

IBM Pension Plan
Annual Report and Financial Statements
Year Ended 31 December 2020

Pension Scheme Registry Number: 10000175

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Corporate Trustee	IBM United Kingdom Pensions Trust Limited PO Box 41, North Harbour, Portsmouth, PO6 3AU
Trustee directors	<p>Non-member appointed:</p> <p>Gary Kildare ^(a) (resigned 24 July 2020)</p> <p>Dr Evaristus Mainsah (Co-Chair)^(a)</p> <p>Joseph Sweeney (resigned 29 February 2020)</p> <p>Mark Hobbert</p> <p>Frederick Klutey</p> <p>Naomi Hill ^(a) (appointed 1 March 2020)</p> <p>Stephen Kelly (appointed 22 September 2020, resigned 19 March 2021)</p> <p>Zoe Hughes (appointed 14 May 2021)</p> <p>The Law Debenture Pension Trust Corporation Plc. ^(c)</p> <p>Member nominated:</p> <p>Robert Tickell (Co-Chair) ^(b)</p> <p>Doug Moody ^(b) (resigned 30 April 2020)</p> <p>Ian Shore ^(a)</p> <p>Robert Clark^(a) (appointed 1 May 2020)</p> <p>(a) Member of an IBM UK pension plan</p> <p>(b) Retiree member of an IBM UK pension plan</p> <p>(c) Represented by David Felder to 30 June 2020, replaced by Andrew Harrison from 1 July 2020, and Anna Eagles</p>
Company secretary	<p>Mark Griffiths (resigned 14 May 2021)</p> <p>Paul Butler (appointed 14 May 2021)</p>
Administrator	<p>IBM Pensions Trust</p> <p>Legal & General Assurance Services Limited ("LGAS") were appointed as administrator of the DC sections of the Plan from 6 January 2021 and XPS Pensions Group were appointed administrator of the DB sections of the Plan from 1 June 2021.</p>
Actuary	Graham McLean FIA, Towers Watson Limited t/a Willis Towers Watson
Independent auditors	PricewaterhouseCoopers LLP
Legal advisers	Nabarro LLP Sacker & Partners LLP
Investment advisers	Towers Watson Limited t/a Willis Towers Watson Mercer Limited
Investment custodians	The Northern Trust Company
Property valuations	Knight Frank LLP
Employer covenant advisers	Lincoln Pensions Limited

Bankers	The Northern Trust Company
Sponsoring employer	IBM United Kingdom Holdings Limited
Participating employers	IBM United Kingdom Limited IBM United Kingdom Financial Services Limited
Annuity Insurance Provider	Rothsay Life Plc
Investment managers	
Defined benefit sections	
Growth assets	
<i>Global equity</i>	BlackRock Advisors (UK) Limited (terminated September 2020)
<i>Emerging market equity</i>	Russell Investment Limited (terminated June 2020)
<i>Property</i>	CBRE Global Investors Limited
<i>Private equity</i>	Advent International Corporation Apax Partners Guernsey Limited Arcis Capital Management Inc. Ardian Private Equity Bain Capital LLC BC Partners Berkshire Partners LLC Cinven Capital Management Freeman Spogli and Co HarbourVest Partners LLC Hellman & Friedman LLC Kohlberg Kravis Roberts & Co LGT Capital Partners Ltd Olympus Partners Pantheon Ventures (UK) Ltd Permira Advisers LLP Strategic Partners Fund Solutions Warburg Pincus LLC Welsh Carson Anderson & Stowe Windjammer Capital Investors LLC
<i>Alternative Reinsurance</i>	Nephila Capital Limited Securis Investment Partners LLP
<i>Alternative credit</i>	CQS (UK) LLP (terminated October 2020) Mackay Shields UK LLP (terminated October 2020)
<i>Emerging Market Debt</i>	Legal & General Investment Management Limited (terminated July 2020)
<i>Alternative Betas</i>	JPMorgan Asset Management (Europe) S.à.r.l. (terminated June 2020)
Matching assets	
<i>Global credit</i>	PIMCO Europe Ltd Wellington Management International Limited Legal & General Investment Management Limited (terminated April 2021) Northern Trust Fund Services (Ireland) Limited

Investment managers (continued)

Defined benefit sections (continued)

Matching assets (continued)

<i>Core Credit</i>	PIMCO Europe Limited Western Asset Management Company Limited (appointed June 2020) Goldman Sachs Asset Management International (appointed October 2020)
<i>Liability matching</i>	BlackRock Advisors (UK) Limited
<i>Cash</i>	Northern Trust Global Funds plc
<i>Currency overlays</i>	Russell Implementation Services Limited

Defined contribution sections

<i>Managed funds</i>	Legal & General Investment Management Limited
<i>With profits funds</i>	Aviva Life & Pensions UK Limited Utmost Life and Pensions Limited (from January 2020 to May 2020)

The Trustee of IBM Pension Plan (the “Plan”) presents its annual report and financial statements for the year ended 31 December 2020.

PLAN CONSTITUTION

The Plan is an occupational pension plan set up under trust to provide retirement benefits for certain groups of employees of IBM United Kingdom Limited, IBM United Kingdom Financial Services Limited and IBM Limited Partnership (to 8 February 2019) (together referred to as “IBM” or the “Company”).

On 8 February 2019, IBM Limited Partnership ceased to be a participating employer. There were no employees or assets assigned to the company.

The Plan is currently governed by the Trust Deed and Rules dated 24 April 1997 (as amended) comprising:

- i) The 1997 Definitive Trust Deed setting out the general provisions governing the Plan as a whole;
- ii) A Deed comprising the 1997 Defined Benefit Section Rules setting out the Rules for the C, E, N, and DSL Plans and other defined benefit (“DB”) sections;
- iii) A Deed establishing the 1997 Money Purchase Section Rules (“M Plan”) setting out the Rules for the defined contribution (“DC”) sections.

The Plan has separate DB and DC sections. The DB sections comprise the following structure:

- i) ‘N Plan’ - closed to new joiners with effect from 5 July 1983;
- ii) ‘C Plan’ - closed to new joiners with effect from 5 April 1997;
- iii) ‘E Plan’ – closed to new joiners with effect from 5 July 1983;
- iv) ‘DSL Plan’ – in practice closed from its inception, being the product of a scheme merger under which a cohort of members transferred into the Plan;
- v) All the DB sections of the Plan were closed to future accrual with effect from 6 April 2011.

The DC sections comprise the following structure:

- i) ‘M Plan’;
- ii) ‘Enhanced M Plan’ - established with effect from 6 July 2006 to which members of the DB section of the Plan had a one-off option to transfer into at that time;
- iii) ‘Hybrid M Plan’ – established with effect from 6 April 2011 to provide a DC option to those members which had been excluded from the DB section of the Plan because of the closure of the DB section to future accrual.
- iv) All the DC sections of the Plan were closed to new entrants from 6 April 2011.

Following the Competition and Markets Authority (“CMA”) investigation into the investment consulting and fiduciary management industry, from 10 December 2019 trustees were required to set their investment adviser's strategic objectives and monitor performance against these. The Trustee agreed a statement of strategic objectives for Mercer Limited and Willis Towers Watson, as the respective investment advisers.

PLAN CONSTITUTION (continued)

Under the CMA Order, trustees were required to submit a 'Compliance Statement' to the CMA by 7 January 2021 to confirm compliance with the relevant parts of the CMA Order (with compliance to be confirmed annually thereafter). The Trustee submitted a Compliance Statement to the CMA, with a certificate signed by the Chair of the Trustee, in December 2020.

Remuneration of Investment Managers

For the DC section funds, an annual management charge on each member's fund is reflected in the price of units.

CHANGES TO THE PLAN

As noted above, Deeds of Amendment dated 5 and 8 February 2019 were approved to reflect the cessation of IBM Limited Partnership as a participating employer.

In August 2019, the Plan Rules were amended to extend the period of pre-1997 pension increases from April 2020 to April 2022.

On 1 July 2020, a Deed of Amendment was approved to update the existing Trust Deeds and Rules governing the Plan to incorporate certain practices that have been agreed between the Trustee and the Company but had not been formally documented.

PLAN MANAGEMENT

The Board of Directors of the corporate trustee, IBM United Kingdom Pensions Trust Limited, is responsible for all aspects of the administration and management of the Plan.

The Articles of Association of IBM United Kingdom Pensions Trust Limited set out the rules for the appointment and removal of Trustee Directors. There will be a maximum of nine Trustee Directors, one third of whom must be Member Nominated Directors ("MNDs") nominated and selected by a process which involves all of the active and all retiree members of the Plan. MNDs shall hold office for a period of three years from the date of their appointment. The sponsoring employer, IBM United Kingdom Holdings Limited, retains the authority to appoint and remove Non-Member Appointed Directors.

The Board of Directors of the Corporate Trustee was Co-chaired by Robert Tickell and Evaristus Mainsah.

From 6 January 2021, Legal & General Assurance Services Limited ("LGAS") were appointed as administrator of the DC sections of the Plan and from 1 June 2021, XPS Pensions Group were appointed administrator of the DB sections of the Plan.

PLAN MANAGEMENT (continued)

Plan management activities

The Trustee reviews the performance and manages the activities of the Plan through regular Trustee Management meetings. There were four Trustee Management meetings held during the year.

To ensure the effective management of its responsibilities, the Trustee has delegated certain responsibilities to the Trustee committees as noted below, and operational responsibility to IBM Pensions Trust. IBM Pensions Trust is a department within, but independent from, IBM United Kingdom Limited and IBM United Kingdom Holdings Limited, whose sole objective is to provide secretarial, administrative and investment services to the Trustee of the Plan. Ultimate responsibility for the delegated functions remains with the Trustee. All Trustee committee meetings are minuted, with decisions being passed on a simple majority of voting.

The **Investment Committee**, which is supported by independent investment advisers, has been appointed by the Trustee to direct the policies governing the investment of Plan assets and to supervise the execution of that policy for both the DB and DC sections of the Plan. The Investment Committee met on four occasions during the year to review and monitor investment performance and to consider the investment strategy for the Plan.

The **Governance Committee** is responsible for monitoring Plan risks, compliance with regulatory requirements, monitoring the effectiveness of IBM Pensions Trust, the oversight of the annual audit of this annual report and financial statements, and monitoring the effectiveness of the Trustee board. There were five meetings of the Governance Committee during the year.

The review and approval of benefits payable to the spouse or dependants of recently deceased Plan members is delegated to the **Benefits Allocation Committee**. The Benefits Allocation Committee met on ten occasions during the year.

The **Disputes Resolution Committee** meets as required to review complaints made by Plan members, together with any other related matters referred to it by the Trustee Board, and to make recommendations in respect of these matters to a meeting of the full Trustee Board of the Plan. The Disputes Resolution Committee met once during the year.

In addition to the four Trustee Committees, sub-committees are established where a small number of Trustee Directors are tasked with a detailed investigation into one or more defined issues on behalf of the Trustee Board.

Following Environmental, Social and Governance ("ESG") education in November 2020, the Trustee agreed to set up an ESG Sub-Committee at the end of 2020. This sub-committee will focus on the development of its ESG policies and climate-related disclosures.

PLAN MANAGEMENT (continued)

Plan management activities (continued)

The Trustee Directors holding office for the year ended 31 December 2020, and their membership of the delegated committees, and their attendance at meetings of the Trustee board and relevant committees, is summarised below. The full movement of Trustee Directors, including up to the date of approval of this Trustee's report, is set out on page 2.

Trustee directors	Trustee Board Meeting (TMM)	Investment committee Meeting (ICM)	Governance committee Meeting (GCM)	Benefits allocation committee (BAC)	Disputes resolution committee (DRC)
Robert Tickell	4 of 4	4 of 4	-	-	1 of 1
Dr Evaristus Mainsah	4 of 4	4 of 4	-	-	-
Frederick Klutey	4 of 4	4 of 4	-	-	-
Mark Hobbert	4 of 4	4 of 4	-	-	1 of 1
Naomi Hill	3 of 4	-	5 of 5	-	1 of 1
Stephen Kelly	2 of 2	-	-	-	-
Ian Shore	4 of 4	-	-	10 of 10	-
Robert Clark	3 of 3	-	3 of 3	4 of 4	-
Gary Kildare	2 of 2	-	1 of 1	6 of 7	-
Doug Moody	1 of 1	-	2 of 2	4 of 4	-
The Law Debenture Pension Trust Corporation Plc ¹	4 of 4	4 of 4	5 of 5	10 of 10	-

¹ Represented by David Felder to 30th June and Andrew Harrison from 1st July (TMM, ICM) and Anna Eagles (GCM, BAC).

Conflicts of interest

The Trustee Directors recognise that they are in a position of trust and need to have policies and arrangements in place to identify, monitor, and manage conflicts. The Trustee has implemented a formal Conflicts of Interest policy, and maintains a log of any potential or actual conflicts which are identified. Trustee Directors are also required to declare any potential or actual conflicts at the start of each Trustee meeting.

Risk and control

The Trustee has overall responsibility for risk management and internal controls. The Trustee is committed to identifying, evaluating, and managing risk, and to implementing and maintaining control procedures to reduce significant risks to an acceptable level. A risk register, documenting the major risks faced by the Plan together with associated control mechanisms and mitigation/recovery plans, is reviewed annually by the Governance Committee.

Trustee training

The Trustee has a formal training policy which is based upon the Trustee Knowledge and Understanding (TKU) framework issued by the Pensions Regulator, and education requirements are reassessed annually.

PLAN MANAGEMENT (continued)

Trustee training (continued)

An induction programme is provided for new Trustee Directors on appointment. The induction programme covers a significant amount of material and will usually take several months to complete.

Training is provided in a range of formats by a variety of providers. Trustee Directors are required to complete the Pensions Regulator's Trustee Toolkit, and are encouraged to support this formal training by accessing other resources such as pensions related publications and industry conferences and seminars. Records of all training undertaken are maintained in respect of each individual Trustee Director.

In addition, a Trustee Effectiveness programme is followed as per the Pensions Regulator's requirements. In March 2020, a training session on Trustee Effectiveness took place in the form of education on Decision Making. This session was run by the Trustee's legal advisers Sacker & Partners LLP. The key findings of this session can be seen on pages 87 to 89 of the Annual Report and Financial Statements.

A further Trustee Effectiveness exercise is planned for Q2 2021.

FINANCIAL DEVELOPMENTS AND FINANCIAL STATEMENTS

The financial statements included in this annual report are the financial statements required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under sections 41(1) and (6) of that Act.

Guaranteed Minimum Pension ("GMP") Equalisation

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. The Trustee is still reviewing, with their advisers, the implication of this ruling on the Plan and the equalisation of guaranteed minimum pensions between men and women; in the context of the rules of the Plan and the value of any liability. As soon as this review is finalised and any liability quantified, members will receive further communication and any impact on financial reporting will be considered by the Trustee.

There has been a further High Court judgement, in November 2020, in relation to the equalisation of GMP benefits. This judgement focused on the GMP treatment of historic transfers out of members, an issue which had not been addressed in the 2018 ruling. Under the recent ruling, trustees are required to review historic transfers values paid from May 1990 to assess if any top up payment is required to the receiving scheme, to reflect the member's right to equalised GMP benefits.

FINANCIAL DEVELOPMENTS AND FINANCIAL STATEMENTS (continued)

The impact of this court case will be considered by the Trustee in due course and decisions will be made as to the next steps. It is not possible to estimate the cost of any rectification adjustments at this time.

Impact of the COVID-19 Pandemic

The scale and spread of Covid-19 (Coronavirus) Virus worldwide and the actions taken by the Governments affected, has caused disruption to almost all sectors and financial markets during the year. As a result, there was a dramatic downturn in global markets in March 2020 with some recovery throughout the rest of the year. The Trustee is continuing to monitor the situation and consider how best to respond to the emerging issues.

As the impact of COVID-19 was felt across the UK, the Trustee and its Directors sought to reassure members, via a range of communications published on the IBM Pensions Trust website, that looking after their pension was their top priority. The Trustee followed Government advice closely in handling the situation with their key priorities being to ensure that Plan members continue to receive their payments on time and to protect the health of the IBM Pensions Trust staff.

In line with the Pensions Industry, 95% of the team were working from home, with a very small team in the office. Working practices were successfully amended to enable the majority of staff to work from home effectively for an extended period. Key vendors (including the Custodian and Investment Managers) all continued with business as usual services being provided; no issues were raised.

The global COVID-19 pandemic has placed huge pressure on the administration of pension schemes. In line with the Pensions Regulator's guidance, IBM Pensions Trust have focused on ensuring that pensioners continue to be paid correctly, that bereavements continue to be handled sensitively, and that new retirements are handled effectively. Although IBM Pensions Trust has maintained its service, it has been slower in some areas, which has had an impact on the Service Level Agreement. This has been mitigated by resources being redeployed from the non-service team to assist with high volume areas.

The Trustee regards the impact of Covid-19 as being reflected in the financial statements as at 31 December 2020 and no adjustments have therefore been made to the financial statements.

During the year a review of the employer covenant was undertaken by Lincoln Pensions. No significant issues were identified.

There have been no other significant developments which have affected the financial position of the Plan during the year.

MEMBERSHIP AND BENEFITS

The change in membership during the year is as follows:

	Defined Benefit Sections	Defined Contribution Sections	Total
Active members			
At the start of the year	-	4,793	4,793
Members leaving (retiring & transfers out)	-	(127)	(127)
Members deferring	-	(373)	(373)
Deaths	-	(6)	(6)
At the end of the year	-	4,287	4,287
Pensioners			
At the start of the year	15,266	-	15,266
Deferred members retiring	282	-	282
Deaths	(303)	-	(303)
New spouse and dependant pensions	202	-	202
Cessation of dependant pensions	(116)	-	(116)
At the end of the year	15,331	-	15,331
Deferred members			
At the start of the year	4,388	13,083	17,471
Active members deferring	-	373	373
Deferred members retiring	(282)	-	(282)
Transfers out	(70)	(473)	(543)
Deaths	(10)	(9)	(19)
At the end of the year	4,026	12,974	17,000
Total at the end of the year	19,357	17,261	36,618

Included within the above are:

- 839 (2019: 954) of the deferred DB members are also active members of the DC section
- 431 (2019: 447) of the deferred DB members are also deferred members of the DC section
- Of the 15,331 pensioners, 2,734 are spouses and dependants (2019: 2,648 of 15,266)
- 97 (2019: 66) of the "cessation of dependant pensions" are due to dependant / spouse deaths
- 205 (2019: 244) of the active DC members (Enhanced or Hybrid members of the IBM Pension Plan DC Section) are also deferred members of the IBM I.T. Solutions Pension Scheme (I Plan)
- 399 (2019: 396) of the deferred DC members (Enhanced or Hybrid members of the IBM Pension Plan DC section) are also deferred members of the IBM I.T. Solutions Pension Scheme (I Plan)
- 8,806 (2019: nil) of the pensioners are covered by the annuity insurance policy.

MEMBERSHIP AND BENEFITS (continued)

Pension increases

Pensions in payment are increased annually in accordance with the Plan rules or statutory requirements. No discretionary increases were awarded in 2020 (2019: nil). The increases applied at April 2020 were as set out below:

Section and service period:	Basis of increase	% increase 2020 / 2019
<i>C, N & E Plan:</i>		
Pre 1997 non GMP *	50% of the 12 months RPI to January, capped at 5.0%	1.4 / 1.3
Post April 1997 and pre-April 2005	12 months CPI to September, capped at 5%	1.7 / 2.4
Post April 2005	12 months CPI to September, capped at 2.5%	1.7 / 2.4
Post 88 GMP	12 months CPI to September, capped at 3%	1.7 / 2.4
<i>C Plan – ICI Element</i>	12 months RPI to September, capped at 5%	2.4 / 3.3
<i>DSL</i>		
Pre August 2005	12 months RPI to December, capped at 5%	2.2 / 2.7
Post August 2005	12 months RPI to December, capped at 2.5%	2.2 / 2.5

** Increases to Pre 1997 non GMP service were previously discretionary. The Trustee agreed with IBM that this pension element will increase by 50% of the 12 months RPI to January, capped at 5.0%, through to 2022. After 2022, under the current agreement, the increases revert to be discretionary.*

Transfer payments

Members leaving IBM with over three months' pensionable service have the right to transfer pension benefits accrued to the date of leaving to either a new occupational pension scheme or an approved scheme operated by an independent pension provider.

With effect from April 2015, members who have left service or who have withdrawn from the Plan have the statutory right to transfer their DB benefits separately from their DC benefits (providing they are not within 12 months of their normal retirement age).

Transfer payments paid during the year were calculated in accordance with the regulations under the Pension Schemes Act 1993 and the Pensions Act 1995 as appropriate and no discretionary payments were included in any of the transfers made.

Effective December 2006, the Trustee decided to allow members to separately transfer out their Additional Voluntary Contributions /Additional Smart* Contributions fund benefits, as stated in Note 4 to the financial statements.

Life Assurance Benefits

Life assurance benefits are fully insured with Legal & General Assurance Society Limited ("Legal & General") and Zurich Assurance Limited ("Zurich"). The premiums are borne by the Company and any payments due are administered by the trustees of the IBM Group Life Assurance Plan. Each member's benefits are covered, in equal part, by both Legal & General and Zurich.

REPORT ON ACTUARIAL LIABILITIES

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland", ("FRS 102"), these financial statements do not include liabilities in respect of accrued retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover the present value of benefits to which members are entitled based on pensionable service at the valuation date (known as the technical provisions). The technical provisions are assessed at least every three years as part of the Actuarial Valuation, using assumptions agreed between the Trustee and the Sponsoring Employer which are set out in the Statement of Funding Principles document, a copy of which is available from IBM Pensions Trust on request.

Actuarial valuation

The most recent Actuarial Valuation of the Plan was carried out as at 31 December 2018. The table below sets out the Plan's liabilities/technical provisions and the market value of the Plan's assets for the current and prior Actuarial Valuations:

Actuarial valuation as at 31 December:	2018	2015
	£m	£m
Value of technical provisions	7,024	6,851
Value of assets available to meet technical provisions	7,671	6,649
Past service surplus / (deficit)	647	(202)
Funding level (assets as a percentage of technical provisions)	109%	97%

The value of technical provisions is based on pensionable service to the valuation date and assumptions about various factors that will influence the Plan in the future, such as the levels of investment returns and salary increases, when members will retire, and how long members will live.

Statutory estimate of solvency

The estimate of the solvency of the Plan as at 31 December 2018 is set out below. This estimate has been prepared on the basis that no further payments are received from the Company, and an estimate of the proportion of the accrued benefits that could have been secured by buying insurance policies with the assets held by the Plan at the valuation date.

Statutory estimate of solvency as at 31 December:	2018	2015
	£m	£m
Estimated cost of buying insurance policies to cover liabilities	7,674	7,986
Market value of assets (excluding AVCs)	7,671	6,649
Solvency (deficit)	(3)	(1,337)
Solvency level (assets as a percentage of liabilities)	100%	83%

REPORT ON ACTUARIAL LIABILITIES (continued)

Actuarial report

In the years when an Actuarial Valuation is not conducted, the Trustee is required under Part 3 of the Pensions Act 2004 to obtain an “actuarial report”. The main purpose of the actuarial report is to provide an approximate update of the development in the financial position of the Plan relative to its statutory funding objective since the last actuarial valuation and any subsequent actuarial reports.

The results of the actuarial report of the Plan as at 31 December 2019, are set out below:

Actuarial report as at 31 December:	2019 £m
Value of technical provisions	7,173
Market value of assets (excluding AVCs)	8,146
Past service surplus	973
Funding level (assets as a percentage of technical provisions)	114%

Next actuarial valuation

The next triennial valuation is due to be prepared no later than as at 31 December 2021.

Actuarial method and significant actuarial assumptions

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method. The significant actuarial assumptions used in the calculations are as follows:

- **Long term Discount rates** are set at 0.60% per annum margin over the Willis Towers Watson gilt yield curve and are assumed to apply immediately over the period from the valuation date to 31 December 2019.
- **Retail Price Inflation** has been assessed as being equal to the Willis Towers Watson gilt break even inflation curve.
- **Future Consumer Price Inflation** has been assessed as an adjustment to the assumed level of future Retail Price Inflation taking into account the expected differences in the two measures of inflation due to structural differences in the calculation of the two indices and the different constituent parts.
- **Pension increases** are applied to each different element of pensions in excess of GMP according to the provisions in the Plan’s rules.
- **Salary increases**, including any remuneration that a member consents to, being a non-pensionable supplement under the Plan Rules, will increase at a rate of 0.75% per annum higher than assumed Retail Price Inflation.
- **Mortality** assumptions for the period in retirement are based on the standard tables “S2 Light for males” with a scaling factor of 105% for male active members and male dependants; “S2 for females” with a scaling factor of 90% for female active members and 95% for female dependants. Allowance is then made for improvements in longevity from the valuation date onwards in line with the CMI 2018 Core Projection with a long term annual rate of improvement of 1.5% per annum for both males and females and 0.25% initial addition to improvements.

REPORT ON ACTUARIAL LIABILITIES (continued)

CONTINUATION OF THE PLAN

The Company has the right to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in the Trust Deed and Rules and the Pensions Act 1995. The Company has not expressed any intent so to do.

Whether or not all Plan members receive their benefits in full should the Plan be wound up at some future date will depend on the sufficiency at that time of the Plan's net assets to provide for the accrued benefits. If the Plan goes into wind up a debt will fall due from the Participating Employers of the full buy out cost of benefits for all members of the Plan. The extent to which such debt can be paid will depend on the Participating Employers' assets at that time and the terms of any guarantee.

A level of further protection was introduced with effect from April 2005 by the establishment of the Pension Protection Fund ("PPF"). The PPF was set up to provide compensation to members of eligible defined benefit plans, when there is a "qualifying insolvency event" in relation to the employer, and where there are insufficient assets in the pension plan to cover the level of compensation due to members as set out by the PPF regulations.

The provisions relating to both eligibility and payment of benefits are complex but in summary members who have already reached normal pension age or who have retired on ill-health grounds at the date that a plan is accepted by the PPF will receive compensation of 100% of their entitlement. Members who have not reached normal pension age will receive compensation of 90% of their entitlement, subject to an annual cap, which, as at 1 April 2020, equates to £41,461.07 at age 65 (£37,314.96 after the 90% has been applied). Dependants' pensions generally will be payable at 50% of the members' pension. The compensation cap is reduced for early retirement.

From 6 April 2017, the PPF Long Service Cap came into effect for members who have 21 or more years service in the Plan. For these members the cap is increased by 3% for each full year of pensionable service above 20 years, up to a maximum of double the cap.

In 2018, the European Court of Justice ruled that individual members should receive at least 50% of the value of their accrued old age pension if the employer responsible for funding the plan they have paid into fails.

INVESTMENT MANAGEMENT

The Trustee is responsible for setting the investment strategy and monitoring the performance of the DB sections of the Plan, and is responsible for ensuring that there is a suitable range of investment options, including default arrangements, for members of the DC sections of the Plan and for members seeking to make Additional Voluntary Contributions.

The Trustee has prepared, in accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles (the "SIP") which explains the Trustee's policy regarding the types of investments to be held, expected return on investments, its approach to Environmental, Social and Governance ("ESG") and related matters. In preparing the SIP the Trustee has obtained appropriate investment advice and has consulted the Company. A copy of the SIP is included on pages 90 to 109, and is available upon request from IBM Pensions Trust or on the IBM Pensions website www.smartpensionsuk.co.uk

Within the SIP, the Trustee has set out the following long-term investment objectives in relation to the DB Sections:

- The acquisition of suitable assets of appropriate liquidity that will generate income and capital growth to meet, together with any new contributions from the Company, the cost of current benefits that the Plan provides.
- To limit the risk of the assets failing to meet the liabilities, both over the long term and on a shorter-term basis.

The Trustee's principal mission is to help DC Section members to maximise their retirement outcomes with an appropriate level of investment risk, by providing an appropriate investment framework which represents value for members and which is in line with recognised market "good practice", taking into account guidance from the Pensions Regulator and other appropriate industry and regulatory bodies.

The Trustee has the following investment objectives related to the DC Sections:

- To offer suitable default investment strategies that are appropriate for the profile of defaulting members based on their expected risk tolerances and retirement objectives.
- To offer a range of self-select investment options which are appropriate for the profile of most members.

The Trustee believes that ESG factors, including climate change, can impact the performance of the Plan's investments, both DB and DC (including the DC default investment strategies), over the medium to long-term. The Trustee has delegated responsibility for the selection, retention, and realisation of investments to its investment managers and accordingly, the Trustee seeks to manage the risks and opportunities associated with these ESG factors by selecting industry leaders in investment management who are committed to the Principles for Responsible Investment (as they apply to the sector in which the manager invests or the strategy pursued by the manager) and against criteria which include ESG considerations.

INVESTMENT MANAGEMENT (continued)

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Plan's DB and DC investments to the investment managers. Managers are encouraged to exercise these rights.

The Trustee supports the aims of the UK Stewardship Code, and its investment managers are invited to operate in accordance with the guidelines laid out in the Stewardship Code which covers matters of both voting and engagement. The investment managers are encouraged to report their adherence to The Stewardship Code using the "comply" or "explain" principle where appropriate.

The Trustee requires its investment managers to report on corporate governance, and particularly on their voting and engagement records. In general, investment managers are likely to choose to support and vote with incumbent company management, and therefore exception reporting is expected. Significant shareholder action other than voting should also be reported. The Trustee's Governance Committee periodically reviews these reports from investment managers to ensure that the agreed policies are being met.

Trustees must include an Implementation Statement in annual reports produced from 1 October 2020 to evaluate actions taken over the Plan year to implement the policies outlined in the SIP. As a minimum, the implementation statement must include:

- How, and the extent to which, in the opinion of the Trustees, the SIP has been followed during the Plan year
- A description of any review of the SIP undertaken during the Plan year including any review of how the SIP has been met, with an explanation of any changes made to the SIP during the Plan year and the reason for the change (or last review date if no review was undertaken during the year)

By 1 October 2021, there are further requirements for implementation statements. The implementation statement must be published on a publicly accessible website and must also include a description of the voting behaviour by or on behalf of the trustees (including the most significant votes cast by the trustees or on their behalf) during the Plan year and the use of any proxy services to vote over that year.

The Trustee's first Implementation Statement for the Plan year ended 31 December 2020 is included in the 2020 Annual Report and Financial Statements. The Trustee will also be required to signpost to members via their annual benefit statements where the implementation statement can be found.

The Trustee has delegated management of the investments to professional investment managers which are listed on pages 3 and 4. These managers, which are regulated by the Financial Conduct Authority in the United Kingdom (or the Trustee is satisfied that they have the appropriate skills and experience if outside of the UK), manage the investments within the restrictions set out in investment management agreements which are designed to ensure that the objectives and policies set out in the SIP are followed.

INVESTMENT MANAGEMENT (continued)

The Trustee has less information over the underlying investments within pooled investment vehicles held by the Plan but reviews the managers' policies and statements of compliance in respect of these matters.

The Trustee has appointed The Northern Trust Company to keep custody of the Plan's investments, other than:

- Pooled investment vehicles where the manager makes its own arrangements for custody of the underlying investments; and
- Direct property where the title deeds are held by the Plan's property legal advisers.
- AVCs and other investments which are in the form of insurance policies where the master policy documents are held by the Trustee.

INVESTMENT STRATEGY

DB sections investment strategy

The Plan's assets are invested in line with the Trustee's long-term strategy.

Following significant re-disking during the year, this strategy now includes a bulk annuity insurance policy with Rothesay Life Plc that was purchased in December 2020 for £3,253.3m, funded from £2,876m of gilts and £377.3m cash. The policy covers 8,806 members.

The Plan's assets are:

- 91.9% invested in **Matching assets**, which are investments that move broadly in line with the long-term liabilities of the Plan. These are referred to as Liability Driven Investments ("LDI") and comprise the Rothesay Life bulk annuity insurance policy together with UK, overseas government and corporate bonds, which help mitigate the impact of interest rate and inflation rate movements on the long-term liabilities. The Plan also uses interest rate and inflation swaps to hedge changes in the Plan's liabilities.
- 8.1% invested in **Growth assets**, which are return seeking investments primarily comprising property and private equity investments. There is also a small residual exposure to reinsurance where the remaining funds are gradually released.
- Approximately 7% of the Plan assets has an unhedged currency exposure. The Trustee has put in place a currency hedging strategy using currency forwards to seek to mitigate currency exposure.

The investment strategy is broadly diversified and is now invested primarily in domestic and overseas bonds (including some limited emerging market debt), index linked gilts, domestic property, private equity and the annuity insurance policy. In addition, to help minimise fluctuations (or volatility) in the value of the investments and the Plan's funding level, the Trustee uses derivatives to hedge a proportion of its currency risk (an asset price risk) and interest rate and inflation rate risks (which are liability risks), which the Trustees regard as unrewarded "funding" risks.

INVESTMENT STRATEGY (continued)

DB sections investment strategy (continued)

The Trustee has considered the nature, disposition, marketability, security and valuation of the Plan's investments and consider them to be appropriate relative to the reasons for holding each class of investments. More details about investments are given in the notes to the financial statements.

The investment policy weighting of the Plan's DB investments at 31 December 2020, together with the Plan's actual asset allocations is shown below:

Asset class	2020 Actual	2020 Policy	2019 Actual
Growth assets	8.1%	5.2%	23.4%
Listed equities	-	-	3.4%
Private equity and property	7.4%	5.2%	7.9%
Alternative investments	0.7%	0.0%	12.1%
Matching assets	91.9%	94.8%	76.6%
Global bonds	6.3%	6.5%	19.1%
Global credit	6.2%	5.9%	6.1%
Long-term Core Credit	15.6%	15.0%	-
Liability matching assets	23.4%	27.2%	49.2%
Other	2.3%	2.0%	2.2%
Rothesay Life Bulk Annuity	38.1%	38.2%	-

Growth assets (+2.9%) have a higher allocation due to the time required to unwind illiquid investments whilst matching assets (-2.9%) are correspondingly lower.

A new SIP is currently being prepared to reflect the further de-risking which has occurred and will be signed later this year.

INVESTMENT PERFORMANCE

The Trustee regularly reviews the performance of the Plan's investments, which are grouped into three core segments consistent with the overall strategy.

- **DB - Growth assets** (defined above) are assessed by reference to benchmarks and performance targets set and agreed with each manager.
- **DB - Matching assets** (defined above) are compared with benchmarks, although the Trustee's main concern being security of cash flows and therefore growth in these assets (which is normally linked to growth in the Plan's liabilities, or vice versa) is of less relevance.
- **DC sections assets** are assessed by reference to performance against benchmarks. Members can access performance information from the Investments section of L&Gs website.

INVESTMENT PERFORMANCE (continued)

DB sections investment performance

The Plan delivered a return of 9.5% (2019: 10.6%) net of fees in 2020 which was -0.4% below the Plan's benchmark return due to the relative performance of the return seeking assets.

Details of the Plan's annualised performance over one year, three years, and five years to 31 December 2020 are summarised in the table below. These are then compared to the Plan's policy benchmark, which is a composite of the benchmark returns for the Plan's underlying investment securities.

Annualised return over:	1 year	3 years	5 years
Plan return excluding AVCs (net of fees)*	9.5%	6.7%	9.5%
<i>Policy benchmark return</i>	<i>9.9%</i>	<i>7.2%</i>	<i>9.7%</i>

*The Rothesay Life bulk annuity insurance policy which was purchased in December 2020 is excluded from these returns.

The return on the net investments of the Plan for the year ended 31 December 2020 is set out below. In the below analysis the Pooled Investment Vehicle investments have been allocated in line with their underlying asset class (note 12 to the financial statements) as opposed to being shown as a single investment type. This analysis is in line with the approach adopted by the Trustee in their review of asset performance.

Asset class	Value £m	Return
Total net investments of the Plan	8,703.8	9.5%
Growth assets	698.8	3.5%
Listed equities	-	-
Private equity and property	634.6	4.0%
Alternative investments	64.2	-3.1%
Matching assets	7,928.5	12.5%
Global bonds	540.5	3.5%
Global credit	532.4	8.0%
Long-term core credit	1,343.7	10.9%
Liability matching assets*	5,311.7	16.1%
Other	200.2	-1.0%
AVC/ASC investments **	76.5	**

* included in the liability matching assets is the Rothesay Life bulk insurance annuity which was purchased in December 2020. Its value will fluctuate in line with the value of the remaining liabilities payable under the policy. The performance return shown above is calculated based on the other assets.

** the additional voluntary contributions made by members of the DB sections of the Plan are invested in the same suite of investment options available to members of the DC sections of the Plan. Accordingly, information about the investment options and investment performance is included within the *DC sections investment performance* analysis on pages 21.

INVESTMENT PERFORMANCE (continued)

DC sections investment performance

The DC sections of the Plan provides members with three "lifestyle" options which target purchasing an annuity, generating a lump sum or transferring to a drawdown arrangement on retirement, and twenty-one "self-select" investment options across equities, fixed income, and multi asset strategies.

These assets, which are managed by Legal & General Investment Management Limited on behalf of the Trustee, were valued at £2,671.4m (2019: £2,574.5m), including £69.2m (2019: £67.4m) related to the DB additional voluntary contributions, as at 31 December 2020. The performance of these funds and their benchmarks are set out in the following table:

Annualised return	2020		3 Years	
	Fund	B'mark	Fund	B'mark
Equities				
Global Equity 60:40 Index Fund	-1.1%	-1.1%	3.1%	3.0%
Global Equity 70:30 Index Fund	-2.9%	-3.1%	2.5%	2.5%
Global Real Estate Equity – GBP Hedged Fund	-12.1%	-11.9%	0.7%	0.8%
Ethical UK Equity Index Fund	-11.3%	-11.3%	-0.6%	-0.5%
Ethical Global Equity Index Fund	10.5%	10.7%	9.5%	9.6%
UK Equity Index Fund	-9.8%	-9.8%	-0.9%	-0.9%
World Emerging Markets Equity Index Fund	11.3%	11.7%	5.7%	6.0%
Infrastructure Equity MFG – GBP Hedged Fund	-5.7%	-5.3%	5.2%	5.5%
All World Equity Fund	12.3%	12.4%	8.8%	8.9%
World ex UK Developed Equity Index Fund	14.4%	14.3%	10.5%	10.5%
Fixed Income				
Over 15 Year Gilts Index Fund	13.8%	13.9%	8.5%	8.6%
Annuity Protection Index Fund	13.0%	13.0%	6.9%	6.9%
Pre-Retirement Fund	11.1%	11.1%	7.0%	7.0%
Pre-Retirement Inflation Linked Fund	11.2%	11.2%	6.5%	6.5%
Investment Grade Corporate Bond - All Stocks Index Fund	7.7%	7.8%	5.1%	5.1%
Emerging Market Debt Fund	2.0%	1.8%	2.9%	3.1%
All Stocks Index-Linked Gilts Fund	11.0%	11.0%	5.6%	5.6%
Money Fund (was Cash Fund)	0.3%	0.1%	0.6%	0.4%
Multi Asset Strategies				
Growth Plus Fund (former Consensus)	7.1%	7.0%	6.6%	6.7%
Growth Fund	6.6%	6.5%	5.7%	5.8%
Growth Plus Fund	7.1%	7.0%	6.6%	6.7%

INVESTMENT PERFORMANCE (continued)

DC sections investment performance (continued)

Previously members were able to invest in the Equitable Life Assurance Society's ("ELAS") With-Profits funds, and the Aviva Life & Pensions UK Limited's With-Profits Fund. Following the closure of the ELAS With-Profits Fund, members' assets were transferred to the Utmost Life & Pensions Limited Secure Cash Fund on 1 January 2020. In May 2020, and following advice from Mercer Limited, the Trustee consolidated these assets into the Plan's existing arrangements with LGIM to benefit from improved governance and lower costs.

Further information is included in note 16 to the financial statements.

The Trustee carefully monitored (and continue to monitor) Covid-19 developments. This included ensuring Custodian and Investment Managers have contingency arrangements in place to provide ongoing services.

The Trustee has also updated the SmartPensionsUK website to provide some reassurance to DC members, whilst encouraging them to seek independent financial advice before making any investment decisions based on Covid-19 developments.

EMPLOYER-RELATED INVESTMENTS

Details of employer-related investments are given in note 22 to the financial statements.

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Plan will continue as a going concern.

The Trustee is also responsible for making available certain other information about the Plan in the form of an annual report.

The Trustee has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is also responsible for the maintenance and integrity of the www.smartpensionsuk.co.uk website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Plan by or on behalf of employers and the active members of the Plan and the dates on or before which such contributions are to be paid.

STATEMENT OF TRUSTEE'S RESPONSIBILITIES (continued)

The Trustee's responsibilities in respect of contributions (continued)

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Plan in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

DATA PROTECTION

IBM United Kingdom Pensions Trust Limited and companies processing data on its behalf will, from time to time, hold and use such personal information about members as is reasonably necessary in connection with the administration of the Plan.

The General Data Protection Regulation ("GDPR") took effect across the EU from 25 May 2018. The Trustee complies with all applicable data privacy laws and is fully committed to protecting the personal data of its members.

FURTHER INFORMATION

Requests for additional information about the Plan generally, or queries relating to members' own benefits, should be made to the contact listed on page 1.

APPROVAL

The Trustee's Report on pages 5 to 24 was approved by the Board of Directors of the Trustee Company and signed on its behalf by:

 e-Signed by Robert Tickell

Robert Tickell
Co-Chair

Date: July 21, 2021

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**Opinion**

In our opinion, IBM Pension Plan's financial statements:

- show a true and fair view of the financial transactions of the plan during the year ended 31 December 2020, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the Annual Report and Financial Statements, which comprise: the Statement of Net Assets Available for Benefits as at 31 December 2020; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the plan's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the plan's ability to continue as a going concern.

Our responsibilities and the responsibilities of the trustee with respect to going concern are described in the relevant sections of this report.

Independent Auditors' Report to the Trustee of IBM Pension Plan

Reporting on other information

The other information comprises all the information in the Annual Report and Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit*Responsibilities of the trustee for the financial statements*

As explained more fully in the statement of trustee's responsibilities, the trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the trustee is responsible for assessing the plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to wind up the plan, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Responsibilities for the financial statements and the audit (continued)*Auditors' responsibilities for the audit of the financial statements (continued)*

Based on our understanding of the plan and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the plan in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed included:

- Testing of journals where we identified particular risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Reviewing estimates and judgements made in the preparation of the financial statements.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, contracts and agreements, and holding discussions with the trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

Southampton

Date: 21/7/21

Year ended 31 December	Note	2020			2019		
		DB £m	DC £m	Total £m	DB £m	DC £m	Total £m
Contributions and other income							
Employee contributions	4	-	1.4	1.4	-	1.5	1.5
Employer contributions	4	-	71.7	71.7	-	74.2	74.2
Transfers in		-	1.3	1.3	-	2.9	2.9
		-	74.4	74.4	-	78.6	78.6
Benefits and other payments							
Benefits paid or payable	5	(301.4)	(30.8)	(332.2)	(297.7)	(29.8)	(327.5)
Transfers out	6	(37.7)	(92.3)	(130.0)	(49.3)	(77.3)	(126.6)
Administrative expenses	7	(6.2)	-	(6.2)	(5.2)	-	(5.2)
		(345.3)	(123.1)	(468.4)	(352.2)	(107.1)	(459.3)
Net withdrawals from dealings with members		(345.3)	(48.7)	(394.0)	(352.2)	(28.5)	(380.7)
Net returns on investments							
Investment income	8	152.7	-	152.7	134.3	-	134.3
Change in market value of investments	9	666.9	144.2	811.1	700.3	385.4	1,085.7
Investment management expenses	10	(8.2)	-	(8.2)	(8.4)	-	(8.4)
Taxation	11	(0.1)	-	(0.1)	(0.5)	-	(0.5)
		811.3	144.2	955.5	825.7	385.4	1,211.1
Net increase in the fund		466.0	95.5	561.5	473.5	356.9	830.4
Net assets at 1 January		8,228.0	2,507.5	10,735.5	7,751.4	2,153.7	9,905.1
Transfers between sections	24	0.2	(0.2)	-	3.1	(3.1)	-
Net assets at 31 December		8,694.2	2,602.8	11,297.0	8,228.0	2,507.5	10,735.5

The notes on pages 30 to 57 form part of these financial statements.

Statement of Net Assets Available for Benefits

At 31 December	Note	DB £m	2020 DC £m	Total £m	DB £m	2019 DC £m	Total £m
Investment assets							
Equities		-	-	-	229.7	-	229.7
Bonds		3,595.1	-	3,595.1	3,788.5	-	3,788.5
Pooled investment vehicles	12	1,154.6	2,169.2	3,323.8	2,921.5	2,085.2	5,006.7
Property	13	215.8	-	215.8	247.5	-	247.5
Derivatives	14	102.8	-	102.8	548.0	-	548.0
Insurance policies	15	3,289.0	-	3,289.0	-	-	-
AVC / ASC investments	16	76.5	433.7	510.2	82.4	422.5	504.9
Cash	17	281.7	-	281.7	443.3	-	443.3
Other investment balances	17	42.2	-	42.2	16.0	-	16.0
		8,757.7	2,602.9	11,360.6	8,276.9	2,507.7	10,784.6
Investment liabilities							
Derivatives	14	(50.3)	-	(50.3)	(34.9)	-	(34.9)
Other investment balances	17	(3.6)	-	(3.6)	(3.5)	-	(3.5)
		(53.9)	-	(53.9)	(38.4)	-	(38.4)
Total net investments		8,703.8	2,602.9	11,306.7	8,238.5	2,507.7	10,746.2
Current liabilities	23	(9.6)	(0.1)	(9.7)	(10.5)	(0.2)	(10.7)
Net assets available for benefits as at 31 December		8,694.2	2,602.8	11,297.0	8,228.0	2,507.5	10,735.5

The financial statements summarise the transactions and net assets of the Plan. Liabilities to pay pensions and other benefits which are expected to become payable after the end of the Plan year are not dealt with in the financial statements. The actuarial position of the DB sections of the Plan, which does take account of such liabilities, is dealt within the Report on actuarial liabilities on pages 13 to 15 of the Annual Report and these financial statements should be read in conjunction with them.

These financial statements on pages 28 to 57 were approved by the Board of Directors of the Trustee Company and were signed on its behalf by:

e-Signed by Robert Tickell

Robert Tickell
Co-Chair

Date: July 21, 2021

The notes on pages 30 to 57 form part of these financial statements.

1. General information

The IBM Pension Plan (the “Plan”) is an occupational pension scheme established in the United Kingdom as a trust under English law. The Plan was established to provide retirement benefits to certain groups of employees within IBM United Kingdom Limited, IBM United Kingdom Financial Services Limited and IBM Limited Partnership (to 8 February 2019). The address of the Plan’s office is PO Box 41, North Harbour, Portsmouth, PO6 3AU.

The Plan has defined benefit (“DB”) sections which were closed to future accrual with effect from 6 April 2011, and defined contribution (“DC”) sections which were closed to new entrants with effect from 6 April 2011 but remains open to future contributions from existing members of the DC sections and those DB members who elected to join the DC section following the closure of the DB sections to future accrual.

The Plan is a registered pension scheme under the Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief, income and capital gains earned by the Plan receive preferential tax treatment. To the Trustee's knowledge there is no reason why this registration should be prejudiced or withdrawn.

2. Basis of preparation of the financial statements

The individual financial statements of IBM Pension Plan have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (“FRS 102”) and the guidance set out in the Statement of Recommended Practice “Financial Reports of Pension Schemes” (revised June 2018) (“the SORP”).

3. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. The policies have been applied consistently to all years presented unless otherwise stated.

Currency

The Plan’s functional currency and presentation currency is pounds sterling (GBP).

Assets and liabilities in foreign currencies are expressed in sterling at the exchange rates ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

3. Summary of significant accounting policies (continued)

Contributions

In the defined contributions sections, normal employer contributions, and those paid by employees via salary sacrifice (known as “Smart*” contributions), are accounted for in the month in which they are deducted from payroll. Additional Voluntary Contributions (“AVC”) and Additional Smart* Contributions (“ASC”) paid by members are accounted for in the month in which they are deducted from payroll.

In the defined benefit sections, normal contributions to cover the cost of ill-health and death-in-service pension benefits for active members of the DC sections are accounted for in accordance with the agreement under which they are paid, or when received if earlier.

Employer deficit contributions are accounted for in accordance with the agreement under which they are paid. Employer augmentations are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received.

Benefits payable

Pensions in payment are accounted for in the period to which they relate.

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised. On-going benefits are accounted for on an accruals basis.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Plan as appropriate.

Where the Trustee is required to settle tax liabilities on behalf of a member (such as when lifetime or annual allowances are exceeded) with a consequent reduction in that members benefits receivable from the Plan, this is shown separately within benefits.

Transfer payments

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension scheme of new employers for members who have left the Plan.

Individual transfers are accounted for when the transfer has been agreed by both parties and the receiving scheme has accepted liability for the transfer. Group transfers, where the Trustee has agreed to accept the liability prior to the receipt, are accounted for in accordance with the agreement.

Other expenses

Administrative expenses and investment management expenses are accounted for on an accruals basis.

3. Summary of significant accounting policies (continued)

Investment income and expenditure

- Income from equities and any pooled investment vehicles which distribute income, is accounted for on an accruals basis on the date stocks are quoted ex-dividend or, in the case of unquoted instruments, when the dividend is declared.
- Income from bonds is accounted for on an accruals basis and includes income bought and sold on purchases and sales of bonds.
- Interest on cash and short term deposits and income from other investments are accounted for on an accruals basis.
- Rental income is accounted for as earned under the terms of the lease.
- Receipts or payments under swap contracts, representing the difference between the swapped cash flows at the fixed revaluation dates are included in investment income. Receipts or payments upon settlement of swap contracts are included within purchases and sales in note 9.
- Investment income includes withholding taxes. Withholding tax is accrued on the same basis as investment income. Where withholding tax is not recoverable, this is shown as a separate expense within taxation.
- Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include fees charged directly to the Plan such as fees, commissions, stamp duty and other fees.
- Investment management expenses are accounted for on an accruals basis and shown separately within investment returns.
- The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units change in market value also includes such income.

Valuation of investments

Investments are valued at their fair value at 31 December each year and are determined as follows:

- Equities traded through the Stock Exchange Electronic Trading Service (“SETS”) are valued on the basis of the bid price, where both bid and offer prices are available. Other quoted investments are valued on the basis of the bid price (or, if unavailable, most recent transaction) on the relevant stock market.
- Pooled investment vehicles including AVCs and ASCs are valued at the closing bid price if both bid and offer prices are published or, if single priced, at the closing single price as advised by the investment managers.
- Unlisted securities are valued by the investment managers, having regard to latest dealing, professional valuation, asset values and other appropriate financial information.

3. Summary of significant accounting policies (continued)

Valuation of investments (continued)

- Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Futures contracts' fair value is determined using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid or offer market quoted price of the contract. Amounts due from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts. Swaps are valued at the net present value of future cash flows arising therefrom.
- Bonds are valued "clean", excluding interest accruing from the previous interest payment date to the valuation date.
- Currency forwards held by the Plan under a currency overlay programme are expressed in sterling at the rates of exchange ruling at year end.
- Unlisted equities, comprising private equity investment, are valued at the Plan's share of the audited net assets at the Plan year end. Any investments that are unaudited at the Plan year end are valued at a price advised by the investment manager.
- Freehold and leasehold property is stated at open market value at the year end, as estimated annually (using the Royal Institution of Chartered Surveyors Valuation Standards) by the Trustee on the basis of professional advice from Knight Frank LLP, Chartered Surveyors. No depreciation is provided on freehold buildings or long leasehold properties.
- Cash includes short term bonds and notes with maturity under one year. These are valued "clean", excluding interest accruing from the previous interest payment date to the valuation date.
- Annuity (insurance) policies are valued by the Plan Actuary at the amount of the related obligation, determined using the most recent Plan funding valuation assumptions updated for market conditions at the reporting date.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

For the Plan, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Plan investments and, in particular, those classified in Level 3 of the fair-value hierarchy. An explanation of the key assumptions underpinning the valuation of investments are included within the policies above and within note 15.

4. Contributions

	2020			2019		
	DB £m	DC £m	Total £m	DB £m	DC £m	Total £m
Employee contributions:						
Additional voluntary	-	1.4	1.4	-	1.5	1.5
Employer contributions:						
Normal contributions ¹	-	39.9	39.9	-	42.1	42.1
Augmentations	-	0.1	0.1	-	-	-
Smart* contributions ¹	-	16.6	16.6	-	17.4	17.4
Additional Smart* contributions	-	15.1	15.1	-	14.7	14.7
	-	71.7	71.7	-	74.2	74.2

¹ includes £5.4m (2019: £5.7m) in respect of additional 1% or 2% matched contributions paid by the employer and employees respectively.

Employee contributions

Employee contributions to the DB section of the Plan ceased following the closure of the Plan to future accrual in April 2011.

Employee contributions to the DC section of the Plan are 3% of pensionable earnings for the M Plan, Hybrid M Plan (ex DB), and Enhanced M Plan (ex DB) sections. In addition members of the DC section, excluding Enhanced M Plan members, including those members which elected to join the DC section in April 2011 following the closure of the DB section to future accrual, have the option to elect to pay an additional 1% or 2%, with the employer matching the contribution elected by the employee.

Members have the option of paying their contributions by means of a salary sacrifice arrangement known as "Smart* Pensions". Such contributions are recorded as employers' contributions in the above note.

Employer contributions

Employer contributions to the DB section of the Plan are paid in accordance with the Schedule of Contributions agreed between the Trustee and the Employers.

The Schedule of Contributions in force at the start of the year was signed on 22 August 2019. This Schedule sets out that Employer contributions will only be required in specific circumstances, subject to confirmation by the Plan Actuary. As such, no deficit contributions were due under the Schedule in force during the year.

4. Contributions (continued)

Employer contributions (continued)

The Trustee has agreed that the Company, with effect from April 2016, can settle its contributions (if any) to the DB section of the Plan through the transfer of United States Treasury Bills. Under this agreement the Company has guaranteed that the GBP contribution due will be settled in full, and that the Company will reimburse the Trustee for any related pricing and foreign currency losses associated with the transfer of United States Treasury Bills to the Plan. Any excess amounts received through the transfer of United States Treasury Bills is carried forward as a prepayment during the year but crystallises at 31 December each year and is accounted for within the deficit contributions in the year. No excess was received in the current year (2019: nil).

The rates of employer contributions for the DC section of the Plan are set out in the following table:

M Plan	8% of pensionable earnings
Hybrid M Plan (ex DB)	8% of pensionable earnings
Enhanced M Plan (ex DB)	% of pensionable earnings payable in respect of former members of the DB pensions schemes as shown in the table below:

Member's age:	Former members within these DB pension schemes			
	IBM I.T. Solutions	N	C	DSL
18-34	8%	8%	8%	8%
35-39	10%	11%	11%	10%
40-44	12%	14%	14%	12%
45-49	15%	17%	17%	15%
50-54	18%	20%	20%	18%
55-59	18%	20%	20%	18%
60 and over	8%	20%	20%	18%
63 and over	8%	20%	8%	18%
65 and over	8%	8%	8%	8%

5. Benefits paid or payable

	2020			2019		
	DB £m	DC £m	Total £m	DB £m	DC £m	Total £m
Pensions/allowance to dependants	287.6	-	287.6	281.7	-	281.7
Lump sums on retirement	12.1	22.0	34.1	13.0	21.7	34.7
Annuities purchased	-	6.1	6.1	-	5.1	5.1
Lump sum death benefit	0.2	-	0.2	0.2	-	0.2
Taxation arising on benefits paid or payable	1.5	2.7	4.2	2.8	3.0	5.8
	301.4	30.8	332.2	297.7	29.8	327.5

"Taxation arising on benefits paid or payable" is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Plan in exchange for the Plan settling their tax liability on account.

Annuities purchased are in the name of the member, not the Trustee.

6. Transfers out

	2020			2019		
	DB £m	DC £m	Total £m	DB £m	DC £m	Total £m
Individual transfers out	37.7	92.3	130.0	49.3	77.3	126.6

7. Administrative expenses

Administrative expenses for both the DB and DC sections of the Plan are allocated to the DB section of the Plan. Contributions, calculated at 0.3% of the DC Plan members' pensionable earnings, are received from the Company in respect of the administration costs related to the DC Section of the Plan and are included in the Employers' Normal DC contributions in Note 4.

	2020			2019		
	DB £m	DC £m	Total £m	DB £m	DC £m	Total £m
Actuarial fees	0.4	-	0.4	0.4	-	0.4
Administration & processing fees	0.7	-	0.7	0.5	-	0.5
Legal fees	0.4	-	0.4	0.6	-	0.6
Other professional fees	1.4	-	1.4	0.3	-	0.3
Other overheads	0.3	-	0.3	0.4	-	0.4
Staff costs	3.0	-	3.0	3.0	-	3.0
	6.2	-	6.2	5.2	-	5.2

Included within other professional fees is £72,593 (2019: £57,779) in respect of audit fees.

7. Administrative expenses (continued)

Included in staff costs are fees of £19,467 (2019: £16,411) paid to the Member Nominated Directors, fees of £32,000 (2019: £32,000) paid to the Chairs of the Trustee, and fees of £58,800 (2019: £63,000) paid to Law Debenture in respect of their services as Trustee Directors to the Plan.

All expenses listed above are paid initially by the sponsoring employer and are recharged to the Plan.

The Trustee has delegated responsibility for the day to day administration, investment services and management of the Plan to IBM Pensions Trust ("PT"). The Trustee has agreed with IBM United Kingdom Limited ("IBM") that IBM will provide a number of its employees to carry out work on behalf of PT. Such employees are employed by IBM for the purpose of secondment to PT. To the extent that their duties and employment relate to PT, the salaries and related costs are recharged to the Plan. Staff costs totalling £3.0m (2019: £3.0m), including Trustee Directors fees and expenses, have been recharged to the Plan, during the year to 31 December 2020.

As set out in the Schedule of Contributions signed on 22 August 2019, if the total annual Pension Protection Fund (PPF) levy exceeds £200k in any year, the excess is payable by the employer unless the Trustee agrees otherwise. Therefore, 2020 PPF levy costs of £202.7k (2019: £209.6k) were pro-rated between the Company, £2.7k (2019: £87.7k) and the Plan, £200k (2019: £121.9k), with the apportionment for 2019 varying due to the Schedule of Contributions coming into effect part way through the year.

8. Investment income

Investment income by asset type during the year is shown inclusive of accruals and net of withholding tax.

	2020			2019		
	DB	DC	Total	DB	DC	Total
	£m	£m	£m	£m	£m	£m
Equities	2.8	-	2.8	12.0	-	12.0
Bonds	77.1	-	77.1	62.9	-	62.9
Pooled investment vehicles	2.8	-	2.8	3.1	-	3.1
Property	9.1	-	9.1	12.5	-	12.5
Derivatives – net	60.0	-	60.0	43.8	-	43.8
Short term loans and deposits	1.8	-	1.8	1.6	-	1.6
	153.6	-	153.6	135.9	-	135.9
Other investment expense	(0.9)	-	(0.9)	(1.6)	-	(1.6)
	152.7	-	152.7	134.3	-	134.3

Other investment expense is in respect of marketing and improvement costs related to the freehold and long leasehold properties.

9. Reconciliation of net investments

	Opening value at 1 January 2020 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Change in market value £m	Closing value at 31 December 2020 £m
Defined benefit sections					
Equities	229.7	14.5	(246.1)	1.9	-
Bonds	3,788.5	6,372.2	(6,958.9)	393.3	3,595.1
Pooled investment vehicles	2,921.5	48.3	(2,019.3)	204.1	1,154.6
Property	247.5	0.5	(10.5)	(21.7)	215.8
Derivatives – net	513.1	259.6	(775.6)	55.4	52.5
Insurance policies	-	3,253.3	-	35.7	3,289.0
AVC/ASCs	82.4	-	(9.6)	3.7	76.5
Sub-total	7,782.7	9,948.4	(10,020.0)	672.4	8,383.5
Cash deposits	443.3			(5.5)	281.7
Other investment balances -net	12.5			-	38.6
Defined benefit total	8,238.5			666.9	8,703.8
Defined contribution sections					
Pooled investment vehicles	2,085.2				2,169.2
AVC/ASCs	422.5				433.7
Defined contribution total	2,507.7	147.2	(196.2)	144.2	2,602.9

The above purchases and sales include, if applicable, in-specie transfers generated by investment manager changes. The above purchase and sales figures for bonds include UK Gilt Total Return Swap transactions, updating of the liability cash-flows and an adjustment to the Plan's liability hedging target. Included in the above sales figure for bonds is £2,876m of gilts which was transferred, along with £377.3m cash, to Rothesay Life plc to purchase the buy-in annuity insurance policy. The DC purchases and sales above include fund switches totalling £72.9m (2019: £70.4m).

Also included in the above purchase and sales figures are transaction costs of £5.3m (2019: £0.3m). Costs are also borne by the Plan in relation to transactions in pooled investment vehicles: however, such costs are taken into account in calculating the bid/offer spread of these investments and are not separately identifiable.

9. Reconciliation of net investments (continued)

Transaction costs analysed by main asset class and type of cost are as follows:

	Fees	Commission	Taxes	2020 Total
	£m	£m	£m	£m
Equities	-	-	-	-
Bonds	5.3	-	-	5.3
Total 2020	5.3	-	-	5.3
Total 2019	0.2	0.1	-	0.3

All DC section investments noted above are allocated to members given that any unallocated units co-invested with the DC section funds have been included within the DB's section of Pooled Investment Vehicles.

10. Investment management expenses

The amount shown as investment management expenses (which includes investment management, custodian and performance measurement costs) represents only those fees charged directly to the Plan. In addition, the Plan has a number of investments in pooled investment vehicles, in which the management fees are reflected in the unit value. These fees are estimated to be £9.0m (2019: £9.9m).

11. Taxation

The Plan is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax. The tax charge in the Fund Account represents irrecoverable withholding taxes of £0.1m (2019: £0.5m) arising on investment income.

12. Pooled investment vehicles

	2020			2019		
	DB	DC	Total	DB	DC	Total
	£m	£m	£m	£m	£m	£m
Equities	27.8	363.3	391.1	45.6	389.9	435.5
Bonds	680.6	192.5	873.1	2,156.1	169.9	2,326.0
Private equities	401.9	-	401.9	374.7	-	374.7
Reinsurance	41.1	-	41.1	200.0	-	200.0
Property	3.2	-	3.2	7.9	-	7.9
Multi Asset	-	1,542.1	1,542.1	137.2	1,462.5	1,599.7
Cash	-	71.3	71.3	-	62.9	62.9
	1,154.6	2,169.2	3,323.8	2,921.5	2,085.2	5,006.7

13. Property

	2020			2019		
	DB	DC	Total	DB	DC	Total
	£m	£m	£m	£m	£m	£m
UK freehold property	209.5	-	209.5	235.2	-	235.2
UK long leasehold property	6.3	-	6.3	12.3	-	12.3
	215.8	-	215.8	247.5	-	247.5

The Plan holds a number of properties in prime locations. There are no legal restrictions on the realisability of these properties or on remittance of income or disposal proceeds, although the Trustee recognises that 3-6 months would be necessary to achieve a disposal on favourable terms. The tenants of the properties are responsible for repairs and maintenance.

The properties are stated at Fair Value determined by G Coward, MRICS of Knight Frank LLP, a member firm of the Royal Institution of Chartered Surveyors ('RICS'), which is independent of the Trustee and of the Company. Valuations are performed as at 31 December each year in accordance with the Royal Institution of Chartered Surveyors' Valuation – Global Standards, incorporating the International Valuations Standards, and the RICS UK National Supplement. The properties have been valued on the basis of "Fair Value" in accordance with the RICS Valuation - Global Standards and VPGA 1 Valuations for Inclusion in financial statements which adopt the definition of Fair Value adopted by the Financial Reporting Standards.

Investments in property are held through a subsidiary undertaking of IBM UK Pensions Trust Limited and are not consolidated. These undertakings have no other material assets or liabilities other than the properties included above.

14. Derivatives

The Plan has a direct holding of derivative contracts (either exchange traded or over the counter ("OTC")) for efficient portfolio management purposes through hedging liabilities and reducing inflation, interest rate, and currency risks over the longer term. The table below shows a summary of the positions as at 31 December 2020.

	2020		2019	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Defined benefit section				
Futures contracts (exchange traded)	0.6	(0.2)	0.6	(0.7)
Forward foreign exchange contracts (OTC)	36.5	(16.4)	104.4	(7.5)
Swaps (OTC)	65.7	(33.7)	443.0	(26.7)
	<u>102.8</u>	<u>(50.3)</u>	<u>548.0</u>	<u>(34.9)</u>
Net derivatives		<u>52.5</u>		<u>513.1</u>

Futures contracts (exchange traded) are used to bondise cash holdings whilst forward currency contracts are used to partially hedge currency exposure arising out of holding non-sterling denominated assets. The average length of a contract is a three month rolling contract.

	2020 Nominal Value £m	2020		2019	
		Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fixed income	134.2	0.6	(0.2)	0.6	(0.7)
Equities	6.9	-	-	-	-
	<u>141.1</u>	<u>0.6</u>	<u>(0.2)</u>	<u>0.6</u>	<u>(0.7)</u>

Forward foreign currency contracts (OTC) have been bought and sold in various currencies mainly Dollars, Euros and Yen, all with less than one-year duration. The nominal value of the futures contract is the value subject to market movements and is the economic exposure.

	2020 Nominal value £m	2020		2019	
		Assets £m	Liabilities £m	Assets £m	Liabilities £m
237 contracts	1,657.3	36.5	(16.4)	104.4	(7.5)

14. Derivatives (continued)

Swaps (OTC)

The Plan holds a number of derivative contracts (currently interest rate, inflation rate and gilt total return swaps) which are held in a segregated portfolio managed by BlackRock with the objective of matching the interest rate and inflation sensitivity of a prescribed portion of the Plan's liabilities. The mark to market value of these derivatives held with BlackRock at the year-end was £30.0m (2019: £416.3m). There were swap contracts not specifically held to match Plan liabilities with a mark to market value by PIMCO of £1.7m (2019: £nil) and by Goldman Sachs of £0.3m (2019: £nil).

	2020 Notional value £m	2020		2019	
		Assets £m	Liabilities £m	Assets £m	Liabilities £m
Foreign interest rate swaps					
(33 contracts < 10 years)	35.0	0.1	(0.6)	0.1	(0.3)
(2 contracts -10-20 years)	2.0	-	(0.1)	-	-
(2 contracts – 20-30 years)	3.9	-	(0.1)	-	-
(1 contract – 30-40 years)	0.5	-	-	-	-
UK interest rate swaps					
(27 contracts < 10 years)	687.1	15.3	(0.5)	109.5	(0.3)
(5 contracts - 10-20 years)	131.1	3.3	-	233.6	(1.2)
(3 contracts - 20-30 years)	16.4	0.1	(0.3)	55.6	-
(5 contracts - 30-40 years)	69.8	2.9	(0.2)	7.6	-
(0 contracts - > 40 years)	-	-	-	-	(0.2)
UK inflation rate swaps					
(16 contracts < 10 years)	1,040.7	0.2	(28.1)	-	(11.8)
(0 contracts – 10 -20 years)	-	-	-	0.1	-
UK total return swaps					
(9 contracts < 10 years)	645.8	43.8	(3.8)	36.5	(12.9)
	2,632.3	65.7	(33.7)	443.0	(26.7)

Collateral held for over-the-counter (“OTC”) positions

A net collateral position of £26.1m (2019: £520.3m) is held for net unrealised gains on derivative positions. This collateral comprises government securities and cash.

15. Insurance Policies

In recent years the Trustee has been working to reduce risk in the Plan. The ultimate aim is to ensure that members receive all the benefits they are entitled to under the Plan. Consequently, the Trustee purchased an insurance policy (in the form of a “buy-in” policy) from Rothesay Life plc (Rothesay) in respect of the Plan covering around 60% of pensioner liabilities, on 14 December 2020 (8,806 members) for a total consideration of £3,253.3m.

Under the terms of this contract Rothesay will provide the Trustee with sufficient funds each month to meet part of members’ benefits due in accordance with the Plan’s governing documentation. This investment is part of the Plan’s investment strategy.

The Trustee has adopted the technical provisions basis for the purpose of valuing the buy-in policy in the Plan financial statements.

The Plan’s current technical provisions basis was determined as at 31 December 2018 and therefore there was no allowance for a buy-in. In the Plan Actuary’s view it would not be appropriate to simply value the buy-in using the assumptions adopted for the 2018 valuation reflecting the expected return on the assets held at that time.

The Trustee has agreed that the method and principles set out in the Plan’s current Statement of Funding Principles, dated 22 August 2019, should be used but amended as follows:

- discount rate is based on the effective yield on the buy-in policy
- RPI inflation is updated to reflect gilt-market breakeven rates as at 31 December 2020
- CPI inflation assumed to be 1% pa lower than RPI inflation up to 2030 and in line with CPI inflation thereafter, reflecting the Government’s November 2020 announcement on RPI reform (noting that for the 2018 valuation, CPI inflation was assumed to be 1% lower than RPI inflation at all durations)

The mortality assumptions used are those adopted for the actuarial valuation of the Plan as at 31 December 2018.

15. Insurance Policies (continued)

The actual rates used in the calculation the buy-in valuation are as follows:

Financial assumptions⁽¹⁾	31 December 2020
	% pa
Discount rate	0.8
Price inflation (RPI)	3.2
Price Inflation (CPI)	2.7
Pension increases:	
- 50% of RPI (maximum 5%)	1.3
- CPI minimum 0% pa, maximum 5% pa	2.7
- CPI minimum 0% pa, maximum 3% pa	2.5
Mortality table and improvements	S2 Light table for males with 105% scaling for pensioners and dependants S2 table for females with 90% scaling for pensioners and 95% for dependants. CMI 2018 Core projections, 1.5% long term improvements and 0.25% initial additions to improvements.

(1) The assumptions shown are the average rates over the duration of the insured liabilities.

The value of the annuity policy was £3,289 million as at 31 December 2020. The policy was valued by the Plan Actuary.

16. Additional Voluntary and Additional Smart* Contributions (AVC/ASCs)

Members can invest in a range of pooled investment vehicles as shown in the table below.

The Equitable Life Assurance Society ("ELAS") and Aviva 'with profit' funds are closed to further contributions. Following the closure of the ELAS With-Profits Fund, members' assets were transferred to the Utmost Life & Pensions Limited Secure Cash Fund on 1 January 2020 and following advice from Mercer Limited, in May 2020 the Trustee consolidated these assets into the Plan's existing arrangements with Legal & General in order to benefit from improved governance and lower costs.

AVC/ASC benefits are provided on a money purchase basis. Members participating in this arrangement each receive an annual statement confirming the amounts held to their account and the movements in the year. The proceeds of these policies can be paid as a lump sum (subject to HMRC rules) or used to purchase additional pension on retirement.

Aviva Life & Pensions UK Limited may add a final bonus when benefits are payable, or units are otherwise moved out of the FP With Profits Fund, on units held continuously for one or more years. The final bonus rate is dependent on when the units were allocated.

16. Additional Voluntary and Additional Smart* Contributions (AVC/ASCs) (continued)

The annual management charge is applied by a unit cancellation method. Aviva Life & Pensions UK Limited has not applied a Market Value Reduction to this type of business since 1 January 2010.

The market value of AVCs/ASCs was as follows:

	2020			2019		
	DB	DC	Total	DB	DC	Total
	£m	£m	£m	£m	£m	£m
Legal & General						
Global Equity 60:40 Index Fund	11.3	33.2	44.5	14.8	37.4	52.2
Global Equity 70:30 Index Fund	12.3	50.8	63.1	15.4	57.4	72.8
Annuity Protection Index Fund	0.7	3.6	4.3	0.7	4.2	4.9
Money Fund (was Cash Fund)	11.2	28.5	39.7	5.8	28.0	33.8
Growth Plus Fund (former Consensus) *	6.4	14.3	20.7	6.5	14.8	21.3
Ethical UK Equity Index Fund	1.7	5.7	7.4	2.1	6.2	8.3
Over 15 Year Gilts Index Fund	1.3	14.3	15.6	1.3	13.4	14.7
UK Equity Index Fund	2.0	10.4	12.4	2.4	10.9	13.3
World ex UK Developed Equity Index Fund	3.1	20.7	23.8	3.0	19.2	22.2
Pre-Retirement Fund	3.2	21.0	24.2	2.4	17.0	19.4
All World Equity Fund	0.5	14.5	15.0	0.4	14.1	14.5
Ethical Global Equity Index Fund	1.3	5.9	7.2	0.7	4.7	5.4
World Emerging Markets Equity Index Fund	0.5	2.6	3.1	0.3	2.2	2.5
Investment Grade Corporate Bond – All Stocks Index Fund	0.1	1.3	1.4	0.1	1.1	1.2
Emerging Market Debt Fund	0.1	0.2	0.3	0.1	0.2	0.3
All Stocks Index-Linked Gilts Fund	0.3	0.9	1.2	0.1	0.9	1.0
Growth Fund*	5.7	86.1	91.8	3.9	79.9	83.8
Growth Plus Fund*	6.6	116.0	122.6	6.5	106.2	112.7
Infrastructure Equity MFG – GBP Hedged Fund	0.7	1.9	2.6	0.7	2.5	3.2
Global Real Estate Equity – GBP Hedged Fund	-	0.5	0.5	-	0.8	0.8
Pre-Retirement Inflation Linked Fund	0.2	0.7	0.9	0.2	0.8	1.0
	69.2	433.1	502.3	67.4	421.9	489.3
Aviva Plc	7.3	0.6	7.9	8.1	0.6	8.7
Equitable Life	-	-	-	6.9	-	6.9
	76.5	433.7	510.2	82.4	422.5	504.9

*Multi asset strategies

17. Cash and other net investment balances

	2020			2019		
	DB £m	DC £m	Total £m	DB £m	DC £m	Total £m
Sterling deposits	231.8	-	231.8	428.6	-	428.6
Foreign currency deposits	49.9	-	49.9	14.7	-	14.7
	281.7	-	281.7	443.3	-	443.3
Accrued investment income	21.8	-	21.8	14.4	-	14.4
Other investment balances (assets)	20.4	-	20.4	1.6	-	1.6
	313.6	-	313.6	459.3	-	459.3
Obligation to return cash collateral held	(3.6)	-	(3.6)	(3.5)	-	(3.5)
	320.3	-	320.3	455.8	-	455.8

Sterling deposits include amounts held with The Northern Trust Company for settlement of benefit payments and related cashflow management requirements.

18. Defined contribution assets

Defined contribution assets are allocated to provide benefits to the individuals on whose behalf the contributions were paid. All members receive an annual statement confirming the contributions paid on their behalf and the value of their defined contribution assets.

19. Fair value of investments

The fair value of investments has been determined using the following hierarchy.

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Pooled investment vehicles and AVCs which are traded regularly are generally included in level 2. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair value applies, other valuation techniques are adopted and the assets are included in level 3.

The valuation techniques used for level 3 direct property and level 3 insurance policies are detailed in notes 13 and 15 to the financial statements respectively.

19. Fair value of investments (continued)

The fair value of investments as at 31 December 2020 is shown below:

Category	Level 1 £m	Level 2 £m	Level 3 £m	2020 £m
Defined benefit section				
Investment assets				
Equities	-	-	-	-
Bonds	-	3,595.1	-	3,595.1
Pooled Investment Vehicles	-	708.4	446.2	1,154.6
Property	-	-	215.8	215.8
Derivatives	0.6	102.2	-	102.8
Insurance Policies	-	-	3,289.0	3,289.0
AVC/ASCs	-	69.2	7.3	76.5
Cash deposits	281.7	-	-	281.7
Other investment balances	42.2	-	-	42.2
	324.5	4,474.8	3,958.4	8,757.7
Investment liabilities				
Derivatives	(0.2)	(50.1)	-	(50.3)
Other investment balances	(3.6)	-	-	(3.6)
	(3.8)	(50.1)	-	(53.9)
Defined contribution section				
Investment assets				
Pooled investment vehicles	-	2,169.2	-	2,169.2
AVC/ASCs	-	433.1	0.6	433.7
	-	2,602.3	0.6	2,602.9
Total net investments	320.7	7,027.0	3,959.0	11,306.7

19. Fair value of investments (continued)

The fair value of investments as at 31 December 2019 is shown below:

Category	Level 1 £m	Level 2 £m	Level 3 £m	2019 £m
<i>Defined benefit section</i>				
Investment assets				
Equities	229.7	-	-	229.7
Bonds	-	3,788.5	-	3,788.5
Pooled Investment Vehicles	-	2,338.9	582.6	2,921.5
Property	-	-	247.5	247.5
Derivatives	0.6	547.4	-	548.0
Insurance Policies	-	-	-	-
AVC/ASCs	-	67.4	15.0	82.4
Cash deposits	443.3	-	-	443.3
Other investment balances	16.0	-	-	16.0
	689.6	6,742.2	845.1	8,276.9
Investment liabilities				
Derivatives	(0.7)	(34.2)	-	(34.9)
Other investment balances	(3.5)			(3.5)
	(4.2)	(34.2)	-	(38.4)
<i>Defined contribution section</i>				
Investment assets				
Pooled investment vehicles	-	2,085.2	-	2,085.2
AVC/ASCs	-	421.9	0.6	422.5
	-	2,507.1	0.6	2,507.7
Total net investments	685.4	9,215.1	845.7	10,746.2

20. Concentration of investments

The Plan had the following holdings of more than 5% of the total value of the net assets of the Plan at 31 December 2020:

	2020		2019	
	£m	%	£m	%
Legal & General Growth Plus Fund	980.3	8.7	944.3	8.8
Legal & General Growth Fund	743.7	6.6	673.0	6.3
IBM GSF Global Bond Fund (note 26)	533.6	4.7	1,498.8	14.0

21. Investment risks disclosures

Investment risks

FRS 102 requires the disclosure of information in relation to certain investments risks. These risks are set out below.

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk, and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all similar instruments traded in the market.

The Trustee determines their investment strategy after taking advice from a professional independent adviser and IBM Retirement Funds Europe (which is a European centre of excellence providing the IBM European pension plans with advice and support in relation to asset and risk management).

The Plan has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set, taking into account, the Plan's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Plan's investment managers and regularly monitored by the Trustee.

21. Investment risks disclosures (continued)

Investment risks (continued)

The following table summarised the extent to which the various classes of investments are affected by financial risks:

Asset Classes	Credit Risk	Market Risk			2020 £m	2019 £m
		Currency	Interest rate	Other		
Defined benefit sections						
Equities	●	●	○	●	-	229.7
Bonds	●	●	●	○	3,595.1	3,788.5
Pooled investment vehicles	●	●	●	●	1,154.6	2,921.5
Property	●	○	○	●	215.8	247.5
Derivatives – net	●	●	●	○	52.5	513.1
Insurance Policies	●	○	○	●	3,289.0	-
AVC/ASCs	●	●	●	●	76.5	82.4
Cash	●	●	●	○	281.7	443.3
Other investment balances net	●	●	●	○	38.6	12.5
					8,703.8	8,238.5
Defined contribution sections						
Pooled investment vehicles	●	●	●	●	2,169.2	2,085.2
AVC/ASCs	●	●	●	●	433.7	422.5
					2,602.9	2,507.7

In the above table, the risk noted affects the asset class [●] significantly, [●] partially, or [○] hardly/not at all.

Further information on the Trustee's approach to risk management, credit and market risk, is set out below. This does not include the legacy insurance policies nor ASC/AVC investments as these are not considered significant in relation to the overall investments of the Plan.

Defined benefit sections

Investment strategy

The investment objective of the DB sections is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the DB sections payable under the Trust Deed and Rules as they fall due.

The Trustee sets the investment strategy for the DB sections taking into account considerations such as the strength of the Company covenant, the long term liabilities of the DB sections, the funding agreed with the Company, and the terms of any funding guarantee entered into between the Trustee and IBM Corporation. The investment strategy is set out in the Statement of Investment Principles ("SIP") and is included on pages 90 - 109 of this Annual Report.

21. Investment risks disclosures (continued)

Defined benefit sections - Investment strategy (continued)

The Trustee also regularly reviews the Plan's funding level and due to improved funding levels, significantly reduced exposure to return seeking assets.

As part of this de-risking, the Trustee purchased a bulk annuity policy with Rothesay Life Plc in December for £3,253.3m covering c60% of pensioner liabilities. The Trustee believes this policy helps improve member security.

The Plan's assets are invested in line with the Trustee's long-term strategy, which comprises:

- 91.9% in investments that move broadly in line with the long-term liabilities of the Plan. These are referred to as Liability Driven Investments ("LDI") and comprise the Rothesay Life bulk annuity insurance policy together with UK and overseas government and corporate bonds, which help mitigate the impact of interest rate and inflation rate movements on the long-term liabilities. The Plan also uses interest rate and inflation swaps to hedge changes in the Plan's liabilities.
- 8.1% in return seeking investments comprising property, private equity and some residual reinsurance exposure. There is also a small residual exposure to reinsurance where the remaining funds are gradually released.
- Approximately 7% of the Plan assets has an unhedged currency exposure. The Trustee has put in place a currency hedging strategy using currency forwards to seek to mitigate currency exposure.

Credit risk

The Plan is subject to credit risks because the Plan directly invests in bonds, derivatives and has cash balances. The Plan also invests in pooled investment vehicles and is therefore directly exposed to credit risk via the pooled investment vehicles. The Plan is also indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

For segregated mandates, the investment management agreements contain minimum requirements around acceptable credit ratings for investment instruments, benchmarks, counterparties, and collateral. These are primarily investment grade mandates although the managers do have some limited ability to hold high yield or sub-investment grade credit investments.

The Trustee considers bonds as investment grade if they are rated by Standard & Poor's or Fitch as 'BBB-' or higher or rated as 'Baa3' or higher by Moody's. Credit ratings for counterparties and collateral are more stringent than this.

For pooled investment vehicles the Trustee ensures that it is satisfied with the legal documentation and the fund's investment parameters before funding any investment.

21. Investment risks disclosures (continued)

Defined benefit sections - Investment strategy (continued)

Credit Risk (continued)

This includes ensuring the indirect credit risks are appropriately managed, as well as understanding the manager's counterparty credit evaluation process.

The Rothesay Life bulk annuity insurance policy also involves credit risk. Insurance companies are subject to strict regulation as well as being supervised by the Prudential Regulation Authority. In addition, in the unlikely event that Rothesay Life was unable to pay agreed benefits, the Financial Services Compensation Scheme will provide full compensation (ie. 100%). Ahead of the contract being entered into, due diligence checks, including a supplier covenant review, were undertaken by Willis Towers Watson, Sacker & Partners and Lincoln Pensions.

A summary of defined benefit pooled investment vehicles by type of arrangement is as follows:

	2020	2019
	<u>£m</u>	<u>£m</u>
Unit linked insurance contracts	27.7	419.7
Authorised unit trusts	536.8	1,506.7
Open ended investment companies	188.1	620.4
Shares of limited liability partnerships	401.9	374.7
Total	<u>1,154.6</u>	<u>2,921.5</u>

Cash balances in major currencies held by Northern Trust, the Plan's custodian, are swept daily to money market funds, which carry the highest available ratings from Moody's and Standard & Poor's.

Currency risk

The Plan is subject to currency risk because some of the Plan's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. Where possible and cost effective, the Trustee manages this currency risk by hedging the currency exposure at the individual mandate level or through a currency overlay strategy, which hedges 35% of the remaining dollar, yen and euro exposure.

Interest rate risk

The Plan is subject to interest rate risk because some of the Plan's investments are held in bonds and interest rate swaps, either as segregated investments or through pooled investment vehicles, and cash.

21. Investment risks disclosures (continued)

Defined benefit sections – Investment Strategy (continued)

Interest rate risk (continued)

As part of their LDI investment strategy the Trustee has set a benchmark for total investment in bonds and interest rate swaps of 105% of the total Plan liabilities, which ensures the liabilities and some of the funding are hedged.

Under this approach, if interest rates increase, the value of the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

The Plan is also subject to interest rate risk with regards to the value of the insurance policies. However, any movement in the value of the asset matches the movement in the value of the associated liability and therefore this risk is not further measured or managed.

Other price risk

Other price risk arises principally in relation to the Plan's return seeking portfolio which includes private equity, property, and some residual reinsurance exposure, which is in the process of being released.

Defined contribution sections

Investment strategy

The Trustee's objective is to offer members of the Plan a range of 'lifecycle' investment strategies designed to generate income and capital growth during the accumulation phase, which together with new contributions from members and their employer, and the phased risk reduction during the decumulation phase, will provide a retirement amount with which the member can purchase a pension annuity (or other type of retirement product).

The Trustee also provides a range of self-select funds to allow members to develop their own asset allocation and investment strategy.

The investment options available to members use funds provided by Legal & General Assurance (Pensions Management) Limited ("LGAPM") within the following asset classes:

- Equities
- Bonds (including cash funds)
- Multi asset strategies

A full list of the funds offered to members is shown on page 21.

An investment management agreement with Legal & General Investment Management Limited ("LGIM") defines the guidelines for the underlying investments held by the funds.

21. Investment risks disclosures (continued)

Defined contribution sections – Investment strategy (continued)

In addition, the day to day management of the underlying investments of the funds rests with LGIM, including the direct management of credit and market risks.

The Trustee monitors the underlying risks and performance of the funds at its quarterly Investment Committee Meetings.

Credit risk

The DC section is subject to direct credit risk in relation to the funds managed by LGIM through its holdings in unit linked insurance funds provided by LGAPM.

LGAPM is regulated by the Financial Conduct Authority and the Prudential Regulation Authority and maintains separate funds for its policy holders.

When selecting LGAPM, the Trustee carried out extensive legal and financial due diligence and has since carried out regular reviews to satisfy itself on the level of protection for members' funds.

Since the year-end, the DC funds have been transferred from LGAPM to Legal & General Assurance Society Limited (LGAS). Prior to arranging this transfer the Trustee received advice on the security of members' benefits as well as confirmation that the floating charge over the funds held by LGAPM remained in place. In the event LGAS becoming insolvent, the Financial Services Compensation Scheme also provides protection of up to 100% of members' benefits.

The DC section is also subject to indirect credit and market risk arising from underlying investments. Member level risk exposures will be dependent on the funds invested in by members.

At the Plan year-end, the Bond and Multi Asset Strategy funds were exposed to underlying credit risk.

A summary of defined contribution pooled investment vehicles by type of arrangement is as follows:

	2020	2019
	<u>£m</u>	<u>£m</u>
Unit linked insurance contracts	2,169.2	2,085.2
Total	<u>2,169.2</u>	<u>2,085.2</u>

21. Investment risks disclosures (continued)

Defined contribution sections – Investment strategy (continued)

Market risk

The DC section is subject to indirect foreign exchange, interest rate and other price risk depending on the underlying investments held within the LGIM managed funds.

22. Employer-related investments

The Plan had direct and indirect holdings in International Business Machines Corporation ordinary shares through its segregated mandates and pooled investment vehicles which amounted to 0.04% (2019: 0.06%) of the Plan's net assets at the year-end.

There were no other employer-related investments at the year-end (2019: nil).

23. Current liabilities

	2020			2019		
	DB £m	DC £m	Total £m	DB £m	DC £m	Total £m
Sundry creditors	9.6	0.1	9.7	10.5	0.2	10.7

DC sundry creditors above are not allocated to members.

24. Transfers between sections

The transfer between sections represents the value of unallocated funds resulting from early leavers and deaths in service and an allowance to cover administration expenses related to the DC Section of the Plan.

25. Contingent liabilities and capital commitments

Guaranteed Minimum Pension ("GMP") Equalisation

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. The Trustee is still reviewing, with their advisers, the implication of this ruling on the Plan and the equalisation of guaranteed minimum pensions between men and women; in the context of the rules of the Plan and the value of any liability. As soon as this review is finalised and any liability quantified, members will receive further communication and any impact on financial reporting will be considered by the Trustee.

25. Contingent liabilities and capital commitments (continued)

There has been a further High Court judgement, in November 2020, in relation to the equalisation of GMP benefits. This judgement focused on the GMP treatment of historic transfers out of members, an issue which had not been addressed in the 2018 ruling. Under the recent ruling, trustees are required to review historic transfers values paid from May 1990 to assess if any top up payment is required to the receiving scheme, to reflect the member's right to equalised GMP benefits. The impact of this court case will be considered by the Trustee in due course and decisions will be made as to the next steps. It is not possible to estimate the cost of any rectification adjustments at this time.

In the opinion of the Trustee, the Plan had no other contingent liabilities at 31 December 2020 (2019: nil).

The Plan had investment commitments relating to pooled investment vehicles, in the form of uncalled capital for private equity funds, of £59.0m (2019: £84.0m).

26. Related party transactions

Key management personnel of the Plan

The Trustee Directors appointed by IBM United Kingdom Holdings Limited are members or pensioners of the Plans with the exception of Fredrick Klutey, Mark Hobbert, Stephen Kelly and The Law Debenture Pension Trust Corporation Plc. The Member Nominated Trustee Directors are also members or pensioners of the Plans. If they or their spouse or dependants are members or pensioners of the Plan, then their pension rights are on terms normally granted to members. Fees payable to Trustee Directors are charged to the Plan, and are disclosed in note 7, Administrative expenses.

Other Related Parties

Investments

The Plan holds an investment in the IBM GSF Global Bond Fund ("GBF"). The GBF is a multi-manager investment offering available to IBM pension plans worldwide. The GBF is an Irish regulated unitised fund managed by an Independent Trustee, Northern Trust Custodial Services Ireland Ltd. Representatives of the individual pension plans invested in the GBF are part of the funds' investment advisory committee (IAC) and make recommendations to the Trustee. The IAC has no legal powers, with the Independent Trustee having responsibility for all investment decisions. At 31 December 2020, the Plan's investment in the GBF was valued at £533.6m (2019: £1,498.8m), representing a 28.5% (2019: 53.4 %) share of the fund. Part of the GBF was disinvested during 2020 in order to fund the new long-term core credit strategy.

26. Related party transactions (continued)

IBM Pensions Trust

The Trustee has delegated responsibility for the day to day administration, investment services and management of the Plan to IBM Pensions Trust ("PT"). The Trustee has agreed with IBM United Kingdom Limited ("IBM") that IBM will provide a number of its employees to carry out work on behalf of PT. Such employees are employed by IBM for the purpose of secondment to PT. To the extent that their duties and employment relate to PT, the salaries and related costs are recharged to the Plan. Staff costs totalling £3.0m (2019: £3.0m), including Trustee Directors fees and expenses, have been recharged to the Plan, during the year to 31 December 2020.

Except as disclosed in the financial statements, there have been no other related party transactions which are required to be disclosed.

27. Subsequent Events and Covid-19

Since March 2020, Covid-19 has had a profound effect on domestic and global economies, with disruption and volatility in the financial markets.

The Trustee, in conjunction with its advisers, monitors the situation closely and determine any actions that are considered to be necessary. This includes monitoring the Plan's investment portfolio, the operational impact on the Plan and the employer covenant.

The extent of the impact on the Plan's investment portfolio, including financial performance, will depend on future developments in financial markets and the overall economy, all of which are uncertain and cannot be predicted

Since the year end, the value of the Plan's investment assets and investment liabilities have been impacted. Whilst the Trustee monitors the overall position, it has not, at this time, quantified the change in market value as the situation is fluid and unpredictable and therefore such an estimate cannot be made.

Independent Auditors' Statement About Contributions to the Trustee of IBM Pension Plan

STATEMENT ABOUT CONTRIBUTIONS**Opinion**

In our opinion, the contributions required by the schedule of contributions for the plan year ended 31 December 2020 as reported in IBM Pension Plan's summary of contributions have, in all material respects, been paid in accordance with the schedule of contributions certified by the plan actuary on 22 August 2019.

We have examined IBM Pension Plan's summary of contributions for the plan year ended 31 December 2020 which is set out on the following page.

Basis for opinion

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the plan under the schedule of contributions, and the timing of those payments.

Responsibilities for the statement about contributions*Responsibilities of the trustee in respect of contributions*

As explained more fully in the statement of trustee's responsibilities, the plan's trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the plan by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

Southampton

Date: 21/7/21

During the year ended 31 December 2020 the contributions payable to the Plan are set out below. For the purposes of this summary, employee contributions deducted through the salary sacrifice programme are shown as employer contributions.

	DB			DC		
	Employer £m	Employee £m	Total £m	Employer £m	Employee £m	Total £m
Contributions required by the schedule of contributions:						
Normal contributions	-	-	-	34.5	-	34.5
Smart* contributions	-	-	-	11.2	-	11.1
	-	-	-	45.7	-	45.7
Other contributions						
Augmentations	-	-	-	0.1	-	0.1
Additional Smart* Contributions	-	-	-	15.1	-	15.1
Additional Voluntary Contributions	-	-	-	-	1.4	1.4
Matching Contributions	-	-	-	10.8	-	10.9
	-	-	-	26.0	1.4	27.4
	-	-	-	71.7	1.4	73.1

This Summary of Contributions was approved by the Board of Directors of the Trustee Company and signed on its behalf by:

 e-Signed by Robert Tickell

Robert Tickell
Co-Chair

Date: July 21, 2021

Actuary's certification of the Schedule of Contributions

Name of plan: **IBM Pension Plan**

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 December 2018 to continue to be met during the period for which the Schedule is in force.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the statement of funding principles dated 22 August 2019.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Plan's liabilities by the purchase of annuities, if the Plan were wound up.

G C McLean
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited

22 August 2019
Watson House
London Road
Reigate
Surrey
RH2 9PQ

IBM PENSIONS TRUST

IBM Pension Plan (The Plan)

Annual Chair's Statement for the year ended 31 December 2020



Chair's Defined Contribution Governance Statement for the Year ended 31 December 2020

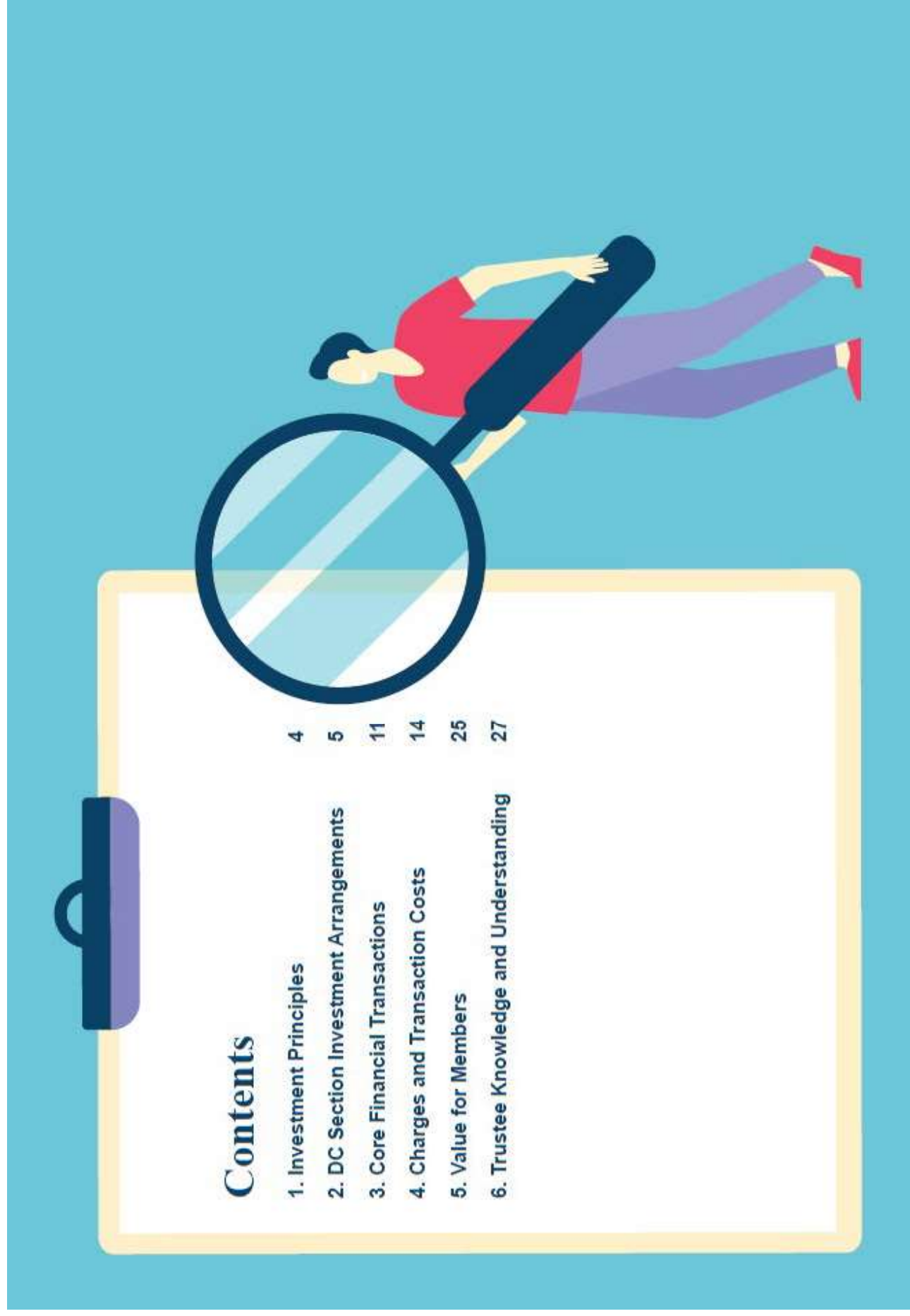
This statement has been prepared by the Trustee of the Plan in accordance with regulation 23 of the occupational pension schemes (scheme administration) regulations 1996.

Regulations require the Trustee to prepare a statement showing how they have met certain minimum governance standards in relation to Defined Contribution (DC) benefits. As Co-Chair of the Trustee, I have provided details of how the Trustee has embedded these standards during the period beginning 1 January 2020 and ending on 31 December 2020 (the "Plan year").

This statement covers five key areas:

- The investment strategy relating to the Plan's default arrangement(s);
- The processing of core financial transactions;
- Charges and transaction costs within the Plan;
- Value for Members assessment; and
- The Trustee's compliance with the statutory Trustee knowledge and understanding ("TKU") requirements.

This statement will be published on a publicly available website (<https://www.smartpensionsuk.co.uk/#/page/governance-documentation>) and the information concerning cost disclosures will be signposted in the annual benefit statements.



1 Investment Principles

1.1 The Trustee's principal mission is to help members to maximise their retirement outcomes with an appropriate level of investment risk, by providing an appropriate investment framework which represents value for members and which is in line with recognised market "good practice", taking into account guidance from the Pensions Regulator and other appropriate industry and regulatory bodies.

1.2 The Trustee's Statement of Investment Principles ("SIP"), attached to this Chair's Statement, and the accompanying Investment Policy Implementation Document ("IPID") have been prepared in accordance with Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 and were last updated in September 2020. Specific reference to the investment principles overarching the Defined Contribution ("DC") Section of the Plan and further details of the Plan's default investment arrangement(s) can be found in Sections 10 - 18 of the SIP and Schedule C of the IPID. The SIP (Sections 19 - 22) and IPID (Schedule C) also include the aims and objectives of other default investment arrangements in the Plan.

1.3 The Trustee seeks to:

- Offer suitable default investment arrangements and self-select ('Freestyle') investment options which are appropriate for members based on their expected risk tolerances and retirement objectives;
- Provide members with adequate tools and timely information to enable them to make informed contribution, investment and retirement decisions; and
- Ensure that the operational structure of the Plan's DC section is sensible and cost-effective.

1.4 In line with new regulatory requirements, the Trustee has drafted a SIP Implementation Statement for the Plan year ended 31 December 2020. The SIP Implementation Statement sets out how the policies within the SIP have been followed during the Plan year along with the voting activity of the investment managers. A copy of the SIP Implementation Statement can be found at <https://www.smartpensionsuk.co.uk/#/page/governance-documentation>.



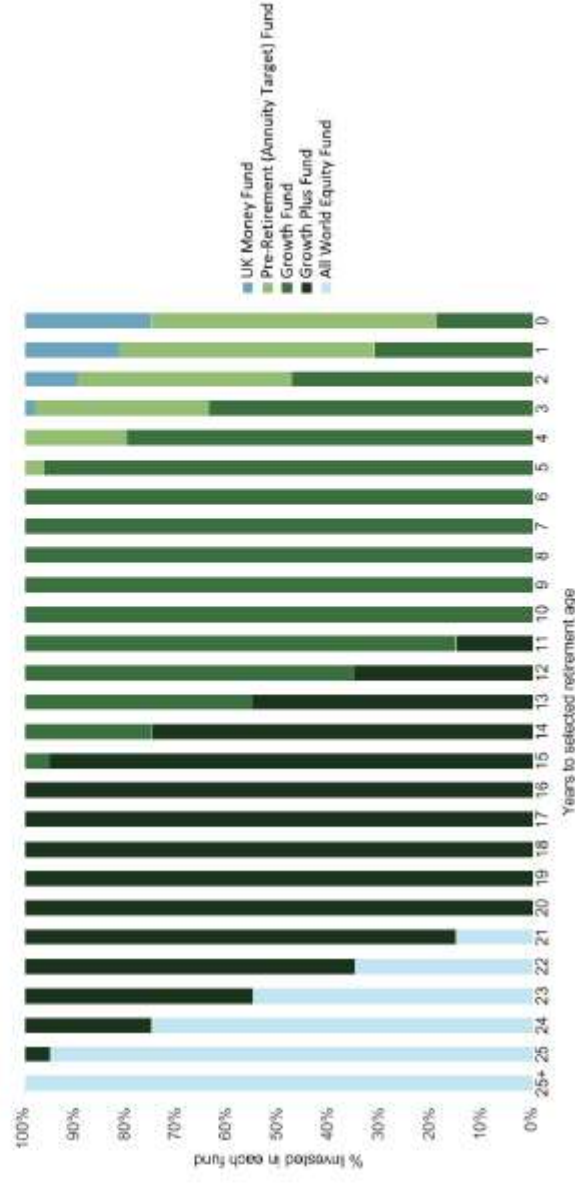
2

DC Section Investment Arrangements

2.1 During the 2020 Plan year, DC investment arrangements were managed by Legal & General Investment Management Limited ("LGIM") with the underlying assets being held with Legal & General Assurance (Pension Management) Limited ("LGPML"). Both LGIM and LGPML are authorised and regulated by the Financial Conduct Authority ("FCA"). In the first quarter of 2021, the Plan's DC administration services were transferred to Legal & General Assurance Society Limited ("LGAS") as part of a "bundled" arrangement and as a result, the DC investments are now provided by LGAS but continue to be managed by LGIM.

Default Arrangement During the Plan Year – Lifecycle to Annuity

2.2 During the Plan year, the default investment arrangement for the Plan was the 'Lifecycle to Annuity' investment strategy which is aimed at members planning to take 25% of their DC savings as tax-free cash on retirement, using the remainder to buy an annuity. The structure of the default investment arrangement is further detailed below:



Source: LGAS

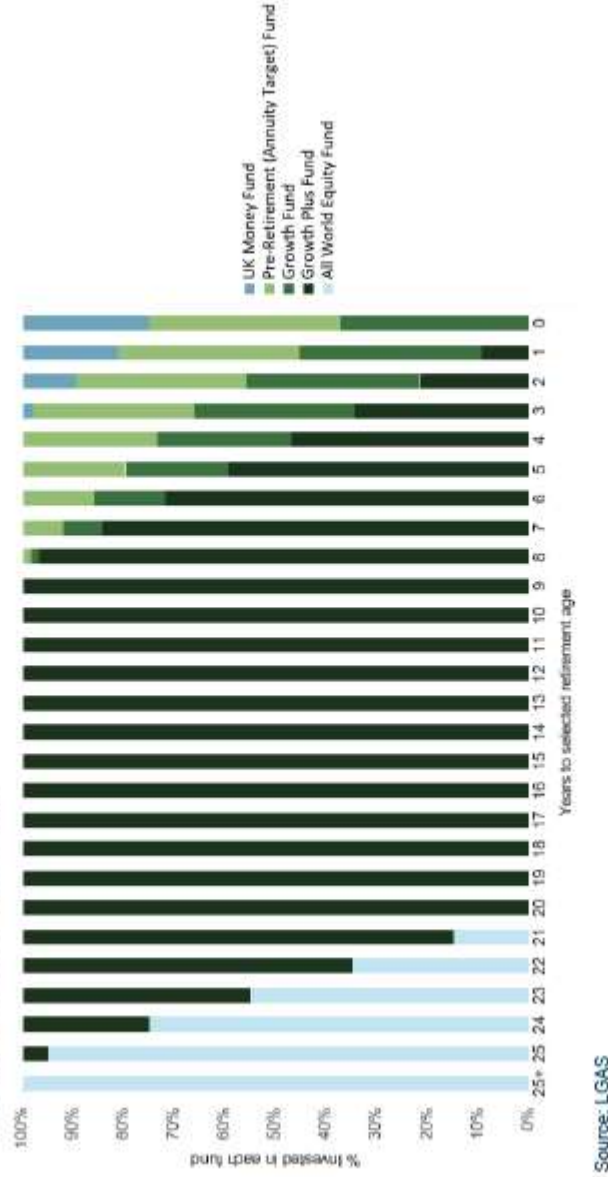
^A 'bundled' arrangement is where the administration and investment of the Plan's assets are provided by one provider – for the Plan this will be LGAS.

New Default Arrangement – Lifecycle Balanced 2020

2.3 The Trustee completed a review of the Plan's DC investment arrangements in 2019 (including a review of the default investment arrangement) and the final changes were agreed at the 18 December 2019 Investment Committee meeting. Following this review, the Trustee decided to change the default arrangement from the 'Lifecycle to Annuity' to the 'Lifecycle Balanced 2020' investment strategy to offer members increased flexibility at retirement. This new default arrangement was launched in the first quarter of 2021 alongside the move to the new bundled arrangement with LGAS.

2.4 This new default Lifecycle Balanced 2020 strategy incorporates a mixed annuity and drawdown target in addition to maintaining the 25% allocation to the Money Fund in the expectation that most members will continue to take 25% of their DC savings as tax-free cash on retirement.

2.5 The structure of the new default investment arrangement is detailed below:



Source: LGAS

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Alternative Investment Arrangements

2.6 During the Plan year, members were offered three Lifecycle investment strategies which respectively targeted annuity, cash, and drawdown retirement objectives. In addition to the Lifecycle Balanced 2020 strategy introduced in the first quarter of 2021, new versions of these Lifecycle strategies were also launched. These are:

- Lifecycle to Annuity 2020 strategy
- Lifecycle to Lump Sum 2020 strategy
- Lifecycle to Drawdown 2020 strategy

2.7 Unless members made their own investment choice, the majority of members were moved to the new Lifecycle 2020 strategies following their launch in the first quarter of 2021.

Legacy Default Arrangements

2.8 Certain members remain invested in legacy default investment arrangements, in particular those members close to retirement.

Additional Default Arrangements

2.9 In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustee has identified the investment options shown in the table overleaf as 'default arrangements' (as defined by these regulations). These have been identified as 'default arrangements' as members' pension savings have been directed to these funds without members instructing the Trustee where their pension savings are to be invested; this is due to historic fund mapping exercises and is further explained in the table overleaf. The performance of these funds is monitored on a quarterly basis, with a strategic review being carried out at least triennially.



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Fund	Reason for identification as a 'default arrangement'	Aims & Objectives
Growth Plus Fund (DSL)	Following closure of the Consensus Fund (DSL) by LGIM in July 2016, and in accordance with advice received from its investment adviser, the Trustee mapped members' assets to the Growth Plus Fund (DSL).	This fund aims to provide members with a diversified exposure to different asset classes.
Money Fund	As part of the transition of assets from Ulmost Life & Pensions Limited to LGIM in May 2020 (following the closure of the Equitable Life With Profits Fund). DB AVCs for members aged 55 or over who did not make an active selection were mapped to the Money Fund.	The fund is designed to provide capital stability by investing in a diversified portfolio of high credit quality short term fixed income and variable rate securities. All holdings in the fund are Sterling denominated.
Lifecycle to Lump Sum Strategy	As part of the transition of assets from Ulmost Life & Pensions Limited to LGIM in May 2020 (following the closure of the Equitable Life With Profits Fund). DB AVCs for members under 55 who did not make an active selection were mapped to the Lifecycle to Lump Sum Strategy.	This strategy is aimed at members targeting a lump sum cash withdrawal at retirement.

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Self-Select ("Freestyle") Fund Range

2.10 The Plan offers a range of Freestyle funds for members who wish to take a more active role in the investment of their DC pension savings. These funds comprise traditional and alternative asset classes (including more illiquid investments such as Infrastructure Equity and Global Real Estate Equity) at very competitive fees.

2.11 In the first quarter of 2021, the Trustee also introduced the LGIM Future World Fund to the Freestyle fund range.

2.12 The Trustee will continue to keep the investment arrangements under regular review and will amend them as appropriate based on analysis of the likely requirements of Plan members.

Investment Performance

2.13 The performance of each of the Plan's funds, including those funds used in the default investment arrangements, are reviewed by the Trustee at each quarterly meeting. This includes fund performance against benchmarks over both shorter and longer-term periods. The Trustee also obtains periodic updates from its investment adviser on factors

that have impacted performance and on developments concerning the Plan's investment providers that may influence future performance, including changes of senior personnel.

2.14 The Trustee has been satisfied with the performance of the funds over the Plan year, which have performed in line with their underlying aims and objectives.

2.15 The Trustee periodically assesses the risks associated with foreign currency denominated investments with the most recent review conducted in 2020. This review included consideration of the unhedged currency exposure for the new DC investment options.

Security of Assets

2.16 In anticipation of the transfer of the Plan's administration and investments to the new bundled arrangement with LGAS, the Trustee commissioned its legal advisers, Sacker & Partners LLP, to revisit the position on the security of members' assets against loss. This review concluded that the overall position on asset security under the new bundled arrangement was acceptable relative to the security available in the wider market.



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Environmental, Social and Governance

2.17 The Trustee believes that environmental, social, and governance ("ESG") factors, including climate change, can impact the performance of the Plan's investments over the medium to long-term. The Trustee has delegated responsibility for the selection, retention, and realisation of investments to its investment managers and accordingly, the Trustee seeks to manage the risks and opportunities associated with these ESG factors by selecting industry leaders in investment management who are committed to the Principles for Responsible Investment (as they apply to the sector in which the manager invests or the strategy pursued by the manager) and against criteria which include ESG considerations.

2.18 The Trustee believes that responsible ownership can add value to the Plan's assets in the long term and will therefore seek to appoint managers who demonstrate strong engagement credentials, where relevant to the portfolio.

2.19 The Plan's Freestyle fund range includes the LGIM Ethical UK Equity Index and the LGIM Ethical Global Equity Index Funds whose underlying investments exclude companies involved in business activities

that do not comply with a range of ethical and environmental guidelines (and hence are expected to provide investment profiles more suitable to members who wish to express an ethical preference in their investments, as well as focusing on companies that are demonstrating good sustainability practices).

2.20 As noted in Section 2.11 above, the Trustee has introduced the LGIM Future World Fund to its Freestyle fund range in the first quarter of 2021. This ESG focused fund invests in a diversified range of global companies but tilts away from companies who generate revenue from fossil fuels in favour of companies which are less carbon intensive or who earn 'green revenues'. The fund also excludes shares issued by manufacturers of controversial weapons.

2.21 The Trustee has also set up an ESG sub-committee to focus on the development of its ESG policies and climate-related disclosures. Further details will be available in the 2021 Annual Report & Financial Statements which will be published in 2022.



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Core Financial Transactions

3.1 The Trustee recognises the importance of processing financial transactions promptly and accurately, as failure to do so may have an adverse effect on member outcomes and may result in members disengaging with the Plan.

3.2 The Trustee therefore operates measures and controls aimed at ensuring that all financial transactions (such as benefit payments and switches between funds) are processed promptly and accurately. This includes:

- Investment of contributions paid to the Plan;
- Transfer of members' assets into and out of the Plan;
- Transfers of members' assets between investment options available in the Plan; and
- Payments from the Plan to or in respect of members.

Service Level Agreement

3.3 During the Plan year a Service Level Agreement ("SLA") was in place between the Trustee and the administrator of the Plan

(IBM Pensions Trust) for the administration services² that are provided to assist the Trustee in fulfilling its regulatory duties. The services in scope included:

- Secretarial and Trustee management services;
- Financial services (including the provision of timely and accurate processing of core financial transactions, and the collection and reconciliation of all contributions and onward transmission to the investment manager);
- Member administration;
- Service levels and timelines in respect of the administration service; and
- The preparation and provision of regulatory reporting requirements.

3.4 The Trustee reviews its SLA with IBM Pensions Trust on a triennial basis to determine whether the scope of responsibilities and tasks remains appropriate, and whether the targets set meet or exceed regulatory requirements. The most recent review was conducted in December 2018 and adopted in January 2019.

3.5 The Trustee's Governance Committee met quarterly during the Plan year to review performance against the SLA and other key operational measures, and to assess the outcome of the testing performed on key financial and operational controls associated with the processing of core transactions. The Governance Committee raised no concerns during their reviews.

3.6 Due to COVID-19, key process changes were made that enabled IBM Pensions Trust staff to run efficiently from home; this was highlighted to the Governance Committee.

²Note that as mentioned previously in this Statement, the administration services were transitioned from IBM Pensions Trust to LGAS in January 2021. A separate SLA is in place with LGAS.

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Timeliness of Financial Transactions

3.7 During the Plan year, the timeliness of financial transactions was reported via the monthly Controls Reporting and the annual Plan Administration Report. The IBM Pensions Trust Manager and the Governance Committee reviewed both reports.

3.8 In 2020, DC contribution payments to IBM Pensions Trust were received and invested within three days. The majority of members had access to, and utilised, an automated online tool in order to facilitate their investment switches. Switch requests during the Plan Year were processed within two working days and the full end-to-end process was completed on average within four working days.

3.9 The IBM Pensions Trust Finance Manager approved accounting reconciliations for the full year by the end of February 2021, ensuring accuracy and integrity of the fund accounts.

Accuracy of Financial Transactions

3.10 During the 2020 Plan year there were a number of processes adopted by IBM Pensions Trust to help it achieve the SLA and increase transaction accuracy. This included the following:

- The Plan's bank account was monitored on an ongoing basis throughout each month;
- Payments made by IBM Pensions Trust were approved by delegated payment authorisers;
- Monthly reconciliations between member contributions received and those deducted from the members' payroll were overseen by a dedicated team within IBM Pensions Trust; and
- The Trustee reviewed the accuracy of members' records. A 95% accuracy target was agreed by the Governance Committee and the IBM Pensions Trust, and in 2020, this was achieved for both Common and Scheme Specific data, for the Plan.

3.11 In addition to the above, IBM Pensions Trust performed quarterly Sarbanes Oxley testing to ensure that processes and controls were compliant with IBM corporate requirements.

Business Continuity, GDPR and Cyber Security

3.12 The Trustee also maintains a Business Continuity Plan ("BCP") to ensure that asset management and benefit management processes can be

successfully restarted if a disaster were to occur that would compromise the running of the Plan's administration. Arrangements are in place for routinely reporting the results of the BCP revalidation and testing exercises to the Governance Committee.

3.13 With the COVID-19 pandemic hitting the UK during March 2020, in accordance with The Pension Regulator's guidance, IBM Pensions Trust was focused on ensuring that pensioners continued to be paid the correct pension, that bereavements continued to be handled sensitively, and that new retirements were handled effectively. In line with the pensions industry, 95% of the IBM Pensions Trust team were working from home, with a very small team in the office. Working practices were successfully amended to enable the majority of staff to work from home effectively for an extended period. Key vendors (including Custodian and Investment Managers) all continued with 'business as usual' services being provided, no issues were raised. The Governance Committee were updated on how IBM Pensions Trust managed the key processes during the pandemic.

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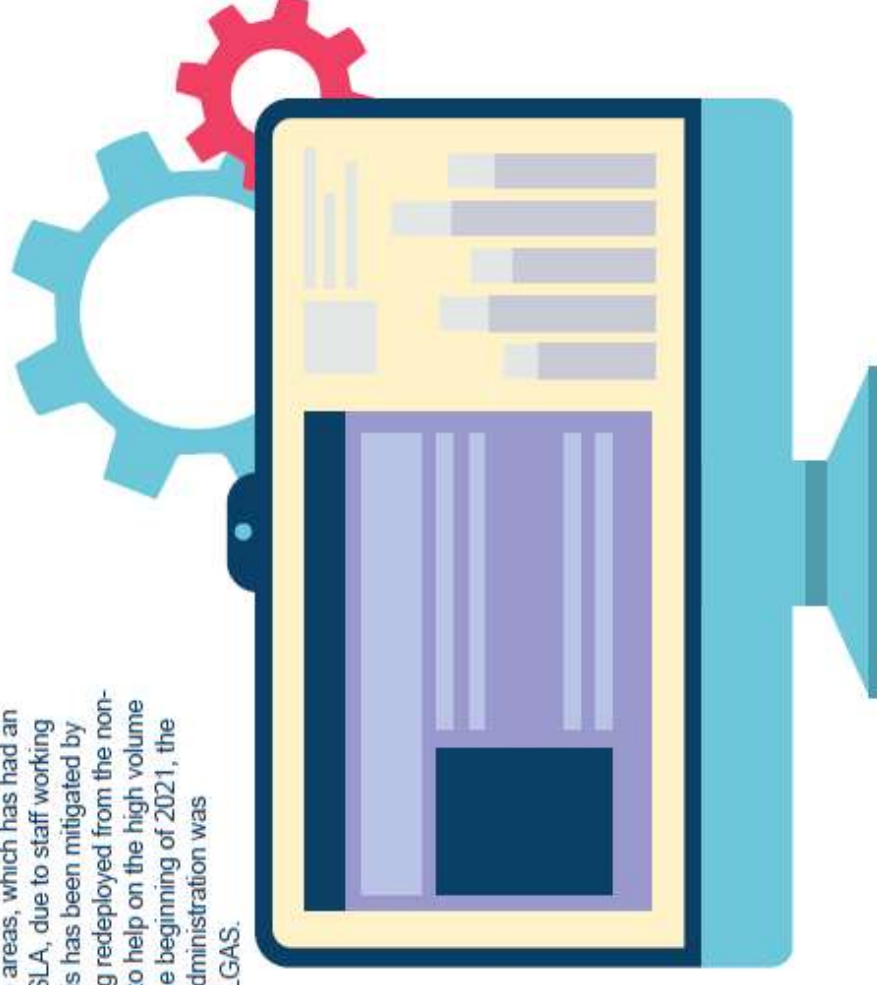
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3.14 General Data Protection Regulation ("GDPR") came into force on 25 May 2018 and affects all organisations that hold personal data including pension plans, and therefore the Trustee conducted a thorough review of its data processing and data protection policies. In doing so, it considered extensive legal advice, and the Trustee continues to closely monitor requirements, with data minimisation and retention being the key areas to address.

Summary

3.15 Overall, the Trustee is satisfied that all core financial transactions have been processed promptly and accurately during the Plan year. The Trustee is also satisfied that, given the processes and monitoring procedures noted above, it would be able to identify and respond to any material administration issues if they were to arise in the future. The global COVID-19 pandemic has presented challenges to IBM Pensions Trust; however, it has focused on ensuring that pensioners continued to be paid correctly, that bereavements

continued to be handled sensitively, and that new retirements were handled effectively. Although IBM Pensions Trust has maintained its service, it has been slower in some areas, which has had an impact on the SLA, due to staff working from home. This has been mitigated by resources being redeployed from the non-services team to help on the high volume areas and at the beginning of 2021, the DC pensions administration was outsourced to LGAS.



4 Charges and Transaction Costs

4.1 The Trustee has a regulatory requirement³ to report on the charges and transaction costs for the default and self-select arrangements and their assessment of the extent to which these charges and costs represent good value for members.

4.2 In assessing overall 'Value for Members', the Trustee believes that charges and costs should be considered alongside expected member outcomes. Charges and costs are an important consideration, but a number of other qualitative and quantitative factors are also considered in a holistic manner when making strategic decisions in relation to investment strategy with good outcomes for members being the ultimate goal for the Plan.

4.3 All funds attract ongoing fund charges and transaction costs which are deducted from the funds by the investment manager and which are further defined below.

4.4 Other than these ongoing fund charges and transaction costs, the employer, IBM United Kingdom Limited, covers the cost of all other expenses related to pensions management and administration services.

Charges

4.5 Ongoing fund charges include both the annual management charge ("AMC")⁴, which is applied by LGIM as a percentage of the assets held within each fund to cover the cost of managing the investments, and other ongoing charges such as indirect fees. Taken together, these are known as the "total expense ratio" (or "TER") and are deducted via the unit price of each fund.

Transaction costs

4.6 Transaction costs are incurred by investment managers as a result of buying, selling, lending or borrowing investments.

4.7 These costs are typically categorised as being 'explicit' costs which are directly observable (such as broker commissions, transaction taxes and exchange fees), or 'implicit' costs which arise from the response of the market to trade or the timing of a trade.

4.8 FCA regulations since January 2018 require that firms managing DC pension schemes must be able to provide, among other things, information about implicit transaction

costs calculated according to the 'slippage cost' methodology. These implicit costs are not explicitly deducted from the fund but are captured by a reduction in investment returns. They are therefore taken into account when net of fees performance is considered.

4.9 The Trustee fully supports transparency of costs for members. However, the key consideration for members is the performance produced net of fees; a cheaper fund does not necessarily deliver the best value for members.



³In accordance with regulation 25(1)(a) of the Administration Regulations 1996.

⁴The annual management charge ("AMC") is also referred to as the investment management charge ("IMC").

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Charges and Costs by Fund

4.10 A regulatory charge cap of 0.75% per annum (p.a.) applies to all default investment arrangements. The default arrangement during 2020 was the Lifecycle to Annuity investment strategy which attracts a TER of between 0.08% p.a. and 0.13% p.a. of assets under management, depending on the stage at which a member's savings are invested within the strategy, and is well within the charge cap. The legacy default arrangements also attract TERs all below the charge cap.

4.11 As detailed in Section 2.9 the Plan had three additional 'technical defaults' during the Plan year which were created through historic fund mapping exercises. The costs and charges for these are set out below and are all below the charge cap of 0.75% p.a.:

- (a) The Growth Plus Fund (for a small group of members of the Data Sciences section of the Plan) has a TER of 0.01% p.a.⁵
- (b) The Money Fund has a TER of 0.06% p.a.

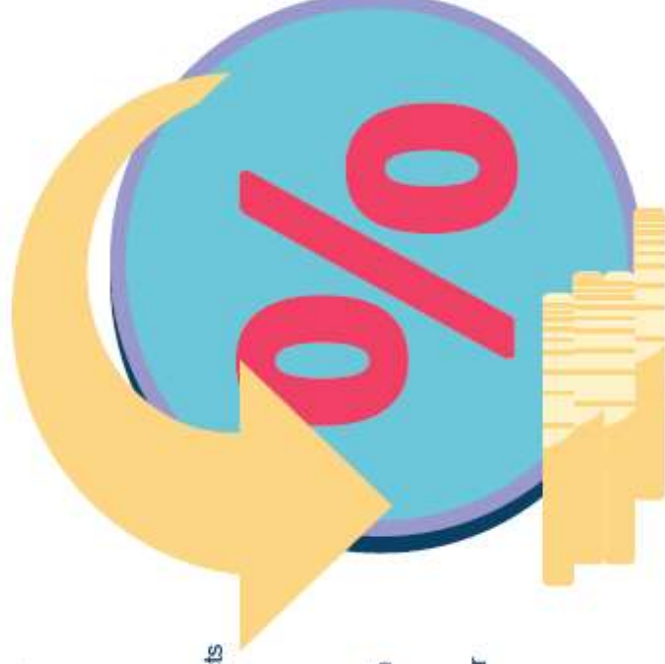
(c) The Lifecycle to Lump Sum Strategy has a TER ranging between 0.08% and 0.13% p.a. depending on the stage at which a member's savings are invested within the strategy.

4.12 All other investment options, including the alternative Lifecycle investment strategies and the Freestyle range of funds attract TERs that are well below the charge cap. The TERs for the individual funds range from 0.04% p.a. to 0.34% p.a. and are detailed in the table overleaf.

4.13 The new default arrangement (Lifecycle Balanced 2020 investment strategy) launched in the first quarter of 2021 attracts a TER of between 0.09% p.a. and 0.13% p.a. depending on the stage at which a member's savings are invested within the strategy.

4.14 The table overleaf provides details of both the AMCs (or IMCs) and TERs as at 31 December 2020 for the investment funds available to members during the Plan year and summarises the transaction costs incurred. Transaction costs shown in this table are based on the full slippage cost

methodology⁶ in compliance with the FCA's Conduct of business sourcebook rule 19.8 and are for the period from 1 January 2020 to 31 December 2020.



⁵Annual management charges for certain Data Sciences funds are borne by the Employer.

⁶Transaction costs are costs incurred by fund managers as a result of buying, selling, lending or borrowing investments, and include both 'explicit' and 'implicit' costs. Implicit transaction costs are calculated using the 'slippage cost' methodology which compares the price of the stocks being traded when a transaction was executed with the price at which the transaction was requested. Market movements during any delay in transacting may be positive or negative and may also outweigh other explicit transaction costs. For this reason, overall transaction costs calculated on the slippage method can be negative (beneficial to members) as well as positive.

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Asset Class	Fund AMC (or IMC) (% p.a.)	Fund TER (% p.a.)	Transaction Costs (% p.a.)	Total of IER & Transaction Costs (% p.a.)
Multi-Asset Funds				
Growth Fund ^{1,2}	0.12	0.13	0.08	0.21
Growth Plus Fund ^{1,2}	0.13	0.13	0.10	0.24
Growth Plus Fund (formerly Consensus) ³	0.13	0.13	0.10	0.24
Equity Funds				
Global Equity 70:30 Index Fund ^{2,3}	0.06	0.08	0.01	0.09
Global Equity 60:40 Index Fund ^{2,3}	0.06	0.08	0.00	0.08
All World Equity Index Fund ^{1,2}	0.09	0.09	0.06	0.15
World (ex-UK) Developed Equity Index Fund	0.06	0.07	0.03	0.10
UK Equity Index Fund	0.05	0.08	-0.03	0.05
World Emerging Markets Equity Index Fund	0.20	0.21	0.02	0.22
Cash Funds				
Money Fund ^{1,2}	0.05	0.06	-0.15	-0.09
Specialist Funds				
Global Real Estate Equity - GBP Hedged Fund	0.20	0.21	0.17	0.37
Ethical UK Equity Index Fund	0.15	0.16	0.02	0.17
Ethical Global Equity Index Fund	0.17	0.17	0.06	0.23
Infrastructure Equity MFG - GBP Hedged Fund	0.34	0.34	0.25	0.59
Emerging Market Debt Fund	0.18	0.18	0.07	0.24
Fixed Income Funds				
Over 15 year Gilts Index Fund ²	0.04	0.04	0.04	0.08
Annuity Protection Index Fund ^{2,3}	0.04	0.04	0.08	0.12
Pre-retirement Fund ^{1,2}	0.07	0.07	0.03	0.10
Pre-retirement Inflation linked Fund	0.07	0.07	0.04	0.11
Investment Grade Corporate Bond All stocks Index Fund	0.07	0.07	-0.02	0.05
All Stocks Index Linked Gilts Fund	0.04	0.04	0.09	0.13

Source: LGIM. Figures may not sum due to rounding. This information relies upon data provided by third parties.

¹ Funds form part of the default Lifecycle to Annuity arrangement² Funds are used within the legacy default investment arrangements³ Funds are closed to new member elections

The Compounding Effect of Charges and Costs on Members' DC Pensions Savings

4.15 The Trustee has prepared an illustration detailing the cumulative effect of charges and costs typically borne by a member of the Plan on their retirement savings pot using the charges and transaction cost data provided by LGIM and in accordance with regulatory requirements⁷.

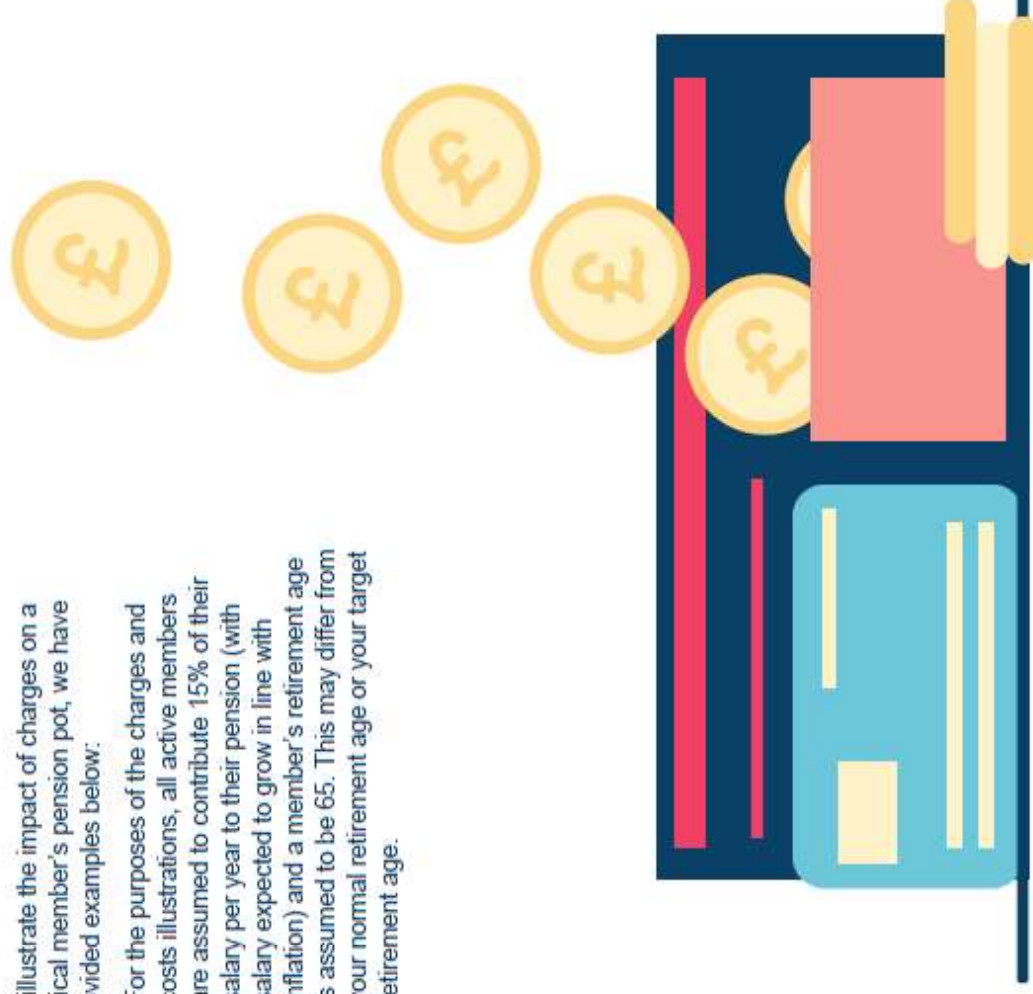
4.16 The latest regulatory guidance sets out that trustees and managers should present the impact of charges and costs typically paid by a member as a figure in pounds, or pounds and pence.

4.17 The illustration below has taken into account the following elements:

- 1) Savings pot size;
- 2) Salary increases and inflation;
- 3) Contributions;
- 4) Real terms investment return, gross of charges and costs;
- 5) Adjustment for the effect of charges and costs; and
- 6) Time

4.18 To illustrate the impact of charges on a typical member's pension pot, we have provided examples below:

- For the purposes of the charges and costs illustrations, all active members are assumed to contribute 15% of their salary per year to their pension (with salary expected to grow in line with inflation) and a member's retirement age is assumed to be 65. This may differ from your normal retirement age or your target retirement age.



⁷ In accordance with regulation 25(1)(a) of the Administration Regulations 1996.

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• Active members:

Younger (Age 28):	A starting annual Contribution of £6,900.	A starting fund value of £72,000.
Average (Age 50):	A starting annual Contribution of £12,800.	A starting fund value of £147,000.
Age 55:	A starting annual Contribution of £14,600.	A starting fund value of £185,000.

• Deferred members:

Younger (Age 28):	No ongoing contributions.	A starting fund value of £72,000.
Average (Age 50):	No ongoing contributions.	A starting fund value of £147,000.
Age 55:	No ongoing contributions.	A starting fund value of £185,000.

- The illustrations include all member costs, including the Total Expense Ratio, estimated transaction costs and inflation.

- The gross projected real growth rate for each fund is as follows:

i. Lifecycle to Annuity default arrangement during the Plan year (most popular):

a. All World Equity Index Fund	1.90% p.a.
b. Growth Plus Fund	1.70% p.a.
c. Growth Fund	0.40% p.a.
d. Pre-retirement Fund	-1.70% p.a.
e. Money Fund	-2.30% p.a.

ii. Lifecycle Balanced 2020 default arrangement from the first quarter of 2021 (most popular):

a. All World Equity Index Fund	1.90% p.a.
b. Growth Plus Fund	1.70% p.a.
c. Growth Fund	0.40% p.a.
d. Pre-retirement Fund	-1.70% p.a.
e. Money Fund	-2.30% p.a.

iii. Ethical Global Equity Index Fund (highest return over the previous 5 years)

iv. Money Fund (lowest return over the previous 5 years)

v. Infrastructure Equity Fund (highest AMC)

vi. Over 15 Year Gilts Index Fund (lowest AMC)

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4.19 Active Members:

Younger (Age 28)

Years	Lifecycle to Annuity (Default)			Lifecycle to Balanced (2020)			Ethical Global Equity Fund			The Money Fund			Infrastructure Equity Fund			Over 15 Year Gilt Index Fund		
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£80,365	£80,253	£80,365	£80,253	£80,121	£79,962	£77,171	£77,125	£77,180	£79,897	£80,290	£87,180	£77,140	£77,140	£77,180	£77,140	£77,180	£77,140
3	£97,588	£97,209	£97,588	£97,209	£96,760	£96,227	£87,159	£87,014	£87,187	£96,014	£97,332	£87,187	£87,061	£87,061	£87,187	£87,061	£87,187	£87,061
5	£115,489	£114,783	£115,489	£114,783	£113,944	£112,958	£96,683	£96,443	£96,742	£112,569	£115,010	£96,742	£96,524	£96,524	£96,742	£96,524	£96,742	£96,524
10	£163,386	£161,573	£163,386	£161,573	£159,406	£156,913	£118,873	£118,136	£118,779	£155,955	£162,146	£118,779	£118,310	£118,310	£118,779	£118,310	£118,779	£118,310
15	£215,918	£212,448	£215,918	£212,448	£208,683	£204,085	£138,239	£137,388	£138,409	£155,657	£213,805	£138,409	£137,665	£137,665	£138,409	£137,665	£138,409	£137,665
20	£272,024	£265,729	£272,024	£265,729	£262,083	£254,710	£155,657	£154,475	£155,893	£202,353	£270,419	£155,893	£154,860	£154,860	£155,893	£154,860	£155,893	£154,860
25	£330,485	£320,557	£330,485	£320,557	£319,984	£309,039	£171,161	£169,640	£171,466	£305,036	£332,496	£171,466	£170,136	£170,136	£171,466	£170,136	£171,466	£170,136
30	£375,609	£362,230	£375,609	£362,230	£382,731	£387,345	£184,963	£183,088	£185,338	£361,785	£400,495	£185,338	£183,707	£183,707	£185,338	£183,707	£185,338	£183,707
35	£414,785	£388,017	£414,785	£388,017	£450,743	£429,918	£197,249	£195,043	£197,683	£422,473	£474,988	£197,683	£195,783	£195,783	£197,683	£195,783	£197,683	£195,783
37	£421,542	£404,082	£421,542	£404,082	£478,519	£450,211	£201,776	£198,438	£202,249	£447,913	£508,762	£202,249	£200,200	£200,200	£202,249	£200,200	£202,249	£200,200

Notes:

1. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £72,000
3. Total contributions of 15% p.a. are assumed
4. Inflation is assumed to be 2.5% p.a. and increases to salary are assumed to be in line with inflation
5. Transaction costs are calculated as an average of transaction cost data for the three-year period from 1 January 2018 to 31 December 2020. Where funds have a negative transaction cost, a zero cost has been assumed.

For example, at the end of year 1, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £80,365 before charges and costs and £80,253 after charges and costs. The same investment in *The Money Fund* would be worth £77,171 before charges and costs and £77,125 after charges and costs.

After 10 years, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £163,386 before charges and costs and £161,573 after charges and costs. The same investment in *The Money Fund* would be worth £118,673 before charges and costs and after £118,136 charges and costs.

Values are estimates only and are not guaranteed.

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IBM Pension Plan

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Average (Age 50)

Years	Lifecycle to Annuity (Default)			Lifecycle to Balanced (2020)			Ethical Global Equity Fund			The Money Fund			Infrastructure Equity Fund			Over 15 Year Gilts Index Fund		
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£162,508	£162,175	£162,508	£162,175	£162,283	£161,861	£162,283	£161,861	£156,283	£156,190	£162,826	£161,832	£156,302	£161,832	£156,302	£156,220	£174,018	£190,964
3	£192,931	£191,858	£194,354	£193,239	£193,596	£192,524	£193,596	£192,524	£174,215	£173,924	£194,751	£192,100	£174,272	£192,100	£174,272	£174,018	£190,964	£230,078
5	£222,006	£220,122	£227,338	£225,282	£225,936	£223,863	£225,936	£223,863	£191,331	£190,832	£228,075	£223,191	£191,429	£223,191	£191,429	£190,964	£230,078	£284,799
10	£291,774	£287,529	£312,381	£307,338	£311,494	£306,558	£311,494	£306,558	£230,793	£229,733	£316,929	£304,672	£231,003	£304,672	£231,003	£230,078	£284,799	£384,799
15	£350,809	£344,412	£379,242	£371,472	£404,229	£395,198	£404,229	£395,198	£285,921	£284,257	£414,308	£391,811	£286,252	£391,811	£286,252	£284,799	£384,799	£484,799

Notes:

1. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £147,000
3. Total contributions of 15% p.a. are assumed
4. Inflation is assumed to be 2.5% p.a. and increases to salary are assumed to be in line with inflation
5. The transaction costs are calculated as an average of transaction cost data for the three-year period from 1 January 2018 to 31 December 2020. Where funds have a negative transaction cost, a zero cost has been assumed.

For example, at the end of year 1, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £162,508 before charges and costs and £162,175 after charges and costs. The same investment in *The Money Fund* would be worth £156,283 before charges and costs and £156,190 after charges and costs.

After 10 years, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £291,774 before charges and costs and £287,529 after charges and costs. The same investment in *The Money Fund* would be worth £230,793 before charges and costs and £229,733 after charges and costs.

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Age 55

Years	Lifecycle to Annuity (Default)			Lifecycle to Balanced (2020)			Ethical Global Equity Fund			The Money Fund			Infrastructure Equity Fund			Over 15 Year Gilts Index Fund		
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£200,465	£200,112	£202,886	£202,579	£202,713	£202,311	£195,190	£195,073	£203,144	£202,152	£195,213	£195,111	£203,144	£202,152	£195,213	£195,111	£203,144	£202,152
3	£231,605	£230,460	£239,950	£238,567	£239,007	£237,676	£214,874	£214,513	£240,446	£237,154	£214,945	£214,630	£240,446	£237,154	£214,945	£214,630	£240,446	£237,154
5	£263,026	£260,975	£275,895	£273,454	£276,490	£274,054	£233,662	£233,046	£279,139	£273,109	£233,783	£233,247	£279,139	£273,109	£233,783	£233,247	£279,139	£273,109
7	£293,743	£290,722	£309,299	£305,792	£315,200	£311,474	£251,596	£250,716	£319,277	£310,042	£251,770	£251,002	£319,277	£310,042	£251,770	£251,002	£319,277	£310,042
10	£331,425	£327,246	£351,378	£346,461	£375,655	£369,625	£276,979	£275,687	£382,310	£367,335	£277,235	£276,108	£382,310	£367,335	£277,235	£276,108	£382,310	£367,335

Notes:

1. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £185,000
3. Total contributions of 15% p.a. are assumed
4. Inflation is assumed to be 2.5% p.a. and increases to salary are assumed to be in line with inflation
5. The transaction costs are calculated as an average of transaction cost data for the three-year period from 1 January 2018 to 31 December 2020. Where funds have a negative transaction cost, a zero cost has been assumed.

For example, at the end of year 1, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £200,465 before charges and costs and £200,112 after charges and costs. The same investment in *The Money Fund* would be worth £195,190 before charges and costs and £195,073 after charges and costs.

After 10 years, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £331,425 before charges and costs and £327,246 after charges and costs. The same investment in *The Money Fund* would be worth £276,979 before charges and costs and £275,687 after charges and costs.

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Deferred Members:
Younger (Age 28)

Years	Lifecycle to Annuity (Default)			Lifecycle to Balanced (2020)			Ethical Global Equity Fund			The Money Fund			Infrastructure Equity Fund			Over 15 Year Gilts Index Fund		
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£73,404	£73,301	£73,404	£73,301	£73,404	£73,169	£73,169	£73,024	£70,344	£70,302	£73,331	£72,973	£70,353	£70,316	£70,353	£70,316	£70,353	£70,316
3	£76,294	£75,974	£76,294	£75,974	£76,294	£75,566	£75,566	£75,117	£67,145	£67,025	£76,068	£74,959	£67,170	£67,065	£67,170	£67,065	£67,170	£67,065
5	£79,298	£78,745	£79,298	£78,745	£79,298	£78,040	£78,040	£77,269	£64,092	£63,900	£78,908	£76,989	£64,132	£63,964	£64,132	£63,964	£64,132	£63,964
10	£87,335	£86,122	£87,335	£86,122	£87,335	£84,597	£84,597	£82,924	£57,053	£56,712	£86,478	£82,345	£57,123	£56,825	£57,123	£56,825	£57,123	£56,825
15	£96,097	£94,054	£96,097	£94,054	£96,097	£91,683	£91,683	£88,993	£50,787	£50,332	£94,775	£88,062	£50,880	£50,483	£50,880	£50,483	£50,880	£50,483
20	£105,016	£101,784	£105,016	£101,784	£105,016	£99,375	£99,375	£95,507	£45,209	£44,670	£103,869	£94,176	£45,320	£44,849	£45,320	£44,849	£45,320	£44,849
25	£113,765	£109,155	£113,765	£109,155	£113,765	£107,711	£107,711	£102,496	£40,244	£39,644	£113,833	£100,715	£40,367	£39,843	£40,367	£39,843	£40,367	£39,843
30	£117,274	£111,515	£117,274	£111,515	£117,274	£116,747	£116,747	£109,998	£35,824	£35,184	£124,754	£107,707	£35,956	£35,396	£35,956	£35,396	£35,956	£35,396
35	£118,707	£111,937	£118,707	£111,937	£118,707	£126,541	£126,541	£118,048	£31,899	£31,226	£136,723	£115,186	£32,026	£31,446	£32,026	£31,446	£32,026	£31,446
37	£116,727	£109,803	£116,727	£109,803	£116,727	£130,885	£130,885	£121,431	£30,439	£29,771	£141,826	£118,320	£30,578	£29,982	£30,578	£29,982	£30,578	£29,982

Notes:

- Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
- The starting pot size is assumed to be £72,000
- Total contributions of 0% are assumed
- Inflation is assumed to be 2.5% p.a.
- The transaction costs are calculated as an average of transaction cost data for the three-year period from 1 January 2018 to 31 December 2020. Where funds have a negative transaction cost, a zero cost has been assumed.

For example, at the end of year 1, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £73,404 before charges and costs and £73,301 after charges and costs. The same investment in *The Money Fund* would be worth £70,344 before charges and costs and £70,302 after charges and costs.

After 10 years, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £87,335 before charges and costs and £86,122 after charges and costs. The same investment in *The Money Fund* would be worth £57,053 before charges and costs and £56,712 after charges and costs.

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Average (Age 50)

Years	Lifecycle to Annuity (Default)		Lifecycle to Balanced (2020)		Ethical Global Equity Fund		The Money Fund		Infrastructure Equity Fund		Over 15 Year Gilt Index Fund	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£149,605	£149,298	£149,605	£149,298	£149,388	£149,091	£143,619	£143,533	£148,718	£148,987	£143,637	£143,562
3	£153,749	£152,831	£154,953	£154,001	£154,280	£153,364	£137,089	£136,942	£155,306	£153,041	£137,139	£136,924
5	£156,365	£154,857	£160,493	£158,852	£159,332	£157,758	£130,855	£130,463	£161,103	£157,206	£130,835	£130,593
10	£159,926	£156,993	£173,684	£170,200	£172,699	£169,304	£116,483	£115,786	£176,580	£168,121	£116,626	£116,018
15	£157,752	£153,738	£175,368	£170,522	£187,186	£181,695	£103,690	£102,761	£183,499	£179,793	£103,881	£103,069

Notes:

1. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £147,000
3. Total contributions of 0% are assumed
4. Inflation is assumed to be 2.5% p.a.
5. The transaction costs are calculated as an average of transaction cost data for the three-year period from 1 January 2018 to 31 December 2020. Where funds have a negative transaction cost, a zero cost has been assumed.

For example, at the end of year 1, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £149,605 before charges and costs and £149,298 after charges and costs. The same investment in *The Money Fund* would be worth £143,619 before charges and costs and £143,533 after charges and costs.

After 10 years, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £159,926 before charges and costs and £156,993 after charges and costs. The same investment in *The Money Fund* would be worth £116,483 before charges and costs and £115,786 after charges and costs.

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Age 55

Years	Lifecycle to Annuity (Default)			Lifecycle to Balanced (2020)			Ethical Global Equity Fund			The Money Fund			Infrastructure Equity Fund			Over 15 Year Gilt Index Fund		
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£185,835	£185,507	£188,278	£187,891	£188,421	£187,500	£180,767	£180,673	£188,005	£187,632	£180,745	£180,637	£188,005	£187,632	£180,745	£180,637	£188,005	£187,632
3	£187,516	£186,526	£195,009	£193,811	£195,454	£192,803	£172,590	£172,319	£194,162	£193,009	£172,526	£172,216	£194,162	£193,009	£172,526	£172,216	£194,162	£193,009
5	£189,212	£187,551	£200,206	£198,216	£202,749	£187,844	£164,783	£164,352	£200,520	£198,539	£164,881	£164,188	£200,520	£198,539	£164,881	£164,188	£200,520	£198,539
7	£190,266	£187,959	£203,125	£200,413	£210,317	£203,229	£157,328	£156,754	£207,086	£204,229	£157,193	£156,534	£207,086	£204,229	£157,193	£156,534	£207,086	£204,229
10	£188,641	£183,862	£202,146	£198,591	£222,201	£211,581	£146,775	£146,008	£217,342	£213,070	£146,594	£145,717	£217,342	£213,070	£146,594	£145,717	£217,342	£213,070

Notes:

1. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £185,000
3. Total contributions of 0% are assumed
4. Inflation is assumed to be 2.5% p.a.
5. The transaction costs are calculated as an average of transaction cost data for the three-year period from 1 January 2018 to 31 December 2020. Where funds have a negative transaction cost, a zero cost has been assumed.

For example, at the end of year 1, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £185,835 before charges and costs and £185,507 after charges and costs. The same investment in *The Money Fund* would be worth £180,767 before charges and costs and £180,673 after charges and costs.

After 10 years, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £186,641 before charges and costs and £183,662 after charges and costs. The same investment in *The Money Fund* would be worth £146,775 before charges and costs and £146,009 after charges and costs.

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5 Value for Members

5.1 The Trustee is required^a to undertake a review of the charges and costs incurred by members in order to ascertain whether they represent good value for members, relative to peers and alternative arrangements that are available.

5.2 The Trustee is committed to ensuring that members receive good value from the Plan. In conjunction with the Trustee's investment advisers (currently Mercer), the Trustee has undertaken a formal value for members' assessment ("VFM"); this has been the case since 2015. In February 2021 Mercer conducted the Trustee's most recent VFM assessment evaluating the charges borne by members in relation to the services received.

5.3 The overall Value for Member assessment covered the following aspects:

- Investment charges for the default and self-select arrangements
- Transaction costs
- Performance
- Investment manager ratings
- Plan governance
- Investment design and range
- Member services
- The costs funded by the Company, (rather than the member) of:
 - Plan administration;
 - Trustee's advisory costs; and
 - Member communication.

5.4 Mercer has concluded that the charges and costs represent good value for members and that the funds offered to members are:

- Highly rated by Mercer;
- Offer a competitive fee rate (relative to peer group analysis and standard fees); and
- Are performing in line with expectations over the longer-term.

5.5 In addition to this:

- Charges for the default investment arrangements are significantly below the charge cap of 0.75% p.a. and effective December 2020, further reductions in AMCs were negotiated with LGIM for certain funds.
- There is a wide range of investment options which gives members access to traditional and alternative asset classes with ongoing monitoring and oversight of fund performance; and
- Regular communications are issued to members either directly or via the member site (www.smartpensionsuk.co.uk).

5.6 In summary, Mercer has concluded that the Plan's fund range offers 'good value' for member in terms of price, performance and productivity; this is Mercer's highest rating.



^a Required under regulation 25(1)(b) of the Administration Regulation 1996.

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Additional Contributions

5.7 In addition to funds invested with LGIM, as at 31 December 2020, the Plan also held legacy with-profits additional contributions with Aviva Life & Pensions UK Limited ("Aviva"). The Trustee communicates annually with members regarding these holdings. The Trustee's view is that the complex structure of these funds means Value for Members cannot be assessed and will vary by member. As such, these holdings were excluded from the most recent VFM assessment.

5.8 Charges and costs for the Aviva with-profits funds can be summarised as follows:

Fund	Fund IER (% p.a.)	Transaction Costs (% p.a.)	Total of IER & Transaction costs (% p.a.)
Aviva With-Profits Funds	0.50	0.11	0.61

Source: Aviva. This information relies upon data provided by third parties.

5.9 Following the closure of the Equitable Life With-Profits Fund, members with additional contributions invested in this Fund received an uplift to their policy value and were transferred to the Utmost Life & Pensions Limited Secure Cash Fund on 1 January 2020. In May 2020, following advice from the Trustee's investment adviser, these assets were subsequently transferred to the Plan's existing arrangements with LGIM.



6 Trustee Knowledge and Understanding

6.1 In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee Directors are required to maintain an appropriate level of knowledge and understanding which, together with the professional advice that is available to them, enables them to properly exercise their functions and duties in relation to the Plan.

6.2 The Trustee has a Trustee Knowledge and Understanding ("TKU") process in place that ensures that each Trustee Director has a working knowledge of the Plan's governing documentation and the SIP together with an understanding of the laws relating to pensions trusts, and funding principles. The Governance Committee oversees the Trustee's approach to meeting the TKU requirements. The current TKU process is set out below.

Recruitment

6.3 The Trustee's recruitment process ensures new Trustee Directors will have the necessary skills and basic level of understanding required by having:

- A Trustee Fitness and Propriety process which outlines the eligibility requirements for the appointment of Trustee Directors;

- A Trustee Recruitment process for member nominated Trustee Directors that is achieved via a democratic election process. Education and training sessions are provided to potential candidates to enable them to understand the roles and responsibilities ahead of their respective nomination;
- The recruitment process for company nominated Trustee Directors is managed by the company.
- A process for appointing a chair of the Trustee Board and the leadership qualities required for that role.

Induction Process

6.4 There is a specific and structured training programme for new Trustee Directors upon being appointed which includes:

- An induction education session with the IBM Pensions Trust Manager (covering the topics set out below);
- A requirement for all Trustee Directors to undertake and complete The Pensions Regulator's Trustee Toolkit course within six months of taking up office; and
- Attendance at various sub-committees as an observer to build knowledge and understanding of specific issues.

6.5 During 2020, three new Trustee Directors were appointed. The Trustee Directors appointed in March and May completed the Trustee Toolkit within the stipulated six months and undertook the induction education, performed by the IBM Pensions Trust Manager, which covered the following areas:

- Trustee knowledge and education requirements;
- Trustee duties and powers;
- Conflicts of interest;
- IBM Pension Plans; and
- Trustee committee structure.

6.6 The third Trustee Director was appointed in September but resigned prior to completing the Trustee Toolkit.



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Ongoing Education

6.7 For existing Trustee Directors, the ongoing education programme is determined as a result of specific requirements that arise during the year, taking into account any knowledge gaps or education priorities identified during the Trustee Director's self-assessment survey.

6.8 Trustee training sessions were held over the year covering the following topics:

- Trustee Decision Making (Effectiveness);
- Legal and Actuarial training on Buy-Ins - Risk transfer working group meeting;
- Role of a trustee;
- How trust law views the relationship between employer and trustee;
- Dos and don'ts - confidentiality, giving advice, conflicts of interest;
- Liability - protections and pitfalls;
- Position under the rules - powers of the Trustee, what powers do they share with the Employer;
- Statutory requirements to seek employer consent or to consult (funding, SIP); and
- Environmental, Social and Governance legal and investment considerations.

6.9 A log of Trustee Directors' attendance at education sessions and Committee meetings is maintained.

6.10 All Plan documents are available to the Trustee Directors via a dedicated Trustee online repository.

6.11 Further training to be scheduled for 2021 includes a Trustee Effectiveness exercise.

The Trustee Effectiveness Assessment

6.12 A training session on Trustee Effectiveness took place in March 2020 in the form of education on Decision Making, by the Trustee's legal advisers Sacker & Partners LLP. A round-table discussion led by Sacker & Partners LLP focussing on reviewing the effectiveness of the key decisions made in the previous year then took place applying the guidance to those decisions.

6.13 The Trustee believes that the decisions taken were in line with this guidance, and at the end of the session, all Trustee Directors were asked for their feedback: it was unanimously felt the education was a good guide as to how decisions should be made.

6.14 A Trustee Effectiveness exercise took place in second quarter 2021 which included a TKU questionnaire as well as education and effectiveness discussions. A written report will be provided to the Trustee which collates the questionnaire responses and sets out the key recommendations. It is useful to repeat this exercise as new Trustee Directors have been appointed.

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Utilising Advisers

6.15 The Trustee believes that the best run schemes utilise the combined skill and knowledge of both the Trustee and their professional advisers. The relevant skills and experience of those advisers are key criteria when evaluating adviser performance and selecting new advisers.

6.16 Additionally, the following measures have applied during the period:

- The Trustee's professional advisers, where relevant, attend their formal meetings; and
- The Trustee receives briefings from their advisers on relevant legislative and regulatory developments and DC topics at each relevant meeting.

6.17 Trustee meetings typically occur at least four times a year, with additional meetings as needed and minutes are taken and then approved at the next meeting. Advisers are invited to all relevant meetings.

6.18 Taking into account actions taken individually and as a Trustee group and the professional advice available to it, the Trustee considers that they are able to exercise their function as a Trustee appropriately.

Summary

6.19 The Trustee Effectiveness review undertaken in 2020, the combined knowledge and understanding of the Board (with expertise drawn from different professional and investment

related backgrounds), the matching of Trustee expertise to the relevant Sub Committees, together with tailored training and professional advice undertaken in 2020, has enabled the Trustee to properly exercise its functions in the Plan year.

I confirm that the above Chair's Statement has been produced and approved by the Trustee to the best of its knowledge.

Signed for and on behalf of IBM United Kingdom Pensions Trust Limited as Trustee of the IBM Pension Plan

e-Signed by Robert Tickell

July 21, 2021

By.....

Date.....

Robert Tickell

Co-Chair of Trustee

Introduction

- 1.2 IBM United Kingdom Pensions Trust Limited (the “Trustee”), as the Trustee of the IBM Pension Plan (the “Plan”), has drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995 (the “Act”) and subsequent legislation. The Statement is intended to affirm the investment principles that govern the decisions about the Plan’s investments. The Trustee’s investment responsibilities are governed by the Plan’s Trust Deed and Rules, of which this Statement takes full regard.
- 1.3 The Trustee has consulted IBM United Kingdom Holdings Limited (the “Company”) as the Sponsor of the Plan on the principles set out in this Statement and will consult the Company on any changes to it having taken prior written advice from an authorised investment consultant. The Trustee seeks to maintain a good working relationship with the Company and will discuss any proposed changes to this Statement with the Company. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.
- 1.4 This Statement includes both the Defined Benefit (“DB”) and Defined Contribution (“DC”) Sections of the Plan and these are considered separately, as appropriate.
- 1.5 The DB Section of the Plan is closed to new members and to future accrual.
- 1.6 The DC Section of the Plan has been closed to new members since 2011 but continues to be open to new additional contributions.
- 1.7 Until 2011, the Plan provided a facility for DB and DC members to pay Additional Voluntary Contributions (“AVCs”) and Additional Smart Contributions (“ASCs”) into the Plan to enhance their benefits at retirement. With the closure of the DB Section to future accrual, DB members can maintain their existing AVC and ASC pension savings within the Plan but are no longer able to make further AVC or ASC contributions. The DC Section continues to be open to new AVC and ASC contributions.
- 1.8 The Plan’s investment arrangements, based on the principles set out in this Statement, are detailed in the Plan’s Investment Policy Implementation Document (“IPID”). This statement and the IPID are published on a public website.
- 1.9 The Trustee does not expect to revise this Statement frequently because it covers broad principles rather than their implementation. The Trustee will review it at least once every three years, and without delay if there are relevant, material changes to the Plan and/or the Company which the Trustee judges to have a bearing on the stated investment policy. The IPID will be reviewed as required and updated to reflect any amendments to the investment arrangements, and any changes will be agreed by the Trustee. Any such reviews will be based on written expert investment advice and will be in consultation with the Company.

2. Plan Governance

- 2.1 The Trustee has appointed professional consultants (the “Investment Consultant”) to provide relevant investment advice to the Trustee. The Investment Consultant has confirmed in writing to the Trustee that it has the appropriate knowledge and experience to give the advice required by the Pensions Act 1995 and the Occupational Pension Scheme (Investment) Regulations 2005. The advice received and arrangements implemented are, in the Trustee’s opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).
- 2.2 The Trustee also takes advice as appropriate from the Plan Actuary and other professional advisers.
- 2.3 The Trustee is responsible for the investment of the Plan’s assets and retains control over the decisions on investment strategy. However, in order to ensure that investment decisions are taken by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities.
- 2.4 The Trustee has appointed DB and DC Investment Committees and a separate Governance Committee.
- 2.5 The DB and DC Investment Committees are responsible for determining and implementing investment policy. Sub-committees may be appointed to deal with specialist issues where required. The full responsibilities of the Investment Committees and Governance Committee are outlined in the Constitution and Powers document.
- 2.6 The Pensions Trust organisation undertakes a staff role in support of the Trustee and all committees.
- 2.7 The Trustee has delegated day-to-day management of the Plan’s investments to a number of investment managers. In some cases, this is via Trustee directed investments in pooled investment vehicles and insurance policies and in other cases via separate accounts in which the investment manager invests directly on behalf of the Plan.
- 2.8 The Plan’s DC investments (including AVCs and ASCs) are invested in a range of funds / strategies with Legal & General Investment Management Limited (“Legal & General”).
- 2.9 Details of the appointments are contained in the investment management agreements between the investment managers and the Trustee, or within the governing documentation of the pooled vehicles.
- 2.10 A custodian is appointed by the Trustee to provide safekeeping of the Plan’s assets not invested in pooled funds or insurance policies, and performs the associated administrative duties. The details of this appointment are contained in the contract between the Trustee and the custodian.

3. Environmental, Social and Corporate Governance

- 3.1 The Trustee believes that environmental, social, and governance (“ESG”) factors, including climate change, can impact the performance of the Plan’s investments, both DB and DC (including the DC default investment strategies), over the medium to long-term. The Trustee has delegated responsibility for the selection, retention, and realisation of investments to its investment managers and accordingly, the Trustee seeks to manage the risks and opportunities associated with these ESG factors by selecting industry leaders in investment management who are committed to the Principles for Responsible Investment (as they apply to the sector in which the manager invests or the strategy pursued by the manager) and against criteria which include ESG considerations.
- 3.2 The Trustee believes that responsible ownership can add value to the Plan’s assets in the long term and will therefore seek to appoint managers who demonstrate strong engagement credentials, where relevant to the portfolio (see further under “Rights Attaching to Investments” below).
- 3.3 The Trustee does not take into account non-financial matters in the selection, retention and realisation of investments.
- 3.4 As noted above, the Trustee does not have an active policy of taking non-financial matters into account in its investment decision making. However, the Trustee has considered and assessed member views (regarding both financial and non-financial factors) in relation to the range of DC self-select ('Freestyle') funds offered to members and has made available the Legal & General Ethical UK Equity and Ethical Global Equity Index Funds whose underlying investments exclude companies involved in business activities that don’t comply with a range of ethical and environmental guidelines (and hence are expected to provide investment profiles more suitable to members who wish to express an ethical preference in their investments as well as focusing on companies that are demonstrating good sustainability practices).
- 3.5 In the fourth quarter of 2020, the Trustee also plans to introduce the Legal & General Future World Fund to the Freestyle Fund range. The Legal & General Future World Fund invests in a diversified range of global companies but tilts away from companies who generate revenue from fossil fuels or produce a high level of carbon emissions in favour of ‘Green Revenues’. Further details regarding these funds can be found in the IPID.
- 3.6 The Trustee is committed to reviewing this policy on an ongoing basis.

4. Rights Attaching to Investments (Stewardship)

- 4.1 The Trustee’s policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Plan’s DB and DC investments to the investment managers. Managers are encouraged to exercise these rights.

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- 4.2 The Trustee supports the aims of the UK Stewardship Code, and its investment managers are invited to operate in accordance with the guidelines laid out in the Stewardship Code which covers matters of both voting and engagement. The investment managers are encouraged to report their adherence to The Stewardship Code using the “comply” or “explain” principle where appropriate.
- 4.3 The Trustee requires its investment managers to report on corporate governance, and particularly on their voting and engagement records. In general, investment managers are likely to choose to support and vote with incumbent company management, and therefore exception reporting is expected. Significant shareholder action other than voting should also be reported. The Trustee’s Governance Committee periodically reviews these reports from investment managers to ensure that the policies outlined in sections 3 and 4 are being met.

5. Investment Manager Arrangements**Aligning Investment Manager Appointments with the Trustee's Investment Strategy**

- 5.1 Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics for the asset class or specific investment strategy they are selected to manage.
- 5.2 Where appropriate, the Trustee will seek investment advice in decisions regarding manager appointments. Such advice may consider factors such as the manager’s idea generation, portfolio construction, implementation, and business management, in relation to the Trustee’s proposed investment.
- 5.3 As stated in Section 3, the Trustee has a policy of appointing investment managers who are committed to the Principles for Responsible Investment. The Trustee will consider the investment manager’s implementation of ESG considerations and, where relevant, will also consider the investment manager’s policy on voting and engagement in decisions concerning manager appointments.
- 5.4 In respect of segregated appointments, the Trustee specifies the investment objectives and criteria in an investment management agreement for the investment manager to be in line with the Trustee’s specific investment requirements.
- 5.5 Where the Trustee invests in pooled investment vehicles, it accepts that it does not have the 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.
- 5.6 The Trustee will review an appointment if the investment objective for a manager’s pooled fund changes to ensure it remains appropriate and consistent with the Trustee’s wider investment objectives.
- 5.7 Investment managers are aware that their continued appointment is based on the success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to review the appointment.

Evaluating Investment Manager Performance

- 5.8 The Trustee receives reporting on asset class and investment manager performance on a quarterly basis and this includes performance information over 3 months, year-to-date, 1 year, 3 years, 5 years and since inception. Performance is measured on both an absolute return basis and a relative return basis against a suitable index used as the benchmark (where appropriate) or against an alternative performance target. Both asset class and investment manager performance is reported net of fees and transaction costs.
- 5.9 The Trustee's focus is on long term performance but, as noted above, the Trustee may review a manager's appointment at any time for a variety of reasons including for example:
- sustained periods of underperformance;
 - changes in organisation or key personnel (including the portfolio manager);
 - a change in the underlying objectives of the investment manager;
 - a significant change to the Investment Consultant's rating of the investment manager.
- 5.10 The majority of investment managers are remunerated by way of a fee calculated as a percentage of assets under management. In this way, the managers are incentivised to maximise investment returns in line with the investment objectives. For the Liability and Currency Hedging managers, a fee is payable calculated as a percentage of the hedge.
- 5.11 In some cases, active managers are incentivised using a performance related target. Where a performance related fee is payable, a hurdle rate structure is in place to mitigate the possibility of the Trustee paying additional fees during periods of long-term underperformance.
- 5.12 As part of the annual Value for Members ("VfM") assessment, the Trustee reviews the DC investment manager fees. This review includes peer group comparison where fees are compared against those paid by other schemes based on each underlying fund's region, asset class, fund management style and the size of assets under management.

Portfolio Turnover Costs

- 5.13 The Trustee does not currently actively monitor portfolio turnover costs within the DB Section of the Plan. As noted above, investment manager performance is evaluated net of fees and transaction costs, and where possible, performance objectives for investment managers are set on a net basis. In this way, managers are incentivised to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.
- 5.14 Within the DC section of the Plan, the Trustee reviews the transaction costs¹ of the underlying funds and strategies on a quarterly basis and again as part of the annual Value for Members assessment.
- 5.15 The Trustee will continue to monitor industry developments concerning the reporting of portfolio turnover costs and in particular the standardisation and benchmarking of cost reporting.

¹ Costs incurred as a result of buying and / or selling assets.

Manager Turnover

5.16 The Trustee is a long-term investor and does not seek to change the investment arrangements on a frequent basis. For open-ended funds there is no set duration for the manager appointments. The Trustee will therefore retain an investment manager unless:

- For the DB section, there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- For the DC section, the mandate is no longer considered to be optimal nor have a place in the default investment strategy or general fund range;
- The manager appointed has been reviewed and the Trustee has decided to terminate the mandate.

5.17 For closed-ended funds, the Plan is invested in a manager's fund for the lifetime of the 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 fund's governing documentation. In order to maintain a strategic allocation to an asset class, the Trustee may choose to stay with a manager in a new vintage of the fund or appoint a different manager.

DB Section

6. Objectives and Policy

6.1 The Trustee has set the following long-term investment objectives in relation to the DB Section:

- The acquisition of suitable assets of appropriate liquidity that will generate income and capital growth to meet, together with any new contributions from the Company, the cost of current benefits that the Plan provides.
- To limit the risk of the assets failing to meet the liabilities, both over the long term and on a shorter term basis.

6.2 The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee determines to be financially material considerations in relation to the DB Section of the Plan. Reflecting these considerations, a high level strategic asset allocation has been set by the Trustee, having consulted the Company. This is detailed in the IPID along with the rebalancing policy and full

details of the investment manager structure.

7. Investment Strategy

7.1 When reviewing the Plan's investment strategy, the Trustee takes into account the long-term investment and funding objectives and as a result aims to balance the level of investment risk and required expected return within the investment strategy by investing in a diverse portfolio of "growth" assets, such as equities and other return seeking assets, and "matching" assets aiming to minimise the impact of changes in interest rates and inflation on the Plan's funding level.

7.2 The Trustee has set the following target allocations to growth and matching assets:

Asset Class	Current strategic asset allocation target (%)
Private equity	5.5
UK property	
Global bonds	94.5
Global credit	
Long-term UK core credit	
Liability matching assets	
Cash	100.0
Total	

7.3 The underlying allocations to the individual asset classes may vary over time.

7.4 The Trustee has implemented a liability hedging policy to hedge a significant amount of the interest rate and inflation risks inherent in the Plan's liabilities.

7.5 The Trustee has also implemented a currency hedging policy to mitigate the increased risk associated with investing in overseas assets.

8. Day to Day Management

8.1 In general, the investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. The investment managers have responsibility for generating cash as instructed to do so by the Trustee as and when required for benefit payments and other expenses.

8.2 The Trustee's policy is that there should be sufficient secure investments in liquid or readily-realizable assets to meet short term cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Plan's overall investment policy.

9. Risk Management

9.1 The Trustee recognises a number of risks involved in the investment of the assets of the DB

Section and that the choice and allocation of investments can help to mitigate these risks:

Type of Risk		Description	
Solvency and mismatching risk		The risk that the assets of the Plan do not fulfil the current and future obligations of the Plan to its members. This is the combination of all other risks described below.	Managed and monitored in the ways described below for the specific risks.
Market risks	Interest rate and inflation risks	The risk arising from differences in the cash-flow profile of the gilts and other bonds held by the Plan from that of the Plan's projected benefit cash-flows due to members.	Managed through the chosen investment strategy controlling the exposures to specific market risk sources and through monitoring of the actual growth of the assets relative to liabilities.
	Currency risk	The risk that changes in exchange rates affect the values of overseas assets compared to the Plan's sterling liabilities.	
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	
	Equity, property and other risks	Risks additional to those above where the income or the capital value of an asset is uncertain owing to, for example, changes in the profitability of an issuing company.	
Demographic risks		The risk arising from uncertainty in the actual future benefits to be paid to members, for example related to member longevity.	Managed through triennial valuations to set Sponsor contributions and through rebalancing of the liability hedge.
Operational risks	Custodial risk	The risk that the custodian holding assets directly for the Plan fails to settle trades on time, fails to provide secure safekeeping of the assets under custody or otherwise fails to discharge its obligations to the Plan.	Managed by monitoring the custodian's activities and its creditworthiness.
	Counterparty risk	A form of credit risk in that the counterparty to a transaction (such as a derivative) could fail to meet its obligations to the Plan.	Managed through collateral management, diversifying counterparty exposures, monitoring counterparty creditworthiness and the use of robust contracts.

Terms of entry and valuation risk	The risk that derivative contracts are not purchased at a competitive price and that contracts are not correctly valued on an ongoing basis.	The management of this risk is delegated to the investment managers. The custodian provides independent valuations.
Legal risk	The risk that the legal terms of contracts are not properly reviewed.	Managed by taking appropriate advice when putting in place new, or in reviewing existing, contracts.
Day-to-day operational risks, including collateral risk	The risk that the Plan fails to meet its contractual obligations to counterparties, such as in the provision of collateral for derivative contracts.	Day-to-day management of these risks is delegated to the investment managers or custodian. The Trustee requires managers to monitor collateral sufficiency and specifies controls within the managers' legal agreements.
Investment manager risk	The risk that the appointed investment managers underperform their objectives, fail to carry out operational tasks, fail to ensure safe-keeping of assets (in pooled funds) or breach agreed guidelines.	Managed through diversification across investment managers and by the ongoing monitoring of the performance of the investment managers.
Liquidity risk	The risk that the Plan cannot meet short term cashflow requirements or incurs excessive costs doing so. This includes liquidity requirements of the Plan's currency and liability hedging programmes.	Managed by undertaking periodic reviews of the Plan's liquidity requirements to ensure sufficient cash is held to limit adverse impact on investment policy.
Political and regulatory risk	The risk that the impact of political instability or intervention on financial markets causes the value of the Plan's assets to fluctuate.	Managed through the chosen investment strategy.
Sponsor risk	The risk that the insolvency of the Sponsor impacts its ability to continue to support the Plan and make good any current or future deficit.	Covenant reviews are undertaken at least triennially to assess the interaction between the Plan and the Sponsor's business, the Sponsor's creditworthiness and its capacity to meet any current and potential future obligations.

DC Section

10. Overall Aims and Objectives

The Trustee's principal mission is to help DC Section members to maximise their retirement outcomes with an appropriate level of investment risk, by providing an appropriate investment framework which represents value for members and which is in line with recognised market "good practice", taking into account guidance from the Pensions Regulator and other appropriate industry and regulatory bodies.

10.1 In addition to the principal mission as stated above and the investment objectives below, the Trustee also aims to:

- Ensure that the DC Section's operational structure is sensible and cost effective.
- Provide members with adequate tools and timely information to enable them to make informed contribution, investment and retirement decisions.

11. Investment Objectives

11.1 The Trustee has the following investment objectives related to the DC Section:

- To offer suitable default investment strategies that are appropriate for the profile of defaulting members based on their expected risk tolerances and retirement objectives.
- To offer a range of self-select investment options which are appropriate for the profile of most members.

12. Investment Policies

12.1 The Trustee recognises that the default investment strategy will not meet the needs of all members (who will have different personal preferences and retirement objectives) and as such, alternative investment options are available for members to choose from. This includes the Freestyle fund range. The Trustee's policy on investment return is to provide members with the ability to obtain a level of investment return commensurate with that achieved by the investment funds they select from the range of available offerings.

12.2 The fund range and default investment strategy are reviewed on at least a triennial basis, the last review having taken place in 2019. The Trustee is planning to introduce changes to the Plan's investment arrangements in the fourth quarter of 2020.

12.3 Members are currently offered a range of three Lifecycle investment strategies and 21 Freestyle funds (of which four funds are closed to new member elections). The fund range is comprehensive and offers exposure to a wide range of asset classes which offer different levels of risk and return, the balance between which can be selected by the member. These include but are not limited to: developed market equities, emerging market equities, real estate, listed infrastructure, pre-retirement funds, money market investments, gilts and index-linked gilts. Within the fund range, two multi-asset Funds, the Growth and Growth Plus Funds, are available to members and provide exposure to a diversified range of

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asset classes (including commodities). The Trustee also makes available two ethical equity funds and is planning to introduce a sustainable equity fund in the fourth quarter of 2020.

- 12.4 The Trustee notes that members' investment needs change as they progress towards retirement age; hence offering Lifecycle investment strategies which switch a member's pension savings into Funds with a lower risk profile, as the member approaches their target retirement age. These Lifecycle strategies are consistent with how members can access their pension savings at retirement. In the fourth quarter of 2020, a new Lifecycle strategy is expected to be introduced alongside new versions of the three existing Lifecycle strategies:

- 'Lifecycle Balanced 2020' strategy, to be implemented as the new default investment strategy in the fourth quarter of 2020, aims to give members a 'balanced' investment strategy that incorporates a mixed annuity and drawdown target (in addition to the 25% cash target).
- 'Lifecycle to Annuity' strategy. This is the Plan's current default investment strategy and is aimed at members planning to take 25% of their defined contribution savings as tax-free cash on retirement, using the remainder to buy an annuity. This will remain the default investment strategy until the new 'Lifecycle Balanced 2020' strategy is made available. A new version of the 'Lifecycle to Annuity' strategy will be implemented in the fourth quarter of 2020 called 'Lifecycle to Annuity 2020' and this will be available for members on a self-select basis.
- 'Lifecycle to Lump Sum' strategy. This strategy is aimed at members targeting a lump sum cash withdrawal at retirement. A new version of this strategy will be introduced in the fourth quarter of 2020 called 'Lifecycle to Lump Sum 2020'.
- 'Lifecycle to Drawdown' strategy. This strategy is aimed at members who intend to take 25% of their defined contribution savings as tax-free cash on retirement, leaving the remainder invested for growth while they draw an income during retirement. A new version of this strategy will also be introduced in the fourth quarter of 2020 called 'Lifecycle to Drawdown 2020'.

More details regarding these Lifecycle investment strategies can be found in the IPID.

- 12.5 The Trustee is conscious of the impact of management fees on the ultimate value of a member's pension fund. The Trustee believes that both actively and passively managed funds can add value for members and therefore has opted for a Fund Range centred around passive management, but with the ability to use active or smart beta products where it is deemed appropriate and cost effective to do so.
- 12.6 In determining which investment options to make available, the Trustee with advice from its Investment Consultant, has considered the investment risk associated with DC pension investment. This risk can be defined as the uncertainty over the ultimate amount of savings available on retirement. A number of factors contribute to this uncertainty, some of which (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment options made available to members. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed:

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risks	Inflation risk	The risk that the real returns (i.e. return above inflation) of the funds do not keep pace with inflation.	Members are able to set their own investment allocations, in line with their risk tolerances.
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	For the multi-asset funds and lifecycle strategies available, the Trustee periodically reviews the suitability of these options.
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	Non-sterling exposure from developed markets within many of the investment funds is largely hedged back to sterling to reduce the impact of currency movements.
	Equity, property and other risks	Risks additional to those above where the income or the capital value of an asset is uncertain owing to, for example, changes in the profitability of an issuing company.	The Trustee considers these risks and the appropriate level of diversification when setting the default investment strategy.
	Investment manager risk	The risk that the appointed investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.	The DC section is managed by one investment manager. The Trustee regularly reviews the appropriateness of the level of the security of assets. The Trustee undertakes ongoing monitoring of the performance of the investment manager.
	Liquidity risk	The risk that the Plan's assets cannot be realised at short notice in line with member demand.	The Plan is invested in daily dealt and daily priced pooled funds.

<p>Pension Conversion risk</p>	<p>The risk that the value of a member's account does not enable the member to meet their objectives post retirement.</p>	<p>The Trustee makes available a range of Lifecycle strategies for DC members.</p> <p>Lifecycle strategies automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age.</p> <p>Members can select a Lifecycle strategy in accordance with their personal preferences and retirement objectives.</p> <p>The default investment strategy is a Lifecycle strategy. As part of the triennial default investment strategy review, the Trustee reviews the appropriateness of the default retirement destination based on the membership profile and experience.</p>
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- 12.7 The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee considers to be financially material considerations in relation to the DC Section as a whole. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

DC Section – Default Investment Strategy

13. Aims and Objectives

- 13.1 The Trustee recognises that not all members will make investment decisions and as such the Trustee believes that it is appropriate to offer a default investment strategy.
- 13.2 The Trustee has selected the 'Lifecycle Balanced 2020' strategy as the future default investment strategy for DC members of the Plan and this is expected to be available from the fourth quarter of 2020. This strategy aims to give members a 'balanced' investment strategy that incorporates a mixed annuity and drawdown target (in addition to the 25% cash target).

- 13.3 The Lifecycle to Annuity strategy will remain the default investment strategy until the new 'Lifecycle Balanced 2020' strategy is made available to members.
- 13.4 These objectives are in addition to the Overall Aims and Objectives and Investment Objectives stated for the general DC Section.

14. Investment Policies

- 14.1 The default investment strategy is designed after careful analysis of the membership demographic and other characteristics in order to offer a suitable approach that is tailored, insofar as is practical, to the needs of the Plan's members. The Trustee will review the default investment strategy regularly, at least triennially or after significant changes to the Plan's demographic profile.
- 14.2 A range of asset classes are included within the default investment strategy including: developed market equities, emerging market equities, multi-asset funds, pre-retirement funds and money market investments.
- 14.3 The Trustee, with advice from its Investment Consultant, considers the trade-off between risk and expected returns. The default investment strategy balances between different kinds of investments to ensure that the expected amount of risk (and commensurately the expected return) is appropriate given the age of the member and their expected retirement date. The Lifecycle approach reflects that members' investment needs change as they progress towards retirement age by reducing the investment risk.
- 14.4 The Trustee has considered the investment risk associated with DC pension investment. This risk can be defined as the uncertainty over the ultimate amount of savings available on retirement. A number of factors contribute to this uncertainty some of which (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment strategies made available to members. The specific risks pertaining to the default investment strategy are identified in the table in 12.6.
- 14.5 The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee considers to be financially material considerations in relation to the default investment strategy. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

15. Members' Best Interests

The Trustee will carry out regular assessments (at least triennially or following any significant change in membership) not only of the performance of the default investment strategy, but also of its design to ensure that it continues to remain appropriate for the membership profile. This is in addition to more regular performance monitoring, which is expected to take place quarterly. The Trustee strives to ensure

the strategy evolves in line with the Plan's membership characteristics in order to ensure that assets are invested in the best interests of the members.

DC Section – Legacy Default Investment Strategies

16. Aims and Objectives

- 16.1 The Trustee operates a number of legacy default investment strategies² which are no longer available as new options within the Plan. Members close to retirement, and hybrid members, were allowed to remain invested in older default investment strategies and may also increase their allocations to said strategies. These strategies target the purchase of an annuity and reduce investment risk as a member's retirement date approaches.
- 16.2 These objectives are in addition to the Overall Aims and Objectives and Investment Objectives stated for the general DC Section.

17. Investment Policies

- 17.1 The legacy default investment strategies are designed after careful analysis of the membership demographic and other characteristics in order to offer a suitable approach that is tailored, insofar as is practical, to the needs of the Plan's members. The Trustee will review the legacy default investment strategies regularly, at least triennially or after significant changes to the Plan's demographic profile.
- 17.2 A range of asset classes are included within the legacy default investment strategies including: developed market equities, emerging market equities, gilts, multi-asset funds, pre-retirement funds and money market investments.
- 17.3 The Trustee, with advice from its Investment Consultant, considers the trade-off between risk and expected returns. These legacy default investment strategies balance between different kinds of investments to ensure that the expected amount of risk (and commensurately the expected return) is appropriate given the age of the member and their expected retirement date. The Lifecycle/Lifestyle approach reflects that members' investment needs change as they progress towards retirement age by reducing the investment risk.
- 17.4 The Trustee has considered the investment risk associated with DC pension investment. This risk can be defined as the uncertainty over the ultimate amount of savings available on retirement. A number of factors contribute to this uncertainty some of which (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment strategy made available to members. The specific risks pertaining to the legacy default investment strategies are identified in the table in 12.6.

² These are Lifecycle 2012, Lifecycle Plus 2012, Lifestyle 2002, Lifestyle 1997 and Lifestyle 1997 (Data Science Limited members only) as set out in the IPID.

- 17.5 The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee considers to be financially material considerations in relation to the legacy default investment strategies. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

18. Members' Best Interests

- 18.1 The Trustee will carry out regular assessments (at least triennially or following any significant change in membership) not only of the performance of the legacy default investment strategies, but also of their design to ensure that they continue to remain appropriate for the membership profile. This is in addition to more regular performance monitoring, which is expected to take place quarterly.

DC Section - Additional Default Arrangements

19. Additional Default Arrangements

- 19.1 In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustee has identified the investment options listed in the table below as 'default arrangements' (as defined by these regulations). These have been identified as 'default arrangements' as members' contributions have or are planned to be automatically directed to these arrangements without members having instructed the Trustee where their contributions are to be invested; this is due to historic fund mapping exercises and is further explained in the table below. The performance of these funds are monitored on a quarterly basis, with a strategic review being carried out at least triennially.

Fund/Investment Strategy	Reason for identification as a 'default arrangement'	Date
Growth Plus Fund (DSL)	Following closure of the Consensus Fund by Legal & General Investment Management Limited ("LGIM"), the Trustee received advice from the Plan's investment advisors and assets for DSL members were mapped to the Growth Plus Fund.	July 2016
Money Fund	As part of the transition of assets from Utmost Life & Pensions Limited to LGIM (following the closure of the Equitable Life With Profits Fund). DB AVCs for members aged 55 or over who did not make an active selection were mapped to the Money Fund.	May 2020
Lifecycle to Lump Sum Strategy	As part of the transition of assets from Utmost Life & Pensions Limited to LGIM (following the closure of the Equitable Life With Profits Fund). DB AVCs for members under 55 who did not make an active selection were mapped to the Lifecycle to Lump Sum Strategy.	May 2020

Lifecycle to Annuity Strategy	As part of the transition of assets from Utmost Life & Pensions Limited to LGIM (following the closure of the Equitable Life With Profits Fund). A separate cohort of members who did not make an active selection were mapped to the Lifecycle to Annuity Strategy.	May 2020
Lifecycle to Annuity 2020 Strategy	As part of the implementation of the new investment arrangements expected in the fourth quarter of 2020. Members transitioned from Utmost Life & Pensions to the Lifecycle to Annuity Strategy in May 2020, who are over 8 years from retirement, and who do not make an active selection will be mapped to the Lifecycle to Annuity 2020 strategy.	Fourth Qtr. 2020
Lifecycle to Lump Sum 2020 Strategy	As part of the implementation of the new investment arrangements expected in the fourth quarter of 2020. Members over 8 years from retirement who do not make an active selection will be mapped from the Lifecycle to Lump Sum strategy to the Lifecycle to Lump Sum 2020 strategy. This includes members transitioned from Utmost Life & Pensions to the Lifecycle to Lump Sum Strategy in May 2020, who are over 8 years from retirement, and who do not make an active selection. Additionally, all members currently invested in the legacy default Lifecycle Plus 2012 strategy will be mapped to the Lifecycle to Lump Sum 2020 strategy unless making an alternative active election.	Fourth Qtr. 2020
Lifecycle to Drawdown 2020 Strategy	As part of the implementation of the new investment arrangements expected in the fourth quarter of 2020. Members over 8 years from retirement who do not make an active selection will be mapped from the Lifecycle to Drawdown strategy to the Lifecycle to Drawdown 2020 strategy.	Fourth Qtr. 2020

20. Aims and Objectives

- 20.1 The aims and objectives in respect of these additional 'default arrangements' are summarised in the table below. These objectives are in addition to the Overall Aims and Objectives and Investment Objectives stated for the general DC Section.

FUND	TRUSTEES' AIMS AND OBJECTIVE
Growth Plus Fund (DSL)	The fund's objective is to provide diversified exposure to a range of asset classes.
Money Fund	The fund is designed to provide capital stability by investing in a diversified portfolio of high credit quality short term fixed income and variable rate securities. All holdings in the fund are Sterling denominated.
Lifecycle to Lump Sum Strategy	This strategy is aimed at members targeting a lump sum cash withdrawal at retirement.
Lifecycle to Annuity Strategy	This strategy is aimed at members planning to take 25% of their savings as tax-free cash on retirement, using the remainder to buy an annuity.
Lifecycle to Annuity 2020 Strategy	The Lifecycle to Annuity 2020 strategy is designed for members who intend to take 25% of their benefits as tax-free cash on retirement, using the remainder to purchase an annuity.
Lifecycle to Lump Sum 2020 Strategy	The Lifecycle to Lump Sum 2020 strategy is designed for members who will take their benefits via cash at retirement.
Lifecycle to Drawdown 2020	This strategy is aimed at members who intend to take 25% of their defined contribution savings as tax-free cash on retirement, leaving the remainder invested for growth while they draw an income during retirement.

21. Investment Policies

- 21.1 The Trustee, with advice from its Investment Consultant, considers the trade-off between risk and expected returns. The additional 'default arrangements' were created due to mapping exercises completed by the Trustee. As part of any mapping exercise, the Trustee considers the appropriateness of the 'default arrangement' to ensure that the expected amount of risk (and commensurately the expected return) is appropriate given the age of the member and their expected retirement date.
- 21.2 The Trustee has considered the investment risk associated with DC pension investment. This risk can be defined as the uncertainty over the ultimate amount of savings available on retirement. A number of factors contribute to this uncertainty some of which (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment strategies made available to members. The specific risks pertaining to the additional default arrangements are identified in the table in 12.6.
- 21.3 The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee considers to be financially material considerations in relation to the additional default arrangements. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

22. Members' Best Interests

- 22.1 The Trustee will carry out regular assessments (at least triennially or following any significant change in membership) of the additional default arrangements to ensure that they continue to remain appropriate for the membership profile. This is in addition to more regular performance monitoring, which is expected to take place more regularly. The Trustee strives to ensure the Plan's arrangements evolve in line with the Plan's membership characteristics in order to ensure that assets are invested in the best interests of the members.

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

DATED : 10th SEPTEMBER 2020

This document sets out the detailed day-to-day implementation of the investment policy of The IBM Pension Plan ("the Plan") as determined by the Plan'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 Plan's Statement of Investment Principles ("SIP"), which outlines the broader framework of the principles governing decisions about investment of the Plan's assets.

Schedules

Schedule A	Current DB Investment Strategy
Schedule B	Day to day management of DB assets
Schedule C	DC and Additional Contributions (AVCs & ASCs)

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

August 2020

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

DATED: 10th September 2020

Schedule A

Current DB Investment Strategy

Asset Allocation Policy

The Trustee has set the asset allocation below as the target appropriate to meet the Plan's objectives and control the investment risks identified in the SIP.

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

Asset Class	Current Target Allocation (%)
Growth Assets	5.5
Private equity	2.5
UK property	3.0
Matching Assets	94.5
Global bonds	3.5
Global credit	3.5
Long-term UK core credit	25.0
Liability matching assets	60.5
Cash	2.0
Total	100.0

The Plan'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 private equity and UK property. The Trustee is comfortable with some level of divergence from the current target allocation and will review such divergence from time to time to ensure that the asset allocation remains suitable for the Plan, 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 and private equity.

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 Plan's total assets.

Liability Hedging Policy

The Trustee has agreed to target a 105% 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 Plan'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
Private equity	Various	Pooled	Active	Internally benchmarked
UK Property	CBRE	Segregated	Active	MSCI UK Annual Property Index (GBP)
Reinsurance (Current holdings*)	Nephila	Pooled	Active	3mth (USD) LIBOR + 3%
	Securis	Pooled	Active	
	CQS	Pooled	Active	
Alternative Credit	Mackay Shields	Segregated	Active	3mth (UK) LIBOR + 5%
Global bonds	Northern Trust	Pooled	Active	Barclays Global Aggregate Customised (20% Treasuries/40% Corporates/40% Securitised)
Global credit	L&G	Pooled	Active	Barclays Global Aggregate Corporate Customised (1% issuer cap) GBP hedged
	PIMCO	Segregated	Active	
	Wellington	Segregated	Active	
Long-term UK core credit	PIMCO	Segregated	Active	Bloomberg Barclays Sterling Aggregate 10+ Non-Gilt 50% / Non-Gilt (Excl. BBB) 50%
	Western	Segregated	Active	
LDI	BlackRock	Segregated	Passive	Liability benchmark
Cash	Northern Trust	Segregated	Passive	Unbenchmarkd
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 Plan 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 Plan; this does not preclude borrowing made only for the purpose of providing liquidity for the Plan 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 Plan's segregated assets. For the Plan'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 Plan'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

DB and Additional Contributions (AVCs and ASCs)

The Plan's DC and AVC/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 annuity (the current default investment strategy), income drawdown, or cash. There are also five legacy Lifecycle / Lifestyle investment strategies. Each member's circumstances are unique and as such how they will take their retirement benefits will differ depending on those circumstances. The legacy default Lifecycle / Lifestyle investment strategies are no longer open to new members; however, members close to retirement, and hybrid members, may remain invested in these strategies and can opt to increase their allocations.

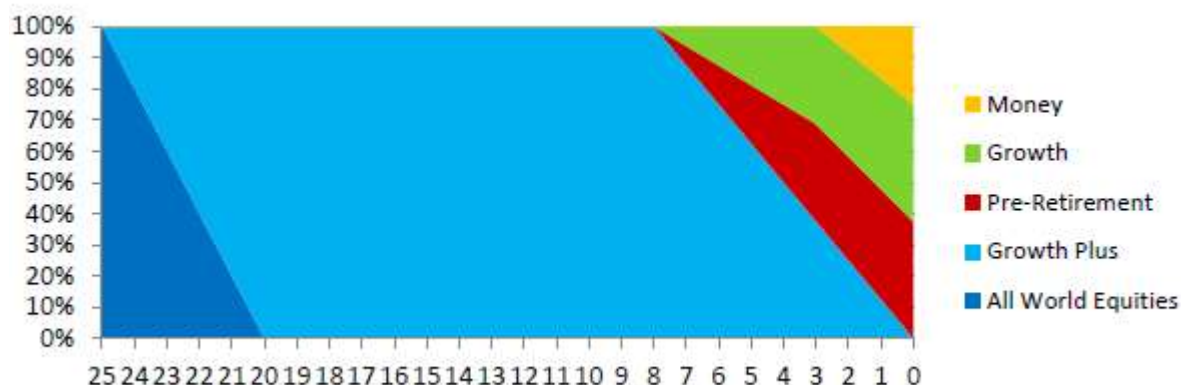
Following a review of the Plan's DC and AVC arrangements in 2019, the Trustee is planning to introduce four new Lifecycle strategies in the fourth quarter of 2020. As part of this, the current default investment strategy will be replaced with a Lifecycle strategy targeting a combination of annuity, drawdown, and cash which will give members more flexibility at retirement. 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 Balanced 2020 (expected to be available from the fourth quarter of 2020)

The Lifecycle Balanced 2020 strategy will be the new default investment strategy and 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.

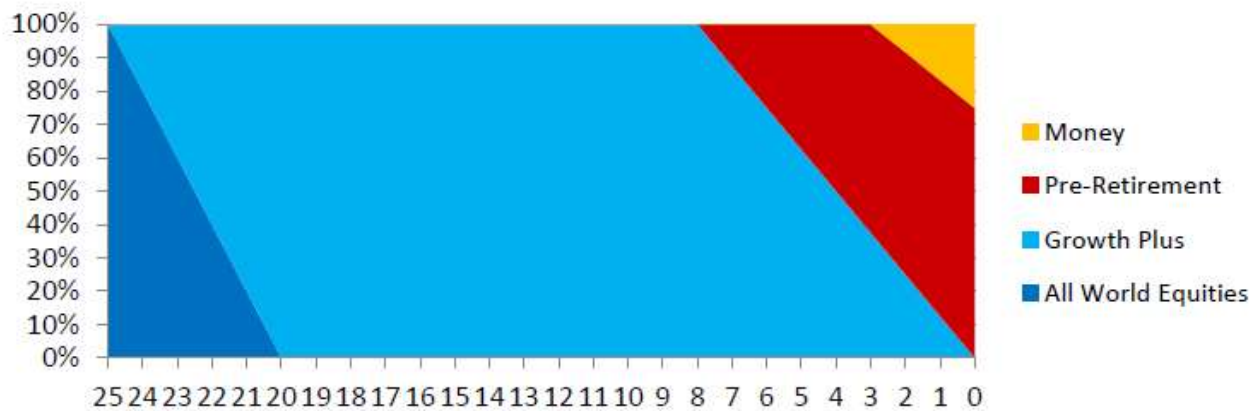
Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



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 DC 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.

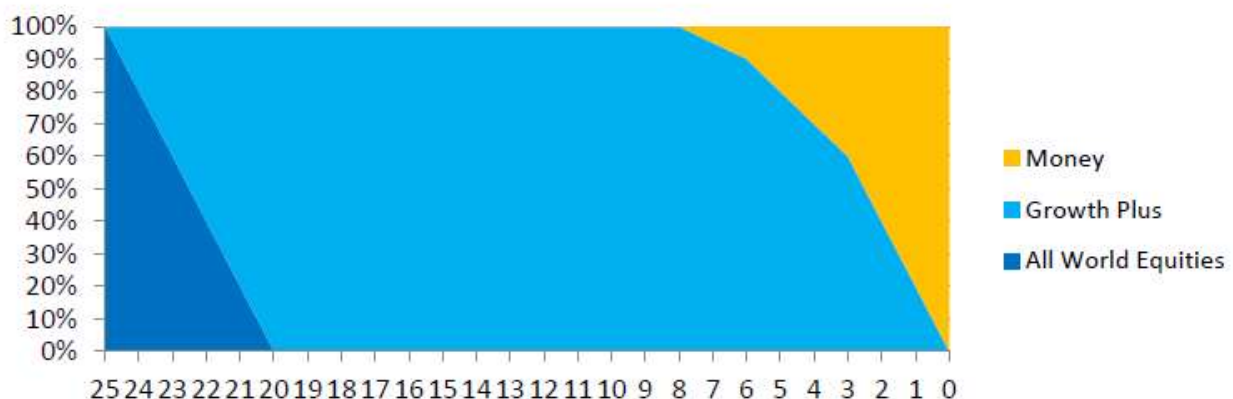
Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



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

The Lifecycle to Lump Sum 2020 strategy 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.

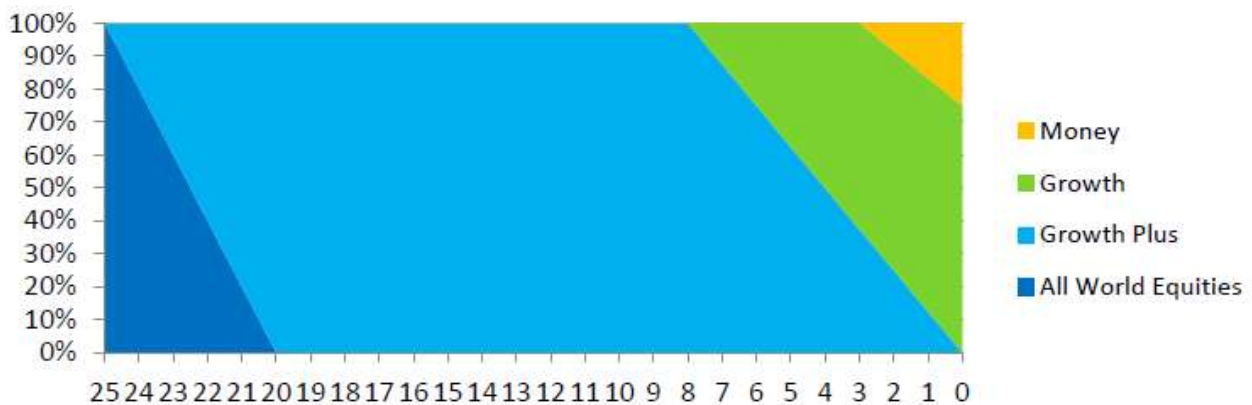
Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



Lifecycle 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.

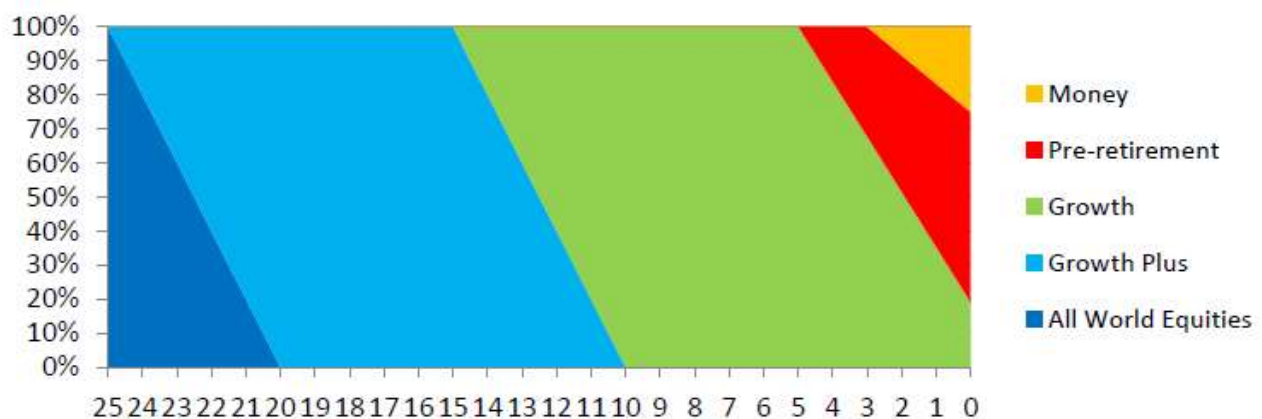
Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



Lifecycle to Annuity (Current Default Investment Strategy)*

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.

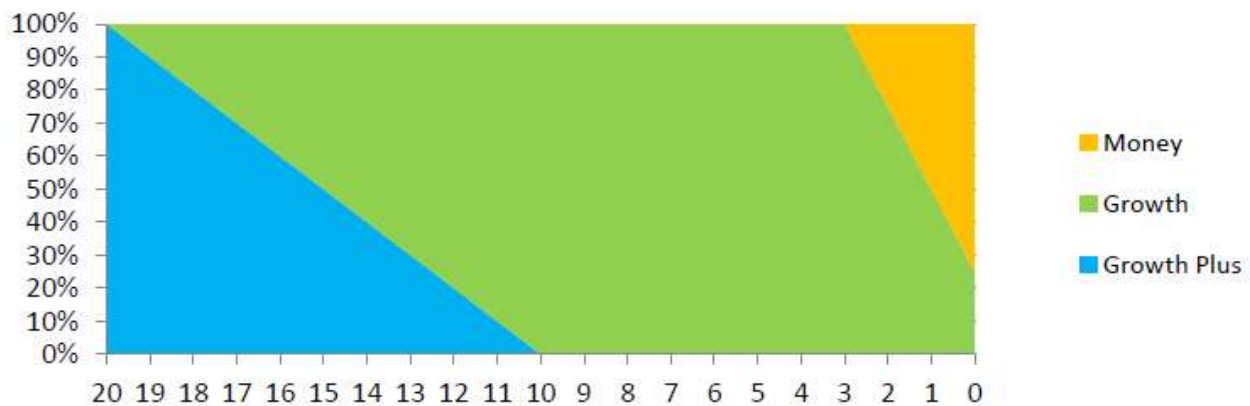
Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



Lifecycle to Lump Sum*

The Lifecycle to Lump Sum strategy 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 until 20 years from retirement, 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.

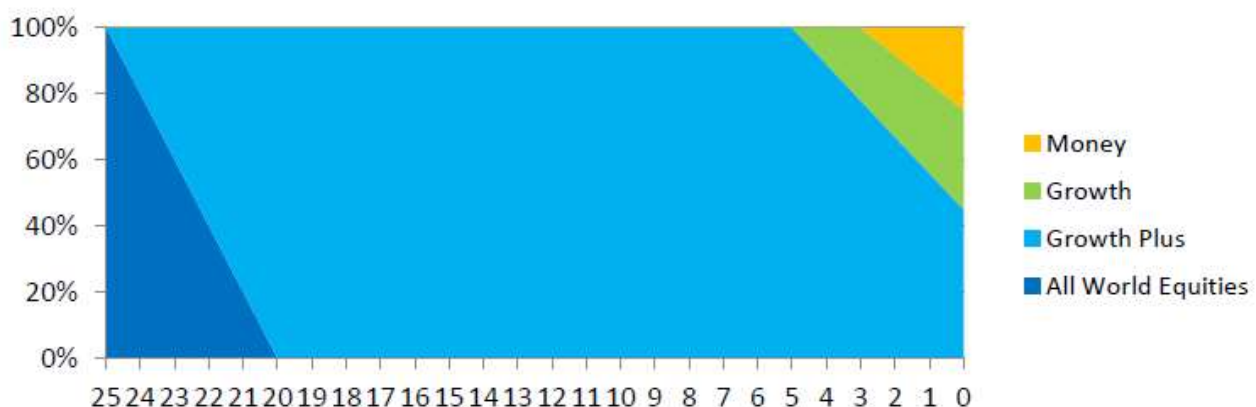
Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



Lifecycle to Drawdown*

The Lifecycle to Drawdown 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. The mix between different asset types is varied according to each member's years remaining to their 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.

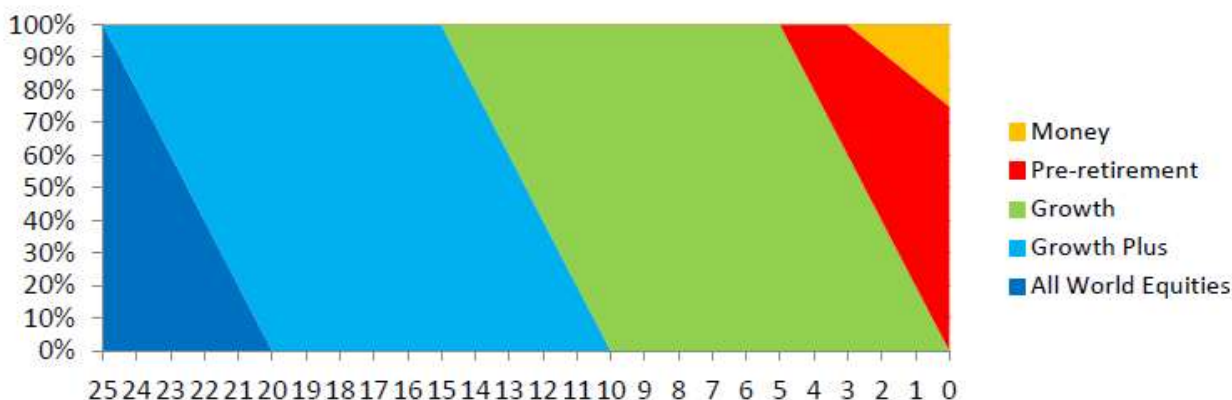
Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



Lifecycle 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 15 years from retirement, the Growth Fund is added and then at 5 and 3 years from retirement, the Pre-Retirement and Money Funds are gradually introduced with final allocations of 75% and 25% respectively.

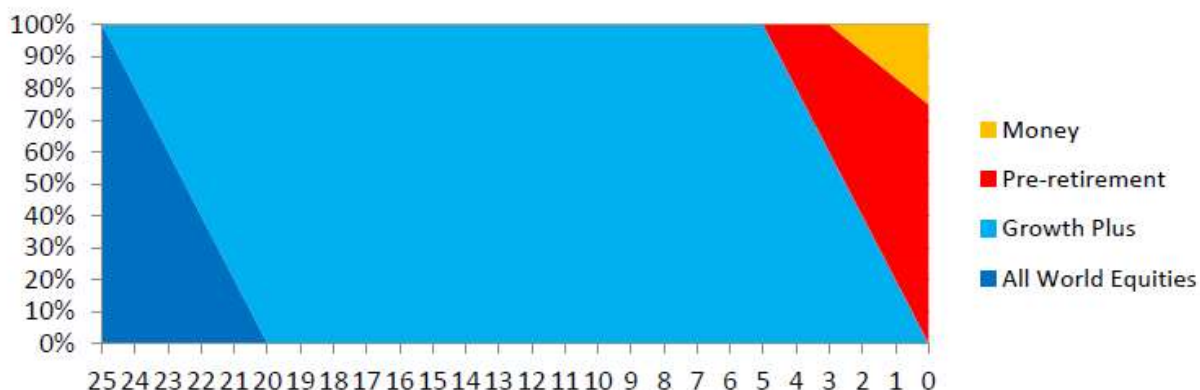
Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



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.

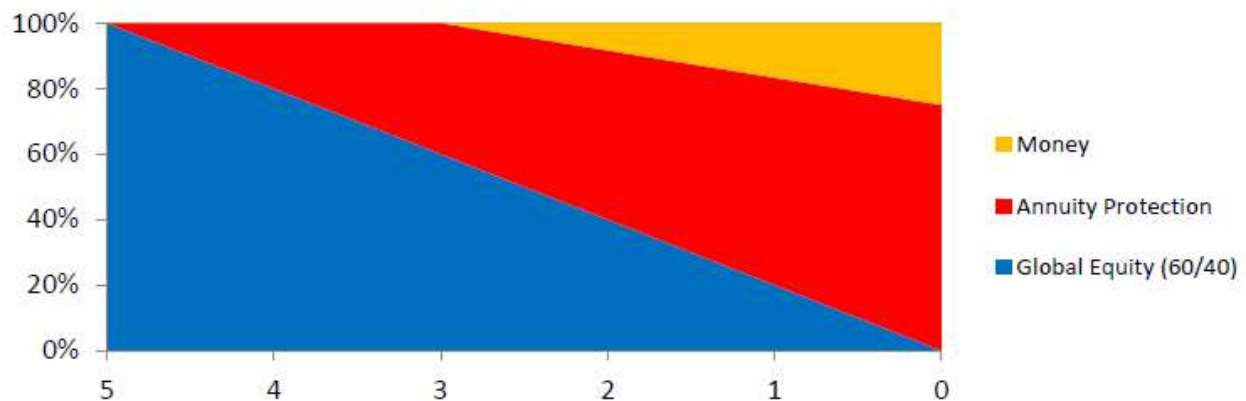
Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



Lifestyle 2002**

There is a 100% allocation to the Global Equity Fixed Weights (60:40) Index Fund until 5 years from retirement at which point the Annuity Protection Fund is introduced. The Money Fund is then introduced at 3 years to retirement with exposure progressively increased until final allocations of 75% and 25% respectively are achieved.

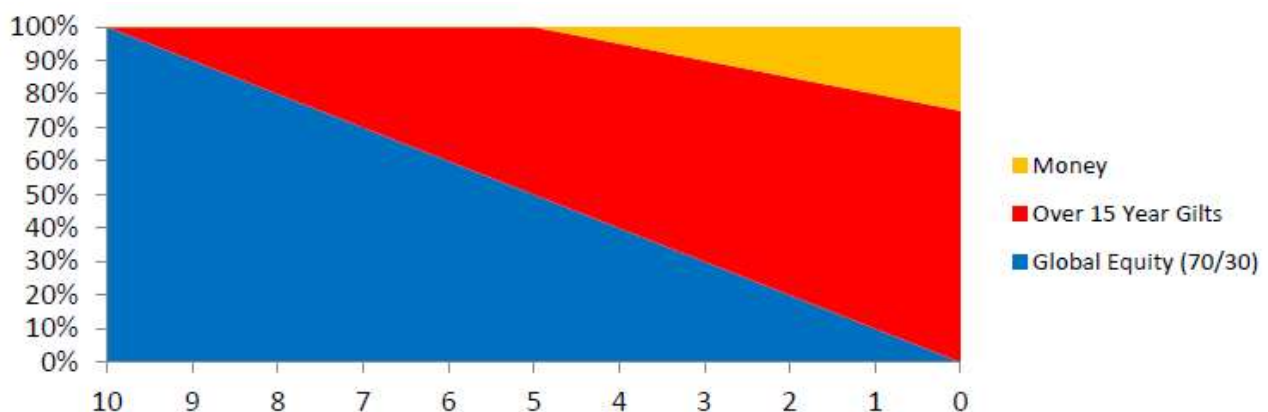
Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



Lifestyle 1997**

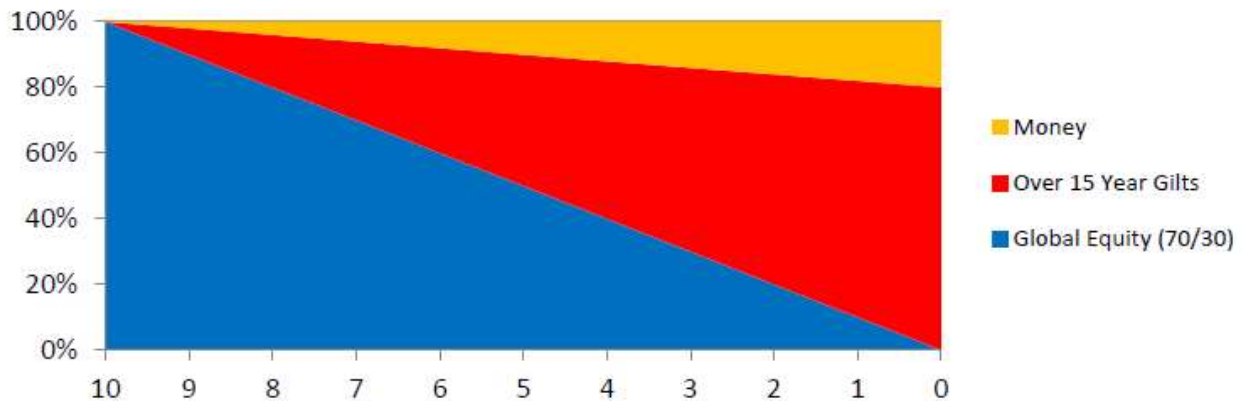
There is a 100% allocation to the Global Equity (70:30) Index Fund until 10 years from retirement at which point the Over 15 Year Gilts Fund is introduced. The Money Fund is then introduced at 5 years to retirement with exposure progressively increased until final allocations of 75% and 25% are achieved respectively.

Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



Lifestyle 1997 (Data Science Limited members only)**

There is a 100% allocation to the Global Equity (70:30) Index Fund until 10 years from retirement at which point the Over 15 Year Gilts Fund and the Money Fund are introduced. Exposure is progressively increased until final allocations of 80% and 20% are achieved respectively. Switches are undertaken quarterly.



* 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 and Lifestyle 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

Manager	Fund	Description	Benchmark
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 currency exposure is hedged back into sterling reducing the impact of currency movements.	FTSE4Good Global Equity (90% GBP hedged)
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	FTSE EPRA/NAREIT Developed Real Estate Index (100% GBP hedged)

Manager	Fund	Description	Benchmark
		years out of three. All of the developed market currency exposure is 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 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.</p>	Weighted composite Growth Fund benchmark (Approx. 15% unhedged currency exposure - hedge levels in line 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

Manager	Fund	Description	Benchmark
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 that objective, the benchmark evolves over time as annuity price drivers 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.	Composite of gilts and corporate bond funds
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 Aviva With-Profits Fund 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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Annual Implementation Statement for Year ended 31 December 2020

IBM Pension Plan ('the Plan')

Annual Implementation Statement for the Year Ended 31 December 2020

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 2020 to 31 December 2020 (the "Plan Year"). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

The statement is based on, and should be read in conjunction with, the relevant versions of the SIP that were in place for the Plan Year, which were the SIP dated July 2019 (covering the period between 1 January 2020 and 9 September 2020) and the SIP dated August 2020 (covering the period between 10 September 2020 and 31 December 2020).

Sections 2.1 and 2.2 of this statement sets out the investment objectives of the Plan and changes which have been made to the SIP during the Plan Year, respectively.

Section 2.3 of this statement sets out how, and the extent to which, the policies in the Defined Benefit ("DB") Section and Defined Contribution ("DC") Section of the SIP have been followed. The Trustee can confirm that all policies in the SIP have been followed in the Plan Year.

A copy of the SIP is available at <https://www.smartpensionsuk.co.uk/#/page/governance-documentation>.

Sections 3 and 4 include information on the engagement and key voting activities of the underlying investment managers within each Section of the Plan.

2. Statement of Investment Principles

2.1. Investment Objectives of the Plan

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

The objectives for the DB Section of the Plan specified in the SIP are as follows:

- The acquisition of suitable assets of appropriate liquidity that will generate income and capital growth to meet, together with any new contributions from the Company, the cost of current benefits that the Plan provides.
- To limit the risk of the assets failing to meet the liabilities, both over the long-term and on a shorter-term basis.

For the DC section of the Plan, the Trustee's principal mission is to help members to maximise their retirement outcomes with an appropriate level of investment risk, by providing an appropriate investment framework which represents value for members and which is in line with recognised market "good practice", taking into account guidance from the Pensions Regulator and other appropriate industry and regulatory bodies.

In addition to the principal mission as stated above and the investment objectives below, the Trustee also aims to:

- Ensure that the DC Section's operational structure is sensible and cost effective.
- Provide members with adequate tools and timely information to enable them to make informed contribution, investment and retirement decisions.

Annual Implementation Statement for Year ended 31 December 2020

The Trustee has the following investment objectives related to the DC section of the Plan:

- To offer suitable default investment strategies that are appropriate for the profile of defaulting members based on their expected risk tolerances and retirement objectives.
- To offer a range of self-select investment options which are appropriate for the profile of most members.

2.2. Review of the SIP

During the year, the Trustee reviewed and amended the Plan's SIP, taking formal advice from its Investment Consultant (Mercer Limited ("Mercer")). A revised SIP was signed on 10 September 2020 in order to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 to outline the Trustee's arrangements with its asset managers including:

- How the arrangements with the asset managers incentivise them to align their investment strategies and decisions with the Trustee's investment policies.
- How those arrangements incentivise the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of the asset managers' performance and the remuneration of asset managers are in line with the Trustee's investment policies.
- How the Trustee monitors "portfolio turnover costs" incurred by the asset managers.
- The duration of the arrangements with the asset managers.



The SIP was also updated during the year to reflect the agreed changes to the investment arrangements of the DB section following a review of the investment strategy. This encompassed an increase in the long-term strategic target allocation to matching assets (from 71.5% to 94.5%) and a decrease in the long-term strategic target allocation to growth assets (from 28.5% to 5.5%). In December 2020, the Trustee purchased a buy-in policy with Rothersay Life plc to secure a portion of the Plan's liability in relation to pensioner members. This change to the Plan's investments will be reflected in the next SIP review due to take place in 2021.



For the DC section, updates were made to reflect planned changes to the investment arrangements following conclusion of an investment strategy review in 2019. These changes were as follows:

- A new default Lifecycle arrangement (Lifecycle Balanced 2020) for DC members of the Plan.
- The introduction of three further Lifecycle arrangements:
 - Lifecycle to Lump Sum 2020
 - Lifecycle to Drawdown 2020
 - Lifecycle to Annuity 2020.
- The introduction of the Legal and General Investment Management Limited ("LGIM") Future World Fund to the self-select (Freestyle) range of investments.

These new DC arrangements were made available to members in the first quarter of 2021.

2.3. Assessment of how the policies in the SIP have been followed for the Plan Year

The information provided in this section highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP (dated 10 September 2020), relating to the DB Section and DC Section of the Plan.



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

Annual Implementation Statement for Year ended 31 December 2020



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 2 (Plan Governance) of the SIP, which applies to the DB and DC Sections of the Plan.

How has this policy been met over the Plan Year?

Prior to investing into the following Long-Term UK Core Credit mandates during 2020, the Trustee received advice from its Investment Consultant on the suitability of the investments for the Plan:

1. Pacific Investment Management Company ("PIMCO") (suitability advice received in November 2019 prior to investment on 19 February 2020);
2. Western Asset Management Company (suitability advice received in May 2020 prior to investment on 14 July 2020);
3. Goldman Sachs Asset Management ("GSAM") (suitability advice received in October 2020 prior to investment on 9 November 2020).

In November 2020, the Trustee received advice from its Investment Consultant on the continued suitability of the DB arrangements of the Plan.

In December 2020, the Trustee received investment advice on the suitability of the buy-in policy with Rothersey Life plc to secure a portion of the Plan's liability in relation to pensioner members. This transaction was completed in December 2020.

If you are a DB Section member with Additional Voluntary Contributions ("AVCs") previously invested with Utmost Life & Pensions Limited ("Utmost"), further information on the transfer of your AVCs from Utmost to LGIM can be found under the DC Section of this page.

How has this policy been met over the Plan Year?

In early February 2020, the Trustee's Investment Consultant provided advice on the transition of the Plan's Additional Voluntary Contributions ("AVCs") held with Utmost Life & Pensions Limited ("Utmost") following the closure of the Equitable Life With Profits Fund. It was recommended that these assets were moved to the Plan's existing DC arrangements with LGIM. Accordingly, members' AVCs that were invested with Utmost were transitioned to LGIM in May 2020, providing members with access to a well governed range of funds with competitive fees.

In September 2020, the Trustee received advice from its Investment Consultant with respect to the suitability of the LGIM platform from an investment perspective following the Trustee's decision to move to a 'bundled arrangement' (providing both administration and investment services) with Legal & General Assurance Society Limited ("LGAS").

In November 2020, the Trustee received advice from its Investment Consultant on the continued suitability of the DC and AVC arrangements of the Plan.

Annual Implementation Statement for Year ended 31 December 2020



Investment Mandates

Realisation of Investments

Policy

The Trustee's policy is that there should be sufficient liquidity within the Plan's assets to meet short term cashflow requirements in the majority of foreseeable circumstances, so that realisation of assets will not disrupt the Plan's overall investment policy.

Policy

Further details are set out in the following sections of the SIP:

- Objectives and Policy (SIP Section 6)
- Day to Day Management (SIP Section 8)

Policy

Further details are set out in the following sections of the SIP:

- Overall Aims and Objectives (SIP Section 10)
- Investment Objectives (SIP Section 11)
- Investment Policies (SIP Section 12.6)

How has this policy been met over the Plan Year?

Over the year, the Plan held a diversified portfolio consisting mostly of readily-realiseable assets. This included maintaining sufficient liquid assets to meet both short-term and longer-term cashflow requirements. In addition, the liquidity profile of the Plan was periodically reviewed by the Trustee.

How has this policy been met over the Plan Year?

Members' investments within the DC Section are traded and priced on a daily basis.



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 Plan's SIP outlines the Trustee's beliefs on ESG factors (including climate change). Further details are included in Section 3 of the SIP, which applies to the DB and DC Sections of the Plan. The Trustee keeps its policies under regular review.

How has this policy been met over the Plan Year?



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 £5 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 2021, aligned with the Task Force on Climate-related Disclosures ("TCFD") framework.

In November 2020, the Investment Consultant provided the Trustee with ESG education and following this education, a sub-committee was formed to review and develop the Trustee's ESG policies as well as consider the requirements of TCFD reporting and how they impact the Plan.

The Investment Consultant periodically reports any change in its ESG ratings to the Trustee on an ongoing basis and makes recommendations to the Trustee, as appropriate. ESG ratings are also monitored as part of the annual Value for Members Assessment in respect of the DC Section.

The Trustee has delegated responsibility for the selection, retention, and realisation of investments to their investment managers and accordingly, the Trustee seeks to manage the risks and opportunities associated with these ESG factors by selecting industry leaders in investment management who are committed to the Principles for Responsible Investment ("UNPRI") (as they apply to the sector in which the manager invests or the strategy pursued by the manager) and against criteria which include ESG considerations. ESG and the level of integration will differ across asset classes and by investment manager.

The Trustee does not require the Plan's investment managers to take non-financial matters into account in their selection, retention and realisation of investments.



All Long-Term UK Core Credit mandates funded over the year to 31 December 2020 (as mentioned in the 'Investment Mandates' section on page 3) were signatories to the UNPRI in accordance with the Trustee's policy.



The Trustee added the LGIM Future World Fund to the self-select (Freestyle) fund range and made this available to members in first quarter 2021. The LGIM Future World Fund invests in a diversified range of global companies but tilts away from companies who generate revenue from fossil fuels or produce a high level of CO2 in favour of companies which are less carbon intensive or earn 'Green Revenues'.

The Trustee considers feedback received from members as part of any discussions relating to the range of funds available within the DC Section.

Annual Implementation Statement for Year ended 31 December 2020



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 Plan's investments to the investment managers. Further details are set out in Section 4 (Rights Attaching to Investments (Stewardship)) of the SIP, which applies to the DB and DC Sections of the Plan. 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.

How has this policy been met over the Plan Year?



During 2020, voting and engagement summary reports from the Plan's investment managers were provided to the Governance Committee for review to ensure that they were aligned with the Trustee's policy. The Trustee does not use the direct services of a proxy voter.

Section 3 includes examples of engagement activity undertaken by the Plan's investment managers with investments in equities, and section 4 sets out a summary of voting activity and a sample of the most significant votes cast on behalf of the Trustee by these investment managers.

The Trustee supports the aims of the UK Stewardship Code and its investment managers are encouraged to report their adherence to the Code. Most of the Plan's investment managers within the DB Section are currently (or are planning to become) signatories to the current UK Stewardship Code. The Plan's investment manager within the DC Section (LGIM) is also a signatory to the current UK Stewardship Code.

Annual Implementation Statement for Year ended 31 December 2020



Monitoring the Investment Managers

Incentivising asset managers to align their investment strategies and decisions with the Trustees' policies

Policy

The Trustee's policy is set out in Section 5 (Aligning Investment Manager Appointments with the Trustee's Investment Strategy) of the SIP, which applies to the DB and DC Sections of the Plan.

**How has this policy been met over the Plan Year?**

For the investments in pooled funds, the Trustee accepts that it cannot specify the risk profile and return targets for these funds. However, appropriate funds have been selected to align with the investment strategy.

For the DB Section's segregated mandates, the Trustee has specified criteria in the investment manager agreements for the managers to meet the Plan's specific investment requirements and to have regard to the Trustee's policies set out in the SIP (this includes the three Long-Term UK Core Credit managers that were appointed during 2020).

In the year to 31 December 2020, the Trustee received advice from its Investment Consultant on the continued suitability of the Plan's DB investments which confirmed that the investments remained appropriate.

**How has this policy been met over the Plan Year?**

As the Trustee invests exclusively in pooled investment funds, it accepts that it cannot specify the risk profile and return targets for these funds.

In the year to 31 December 2020, the Trustee received advice from its Investment Consultant on the continued suitability of the Plan's DC and A/V/C investments which confirmed that the investments remained appropriate.

Over this period, the Trustee remained satisfied that the contractual arrangement in place with LGIM remained appropriate. The contracts were reviewed during 2020 as part of the move to a bundled arrangement with LGAS in first quarter 2021.

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

Policy

The Trustee's policy is set out in Section 5 (Evaluating Investment Manager Performance) of the SIP, which applies to the DB and DC Sections of the Plan.

**How has this policy been met over the Plan Year?**

Over the year to 31 December 2020, quarterly performance reviews were held with most of the Plan's investment managers. This included quarterly meetings of the Trustee's 'Liability Driven Investments ("LDI") Governance Sub-Committee' with BlackRock to oversee and make an ongoing assessment of the LDI mandate.

In addition, both quarter and longer-term performance metrics for all of the Plan's investment mandates were reported to the Investment Committee quarterly at both an asset class and investment manager level.

**How has this policy been met over the Plan Year?**

The performance of each of the Plan's funds, including those used in the Lifecycle and Lifestyle arrangements, were reviewed by the Investment Committee at each of its quarterly meetings. This included fund performance against their benchmarks over both quarter and longer-term periods.

The charges paid to LGIM for their services were analysed as part of the annual 'Value for Members' assessment for the DC Section, which was conducted by the Plan's Investment Consultant. Following advice from the Plan's Investment Consultant, the Trustee successfully agreed a reduction in investment management fees for some of the DC funds which resulted in certain cost savings for members (applicable from December 2020).

Annual Implementation Statement for Year ended 31 December 2020



Monitoring the Investment Managers

Monitoring portfolio turnover costs

Policy

The Trustee's policy is set out in Section 5 (Portfolio Turnover Costs) of the SIP, which applies to the DB and DC Sections of the Plan.



How has this policy been met over the Plan Year?

As noted in the SIP, the Trustee does not explicitly monitor portfolio turnover costs with respect to the DB Section of the Plan. Investment manager performance was reported and evaluated net of all fees and transaction costs (costs incurred as a result of buying and/or selling assets), and where possible, performance objectives for investment managers were set on a net basis. In this way, managers were incentivised to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.



How has this policy been met over the Plan Year?

Transaction costs were reviewed by the Investment Committee at each of its quarterly meetings and were also disclosed in the annual Chair's Statement. The transaction costs for each fund covers the buying, selling, lending and borrowing of the underlying securities in the fund by the investment manager.

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 5 (Manager Turnover) of the SIP, which applies to the DB and DC Sections of the Plan.



How has this policy been met over the Plan Year?

Having completed a review of the Plan's DB investment strategy in 2020, the Trustee agreed to reduce risk within the Plan's investments and as a result, a number of investment mandates were terminated as the strategy no longer required exposure to certain 'growth' asset classes.

Details of the strategic changes to the Plan's investments are set out in the next section on 'Strategic Asset Allocation' (page 9).

If you are a DB Section member with AVCs, further information on the transfer of your AVCs from Utmost to LGIM can be found under the DC Section of this page.



How has this policy been met over the Plan Year?

No change in the investment manager was made during the year for the DC section with the exception of members' AVCs which were previously invested with Utmost Life & Pensions and subsequently transitioned to LGIM in May 2020, providing members with access to a well governed range of funds with competitive fees.

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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:

- Objectives and Policy (SIP Section 6)
- Investment Strategy (SIP Section 7)

How has this policy been met over the Plan Year?

The Plan's investment arrangements were reviewed in 2019-2020 following which a number of changes were agreed. In particular, the following was agreed:

4. An overall reduction in risk with the 'Growth' and 'Matching' portfolios moving from 28.5% Growth and 71.5% Matching to a target of 5.5% Growth and 94.5% Matching respectively.
5. Full redemptions from Global and Emerging Market Equities, Alternative Beta, Emerging Market Debt, Reinsurance, and Alternative Credit.
6. Partial redemptions from Global Bonds and Global Credit.
7. Investment in Long-Term UK Core Credit (diversified by investment manager).
8. A phased sale of UK Property.

The revised target investment strategy was assessed to have an expected return sufficient to achieve the funding objective of the Plan, with a level of investment risk that was consistent with the return.

The SIP was updated in 2020 to reflect the agreed changes to the investment arrangements. The Trustee regards the basic distribution and balance of the assets to be appropriate for the Plan's objectives and liability profile.

In December 2020 approximately 60% of the Plan's pensioner liabilities were secured with Rothesay Life plc. This was funded from assets held in the LDI Portfolio.



Policy

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

- Overall Aims and Objectives (SIP Section 10)
- Investment Objectives (SIP Section 11)
- Investment Policies (SIP Section 12 (12.1 - 12.5))
- Default Investment Strategy - Aims and Objectives, Investment Policies, Members' Best Interests (SIP Sections 13 - 15)
- Legacy Default Investment Strategies - Aims and Objectives, Investment Policies, Members' Best Interests (SIP Sections 16 - 18)
- Additional Default Arrangements, Aims and Objectives, Investment Policies, Members' Best Interests (SIP Sections 19 - 22)

The default investment strategies are designed after careful analysis of the membership demographic and other characteristics in order to offer a suitable approach in so far as is practical, to the needs of the Plan's members. The Trustee carries out regular assessments of the performance of the default investment strategies and their design to ensure they continue to remain appropriate for the membership.

The Trustee recognises that the default investment strategies will not meet the needs of all members and as such, alternative investment options are available for members to choose from – including alternative Lifecycle arrangements and a range of self-select (Freestyle) funds.

How has this policy been met over the Plan Year?

Over the year, the Trustee received investment performance reports from LGIM on a quarterly basis for all of the funds within the Lifecycle and Lifestyle arrangements in addition to the self-select (Freestyle) funds. This included fund performance against benchmarks over both short and longer-term periods. Investment performance is reviewed by the Trustee at the quarterly Investment Committee meetings.

The Trustee was satisfied with the performance of the funds over the Plan Year having performed in line with their underlying aims and objectives



Strategic Asset Allocation

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



Policy

The Trustee recognises a number of risks involved in the investment of the assets of the DB Section 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 9)

The Trustee considers both quantitative and qualitative measures for a number of risks on an ongoing basis when deciding investment policies, strategic asset allocation, and the choice of asset classes, funds, and asset managers.

How has this policy been met over the Plan Year?

During the year, the Trustee periodically reviewed its currency hedging arrangements to ensure the level of unhedged currency exposure was maintained within acceptable limits.

Quarterly meetings of the Trustee's LDI Governance Sub-Committee were held with BlackRock to oversee the LDI hedging arrangements.

Other risks were managed during the year as described in the SIP (Section 9).

The Trustee also received updates from its Investment Consultant on developments concerning the Plan's DB investment managers as required.



Policy

The Trustee recognises a number of risks involved in the investment of the assets of the DC Section 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:

- Investment Policies (SIP Section 12 (12.6 - 12.7))

In determining which investment options to make available the Trustee considers the investment risk associated with DC pension investment. The risk can be defined as the uncertainty over the ultimate amount of savings available on retirement.

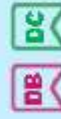
How has this policy been met over the Plan Year?

During the year, the Trustee conducted a currency hedging review on the relevant funds within the DC Section.

The Trustee received administration reports twice over the year which were reviewed by the Governance Committee to ensure that core financial transactions were processed within agreed service levels and regulatory timelines.

Other risks were managed during the year as described in the SIP (Section 12.6).

The Trustee also received updates from the Investment Consultant on developments concerning LGIM. None of these updates resulted in any recommended changes to the DC arrangements.



The Trustee maintains a register of key risks, including investment risks, which is reviewed annually by the Governance Committee or more frequently if new risks are identified. 'Top' risks are also reviewed quarterly. The register of key risks rates the impact and likelihood of the risks and identifies mitigating factors and additional actions taken.

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3. Examples of Engagement Activity by the Plan's Equity Investment Managers

The following are examples of engagement activity undertaken by the Plan's Equity investment managers.



BlackRock's persistent engagement and vote escalation on compensation yields positive outcomes



A UK self-storage company showed a willingness to improve its compensation practices this year having had a string of votes against management on executive pay dating back to 2017. Following these votes and BlackRock's multi-year engagements with the company, including prior to the 2020 shareholder meeting, the company announced it would make changes to its compensation

practices. These changes were reflected in the management's updated compensation policy and long-term incentive plan, which BlackRock supported; both received nearly 98% shareholder support.

The company's revised remuneration policy incorporates changes in line with BlackRock's feedback.

BlackRock are encouraged that the company has evolved its remuneration policy and will monitor how it is implemented and reported in the company's next remuneration report.



LGI engages with KEPCO on sustainability

LGI has been engaging with Korea Electric Power Company (KEPCO) since early 2017. In 2019, due to a lack of responsiveness to investor concerns, the company's continued plans to expand thermal coal power generation and poor climate risk disclosure, LGI made the decision to implement voting sanctions and divest from the company in the Future World fund range. Following this decision, LGI had four meetings with the company, including one in person at LGI's offices in autumn 2019. To further increase pressure on the company, LGI's Head of Sustainability and Responsible Investment outlined their concerns in an interview with a leading Korean daily newspaper in 2020.

In October 2020, KEPCO publicly pledged it would make no further investments in overseas coal projects. The company announced it would focus on renewables and natural gas in the future, and that all currently planned thermal coal projects, with the exception of two plants in Indonesia and Vietnam, will either be converted to liquefied natural gas or called off.



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4. Voting Activity during the Plan Year

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DB Section of the Plan.



Voting data covering the period from 31 December 2019 to 23 June 2020.
Source: Investment managers, data may not sum due to rounding.

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Sample of the most significant votes



There is no official definition of what constitutes a significant vote; managers have adopted a variety of interpretations such as:

- There is a particular interest in a specific vote relating to an issue,
- The potential impact on the financial outcome,
- Size of the holding in the fund / mandate, and
- Whether the vote was high-profile or controversial.

⊗ Resolution not passed ⊙ Resolution passed

Manager	Fund	Company	Date of vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
BlackRock ¹	Global Equity	Royal Dutch Shell plc	19 May 2020	Voted against the request from shareholders for the company to set and publish targets for greenhouse gas emissions.	Given Royal Dutch Shell's progress towards aligning its reporting with TCFD recommendations and its responsiveness to shareholder engagement on portfolio resilience and reduction of scope 1, 2 and 3 GHG emissions, BlackRock were supportive of the management.	⊗
		Total SA	29 May 2020	Voted against the shareholder resolution to instruct the company to set and publish targets for greenhouse gas emissions aligned with the goal of the Paris Climate Agreement and amend article 19 of bylaws accordingly.	In determining their vote, BlackRock took into account that Total already had some of the most ambitious climate targets in the industry on all relevant scopes (1, 2 and 3) and that the company already makes strong TCFD disclosures. In addition, BlackRock noted that the shareholder resolution referred to Total's previous climate commitments which have now been superseded by stronger commitments.	⊗
Russell ²	Emerging Markets Equity	Tencent Holdings Ltd.	13 May 2020	Voted against the issuance of shares without pre-emptive rights.	With respect to companies listed in Hong Kong, Russell vote against the issuance of shares without pre-emptive rights, unless Glass Lewis recommends a vote for, in which case the proposal will be voted on a case-by-case basis.	⊙
		China Mobile Limited	20 May 2020	Voted against the issuance of shares without pre-emptive rights.	The company's current level of disclosure regarding its capital expenditure strategy and GHG emissions did not appear to align with Paris goals under reasonable assumptions.	⊙
JP Morgan ³	Alternative Beta	Woodside Petroleum Limited	30 April 2020	Voted for approving the company to disclose Paris goals and targets.	No further rationale provided.	n/a*
		B2Gold Corp.	12 June 2020	Voted for approving all director elections at Board level.		⊙

Source: Investment managers

*Resolution was not put forward at the Annual General Meeting

¹ BlackRock's Investment Stewardship team publishes after shareholder meetings to provide transparency for clients and other stakeholders on their approach to the key votes that they consider to be most significant, and thus require more detailed explanation.

² Significant votes may include any votes that were manually determined by the Proxy Voting Committee, votes against management, votes with a controversial ballot (i.e. <52% shareholder support), or votes on companies that have a high weight in the Fund. Some clients may also place emphasis on votes that represent Environmental, Social, and/or Governance topics. Glass Lewis serves as Russell Investments' proxy administrator. Glass Lewis provides research on proxy votes, and is responsible for implementing Russell Investments' custom Proxy Voting Guidelines.

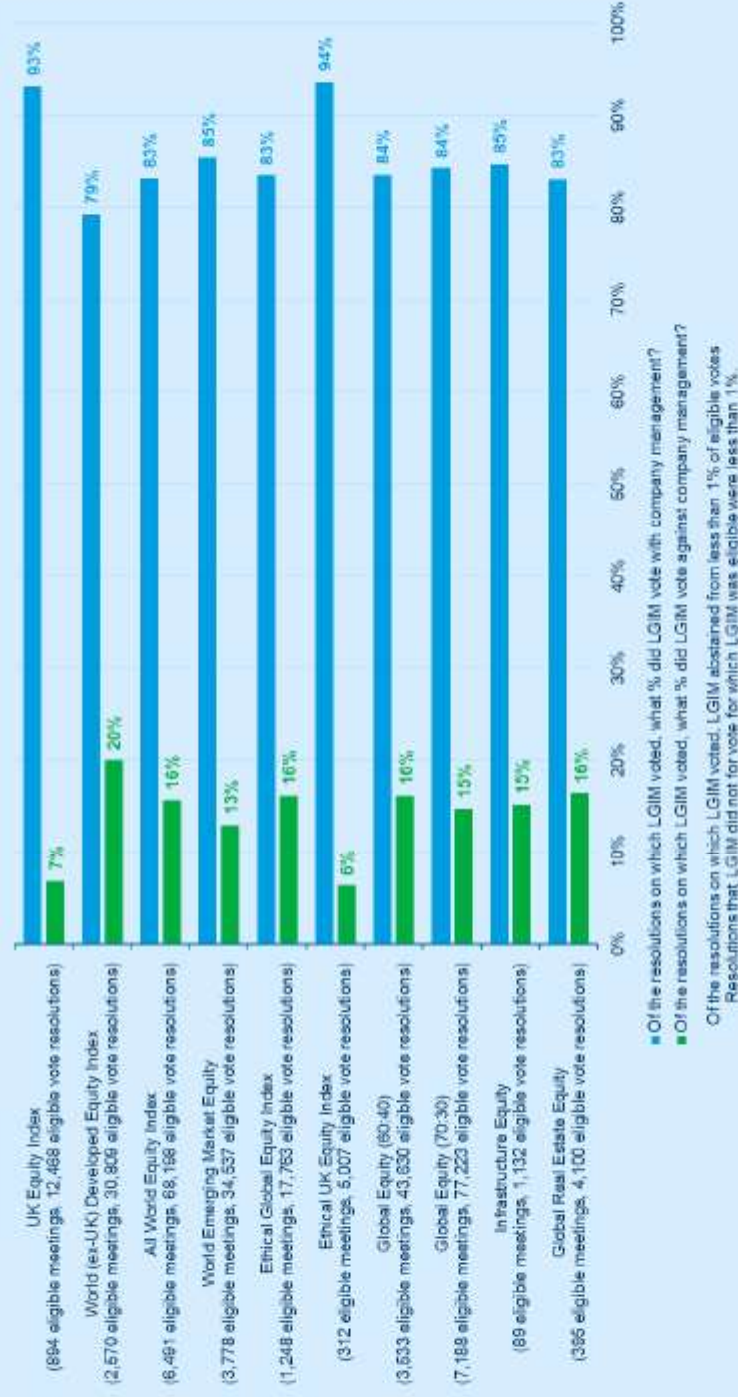
³ JP Morgan voted in line with its voting policy, where it was given voting rights by its clients (in its role as manager). The manager used a third party corporate governance data provider, Institutional Shareholder Services ("ISS"), to receive meetings notifications, provide company research and process its votes. JP Morgan defines significant votes as the ones where it is a major shareholder in its portfolio, where the vote is likely to be close or contentious or where there may be potential material consequences for the manager's clients. Over 2020, none of JP Morgan most significant votes were in breach with the voting policy.

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Voting Activity during the Plan Year



Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DC Section of the Plan. Funds where voting is not applicable (i.e. non-equity funds) are not included in the list below. With the exception of certain AVCs invested with Aviva, all DC investments are managed by LGIM.



Source: LGIM
Extracts from LGIM's voting policy:

"LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually.

LGIM's Investment Stewardship team uses Institutional Shareholders Services' (ISS) 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions."

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Sample of the most significant votes 					
 Fund	Company	Date of vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
UK Equity Index	Pearson	18 September 2020	LGIM voted against an amendment to the remuneration policy.	LGIM considered the amendment to be unusual and discussed the shortcomings of the remuneration policy with the chair of the board, given performance conditions were weak.	 Resolution passed
World (ex-UK) Developed Equity Index	ExxonMobil	27 May 2020	LGIM voted against the chair of the board at ExxonMobil's proposal to appoint a new director following on from LGIM's announcement that they will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying.	Due to recurring shareholder concerns, LGIM's voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.	
All World Equity Index	Barclays	7 May 2020	LGIM voted to approve Barclays' 'Commitment in Tackling Climate Change'.	The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers.	
World Emerging Market Equity	There were no significant votes to the Plan over the year.				
Ethical Global Equity Index	The Procter & Gamble Company	13 October 2020	LGIM voted in favour of The Procter & Gamble Company's 'Report on effort to eliminate deforestation'.	LGIM decided to support the resolution, following a round of extensive engagement with Procter & Gamble on the concerns raised and proponents to the resolution. LGIM were comfortable this reflected the company's financial situation in light of the COVID-19 pandemic following a period of engagement with the company. The structure of the proposed long-term incentive plan was in line with LGIM's remuneration principles.	
Ethical UK Equity Index	Rank Group	11 November 2020	LGIM voted to approve Rank Group's remuneration policy.	LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets.	
Global Equity (60:40)	Whitehaven Coal	22 October 2020	LGIM voted to ask Whitehaven Coal to report on the potential wind-down of the company's coal operations, with the potential to return capital to shareholders.	LGIM expected greater discretion to be taken by the remuneration committee with respect to bonus payments in light of the company's financial situation due to COVID-19.	
Global Equity (70:30)	International Consolidated Airlines Group	7 September 2020	LGIM voted against a resolution on the executive remuneration policy.		
Infrastructure Equity	There were no significant votes to the Plan over the year.				
Global Real Estate Equity	There were no significant votes to the Plan over the year.				

Source: LGIM