

Statement of Investment Principles

Intel Corporation (UK) Limited Staff Benefit Plan – September 2019

1. Introduction

This Statement sets out the principles governing decisions about investments adopted by the Trustee of the Intel Corporation (UK) Limited Staff Benefit Plan ("the Plan") to meet the requirements of the Pensions Act 1995, as amended by the Pensions Act 2004, and the Occupational Pension Plans (Investment) Regulations 2005 as amended by the Occupational Pension Plans (Charges and Governance) Regulations 2015.

The Plan is a defined contribution pension plan, however, some beneficiaries have a final salary underpin guarantee. In preparing the Statement, the Trustee has consulted the participating employer and obtained and considered written professional advice from Mercer.

The Statement sets out the principles that govern decisions about the investment of the Plan's assets. The Trustee will refer to this Statement when making investment decisions, to ensure that they are consistent with these principles.

The Statement will be reviewed at least annually to ensure that it remains accurate. It will, however, be amended more frequently should any changes be made to the Plan's investment arrangements or in response to material changes in the Plan's membership. It will also be reviewed in the case of significant regulatory changes.

The Trustee's investment powers are set out within the Plan's governing documentation and relevant legislation. The Trustee has ultimate power and responsibility for the Plan's investment arrangements.

The Trustee recognises that it has fiduciary obligations to Plan members and will seek to maintain a good working relationship with the participating employer. In addition to this, the Trustee will discuss any proposed changes to this Statement with the participating employer. However, any fiduciary obligations to Plan members will take precedence over their wishes, should these ever conflict.

2. Background

The Plan is closed to new entrants and new contributions. The membership is comprised entirely of deferred members. A section of the membership is supported by a DB underpin for the provision of benefits at retirement. Their individual account will be topped up to the level of the underpin if the annuity that can be purchased to secure the benefit is less valuable than the benefit from the underpin. The remaining members have DC assets only.

Although the Plan may at times have some pensioners, it is the Trustee's current practice to secure, by means of an annuity in the individual beneficiary's name, each pension when it comes into payment.

Under the rules of the Plan (the "Rules"):

- The Trustee has a wide range of investment powers, but is subject to certain restrictions on them, as specified in the Rules;
- The Trustee must establish in respect of each Member (as defined in the Rules) a series of notional accounts and must maintain a record of all income and losses and other outgoings to the Fund (as defined in the Rules) attributable to each account, the total of all such accounts in relation to a Member being called in the Rules the "Member's Individual Account";
- The Trustee is under no obligation to offer to a member a choice of vehicles for investment of his or her Member's Individual Account;
- For investment purposes, no distinction is made between a Member's additional voluntary contributions and other contributions to the Member's Individual Account.
- Objectives are set by taking into account the two distinct groups of membership.

3. Investment Objectives and Risk

The Trustee has chosen an insurance policy for the Plan's investments - the value of which is linked to performance of underlying unit trusts each having a stated investment strategy.

The Trustee regularly monitors fund performance against the benchmark set for each underlying unit trust.

The remuneration of the managers of each underlying unit trust is calculated as a percentage of the value of the fund under management. That remuneration includes custody, administration and transaction-related costs.

3.1 Investment Objectives

To meet its obligations to the members of the Plan, the Trustee has set the following objectives:

- a. For members with DC assets, to offer members a 'Lifestyle' option and ensure that the investment fund option provides some match for the annuity that is expected to be bought to secure a member's pension on retirement allow members to plan for retirement.
- b. To monitor the funds to ensure they remain appropriate for the members and the funds are performing in line with expectations.
- c. For members who are subject to an underpin, the Trustee has sought to secure these benefits in a separate policy consisting of bulk annuities.

3.2 Risk

The Trustee has considered investment risk from a number of perspectives. These are:

- a. The risk that the investment returns, when combined with sufficient contribution rates over members' working lives, will not keep pace with inflation and do not secure adequate retirement benefits.

The Trustee has provided the investment option, which, during the 'growth phase', has an explicit allocation to assets that are expected to outperform inflation over the long term;

- b. The risk that investment market movements in the period immediately prior to retirement lead to a substantial reduction in the anticipated level of retirement benefits.

Investment risk is measured as the volatility of expected returns. The Trustee offers the investment option which automatically and gradually reduces the level of investment risk that members are exposed to as they approach retirement. The Trustee has incorporated a strategy at retirement that is in line with expectations about how members will take their benefits.

- c. The risk that the investment vehicles in which monies are invested under-perform the expectation of the Trustee.

This risk is measured by considering fund returns relative to their benchmarks and compared to the investment manager's stated outperformance target/expected tracking error. The Trustee monitors the performance of the investment vehicles on a regular basis to ensure funds are meeting expectations. To minimise this risk, at the time of writing, assets are invested in index tracking funds.

- d. The risk that funding members underpin benefits increases due to poor market returns.

- e. The risk associated with funding the annuity policies for those members with underpins has been delegated to Aviva, who is responsible for maintaining the security of those benefits.

3.3 Range of Funds

The Trustee is under no obligation to offer a choice of vehicles for investment of his or her Member's Individual Account.

The Trustee believes that the funds outlined in the chart in 3.5, plus the bulk annuity policy, are appropriate for meeting the risks outlined in 3.2. More details on the objectives of these funds is included in the appendix and in the investment guide. The funds are provided by Legal & General Investment Management ("LGIM") with the bulk annuities being provided by Aviva.

3.4 The Investment Option

In selecting the investment option, the Trustee has been mindful of the nature of this membership and reflects the objectives specifically for members with benefits without any underpins.

The investment option aims to generate positive investment returns and has been designed for members who are expected to use their savings to buy an annuity when they retire as well as taking a tax free cash lump sum, expected to be 25% of their Individual Account.

The objectives of the investment option, and the ways in which the Trustee seeks to achieve these objectives, are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.

If the member is more than ten years away from their expected retirement date, contributions will be invested in the LGIM 30/70 Currency Hedged Global Equity Index Fund which invests primarily in UK and overseas developed equities with the objective of producing a return in line with its benchmark and is expected to exceed inflation over the long term. Approximately 75% of the exposure to overseas currency is hedged back to Sterling.

- To provide a strategy that reduces investment risk, relative to their expected retirement objectives, for members as they approach retirement.

As a member's Individual Account grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a strategy that seeks to reduce investment risk relative to the expected retirement benefit choice as the member approaches retirement is appropriate. The Trustee has included an allocation to a specific "pre-retirement" fund 10 years to retirement to reduce this risk and enable members to purchase an annuity with a portion of their savings at retirement.

- To provide exposure, at retirement, to assets that are broadly appropriate for an individual also planning to use part of their savings in the Plan to take a cash lump sum at retirement.

At four years from their expected retirement, a proportion of members' accumulated savings in the investment option will be automatically and gradually moved to the LGIM Sterling Liquidity Fund, targeting a final allocation of 25% upon retirement. The LGIM Sterling Liquidity Fund aims to provide capital stability, liquidity and diversification while providing a competitive level of return.

The investment option targets the following allocation at retirement:

- 75% LGIM Pre Retirement Fund
- 25% LGIM Sterling Liquidity

For those members that have underpins, the Trustee has secured these benefits by transferring the assets to be invested in a bulk annuity policy, provided by Aviva. The relevant assets will be invested outside of the investment option described above.

The Trustee's policies in relation to the investment option are detailed below:

- The investment option manages investment risks through a diversified strategic asset allocation consisting of traditional assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- In designing the investment option, the Trustee has explicitly considered the trade-off between risk and expected returns. From a qualitative perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the investment option.
- Assets in the investment option are invested in the interests of members and beneficiaries, taking into account the Trustee's understanding of the profile of members. Based on this understanding of the membership, an investment option that targets the purchase of an annuity at retirement is considered appropriate.
- Assets in the 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 also invested mainly on regulated markets (those that are not are kept to prudent levels).
- Members do not have to take their retirement benefits in line with those targeted by the investment option; the target benefits are merely used to determine the investment strategy held pre-retirement and at the point of retirement.

- Assets in the investment option are invested funds where the underlying fund is a long-term insurance contract. Members do not hold any assets directly. The insurance contracts have assets underlying them which generate the returns that are passed on to members who are invested in the funds.
- The selection, retention and realisation of assets within the pooled funds are delegated to the respective underlying fund managers in line with the mandates of the funds.
- Assets invested with Aviva will be managed in a way to secure the benefit commitments to those members and the maintenance of this security will be the responsibility of Aviva. The Trustee has undertaken due diligence prior to the selection of Aviva as the provider and Aviva will be responsible for monitoring this section of assets.

Taking into account the Trustee's understanding of the demographics of the Plan's membership, the Trustee believes that the current investment option is appropriate for those members without underpins and will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic if sooner.

In addition to the investment option, the Trustee has taken advice and has selected the LGIM Over 15 Year Gilts Index fund for any unallocated assets in the Plan.

Aviva will be responsible for the continued suitability of the investments for those members where bulk annuities have been secured.

3.5 Investment Strategy – The Investment Option

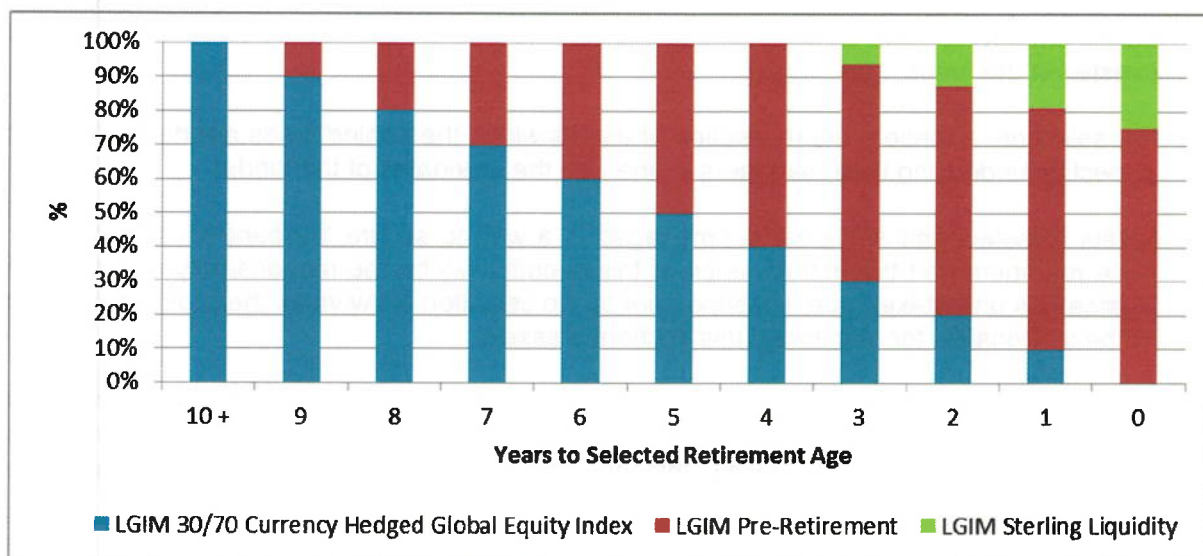
The Trustee makes a single lifestyle strategy available for its members, which targets a final allocation that enables members to take 25% of their savings as cash and use the remaining balance to purchase a level (fixed) annuity.

In the growth phase, the investment option wholly invests in the LGIM Global Equity Market Weights (30:70) Index Fund - 75% GBP Currency Hedged.

Once a member is ten full calendar years from their target retirement age, their assets will gradually be moved to the LGIM Pre-Retirement fund.

Once a member is four full calendar years from their target retirement age, part of their assets will gradually be moved to the LGIM Sterling Liquidity fund.

10 Year Lifestyle Option



Aviva will be responsible for the continued suitability of the investments for those members where bulk annuities have been secured. It is expected that the policy will be invested in a range of bond/bond type assets.

4. Day to Day Management of the Assets

4.1 Assets

The Trustee has contracted with LGIM and Aviva to provide access to the investment fund options. LGIM and Aviva are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority.

4.2 Spread and Suitability of Investments

The Trustee is satisfied that the spread of assets by type and LGIM's policies on investing in individual securities within each type provide adequate diversification of investments.

As the assets of the Plan are invested in pooled fund vehicles, the investment restrictions applying to these funds are controlled by LGIM.

4.3 Socially Responsible Investment, Environmental, Social and Corporate Governance

The Trustee recognises that Socially Responsible Investment, Environmental, Social and Corporate Governance (ESG) considerations are among the factors which LGIM should take into account, where relevant, when selecting investments for purchase, retention or sale.

LGIM has been delegated through the contract to act accordingly, and the Trustee accepts that the assets are subject to the policies of the managers of the underlying funds on these matters.

The Trustee believes that these 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 – which in turn may have a positive impact on member outcomes.

However, the Plan is in the process of winding up and the assets of the Plan will soon be discharged to another policy. The Trustee will not be making further investment decisions for the members and will not be able to reflect any views in this area as part of the investment decision making process. For these purposes, the Trustee considers that the financial and non-financial considerations of the impact of ESG factors are not relevant for the Plan, over and above the factors in relation to LGIM stated above.

4.4 Exercise of Voting Rights


The Trustee, through their contract with LGIM, has delegated the exercise of voting rights to the managers of the underlying funds on the basis that they will exercise them so as to preserve and enhance long term shareholder value. LGIM has written guidelines of their process and practice in this regard.

4.5 Buying and Selling Investments

LGIM has responsibility for buying and selling the underlying assets. The day to day activities reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

5. Compliance with this Statement

- The Trustee will review this Statement every Plan Year and will record compliance with it at the relevant Trustee's meeting. The Trustee will monitor the arrangement to ensure that the service continues to meet the Plan's needs and objectives.
- The Provider will provide full information in respect of transactions in units in the underlying funds and valuations of the units held by the Plan from time to time as required by the Trustee.
- Mercer will provide the advice needed to allow the Trustee to review and update this Statement annually (or more frequently if required).


_____

For and on behalf of the Trustee of the Plan

Appendix

Fund Options and Objectives

Passively Managed Funds

Underlying Fund name	Fund aim	TER (% p.a.)
Global Equity Market Weights (30:70) Index Fund - 75% GBP Currency Hedged	To provide diversified exposure to UK and overseas equity markets while reducing foreign currency exposure of 75% of the overseas assets. A 30/70 distribution between UK and overseas assets is maintained with the overseas allocation mirroring that of the FTSE All World (ex-UK) Index.	0.200
LGIM Pre-Retirement	To provide diversified exposure to assets that reflect the investments underlying a typical traditional level annuity product.	0.150
LGIM Sterling Liquidity	The Liquidity Fund invests predominantly in the Sterling Liquidity Fund (SLF) whose objective is to provide capital stability, liquidity and diversification while providing a competitive level of return.	0.125
LGIM Over 15 Year Gilts Index	To track the performance of the FTSE A Government (Over 15 Year) Index to within +/-0.25% p.a. for two years out of three.	0.100

*The total charges include the Annual Management Charge (AMC) and other expenses associated with the running and management of the fund (which will vary slightly from time to time). The charges are stated as at February 2018

Expected Return Assumptions

This table shows proposed return assumptions Mercer recommend using in Statutory Money Purchase Illustrations. This is based on Technical Memorandum 1 (TM1) guidance from the Financial Reporting Council and is subject to annual review. These are only to be used as a guide with no guarantees.

Fund Type	Investment Return Assumption before expense deductions at 6 April 2017 (% p.a.)
Gilts and cash	1.5%
Equity	5.5%