Draft Statement of Investment Principles (‘SoIP’)

This is the Statement of Investment Principles (the “Statement”) made by the Trustee of the Mizuho Bank London Final Salary Scheme (“the Scheme”) in accordance with the Pensions Act 1995 (as amended) and The Occupational Pension Schemes (Investment) Regulations 2005 (as amended). It is subject to periodic review by the Trustee at least every three years and without delay after any significant change in investment policy.

In preparing this Statement, the Trustee has consulted with the employer to the Scheme (Mizuho Bank Ltd) and has taken and considered written advice from the Investment Practice of Hymans Robertson LLP.

Scheme objective

The primary objective of the DB section of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis as and when they fall due. The investment objective of the Trustee is to maximise the rate of return earned on the Scheme’s assets (subject to an acceptable level of risk taking into account the employer covenant) while having regard to the primary objective.

The Trustee’s over-riding funding principles for the Scheme are to set the employer contribution at a level which is sufficient:

- to recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and
- to ensure that there are always sufficient assets of the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

The funding position is monitored regularly by the Trustee and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

Investment strategy

The Trustee has translated its objectives into a suitable strategic (asset allocation) benchmark for the Scheme. The strategic benchmark is consistent with the Trustee’s view on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk.

The strategic benchmark is reflected in the choice and mix of funds in which the Scheme invests. The investment strategy takes account of the maturity profile of the Scheme (in terms of the relative proportions of liabilities in respect of pensioners and non-pensioners), together with the level of disclosed surplus or deficit (relative to the funding bases used) and the Trustee’s view of the covenant of the principal employer.

The Scheme's strategic benchmark is outlined below:

Asset Class	Target Allocation
Global Equity	60.0%
Multi-asset (real return)	20.0%
Investment grade credit	10.0%
Index-linked gilts	10.0%
Total	**100.0%**

The Trustee monitors strategy relative to its agreed asset allocation benchmark. It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Scheme and will normally be reviewed annually. Written advice is received as required from professional advisers.

Implementation of investment strategy

Choosing investments

The Trustee has appointed the investment managers BlackRock and BNY Mellon to manage the Scheme's investments. Both investment managers are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Scheme's assets are invested on a pooled fund basis across active and passive managers. The objective of passive investment management is to match the performance of the underlying index. Active managers have the discretion to purchase securities with the objective of outperforming an investment benchmark. The Trustee is satisfied that the pooled funds selected are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

Kinds of investment to be held

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds.

The Scheme may also make use of contracts of insurance, derivatives and contracts for difference (or in pooled funds investing in these products) for the purpose of efficient portfolio management or to hedge specific risks. The Trustee considers all of these classes of investment to be suitable in the circumstances of the Scheme.

Expected return on investments

The investment strategy aims to achieve a return on Scheme assets, which taken in conjunction with, contributions is sufficient over time to match growth in the Scheme's pension liabilities.

Realisation of investments

The majority of the Scheme's investments may be realised quickly if required.

Manager engagement

The Trustee has appointed each of its investment managers to deliver a specific benchmark, which overall will align to deliver the broader Scheme investment strategy. The Trustee ensures that all manager engagements have clearly defined benchmarks, objectives and management parameters.

Where appropriate, and where commercial considerations permit, the terms of the mandate and the basis on which the manager is engaged will be defined specifically for the Scheme. Where such tailoring is not directly achievable, the Trustee will invest in pooled funds where the objectives of the fund and the policies of the investment manager will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Scheme.

The Trustee reviews the performance of each of its managers and mandates on a regular basis against a series of metrics, including financial performance against the benchmark and objectives of the mandate. Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed. The Trustee draws input from their investment adviser to support any such review of and engagement with its investment managers. Where necessary, the Trustee will highlight any areas of concern identified during such reviews to the manager as part of its engagement process.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustee may agree to a fee structure where the manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. The Trustee periodically reviews the fees paid to all of its managers against industry standards.

The Trustee recognises the long term nature of its liability profile and appoints its managers to invest in such a way that generates long term sustainable returns. The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the Scheme objective.

The duration of each mandate is determined by the Trustee at the inception of each mandate. For open-ended investments, the Trustee generally engages managers on an ongoing basis with no pre-determined term of appointment. For such mandates, the Trustee expects the minimum duration of the appointment will be three years, this being the period over which performance of the mandate can be appropriately evaluated although all mandates are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy. For close-ended investments, the Trustee expects the term of the appointment to be the lifetime of the investment.

The Trustee has expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustee's knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee expects managers to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period. The Trustee will challenge its managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive. The Trustee will request turnover costs incurred by the asset managers over the Scheme reporting year.

A summary of the Scheme's investment mandates, and the respective benchmarks is included in the appendix.

Balance between different kinds of investments

The Scheme's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks or return targets. Within each major market each manager will maintain a diversified portfolio of stocks.

The manager of the passive funds in which the Scheme invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

Risk

The Trustee recognises and monitors a number of risks involved in the investment of assets of the Scheme. These risks, and how they are measured and managed, include:

- **Funding and asset/liability mismatch risk**. The risk that the funding level is adversely affected due to a mismatch between the assets and liabilities.
  - The asset allocation benchmark has been determined with specific reference to the Scheme's liabilities and this is reviewed formally at least once every three years.
  - The Trustee monitors the Scheme's asset allocation on an ongoing basis. This serves to control the risk that the returns could deviate too far from the return on the chosen benchmark.
  - This risk is also monitored through regular actuarial and investment reviews.
- **Underperformance Risk**. The risk of underperforming the benchmarks and objectives set by the Trustee. This risk is minimised using the following techniques:
  - Appropriate diversification across asset classes within sectors and between individual stocks to minimise the effect of a particular stock or sector performing badly.
  - The use of passive management for asset classes where the downside risk of active management is considered too high.
  - Regular monitoring of the managers' performance, processes and capabilities with respect to their mandate.
  - The Trustee does not expect managers to take excessive short term risk.
- **Systemic Risk.** The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Scheme's liabilities. Climate change is a particular systemic risk that has the potential to cause economic, financial and demographic impacts. The Trustee seeks to mitigate systemic risks through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.
- **Country Risk**. The risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across several countries. This is monitored by ensuring that the Scheme is not overexposed to a particular country. The Trustee also mitigates the risk associated with exchange rate movements through its investments in pooled currency hedged funds.
- **Concentration risk**. The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives. This is mitigated by ensuring investment in a diversified portfolio of assets thereby avoiding concentration of assets in one particular stock or sector.
- **Credit/Default Risk.** The possibility of loss arising from a borrowers failure to meet contractual obligations under the terms of a loan or to repay a loan. This is addressed through the imposition of restrictions on the Managers through the Investment Management Agreements or Fund Offering Documents.
- **Organisational Risk**. This is addressed through regular monitoring of the investment managers and Trustee's advisors.

- **Sponsor Risk**. This is the risk of the Employer ceasing to exist or having insufficient resources to meet the agreed recovery plan, which for reasons of prudence, the Trustee has taken into account when setting the asset allocation strategy.
- **Liquidity Risk**. The risk that the Scheme cannot meet its immediate liabilities because it has insufficient liquid assets. The Trustee manages this risk by investing the majority of the assets in asset classes which are realisable with sufficient notice to meet the Scheme's cash flow requirements.
- **Demographic Risk.** The Trustee keeps under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation.
- **Transition Risk**. This is the risk of paying unnecessary costs or being at increased risk of adverse market movements when transitioning assets from one manager or asset class to another. This risk is mitigated by organising transitions in a structured fashion with the advice of the Advisors or by using a specialist transition manager if appropriate.
- **Environmental, Social and Governance (ESG) risks**. The extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations. The Trustee's approach to the consideration of ESG risks are set out in further detail below.
- **Climate risk**. The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy. The Trustee's approach to consideration of climate risk is set out in further detail below.

Consideration of financially material factors in investment arrangements

The Trustee recognises that the consideration of financially material factors over the appropriate time horizon of the investments, including ESG factors, is relevant at different stages of the investment process. The Trustee further recognises that the financial materiality of any factor, including ESG factors, is context specific and that whilst some factors may be relevant to certain stocks/assets, they may not be relevant to others.

The Trustee will consider such factors in the development and implementation of their investment arrangements, for the purposes of determining the selection, retention and realisation of investments, where there is sufficient data or evidence to allow them to systematically do so. Where there is not sufficient data or evidence, they will require that their investment managers take such considerations into account within their decision making.

Strategic considerations

The strategic benchmark has been determined using appropriate long-term economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

Given the inherent uncertainty, the Trustee has not made explicit allowance for the risks of climate change in setting the strategic benchmark.

Structural considerations

Given the discretion afforded to the active Investment Managers, the Trustee expects that the Investment Managers will take account of all financially material factors including the potential impact of ESG factors in the implementation of their mandate.

Selecting investment managers

The Trustee expects its investment managers to take all financially material factors into account in implementing the Trustee's strategy where relevant and the terms of the mandate permit.

- In passive mandates, the Trustee recognises that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the market and believe this approach is in line with the basis on which its current strategy has been set. The Trustee will review the appropriateness of index benchmarks at least every three years.
- In active mandates, the Trustee recognises that the manager has freedom to exercise discretion as to the choice of assets held. The Trustee expects the manager to take into account all financially material factors in the selection of assets within their portfolios and to be able to demonstrate their approach when challenged.

In selecting new investment managers for the Scheme, where relevant to the investment mandate, the Trustee explicitly considers potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.

Consideration of non-financially material factors in investment arrangements

Given the objectives of the Scheme, the Trustee has not considered any non-financially material factors in the development and implementation of their investment strategy.

Stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies.

Voting and engagement

The Trustee has adopted a policy of delegating voting decisions on stocks to their Investment Managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The Investment Managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where relevant, the Trustee has reviewed the voting policies of their Investment Managers and determined that these policies are appropriate. Where appropriate, the Trustee will engage with and may seek further information from their Investment Managers on how portfolios may be affected by a particular issue.

The Trustee does not engage directly but believes it is sometimes appropriate for its investment managers to engage with key stakeholders which may including corporate management, regulators and governance bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate behaviours, improve performance and mitigate financial risks. Where necessary, investment managers are expected to notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement. The Trustee will review engagement activity undertaken by their investment managers as part of its broader monitoring activity.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are responsible for investing in new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee separately considers any conflicts of interest arising in the management of the Scheme and its investments and has ensured that each manager has an appropriate conflicts of interest policy in place.

Monitoring

Investment Managers report on voting activity to the Trustee on a periodic basis. The Trustee will monitor Investment Managers voting activity and may periodically review managers voting patterns. The Trustee may also monitor Investment Managers’ voting on particular companies or issues affecting more than one company.

The Trustee aims to meet with the Scheme’s investment managers periodically. The Trustee provides their managers with an agenda for discussion, including issues relating to individual holdings and, where appropriate, ESG issues. Managers are challenged both directly by the Trustee and by their investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

Additional Voluntary Contributions (AVCs)

Members’ AVCs are invested either in one or more of the DC section funds (having transferred them from a number of legacy contracts) or in a number of retained legacy contracts. The Trustee will obtain written advice on these contracts from time to time to check they remain appropriate investments.

Dinesh Visavadia – ITS Director

Signed For and on Behalf of the Trustee of the Mizuho Bank London Final Salary Scheme

Appendix – Summary of Investment Mandates

Asset Class	Benchmark	Target Allocation
BlackRock Aquila Life (60:40) Global Equity Index Fund	Aquila Life (60:40) Global Equity Benchmark	40.0%
BlackRock Aquila Life Currency Hedged Overseas Equity Fund	Aquila Life Currency Hedged Overseas Equity Benchmark	12.0%
BlackRock Aquila Life Overseas Fixed Equity Fund	Aquila Life Overseas Fixed Equity Benchmark	8.0%
Newton Real Return Fund	1-Month Libor+4% p.a. gross over 3 years	20.0%
BlackRock Over 15 Year Corporate Bond Fund	iBoxx Sterling Non-Gilts 15+ years Index	10.0%
BlackRock Over 5 Year UK Index Linked Gilt Fund	FTSE Actuaries UK Index Linked Gilts over 5 Years Index	10.0%