Annual Implementation Statement

The Nokia Retirement Plan for Former NSN & ALu Employees (the "Plan"): Defined Benefit ("DB") Section

Introduction

This statement sets out how, and the extent to which, in the opinion of Independent Governance Group (the "Trustee"), previously known as Ross Trustees Services Limited, the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year to 30 June 2023. This statement covers the Plan's DB section. A separate statement covers the Plan's Defined Contribution ("DC") section. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and subsequent amendments, and the guidance published by the Pensions Regulator.

The table on page 3 onwards sets out how, and the extent to which, the policies in the SIP have been followed. Due to the nature of the DB Section's investment there is no voting activity to report.

This statement flows directly from and should be read in conjunction with the Plan's SIP in place at the Plan Year end which is available via the link below along with this implementation statement:

https://v3.merceroneview.co.uk/NSN-ALU/education-centre/3209

Investment Objectives of the Plan

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Plan included in the SIP are set out below:

- to minimise ongoing funding risk relative to the cost of insuring the full liabilities;
- to consider the Employer's interest in controlling volatility in the ongoing funding level;
- to pay due regard to the statutory funding objective ("SFO") regulations.

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Statement of Investment Principles

During the year, no changes were made to the Plan's SIP. The current SIP was agreed on 25th June 2021 and sets out the Plan's long-term strategic benchmark allocation, which is set out below.

Asset Class	Strategic Benchmark Allocation
Investment Grade Corporate Bonds	25.0%
Multi Asset Credit	12.5%
Liability Driven Investment (inc. cash)	62.5%
Total	100.0%

Assessment of how the policies in the SIP have been followed for the year to 30 June 2023

The information provided in the table below summarises the work undertaken by the Trustee during the year (or over a longer term where relevant) and sets out how this work has followed the Trustee's policies in the SIP (insofar as the SIP relates to the DB section of the Plan). The Trustee considers that it has generally adhered to all of its policies as set out in the SIP over the course of the year.

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	Matter	Summary of Trustee's policy / key extracts from policy	Summary description and evaluation of work undertaken in the year to 30 June 2023
1	Securing compliance with the legal requirement to obtain and consider proper advice on the question of whether an investment is satisfactory	*An investment consultant has been appointed by the Trustee to provide relevant advice to the Trustee.* *SIP section 2*	No new investments were implemented over the period to 30 June 2023. The Trustee did not update the Plan's SIP over the year to 30 June 2023. The Trustee received an update on the Plan's investment arrangements from their Investment Consultant at Trustee meetings on the 6th December 2022 and the 21st March 2023. No changes were made to the Plan's investment arrangements over the year.
2	The kinds of investments to be held	*The Trustee has adopted investment arrangements that target a low level of risk relative to both the Technical Provisions liabilities and the cost of insuring the liabilities.* *SIP section 3.2*	Among the asset classes that the Plan's assets were invested in during the year were UK Government bonds (including index-linked bonds and derivatives), other bonds, multi asset credit, and cash. The Trustee regards the assets to be appropriate for the Plan's objectives and liability profile. The basis of the Plan's investment strategy is to reduce ongoing funding risk relative to the cost of insuring the full liabilities. Therefore, the Plan's assets are invested in asset classes which are expected to move broadly in line with insurers' pricing bases, while still achieving some outperformance above the Plan's liabilities. The Liability Benchmark Portfolio ("LBP"), which is used as the benchmark for the Liability Driven Investment ("LDI") portfolio, was updated to reflect market conditions as at 31 January 2023and was implemented following the

			Plan year end, in July 2023. Updating the LBP ensures that the assets held in the LDI portfolio remain an appropriate hedge for the Plan's liabilities. The Trustee is comfortable that the Plan's assets were invested in regulated markets during the year.

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3	The balance between different kinds of investments	*The Trustee has established a strategic investment benchmark for the Plan taking into account the risks and potential returns identified in the SIP, and their view of the strength of the covenant and funding objectives.* *SIP section 3.3*	The Trustee's chosen strategic benchmark is summarised in the table on page [1]. As part of the quarterly performance reporting, the actual allocation is (and will continue to be) compared to the strategic benchmark allocation. An under or overweight position acts as a trigger for discussion. As at 30 June 2023, the Plan was overweight to Multi Asset Credit and correspondingly underweight to LDI relative to the strategic benchmark. The Trustee agreed post year-end to rebalance between these two asset classes to bring each allocation closer to the strategic benchmark allocations.
4	Risks, including the ways in which risks are to be measured and managed	*The Trustee takes investment risk relative to the liabilities measured on the Technical Provisions basis. This taking of investment risk seeks to target a greater return than the matching assets would provide.* *SIP section 3.2*	As detailed in the SIP, the Trustee considers both quantitative and qualitative measures for risks when deciding investment policies, strategic asset allocation and the choice of fund managers. The Trustee discussed these risks as part of its regular monitoring of the investment managers. During the year, the Trustee maintained a risk register of the key risks, including the investment risks (and it continues to do so). The register rates the impact and likelihood of the risks and summarises existing mitigations and additional actions.

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5	Expected return on investments	*The Trustee seeks to target a greater return than the matching assets would provide, whilst maintaining a prudent approach to meeting the Plan's liabilities.* *SIP section 3.2*	The investment performance report was reviewed by the Trustee on a quarterly basis. As part of the review, the Trustee considered how each investment manager is delivering against its specific mandate. As at the date of this statement, returns at the total Plan level over longer periods (5 year onwards) are difficult to assess accurately given the significant changes to the Plan's assets and liability profile as a result of de-sectionalisation and merger with the Nokia Solutions and Networks Pension Plan. However, the Trustee has been able to confirm that overall the funds in which the Plan invests have performed broadly in line with their benchmarks over the 1 year period to 30 June 2023.
6	Realisation of investments	*The Trustee monitors the Plan's liquidity requirements on a quarterly basis, and aims to keep sufficient cash reserves as well as hold a portion of assets in liquid investments that can be realised on short notice.* *SIP section 3.6*	The administration team conducted monthly cashflow forecasting and contacted the investment adviser when monies were required. For the year ending 30 June 2023, the Trustee sourced all cashflow requirements from the PIMCO Multi Asset Credit Fund as this was the most overweight asset class when each disinvestment request occurred.

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7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	*The Trustee considers financially material considerations in the selection, retention and realisation of investments.* *SIP section 3.4* *The Trustee has given the appointed investment managers full discretion in evaluating ESG factors, including climate change considerations and exercising voting rights and stewardship obligations. The Trustee will review the investment managers' policies and engagement activities (where applicable) on an annual basis.* *SIP section 6*	In its investment considerations, the Trustee follows the basic principle that ESG factors (including climate risk) should only be taken into account to the extent they positively affect financial performance/risk/do not result in any financial detriment. The Trustee believes that, in some cases, ESG factors may have a financially 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 SIP includes further detail on the Trustee's policy on ESG factors, stewardship and climate change, setting out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. The Trustee keeps its policy under regular review. Further details of the Trustee's Stewardship priorities can be found below this table. The quarterly performance reports reviewed by the Trustee include ratings (both general and specific ESG ratings) from the investment adviser. All of the managers remained generally highly rated during the year. Where managers were not highly rated from an ESG perspective, the Trustee continues to monitor them. While Mercer do not produce an overall rating for the Tailored Credit Fund, the underlying investment managers are well rated both generally and from an ESG perspective. When implementing a new manager, the Trustee considers the ESG rating of the manager to the extent that it is considered to have an effect or potential effect on financial performance/ risk.

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8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	*The Trustee does not take account of non-financially material considerations.* *SIP section 3.4*	Not applicable.
9	The exercise of the rights (including voting rights) attaching to the investments	*The Plan's voting rights are exercised by its investment managers in accordance with their own corporate governance policies.* *SIP section 6*	The Trustee has delegated its voting rights to the investment managers. In the Trustee's opinion the investment managers have appropriate knowledge and experience for exercising voting rights and the managers are carrying out their work competently. Investment managers are expected to provide voting summary reporting at least annually. The Trustee does not use the direct services of a proxy voter. Given the nature of the Plan's investments, the extent to which the investment managers are required to exercise voting rights on behalf of the Trustee, and the circumstances in which they are able/ willing to disclose details, is extremely limited. • PIMCO – Multi-asset credit fund – PIMCO has confirmed they were signatories of the UK Stewardship Code over the year to 30 June 2023. – PIMCO uses ISS to vote on its behalf.

			– Given the nature of the fund, proxy voting is a more limited form of engagement on sustainability issues. In practice, there is likely to be little to no exercise of voting rights in this fund. – PIMCO are unable to provide voting records due to their disclosure policy. • Macquarie – Infrastructure fund – Macquarie has confirmed they are a signatory to the United Nations-supported Principles for Responsible Investment ("PRI") and have been an active member of GRESB Infrastructure since it was launched in 2016. – Macquarie Asset Management was confirmed as a signatory to the UK Stewardship Code in September 2022. – The Trustee understands that voting policy and records are not applicable to this fund as it invests in private companies. Rather, proactive engagement with portfolio companies is central to Macquarie's asset management approach. – The Trustee further understands that the fund tends to make investments in which it will have significant influence in order to drive the implementation of value-enhancing initiatives. • Insight – Bespoke Pooled Liability Driven Investment portfolio ("LDI")

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			– Insight has confirmed they were signatories of the UK Stewardship Code over the year to 30 June 2023. – Insight use Proxy Voting services to vote on its behalf. – No votes took place for holdings within these portfolios. • Mercer – Tailored Credit Fund ("TCF") – Mercer has confirmed they were signatories of the UK Stewardship Code over the year to 30 June 2023. – No votes took place for holdings within these portfolios.

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10	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)	*Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.* *Outside of those exercised by investment managers on behalf of the Trustee, no other engagement activities are undertaken.* *SIP section 6*	As the Plan invests solely in pooled funds, the Trustee requires their investment managers to engage with the investee companies on their behalf. The Trustee wishes to encourage best practice in terms of corporate activism to the extent that it is expected to positively affect financial performance/ risk/ not result in any financial detriment. It encourages its investment managers to discharge their responsibilities in respect of investee companies in accordance with relevant legislation and codes. Investment managers are expected to provide reporting on a regular basis, at least annually, including stewardship monitoring results. These are reviewed by the Trustee. At present, if the investment managers present to the Trustee, the Trustee asks the investment managers to highlight key engagement activity and the impact the actions have had on the portfolio. The investment adviser will be in attendance at such presentations and the Trustee will look to their adviser to ensure the appropriate questions are asked. Shortly before the start of the Scheme year, PIMCO joined the Trustee meeting held on 14 June 2022. One of the discussion points was the integration of ESG within PIMCO's investment process. PIMCO said that they have ensured that ESG factors are integrated as part of their ongoing investment process and provided engagement examples where appropriate. The Trustee was comfortable with this and agreed no further action was required.

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			Over the course of the Plan year, the Trustee has met with Insight Investment Management to discuss various topics related to the Plan's LDI mandate.
11	How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies required under sub-paragraph (b) of Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005 [concerning the matters described in rows 2-8 of this Statement]	*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 they are selected to manage.* *The Plan currently invests entirely in pooled investment vehicles, and therefore the Trustee accepts that it has no direct ability to specify the risk profile and return targets of the managers, but appropriate mandates can be selected to align with the overall investment strategy.* *SIP section 7.1*	The investment performance report was reviewed by the Trustee on a quarterly basis. As part of the review, the Trustee considered how each investment manager is delivering against its specific risk and return targets. As the Trustee invests predominately in pooled investment funds, they accept that they cannot specify the risk profile and return targets for these funds. However, the Trustee has continued to review the appropriateness of the funds to ensure that they are aligned with the investment strategy being targeted. The Trustee has identified that the appointment with its infrastructure manager is not consistent with its principal objective due to the illiquidity of the fund. The mandate is in run-down.

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12	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.	*The Trustee's focus is on long term performance but may review a manager's appointment if there are sustained periods of underperformance.* *SIP section 7.2*	While the Trustee's focus is on long term performance, as at the date of this statement, returns at the total Plan level over longer periods (5 year onwards) are difficult to assess accurately given the significant changes to the Plan's assets and liability profile as a result of de-sectionalisation and merger with the Nokia Solutions and Networks Pension Plan. The Trustee considers a 3 year performance metric as part of its review of the quarterly performance reports for each of the funds in which the Plan invests. In addition, the Trustee receives a monitoring report relating solely to the Plan's LDI mandate. This contains monitoring for the LDI mandate, including performance of the hedge versus the benchmark, the hedge ratios and collateral sufficiency. The Trustee was satisfied with the medium-long term performance of the appointed investment managers.

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13	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 required under sub-paragraph (b) of Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005 [concerning the matters described in rows 2-8 of this Statement]	*The Trustee is a long term investor and is not looking to change the investment arrangements on a frequent basis.* *SIP section 7.4* *The Trustee receives investment manager performance reports on a quarterly basis, which present performance over a variety of periods.* *SIP section 7.2*	The investment performance reports were received by the Trustee on a quarterly basis during the year under review were considered at the Trustee meetings on 6th December 2022 and 21st March 2023. The Trustee reviewed the performance against suitable benchmarks over both the short and long-term, and did not draw any concerns around the performance of the investment managers. The Trustee considers a 3 year performance metric as part of its review of the quarterly performance reports for each of the funds in which the Plan invests. The investment managers are remunerated by way of a fee calculated as a percentage of assets under management or exposure value in the case of the LDI portfolio, and do not have short term performance targets.
14	How the Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	*The Trustee does not currently monitor portfolio turnover costs.* *SIP section 7.3*	At present, the Trustee does not monitor portfolio turnover costs in any detail.

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15	The duration of the arrangement with the asset manager	*The Plan is invested in open-ended funds, for which there is no set duration for the manager appointments.* *SIP section 7.4*	The Trustee will retain an investment manager unless there is a strategic change to the overall strategy that no longer requires exposure to that asset class or the manager appointed has been reviewed and the Trustee has decided to terminate the mandate. Over the year to 30 June 2023, the Trustee has continued to run-down the infrastructure fund managed by Macquarie as the risk return profile of such an investment no longer aligns with the Trustee's investment objectives. No changes were made to the appointed investment managers during the Plan year. The Trustee remains comfortable with the Plan's appointed investment managers.

Stewardship Priorities & Significant Votes

Following the guidance issued by the Department of Work and Pensions ("DWP"), the Trustee considered its "stewardship priorities" and the "significant vote" definition. As outlined earlier, the Scheme invests in multi-client pooled funds and is therefore currently unable to dictate the action of the investment managers, including their engagement activity. However, the Trustee has discussed Stewardship themes and have agreed they would consider the following to be their key stewardship themes/ priorities over the course of the Plan year:

- Climate change & Environmental Impact
- Diversity, Equity & Inclusion;
- Executive Remuneration

The Trustee determined these priorities based on the Trustee Directors' ESG beliefs, taking into account the Principal Employer's strategic priorities on ESG and sustainability matters. These priorities are adopted across both the DB and DC sections of the Plan.

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Given there were no votes over the period, and no votes are expected to be cast in relation to the Plan's investments going forwards, the Trustee have not defined what constitutes a significant vote in respect of the DB Section.

Engagement

Over the period to 30 June 2023, the Plan's assets were invested in a bespoke pooled Liability Driven Investment ("LDI"), multi-client pooled funds, and cash. As the Plan invests in pooled investment vehicles, the Trustee accepts that it has very limited ability to control the extent to which ESG factors are integrated into portfolio management decisions, therefore Trustee activity is focused on oversight.

The Trustee and its advisors engage with the investment manager on ESG issues when they present to the Trustee, and monitor investment manager's engagement. The Trustee has requested details of relevant engagement and ESG integration activity for the year from the Plan's investment manager, a summary is as follows:

Insight Investment Management

Engaging with the UK DMO on the impact rating for green gilt issuance (LDI funds):

- Insight engages regularly with the Debt Management Office (DMO) given Insight's large client base of UK pension schemes, who invest heavily in UK government bonds. This engagement followed a decision by Insight to change the impact bond rating of UK gilts.
- During the engagement, Insight conveyed the change to their rating and shared that the impact bond rating Insight's view of the green gilt framework from a sustainability perspective, and is not a judgement of the financial characteristics of green gilts. In addition, Insight stated that the rating has no direct implications for investment management unless portfolio guidelines or other specific parameters have been set in place.
- Insight also explained the rating change would not affect the ability of Insight to purchase green gilts. However, changes to government policy, question marks over its net-zero target and impact reporting tipped the balance. Insight also conveyed their concern about a

misplaced headline or social media coverage about a relatively minor change and the potential that the UK DMO would be blindsided by the change.

- In response, the DMO highlighted its allocation reporting perhaps mitigated the need for the change in the impact bond rating. However, Insight explained the concerns mostly centered on the impact reporting and government policy, which is somewhat beyond the DMO's control.
- Insight will continue its ongoing engagement with the DMO on a wide range of issues, and will keep engaging on relevant ESG topics.

PIMCO

Engaged with JP Morgan Chase & Co ("JPM") on greenhouse gas emissions, human & labor rights

- JPM is among the global major banks who have set net zero targets. The bank has published some targets on sectoral financed emissions and sustainable finance with improving climate risks disclosure.
- PIMCO has been engaging with the issuer both collaboratively with other investors through the Institutional Investors Group on Climate Change (IIGCC) on climate change and bilaterally on broader ESG topics. Some progress in target setting and assessing client transition progress and positive acknowledgement on methane reduction as part of their engagement with oil and gas sector. However, there remain gaps in their climate ambition (e.g. falling short on using the most ambitious net zero scenarios for target setting, weak link between GHG targets and financing policy, etc). PIMCO encouraged the issuer to consider further alignment between sectoral targets and their financing policy (e.g. setting time-bound expectations for carbon intensive sectors to have a creditable transition plan and/ or Paris-aligned greenhouse gas emissions targets in place), greater transparency in absolute GHG emissions and climate engagement on net zero.
- PIMCO plans to further engage the issuer on their approach to identifying and assessing human right risks across their financing activities, as well as other material ESG topics.

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Mercer

One of the underlying investment managers Legal & General Investment Management (LGIM) engaged with Japanese Companies on Diversity:

- As a longstanding member of the Asian Corporate Governance Association network ('ACGA') Japan Working Group, LGIM engages with Japanese companies, including Toyota Motor Corporation to improve their corporate governance and sustainability practices.
- At Toyota, LGIM has identified their key issues to be: i) capital allocation decisions (cross-shareholdings and insufficient investments in zero-emissions vehicles and related infrastructure, and ii) board independence, diversity and effectiveness.
- LGIM originally started their engagement with Toyota in September 2021, alongside fellow shareholders. The second meeting was held over 2022 to discuss climate change, board composition and capital allocation. LGIM spoke with the Chief Sustainability Officer. Throughout these meetings, which were attended by Toyotas investor relations team and the Chief Sustainability Officer, LGIM expressed their concerns around the company's cross shareholdings, the lack of supervisory function at the board level given the low level of independence.
- In September 2022, LGIM spoke with one of the outside directors on the board and were able to have a candid conversation about how outside directors add value to the board and the quality of board discussions. Given a recent controversy at one of Toyota's group companies (Hino), LGIM will continue to engage with the company on corporate governance issues and push for better practices in terms of corporate governance.