Hewlett-Packard Limited Retirement Benefits Plan

Statement of Investment Principles

1. **Introduction**

1.1 This is the Statement of Investment Principles made by the Hewlett Packard Enterprise UK Pension Trustee Limited (the "Trustee") in relation to the Hewlett-Packard Limited Retirement Benefits Plan (the "Plan") in accordance with section 35 of the Pensions Act 1995 ("the Act"), and subsequent legislation. It is subject to review by the Trustee at least once a year and more frequently as required, and in particular following formal actuarial valuations and investment strategy reviews.

The Plan comprises two Sections – Hewlett-Packard and Digital.

1.2 In preparing this Statement the Trustee has consulted with the principal employer to the Plan (Hewlett-Packard Limited) and has taken written advice from the Plan's Investment Consultant (Mercer) in respect of the Hewlett-Packard and Digital Sections.

2. **Objective**

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

2.2 The Trustee has agreed funding approaches with Hewlett-Packard Limited for each of the two Sections referred to above.

3. **Investment Strategy**

3.1 Having taken advice from the Plan's Investment Consultant, the Trustee has agreed a suitable strategic asset allocation benchmark for each Section of the Plan. The benchmark determined for each Section is consistent with the Trustee's views on the appropriate balance between aiming to achieve the desired level of return, risk management and funding level volatility, liquidity of the overall assets and cashflow management. The respective strategic benchmarks have been translated into benchmarks for the individual managers which are consistent with the Plan's overall strategy.

3.2 The investment strategy takes due account of the maturity profile of each Section (in terms of the relative proportions of liabilities in respect of pensioners, deferred pensioners and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used on an ongoing and on other appropriate bases). The Trustee monitors strategy relative to the agreed asset allocation benchmarks. It is intended that investment strategy will be reviewed at least every three years, following actuarial valuations, and will normally be reviewed annually. Written advice will be sought as appropriate. In addition, the Trustee monitors the performance of the investment managers on a regular basis, taking independent advice as required.

3.3 The Trustee has agreed to adopt a de-risking strategy, with the aim of being invested in a strategy that has an allocation of 12% to Growth assets and 88% to Protection assets when each Section is fully funded on the agreed basis. As the Sections progress towards full funding on a gilts flat basis, the strategy will ultimately be de-risked to a 10% Growth, 90% Protection asset allocation.

3.4 To achieve their objectives, the Trustee has agreed the following:

i. **Choosing Investments**

The Trustee has appointed a number of investment managers (the "Managers") to manage the assets of the Plan. All the Managers are authorised under the Financial Services and Markets Act 2000 to undertake investment business and have been appointed in accordance with the requirements of Section 47 of the Pensions Act 1995. Managers are required to have regard to the need for diversification of investments, insofar as appropriate to the circumstances of the Plan.

The investments of the Hewlett-Packard and Digital Sections are managed, independently of each other, by a number of investment managers. After seeking appropriate investment advice, the Trustee has given each manager specific directions as to asset allocation but the choice of individual investments has been delegated to the managers, subject to their respective benchmarks and asset guidelines. In appointing several investment managers, the Trustee has considered the risk of underperformance of any single investment manager.

In adopting the above approaches, the Trustee is satisfied that the investments of the Plan are suitably diversified as regards asset class, geographic spread and the number of stocks held.

ii. **Kinds of investment to be held**

The Plan may invest in a range of Growth assets and Protection assets. Growth assets are assets whose primary purpose is to achieve returns in excess of the growth in the value of the liabilities. Protection assets are assets which in aggregate are held to achieve a return broadly in line with the growth in the value of the liabilities, and to help ensure pension benefits are met.

Balance between different kinds of investments

The Managers hold a mix of investments which reflects their views, relative to their respective benchmarks. Within any major market a Manager is expected to maintain a diversified portfolio of stocks through direct investment or pooled vehicles.

iii. **Risk**

The Trustee monitors risk in two ways. As indicated above, the Trustee has set a strategic asset allocation benchmark for each Section. The Trustee assesses risk relative to that benchmark by monitoring each Section's asset allocation and investment returns relative to the benchmark. The Trustee also assesses risk relative to liabilities by monitoring the delivery of returns relative to liabilities.

For the majority of investments within the Hewlett-Packard Section and Digital Section, the Trustee provides a practical constraint on Plan investments deviating greatly from the Trustee's intended approach by investing in a range of pooled funds each of which has a defined objective, performance benchmark and Manager process which taken in aggregate constrain risk within the Trustee's expected parameters.

In setting return-oriented objectives for the defined benefit assets, the Trustee recognises that the Plan is exposed to equity market risk, inflation risk, interest rate risk, currency risk, credit risk, liquidity risk and manager risk. These risks introduce a degree of volatility which may mean that, in the short term, the actual return could be significantly above or below the long-term target. While it is impossible to eliminate risk without making a significant sacrifice to expected excess return, the Trustee intends to mitigate risk as far as possible by:

- Maintaining a well diversified portfolio of assets, both within each asset class and by Manager;
- Seeking to hedge a portion of the Plan's interest rate and inflation risks.

iv. **Expected return on investments**

Over the long term, the overall level of investment returns is expected to exceed the rate of return assumed in the funding approach adopted for the Plan.

v. **Realisation of investments**

The Trustee regularly assesses the liquidity profile of the assets to ensure that the overall position is appropriate for the Plan's needs.

vi. **Environmental, Social and Governance Considerations**

The Trustee believes that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment returns. The Trustee has given the Managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Plan's investments.

Similarly, the Plan's voting rights are exercised by the Managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Equity managers who are authorised in the UK are expected to report on their adherence to the UK Stewardship Code on an annual basis.

vii. **Additional Voluntary Contributions ("AVCs")**

The Trustee gives members the opportunity to invest in a range of pooled funds and insurance policies at the members' discretion.

4. Compliance with this Statement

4.1 The Trustee, the Managers and Mercer all have duties to perform to ensure compliance with this Statement. The duties of these parties to ensure compliance with this Statement are as follows:

- **The Trustee** will review this Statement every year on the advice of Mercer and will record compliance with it annually. If the Statement is revised, the Trustee will provide the Investment Managers with the revised Statement.

- The **Managers**, will prepare regular reports to the Trustee including:

  - a valuation of all investments held for the Plan including a record of all transactions undertaken,

  - performance of the Plan's assets against their respective benchmarks,

  - a review of actions undertaken on behalf of the Plan regarding areas such as corporate governance, socially responsible investment and disclosure of transaction costs.

  The Managers must also notify the Trustee in advance of any new investment categories in which they are proposing to invest.

- **Mercer** will provide appropriate advice to allow the Trustee to review and update this Statement annually (or more frequently, if required).

Sig on behalf of Hewlett Packard Enterprise UK Pension Trustee Limited

Trustee Director

Trustee Director

24-01-18

Date Agreed by the Trustee