

NOBIA UK RETIREMENT PLAN

STATEMENT OF INVESTMENT PRINCIPLES FROM THE TRUSTEE

JULY 2020

1. INTRODUCTION

This Investment Statement sets down the principles governing decisions about investments for the Nobia UK Retirement Plan (hereinafter referred to as "the Plan") to meet the requirements of the Pensions Act 1995 and subsequent legislation (as well as amendments) including the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, along with subsequent legislation. The Trustee in preparing this Statement has consulted the sponsoring Company, Nobia Holdings UK Limited, in particular on the Trustee's objectives as set out in the Act. As required under the Act, the Trustee has also consulted a suitably qualified person and have obtained written advice from Mercer Limited.

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustee acting on advice from their professional advisor, and is driven by their investment objectives as set out below. The remaining elements of policy are part of the day to day management of the assets which is delegated to professional investment managers.

2. OVERALL POLICY

2.1 Investment Objectives

The Trustee recognises that members of the Plan have differing investment needs and that these may change during the course of members' working lives. They also recognise that members have different attitudes to risk and that the expected return on a member's assets should be related to the member's own risk appetite and tolerances. The Trustee believes that members should make their own investment decisions based on their individual circumstances and therefore the balance between different investments should be set by individual members. The Trustee's objective therefore is to make available a range of investment options, while avoiding over complexity. This should enable members to:

- Maximise the value of retirement benefits.
- Protect against the risks identified in 2.2 below.

2.2 Risk

The Trustee has considered the following principal risks:

- The risk that the investment return over members' working lives will not keep pace with inflation and will not, therefore, secure an adequate pension or provide an adequate income in retirement.

- The risk that investment market movements in the period immediately prior to retirement lead to a substantial reduction in the anticipated level of benefit (be it pension, cash sum or income from invested assets) that a member intends to take.
- The risk that the investment vehicle, in which monies are invested, underperforms the expectation of the Trustee. In particular the Trustee has considered for various markets the risk that active managers may underperform, whereas passive managers are likely to achieve a return close to any chosen benchmark. Investment options outlined below reflect this.
- Environmental, social and corporate governance (ESG) risks. ESG factors present financially material risks for companies and investors. These risks can take many forms but are often operational and/or reputational in nature.
- Climate change risk. Climate change is a systemic risk which may materially affect the financial performance of certain asset classes, sectors and companies.

The above risks are measured through ongoing monitoring of the Plan's investments and are managed by providing members with access to a range of self-select funds with different characteristics and lifestyle options which are designed to reduce investment volatility as members approach retirement. The Trustee's beliefs in relation to ESG and climate change risks is set out in Section 4.3 of this Statement.

The risks identified above are considered by the Trustee to be 'financially material considerations'. 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 their selected retirement age. It is for this reason that three lifestyle strategies are available to members.

2.3 Investment Strategy

In order to implement the objectives identified in 2.1 and control the risks highlighted in 2.2, the Trustee has decided to make available to the members a range of pooled funds offered through a long-term insurance contract with Scottish Widows Limited.

The Trustee makes three lifestyle options available for members of the Plan to choose from (Secured Income, Cash and Variable Income). **The Variable Income option is the default investment option for members of the Plan.**

In addition, a range of seven blended funds available for investment by members of the Plan as follows:

- Nobia Growth Fund;
- Nobia Equity Fund;
- Nobia Diversified Growth Fund;
- Nobia Property Fund;
- Nobia Corporate Bond Fund;
- Nobia Pre-retirement Fund; and
- Nobia Cash Fund.

The underlying allocations for each of the lifestyle options over the switching period at each year end prior to a member's target retirement are outlined below:

Variable Income Option (the default investment option)

Years to selected retirement	Nobia Equity %	Nobia DGF %	Nobia Corporate Bond %	Nobia Cash %
10+	60.0	40.0	0.0	0.0
9	57.0	38.0	5.0	0.0
8	52.5	35.0	12.5	0.0
7	45.0	30.0	25.0	0.0
6	40.0	25.0	35.0	0.0
5	35.0	25.0	35.0	5.0
4	32.5	22.5	35.0	10.0
3	27.5	22.5	35.0	15.0
2	22.5	22.5	35.0	20.0
1	22.5	22.5	30.0	25.0
0	22.5	22.5	25.0	30.0

Secured Income Option

Years to selected retirement	Nobia Equity %	Nobia DGF %	Nobia Pre-Retirement %	Nobia Cash %
10+	60.0	40.0	0.0	0.0
9	57.0	38.0	5.0	0.0
8	52.5	35.0	12.5	0.0
7	45.0	30.0	25.0	0.0
6	37.5	25.0	37.5	0.0
5	30.0	20.0	50.0	0.0
4	20.0	17.5	62.5	0.0
3	10.0	15.0	67.0	8.0
2	0.0	12.5	71.5	16.0
1	0.0	6.0	73.5	20.5
0	0.0	0.0	75.0	25.0

Cash Option

Years to selected retirement	Nobia Equity %	Nobia DGF %	Nobia Corporate Bond %	Nobia Cash %
10+	60.0	40.0	0.0	0.0
9	57.0	38.0	5.0	0.0
8	52.5	35.0	12.5	0.0
7	45.0	30.0	25.0	0.0
6	37.5	25.0	32.5	5.0
5	30.0	20.0	37.5	12.5
4	20.0	17.5	37.5	25.0
3	10.0	15.0	25.0	50.0
2	0.0	12.5	12.5	75.0
1	0.0	6.0	6.0	88.0
0	0.0	0.0	0.0	100.0

Switching for each of the lifestyle options outlined above is undertaken on a monthly basis.

Further details on the underlying funds and providers is outlined in Section 3 below.

2.4 Default Investment Option

A proportion of members will actively choose the default investment option because they feel it is most appropriate for them. However, the vast majority of DC scheme members typically do not make an active investment decision and are invested in the default investment option.

The aims of the default investment option

- The default investment option is a strategy that manages investment and other risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- In designing the default investment option, the Trustee has explicitly considered the trade-off between risk and expected returns.
- If members wish to, they can opt to choose their own investment strategy or an alternative lifestyle option.
- Assets in the default investment option are invested in the best interests of members and beneficiaries as a whole, taking into account the profile of members.
- Assets in the default investment option are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.

- Assets are invested mainly on regulated markets (those that are not must be kept to prudent levels).

Policies in relation to the default investment option

The Trustee believes that:

- The default investment option's growth phase structure, that invests in equities and other growth-seeking assets, will provide growth with some downside protection and some protection against inflation erosion.
- As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a default option that seeks to reduce investment risk (and expected return) as the member approaches retirement by investing in a lower risk strategy across a broad range of asset classes.
- In particular, when reviewing the investment strategy of the default investment option, the Trustee considers risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the method of taking benefits targeted by the default investment option.
- Based on member analysis undertaken in 2018 and the Trustee's understanding of the Plan's membership, a default option that targets variable income was chosen as the default for Nobia members. The default investment strategy is aimed at supporting a flexible approach to taking benefits, with a focus on drawdown. This does not mean that members have to take their benefits in this format at retirement – it merely determines the investment strategy that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats have the option of switching to an alternative lifestyle option or even choosing their own investment strategy.
- In view of the above, the level of risk within the decumulation phase of the default investment option should be considered in the context of managing risk throughout a member's term to retirement. This risk is managed by investing in equity, bond and multi-asset funds aiming to match short term changes in inflation rates, and in money market (cash) assets.

The Trustee has also given the chosen Investment Managers full discretion when evaluating environmental, social, and ethical considerations in the selection, retention and realisation of investments within the default investment option (in line with their policies for the other available fund options in the Plan), subject to adhering to the investment restrictions and objectives of each component fund.

Taking into account the demographics of the Plan's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the current default investment option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic, if sooner.

The risks and financially material considerations in Section 2.2, the Social, Environmental and Ethical Considerations, and Exercise of Voting Rights in Section 4.3 and the Implementation and Engagement Policy in Section 4.4 are also applicable to the Default Investment Option.

3 DAY TO DAY MANAGEMENT OF THE ASSETS

Day to day management of the assets is delegated through Scottish Widows Limited to BlackRock Limited ("BlackRock"), Mercer Limited ("Mercer"), Insight Investment ("Insight"), Aberdeen Standard Investments ("ASI"), Threadneedle Asset Management Ltd ("Threadneedle") and Legal and General Investment Management ("LGIM").

The Trustee is satisfied that the spread of assets by type within each pooled fund and the respective pooled funds' policies on investing in individual securities within each type provides adequate diversification of investments.

3.1 The Nobia Blended Funds

Details on the underlying pooled funds within each Nobia blended fund is outlined below.

Nobia Equity Fund

The fund invests entirely in the BlackRock Aquila 50/50 Global Equity Index Fund. It aims to track the performance of a composite benchmark as outlined in the table below.

Region	Allocation %	Index
UK Equities	50.0	FTSE All Share
North American Equities	16.7	FTSE All-World USA Index
European (ex UK) Equities	16.7	FTSE All-World Developed Europe ex UK Index (net)
Japanese Equities	8.3	FTSE All-World Japan Index
Asia Pacific (ex Japan) Equities	8.3	FTSE All-World Developed Asia Pacific ex Japan Equity Index
Total	100.0	Composite

Nobia Growth Fund

Manager	Benchmark %	Ranges $\pm\%$	Index
BlackRock Aquila 50/50 Global Equity Index Fund	60.0	4.0	Composite (see Equity Fund)
Insight Investment Broad Opportunities Fund (IBOF)	20.0	4.0	3 Month Sterling LIBID
Mercer Diversified Growth	20.0	4.0	Citigroup GBP 1 Month Euro Deposit
Total	100.0		Composite

Global equities are managed passively, with the aim of tracking the benchmark index. IBOF is managed actively, aiming to outperform 3 Month Sterling LIBID by 4% pa (net of fees over rolling five year periods). The Mercer Diversified Growth Fund is also managed actively, aiming to outperform the Citigroup GBP 1 Month Euro Deposit rate by 3.5% p.a (gross of fees over rolling three year periods).

Nobia Diversified Growth Fund

Manager	Benchmark %	Ranges ±%	Index
Insight Investment Broad Opportunities Fund (IBOF)	50.0	4.0	3 Month Sterling LIBID
Mercer Diversified Growth	50.0	4.0	Citigroup GBP 1 Month Euro Deposit
Total	100.0		Composite

The Insight IBOF is managed actively, aiming to outperform 3 Month Sterling LIBID by 4% pa (net of fees over rolling five year periods). The Mercer Diversified Growth Fund is also managed actively, aiming to outperform the Citigroup GBP 1 Month Euro Deposit rate by 3.5% p.a (gross of fees over rolling three year periods).

Nobia Property Fund

The fund invests entirely in Threadneedle's Property Fund. The fund is actively managed and aims to outperform the MSCI /AREF UK All Balanced Quarterly Property Fund Index.

Nobia Corporate Bond Fund

The fund invests entirely in ASI's Corporate Bond Fund. The fund aims to outperform the Bank of America Merrill Lynch Sterling Non Gilts All Stocks Index by 0.8% p.a. (gross of fees over rolling three year periods).

Nobia Pre-Retirement Fund

The fund invests entirely in LGIM's Pre-Retirement Fund. The fund aims to provide protection against changes in annuity rates by investing in index-tracking bond funds. The benchmark is a composite of gilts and corporate bond funds.

Nobia Cash Fund

The fund invests entirely in the BlackRock Sterling Liquidity Fund. The fund aims to produce a return in line with the LIBID 7 Day Index before fees.

3.2 Unallocated Assets

In addition to members' investments, the Trustee also invests the unallocated assets of the Plan as cash.

3.3 Additional Voluntary Contributions (AVCs)

The fund range set out in 3.1 is also available for AVC payments.

4. GENERAL

4.1 Realisation of Investments

In general the Plan's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments within each fund.

Sales of pooled fund units are made in response to member requests.

4.2 Monitoring the Investment Managers

Mercer Limited are retained as investment consultants to assist the Trustee in fulfilling their responsibility for monitoring the investment managers. The Trustee may in addition meet the investment managers from time to time to review the investment managers' actions together with the reasons for and background behind the investment performance.

4.3 Social, Environmental and Ethical Considerations, and Exercise of Voting Rights

The following encapsulates the Trustee's ESG beliefs:

- The Trustee believes that environmental, social, and corporate governance factors can 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 require explicit consideration within the investment decision making process.

The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations 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. Managers are also expected to be signatories to the United Nations-supported Principle for Responsible Investment (PRI) unless a suitable reason is provided for not being. As the assets of the Trust are invested in wholly insured arrangements with investments in pooled vehicles the Trustee accepts that the assets are subject to the investment fund managers' own policies in this area.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes when appointing new investment managers and monitoring existing investment managers. The Trustee has set a target that all equity investment managers used within the strategy should be highly rated by Mercer for ESG integration and active ownership with a minimum rating of ESG3 or better, where possible. The Trustee has the option to engage with the provider and the investment managers as appropriate, and this includes investment managers to include appropriate risk metrics within their portfolio reporting within the framework of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD).

The Trustee also periodically reviews the appropriateness of offering individual ESG or sustainable investment choices available to members and will take any member demand into account.

4.4 Implementation and Engagement Policy

The below table sets out the Trustee's approach to implementation and engagement. The list below is not exhaustive, but covers the main areas considered by the Trustee.

Policy statement	Trustee's Approach
<p>How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies</p>	<p>The underlying investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.</p> <p>The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. The Trustee will review the appointment of an investment manager after sustained underperformance and if the Trustee is dissatisfied, then they will look to replace the manager.</p>
<p>How the arrangement incentivises the asset manager 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</p>	<p>The Trustee considers the Investment Consultant's assessment of how each underlying investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the underlying investment managers' policy on voting and engagement. The Trustee's will use this assessment in decisions around selection, retention and realisation of manager appointments.</p> <p>Investment managers are aware that their continued appointment relies on their success in delivering the mandate for which the Trustee has delegated to them.</p>
<p>How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustee's policies</p>	<p>The Trustee receives reports from the investment manager on a quarterly basis, which present performance information over three months, one year, three years and five years. The Trustee review the absolute performance and relative performance against a suitable index or comparator used as the benchmark, and against the underlying manager's stated target performance (over the relevant time period) on a net of fees basis. Whilst the Trustee's focus is on long-term performance, they also take shorter-term performance into account.</p> <p>If an underlying manager is not meeting performance objectives, or their investment objectives for the fund have changed, the Trustee's may review the suitability of the</p>

	<p>manager, and change managers where required.</p> <p>As part of their annual Value for Money ("VfM") assessment, the Trustee reviews the investment manager fees. Where potential improvements on the value delivered to members is identified, the Trustee's will take action.</p>
<p>How the Trustee monitors portfolio turnover costs incurred by the asset manager.</p>	<p>Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual VfM assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustee will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs.</p>
<p>How the Trustee defines and monitor targeted portfolio turnover or turnover range.</p>	<p>The Trustee does not currently define target portfolio turnover ranges for funds.</p>
<p>How the Trustee defines and monitor the duration of the arrangement with the asset manager.</p>	<p>All the funds are open-ended with no set end date for the arrangement. The funds available to members and default investment option are reviewed on at least a triennial basis. An underlying manager's appointment will be considered and may be terminated if it is no longer considered optimal, nor have a place in the default strategy or the self-select fund range. This is independent of time.</p>

5 COMPLIANCE WITH THIS STATEMENT

The Trustee will monitor compliance with this Statement annually.

6 REVIEW OF THIS STATEMENT

The Trustee will review this Statement at least every three years and in response to any material changes to any aspects of the Plan, its liabilities, finances and the attitude to risk of the Trustee and the Company which they judge to have a bearing on the stated Investment Policy. As part of the review, the Trustee will take expert investment advice and consult the Company.

N. J. Hartcastle
Signed

04/08/2020
Date


Signed

04/08/2020
Date

Trustee of the Nobia UK Retirement Plan

Nobia Holdings UK Limited has been consulted on the contents of this Statement.

 Signed (for Nobia Holdings UK Limited)

Appendix – Additional Default Option - Nobia Cash Fund

In March 2020, the Nobia Property Fund (“the Fund”) was suspended, due to the underlying Threadneedle Pensions Property Fund being suspended as a result of valuation uncertainty caused by the COVID-19 crisis. No assets could be invested into or disinvested from the Fund and so the Trustee decided that all ongoing contributions into the Fund would be invested in the Nobia Cash Fund. As a result, an additional default option was created with monies being invested in the Nobia Cash Fund without formal members’ consent.

The following applies to the Nobia Cash Fund as an Additional Default Option:

Aims and Objectives

To provide members with a fund that is a suitable replacement, having considered expected risk and return, for the Nobia Property Fund.

The Trustee has considered the manager and mandate appointment noting that the selection, retention and realisation of assets within the pooled fund are delegated to the investment manager in line with the mandate of the Nobia Cash Fund.

The main objective of the Nobia Cash Fund is to preserve capital and the Fund aims to perform in line with the 7 Day Sterling LIBID. The Fund will predominantly be invested in short term deposits and the investment manager is responsible for determining the balance between the different kinds of investments.

The returns from the Nobia Cash Fund are expected to be less volatile by nature of these price movements from the underlying investments. Members can use the Nobia Cash Fund as an option to reduce risk as part of their self-select arrangements too.

Investment Policies

The Trustee has explicitly considered the trade-off between risk and expected returns for the Nobia Cash Fund. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting the Nobia Cash Fund, the Trustee considers the liquidity of the investments in the context of the likely needs of members. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. The Nobia Cash Fund provides daily liquidity.

The risks and financially material considerations in Section 2.2, the Social, Environmental and Ethical Considerations, and Exercise of Voting Rights in Section 4.3 and the Implementation and Engagement Policy in Section 4.4 are also applicable to the Nobia Cash Fund as an Additional Default Option.

The Trustee’s investment policies that are not explicitly mentioned in this Appendix are in line with those outlined in the main SIP. In line with regulatory requirements, the Trustee will continue to review the following over time.