable to both Sections of the Scheme. The Trustee regards the basic distribution and balance of the assets to be appropriate for the Scheme's objectives and liability profile.

Risks, including the ways in which risk are to be measured and managed

Policy

The Trustee recognises a number of risks involved in the investment of the assets of the DB Sections and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under the following section of the SIP:

Risk Management (SIP Section 3.8 v)

DB

How has this policy been met over the Scheme Year?

The Trustee considers both quantitative and qualitative measures for risks when deciding investment policies, strategic asset allocation and the choice of fund managers / funds / asset classes.

As part of their regular quarterly investment monitoring, the Trustee monitored changes in these risks and the resulting impact on each Section. The Trustee's Investment Committee meetings monitor on a quarterly or more frequent basis interest rate, inflation risk, currency risk, liquidity risk, and the collateral adequacy of the Scheme's liability hedging arrangements. These reviews were provided by the Scheme's investment advisor.

Section 3

Voting and Engagement Activity

During the Scheme Year, there were no changes to the voting process, however the Scheme had no exposure to listed equities over the Scheme Year. The Scheme's investments are primarily fixed income based or privately held where there is no voting activity within the assets.

If equities were held, the policy of the Trustee is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments to the investment managers. Investment managers are expected to provide voting summary reporting on a regular basis where applicable, at least annually.

Further details are set out in Section 3.8 viii and 4.2 of the SIP. In addition, it is the Trustee's policy if voting was happening to obtain reporting on voting and engagement and to periodically review the reports to ensure the policies are being met. The Trustee has defined significant votes as those related to social and governance matters.

The Trustee meets with each investment manager as deemed appropriate, to discuss performance and other investment related matters (including integration of ESG and climate change into the investment process and voting and engagement activities). As part of this, the Trustee will challenge decisions that appear out of line with the Scheme's stated objectives and/or policies.

In relation to segregated mandates, the Trustee monitors the extent to which investment managers:

- make decisions based on assessments about medium to long-term performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Buy and Maintain Credit allocation is the largest single exposure within the Scheme where engagement is possible. Insight, who manage the Buy and Maintain Credit mandate for the Scheme, engaged with companies they were invested in/about to invest in which resulted in a positive outcome. These engagement initiatives are driven mainly through regular meetings with the companies that the manager invests in. Insight's engagement examples are presented below from the inception point in October 2023.

Engagement examples – Insight (DB Sections)

Name of entity	Medtronic plc – Q4 2023	Barclays PLC – Ongoing engagement
Topic for this engagement	Social - Human capital management (e.g. inclusion and diversity, employee terms, safety)	Environment - Climate change
Rationale for the engagement	Medtronic plc (MDT) is one of the global leaders in the medical device industry, participating in several high-tech segments of the market from cardiovascular, medical surgical, diabetes to neuroscience. This engagement was an ESG deep dive into product safety and quality concerns that have contributed to their Prime ESG rating falling to a 5 towards the beginning of the quarter.	Barclays is a UK-based bank that operates globally. This engagement was identified as part of Insight's counterparty engagement programme. With growing operations in the US, the political environment related to ESG is directly impacting the bank. The latest engagement sought to discuss the bank's sustainable finance framework and the feedback they have provided, given some elements of their environmental programme lags behind their peers.
Engagement activity	Insight have had previous engagements with MDT but were approached by MDT's investor relations team and ESG analyst for a private meeting to discuss issues relating to quality and safety and supply chain management. MDT was rated an ESG 5 for weak scores relating to product safety and quality owing to product recalls that MSCI flagged as severe controversies. MDT reiterated that quality-related metrics are embedded in their employee incentive plans all the way up to their CEO. They prioritise quality and patient safety, with the goal of zero product recalls but, given the nature of their products and devices, this is not very aspirational given the business they operate in. They have been investing in this area by bringing in new leadership over recent years who have	Barclays' sustainable finance framework was updated in 2022 when the target was revised from \$150bn to \$1tr. However, they have yet to set accredited science-based targets. Barclays continue to engage with Science Based Targets initiative (SBTi), but they are prioritising the Net Zero Banking Alliance (NZBA) and aiming for the majority of their portfolios to have financed emissions targets. Impact bonds were discussed in the context of stricter policy criteria covering refinancing of old projects, maximum lookback periods, EU taxonomy alignment, use-of-proceeds investor reporting, energy efficiency, target populations, definitions (e.g., what constitutes 'sustainable protein') and overarching governance. Their revenue-based threshold around artic drilling is high (50%) given they recognise the different dependencies on fracking between the

	strengthened their enterprise quality strategy and enhanced system standardisation in their view. Product recall profiles started to improve in 2021 but Insight expect that continued improvements will take time to materialise through reduction in warning letters, recalls and eventually third-party rating agencies, with whom MDT are maintaining engagement but do not necessarily agree on methodology.	UK and US. They will remain flexible in their approach, noting that a significant proportion of their financing relates to cash flows rather than project financing.
Outcomes and next steps	Insight will continue to monitor the structural changes MDT is implementing around their product research and development programme, as well as their supply chain. Insight do not expect material results in the short term, particularly not around any downstream reflection in external rating agencies' ESG scores, which emphasizes the importance of ongoing engagement to form a house-view on the issuer's credit and ESG profile. The changes MDT are implementing will take time to take hold and translate into improvements to their ESG profile, which would be aligned to the investment time horizon of those adopting buy-and-maintain strategies. Fundamentally, MDT continues to perform well and Insight do not have concerns about their credit quality for now.	Barclays has enhanced its oil sands policy and introduced a Client Transition Framework demonstrating how the bank is evaluating its corporate clients' transition progress towards low-carbon business models. They also acknowledged their risk policy guidelines are due for an update. Insight recommended that Barclays continues to align its sector policies (to address exclusions relating to arctic, general oil and gas; and fracking) to International Energy Agency (IEA) guidance; provide additional details on the assessment, support of and escalation (without terminating relationships) procedures relating to clients on climate-related issues under their Client Transition Framework in their next annual report; set science-based targets to improve transparency and comparability with competitors; increase scope of assurance on scope 1, 2, 3 emissions; and improve transparency around its lobbying practices.