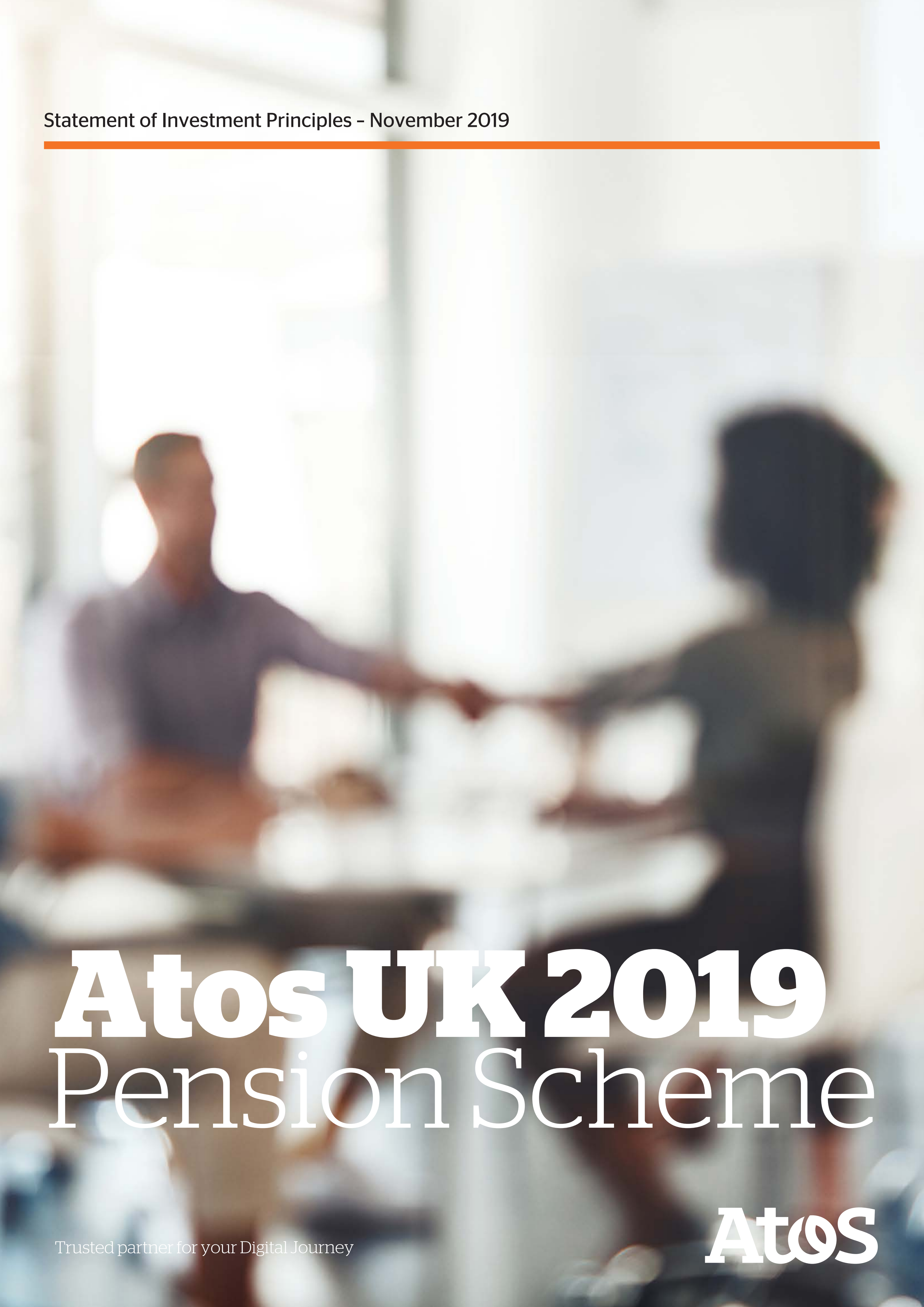
Statement of Investment Principles – November 2019



Atos UK 2019 Pension Scheme

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Introduction

This Statement of Investment Principles (the “Statement”) sets down the Principles governing the Atos Pension Schemes Limited (“the Trustee”) in relation to the investment of the Atos UK 2019 Pension Scheme (the “Scheme”) in order to meet the requirement of the Pensions Act 1995 as amended (the “Act”) and subsequent legislation including the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005, as amended.

The Scheme's Defined Benefit ("DB") and Defined Contribution ("DC") investment arrangements, based on the principles set out in this Statement, are detailed in a separate Investment Policy Implementation Document ("IPID").

In preparing this Statement, the Trustee has obtained written advice from the Scheme's Investment Consultant. The Trustee believes that the Investment Consultant meets the requirement of Section 35 (5) of the Pensions Act 1995. Where matters described in this Statement may affect the Scheme's funding policy, input has also been obtained from the Scheme Actuary. The Trustee will obtain similar advice whenever they review this Statement.

The Trustee will seek to maintain a good working relationship with the Principal Employer, Atos IT Services UK Limited, and will discuss any proposed changes to this Statement with the Principal Employer. However, the Trustee's fiduciary obligations to Scheme members will take precedence over the Principal Employer's wishes, should these ever conflict.

The Trustee's investment responsibilities are governed by the Scheme's Trust Deed and Rules and this Statement takes full account of its provisions. A copy of the Trust Deed and Rules is available for inspection by members, upon request. However, the Trustee retains ultimate power and responsibility for the Scheme's investment arrangements.

The Trustee strives to ensure that the investment policies and their implementation are in keeping with best practice.

The Trustee does not expect to revise this Statement frequently because it covers broad principles. The Trustee will review it at least annually, and without delay if there are relevant, material changes to the Scheme and/or the Principal Employer. These include, for example, changes in the Scheme's liabilities and finances, the covenant of the Principal Employer or the risk attitude of the Trustee.

Scheme governance

The Trustee is ultimately accountable for the investment of the Scheme's assets and for setting the investment objectives of the Scheme.

The Trustee has established an Investment and Funding Committee ("IFC") to consider and take investment decisions on issues relating to the investment strategy and funding of the Scheme

The IFC has been delegated responsibility for establishing and implementing the investment strategy in line with the Trustee's agreed investment objectives. This includes (but is not limited to) agreeing manager structure, monitoring performance and reviewing the ongoing effectiveness of the strategy. The Trustee has established a Terms of Reference which sets out the responsibilities delegated to the IFC in full.

The Scheme's Investment Consultant provides advice to the Trustee and IFC. The Investment Consultant's role encompasses, but is not limited to, providing assistance to the Trustee in formulating investment objectives, advice on investment strategy, advice on devising an appropriate investment manager structure and assisting in the selection and monitoring of investment managers.

DB Section

The Investment Managers are responsible for the day-to-day management of the Scheme's assets in accordance with guidelines agreed with the Trustee, as set out in the Investment Management Agreements ("IMAs") or pooled fund prospectuses.
The Investment Managers have discretion to buy, sell or retain individual securities in accordance with these guidelines.

The Investment Managers report to the IFC regularly regarding their performance, which in turn reports back to the Trustee. Each of the investment managers' fees are related to the amount of assets managed within their portfolios. Minimum fees may also apply in some cases.

The Custodian is responsible for the safekeeping of the Scheme's assets, both individual securities and holdings in collective vehicles, and for performing the associated administrative duties such as trade settlement, dividend collection, corporate actions, tax reclamation and proxy voting. The Trustee will only invest in collective investment vehicles where they are satisfied that appropriate procedures are in place for selecting and monitoring the custodian(s) of the underlying assets. Custodian fees are a combination of a percentage of assets plus transaction related charges.

The Scheme Actuary performs a valuation of the Scheme at least every three years, in accordance with regulatory requirements. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities and agree an appropriate funding strategy for the Scheme. Full details of the current funding strategy and contributions payable will be found in the Statement of Funding Principles and Schedule of Contributions respectively.

Defined Benefit ("DB") Section

Investment Objectives

The Scheme's investment objectives will be set following the first investment strategy review. Until the first strategy review can be done, the primary investment objectives of the Scheme are as follows:

- To ensure the assets of the Scheme, together with new contributions from the Principal Employer, are sufficient to meet the accrued liabilities of the Scheme.
- To manage the risk of underperformance against the above objective and to reduce funding and potential recovery plan contribution uncertainty, by holding a diversified portfolio of assets and incorporating hedging of interest rates and inflation.
- To ensure that the asset portfolio is sufficiently liquid to meet anticipated benefit outgo and collateral requirements.

The Trustee will consult with the Principal Employer as appropriate on proposed changes to the strategic asset allocation, for example, if the level or return required reduces as a result of favourable experience.

Risk

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

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

In addition to targeting an appropriate overall level of investment risk, the Trustee seeks to spread risks across a range of different sources. The Trustee aims to take on those risks for which they expect to be rewarded over time, in the form of excess returns.

The Trustee believes that the asset allocation policy should provide an adequately diversified distribution of assets. In addition, the Trustee also considers the risk arising from investment in specific asset classes. The following financially material risks are taken into account by the Trustee:

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risks	Interest rate risk	This risk exists if the projected cash flow profile of the assets held differs from that of the projected liabilities.	The Trustee partially hedges the interest rate exposure of the liabilities via a Liability Driven Investment ("LDI") portfolio, which the IFC monitors at least quarterly.
	Inflation risk	The risk that the projected cash flows from the assets have different linkages to inflation from the projected liabilities.	The Trustee partially hedges the inflation exposure of the liabilities via a Liability Driven Investment portfolio, which the IFC monitors at least quarterly.
	Currency risk	This risk will arise through investment in non-Sterling assets where the currency exposure is not hedged back to Sterling because changes in exchange rates will impact the relative value of the assets and liabilities, given that the Scheme's liabilities are denominated in Sterling.	The Trustee does not hedge the currency exposures on the overseas equity portfolios. The private debt non-sterling exposures are partially currency hedged by the Scheme's LDI manager. The Trustee seeks to hedge 100% of the currency exposure of the other assets and has delegated this responsibility to the respective investment managers.
	Credit risk	This risk reflects the possibility that the payments due under a bond might not be made by the issuer, and similarly that the dividends and rental income expected from equity and property investments respectively might not be paid.	The Trustee invests in a range of credit instruments and has Scheme specific guidelines in place in respect of the buy and maintain mandate. These portfolios are monitored at least quarterly.
Liquidity risk		This risk arises from holding assets that are not readily marketable and realisable. The investment strategy of the Scheme has exposure to both liquid and illiquid assets.	The Trustee monitors the collateral sufficiency of the LDI portfolio at least quarterly.
Volatility risk		This risk concerns the stability of the market value of assets such as equities and property, where the price achievable may be particularly affected by short term sentiment and is not certain until the point of sale.	The Trustee monitors this risk at least quarterly and will take this risk into account when implementing any strategic or manager changes.
Regulatory risk		This risk arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to unstable regimes.	The Trustee monitors this risk at least quarterly.
Concentration risk		This risk arises for example when a high proportion of the Scheme's assets are invested in securities, whether debt or equity, of the same or related issuers.	The investment strategy of the Scheme is suitably diverse by asset class.
Counterparty risk		This risk arises from the possibility that a counterparty will not live up to its contractual obligations.	The investment strategy is suitably diverse by counterparty and the Trustee monitors the counterparty diversification of the LDI portfolio at least quarterly.
Derivative risk		This is the risk associated with investments in derivative contracts which are associated with market risk, control and monitoring risk, liquidity risk, leverage risk, legal risk and counterparty risk. Some of the investment managers employ derivatives for the purposes of efficient portfolio management and subject to agreed restrictions. The risks of using derivatives are largely the same as those of investing in the underlying asset categories.	However, potential for inappropriate investment has been mitigated by the constraints and restrictions imposed by the Trustee on these managers using derivatives within their portfolio. The Trustee monitors the leverage of the LDI portfolio at least quarterly.
Active management risk		This risk arises where assets are managed on an active basis and the return achieved can be higher or lower than the respective performance benchmark.	The Trustee monitors the relative performance of active managers at least quarterly.
Liability hedging liquidity risk		This risk arises where mark-to-market losses on derivative hedging instruments are unable to be met from the collateral assets specifically set aside to back the liability hedge. In this case, the Scheme may be required to sell other assets in order to meet the losses.	The Trustee monitors the collateral sufficiency of the LDI portfolio at least quarterly and the Trustee has requested the LDI manager to indicate if the Trustee's collateral limit is close to being breached.
Manager underperformance risk		This is the risk that adverse performance by the investment managers relative to their benchmark impacts the funding level leading to reduced security for members and increased contributions from the company.	The Trustee monitors the relative performance of all managers at least quarterly.
Environmental, Social and Corporate Governance ("ESG") risk		This is the risk that ESG concerns have a financially material impact on the return of the DB Section's assets.	The management of ESG related risks is delegated to investment managers. Section 13 of this Statement sets out the Trustee's responsible investment and corporate governance statement.
Climate risk		This is the risk that the returns of certain asset classes and sectors may be significantly affected by climate change.	The Trustee takes climate risk into account in the selection, retention and realisation of the Scheme's investment managers.

Defined Benefit ("DB") Section, continued...

The Trustee considers the balance between active and passive management, in asset classes where passive management is a practicable option. In determining this balance, the Trustee will consider whether active management offers sufficient potential to outperform to justify the additional risks and fees compared with passive management. The risks the Trustee will take into account include:

- Active risk in that the combination of assets held by an active manager will differ from the benchmark and may give rise to underperformance relative to passive management.
- Manager selection risk due to the potential for selecting (or failing to terminate in a timely manner) an active manager that fails to generate sufficient returns in excess of the benchmark to justify the active risk taken and the higher fees charged than for passive management.
- Tracking error risk in that a passive manager may not have the skills to track the benchmark index within an appropriate degree of accuracy.

Where deemed appropriate, the Trustee may delegate the hiring and firing of managers to a third party (e.g. MGI).

The Trustee monitors the risk and return characteristics of the Scheme on a quarterly basis. On a quarterly basis, the Trustee monitors the volatility of the Scheme's funding level and sources thereof.

Expected Returns

The Trustee recognises that depending on the prevailing level of funding, the Scheme requires a strategy to be implemented which is intended to produce a return consistent with that assumed in the actuarial valuation for funding purposes.

- Primary Return Target: Target sufficient returns to support the Technical Provisions and the recovery plan agreed as part of the triennial valuations.
- Long Term Target: Target a position where benefits are secure even if the covenant becomes impaired. i.e. to reach and maintain a 100% funding level such that there is the ability to run the Scheme with a very low level of reliance on the Principal Employer.

In determining its long-term return objectives, the Trustee is mindful of the Principal Employer's ability and willingness to pay contributions and to underwrite investment risk.

Investment policy

In establishing an investment policy for the Scheme's DB assets, the Trustee has taken into account the risks and return objectives set out above. The Trustee will formally review its investment policy after the first actuarial valuation of the Schemes, and thereafter after each subsequent valuation, or more frequently if required or advised by their Investment Consultant. The Scheme's strategic asset allocation as at 1 November 2019 is the combination of the legacy schemes' asset allocation and is set out in the following table:

The Scheme's strategic asset allocation is as follows:

Asset Class	Strategic asset allocation (%)
Equities	12.5
Multi Asset Credit	7.5
Senior Private Debt	10.0
UK High Lease to Value Property ("HLV")	7.5
Global Buy and Maintain Investment Grade Corporate Bonds	32.5
LDI Portfolio	30.0
Total	**100.0**

The corporate bonds, LDI Portfolio (which incorporates index-linked Gilts and derivative instruments) and HLV property assets all contribute towards matching the interest rate and inflation risks inherent in the liabilities. The current target hedge ratios for the Scheme are broadly 70% of liabilities (as valued on a Technical Provisions basis) for interest rates and 95% of liabilities for inflation. This will also be reviewed after the merger

The investment manager structure is set out in detail in the DB IPID.

To keep the asset distribution broadly in line with the benchmark allocation, the Trustee has established tolerance ranges. These seek to balance the risk of deviation from the strategic allocations against the cost of rebalancing. Cash flows are applied to keep the Scheme's assets within the intended ranges, although a rebalancing policy has been adopted should these prove to be insufficient. Further details of the current arrangements are in the DB IPID.

Day-to-day management of the assets

The Trustee employs investment managers, with whom day-to-day responsibility for the investment of the Scheme's assets rest. Details of the mandates set for the investment managers by the Trustee are set out in the DB IPID. The Trustee has entered into signed IMAs or pooled fund prospectuses ("Investment Documentation") with the investment managers, the terms of which are consistent with the principles in the Statement. The Investment Documentation provides important protections for the Scheme itself and for the Trustee. It also sets out the terms on which the assets are managed; the investment briefs, guidelines and restrictions under which the investment managers work.

Where assets are managed on a segregated basis or in a Qualifying Investor Alternative Investment Fund ("QIAIF"), the Trustee is able to tailor the nature of the investment mandate and restrictions on how assets are managed to the Scheme's specific requirements. Details of the restrictions, for the QIAIF and segregated mandates, are detailed in the DB IPID.

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

The IFC meets each investment manager regularly to discuss their performance and any wider issues, in order to review the continued suitability of the appointed investment managers.

Special contribution

Atos SE has agreed a one-off contribution amount equivalent to the Euro value of £198 million of WorldLine shares, payable to the Scheme before or at the end of 2019. The shares will be held in a Scottish Limited Partnership ("SLP"), with Atos SE guaranteeing to underwrite the Euro share price between when the shares are transferred and when Atos notifies the Trustee that the shares should be sold. The Trustee has entered into a currency hedging arrangement with BlackRock to hedge the currency exposure back to Sterling. Any shortfall on sale of the shares will be topped up 3 days later with additional shares. This arrangement replaces the next 15 years of the previous Asset Backed Funding arrangements that were in place for the legacy schemes.

Additional Voluntary Contribution Assets ("AVCs")

There are two AVC options for members:

- The 'Main Scheme AVC Option': Members' AVC benefits are invested in the DB Section of the Scheme (in line with the investment strategy set out in Section 6). Members receive a return on these AVCs based upon the returns achieved by the DB Section investments.
- The 'AVC Option': Members' AVCs which are not otherwise invested in the Main Scheme AVC Option. These are held in arrangements via Equitable Life and Standard Life.

With the assistance of the Scheme's consultants, the AVC arrangements will be reviewed periodically to ensure that the investment profile of the funds available remains consistent with the objectives of the Trustee and the needs of the members.

Defined Contribution ("DC") Section

Investment policy

The DC Section is closed to new entrants and future contributions.

There are two categories of DC benefits within the Scheme:

- Members in the 'Sema Group Money Purchase Plan' have DC benefits invested in the DB assets of the Scheme (in line with the investment strategy set out in Section 6) and receive benefits based on the returns of the DB Section investments.
- The Trustee offers members of the 'Personal Money Fund' a choice of investments in BlackRock funds available through the Aegon platform. All of the available investment funds are managed by BlackRock and have different investment objectives and characteristics. Further detail in relation these arrangements are provided below.

The Trustee regards its duty as making available a range of investment options sufficient to enable the remaining members to tailor their investment strategy to their own needs, recognising these may change during the course of the members' working lives.

Day-to-day management of the Personal Money Fund assets

All funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets. Therefore, assets should be realisable at short notice, based on member demand.

Members are able to choose the balance between the different kinds of investments. The balance will determine the expected return on member's assets and should be related to the member's own risk appetite and tolerances.

The assets invested in BlackRock funds via the Aegon platform. The Self Select fund range available is as follows:

Fund	Asset Class	Active/Passive
60/40 Global Growth	Equity	Active
70/30 Global Growth	Equity	Active
UK Growth	Equity	Active
World (ex UK) Equity Index	Equity	Passive
60/40 Global Equity Index	Equity	Passive
UK Equity Index	Equity	Passive
Pre-Retirement	Bonds	Active
Cash	Cash	Active

Lifestyle Strategy and Default Investment Option

Lifestyle strategies are designed to meet the conflicting objectives of maximising the value of the member's assets at retirement and protecting the member's accumulated assets in the years approaching retirement.

The Lifestyle Strategy attempts to achieve these aims by varying the mix of assets over a member's working life. Under this approach, contributions are invested in the BlackRock 70/30 Global Growth Fund until a member reaches the age of 60. From these ages onwards, each member's accumulated equity assets are switched into the BlackRock Pre-Retirement Index Fund either:

- Over a 10-year period before their chosen retirement age (Stability Focus Lifestyle)

or

- Over a 5-year period before their chosen retirement age (Growth Focus Lifestyle)

The Lifestyle Strategy was the default investment strategy for any contributions should the member not have made their own fund selection. The transition period used within the default was 5 years, with the 10 year alternative an option for members to select should they wish.

The Trustee recognises that this option is not a perfect match for an individual member's circumstances. In particular, this option provides little protection for the risk facing members who are forced to retire early or at short notice and who have either not yet reached the switching stage or are only partially through the switching process. The Trustee will periodically review the option in light of new investment vehicles being introduced to the market.

The Trustee will periodically review the investment arrangements to ensure the fund range remains suitable.

Risk

The Trustee regards "risk" as the likelihood of failing to achieve the objectives set out above and seeks to minimise these risks, so far as is possible.

In arriving at the range of fund options and the production of the SIP, the Trustee has considered the following financially material risks:

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risks	Inflation risk	The risk that returns over the members' working lives does not keep pace with inflation.	The Trustee makes available a range of funds, across various asset classes, with the majority expected to keep pace with inflation. Members are able to set their own investment allocations, in line with their risk tolerances. Within active funds, management of many of these market risks is delegated to the investment manager.
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	
	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 price risk	The risk that market movements leads to a substantial reduction in the value of a member's savings.	
Liquidity risk		The risk that the DC Section's assets cannot be realised at short notice in line with member demand.	The DC Section is invested in daily dealt and daily priced pooled funds.
Investment Manager risk		The risk that the appointed investment managers underperform the benchmark return, fail to carry out operational tasks, do not ensure safe-keeping of assets or breach agreed guidelines.	The Trustee regularly reviews the appropriateness of the level of the security of assets and ongoing monitoring of the performance of the investment managers.
Pension Conversion risk		The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	The Trustee makes available a Fund Select lifestyle option, which automatically switches member assets into investments whose value is expected to be less volatile relative to annuity prices as members approach retirement.
Environmental, Social and Corporate Governance ("ESG") risk		The risk that ESG concerns, including climate change, have a financially material impact on the return of the DC Section's assets.	The management of ESG related risks is delegated to investment managers. See Section 11 of this Statement for the Trustee's responsible investment and corporate governance statement. etirement.

The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

All Sections

Responsible Investment and Corporate Governance

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. Accordingly, the Trustee considers how ESG matters are integrated within investment processes when appointing new fund managers and monitoring existing fund managers.

The Trustee has considered the issues in relation to corporate governance and on the exercise of voting rights. The Trustee recognises that good corporate governance creates the framework within which a company can be managed in the long term interests of shareholders, in particular voting at Annual and Extraordinary General Meetings on the election of directors, the issuance of equity and the appointment of auditors are fundamental in protecting shareholder interests.

The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, exercising voting rights and stewardship obligations, (including engagement activities) attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee takes into consideration non-financial matters when assessing the overall investment strategy and managers, as such members' views on 'non-financial matters' (where "non-financial matters" include members' ethical views separate from financial considerations such as financially material ESG issues), are not explicitly taken into account in the selection, retention and realisation of investments in respect of the DB and DC Sections.

FORMALLY ADOPTED BY THE TRUSTEE ON 16 DECEMBER 2019

About Atos

Atos is a global leader in digital transformation with over 110,000 employees in 73 countries and annual revenue of over € 11 billion.

European number one in Cloud, Cybersecurity and High-Performance Computing, the Group provides end-to-end Orchestrated Hybrid Cloud, Big Data, Business Applications and Digital Workplace solutions. The group is the Worldwide Information Technology Partner for the Olympic & Paralympic Games and operates under the brands Atos, Atos Syntel, and Unify. Atos is a SE (Societas Europaea), listed on the CAC40 Paris stock index.

The purpose of Atos is to help design the future of the information technology space. Its expertise and services support the development of knowledge, education as well as multicultural and pluralistic approaches to research that contribute to scientific and technological excellence. Across the world, the group enables its customers, employees and collaborators, and members of societies at large to live, work and develop sustainably and confidently in the information technology space.

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Let's start a discussion together