

# Mizuho International plc Retirement Benefits Scheme

## Statement of Investment Principles – May 2022

### Introduction

The Trustees of the Mizuho International plc Retirement Benefits Scheme (“the Scheme”) have drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and 2019. The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments. In preparing this Statement the Trustees have consulted Mizuho International plc (“the Employer”) on the Trustees’ investment principles.

### Governance

The Trustees make all major strategic decisions including, but not limited to, the Scheme’s asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives
- Agree the level of risk consistent with meeting the objectives
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed

When making such decisions, and when appropriate, the Trustees take proper advice. The Trustees’ investment consultants, Capita Pension Solutions Limited (“Capita”), are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience to provide such advice.

### Investment Objectives

The Trustees are required to invest the Scheme’s assets in the best interest of members, and their main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Scheme’s assets which is consistent with the assumptions made by the Scheme Actuary in determining the funding of the Scheme;
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due; and
- To consider the interests of the Employer in relation to the size and volatility of the Employer’s contribution requirements.

The Trustees understand, following discussions with the Employer, that it is willing to accept a degree of volatility in the company’s contribution requirements in order to reduce the long-term cost of the Scheme’s benefits.

## Risk Management and Measurement

The Trustees are aware of and pay close attention to a range of risks inherent in investing the assets of the Scheme. The Trustees believe that the investment strategy provides for adequate diversification both within and across different asset classes. The Trustees further believe that the current investment strategy is appropriate given the Scheme's liability profile. The Trustees' policy on risk management is as follows:

- The primary investment risk faced by the Scheme arises as a result of a mismatch between the Scheme's assets and its liabilities. This is therefore the Trustees' principal focus in setting investment strategy, taking into account the nature and duration of the Scheme's liabilities.
- The Trustees recognise that whilst increasing risk increases 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 Trustees have taken advice on the matter and (in light of the objectives noted previously) considered the implications of adopting different levels of risk.
- The Trustees recognise the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustees aim to ensure the asset allocation strategy in place results in an adequately diversified portfolio. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.
- The documents governing the manager's appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.
- The Trustees recognise that, where appropriate, the use of active management involves a risk that the assets do not achieve the expected return. However, they believe this risk is outweighed by the potential gains from successful active management, in particular in regions or asset classes where this potential is greater than others. Therefore, the Scheme's assets are managed through a mixture of active and passive management which may be adjusted from time to time.
- The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether the current risk profile remains appropriate.

### Partial Buy-In

The Trustees purchased a bulk annuity contract from JUST in August 2021 to cover all pensioner liabilities as at that date.

### Investment Strategy

Given their investment objectives the Trustees have agreed to the asset allocation for the residual invested assets (i.e. excluding the bulk annuity) detailed in the table below. The Trustees believe that the investment risk arising from the investment strategy is consistent with the overall level of risk being targeted.

Asset Class	Strategic Asset Allocation (%)
Diversified Growth Funds	35.0
<b>Growth Assets:</b>	<b>35.0</b>
UK Corporate Bonds	16.0
UK Fixed Interest Gilts	49.0
UK index-linked Gilts	
Liability Driven Investment (LDI)	
Sterling Liquidity Fund	
<b>Matching Assets:</b>	<b>65.0</b>
<b>Total:</b>	<b>100.0</b>

The Trustees have set a hedge ratio target for interest rate and inflation risks of 100% of the residual liabilities not covered by the bulk annuity purchase, on a gilts flat Solvency basis set by Cartwright. The matching assets (including corporate bonds) will aim to provide the target level of hedging, using the Sterling Liquidity Fund as a balancing item to sit alongside the leveraged LDI funds as collateral.

Any cash flow investments or disinvestments are to be used to move the Scheme towards its Strategic Asset Allocation. The Trustees will regularly monitor the actual asset allocation and may decide to change this cash flow policy, subject to receiving the necessary advice from their Investment Consultant.

The Trustees will monitor the Scheme's actual asset allocation at least quarterly and will decide on a course of action. This may involve redirecting cash flows, a switch of assets, or taking no action. The Trustees will take into account advice from the investment consultant prior to making any decision. Further details on investment funds and control ranges can be found in the Appendix.

### Expected Return

The Trustees expect the return on assets to be consistent with the investment objectives and investment strategy outlined above.

The Trustees expect to generate a return, over the long term, of circa 1.2% per annum, net of expenses, above a portfolio of long-dated UK Government bonds – which are considered to change in value in a similar way to the Scheme's liability value. This return is a "best estimate" of future returns that has been arrived at given the Scheme's longer term asset allocation and in the light of advice from the Investment Consultant.

The Trustees recognise that over the short term performance may deviate significantly from this long term expectation. This "best estimate" will also generally be higher than the estimate used for the actuarial valuation

of the Scheme's liabilities. For this purpose a more prudent estimate of returns will generally be used, as agreed by the Trustees on the basis of advice from the Scheme Actuary.

### **Platform Provider**

The Trustees have appointed Legal & General Investment Management ("the Platform Provider") to manage all of the assets of the Scheme, excluding the bulk annuity with JUST. The Platform Provider is regulated under the Financial Services and Markets Act 2000. All decisions about the day-to-day management of the assets have been delegated to the Platform Provider via a written agreement, including the realisation of investments.

### **Investment Mandates**

The Trustees have selected Legal & General Investment Management Limited ("LGIM"), Schroder Investment Management Limited ("Schroder") and Insight Investment Management (Global) Limited ("Insight") as the appointed Investment Managers ("the Investment Managers") to manage the assets of the Scheme via a single policy with the Platform Provider. The Investment Managers are themselves regulated under the Financial Services and Markets Act 2000.

The Trustees have rolling contracts with their Investment Managers.

The Trustees monitor the performance of their Investment Managers on a quarterly basis. This monitoring is contained in a report provided by their investment consultants.

The Trustees have set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

### **Investment Manager Remuneration**

The Trustees monitor the remuneration, including incentives, that is paid to their Investment Managers and how they reward their key staff who manage client funds, along with how the pay and incentives motivate employees who manage client funds.

As part of the monitoring that the Trustees carry out on a regular basis, they should ensure that this policy is in line with their investment strategy.

### **Investment Manager Philosophy and Engagement**

The Trustees monitor the Investment Managers' process for assessing the businesses they invest in, and whether business performance over the medium to long-term involves a holistic look beyond purely accountancy measures. The Trustees consider if the Investment Managers are incentivised to make decisions on a short-term basis or on a medium to long-term basis and whether this coincides with the business assessments. The Trustees are conscious of whether the Investment Managers are incentivised by the agreement with the Trustees to engage with the investee business and to what extent any engagement focuses on improving medium to long-term performance.

### **Investment Manager Portfolio Costs**

The Trustees will monitor costs of buying, selling, lending and borrowing investments and they will look to monitor the costs breakdown annually, as long as the Investment Managers provide these costs using the

Cost Transparency Initiative template. They will also ensure that, where appropriate, their Investment Managers monitor the frequency of transactions and portfolio turnover. If there are any targets then they will monitor compliance with these targets.

### **Financially material considerations over the Scheme's time horizon**

The Trustees believe that their main duty, reflected in their investment objectives, is to protect the financial interests of the Scheme's members. The Trustees believe that ESG considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustees form a view of the length of time that they consider is needed for the funding of future benefits by the investments of the scheme. The Trustees recognise that this is a DB scheme closed to new entrants with an ageing membership.

The Trustees have elected to invest in pooled funds and cannot, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest. However, the Trustees will consider these policies in all future selections and will seek to deepen their understanding of their existing managers' policies by reviewing these at least annually. In cases where they are dissatisfied with a manager's approach they will take this into account when reviewing them. They are also keen that all their managers are signatories of the UN Principles of Responsible Investment, which is currently the case.

The Trustees believe that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustees are keen that their managers can explain when, and by what practical methods, the managers monitor and engage with relevant persons about relevant matters in this area. They will be liaising with their managers (including their passive managers) to obtain details of the voting behaviour (including the most significant votes cast on the Trustees' behalf). The Trustees are also keen that their managers are signatories of the UK Stewardship Code. This is currently the case.

The Trustees are aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with their investment managers. To that end they dedicate time regularly to the discussion of this topic and intend to review and renew their approach periodically with the help of their investment consultants, where required. Consequently, the Trustees expect the Plan's Investment Managers to have effective ESG policies (including the application of voting rights) in place and look to discuss the investment managers' ESG policies with them when the managers attend Trustee meetings.

The Trustees will monitor the voting being carried out by their Investment Managers and custodians on their behalf. They will do this by receiving reports from their Investment Managers which should include details of any significant votes cast and proxy services that have been used.

Non-financial matters, including members' views are currently not taken into account.

## Employer-Related Investments

The Trustees' policy is not to hold any direct employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

## Fee Structures

The Platform Provider is paid a management fee on the basis of assets under management which includes the underlying investment manager's management fees. The investment consultant is paid on a fixed fee basis for providing 'core services'. The Trustees can also request that Capita undertake 'out-of-scope' projects, which may be undertaken on a fixed fee or time-cost basis - as negotiated between the Trustees and Capita.

## Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice from someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

*Andrew Cheseldine*

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Trustee

*20 May 2022*

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Date

**Signed on behalf of the Trustees of the Mizuho International plc Retirement Benefits Scheme**

## Appendix – Investment Mandates

The Trustees have appointed the Investment Managers to manage the assets of the Scheme via the LGIM Investment Platform. The Investment Managers are regulated under the Financial Services and Markets Act 2000. Their mandates are set out below:

Asset Class	Investment Manager	Fund Name	Active / Passive Management	Strategic Allocation %
<b>Return-seeking Asset Types</b>				<b>35.0</b>
Diversified Growth Funds	Schroder	Intermediated Diversified Growth	Active	17.5
	Insight	Broad Opportunities Fund	Active	17.5
<b>Total Matching Assets</b>				<b>65.0</b>
UK Corporate Bonds	LGIM	Active Corporate Bond – Over 10 Year – Fund	Active	16.0
UK Fixed Interest Gilts	LGIM	All Stocks Gilt Index Fund	Passive	59.0
	LGIM	Over 15 Year Gilt Index Fund	Passive	
UK Index-Linked Gilts	LGIM	Over 5 Year Index–Linked Gilt Index Fund	Passive	
Liability Driven Investment (LDI)	LGIM	LDI Matching Core Long Fixed Fund	Passive	
	Insight	LDI Enhanced Selection Longer Real	Passive	
Sterling Liquidity Fund	LGIM	Sterling Liquidity Fund	Passive	

The Trustees have set a hedge ratio target of 100% of the residual liabilities not covered by the bulk annuity purchase, on a gilts flat Solvency basis set by Cartwright.